



AZRIELIGROUP

# AZRIELI GROUP LTD.

Quarterly Report Q1/2024

Dated 31 March 2024

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SOON  
2027





# AZRIELI GROUP LTD.

Quarterly Report Q1/2024

Dated 31 March 2024

**Part A** | Board Report

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

**Part C** | Consolidated Financial Statements  
Dated 31 March 2024

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



# PART A

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## Board Report

## 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 Sarna 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 and England. In addition, the Company is developing the Mount Zion Hotel in Jerusalem, and the Red Rock hotel in Eilat.

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.

Also, as of the report date, the company 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 34%. 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 6.6 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 53.8 billion**

Shareholders Equity  
**NIS 22.8 billion**

**98% occupancy rate\***  
on average in Israel

### 22 MALLS

365 thousand sqm | 99% Occupancy\*



### 16 OFFICE BUILDINGS

643 thousand sqm | 98% Occupancy\*



### 4 SENIOR HOMES

115 thousand sqm | 96% Occupancy\*



### 8 OFFICE BUILDINGS OVERSEAS

245 thousand sqm | 66% Occupancy



### DATA CENTERS COMPANY OVERSEAS



**Green Mountain**

\*\*\*

**100%**

### 3 RESIDENTIAL FOR RENT PROPERTIES

34 thousand sqm | 97% Occupancy\*



### DEVELOPMENT PIPELINE – 10 PROJECTS

650 thousand sqm |



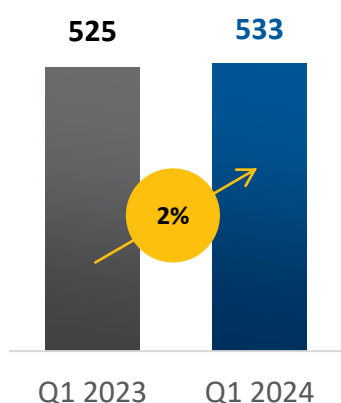
\* Net of properties under lease-up for the first time.  
\*\* GLA (gross leasable area) is based on the Company's share.



## PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR THE REPORT PERIOD

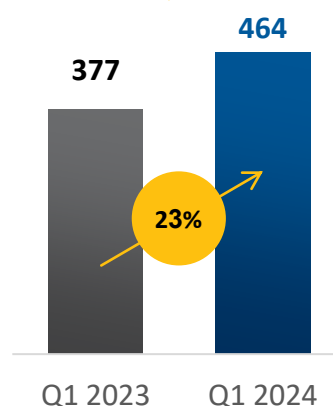
Increase of approx. 2% in Q1 2024 NOI to NIS 533 million compared with NIS 525 million in Q1 2023

### NOI



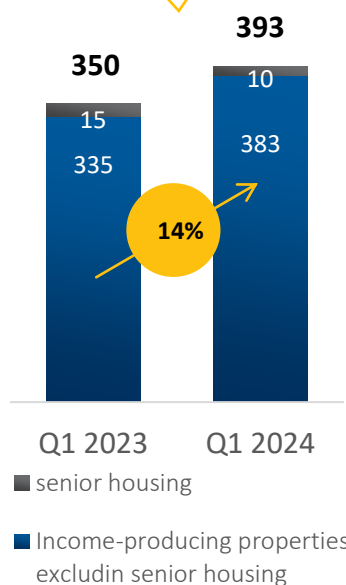
increase of 23% in net profit totaled NOI 464 in the report period compared with NIS 337 million in the same period last year

### Net Profit



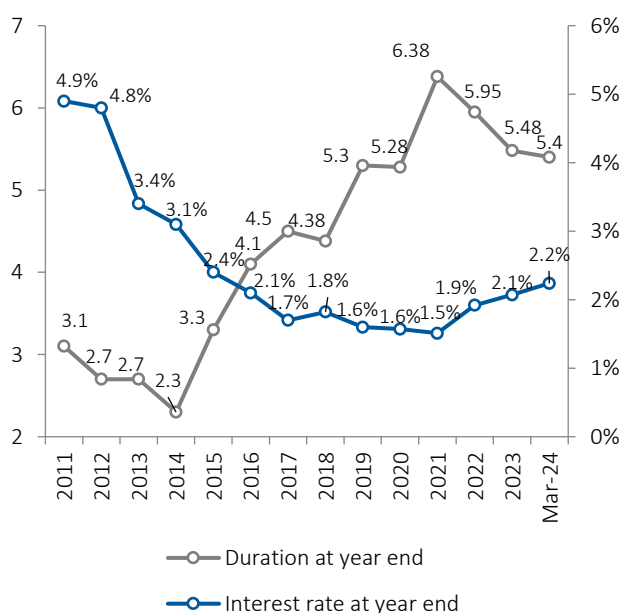
Increase of approx. 14% in Q1 2024 FFO excluding senior housing to NIS 38.3 million compared with NIS 33.5 million in Q1 2023

**FFO from income-producing real estate business**



Average debt duration extended while reducing the interest rate

### Average interest vs. average duration



\*According to the ISA, the FFO is NIS 319 million compared with NIS 181 million in Q1 2023

**In May 2024, the Company distributed a NIS 1,000 million dividend**

*This is a translation of Azrieli Group's Hebrew-language Board of Directors' Report as of 31 March 2024. It is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in any event of discrepancy, the Hebrew version shall prevail.*

## 1 | THE BOARD OF DIRECTORS' EXPLANATIONS ON THE STATE OF THE CORPORATION'S BUSINESS

### 1.1. General

The board of directors of Azrieli Group Ltd. (the **"Company"**; the Company jointly with all corporations directly and/or indirectly held thereby shall be referred to as the **"Group"** or the **"Azrieli Group"**) hereby respectfully submits the board of directors' report for the three months ended 31 March 2024 (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 2023, 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<sup>1</sup> (the **"2023 Periodic Report"**), the update to the Corporation's Business chapter and the financial statements as of 31 March 2024.

Unless otherwise stated herein, the terms defined in Chapter A of the 2023 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 31 March 2024<sup>2</sup>. 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 31 March 2024 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.**

<sup>1</sup> See the Company's report of 21 March 2024 (Ref. 2024-01-029448), which is included herein by reference.

<sup>2</sup> 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 31 March 2024.

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

### 1.2.1. Summary of Reported Operating Segments for the Three Months Ended 31 March 2024

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.), the data center segment and the rental housing in Israel segment. The Company is also developing several hotels. The Company additionally has minority interest holdings in Bank Leumi Le-Israel Ltd. ("**Bank Leumi**").

The Group's primary growth driver is the development of income-producing real estate projects: malls, offices, senior housing, data centers and rental housing in Israel. As of the report date, the Company has 10 projects at various development stages in Israel, the planned area of which is approx. 650 thousand sqm, as well as land for development. It is noted in this context that on 21 March 2024, the Lot 21 project in Modi'in was issued a finishing certificate, and after the report date, the Company began the process of occupancy of the retail floors and the office and residential towers in the project.

Below is a brief description of the Group's six reported operating segments, as well as additional operations ("**Others**"):

1. **Retail centers and malls in Israel** – The Group has 22 malls and retail centers in Israel.

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2. **Leasable office and other space in Israel** – The Group has 16 income-producing office properties in Israel.

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

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

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5. **Data centers** – The Company owns (indirectly) 100% of the issued and paid-up share capital of GM which operates in Norway and Germany, as well as the entire share capital (100%) of a company operating in the data center industry in England.

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6. **Rental housing in Israel** – The Group has 3 income-producing projects in the rental housing in Israel segment.

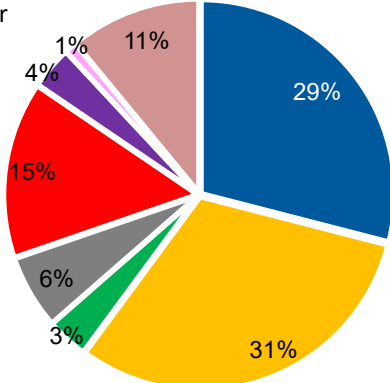
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**Additional operations** – As of the Report Release Date, the Group is developing several hotels and also holds approx. 2.3% of Bank Leumi shares.

### 1.2.2. Breakdown of Asset Value by Operating Segment

Below is a breakdown of the total balance sheet assets by operating segment:<sup>3</sup>

#### Breakdown of Total Balance Sheet Assets by Operating Segments

Comparison of Segment Assets			Percentage of Segment Assets out of Total Assets	
As of	31 March 2024	31 December 2023	31.03.2024	
Retail centers and malls in Israel	15,606	15,523	 <ul style="list-style-type: none"> <li>■ Retail centers and malls in Israel</li> <li>■ Leasable office and other space in Israel</li> <li>■ Income-producing properties in the U.S.</li> <li>■ Senior housing</li> <li>■ Data centers</li> <li>■ Rental housing in Israel</li> <li>■ Hotels</li> <li>■ Others and adjustments</li> </ul>	
Leasable office and other space in Israel	16,729	16,625		
Income-producing properties in the U.S.	1,859	1,821		
Senior housing	3,313	3,287		
Data centers	7,942	7,395		
Rental housing in Israel	1,914	1,887		
Hospitality	531	525		
Others and adjustments	5,894	7,009		
<b>Total</b>	<b>53,788</b>	<b>54,072</b>		

Figures are presented in millions of NIS.

The Company's assets in the leasable office and other space segment constitute approx. 31% of the total balance sheet assets, the assets of the retail centers and malls segment constitute approx. 29% of the total balance sheet assets. The remaining income-producing real estate segments, in the aggregate, constitute approximately some 28% of the total balance sheet assets.

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

#### 1.2.3.1. Development pipeline

During the Report Period, the Group continued to invest in the development and construction of new properties as well as in expansion and renovation of existing properties. For details on developments in the Group's development pipeline during the Report Period, see Section 4.1 below.

#### 1.2.3.2. Changes in the office of senior officers of the Company

On 16 January 2024, Ms. Irit Sekler-Pilosof was appointed as a director of the Company. For further details see the immediate report of 16 January 2024 (Ref. 2024-01-007008), which is included herein by reference.

On 16 January 2024, Mr. Nechemia (Chemi) Peres was appointed as an independent director of the Company. For further details see the immediate report of 16 January 2024, as well as the supplemental immediate report of 22 January 2024 (Refs. 2024-01-007005 and 2024-01-008901, respectively), which are included herein by reference.

On 2 May 2024, the Company's general meeting approved the appointment of Mr. Peres and Ms. Sekler-Pilosof 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 2 May 2024 (Ref. 2024-01-046821), which is included herein by reference.

On 31 March 2024, Mr. Ofer Yarom stepped down from his position at the Company, and in May 2024, Mr. Daniel Koren assumed the office of VP Marketing and Digital at the Company.

For further details regarding senior officers of the corporation, see the details in Sections 26 and 26A of Chapter D of the 2023

<sup>3</sup> In its financial statements, the Company applied IFRS 8 – Operating Segments.



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#### 1.2.3.3. Swords of Iron War

For further details in connection with the war's impact on the Company's operations, see Section 2.2 below.

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#### 1.2.4. Dividends distributed by the Company

	Date of Approval	Date of Payment	Total Dividend
<b>Azrieli Group</b>	20 March 2024	9 May 2024	NIS 1,000 million <sup>4</sup>

On 20 March 2024, the Company's board of directors resolved to approve a dividend distribution of NIS 1,000 million. For further details see the Company's immediate report of 21 March 2024 (Ref. 2024-01-024889), 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
<b>Bank Leumi</b>	18 March 2024	11 April 2024	Approx. NIS 365 million	Approx. NIS 8.3 million

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<sup>4</sup> As of 31 March 2024, the Company has distributable retained earnings in the sum of approx. NIS 20.1 billion (which balance also includes real estate revaluation profits).

## 2.1. Business Environment

The business environment in which the Company operates is described in Section 6 of Chapter A of the 2023 Periodic Report, which is included herein by reference. It is noted that the macroeconomic forecast prepared by the Research Department of the Bank of Israel in April 2024 analyzes the principal macroeconomic variables (GDP, inflation and interest rate) under the following assumptions: (a) The direct economic impact of the Swords of Iron War (the “War”) reached its highest point in Q4/2023; (b) The War will endure until the end of 2024, gradually decreasing in intensity and mostly remaining in the South; (c) 2025 will not be directly affected by the armed conflict. Based on the aforesaid assumptions, GDP is expected to increase in 2024 and 2025 by 2% and 5% (respectively), the inflation rate expected in 2024 and 2025 is 2.7% and 2.3% (respectively) and the monetary interest rate in Q1/2025 is expected to be 3.75%<sup>5</sup>.

The Company has loans and bonds that are linked to the Consumer Price Index (CPI). The mitigation of the rise in the CPI which characterized 2023 (compared with 2022), continued also during part of the Report Period, such that the CPI remained unchanged in January 2024. However, during February and March, the CPI increased by approx. 0.3%, leading 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 34.2 billion, is leased under CPI-linked lease agreements, and from an economic point of view, the Company considers this to be 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, correspondingly.

With the trend of mitigation of the inflation rate in Israel at the background, in January 2024 the Bank of Israel decided to reduce the interest rate by 0.25%, such that as of the Report Release Date, the Bank of Israel interest rate is 4.5%<sup>6</sup>. 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, Retail and Office Construction Input Indices also rose in the Report Period by 0.1% and 0.2%, 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.

## 2.2. The Swords of Iron War and its Impact

The War has impacted the Israeli economy as reflected, *inter alia* in the temporary closing of businesses, restrictions on work at building sites, restrictions on the activity of the education system, significant recruitment of reservists, drops in prices on TASE, an increase in State expenditure and in governmental deficit and a rise in the yield on corporate bonds. The effects of the War on the Israeli economy have led to an increase in the State's risk premium and were accompanied by negative rating actions taken by all the international rating agencies. Thus, in February 2024, the Moody's rating agency removed the credit rating of the State of Israel from its watchlist, downgraded the rating from 'A1' to 'A2' and changed the rating outlook to negative, subsequently reaffirming the rating in May 2024. After the date of the report, in April 2024, the Fitch rating agency removed the credit rating of the State of Israel from its watchlist, reaffirmed Israel's 'A+' credit rating, but changed the rating outlook to negative. In April 2024, after the date of the report, the S&P rating agency also downgraded Israel's credit rating, from 'AA-' to 'A+', leaving the negative rating outlook unchanged. It is noted that, since the outbreak of the War, the Company has proceeded with 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

<sup>5</sup> Bank of Israel – press release of 8 April 2024, Macroeconomic Forecast by the Research Department, April 2024. The Bank of Israel website: <https://www.boi.org.il/en/communication-and-publications/press-releases/research-department-staff-forecast-april-2024/>

<sup>6</sup> <https://www.boi.org.il/en/communication-and-publications/press-releases/a01-01-24/>

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 some of the tenants in the Company's malls, the Company decided to grant a 30% discount on the rent for October 2023, and a 15% discount on the rent for November 2023, or to charge rent according to a percentage of store sales as set forth in the contract, whichever is higher (the "**Relief Plan**"). The Relief Plan is subject to conditions, including a decrease of at least 15% in tenant store sales in October 2023 compared with October 2022. In addition, the rent and management fees for November 2023 will be paid in four equal installments in January-April 2024<sup>7</sup>. The relief totaled approx. NIS 35 million which was given for Q4/2023.

**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 to develop and initiate the construction of new properties, as well as expand and renovate existing properties. In this context, it is noted that given the fact that work on some of the properties had been halted for some time upon outbreak of the War and later resumed, in some cases on a partial basis, and given the shortage of workers in the construction sector, as of the Report Release Date, the Company estimates that some of the projects may be delayed.

**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, up to the Report Release Date, the Group made donations in cash and cash equivalents totaling approx. NIS 11.7 million.

**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 and its future impact on the Israeli economy, the Company cannot assess the said impact on its future business, since the extent of the impact depends on the extent and scope of materialization thereof. In the Company's estimation, such factors may have material adverse effects on the domestic economy, including some of the markets and sectors in which the Company operates, as well as some of the tenants in the Group's properties. The Company's management estimates that in view of its financial strength, as reflected in 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 extensive diversification of the Company's asset portfolio, the 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 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 from what they imply, for various reasons, including the persistence of the War and its expansion to additional fronts, a decline in demand, a deterioration of the economic situation in Israel, and more.*

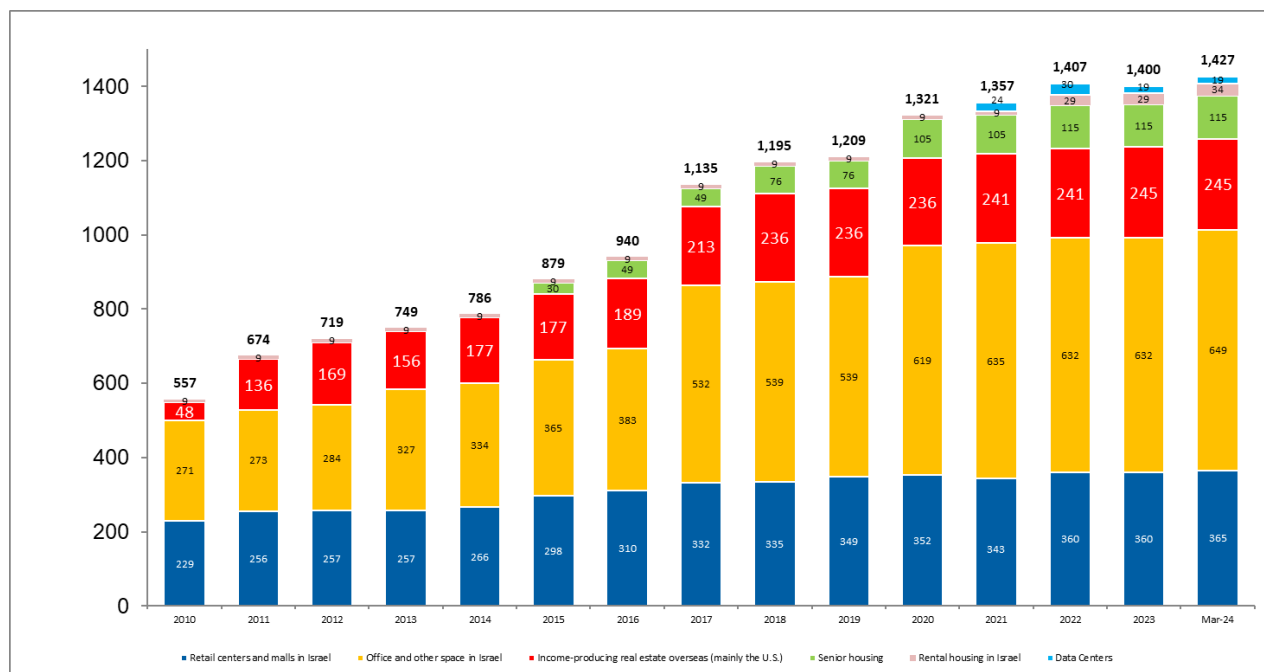
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<sup>7</sup> Different relief, including higher discount rates, were determined for Azrieli Mall Hayam in Eilat and Azrieli HaNegev Mall in Be'er Sheva.



## 2.3. Consolidated GLA (Gross Leasable Area) Data

As of 31 March 2024



Figures represent thousands of sqm. Area data represent the Company's share.

## 2.4. Average Occupancy Rates in the Income-Producing Properties

Below are the average occupancy rates in the Group's income-producing properties by operating segments as of 31 March 2024:

- In retail centers and malls in Israel – approx. 99%<sup>8</sup>.
- In leasable office and other space in Israel – approx. 98%<sup>8</sup>.
- In income-producing properties in the U.S. – approx. 66%.
- In senior housing in Israel – approx. 96%<sup>8</sup>.
- In data centers – approx. 99%<sup>9</sup>.
- In rental housing in Israel – approx. 97%<sup>8</sup>.

## 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<sup>10</sup>. 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

<sup>8</sup> Excluding areas in properties whose construction has been completed and which are in lease-up stages for the first time.

<sup>9</sup> The average occupancy rate was calculated based on the figures of the lease agreements as of 31 March 2024 according to a weighted average of GM. The occupancy rate does not include areas under construction.

<sup>10</sup> 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.

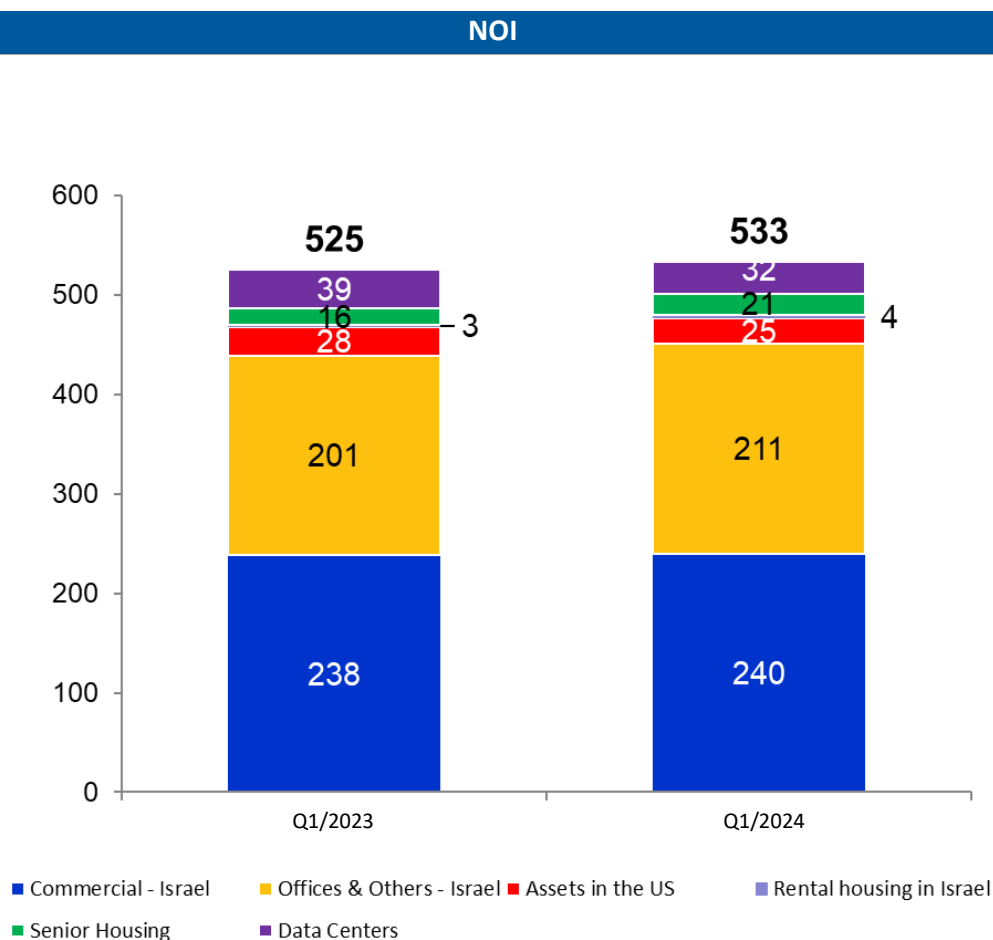
property.

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

### 2.5.1. NOI Data

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

The NOI figures for the income-producing real estate portfolio are as follows:<sup>12 13</sup>



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.

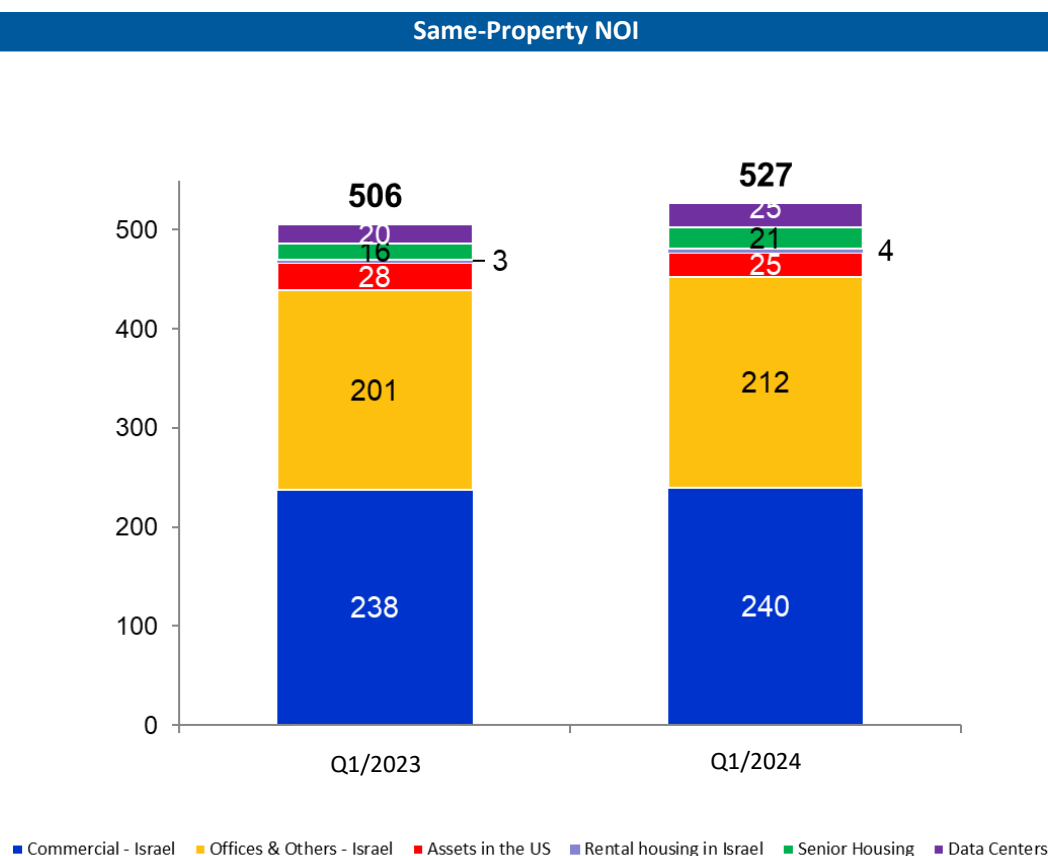
<sup>11</sup> The Group prepares its financial statements based on international standards, and consequently, in the calculation of the cost of leasing and operating the properties classified as investment property, depreciation was not taken into account. Furthermore, for the purpose of calculating the aforesaid parameters, profit from the revaluation of properties was not taken into account.

<sup>12</sup> In the current Quarter, excluding the results of Compass. For further details regarding the sale of the holdings in Compass. For further details, see Section 1.2.2.8 of Chapter B of the 2023 Periodic Report.

<sup>13</sup> 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.

## 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:



Figures are presented in millions of NIS.

The increase in the Same-Property NOI was mainly affected by the increase in the offices and others in Israel segment which derived from rent increases upon tenant changes and from rises in the CPI owing to the fact that the lease contracts are linked to the CPI as well as from an increase in the senior housing segment. Data Centers is excluding the results of Compass and the results of the property in East London.

## 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<sup>14</sup>, excluding data centers<sup>15</sup>, excluding rental housing<sup>16</sup> and excluding hotels<sup>17</sup> of the Group, as of 31 March 2024:

<sup>14</sup> 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 date of the report is 8.25%.

<sup>15</sup> The data center properties are in stages of development and were therefore excluded from the investment property. For some of the income-producing properties the weighted cap rate is 6.75%.

<sup>16</sup> A different valuation methodology was used for rental housing properties which were therefore excluded from this calculation.

<sup>17</sup> Presented as fixed assets and not measured at fair value because they are not included within the definition of investment property.



## Calculation of the Weighted Cap Rate for the Report Period

Total investment property in the statement	45,628
Net of value attributed to investment property under construction	3,054
Net of value attributed to land reserves	1,278
Net of value attributed to income-producing senior housing	3,103
Net of value attributed to DC properties	6,415
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	1,646
Total value of income-producing investment property (including the fair value of vacant space)	30,132
Actual NOI in the quarter ended 31 March 2024 (excluding senior housing, data centers and rental housing)	476
Additional future quarterly NOI <sup>(1)</sup>	48
Total standardized NOI	524
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers, and rental housing)	2,094
<b>Weighted cap rate derived from income-producing investment property (including vacant space) <sup>(2)</sup></b>	<b>6.95%</b>

Financials are presented in millions of NIS.

(1) The figure includes adjustment to NOI as included in the valuations as of 31 December 2023, and therefore includes, *inter alia*, additional NOI for vacant space not yet fully occupied and space that was and shall be occupied during 2024 for a full year (the main amounts in this item are in respect of the Group's overseas properties, 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 and office buildings for change of the tenant mix).

(2) Standardized annual NOI rate out of total income-producing investment property (including vacant space).

This figure does not constitute the Company's NOI forecast for 2024 and its entire purpose is to reflect the NOI assuming full occupancy for a full year of all the income-producing properties.

*The Company's estimations as mentioned 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 the occupancy of areas. Actual results may materially differ from the foregoing estimations and from what they imply, for various reasons, including immediate cancellation of lease agreements or a business crisis for any of the tenants, or a change in the fair value parameters or failure to meet the development or occupancy targets or the effects of the War.*

## 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

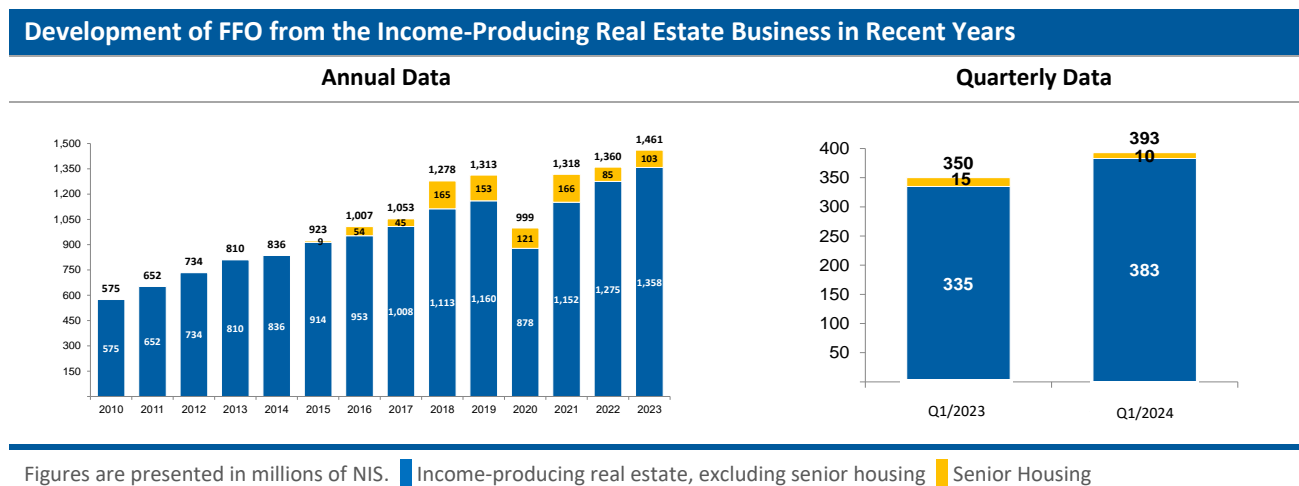
	For the Three Months Ended 31 March 2024	For the Three Months Ended 31 December 2023	For the Year Ended 31 December 2023
Net profit for the period attributable to shareholders	464	377	2,225
Net of the net loss from Azrieli E-Commerce (including deduction of excess cost)	-	22	111
Profit adjustments: <sup>(1)</sup>			
Net (increase) in the value of investment property and fixed assets	(253)	(362)	(921)
Depreciation and amortization	5	4	18
Net non-cash flow financing and other income	(38)	(22)	(120)
Tax expenses	99	93	549
Net of a dividend from financial assets available for sale	(8)	(16)	(47)
Effect of losses of associate	-	40	77
One-time expenses (income) <sup>(2)</sup>	15	32	(1,145)
Total profit adjustments	(180)	(231)	(1,589)
Plus interest paid for real investments <sup>(4)</sup>	-	1	5
<b>Total FFO attributed to the income-producing real estate business <sup>(5)</sup></b>	<b>284</b>	<b>169</b>	<b>752</b>
Total cash flow of financing of development pipeline <sup>(7)</sup>	35	12	94
<b>Total nominal FFO according to the provisions of the Fourth Schedule to the Prospectus Details Regulations, which is attributed to the income-producing real estate business, excluding the cash flow of financing of development pipeline</b>	<b>319</b>	<b>181</b>	<b>846</b>
FFO of associate –	-	(19)	(32)
Linkage differentials and exchange rate differentials on assets and liabilities (net of tax effect)	77	184	592
Cash flow from incoming resident deposits net of outgoing resident deposits <sup>(3)</sup>	10	16	107
Net of income from forfeiture of resident deposits	(13)	(12)	(52)
<b>Total FFO attributed to the income-producing real estate business, according to the management's approach <sup>(6)</sup></b>	<b>393</b>	<b>350</b>	<b>1,461</b>

Financials are presented in millions of NIS.

(1) The below profit adjustments in previous periods do not include adjustments for Azrieli E-Commerce, because the company's results have been fully discounted.

- (2) In the present quarter, mainly costs in respect of the sale of Compass, in 2023 mainly profit from the sale of compass, in the corresponding quarter – in respect of consulting and legal costs of transactions and acquisitions.
- (3) Senior housing residents' deposits will be deemed as income or outgoing on the date on which the agreement is signed or terminated, as applicable, and not as they are presented in the cash flow report.
- (4) Calculated according to the Group's weighted interest rate in respect of the investment in Azrieli E-Commerce, for 65% of the cost of the investments.
- (5) Attributable to the shareholders only.
- (6) Including FFO from the senior housing segment in the sum of approx. NIS 10 million in the three months ended 31 March 2024 (approx. NIS 15 million in the three months ended 31 March 2023 and approx. NIS 103 million in Y2023).
- (7) Calculated based on real credit costs in respect of the development pipeline.

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



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

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

In view thereof, the Group has decided to adopt the position paper published by EPRA with the purpose of improving the transparency, uniformity and comparability of financial information reported by real estate companies listed in the index. A report regarding three financial indicators calculated according to such position paper follows.

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

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

### 2.8.1. EPRA NRV

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



EPRA NRV		
	31 March 2024	31 March 2023
Equity attributable to the Company's shareholders in the financial statements	22,843	21,702
Goodwill created against a reserve for deferred taxes	(230)	(233)
Plus a tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	5,350	4,998
<b>EPRA NRV</b>	<b>27,962</b>	<b>26,467</b>
<b>EPRA NRV per share (NIS)</b>	<b>231</b>	<b>218</b>
Figures are presented in millions of NIS, unless otherwise stated.		

### 2.8.2. EPRA NTA

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

EPRA NTA		
	31 March 2024	31 March 2023
Equity attributable to the Company's shareholders in the financial statements	22,843	21,702
Goodwill created against a reserve for deferred taxes	(230)	(234)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	(1,316)	(1,366)
Other intangible assets	(2)	(26)
Plus 50% of the tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	2,675	2,499
<b>EPRA Notwithstanding the aforesaid</b>	<b>23,970</b>	<b>22,575</b>
<b>EPRA NTA per share (NIS)</b>	<b>198</b>	<b>186</b>
Figures are presented in millions of NIS, unless otherwise stated.		

### 2.8.3. EPRA NDV

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

EPRA NDV		
	31 March 2024	31 March 2023
Equity attributable to the Company's shareholders in the financial statements	22,843	21,702
Goodwill created against reserve for deferred tax	(230)	(234)
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	(1,316)	(1,366)
Adjustment of the value of financial liabilities to fair value	1,112	1,418
<b>EPRA NDV</b>	<b>22,409</b>	<b>21,520</b>
<b>EPRA NDV per share (NIS)</b>	<b>185</b>	<b>177</b>
Figures are presented in millions of NIS, unless stated otherwise.		

# AZRIELI GROUP'S INCOME PRODUCING REAL ESTATE\*

## MALLS & SHOPPING CENTERS

Ayalon Mall	Azrieli Ra'anana
Azrieli Hod Hasharon Mall	Azrieli Haifa Mall
Azrieli Herzliya Outlet	Azrieli Akko Mall
Azrieli Givatayim Mall	Azrieli Or Yehuda Outlet
Azrieli Jerusalem Mall	Azrieli Hanegev Mall
Azrieli Modi'in Mall	Azrieli Rishonim Mall
Azrieli Mall	Azrieli Sarona Mall
Azrieli Holon Center	Palace Modi'in
Azrieli Holon Mall	Palace Lehavim
Azrieli Ramla Mall	Azrieli TOWN
Azrieli Eilat Mall	Modi'in (Lot 21)

## OFFICES & OTHERS in Israel

Azrieli Towers	Azrieli Givatayim
Azrieli Sarona	Azrieli Hanegev
Azrieli Holon Business Center	Azrieli Rishonim Center
Azrieli Caesarea	Azrieli TOWN
Azrieli Herzliya Center	Azrieli Holon Hamanor
Azrieli Modi'in	Mikve-Israel Tel Aviv
Azrieli Petach Tikva	Azrieli Akko
Azrieli Jerusalem	Modi'in (Lot 21)

## 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  
Modi'in (Lot 21)

22 malls

365 thousand sqm

16 office buildings

643 thousand sqm

4 senior homes

115 thousand sqm 1,141 residential units

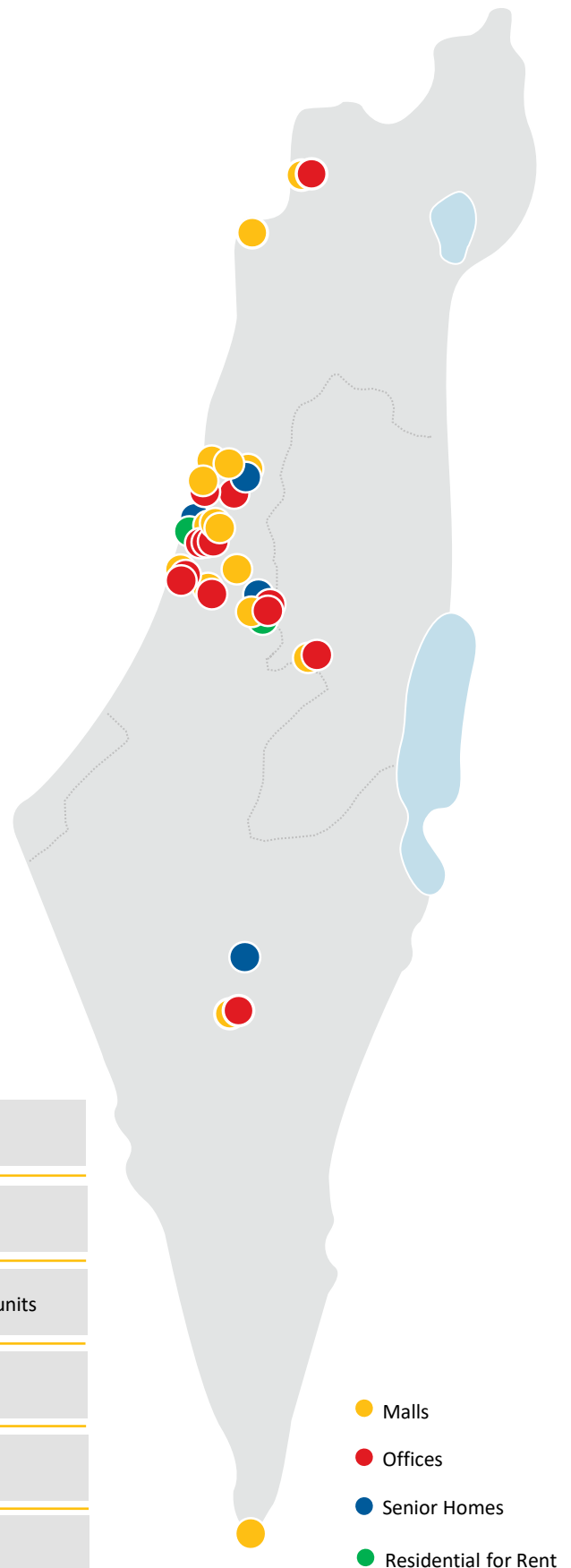
3 Residential for rent properties 34 thousand sqm 357 residential units

8 office buildings overseas

245 thousand sqm

**Total**

**1,421 thousand sqm**



- Malls
- Offices
- Senior Homes
- Residential for Rent

As of March 31, 2024.

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





Green  
Mountain

100%  
Ownership

## AZRIELI GROUP'S DATA CENTERS INVESTMENTS <sup>(1)</sup>

### 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 120+30 MW

### FRA1-Mainz, Germany <sup>(3)</sup>

A partnership between Green Mountain and  
KMW creating a strong sponsorship for a  
revolutionary sustainable data center,  
including a leading concept of district heating.



Total available capacity 54 MW

### LON1-Romford, England

Existing operational data center, with significant  
potential for additional capacity.



Total available capacity 40 MW

(1) As of March 31, 2024.

(2) Illustration

## 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 January-April 2024 were 11% higher than those in 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's designated gift card, Azrieli Time, can be used in the Group's malls. The card is accepted in all the Group's malls, offering a huge range of more than 100 dining and entertainment, fashion, footwear and cosmetics brands.

The retail areas in Azrieli Group's malls and retail centers are leased to some 1,920 tenants.

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

Azieli Group has 22 malls and retail centers in Israel with a total GLA of approx. 365 thousand sqm.

**Balance of the properties in the retail centers and malls in Israel segment** – totaled approx. NIS 15.6 billion on 31 March 2024, compared with approx. NIS 15.5 billion on 31 December 2023. The change mainly derives from investments in the segment assets. The properties are presented according to valuations prepared by an independent appraiser as of 31 December 2023.

**Change due to fair value adjustment of the segment's investment property and investment property under construction** – the Quarter saw no change in the profit from fair value adjustment of the segment's investment property and investment property under construction, compared with a profit of approx. NIS 140 million in the same period last year, which derived from the CPI increase.

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

<b>Summary of the Business Results of the Retail Centers and Malls in Israel Segment</b>				
		<b>For the Three Months Ended</b>		<b>For the Year Ended</b>
	<b>Rate of Change</b>	<b>31 March 2024</b>	<b>31 March 2023</b>	<b>31 December 2023</b>
Revenues	<b>2%</b>	<b>301</b>	<b>296</b>	1,197
NOI	<b>1%</b>	<b>240</b>	<b>238</b>	941

Figures are presented in millions of NIS.

NOI in the retail centers and malls in Israel segment was affected mainly by the CPI increase, owing to the fact that the lease contracts are linked to the CPI.

The table below presents the segment's NOI development:

Development of NOI of the Retail Centers and Malls in Israel Segment		
	For the Three Months Ended	
	31 March 2024	31 March 2023
NOI from segment properties owned by the Company	240	238
NOI from properties that were purchased or whose construction was completed in 2023	-	-
Total NOI from all properties	240	238

Figures are presented in millions of NIS.

Same-Property NOI in the retail centers and malls in Israel segment was mainly affected by the CPI increase, owing to the fact that the lease contracts are linked to the CPI.

## **2.10. Office Segment**

The Company's portfolio of properties of leasable office space mostly consists of office towers classified as Class A properties, which are located mostly in CBDs, in proximity to major traffic arteries in the heart of the city. The location, quality and positioning of the office space enable the Company to maintain high occupancy rates, and over time increase the rent. The Company develops and builds office projects in significant scopes, which meet the international standards of employment centers in the world's largest cities, in all aspects pertaining to the management of the property and the quality thereof. Furthermore, the Company has leasable office areas which are part of malls, in which small tenants offer services to the public (e.g. medical institutes, health funds and independent service providers). The combination of offices and retail increases customer traffic in these properties.

The Company's leasable office properties are mostly characterized by the following:

- **Positioning** – among the Company's properties are projects which are considered to be leading and very significant in the field of leasable office spaces in Israel, and are an icon in Israeli landscape in general, and in Tel Aviv in particular, such as the Azrieli Tel Aviv Center and the Azrieli Sarona Tower.
- **Location** – the Company engages in the development of leasable office spaces and works to locate, develop and build its properties in this segment in areas which enjoy a high demand for offices. The Company's projects are mostly located in the heart of Israel's CBDs and in proximity to city centers and are characterized by convenient access by both private and public transportation. For example, the Company has several projects in Tel Aviv's northern CBD with both income-producing projects and projects under development and construction.
- **Large floors** – the Company's property portfolio includes a number of projects that can offer large floor spaces. These projects can meet the growing demand by large companies that are interested in creating one central site for employees, and their spread over a smaller number of floors. The planning of the Azrieli Sarona project and the Azrieli Holon center, for example, enables tenant to unite several sites which were previously spread across the country.
- **Building standard** – the Group persistently applies high building standards to all of its properties, as expressed in the architectural design, the properties' functionality and the meticulous attention to high building qualities as well as to details such as new and fast elevators, advanced lighting and more. This is rooted in the long-term vision of properties that will be owned and managed by the Group for many years to come. 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, in recent months, the strict LEED O&M Gold standards certification has been received for existing properties at Azrieli Tel Aviv Towers and Azrieli Sarona, and LEED O&M Platinum certification has been received 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 765 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 16 income-producing properties in this segment in Israel, with a total GLA of approx. 649 thousand sqm.

**Balance of the Group's investment property in the leasable office and other space in Israel Segment** – totaled approx. NIS 16.7 billion on 31 March 2024, compared with approx. NIS 16.6 billion on 31 December 2023. The change mainly derives from investments in the segment's properties. The properties are presented according to valuations prepared by an independent appraiser as of 31 December 2023.

**Change due to fair value adjustment of the segment's investment property and investment property under construction** – the Quarter saw no change in the profit from fair value adjustment of the segment's investment property and investment property under construction, compared with a profit of approx. NIS 125 million in the same period last year which mainly derived from the effect of the CPI increase on the value of the properties.

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



Summary of the Business Results of the Leasable Office and Other Space in Israel Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	31 March 2024	31 March 2023	31 December 2023
Revenues	5%	257	245	1,009
NOI	5%	211	201	821

Figures are presented in millions of NIS.

NOI in the office and other space in Israel segment was primarily affected by rent increases upon tenant changeovers and by the CPI increase, owing to the fact that the lease contracts are linked to the CPI.

The following table presents the segment's NOI development:

Development of the NOI of the Leasable Office and Other Space in Israel Segment		
	For the Three Months Ended	
	31 March 2024	31 March 2023
NOI from segment properties owned by the Company as of the beginning of the period	212	201
NOI from properties slated for demolition	(1)	-
Total NOI from all properties	211	201

Figures are presented in millions of NIS.

Same-property NOI in the office and other space in Israel segment was primarily affected by rent increases upon tenant changeovers and by the CPI increase, owing to the fact that 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. In addition, the Group is building another project in Rishon LeZion, as specified below.

### 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. 1,141 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). For further details, see Section 4.1.1 below.

**Balance of the Group's properties in the senior housing segment** – totaled approx. NIS 3.3 billion on 31 March 2022, resembling the balance on 31 December 2023. The properties are presented according to the valuations conducted by an independent appraiser as of 31 December 2023.

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

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

Summary of the Business Results of the Senior Housing Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	31 March 2024	31 March 2023	31 December 2023
Revenues	8%	64	59	246
NOI	31%	21	16	72

Figures are presented in millions of NIS.

The increase in revenues 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	
	31 March 2024	31 March 2023
NOI from segment properties owned by the Company as of the beginning of the period	21	16
NOI from properties whose construction was completed in 2023	-	-
Total NOI from all properties	21	16

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.

Most of the properties situated in the U.S. are financed separately from corporate finance, by means of dollar loans on terms of non-recourse, except in unusual circumstances as defined in the loan agreement and deemed acceptable in the U.S. market. It is noted in this context that in view of non-compliance with the terms of the non-recourse loan for funding the 1 Riverway property, the Company is negotiating with the lender in order to change the terms of the loan, with the lender notifying concurrently with such negotiation of its intention to act for disposition of the property (against write-off of the loan, which is in an amount that is not materially different to the value of the property). As of the Report Release Date, the negotiations between the parties are ongoing.

The trend of increase in vacant space in the Houston office market continued in 2023 and in the Report Period, albeit to a lesser degree than in 2022, 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 which occurred during 2021 and continued in 2022 and 2023, was not reflected in increased demand for office space in Houston, although certain areas in Houston, hosting a concentration of energy areas, are demonstrating an upturn in the demand for office space.

### 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 144 tenants.<sup>18</sup>

**Balance of the Group's investment property in the segment** – totaled approx. NIS 1.9 billion on 31 March 2024, compared with approx. NIS 1.8 billion on 31 December 2023. The change mainly derives from an increase in the dollar exchange rate as of 31 March 2024, compared with 31 December 2023. The properties are presented according to valuations prepared by an independent appraiser as of 31 December 2023.

**Change due to fair value adjustment of the segment's investment property** – profit from a NIS 2 million property value adjustment compared with a profit of NIS 1 million in the same period last year.

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

Summary of the Business Results of the Income-Producing Properties in the U.S. Segment				
	Rate of Change	For the Three Months Ended		For the Year Ended
		31 March 2024	31 March 2023	31 December 2023
Revenues	-	57	57	239
NOI	(11%)	25	28	110

Figures are presented in millions of NIS.

The following table presents the segment's NOI development:

Development of the NOI of the Income-Producing Properties in the U.S. Segment		
	For the Three Months Ended	
	31 March 2024	31 March 2023
NOI from segment properties owned by the Company as of the beginning of the period	25	28
NOI from properties acquired in 2023	-	-
Total NOI from all properties	25	28

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.

<sup>18</sup> 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 driver for the Company's business. As of the date of the report, the Company employs some 178 employees in the data center segment (via subsidiaries abroad).

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. In 2023, the Company liquidated all of its holdings in Compass. For further details with respect to such disposition, see Section 1.2.2.8 of Chapter B of the 2023 Periodic Report, which is included herein by reference.

Further to the aforesaid, and as part of the Company's strategy to launch data center operations in Europe, in 2021, the Company closed the (indirect) acquisition of 100% of the share capital of GM, which operates in the sector in Norway. For further details, the Company's immediate reports of 13 and 19 July 2021 and 24 August 2021 (Refs. 2021-01-116121, 2021-01-118377 and 2021-01-136974, respectively), which are included herein by reference.

In addition, in 2023 the Company closed the (indirect) acquisition of two U.K. companies (the "**U.K. Companies**"): A company that leases from a third party land on which an operating data center stands, located in the East London, and another company that owns unoccupied land which is adjacent to the said active data center. For further details, see the Company's immediate reports of 26 June 2022, 25 December 2022 and 24 January 2023 (Refs. 2021-01-078271, 2021-01-154633 and 2023-01-010848, respectively), which are included herein by reference.

In 2023, GM, through a wholly-owned subsidiary thereof, entered into a service agreement with TikTok Norway AS, a Norwegian company that is part of a group of companies that runs global operations (the "**Customer**"), which is not related to the Company, for the provision of data centers services on a campus to be built by GM in Norway. The date specified in the agreement for the completion of construction and supply of the first 30MW at the campus has lapsed<sup>19</sup>, and under the provisions of the agreement, the Customer has a termination right in the event of such delay. As of the Report Release Date, the parties are discussing the said supply date, which is expected to occur during H1/2024<sup>20</sup>. In addition, the Customer is in the midst of the fit-out works and installation of the equipment – servers and communication equipment.

On 30 March 2023, GM, through a company it owns (indirectly), engaged with a German company in a joint venture for construction of a data center campus that shall comprise several buildings in the area of Frankfurt, Germany. For further details, see the immediate report released by the Company on 2 April 2023 (Ref. 2023-01-037008), which is included herein by reference.

On 21 December 2023, the Company released an immediate report, incidentally to the examination of possible bond financing, with respect to negotiations conducted between GM and a leading international technology company (the "**Technology Company**") toward entry into an agreement for the provision of data center services to the Technology Company, at a volume of approx. 120 MW on a campus to be built by GM in Norway. As of the Report Release Date, negotiations between the parties are still ongoing, and a binding and detailed agreement between the parties in connection with the transaction will only be signed if and to the extent that negotiations are concluded successfully. In the Company's estimation, the transaction, if closed, is expected to have a substantial effect on its financial results. For further details with respect to the negotiations, see the immediate report of 21 December 2023 (Ref. 2023-01-138762), which is included herein by reference.

In the Company's estimation, the data center industry is expected to grow at a significant pace and may constitute a significant growth driver for the Group's business.

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<sup>19</sup> As specified in Section 1.4 of the Company's immediate report of 8 March 2023 (Ref. 2023-01-024873), which is included herein by reference.

<sup>20</sup> The information regarding the estimated date for supply of 30MW constitutes forward-looking information, as defined in the Securities Law, the materialization of which is uncertain or which may materialize differently than as 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 2023 periodic report, which is included herein by way of reference.

The Company's estimations in this section regarding the effect of closing of the transaction with the Technology Company on the Company's business results and the growth potential entailed by the data center sector are forward-looking information, within the definition of this term in the Securities Law, based on subjective assessments by the Company as of the Report Release Date and sources of information external to the Company, and there is no certainty as to the materialization thereof, in whole or in part, or materialization thereof may possibly occur in a substantially different manner, inter alia, due to changes in project schedules, their actual scope and their marketing and due to factors beyond its control, including changes in the global data center market.

### 2.13.1. Performance of the Data Center Segment and changes in Value

As of the report date, the companies held by the Group that operate in this segment have 4 income-producing properties, out of which 3 are in Norway and held through the Company's holdings in GM, and an operating data center in East London.

**Balance of the Group's properties in the segment** – totaled approx. NIS 7.9 billion on 31 March 2024, compared with approx. NIS 7.4 billion on 31 December 2023. The change mainly derives from investments in the segment properties and from revaluation profits recognized in the period. Some of the properties are presented according to valuations prepared by independent appraisers as of 31 March 2024, whereas others are presented according to valuations prepared by independent appraisers as of 31 December 2023.

**Change due to fair value adjustment of the segment's investment property** – The profit from adjustment of the fair value of investment property of the segment amounted to approx. NIS 251 million in the Report Period, and mainly derived from a decrease in the cap rates in view of progress in the construction of the segment's properties, compared with a profit of approx. NIS 92 million in the same quarter last year.

The table below presents a summary of the business results of the data centers segment (the amounts relating 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 Center Segment				
	Rate of Change	For the Three Months Ended		For the Year Ended
		31 March 2024	31 March 2023	31 December 2023
Revenues	(11%)	65	73	290
NOI	(18%)	32	39	154

Figures are presented in millions of NIS.

The decrease in revenues and NOI in the data center segment in the Report Period mainly derived from the sale of Compass's business, net of the results of the data center in East London which were included in the Company's results from Q2/2023.

Development of the NOI of the Data Center Segment		
	For the Three Months Ended	
	31 March 2024	31 March 2023
NOI from segment properties owned by the Company as of the beginning of the period	25	20
NOI from properties sold/acquired in 2023	7	19
Total NOI from all properties	32	39

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.

In 2023, the Company won a tender issued by *Dira Lehaskir* – The State-Owned Housing & Rental Company Ltd. and the Israel Land Authority (the "**Tender**"), for acquisition of leasehold rights in a site situated in Herzliya in consideration for approx. NIS 85 million plus V.A.T. According to the terms of the Tender, the Company will bear the payment of development costs in the amount of approx. NIS 19 million. For further details with respect to the Tender won, see the immediate report released by the Company on 30 April 2023 (Ref. 2023-01-045585), which is included herein by reference,

After the date of the report, in May 2024, the Company commenced the process of occupancy of the residential units in the Azrieli Town Modi'in project (Lot 21).

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

As of the report date, Azrieli Group has 3 income-producing properties in this segment in Israel, with a GLA of approx. 34 thousand sqm.

**The balance of the Group's investment property in the rental housing in Israel segment** – As of 31 March 2024, the balance amounted to NIS 1.9 billion, resembling the balance on 31 December 2023.

**Change due to fair value adjustment of investment property and investment property under construction in the segment** – No change has occurred in the fair value of the segment's investment property and investment property under construction in the Report Period and in the same period last year. The properties are presented according to valuations prepared by an independent appraiser as of 31 December 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 Year Ended
	Rate of Change	31 March 2024	31 March 2023	31 December 2023
Revenues	25%	5	4	18
NOI	33%	4	3	15

Figures are presented in millions of NIS.

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

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



## Development of the NOI of the Rental Housing in Israel Segment

	For the Three Months Ended	
	31 March 2024	31 March 2023
NOI from segment properties owned by the Company as of the beginning of the period	4	3
NOI from properties whose construction was completed in 2023	-	-
Total NOI from all properties	4	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").

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 down 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 comprise 341 rooms and an underground car park with approx. 210 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. A building permit for the entire hotel has been conditionally approved and the Company is acting to satisfy the conditions.

In addition, in 2023 the Company entered into an agreement with a third party, which is not related to the Company and/or its controlling shareholders, for acquisition of the Red Rock Hotel in Eilat in consideration for approx. NIS 130 million. The transaction was closed on 11 May 2023. For further details about the transaction, including the Company's plans for the said hotel, see the immediate reports released by the Company on 17 April 2023 and 11 May 2023 (Refs. 2023-01-041445 and 2023-01-050829, respectively), which are included herein by reference.

As part of the Company's operations in the hospitality segment, the Company plans to build hotels within Group-owned projects that feature mixed uses and grant, *inter alia*, building rights designated for hospitality, as follows: The development of a hotel in the city of Modi'in (Lot 21), situated close to the Azrieli Modi'in Mall, which is expected to comprise approx. 85 hotel rooms and suites and expected to open in 2024; and the development of a hotel in the Azrieli Center's expansion (the Spiral Tower), in Tel Aviv, which is expected to comprise approx. 250 hotel rooms and suites.

*The Company's estimations in this section are forward-looking information, within the definition of this term in the Securities Law, which is based on subjective assessments by the Company as of the Report Release Date and on information sources that*

*are external to the Company, the materialization of which, in whole or in part, is uncertain, or which may materialize in a manner that is substantially different, inter alia, due to factors that are beyond the Company's control, including changes in market conditions and in the hospitality sector.*

## 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. Below is a summary of changes in the investments in the Report Period:

Changes in Investments in Financial Companies	
	Bank Leumi <sup>(1)</sup>
Investment value in the financial statements as of 31 December 2023	1,032
Sale proceeds	-
Investment	-
Total investment as of 31 March 2024 <sup>(2)</sup>	1,032
Fair value of the investment as presented in the financial statements as of 31 March 2024	1,084
Change in fair value during the Report Period	52
Income from dividend recorded in the Report Period	8

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 31 March 2024.

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

## 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 10 projects at various development stages in Israel.

Summary of Information on Development Pipeline						
Name of Property	Use	Marketable Sqm <sup>(1)</sup>	Estimated Completion	Book Value of Project <sup>(2)</sup>	Cost Invested <sup>(3)</sup>	Estimated Construction Cost including Land <sup>(3)</sup>
Development Projects under Construction in the Short Term						
Check Post Haifa	Retail	10,500	2024	64	117	140-150
<b>Total</b>		<b>10,500</b>		<b>64</b>	<b>117</b>	<b>140-150</b>
Development Projects in the Medium Term						
Rishon LeZion Senior Home	Senior housing and retail	37,300	2025	278	250	500-520
SolarEdge Campus	Offices	43,000	2025	448	415	790-810
Modi'in (Lot 10)	Offices and retail	37,000	2026	128	129	570-580
Mount Zion Hotel	Hospitality	<sup>(8)</sup> 34,000	2027	393	367	910-940
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality and residence	<sup>(4)</sup> 150,000	2027	2,003	1,208	2,565-2,765
Herzliya Gilil Yam	Rental housing and retail	19,630	2027	121	126	380-400
<b>Total</b>		<b>320,930</b>		<b>3,371</b>	<b>2,495</b>	<b>5,715-6,015</b>
<b>Total</b>		<b>331,430</b>		<b>3,435</b>	<b>2,612</b>	<b>5,855-6,165</b>
Development Projects under Planning						
Azrieli Town Building E <sup>(6)</sup>	Offices	<sup>(5)</sup> 21,000	TBD	382	345	<b>TBD</b>
Holon 3 – Holon Industrial Zone <sup>(7)</sup>	Retail and offices	<sup>(6)</sup> 250,000	TBD	578	513	<b>TBD</b>
Petach Tikva land	Offices and retail	<sup>(7)</sup> 53,000	TBD	97	101	<b>TBD</b>
<b>Total</b>		<b>324,000</b>		<b>1,057</b>	<b>959</b>	
<b>Total</b>		<b>655,430</b>		<b>4,492</b>	<b>3,571</b>	

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Cost and value figures are presented in millions of NIS. Holding rate is 100% for all properties (with the exception of Azrieli Town Building E, which excludes approx. 450 sqm of office space).

1. With respect to uses of the senior housing and/or rental apartments, the figure represents rights in sqm.
  2. As of 31 March 2024.
  3. Without capitalizations and tenant fit-outs as of 31 March 2024.
  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 building rights were purchased in the context of acquisition of the income-producing property in May 2018. The Company is working on increasing the building rights to approx. 90,520 sqm.
  6. 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).
  7. 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.
  8. Includes both the existing area and the additional rights, since the Company intends to expand and renovate the entire Hotel.
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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.

#### Description of the properties under construction and land reserves

**Land at 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 comprising approx. 10.5 thousand sqm and ~340 parking spaces, the ground floor of which will serve as a supermarket, is being 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 conditionally approved by the Local Committee, and in August 2022, the full building permit was received, and frame construction work commenced. As of the Report Release Date, construction of the project is approaching completion.

**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 under construction. On the land, the Company is building 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 341 rooms and an underground car park with around 210 parking spaces. In November 2021, an excavation and shoring permit was obtained, and work commenced. A building permit for the entire hotel was conditionally approved in January 2023 and the Company is acting to satisfy 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 Gilot site, on part of which the Company will build a campus for SolarEdge Technologies Ltd. ("SolarEdge"). The project will include approx. 42,000 sqm aboveground and approx. 1,054 parking spaces, and in addition, approx. 1,000 sqm of main underground retail space. 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 obtained, and the work is ongoing. In April 2023, a full building permit for the project was conditionally approved, and in October 2023, a building permit was obtained for the entire project, which is under construction. 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 obtained in March 2022, and work has begun. In 2023, the Company entered into an agreement for the construction of a new medical center that will be leased to Clalit Health Fund on an area of approx. 8,100 sqm on part of the land. The Company had advanced a plan for the addition of approx. 8,000 sqm underground, which was approved in February 2024.

**Expansion of Azrieli Tel Aviv Center (Spiral Tower)** – The land, comprising an area of approx. 8,400 sqm, was acquired in May 2013 and construction commenced in September 2016. The land, which is adjacent to the Azrieli Tel Aviv Center, will allow for 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 main retail areas underground.

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 aboveground 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 Gilil Yam). According to the provisions of the tender, the land is designated for multi-family residential buildings, for long-term rentals for a period of no less than 20 consecutive years from the date of completion of construction. The project is expected to include 147 apartments in 4 buildings, as well as retail areas, with the overall aboveground areas in the project amounting to approx. 20,000 sqm. Half of the apartments in the project will be leased for price-controlled rent that will amount to 80% of the market-rate rent. The Company is working on the 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 building rights totaling 90,520 sqm (gross) of aboveground areas. In June 2023, after a discussion had been held on the objections, the Local Committee's decision was received, conditionally approving the plan, and the Company has satisfied the conditions. An administrative appeal was filed from the Local Committee's decision and a hearing thereon has been scheduled for July 2024.

**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	2027
Status	Under Construction

## PALACE RISHON LEZION SENIOR HOME



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

# DEVELOPMENT PIPELINE\*

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

## SOLAREGE 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 2023 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 31 March 2024.

#### 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 2023 Periodic Report, which is included herein by reference.



## 5 | FUNDING OF THE BUSINESS

### 5.1. Leverage Ratio of the Group

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

Summary of Balance Sheet Figures out of the Consolidated Statements			
	31 March 2024	31 March 2023	31 December 2023
Current assets	4,449	2,687	5,645
Non-current assets	49,339	46,316	48,427
Current liabilities	5,145	4,810	5,318
Non-current liabilities	25,773	22,461	25,186
Equity attributable to the Company's shareholders	22,843	21,702	23,543
Equity attributable to the Company's shareholders out of total assets (in %)	43%	44%	44%
Net debt to assets (in %)	34%	35%	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.

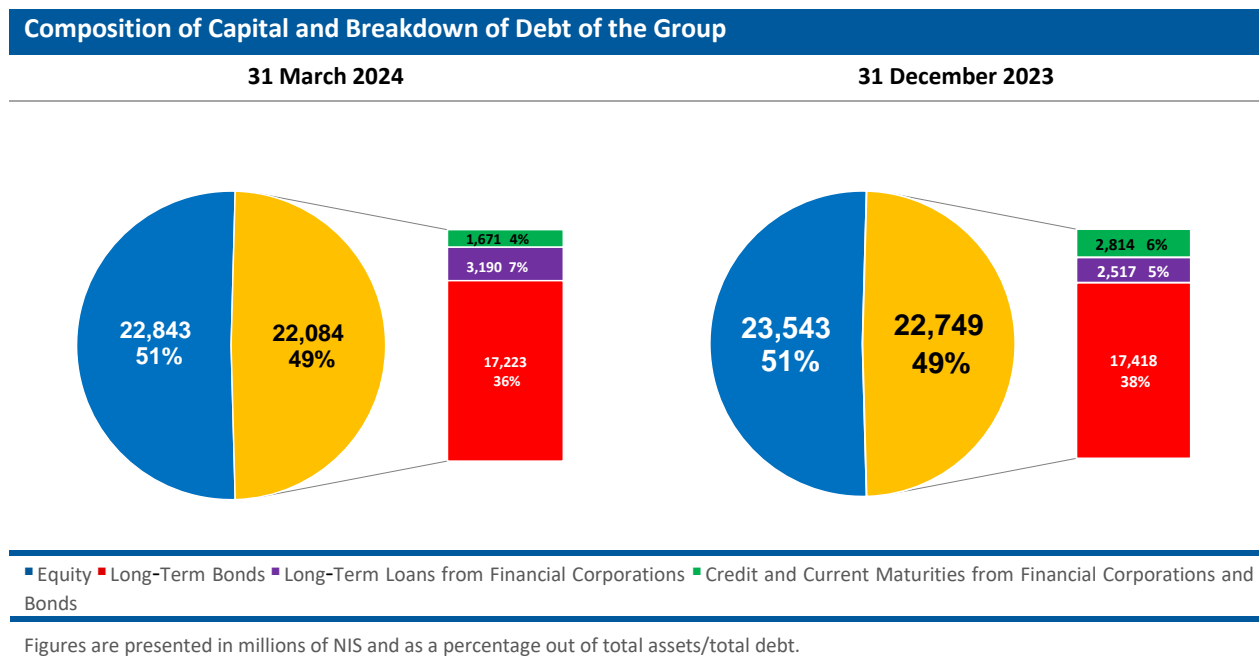
The Group's financial soundness, which is characterized by a low leverage ratio and considerable unencumbered assets, affords the Group available sources for the obtainment of financing on convenient terms<sup>21</sup>. The Group's leverage ratio is low, compared to many of its major competitors. The Group's low leverage ratio converges with the Company's wide-scale real estate development and allows for flexibility also during times of crisis.

<sup>21</sup> For further details, see Section 20 of Chapter A of the 2023 Periodic Report, which is included herein by reference.

## 5.2. Composition of Financing Sources

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

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



The decrease of approx. NIS 665 million in total debt in the Report Period mainly derives from the repayment of short-term loans of NIS 727 million, repayment of bond principal and loans, counterbalanced by the refinancing of a loan of Mall HaYam and the effect of the CPI increase on the linked debt.

As of the date of the report, the Group's working capital deficit on a consolidated basis and on a standalone basis is NIS 696 million and NIS 228 million, respectively.

The Group estimates that if it decides to raise debt at any point, it will be able to do so, given its financial strength and/or the value of its unencumbered assets, and therefore, in its meeting of 22 May 2024, after examining the Group's financing and cash flow sources, the Company's board determined that the said working capital deficit does not indicate any problem with the Company's liquidity or its ability to pay its liabilities as and when they become due.

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

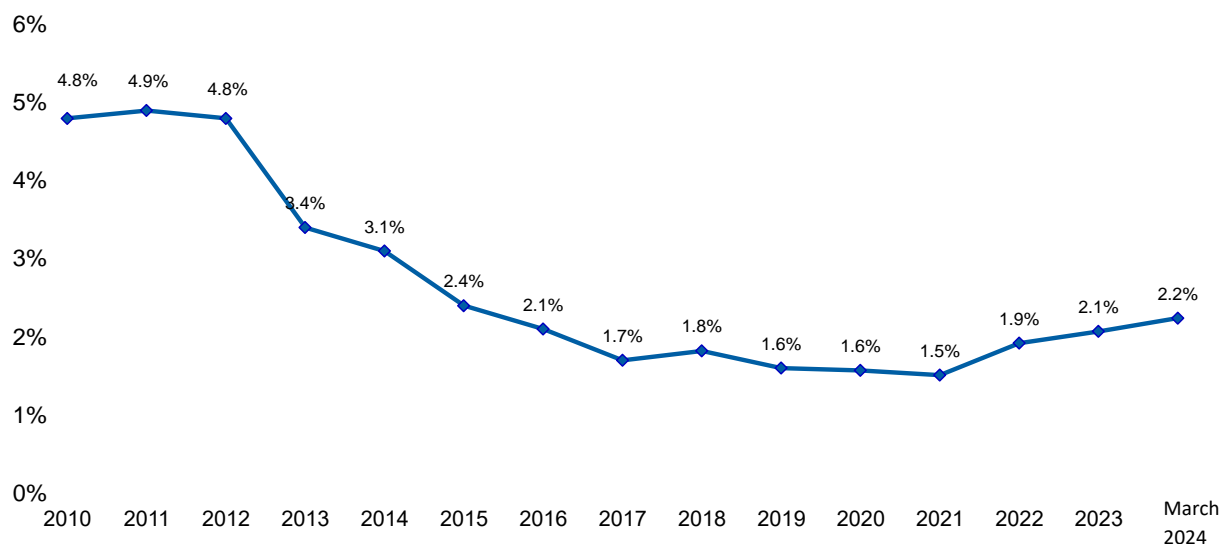


### 5.3. Financing Transactions

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

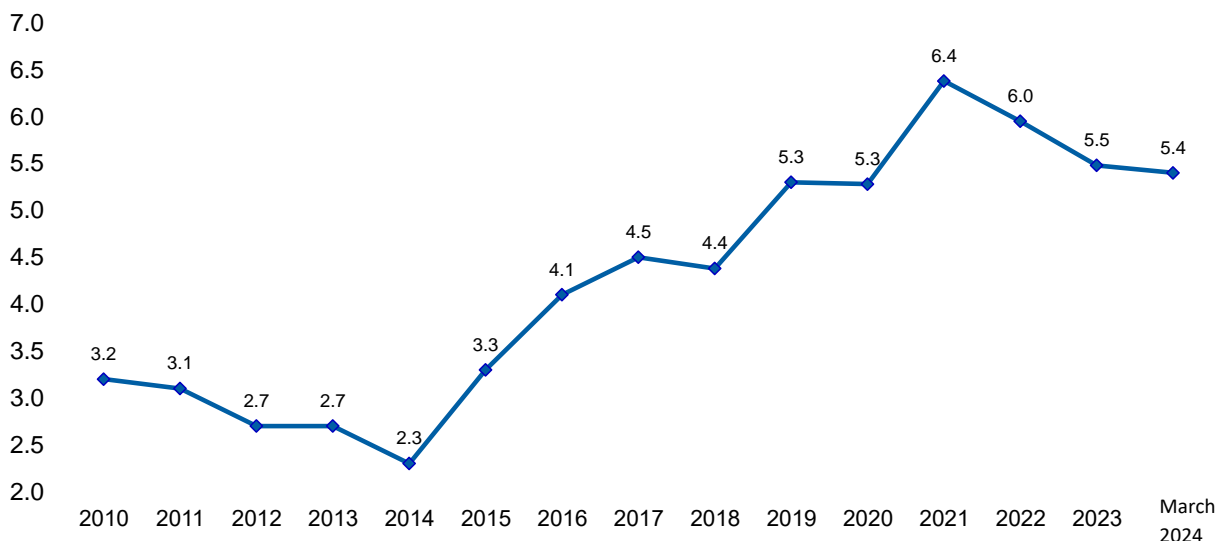
#### 1. Interest Rate as of the End of the Period

##### Reduction of Average Interest Rate over the Years



#### 2. Average Duration as of the End of the Period

##### Extension of 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 iIAA+/Stable/iIA-1+ by Ma'alot and Aa1/iL with a stable outlook by Midroog. For details with respect to the rating of the Company's bonds, commercial papers and private loans, see Section 20.12 of Chapter A of the 2023 Periodic Report, which is included herein by reference.

## 5.5. Liabilities and Financing

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

Breakdown of Financial Liabilities								
	Fixed Interest			Variable Interest		Total		Total
	Index-linked	USD-linked	Unlinked	Foreign Currency-linked	Unlinked	Fixed Interest	Variable Interest	
<b>Short-term loans</b>	-	-	-	-	60	-	60	<b>60</b>
<b>Long-term loans</b>	19,668	1,026	-	1,330*	-	20,694	1,330	<b>22,024</b>
<b>Total</b>	<b>19,668</b>	<b>1,026</b>	<b>-</b>	<b>1,330</b>	<b>60</b>	<b>20,694</b>	<b>1,390</b>	<b>22,084</b>

Figures are presented in millions of NIS, as of 31 March 2024.

\* Most of the loan is protected by interest rate hedging.

As of 31 March 2024, short-term loans represented less than 1% of the total financial liabilities of the Group. The Company's management estimates that this rate is low and conservative in view of the low leverage ratio and the total unencumbered assets as specified below.

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

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

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

## 5.7. Maturities of the Group's Financial Liabilities

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

Forecast of Maturities of Financial Liabilities			
Year	Principal	Interest	Total
1	1,671	471	2,142
2	1,542	444	1,986
3	3,075	420	3,495
4	1,833	323	2,156
5 forth	13,963	1,236	15,199
<b>Total</b>	<b>22,084</b>	<b>2,894</b>	<b>24,978</b>

Figures are presented in millions of NIS, as of 31 March 2024.

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

- Positive cash flow from operating activities, which totaled approx. NIS 512 million in the three months ended 31 March 2024.
- Liquid assets and unencumbered assets.
- The Group has mortgaged income-producing properties, the fair value of which significantly exceeds the loan undertaken therefor.
- Refinancing of debts in the capital market and/or institutional bodies and/or banking institutions.

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

As of 31 March 2024, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to NIS 3.8 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 34 billion, in addition to the aforesaid liquid assets of approx. NIS 3.8 billion), to be important 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.<sup>22</sup> 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 31 March 2024
Properties in the retail centers and malls in Israel segment	13,512
Properties in the leasable office and other space in Israel segment	16,276
Properties in the rental housing in Israel segment	1,914
Other properties (mainly hospitality and data centers)	1,259
The Company's holdings in Bank Leumi	1,084
<b>Total</b>	<b>34,045</b>

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.*

<sup>22</sup> For details with respect to additional matters related to the Group's financing activities, see Section 20 of Chapter A of the 2023 Periodic Report, which is included herein by reference.

## 5.9. Financial Position

Financial Position, Liquidity and Financing Sources		
Item	31 March 2024	31 December 2023
Total assets <sup>(1)</sup>	<b>53,788</b>	54,072
Current assets	<b>4,449</b>	5,645
Investment property <sup>(2)</sup>	<b>45,507</b>	44,613
Short-term credit <sup>(3)</sup>	<b>1,671</b>	2,814
Loans from banking corporations and other credit providers <sup>(4)</sup>	<b>3,190</b>	2,517
Net bonds <sup>(5)</sup>	<b>17,223</b>	17,418
Total equity <sup>(6)</sup>	<b>22,870</b>	23,568

Figures are presented in millions of NIS.

- (1) The decrease mainly derives from a decrease in the cash balance and a decrease in the NOK exchange rate in the Report Period and from a change in the fair value of the properties.
- (2) The increase mainly derives from the progress of the investments in projects under construction and in the income-producing properties in the Report Period and from a change in the fair value of the properties.
- (3) The decrease mainly derives from refinancing of a loan of Mall HaYam and from the repayment of short-term credit.
- (4) The increase mainly derives from refinancing of the Mall HaYam loan.
- (5) The decrease derives from current repayments in the period.
- (6) The decrease mainly derives from the announcement of a dividend distribution counterbalanced by an increase owing to the comprehensive income in the period.

## 6 | BUSINESS RESULTS AT A GLANCE

### 6.1. Summary of Business Results

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

Consolidated Net Profit Analysis			
	For the Three Months Ended		For the Year Ended
	31 March 2024	31 March 2023	31 December 2023
Net profit for the period attributable to the shareholders	464	377	2,225
Net profit attributable to the shareholders and to non-controlling interests	464	377	2,218
Basic earnings per share (NIS)	3.82	3.11	18.35
Comprehensive income to shareholders and to non-controlling interests	302	330	2,166

Figures are presented in millions of NIS.

Net profit in the Report Period totaled NIS 464 million, compared with NIS 377 million in the same period last year. The increase in profit in the Report Period was mainly affected by an NOI increase in the sum of NIS 27 million (net of Compass), a decrease in net financing expenses in the sum of NIS 118 million, a decrease in net other expenses in the sum of NIS 14 million, exclusion of the results of Compass in the amount of NIS 40 million counterbalanced by a decrease in the profit from fair value adjustment in the sum of NIS 109 million and an increase in tax 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 three-month period ended 31 March 2024 mainly derives from loss from translation differences from foreign operations in the sum of NIS 213 million, counterbalanced by an increase in the fair value of financial assets net of tax in the sum of NIS 41 million.

## 6.3. Results of Operations

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

Results of Operations		
	For the Three Months Ended	
	31 March 2024	31 March 2023
Marketing, general and administrative expenses <sup>(1)</sup>	72	66
Net other expenses <sup>(2)</sup>	(7)	(21)
Net financing expenses <sup>(3)</sup>	(121)	(239)
Income tax expenses <sup>(4)</sup>	122	117

Figures are presented in millions of NIS.

- (1) The increase in expenses in the Report Period compared with the same period last year mainly derives from an increase in G&A expenses which mainly results from consolidation of the results of the U.K. Companies and the expansion of operations in the DC segment.
- (2) The decrease in other expenses in the Quarter mainly derives from one-time expenses and expenses in relation to property acquisitions.
- (3) The decrease in net financing expenses in the current quarter compared with the same quarter last year mainly derives from the change in the CPI counterbalanced by an increase in interest expenses due to the increase in the debt amount.
- (4) The increase in tax expenses in the Report Period mainly derives from an increase in the pre-tax profit in the period.

## 6.4. Cash Flows

The following table shows the cash flows generated by the Group in Q1/2024, compared with Q1/2023:

Quarterly Cash Flows		
Quarter	Q1/2024	Q1/2023
Net cash flows generated by the Group from operating activities <sup>(1)</sup>	512	301
Net cash flows used by the Group for investment activities <sup>(2)</sup>	(799)	(1,057)
Net cash flows generated (used) by the Group for financing activities <sup>(3)</sup>	(810)	(378)

Figures are presented in millions of NIS.

- (1) Most of the cash flow in the Quarter and in the same quarter last year derived from the operating profit of the income-producing real estate in the sum of approx. NIS 533 million in the corresponding period – approx. NIS 506 million (excluding Compass) plus net senior housing deposits net of income taxes paid. The increase in the present quarter compared with the same quarter last year results from the payment of one-time taxes in the corresponding quarter and from a decrease in trade and other receivables.
- (2) Most of the cash flow in Q1/2024 was used for acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 813 million, plus investment in a company accounted for by the equity method in the sum of NIS 23 million. Most of the cash flow in the same period last year was used for acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 601 million, for further investment in Compass in the sum of NIS 144 million and for the acquisition of the U.K. Companies in the sum of NIS 228 million.
- (3) Most of the change relative to the same quarter last year derived from a decrease in net loans, primarily due to the repayment of short-term loans during the period.



## 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 2023 Periodic Report, which is included herein by reference.

### 7.1. Changes in the office of officers of the Company

See Section 1.2.3.2 above.

### 7.2. Approval of a revised compensation policy, a special bonus and the management agreement of the CEO of the Company

On 2 May 2024, the general meeting of the Company's shareholders approved, *inter alia*, the payment of a special bonus to the CEO of the Company in deviation from the Company's compensation policy, a revised Company officer compensation policy for a three-year period, an update to the management agreement with the CEO of the Company, and the grant of options of the CEO of the Company. For further details, see the immediate reports in connection with the general meeting of 21 March 2024, 15 April 2024 and 30 April 2024 (Refs. 2024-01-029742, 2024-01-043176 and 2024-01-041491, respectively), and the immediate report of 2 May 2024 regarding the results of the general meeting (Ref. 2024-01-046821), which are included herein by way of reference.

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

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

For events and developments during the Report Period, see Chapter B hereof – Updates to the Description of the Corporation's Business chapter as of 31 March 2024 and Note 3 to the financial statements as of 31 March 2024.

### 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 2023 Periodic Report. The Company has updated some of the valuations in the data center segment as of 31 March 2024.

As specified in Section 9.3 of the board of directors' report included in the 2023 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 31 March 2024.

### 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 31 March 2024.

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**Danna Azrieli, Chairwoman of the Board**

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**Eyal Henkin, CEO**

**Date: 22 May 2024**

## **Annex A**

# **Designated Disclosure to the Bondholders**

## Annex A - Designated Disclosure to the Bondholders

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

Series	Date of issue	Par value on the date of issue	Par value on the report date	Par value on the report date, including linkage	Amount of Interest accrued by the report date	Fair value of the series in the financial statements as of the report date	Market cap as of the report date	Type of interest	Annual interest rate	Principal payment dates	Interest payment dates	Linkage terms	Details regarding the Trustee
		NIS in Millions											
Series B	10 Feb. 2015	623.3	1,091.8	1,219.7	3.9	1,206.4	1,207.8	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 <u>company</u> : 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: <a href="mailto:hermetic@hermetic.co.il">hermetic@hermetic.co.il</a>  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	2,871.6	3,250.2	10.3	3,236.7	3,166.2	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	3,080.3	13.6	3,131.9	3,063.2	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	3,681.0	22.8	3,850.0	3,650.0	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	2,576.7	2,836.4	6.2	2,719.3	2,457.4	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	
	25 December 2023	673.1											
Series H	20 July 2021	1,751.5	4,363.0	4,802.6	19.8	4,406.5	4113.0	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											
	25 December 2023	1,685											
<b>Total</b>		<b>20,889.8</b>	<b>16,954.5</b>	<b>18,870.2</b>	<b>76.6</b>	<b>18,550.8</b>	<b>17,657.6</b>						

\* 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 24 December 2023 (Ref.: 2023-01-115813).
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	4 February 2024 <sup>(*)</sup>	AA+ stable	21 June 2015 28 March 2017 2 February 2020 7 February 2021 27 June 2023 28 June 2023 4 February 2024
Series D	Midroog	Aa1/stable outlook	ilAa1/stable outlook	31 December 2023 <sup>(**)</sup>	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 31 December 2023
Series E	Midroog	ilAa1/stable outlook	Aa1/stable outlook	31 December 2023 <sup>(**)</sup>	ilAa1/stable outlook	20 January 2019 17 December 2019 31 December 2019 19 April 2020 27 December 2020 30 December 2021 29 December 2022

						31 December 2023
<b>Series F</b>	Midroog	ilAa1/stable outlook	ilAa1/stable outlook	31 December 2023(**)	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 31 December 2023
<b>Series G</b>	Ma'alot	ilAA+ stable	ilAA+ stable	4 February 2024	AA+/stable outlook	1 July 2021 21 December 2023 24 December 2023 4 February 2024
<b>Series H</b>	Ma'alot	ilAA+ stable	ilAA+ stable	4 February 2024	AA+/stable outlook	1 July 2021 12 July 2022 21 December 2023 24 December 2023 4 February 2024

\* For Ma'alot's rating report on the Series B, G and H Bonds, see the Company's immediate report of 4 February 2024 (Ref.: 2024-01-013191), 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 1 January 2024 (Ref.: 2024-01-000033), which is included herein by reference.



## **PART B**

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# 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 2023 (the "Periodic Report")<sup>1</sup>

In accordance with Section 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, specified below are material developments that occurred in the Company's business during the three months ended 31 March 2024 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" – 23 May 2024; the "Date of the Statement of Financial Position" and the "Report Date" – 31 March 2024; the "Board of Directors' Report" – the Board of Directors' Report on the State of the Company's Affairs for the three months ended 31 March 2024.

### 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) changes in the office of senior officers of the Company, see Section 1.2.3 of Chapter A hereof.

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### 2. Dividends

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

On 9 May 2024, the Company paid a dividend to its shareholders in the sum total of approx. NIS 1,000 million. For details, see Section 1.2.4 of Chapter A hereof.

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### 3. Development Pipeline

#### Update to Section 7.7 of the Description of the Corporation's Business chapter:

During the report period, the Group continued to invest in the development and construction of new properties, as well as in the expansion and renovation of existing properties. For further details, see Section 4 of Chapter A hereof. Below are updates in connection with the development pipeline and betterment of existing properties:

**Land in Modi'in (Lot 21)** – On 21 March 2024, a completion certificate was received, and subsequent to the Report Date, the Company has begun the population of the commerce floors, office towers, and residences in the project.

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<sup>1</sup> As reported by the Company on 23 March 2024 (Ref.: 2024-01-029448), which is incorporated herein by reference.

## 4. Financing

### Non-Bank Financing for the Company

**Update to Section 20.5 of the Description of the Corporation's Business chapter:**

#### **Commercial paper (CP)**

As of the Report Date, the Company has two series of CP: a rated series totaling approx. NIS 55 million and an unrated series totaling approx. NIS 5 million. As of the Report Release Date, and towards the expected expiry of the said rated series, the Company agreed with the CP series holders to add 5 twelve-month periods to the CP, and that the CP interest as of 27 May 2024 will be the Bank of Israel interest rate plus an annual margin of 0.15%, instead of an annual margin of 0.3%, with no change to the other terms and conditions of the CP series.

#### **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 2,872 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 2,577 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 4,363 million.

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## **PART C**

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# **Consolidated Financial Statements**

Dated 31 March 2024

**Azrieli Group Ltd.**

**Condensed Consolidated Financial Statements  
as of 31 March 2024**

**(Unaudited)**



**Azrieli Group Ltd.**

**Condensed Consolidated Financial Statements**  
**As of 31 March 2024**

**C o n t e n t s**

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

### **Introduction:**

We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statement of Financial Position as of 31 March 2024 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the three-month period then ended. The board of directors (the "**Board**") and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

### **Scope of Review:**

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

### **Conclusion:**

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

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

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

**Tel Aviv, 22 May 2024**

**Azrieli Group Ltd.**  
**Condensed Consolidated Statements of Financial Position**

	As of 31 March		As of 31 Dec.
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3,789	2,279	4,915
Short-term investments and deposits	1	1	1
Trade accounts receivable	101	76	159
Other receivables	506	214	506
Inventory	6	11	6
Current tax assets	46	106	58
<b>Total current assets</b>	4,449	2,687	5,645
<b>Non-current assets</b>			
Investments in companies accounted for using the equity method	58	1,926	56
Loans and receivables	334	359	308
Financial assets	1,090	949	1,038
Investment property and investment property under construction	45,507	40,840	44,613
Fixed assets	801	615	796
Intangible and other assets	1,549	1,627	1,616
<b>Total non-current assets</b>	49,339	46,316	48,427
<b>Total assets</b>	53,788	49,003	54,072

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 31 March		As of 31 Dec.
	2024	2023	2023
	NIS in	NIS in	NIS in
	millions	millions	millions
	(Unaudited)		(Audited)
<b>Liabilities and capital</b>			
<b>Current liabilities</b>			
Credit and current maturities from financial corporations and bonds	1,671	1,821	2,814
Trade payables	707	579	751
Payables and other current liabilities	392	361	383
Deposits from customers	1,333	1,312	1,327
Current tax liabilities	42	37	43
Declared dividend	1,000	700	-
<b>Total current liabilities</b>	<b>5,145</b>	<b>4,810</b>	<b>5,318</b>
<b>Non-current liabilities</b>			
Loans from financial corporations	3,190	2,312	2,517
Bonds	17,223	15,091	17,418
Other liabilities	417	381	406
Deferred tax liabilities	4,943	4,677	4,845
<b>Total non-current liabilities</b>	<b>25,773</b>	<b>22,461</b>	<b>25,186</b>
<b>Capital</b>			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	255	426	419
Retained earnings	20,052	18,740	20,588
<b>Total equity attributable to the shareholders of the Company</b>	<b>22,843</b>	<b>21,702</b>	<b>23,543</b>
<b>Non-controlling interests</b>	<b>27</b>	<b>30</b>	<b>25</b>
<b>Total capital</b>	<b>22,870</b>	<b>21,732</b>	<b>23,568</b>
<b>Total liabilities and capital</b>	<b>53,788</b>	<b>49,003</b>	<b>54,072</b>

**22 May 2024**

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 three-month period ended 31 March		For the year ended 31 December
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b>Revenues:</b>			
From rent, management fees, maintenance fees and sales, net	749	707	2,943
Net gain from fair value adjustment of investment property and investment property under construction	253	362	912
Share in the results of companies accounted for using the equity method, net of tax	-	(40)	(77)
Financing	57	31	100
Other	10	15	1,259
<b>Total revenues</b>	<u>1,069</u>	<u>1,075</u>	<u>5,137</u>
<b>Costs and expenses:</b>			
Cost of revenues from rent, management fees, maintenance fees and sales	216	209	911
Sales and marketing	19	22	96
G&A	53	44	220
Financing	178	270	943
Other	17	36	114
<b>Total costs and expenses</b>	<u>483</u>	<u>581</u>	<u>2,284</u>
<b>Income before income taxes</b>	586	494	2,853
Income taxes	<u>(122)</u>	<u>(117)</u>	<u>(635)</u>
<b>Net profit for the period</b>	<u>464</u>	<u>377</u>	<u>2,218</u>
<b>Other comprehensive income (loss):</b>			
<b>Amounts that will not be carried in the future to the profit or loss, net of tax:</b>			
Change in the fair value of financial assets, net of tax	<u>41</u>	<u>(61)</u>	<u>9</u>
<b>Amounts that were carried or will be carried in the future to profit or loss, net of tax:</b>			
Share in other comprehensive income (loss) of an investment accounted for using the equity method	-	(11)	2
Profit (loss) from cash flow hedging, net of tax	10	-	(9)
Write-off of capital reserves due to disposition of an associate	-	-	(163)
Translation differences from foreign operations	<u>(213)</u>	<u>25</u>	<u>109</u>
<b>Total</b>	<u>(203)</u>	<u>14</u>	<u>(61)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(162)</u>	<u>(47)</u>	<u>(52)</u>
<b>Total comprehensive income for the period</b>	<u>302</u>	<u>330</u>	<u>2,166</u>

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

**Azrieli Group Ltd.**  
**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**  
(Continued)

	For the three-month period ended 31 March		For the year ended 31 December
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b>Net profit for the period attributable to:</b>			
Shareholders of the Company	464	377	2,225
Non-controlling interests	-	-	(7)
	<u>464</u>	<u>377</u>	<u>2,218</u>
<b>Total comprehensive income for the period attributable to:</b>			
Shareholders of the Company	300	329	2,170
Non-controlling interests	2	1	(4)
	<u>302</u>	<u>330</u>	<u>2,166</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
<b>Basic and diluted earnings (in NIS) per ordinary share of par value NIS 0.1 attributable to shareholders of the Company:</b>			
Basic and diluted earnings	<u>3.82</u>	<u>3.11</u>	<u>18.35</u>
<b>Weighted average of number of shares used for calculating the basic and diluted earnings per share</b>	<u>121,272,760</u>	<u>121,272,760</u>	<u>121,272,760</u>

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



**Azrieli Group Ltd.**  
**Condensed Consolidated Statements of Changes in Capital**

	For the three-month period ended 31 March 2024 (Unaudited)								
	Share Capital	Share Premium	Capital Reserve for Changes in the Fair Value of Investments in Equity Instruments designated at Fair Value through Other Comprehensive Income	Capital Reserve for Translation Differences from Foreign Operations	Other Capital Reserves	Retained Earnings	Total Attributable to the Shareholders of the Company	Non-Controlling Interests	Total
	NIS in millions								
Balance as of 1 January 2024	18	2,518	531	(123)	11	20,588	23,543	25	23,568
Movement during the report period:									
Net profit for the period	-	-	-	-	-	464	464	-	464
Change in fair value of financial assets, net of tax	-	-	41	-	-	-	41	-	41
Translation differences from foreign operations	-	-	-	(215)	-	-	(215)	2	(213)
Profit from cash flow hedging, net of tax	-	-	-	-	10	-	10	-	10
Total comprehensive income for the period	-	-	41	(215)	-	464	300	2	302
Declared dividend to shareholders of the Company	-	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Balance as of 31 March 2024	18	2,518	572	(338)	21	20,052	22,843	27	22,870

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 31 March 2023 (Unaudited)

			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
	Share Capital	Share Premium							
	NIS in millions								
<b>Balance as of 1 January 2023</b>	18	2,518	522	(68)	20	19,063	22,073	29	22,102
<b>Movement during the report period:</b>									
Net profit for the period	-	-	-	-	-	377	377	-	377
Change in fair value of financial assets, net of tax	-	-	(61)	-	-	-	(61)	-	(61)
Share in the comprehensive income of an investment accounted for using the equity method	-	-	-	(8)	(3)	-	(11)	-	(11)
Translation differences from foreign operations	-	-	-	24	-	-	24	1	25
<b>Total comprehensive income for the period</b>	-	-	(61)	16	(3)	377	329	1	330
Declared dividend to shareholders of the Company	-	-	-	-	-	(700)	(700)	-	(700)
<b>Balance as of 31 March 2023</b>	18	2,518	461	(52)	17	18,740	21,702	30	21,732

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

**Azrieli Group Ltd.**  
**Condensed Consolidated Statements of Changes in Capital**  
(Continued)

For the year ended 31 December 2023 (Audited)

	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								
<b>Balance as of 1 January 2023</b>	18	2,518	522	(68)	20	19,063	22,073	29	22,102
<b>Movement during the report year:</b>									
Net profit (loss) for the year	-	-	-	-	-	2,225	2,225	(7)	2,218
Change in fair value of financial assets, net of tax	-	-	9	-	-	-	9	-	9
Share in the comprehensive loss of an investment accounted for using the equity method	-	-	-	2	-	-	2	-	2
Write-off of capital reserves due to disposition of a company accounted for using the equity method	-	-	-	(163)	-	-	(163)	-	(163)
Translation differences from foreign operations	-	-	-	106	-	-	106	3	109
Loss from cash flow hedging, net of tax	-	-	-	-	(9)	-	(9)	-	(9)
<b>Total comprehensive income (loss) for the year</b>	-	-	9	(55)	(9)	2,225	2,170	(4)	2,166
Dividend to shareholders of the Company	-	-	-	-	-	(700)	(700)	-	(700)
<b>Total transactions with shareholders of the Company</b>	-	-	-	-	-	(700)	(700)	-	(700)
<b>Balance as of 31 December 2023</b>	18	2,518	531	(123)	11	20,588	23,543	25	23,568

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

**Azrieli Group Ltd.**  
**Condensed Consolidated Statements of Cash Flows**

	For the three-month period ended 31 March		For the year ended 31 December
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b>Cash flows – Operating activities</b>			
Net profit for the period	464	377	2,218
Depreciation and amortization	5	5	70
Forfeiture of senior housing residents' deposits	(13)	(12)	(52)
Net gain from fair value adjustment of investment property and investment property under construction	(253)	(362)	(912)
Net financing and other expenses	112	225	799
Income from the sale of holding in associate	-	-	(1,211)
Share in results of associates accounted for using the equity method	-	40	77
Taxes recognized in the income statement	122	117	635
Net income taxes paid	(13)	(148)	(204)
Revaluation of financial assets designated at fair value through profit and loss	-	-	(2)
Change in inventory	1	(1)	4
Change in trade and other receivables	65	11	(107)
Change in trade and other payables	7	26	1
Receipt of deposits from senior housing residents	41	41	128
Return of deposits from senior housing residents	(26)	(19)	(74)
Change in employee provisions and benefits	-	1	1
<b>Net cash – operating activities</b>	<b>512</b>	<b>301</b>	<b>1,371</b>
<b>Cash flows – Investment activities</b>			
Proceeds from disposition of fixed assets	-	-	1
Acquisition of and investment in investment property and investment property under construction	(813)	(601)	(3,505)
Acquisition of and investment in fixed and intangible assets	(9)	(15)	(204)
Investments in companies accounted for using the equity method	(23)	(174)	(203)
Change in short-term deposits	-	3	3
Provision of long-term loans	-	-	(2)
Collection of long-term loans	1	1	2
Interest and dividend received	45	17	138
Proceeds from disposition of financial assets	-	-	1
Net proceeds from disposition of investment in associate	-	-	2,598
Acquisition of companies consolidated for the first time (Annex A)	-	(228)	(228)
Taxes paid in respect of assets	-	(60)	(73)
<b>Net cash – Investment activities</b>	<b>(799)</b>	<b>(1,057)</b>	<b>(1,472)</b>

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

**Azrieli Group Ltd.**  
**Condensed Consolidated Statements of Cash Flows**  
(Continued)

	For the three-month period ended 31 March		For the year ended 31 December
	2024	2023	2023
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b>Cash flows – Financing activities</b>			
Dividend distribution to shareholders	-	-	(700)
Repayment of bonds	(249)	(241)	(922)
Issuance of bonds net of issue expenses	-	-	3,050
Receipt of long-term loans from financial corporations	928	-	230
Repayment of long-term loans from financial corporations	(638)	(39)	(211)
Net short-term credit from financial corporations	(726)	2	710
Payment of other long-term liabilities	(5)	(1)	(18)
Repayment of deposits from customers	(3)	(1)	(3)
Received deposits from customers	-	2	3
Paid interest	(117)	(100)	(455)
<b>Net cash – Financing activity</b>	<b>(810)</b>	<b>(378)</b>	<b>1,684</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,097)</b>	<b>(1,134)</b>	<b>1,583</b>
<b>Cash and cash equivalents as at beginning of period</b>	<b>4,915</b>	<b>3,404</b>	<b>3,404</b>
Effect of exchange rate changes on cash balances held in foreign currency	(29)	9	(72)
<b>Cash and cash equivalents as at end of period</b>	<b>3,789</b>	<b>2,279</b>	<b>4,915</b>

(\*) Non-cash transactions for the three-month period ended 31 March 2024 and 31 March 2023 include a change in other payables in respect of dividend in the amount of NIS 1,000 million, NIS 700 million, respectively.

In addition, non-cash transactions for 2023 included an increase in other payables in respect of purchases on credit of non-current assets in the amount of NIS 211 million.

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

**Azrieli Group Ltd.**  
**Condensed Consolidated Statements of Cash Flows**  
(Continued)

**Annex A - Acquisition of a company consolidated for the first time:**

	For the three-month period ended 31 March		For the year ended 31 December
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Working capital (excluding cash and cash equivalents)	-	(10)	(10)
Investment property	-	(479)	(479)
Long-term liabilities	-	261	261
	-	(228)	(228)

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

**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**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 the Tel Aviv Stock Exchange (“**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 31 March 2024 include those of the Company and of its subsidiaries (jointly, the “**Group**”), as well as the Group’s rights in associates and in jointly-controlled entities.

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

As the Company 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. 28.02% of the capital rights in Azrieli Holdings and approx. 33.13% of the voting rights in Azrieli Holdings, and they jointly hold approx. 84.06% 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 2023, and for the year then ended (the “**Annual Financial Statements**”), and the notes attached thereto.



**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**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 2023 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 management is 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 the 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 2023.

- (2)** As of 31 March 2024, the Group has updated the valuations of some of its data centers sector's assets.

**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**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
<b>Date of the Financial Statements:</b>				
As of 31 March 2024	0.3400	3.681	250.95	249.53
As of 31 March 2023	0.3465	3.615	244.33	243.38
As of 31 December 2023	0.3559	3.627	248.59	248.82
<b>Rates of change:</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>For the three-month period ended:</b>				
As of 31 March 2024	(4.47)	1.49	0.95	0.29
As of 31 March 2023	(2.86)	2.73	1.19	1.08
<b>For the year ended</b>				
As of 31 December 2023	(0.36)	3.07	2.96	3.34

**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**Note 2 – Significant Accounting Policies (Contd.)**

**D. Standards, interpretations and amendments to standards that were released and are invalid, and were not pre-adopted by the Group, that have or may have an effect on future periods:**

- **International Financial Reporting Standard 18 – Presentation and Disclosure in Financial Statements (“IFRS 18”)**

On 9 April 2024, IFRS 18 was released, replacing International Accounting Standard 1 "Presentation of Financial Statements" ("IAS 1"). The purpose of this standard is to improve the way entities communicate information to the users of their financial statements.

The standard focuses on the following categories:

1. Structure for the statement of profit or loss - Presentation of defined subtotals and categorization in the statement of profit or loss.
2. Requirements for improving the aggregation and disaggregation of information in the financial statements and notes.
3. Disclosure of Information in the notes to the financial statements with respect to performance measures defined by management ("MPMs") as such that are non-GAAP standards.

In addition, upon implementation of IFRS 18, amendments to other IFRS standards will take effect, including changes to International Accounting Standard 7 "Statement of Cash Flows", which are designed to improve comparability between entities. The changes mainly include the use of a subtotal of operating profit as a single starting point in the application of the indirect method for reporting cash flows from operating activities, as well as the elimination of alternatives for choosing an accounting policy regarding the presentation of interest and dividends. Therefore, with the exception of certain cases, interest and dividends received will be included in cash flows from investment activities, while interest paid and dividends paid will be included in financing activities.

IFRS 18 will become effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 is applied retroactively, with specific transition instructions. Early adoption is possible.

The Company examines the effect of the application of IFRS 18, including the effect of the amendments to other IFRS standards, on financial statements

**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**Note 3 – Material Events during the Report Period**

- A.** On 20 March 2024, the Company's Board decided upon the distribution of a dividend to the shareholders of the Company in the sum of NIS 1,00 million (reflecting an amount of NIS 8.25 per share), which was paid on 9 May 2024.
- B.** Further to Note 16B(7) to the Annual Financial Statements, on 2 February 2024, the loan was fully repaid according to the payment schedule. At that time, the Company engaged with financial corporations for the purpose of taking a loan of approx. NIS 850 million under the terms and conditioned specified in the aforesaid note. As of the report date, the Company meets the covenants.

**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 31 March 2024		As of 31 March 2023		As of 31 Dec. 2023	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	(unaudited)		(unaudited)		(Audited)	
	NIS in millions		NIS in millions		NIS in millions	
<b>Non-current liabilities:</b>						
Loans from banking corporations and other credit providers (1)	3,478	3,332	3,113	2,953	3,228	3,088
Bonds (1)(2)	18,627	17,658	16,103	14,836	18,818	17,572
	<u>22,105</u>	<u>20,990</u>	<u>19,216</u>	<u>17,789</u>	<u>22,046</u>	<u>20,660</u>

(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.

**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

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

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

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

	As of 31 March		As of 31 December
	2024	2023	2023
	(Unaudited)		(Audited)
	%	%	%
<b>Non-current liabilities:</b>			
Loans from financial corporations	2.52-8.13	1.19-7.86	1.98-7.95

**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 31 March		As of 31 Dec.
	2024	2023	2023
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b>Financial assets at fair value through other comprehensive income:</b>			
Marketable shares – Level 1	1,084	944	1,032

**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**Note 5 – Segment Reporting**

**A. General:**

For a description of the Company's operating segments, see Note 33 to the Annual Financial Statements.

**B. Operating segments:**

	For the three-month period ended 31 March 2024 (Unaudited)							
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income- producing property in the U.S.	Senior housing	Data Centers	Residential rentals in Israel	Other	Consoli- dated
	NIS in millions							
Revenues:								
Total external income	301	257	57	64	65	5	-	749
Total segment expenses	61	46	32	43	33	1	-	216
Segment profit (NOI)	240	211	25	21	32	4	-	533
Profit from fair value adjustment of investment property and investment property under construction, net	-	-	2	-	251	-	-	253
Unallocated expenses								(72)
Financing expenses, net								(121)
Other expenses, net								(7)
Income before income taxes								586
Additional information:								
Segment assets	15,606	16,729	1,859	3,313	7,942	1,914	531	47,894
Unallocated assets (*)								5,894
Total consolidated assets								53,788

(\*) Mainly financial assets in the sum of approx. NIS 1.1 billion and cash and short-term deposits in the sum of approx. NIS 3.8 billion.

**AZRIELI GROUP LTD.**

**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**Note 5 – Segment Reporting (Cont.)**

**B. Operating segments: (Cont.)**

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

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

(\*\*) The NOI due to Compass is NIS 19 million. See Note 7C to the Annual Financial Statements for further details regarding the sale of the holdings in Compass.

**AZRIELI GROUP LTD.**

**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**Note 5 – Segment Reporting (Cont.)**

**B. Operating segments (Cont.)**

	For the year ended 31 December 2023 (Audited)								
	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	Adjustments	Consolidated
	NIS in millions								
Revenues:									
Total external income	1,197	1,009	239	246	290	18	33	(89)	2,943
Total segment expenses	256	188	129	174	136	3	93	(35)	944
Segment profit (loss) (NOI)	941	821	110	72	154	15	(60)	(54)	1,999
Profit (loss) from fair value adjustment of investment property and investment property under construction, net	24	335	(240)	90	718	(22)	-	7	912
Unallocated expenses									(283)
Financing expenses, net									(843)
Other income, net									1,145
The Company's share in the results of associates, net of tax									(77)
Income before income taxes									2,853
Additional information as of 31 Dec. 2023:									
Segment assets	15,523	16,625	1,821	3,287	7,395	1,887	525	-	47,063
Unallocated assets (*)									7,009
Total consolidated assets									54,072
Capital investments	362	426	66	100	2,566	243			

(\*) Mainly financial assets in the sum of approx. NIS 1 billion and cash and short-term deposits in the sum of approx. NIS 4.9 billion.



**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**Note 6 – Subsequent Events**

After the date of the Statement of Financial Position, on 2 May 2024, the Company's general meeting approved, after the approval of the Board and the approval and/or recommendation (as the case may be) of the Compensation Committee, among others, the following issues:

- A. Special bonus to the Company's CEO  
Payment of a special bonus in the sum of approx. NIS 5.3 million to the Company's CEO, Mr. Eyal Henkin, in view of his special contribution to the Company, its business and results in 2023.
- B. Approval of an updated compensation policy to the Company's officers
- C. Update to the management agreement with the Company's CEO  
Update to the terms and conditions of the management agreement with Company's CEO, Mr. Eyal Henkin, valid as of the date of approval by the general meeting, with the following main provisions:

**1. Update to the fixed component:**

The monthly management fees will be NIS 389 thousand, linked to the increase in the CPI for February 2024, which was published on 15 March 2024, plus 5% every year (beyond the linkage to the CPI). The management fees will not be reduced in the event of a decrease in the CPI in a given month, but the reduction will be deducted from future increases in the CPI.

**2. Update to the annual bonus:**

The Company's CEO shall be entitled to a discretionary annual bonus in the amount of up to 3 times the gross monthly salary, according to the recommendation of the Chairwoman of the Board, as shall be approved by the Compensation Committee and the Board, and according to criteria that will be determined in advance for each year (the "**Discretionary Bonus**").

In addition, the Company's CEO shall be entitled to a measurable bonus which is based on achievement of financial and/or strategic/functional goals as detailed in the Company's compensation policy. The weight given to the financial goals, compared to the strategic/functional goals, will be determined by the Compensation Committee and the Company's Board, such that financial or strategic/functional goals only, or a combination of both, may be taken into account (the "**Measurable Bonus**", and jointly with the Discretionary Bonus: the "**Annual Bonus**").

**AZRIELI GROUP LTD.**  
**Notes to the Condensed Consolidated Financial Statements**  
**as of 31 March 2024**

**Note 6 – Subsequent Events (Cont.)**

C. Update to the management agreement with the Company's CEO (Cont.)

**2. Update to the annual bonus: (Cont.)**

A prerequisite for the payment of the Measurable Bonus which is based on achievement of financial goals is contingent upon achievement of 90% of the financial goals, as shall be determined for the Company's CEO by the relevant bodies. The eligibility of the Company's CEO will be calculated linearly according to the extent of achievement of the financial goals, such that insofar as the Measurable Bonus for the Company's CEO is based on achievement of financial goals and achievement of strategic/functional goals, then, for full achievement of the financial goals, the Company's CEO will be entitled to the full proportional part of the Measurable Bonus which is based on achievement of financial goals, and for achievement of 90% of the financial goals the Company's CEO will be entitled to 90% of such proportional share.

The Annual Bonus will be equal to up to 12 gross salaries, of which up to 3 gross salaries in respect of the Discretionary Bonus.

D. Equity compensation to the Company's CEO

Granting of 234,350 unlisted options, exercisable for up to 234,350 ordinary shares of the Company, at a price of NIS 249.7 per share, reflecting the average closing price on TASE of the Company's stock in the 30 trading days preceding the date of the Board's resolution that approved the granting of the options. The fair value of an option unit is approx. NIS 89.86 calculated based on the Black-Scholes model.

The options are exercisable according to a cashless exercise mechanism only. The options will vest and become exercisable in four equal annual installments, in such a way that after 48 months from the date of allocation thereof, all of the options will vest.

The first tranche options, which will vest and not be exercised within three years from their vesting date, will be cancelled. The second, third and fourth tranche options, which will vest but not be exercised within two years from their vesting date, will be cancelled. Mr. Henkin will be entitled to exercise the options to which he is entitled as stated above, for 270 days from the end of his term of office and/or employment and/or actual engagement until expiration of the option period, whichever is earlier (except in the circumstances stipulated in the ESOP, in which case on the date of termination of the relationship the options will expire immediately for all intents and purposes, whether or not Mr. Henkin was entitled to exercise some of the options on the date of termination of the relationship).

The options were granted to Mr. Henkin on 5 May 2024, after all conditions required for the allocation were fulfilled.

# **Annex to Consolidated Financial Statement**

**Separate Interim Financial Statement**

**as of 31 March 2024**

**(Unaudited)**

**Azrieli Group Ltd.**

**Separate Interim Financial Statement  
as of 31 March 2024**

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

**(Unaudited)**

# **Azrieli Group Ltd.**

## **Separate Interim Financial Statement**

**as of 31 March 2024**

**(Unaudited)**

## **C o n t e n t s**

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To  
The Shareholders of  
**Azrieli Group Ltd.**  
Azrieli Center 1  
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**

**General:**

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 31 March 2024 and for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of this separate interim financial information in accordance with Section 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on the separate interim financial statement for this interim period, based on our review.

**Scope of Review:**

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

**Conclusion:**

Based on our review, nothing had come to our attention that causes us to believe that the 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, 22 May 2024**

**Azrieli Group Ltd.**  
**Statement of Financial Position**

	As of 31 March		As of 31 Dec.
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2,444	1,754	2,824
Trade accounts receivable	28	11	42
Other receivables	254	243	639
Current tax assets	23	94	33
<b>Total current assets</b>	<u>2,749</u>	<u>2,102</u>	<u>3,538</u>
<b>Non-current assets</b>			
Financial assets	1,090	949	1,038
Investment property and investment property under construction	18,306	17,743	18,182
Investments in investee companies	21,150	18,504	20,837
Loans to investee companies	1,771	1,885	1,845
Fixed assets	553	366	548
Other receivables	36	46	39
<b>Total non-current assets</b>	<u>42,906</u>	<u>39,493</u>	<u>42,489</u>
<b>Total assets</b>	<u>45,655</u>	<u>41,595</u>	<u>46,027</u>

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

	As of 31 March		As of 31 Dec.
	2024	2023	2023
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b><u>Liabilities and capital</u></b>			
<b>Current liabilities</b>			
Credit and current maturities from financial corporations and bonds	1,463	1,413	2,480
Trade payables	252	249	230
Payables and other current liabilities	262	181	177
Declared dividend	1,000	700	-
<b>Total current liabilities</b>	<b>2,977</b>	<b>2,543</b>	<b>2,887</b>
<b>Non-current liabilities</b>			
Loans from financial corporations	616	259	218
Bonds	17,223	15,091	17,418
Other liabilities	36	36	38
Deferred tax liabilities	1,960	1,964	1,923
<b>Total non-current liabilities</b>	<b>19,835</b>	<b>17,350</b>	<b>19,597</b>
<b>Capital</b>			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	295	466	459
Retained earnings	20,052	18,740	20,588
<b>Total capital attributable to shareholders of the Company</b>	<b>22,843</b>	<b>21,702</b>	<b>23,543</b>
<b>Total liabilities and capital</b>	<b>45,655</b>	<b>41,595</b>	<b>46,027</b>

22 May 2024

Date of Approval of  
Financial Statements

Danna Azrieli  
Chairwoman of the Board

Eyal Henkin  
CEO

Ariel Goldstein  
CFO



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

	For the three-month period ended March 31		For the year ended 31 December
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b><u>Revenues</u></b>			
From rent and management and maintenance fees, net	288	278	1,109
Net profit from adjustment to fair value of investment property and investment property under construction	2	132	212
Financing	48	40	121
Other	10	15	48
<b>Total Revenues</b>	<u>348</u>	<u>465</u>	<u>1,490</u>
<b><u>Costs and Expenses</u></b>			
Cost of revenues from rent and management and maintenance fees	10	10	40
Sales and marketing	11	6	45
G&A	32	30	146
Financing	130	222	780
Other	5	33	120
<b>Total Costs and Expenses</b>	<u>188</u>	<u>301</u>	<u>1,131</u>
<b>Income before the Company's share in the profits of investee companies</b>	160	164	359
Share in profits of investee companies, net of tax	<u>334</u>	<u>236</u>	<u>1,885</u>
<b>Income before income taxes</b>	494	400	2,244
Taxes on income	<u>(30)</u>	<u>(23)</u>	<u>(19)</u>
<b>Net income for the period</b>	<u>464</u>	<u>377</u>	<u>2,225</u>
<b>Other comprehensive income:</b>			
<b>Amounts that will not be carried in the future to the profit or loss, net of tax:</b>			
Change in the fair value of financial assets, net of tax	<u>41</u>	<u>(61)</u>	<u>9</u>
<b>Amounts that were carried or will be carried in the future to the profit or loss, net of tax:</b>			
Translation differences from foreign operations	(215)	24	(57)
Share in the other comprehensive income (loss) of investee companies, net of tax	<u>10</u>	<u>(11)</u>	<u>(7)</u>
<b>Total</b>	<u>(205)</u>	<u>13</u>	<u>(64)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(164)</u>	<u>(48)</u>	<u>(55)</u>
<b>Total comprehensive income for the period</b>	<u>300</u>	<u>329</u>	<u>2,170</u>

The data attached to the Separate Condensed Financial Statements form an integral part thereof.

**Azrieli Group Ltd.**  
**Statement of Cash Flows**

	For the three-month period ended March 31		For the year ended 31 December
	2024	2023	2023
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b><u>Cash flows – operating activities</u></b>			
Net profit for the period	464	377	2,225
Depreciation and amortization	1	1	4
Net profit from fair value adjustment of investment property and investment property under construction	(2)	(132)	(212)
Financing and other expenses, net	73	165	668
Share in profits of investee companies, net of tax	(334)	(236)	(1,885)
Tax expenses recognized in the income statement	30	23	19
Income tax received (paid), net	10	(124)	(70)
Change in trade and other receivables	80	50	21
Change in trade and other payables	108	40	9
Change in employee benefits and provisions	-	-	1
Revaluation of financial assets designated at fair value through profit and loss	-	-	(3)
<b>Net cash – operating activities</b>	<u>430</u>	<u>164</u>	<u>777</u>
<b><u>Cash flows – investment activities</u></b>			
Purchase of and investment in investment property and investment property under construction	(110)	(100)	(409)
Purchase of fixed assets	(7)	(12)	(190)
Investments in investee companies	(184)	(724)	(1,517)
Proceeds from financial assets designated at fair value through profit and loss	-	-	-
Return of long-term loans from investee companies, net	418	7	(329)
Interest and dividend received	27	17	106
Proceeds from disposition of financial assets	-	-	1
Taxes paid for assets	-	(60)	(68)
Proceeds from disposition of fixed assets	-	-	1
Loss from a hedging transaction	-	-	(67)
<b>Net cash – investment activities</b>	<u>144</u>	<u>(872)</u>	<u>(2,472)</u>

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

	For the three-month period ended March 31		For the year ended 31 December
	2 0 2 4	2 0 2 3	2 0 2 3
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
<b><u>Cash flows – financing activities</u></b>			
Bond offering net of offering expenses	-	-	3,050
Dividend distribution to shareholders	-	-	(700)
Repayment of bonds	(249)	(241)	(922)
Receipt of long-term loans from financial corporations	425	-	-
Repayment of long-term loans from financial corporations	(325)	(29)	(101)
Short-term credit from financial corporations, net	(726)	2	710
Deposits from customers, net	(1)	-	-
Interest paid	(83)	(65)	(312)
<b>Net cash – financing activities</b>	(959)	(333)	1,725
<b>Increase (decrease) in cash and cash equivalents</b>	(385)	(1,041)	30
Cash and cash equivalents at beginning of period	2,824	2,787	2,787
Effect of exchange rate changes on cash balances held in foreign currency	5	8	7
<b>Cash and cash equivalents at end of period</b>	2,444	1,754	2,824

(\*) For the three-month period ended 31 March 2024, non-cash transactions include an increase in other payables in respect of a dividend in the sum of approx. NIS 1,000 million (for the three-month period ended 31 March 2023 – NIS 700 million).

For the three-month period ended 31 March 2024, non-cash transaction includes an increase in other payables in respect of acquisitions on credit of non-current assets in the sum of approx. NIS 2 million.

**The data attached to the Separate Condensed Financial Statements form an integral part thereof.**

**Azrieli Group Ltd.**

**Information Supplementing the Separate Interim Financial Statement**

**As of 31 March 2024**

**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 2023, and for the year then ended, and the supplementing information that were attached thereto.

**B. Definitions:**

- |                         |  |
|-------------------------|--|
| <b>The Company</b>      | - Azrieli Group Ltd.                                       |
| <b>Investee Company</b> | - Consolidated company or a joint venture or 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 2023 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: 22 May 2024

To:  
The Board of Directors of  
**Azrieli Group Ltd.**  
Azrieli Center 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 22 May 2024 on condensed consolidated financial information of the Company as of 31 March 2024 and for the three-month period then ended.
- (2) Special auditors' report of 22 May 2024 on condensed separate financial information of the Company as of 31 March 2024 and for the three-month period then ended according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

**Sincerely,**

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



## **PART D**

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# 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**

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**2 | Ariel Goldstein, CFO**

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

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

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

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

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

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the periodic report for the period ended December 31, 2023 (the “**Most Recent Annual Report on Internal Control**”), the Board of Directors and the management assessed the internal control within the Corporation; based on such assessment, the Board of Directors and the management of the Corporation arrived at the conclusion that such internal control was effective as of December 31, 2023.

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

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

## STATEMENT OF MANAGERS:

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

**I, Eyal Henkin, represent that:**

1. I have reviewed the quarterly report of Azrieli Group Ltd. (the “**Corporation**”) for Q1/2024 (the “**Reports**”).
2. To my knowledge, the Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports.
4. I have disclosed to the Corporation’s auditor and to the Corporation’s Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
  - a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure which may reasonably adversely affect the Corporation’s ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and –
  - b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
  - a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and –
  - b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP.
  - c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, which may change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 22, 2024

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**Eyal Henkin | CEO**



## STATEMENT OF MANAGERS:

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

**I, Irit Sekler-Pilosof, represent that:**

1. I have reviewed the Interim Financial Statements and other financial information included in the interim reports of Azrieli Group Ltd. (the “**Corporation**”) for Q1/2024 (the “**Reports**” or the “**Interim Reports**”);
2. To my knowledge, the Interim Financial Statements and the other financial information included in the Interim Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports;
4. I have disclosed to the Corporation’s auditor and to the Corporation’s Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
  - a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure, insofar as it relates to the Interim Financial Statements and the other information included in the Interim Reports, which may reasonably adversely affect the Corporation’s ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and -
  - b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation-
  - a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and -
  - b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP;
  - c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent periodic report and the date of this report date, pertaining to the Interim Financial Statements and any other information included in the Interim Reports, which could, in my opinion, change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 22, 2024

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**Ariel Goldstein | CFO**