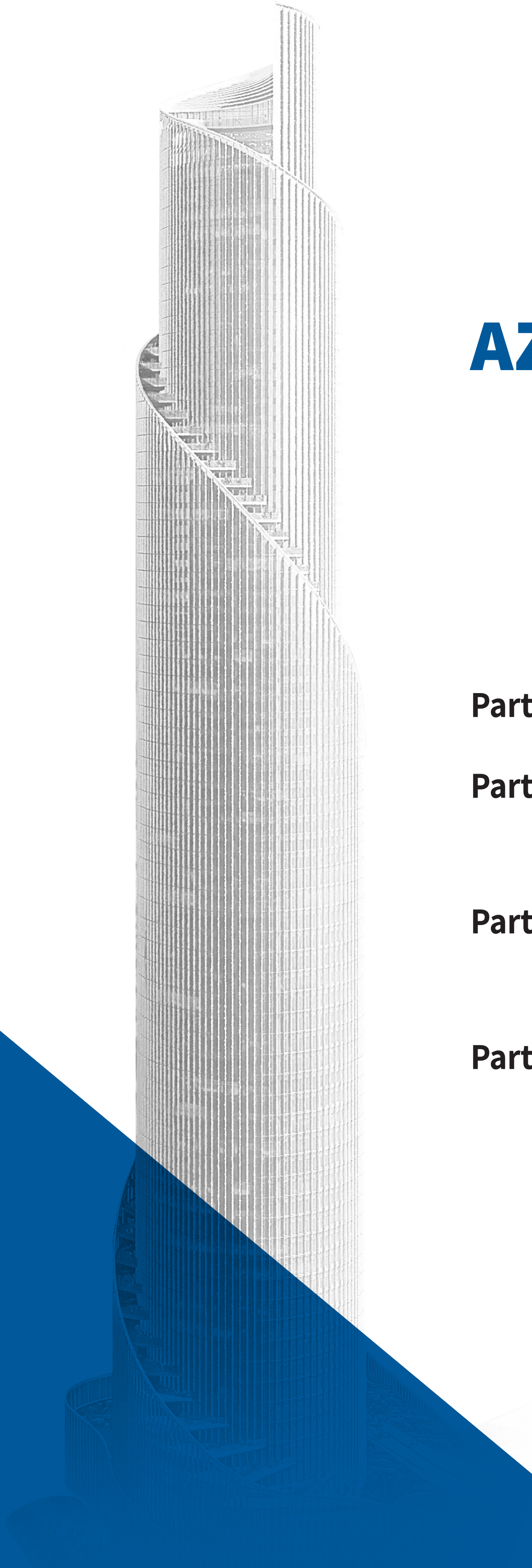
AZRIELI GROUP

AZRIELI GROUP LTD.

Quarterly Report Q1/2025

Dated 31 March 2025



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Quarterly Report Q1/2025
Dated 31 March 2025

Part A | Board Report

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

Part C | Consolidated Financial Statements Dated 31 March 2025

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

PART A

Board Report

Azrieli Group

BUSINESS CARD

The Azrieli Group is Israel's largest real estate company, focusing on income-producing real estate.
In the shopping mall sector, the Group owns and operates some of Israel's leading malls, including Azrieli Jerusalem Mall, Azrieli Tel Aviv Mall, Azrieli Ayalon Mall, and Azrieli Mall Hayam in Eilat. In addition, the Group holds and manages prime office buildings, including some of the country's most iconic properties, such as Azrieli Tel Aviv Center and Azrieli Sarona Tower. The Group also has a significant presence in the senior housing sector, managing four active senior homes as of the report date.
In the rental housing sector, the Group owns residential buildings in Tel Aviv and Modi'in, and is currently developing a new project in Glil Yam, Herzliya.
Additionally, Azrieli Group holds full ownership of Green Mountain, a company operating in the data center industry in Norway, England, and Germany.
In the United States, the Group owns several office buildings, primarily located in Houston and Austin, Texas.
Furthermore, the Group is developing the Mount Zion Hotel project in Jerusalem and acquired the Red Rock Hotel in Eilat in 2023.
Azrieli Group maintains an extraordinary development pipeline encompassing hundreds of thousands of square meters of office, retail, rental housing, and senior housing space, supporting significant future growth. At the same time, the Group remains committed to preserving the quality and value of its existing property portfolio.
As of the report date, the Group also holds a ~2.3% stake in Bank Leumi, reflecting a diversified financial holding.
Azrieli Group's financial strength puts it in a class of its own among real estate companies. The Group maintains low leverage, with a net debt-to-assets ratio of only 33%. Committed to securing prime locations for its properties, the Group emphasizes optimal access to transportation and integration within the urban environment, ensuring that each project delivers long-term value for tenants and visitors alike.
As Israel's leading real estate group, Azrieli Group is dedicated to continuing its leadership in the development and management of high-quality, modern, and innovative income-producing properties, both in Israel and internationally.
Looking ahead, the Group will continue to focus on its core real estate business, while also investing in new growth engines and advanced technologies to drive sustained growth and innovation.

Established in 1983

NIS 7.4 billion distributed in dividends since the IPO in 2010

~ 1.5 million sqm of GLA** and ~0.7 million sqm under development

Israel's largest real estate company with total assets of NIS 60.7 billion

Shareholders Equity NIS 24.1 billion

98% occupancy rate* on average in Israel

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

23 MALLS

379 thousand sqm | 99% Occupancy*

17 OFFICE BUILDINGS

655 thousand sqm | 98% Occupancy*

4 SENIOR HOMES

115 thousand sqm | 99% Occupancy*

8 OFFICE BUILDINGS OVERSEAS

245 thousand sqm | 65% Occupancy

DATA CENTERS COMPANY OVERSEAS

Green Mountain

100%

3 RESIDENTIAL RENTAL PROPERTIES

34 thousand sqm | 99% Occupancy*

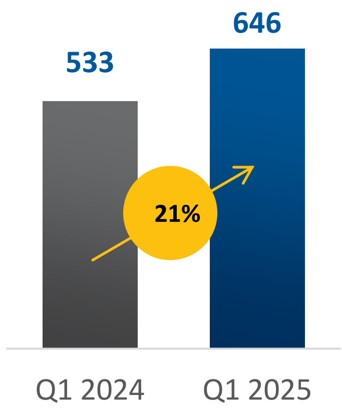
DEVELOPMENT PIPELINE – 10 PROJECTS

687 thousand sqm |

PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR THE REPORT PERIOD

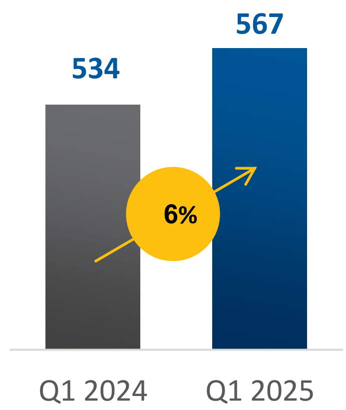
Increase of approx. 21% in Q1 2025 NOI to NIS 646 million compared with NIS 533 million in Q1 2024

NOI



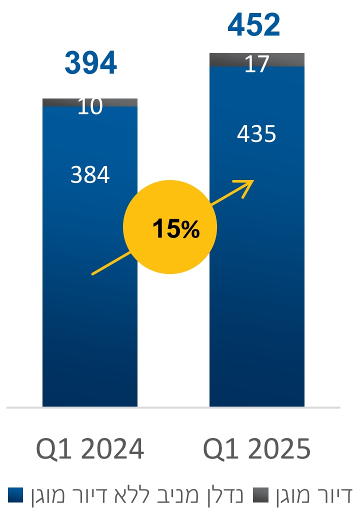
increase of approx. 6% in Q1 2025 Same Property NOI to NIS 567 million compared with NIS 534 million Q1 2024

Same Property NOI



Increase of approx. 15% in Q1 2025 FFO to NIS 452 million compared with Q1 2024

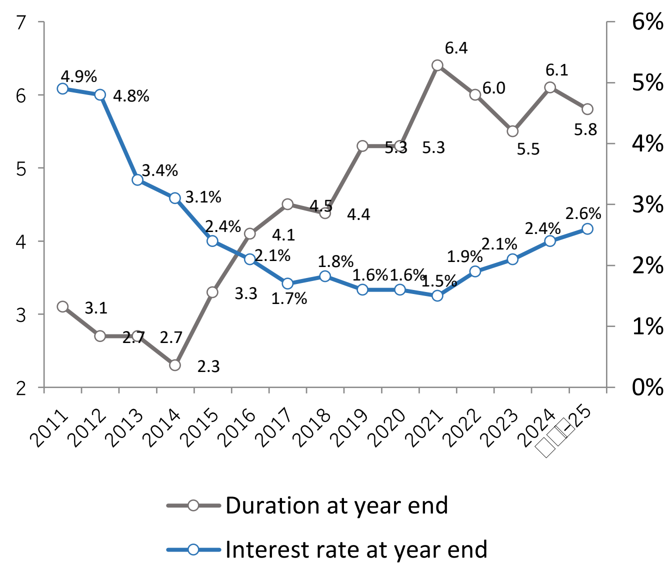
FFO from income-producing real estate business



*According to the ISA, the FFO is NIS 362 million compared with NIS 285 million in Q1 2024

Average debt duration extended while reducing the interest rate

Average interest vs. average duration



In May 2025, the Company distributed a NIS 800 million dividend

This is a translation of Azrieli Group's Hebrew-language Board of Directors' Report as of 31 March 2025. 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 2025 (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 2024, the financial statements and the board of directors' report on the state of the Company's affairs for the year ended on the same date[1] (the "**2024 Periodic Report**"), the update to the Corporation's Business chapter and the financial statements as of 31 March 2025.

Unless otherwise stated herein, the terms defined in Chapter A of the 2024 Periodic Report shall be afforded 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 2025[2]. The Company's financials and results of operations are affected by the financials and results of operations of the companies held thereby. In some cases, we present details of events that occurred subsequently to the date of the financial statements as of 31 March 2025 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 given to provide a comprehensive picture of the described issue, which the Company believes to be material for the purposes of this report.

[1] See the Company's report of 20 March 2025 (Ref. 2025-01-018529), which is incorporated herein by reference.
[2] The attached financial statements are prepared according to the International Financial Reporting Standards (IFRS). For further details, see Note 2 to the financial statements as of 31 March 2025.

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

1.2.1. Summary of Reported Operating Segments for the Three Months Ended 31 March 2025

In the Report Period and as of the Report Release Date, Azrieli Group continued to focus its business operations on various real estate sectors, and primarily on the leasable office (and other) space in Israel segment, the retail centers and malls in Israel segment, the data centers segment, the senior housing in Israel segment, the income-producing property overseas (mostly in the U.S.) 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 ~687 thousand sqm, as well as land for development.

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 23 malls and retail centers in Israel.

2. **Leasable office and other space in Israel** – The Group has 17 income-producing office properties in Israel.

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

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

5. **Data centers –** The Company 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.

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

Additional operations – As of the Report Release Date, the Group is developing several hotels and also holds ~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:[3]

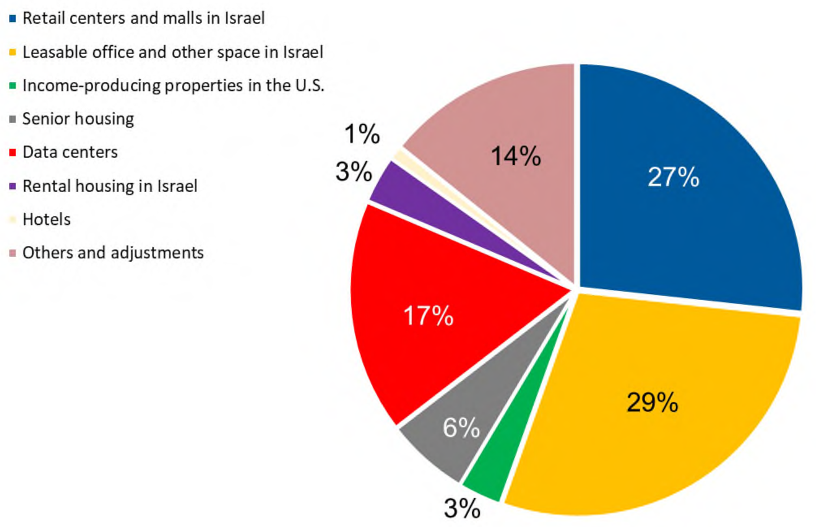
Breakdown of Total Balance Sheet Assets by Operating Segments

Comparison of Segment Assets

As of	31 March 2025	31 Dec. 2024
Retail centers and malls in Israel	16,211	16,145
Leasable office and other space in Israel	17,433	17,282
Income-producing properties in the U.S.	1,893	1,858
Senior housing	3,625	3,571
Data centers	10,207	8,966
Rental housing in Israel	2,074	2,056
Hospitality	593	571
Others and adjustments	8,627	7,484
Total	60,663	57,933

Percentage of Segment Assets out of Total Assets

31 March 2025



Figures are presented in millions of NIS.

The Company's assets in the leasable office and other space segment constitute ~29% of the total balance sheet assets, the assets of the retail centers and malls segment constitute ~27% of the total balance sheet assets. The remaining income-producing real estate segments constitute, collectively, ~29% 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

In 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

In January 2025, Mr. Israel Keren, COO, stepped down from his position at the Company, and Mr. Tamir Amar assumed office as COO at the Company.

In March 2025, Mr. Daniel Koren, VP Marketing and Digital at the Company, announced his wish to step down from his position at the Company which is expected to conclude at the end of May 2025.

On 1 April 2025, Mr. Eyal Henkin stepped down as CEO of the Company, and assumed office as CEO of GMG[4].

On 1 April 2025, Mr. Ron Avidan assumed office as CEO of the Company[5].

In April 2025, Mr. Rafi Wunsh stepped down as VP International Real Estate at the Company, and assumed office as Chief Investments Officer at GMG.

On 29 April 2025, Mr. Amihay Kilstein assumed office as Head of Property at the Company.

[3] In its financial statements, the Company applied IFRS 8 – Operating Segments.
[4] For further details, see the Company's immediate report of 9 March 2025 (Ref. 2025-01-015315), which is incorporated herein by reference.
[5] For further details, see the Company's immediate report of 9 March 2025 (Ref. 2025-01-015317), which is incorporated herein by reference.

For further details regarding the senior officers of the corporation, see details in Sections 26 and 26A of Chapter D of the 2024 Periodic Report.

1.2.3.3. Update to the agreement for the provision of DC services to TikTok and engagement in an agreement for the financing of the project

In March 2023, GM, through a wholly-owned subsidiary thereof (the "**Service Provider**"), engaged in a service agreement with TikTok Norway AS, a Norwegian company that is part of a group of companies with global operations (the "**Customer**"), which is not affiliated with the Company, for the provision of 90MW of DC services on a campus built by GM in Norway (the "**Agreement**" and the "**Project**", as the case may be).

On 18 December 2024, the Service Provider engaged with two foreign banking corporations (the "**Lenders**") in a non-recourse loan agreement (the "**Loan Agreement**") for €371 million in financing for the Project. Provision of the loan was contingent, *inter alia*, on an amendment to the Agreement being signed with the Customer. On 14 January 2025, the amendment to the Agreement was signed, and on 6 February 2025, the loan was provided.

In addition, the Customer has given notice of exercise of the option to increase the Project's capacity by another 30MW, up to a total of 120MW. GM is examining the exercise notice and there is no certainty that the capacity increase will indeed go ahead.

For further details regarding the Agreement with the Customer and the amendment thereto, the Loan Agreement and the terms and conditions thereof and exercise of the option to increase the capacity, see the Company's immediate reports of 8 March 2023 (Ref. 2023-01-024873), 3 July 2024 (Ref. 2024-01-068701), 19 December 2024 (Ref. 2024-01-625507), 15 January 2025 (Ref. 2025-01-004247), 28 January 2025 (Ref. 2025-01-007395) and 6 February 2025 (Ref. 2025-01-009240), which are incorporated herein by reference.

1.2.3.4. Award of a tender for the construction of a senior housing project in Sde Dov

On 19 February 2025, the Company reported that it had learned that it had won a tender of the Israel Land Authority (ILA) for the purchase of leasehold rights in a lot in Tel Aviv, for the construction of a senior housing project and retail areas, in consideration for approx. NIS 550 million, plus VAT, and that the award is contingent on the taking effect of the zoning plan that applies to the lot. The land is designated for the construction of a senior housing project comprising ~350 apartments and retail areas. According to the terms and conditions of the tender, the Company shall pay, in addition to the cost of the land, approx. NIS 46 million due to development costs. On 19 March 2025, the Company reported that final confirmation of the award has been received from the ILA.

For further details, see the Company's immediate reports of 19 February and 19 March 2025 (Ref. 2025-01-011815 and 2025-01-018468), which are incorporated herein by reference.

1.2.3.5. Negotiations with an international technology company for the provision of DC services by GM

On 21 December 2023, the Company released an immediate report incidentally to exploring the possibility of a bond raising, regarding negotiations being conducted by GM with a leading international technology company (in this section: the "**Customer**"; and collectively with GM: the "**Parties**"), for engagement in an agreement for the provision of ~120MW of DC services to the Customer, on a campus to be built by GM in Norway.

On 19 February 2025, the Company reported that due to a decision not to grant a regulatory permit required for the land on which GM was considering building the campus, GM is exploring other land alternatives for the construction of the project.

As of the Report Release Date, and as reported by the Company on 25 March 2025, until and insofar as an appropriate alternative is found for the Customer, the negotiations for the transaction in the current format are suspended.

The Company will continue reporting, as required by law, on any material development in connection with the transaction, if any.

For further details regarding the negotiations, see immediate reports of 21 December 2023, 3 July 2024, 19 February 2025 and 25 March 2025 (Ref. 2023-01-138762, 2024-01-068701, 2025-01-011820 and 2025-01-020091, respectively), which are incorporated herein by reference.

1.2.3.6. Update regarding negotiations for the acquisition of shares of Z.M.H Hammerman Ltd.

On 31 October 2024, the Company submitted to Z.M.H Hammerman Ltd., a public company whose securities are traded on the Tel Aviv Stock Exchange Ltd. and which is engaged, *inter alia*, in the enterprise, development and construction of residential real estate projects for sale in Israel ("**ZMH Hammerman**"), a proposal to conduct negotiations for engagement in a reverse triangular merger for acquisition of part of ZMH Hammerman shares.

ZMH Hammerman notified the Company that on 1 November 2024, ZMH Hammerman's board of directors had decided to negotiate with the Company in connection with the engagement in a transaction through an independent board committee established thereby. As of the Report Release Date, the parties are conducting negotiations in connection with the transaction and the terms and conditions thereof, and there is no certainty as to whether and/or when the transaction will be closed.

On 31 March 2025, the Company reported that after discussions held between it and the independent committee established by the board of directors of ZMH Hammerman, on 31 March 2025, the Company's board of directors, and ZMH Hammerman's board of directors and audit committee (as the Company was informed by ZMH Hammerman) approved the continued conduct of the negotiations for the merger agreement, based on a value for ZMH Hammerman in the transaction of NIS 855 million, subject to adjustments as shall be determined in the final agreement, and subject to completion of the due diligence on ZMH Hammerman by the Company.

For further details, see the Company's immediate reports of 3 November 2024 and 31 March 2025 (Ref. 2024-01-613198 and 2025-01-023164, respectively), which are incorporated herein by reference.

1.2.3.7. Campus for SolarEdge Technologies Ltd.

Further to the Company's immediate report of 11 May 2021 (Ref. 2021-01-082779) in connection with the construction and lease of a campus for SolarEdge Technologies Ltd. ("**SolarEdge**"), on 20 March 2025, the Company reported that it had engaged with SolarEdge in an agreement whereby the estimated date for commencement of the term of the lease will be postponed, such that it will begin at the start of 2027, and SolarEdge will remain in the existing leased premises of the Company at "Azrieli Herzliya Business Park" until commencement of the lease. For further details, see the Company's immediate report of 20 March 2025 (Ref. 2025-01-018904), which is incorporated herein by reference.

1.2.3.8. Motion for class certification

On 18 May 2025, the Company received a motion for class certification against the Company and officers therein. The Motion raises claims with respect to the disclosure in the Company's reports regarding the negotiations specified in Section 1.2.3.5 above. For further details, see the immediate report of 18 May 2025 (Ref. 2025-01-034759).

1.2.3.9. Swords of Iron War

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

1.2.4. Dividends distributed by the Company

	Date of Approval	Date of Payment	Total Dividend
Azrieli Group	19 March 2025	6 May 2025	NIS 800 million[6]

On 19 March 2025, the Company's board of directors decided to approve a dividend distribution of NIS 800 million. For further details see the Company's immediate report of 20 March 2025 (Ref. 2025-01-018681), which is incorporated herein by reference.

[6] As of 31 March 2025, the Company has distributable retained earnings in the sum of approx. NIS 21 billion (which balance also includes real estate revaluation profits).

1.2.5. Dividends distributed to the Company

	Date of Approval	Date of Payment	Total Dividend	Company's Share of Total Dividend Distributed
Bank Leumi	3 March 2025	20 March 2025	Approx. NIS 706 million	Approx. NIS 16.4 million

2 | INCOME-PRODUCING REAL ESTATE

2.1. Business Environment

The business environment in which the Company operates is described in Section 6 of Chapter A of the 2024 Periodic Report, which is incorporated herein by reference. The macroeconomic forecast prepared by the Research Department of the Bank of Israel in April 2025 analyzes the principal macroeconomic variables (GDP, inflation and interest rate) under the following assumptions: (a) Resumption of the fighting in Gaza does not continue beyond Q2/2025, in which period no grave operating restrictions are imposed on the home front; (b) the impact of the import tariffs that were announced by the U.S. on 2 April 2025; (c) the raising of customs worldwide leads to a 4% decrease in global trade until the end of 2026. Based on the said assumptions, the GDP is expected to increase in 2025 and 2026 by 3.5% and 4% (respectively), the expected rate of inflation in 2025 and 2026 is 2.6% and 2.2% (respectively), and the monetary interest rate is expected to be 4% in Q1/2026.[7]

The Company has loans and bonds that are linked to the Consumer Price Index (CPI). During the Report Period, the CPI in Israel rose by ~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 35.7 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, accordingly.

In view of the trend of easing of the inflation rate in Israel, in January 2024, the Bank of Israel decided to reduce the interest rate by 0.25%, and since then the Bank of Israel has decided to leave the interest rate unchanged, such that as of the Report Release Date, the Bank of Israel interest rate is 4.5%.[8] 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. 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 3.36% and 1.54%, 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 the government 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, accompanied by negative rating actions by all the international rating agencies. Thus, in February 2024, the rating agency Moody's removed the credit rating of the State of Israel from its watchlist, downgraded the rating from 'A1' to 'A2', changed the rating outlook to negative, and in May 2024 affirmed the rating, following which, in September 2024, it downgraded Israel's credit rating to 'Baa1' with a negative outlook. In April 2024, the rating agency Fitch removed the credit rating of the State of Israel from its watchlist, affirmed Israel's 'A+' credit rating, but changed the rating outlook to negative, and in August 2024 it downgraded Israel's credit rating to A, leaving the negative rating outlook. In April 2024, the rating agency S&P also downgraded Israel's credit rating from 'AA-' to 'A+', leaving the negative rating outlook, and in October 2024, it downgraded Israel's long-term rating to A.

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[7] Bank of Israel – press release of 7 April 2025, Macroeconomic Forecast of the Research Department, April 2025. The Bank of Israel website: Research Department Staff Forecast, April 2025 | בנק ישראל - הבנק המרכזי של ישראל

[8] Bank of Israel – press release of 1 January 2024, on 1 January 2024 the Monetary Committee decided to reduce the interest rate by 0.25 percentage points to 4.5%. The Bank of Israel website: https://www.boi.org.il/en/communication-and-publications/press-releases/a01-01-24/

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 development of the war precludes any possibility of assessing 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 property development – The Company is continuing to develop and initiate the construction of new properties, and to expand and renovate existing properties. In this context, it is noted that given the fact that work on some of the properties was halted for some time at the start of the war and later resumed, in some cases on a partial basis, and given the shortage of workers in the construction industry, as of the Report Release Date, the Company estimates that some of the projects may be delayed.

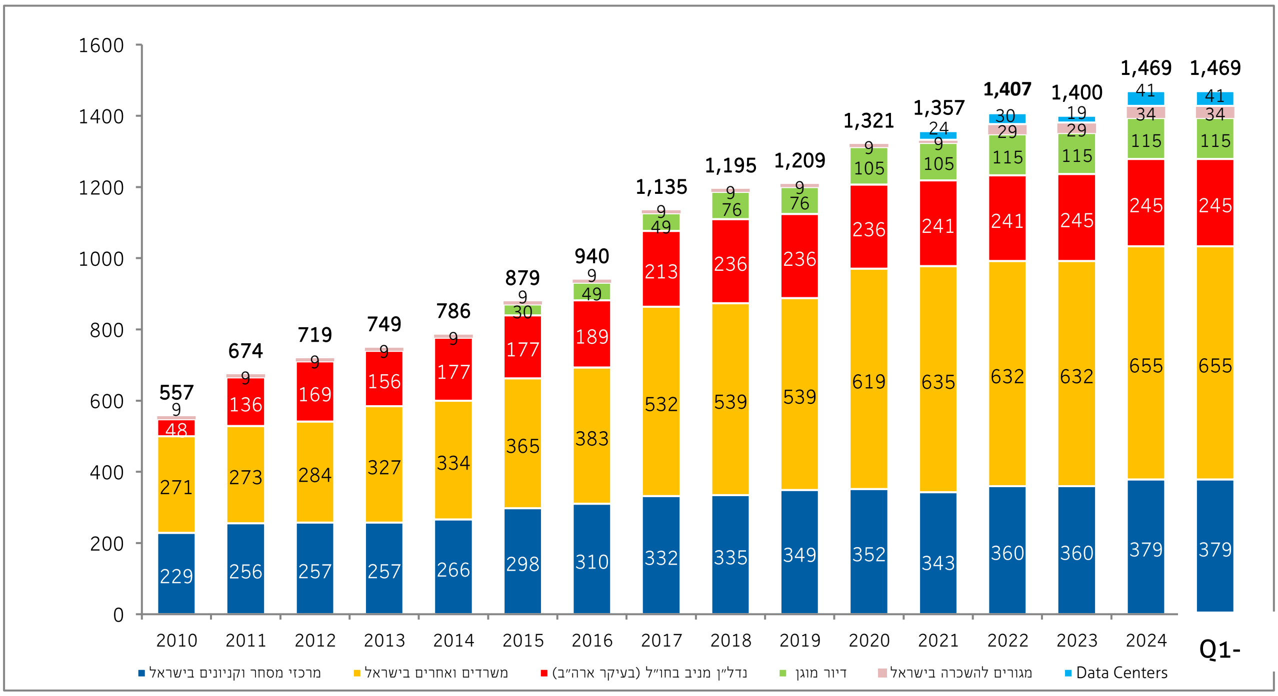
Aid and donations – Since the war broke out, the Group has given support both by financial donations and in-kind donations for civil aid on all fronts, including aid for evacuated families and for businesses in its properties. In this context, up to the Report Release Date, the Group made donations in cash and cash equivalents totaling approx. NIS 19.5 million.

As of the Report Release Date, and in view of the fact that these events are dynamic and characterized by significant uncertainty as to, *inter alia*, the development 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 on 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 above 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 are 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 prolongation of the war and its expansion to additional fronts, a decline in demand, a deterioration of the economic situation in Israel, and more.*

2.3. Consolidated GLA (Gross Leasable Area) Data

As of 31 March 2025



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 2025:

- Retail centers and malls in Israel – ~99%;[9]
- Leasable office and other space in Israel – ~98%;[9]
- Income-producing properties in the U.S. – ~65%;
- Senior housing in Israel – ~99%;[9]
- Data centers – ~99%;[10]
- Rental housing in Israel – ~99%;[9]

2.5. NOI of the Properties

Net Operating Income (NOI) is a metric 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 G&A expenses, taxes and interest. This metric is one of the most important parameters in the valuation of income-producing real estate companies, as division thereof by the appropriate cap rate for the properties provides an indication for determination of the value of income-producing properties.[11] In addition, after deduction of 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 to fund the purchase of the property.

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

[10] The average occupancy rate was calculated based on the figures of the lease agreements as of 31 March 2025 according to a weighted average of GM. The occupancy rate does not include areas under construction.

[11] 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.

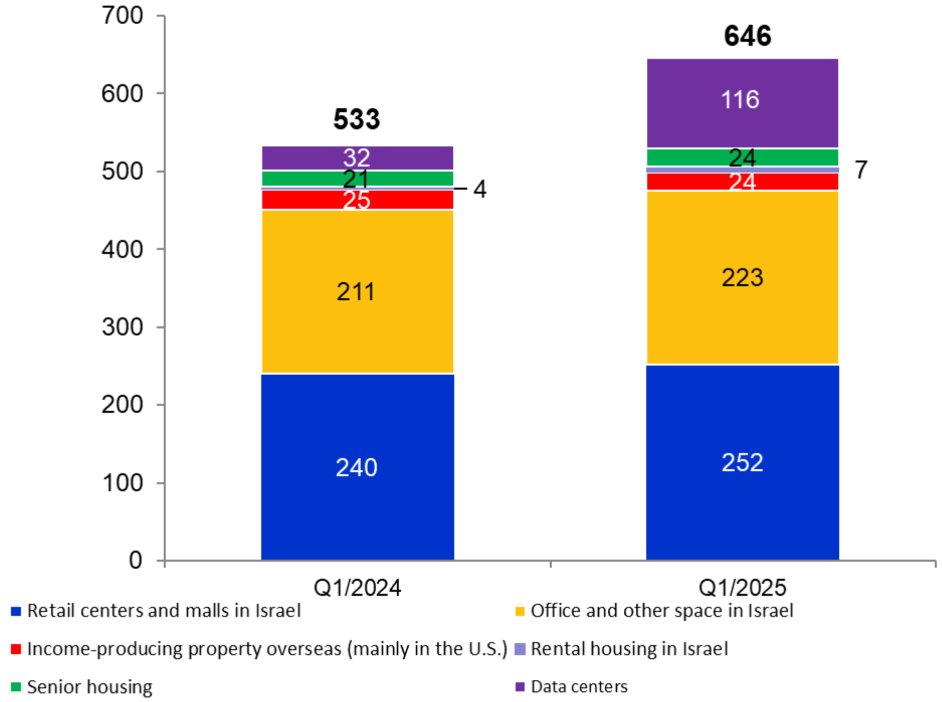
It is emphasized that these parameters do not present cash flows from operating activities according to generally accepted accounting principles, nor do they reflect cash available for the funding of all of the Group's cash flows (including its ability to make distributions), and they are not meant to be deemed as a substitute for the net income 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 of the income from tenants (including rent, management fees and other payments) is taken into account, 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.[12]

The NOI figures for the income-producing real estate portfolio are as follows:[13]

NOI



Figures are presented in millions of NIS.

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

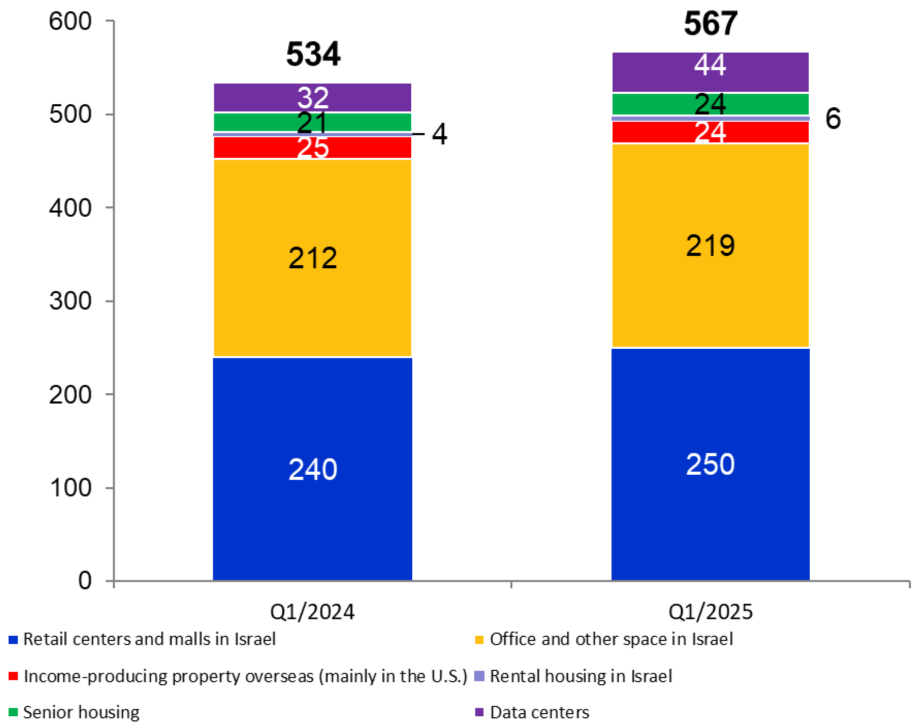
[12] The Group prepares its financial statements based on international standards, and consequently, in the calculation of the cost of leasing and operating the properties classified as investment property, depreciation was not taken into account. Furthermore, for the purpose of calculating the aforesaid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

[13] 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. In other words, 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. Conversely, the same-property NOI metric 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 metric was as follows:

Same-Property NOI



Figures are presented in millions of NIS.

The increase in the same-property NOI was mainly affected by an increase in the retail centers and malls in Israel and the office and other space in Israel segments which derived from rent increases upon tenant changeovers and from rises in the CPI owing to the fact that the lease contracts are linked to the CPI, as well as by an increase in the data center segment.

2.6. Weighted Cap Rate

The following table shows the calculation of the weighted cap rate derived from all of the income-producing real estate, excluding senior housing[14], excluding data centers[15], excluding rental housing[16] and excluding hotels[17] of the Group, as of 31 March 2025:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment property in the statement	**49,671**
Net of value attributed to investment property under construction	**3,596**
Net of value attributed to land reserves	**1,324**
Net of value attributed to income-producing senior housing	**2,995**
Net of value attributed to DC properties	**8,640**
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	**1,702**
Total value of income-producing investment property (including the fair value of vacant space)	**31,414**
Actual NOI in the Quarter ended 31 March 2025 (excluding senior housing, data centers and rental housing)	**499**
Additional future quarterly NOI (1)	**48**
Total standardized NOI	**547**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers, and rental housing)	**2,187**
Weighted cap rate derived from income-producing investment property (including vacant space) (2)	**6.96%**

Financials are presented in millions of NIS.

(1) The figure includes adjustment to the NOI as included in the valuations as of 31 December 2024, and therefore includes*, inter alia*, additional NOI for vacant space not yet fully occupied and space that was and shall be occupied during 2025 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 changeovers in some of the malls and office buildings to change 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 2025, and its sole purpose is to reflect the NOI assuming full occupancy for a full year in 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 termination of lease agreements or a business crisis of any of the tenants, or a change in the fair value parameters or non-compliance with development or occupancy targets or the effects of the war.

[14] Since the value of senior housing properties is derived from the FFO metric, rather than the NOI metric, these properties were not included in this calculation. The weighted senior housing cap rate as of the date of the report is 8.25%.
[15] The data center properties are in stages of development or a diffident valuation methodology was used, and the properties were therefore excluded from the investment property. For some of the income-producing properties the weighted cap rate is 7.08%.
[16] A different valuation methodology was used for rental housing properties, which were therefore excluded from this calculation.
[17] Presented as fixed assets and not measured at fair value because they are excluded from the definition of investment property.

2.7. Real Estate Business FFO[18]

Funds from Operations (FFO) is a metric that presents the cash flow from the real estate business. It is widely used worldwide and provides an adequate basis for comparing income-producing real estate companies. This metric is intended to reflect the Company's economic and operating results from its current core business of lease and management of real properties, and to provide investors with a tool for consistent and comparable evaluation.

This report presents the FFO in respect of the Group's income-producing real estate business.

It should be emphasized that the FFO does not reflect cash flow from operating activities 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 no substitute for the reported net income. It is further clarified that this metric 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 2025	**For the Three Months Ended 31 March 2024**	**For the Year Ended 31 Dec. 2024**
Net income for the period attributable to shareholders	**457**	464	1,477
Profit adjustments:(1)			
Net increase in the value of investment property and fixed assets	**(252)**	(253)	(909)
Depreciation and amortization	**2**	2*	8
Net non-cash flow financing and other income	**(34)**	(43)*	(256)
Tax expenses	**131**	99	352
Non-recurring expenses(2)	**58**	15	74
Total profit adjustments	**(95)**	(180)	(731)
Total nominal FFO according to the provisions of the Fourth Schedule to the Prospectus Details Regulations, attributable to the income-producing real estate business, excluding the cash flow of financing the development pipeline (4)	**362**	285*	746
Expenses due to share-based payment	**3**	-	8
Special bonus for sale of Compass	**-**	-	8
Total cash flow of financing the development pipeline(6)	**29**	35	141
Linkage differentials and exchange rate differentials on assets and liabilities (net of tax effect)	**57**	77	744
Cash flow from incoming resident deposits net of outgoing resident deposits(3)	**16**	10	119
Net of income from forfeiture of resident deposits	**(15)**	(13)	(57)
Total FFO attributed to the income-producing real estate business, according to the management's approach(5)	**452**	394*	1,709

Financials presented in NIS in millions.

(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 that were written off due to non-consummation of a transaction, in 2024, and in the corresponding quarter mainly due to the sale of Compass and from e-commerce operations.
(3) Senior housing residents' deposits will be deemed as incoming or outgoing on the date on which the agreement is signed or terminated, as applicable, and not as they are presented in the cash flow report.
(4) Attributable to the shareholders only.
(5) Including FFO from the senior housing segment in the sum of approx. NIS 17 million in the three months ended 31 March 2025 (approx. NIS 10 million in the three months ended 31 March 2024 and approx. NIS 119 million in Y2024).
(6) Calculated based on real credit costs in respect of the development pipeline.

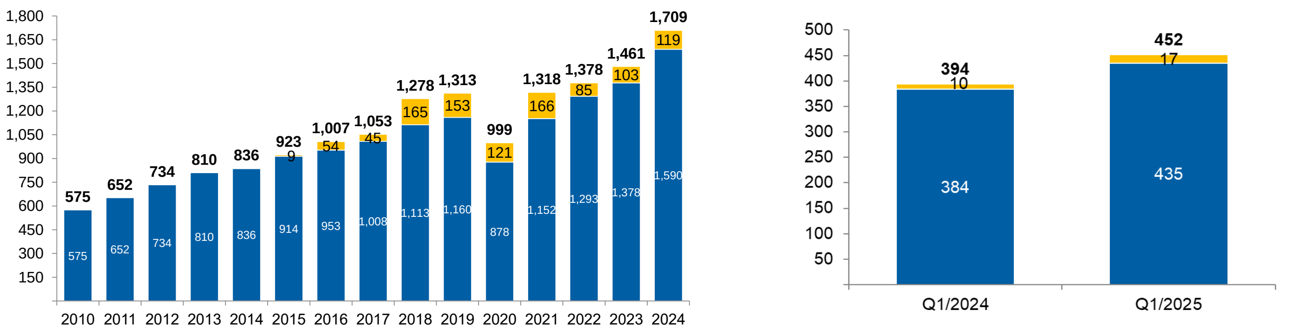
*** Comparison figures were updated following the position paper of the ISA on FFO**.

[18] On 16 January 2025, the Israel Securities Authority (ISA) released guidelines on the calculation and presentation of the FFO ("FFO According to the ISA's Approach"). The data presented in this section, including the comparison data, are presented in accordance with the FFO According to the ISA's Approach.

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

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

Annual Data	Quarterly Data



Excluding senior housing Senior housing

Figures are presented in millions of NIS.
Net of real credit costs in respect of the development pipeline.
Comparison figures were updated following the position paper of the ISA on FFO.

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 no substitute for the figures in the financial statements.

2.8.1. EPRA NRV

The EPRA NRV index is a metric 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 exclusion of the deferred taxes resulting from the revaluation of investment property.

EPRA NRV		
	31 March 2025	**31 March 2024**
Equity attributable to the Company's shareholders in the financial statements	24,134	22,843
Goodwill created against a reserve for deferred taxes	(236)	(230)
Plus a tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	5,769	5,350
EPRA NRV	29,667	27,962
EPRA NRV per share (NIS)	245	231

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

2.8.2. EPRA NTA

The EPRA NTA index is a metric 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 investment property.

EPRA NTA		
	31 March 2025	**31 March 2024**
Equity attributable to the Company's shareholders in the financial statements	24,134	22,843
Goodwill created against a reserve for deferred taxes	(236)	(230)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	(1,357)	(1,316)
Other intangible assets	(1)	(2)
Plus 50% of the tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	2,885	2,675
EPRA NTA	25,425	23,970
EPRA NTA per share (NIS)	210	198

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

2.8.3. EPRA NDV

The EPRA NDV index reflects the net disposal value of the Company's assets in case of sale of properties and repayment of liabilities. The index calculation takes into account all of the deferred taxes in respect of appreciation of the value of the properties that will apply upon sale of the properties, and an adjustment to fair value of the financial liabilities is made. This index should not be deemed as the net 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 2025	**31 March 2024**
Equity attributable to the Company's shareholders in the financial statements	24,134	22,843
Goodwill created against reserve for deferred taxes	(236)	(230)
Balance of goodwill that is not against a reserve for deferred taxes as stated in the Company's balance sheet	(1,357)	(1,316)
Adjustment of the value of financial liabilities to fair value	1,211	1,112
EPRA NDV	23,752	22,409
EPRA NDV per share (NIS)	196	185

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

AZRIELI GROUP'S INCOME PRODUCING REAL ESTATE*

MALLS & SHOPPING CENTERS

Ayalon Mall
Azrieli Hod Hasharon Mall
Azrieli Herzliya Outlet
Azrieli Givatayim Mall
Azrieli Jerusalem Mall
Azrieli Modi'in Mall
Azrieli Mall
Azrieli Holon Center
Azrieli Holon Mall
Azrieli Ramla Mall
Azrieli Eilat Mall
Azrieli Ra'anana
Azrieli Haifa Mall
Azrieli Akko Mall
Azrieli Or Yehuda Outlet
Azrieli Hanegev Mall
Azrieli Rishonim Mall
Azrieli Sarona Mall
Palace Modi'in
Palace Lehavim
Azrieli TOWN
Azrieli Modi'in West Complex
Check Post Haifa

OFFICES & OTHERS in Israel

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

OVERSEAS

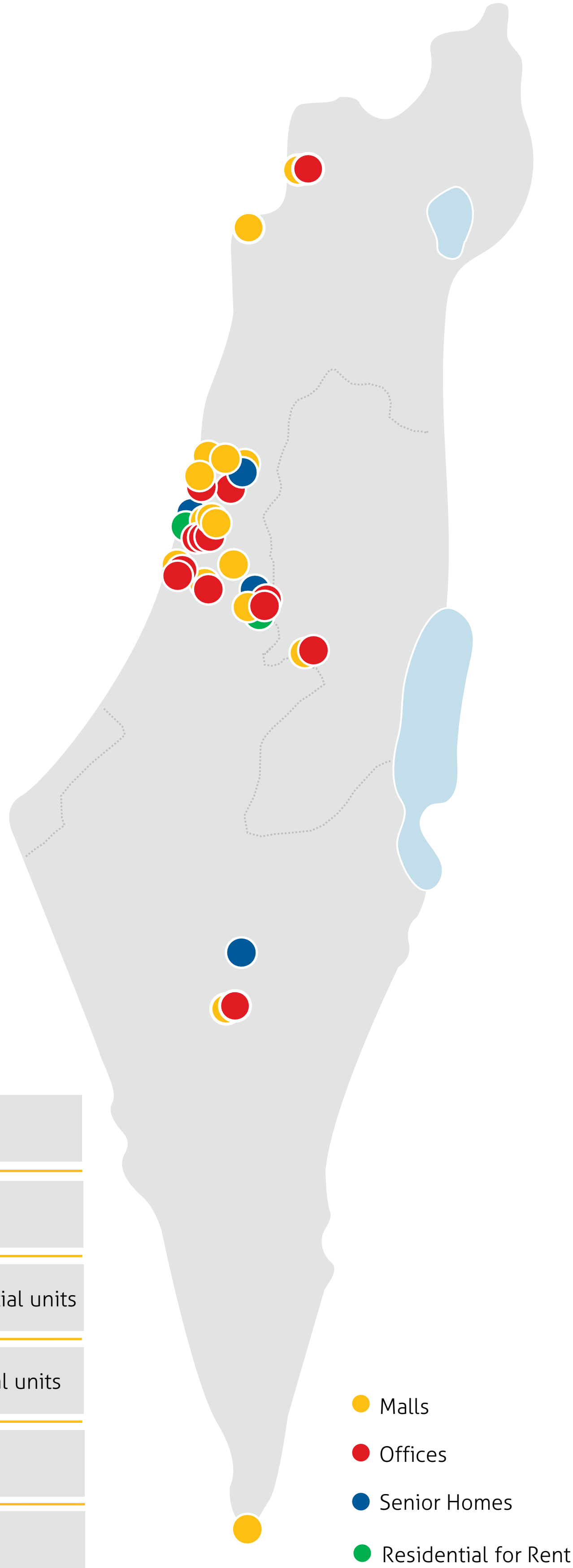
Galleria
1 Riverway
3 Riverway
Plaza
8 West
Aspen Lake II
San Clemente
Leeds

SENIOR HOMES

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

RESIDENTIAL FOR RENT

Azrieli TOWN
Azrieli Modi'in
Azrieli TOWN Modi'in



23 malls	379 thousand sqm	
17 office buildings	655 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	**1,428 thousand sqm**	

As of March 31, 2025.
GLA (gross leasable area) is based on the Company's share excludes DCs .

Green Mountain | 100% Ownership

AZRIELI GROUP'S DATA CENTERS INVESTMENTS (1)

OSL1-Enebakk, Norway

Data center located 20 km outside Norway's capital

Max Sellable IT Power 76 MW

SVG1-Rennesoy, Norway

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

Max Sellable IT Power 25 MW

RJU1-RJUKAN, Norway

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

Max Sellable IT Power 33 MW

OSL2-Hamar, Norway

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

Max Sellable IT Power 120+30 MW

FRA1-Mainz, Germany (2) (3)

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

Max Sellable IT Power 54 MW

LON1-Romford, England

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

Max Sellable IT Power 40 MW

(1) As of March 31, 2025.
(2) Illustration
(3) GM and KMW JV (50%-50%)

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 development and construction of properties, to the holding, management and betterment of the properties over the years.

Store revenues reported by the Group's mall tenants in January-March 2025 were 1% lower year-over-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 ~1,850 tenants.

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

Azrieli Group has 23 malls and retail centers in Israel with a total GLA of ~379 thousand sqm.

Balance of the properties in the retail centers and malls in Israel segment – totaled approx. NIS 16.2 billion on 31 March 2025, compared with approx. NIS 16.1 billion on 31 December 2024. 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 2024.

Change due to fair value adjustment of the segment's investment property and investment property under construction – the profit from fair value adjustment of the segment's investment property and investment property under construction in the Quarter totaled approx. NIS 1 million (with no change in the value in the same period last year).

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

Summary of the Business Results of the Retail Centers and Malls in Israel Segment				
	For the Three Months Ended			For the Year Ended
	Rate of Change	31.3.2025	31.3.2024	31.12.2024
Revenues	**7%**	**321**	301	**1,285**
NOI	**5%**	**252**	240	**1,009**

Figures are presented in millions of NIS.

NOI in the retail centers and malls in Israel segment was affected mainly by the rise in the CPI, owing to the fact that the lease contracts are linked to the CPI, and by the occupancy of the assets in Modi'in West and Check Post junction.

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	
	31.3.2025	31.3.2024
NOI from segment properties owned by the Company	**250**	240
NOI from properties whose construction was completed in 2024	**2**	-
Total NOI from all properties	**252**	240

Figures are presented in millions of NIS.

Same-property NOI in the retail centers and malls in Israel segment was mainly affected by the rise in the CPI, 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 comprises office towers classified as Class A properties, which are generally located 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, 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 ~690 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 17 income-producing properties in this segment in Israel, with a total GLA of ~655 thousand sqm.

Balance of the Group's investment property in the leasable office and other space in Israel segment – totaled approx. NIS 17.4 billion on 31 March 2025, compared with approx. NIS 17.3 billion on 31 December 2024. The change mainly derives from investments in the segment properties. The properties are presented according to valuations prepared by an independent appraiser as of 31 December 2024.

Change due to fair value adjustment of the segment's investment property and investment property under construction – the loss from fair value adjustment of the segment's investment property and investment property under construction in the Quarter totaled approx. NIS 12 million (with no change in the value in the same period last year).

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

Summary of the Business Results of the Leasable Office and Other Space in Israel Segment				
	For the Three Months Ended			For the Year Ended
	Rate of Change	31.3.2025	31.3.2024	31.12.2024
Revenues	**6%**	**273**	257	**1,064**
NOI	**6%**	**223**	211	**865**

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 the rise in the CPI, owing to the fact that the lease contracts are linked to the CPI, and by the occupancy of the assets in Modi'in West and Azrieli Town Building E.

.

The following table presents the segment's NOI development:

Development of the NOI of the Leasable Office and Other Space in Israel Segment		
	For the Three Months Ended	
	31.3.2025	**31.3.2024**
NOI from segment properties owned by the Company at beginning of period	**219**	212
NOI from an asset slated for demolition	**3**	(1)
NOI from properties whose construction was completed in 2024	**1**	-
Total NOI from all properties	**223**	211

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 rise in the CPI, 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, which is approaching full occupancy. In addition, the Group is building another project in Rishon LeZion, as specified below, and has won a tender for the construction of a senior housing project in Sde Dov, as specified in Section 1.2.3.4 above.

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 ~115 thousand sqm (excluding areas attributed to the LTC unit and to retail areas), which comprise ~1,141 senior housing units. The Company is also building another project in Rishon LeZion with ~274 apartments of a total area of ~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 3.6 billion on 31 March 2025, similarly to the balance on 31 December 2024. The properties are presented according to the valuations prepared by an independent appraiser as of 31 December 2024.

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

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

Summary of the Business Results of the Senior Housing Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	**31.3.2025**	**31.3.2024**	**31.12.2024**
Revenues	**9%**	**70**	64	**267**
NOI	**14%**	**24**	21	**87**

Figures are presented in millions of NIS.

The increase in revenues in the Report Period derives from continued resident move-ins at Palace Lehavim, increased resident turnover at higher prices and a decrease in expenses.

The following table presents the segment's NOI development:

Development of the NOI of the Senior Housing Segment		
	For the Three Months Ended	
	31.3.2025	**31.3.2024**
NOI from segment properties owned by the Company at beginning of period	**24**	21
NOI from properties whose construction was completed in 2024	**-**	-
Total NOI from all properties	**24**	21
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 in the U.S. are financed separately from corporate finance, by means of dollar non-recourse loans, 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 conducted negotiations with the lender in order to change the terms of the loan, which were completed after the Report Period, such that the terms of the non-recourse loan have been updated.

The trend of increase in vacant space in the Houston office market continued in 2024 as well as in the Report Period, albeit to a lesser degree than in 2023, primarily due to a negative trend in the global debt and capital markets and the war in Ukraine which led to potential tenants being slower to engage in new lease agreements. The increase in oil prices which occurred during 2021 and stabilized in 2022-2024, was not reflected in increased demand for office space in Houston, although certain areas in Houston, hosting a concentration of energy companies, are demonstrating an upturn in 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 ~253 thousand sqm (on a consolidated basis) and ~245 thousand sqm (the Company's share) leased to ~140 tenants.[19]

Balance of the Group's investment property in the segment – totaled approx. NIS 1.9 billion on 31 March 2025, similarly to the balance on 31 December 2024. The properties are presented according to valuations prepared by an independent appraiser as of 31 December 2024.

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

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

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

Summary of the Business Results of the Income-Producing Properties in the U.S. Segment				
	For the Three Months Ended			For the Year Ended
	Rate of Change	**31.3.2025**	**31.3.2024**	**31.12.2024**
Revenues	**(2%)**	**56**	57	**222**
NOI	**(4%)**	**24**	25	**92**
Figures are presented in millions of NIS.				

The following table presents the segment's NOI development:

Development of the NOI of the Income-Producing Properties in the U.S. Segment		
	For the Three Months Ended	
	31.3.2025	**31.3.2024**
NOI from segment properties owned by the Company at beginning of period	**24**	25
NOI from properties acquired in 2024	**-**	-
Total NOI from all properties	**24**	25
Figures are presented in millions of NIS.		

Same-property NOI in the income-producing properties in the U.S. segment was mainly affected by changes in the occupancy rates in the properties.

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.

The first step of the Company's entry into the data center industry was made through an equity investment in Compass, which mainly operates in the data center industry in North America and also has operations in EMEA. In 2023, the Company liquidated all of its holdings in Compass[20].

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 industry in Norway. For further details, see the Company's immediate reports of 13 and 19 July 2021 and 24 August 2021 (Ref. 2021-01-116121, 2021-01-118377 and 2021-01-136974, respectively), which are incorporated 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 land from a third party on which an operating data center stands, located in East London, and another company that owns vacant land that is adjacent to the operating data center. For further details, see the Company's immediate reports of 26 June 2022, 25 December 2022 and 24 January 2023 (Ref. 2021-01-078271, 2022-01-154633 and 2023-01-010848, respectively), which are incorporated herein by reference. In 2024 and in the Report Period, work began on expanding the leasable capacity in the operating data center by 14MW.

As of the Report Release Date, the Company is working toward concentrating its holdings in the data center segment in Europe under Green Mountain Global Ltd., a private company incorporated in England ("**GMG**"). In the Company's estimation,

[20] For further details regarding the disposition, see the Company's immediate reports of 20 June and 4 October 2023 (Ref. 2023-01-067815 and 2023-01-112559, respectively), which are incorporated herein by reference.

concentrating the holdings in GMG will enable it to raise capital from investors to support acceleration of the pace of its development of the data center business.

Dr. Ariel Kor, a director of the Company, holds office as Chairman of the Board of GMG, and on 24 September 2024, the special general meeting of the Company's shareholders approved his terms of office and employment in connection with his role as Chairman of the Board of GMG. For further details, see a notice of meeting report of 19 August 2024 (Ref. 2024-01-089680), which is incorporated herein by reference.

On 1 April 2025, Mr. Henkin assumed office as CEO of GMG, concurrently with his stepping down as CEO of the Company. For further details, see the Company's immediate reports of 19 August 2024, 18 November 2024 and 9 March 2025 (Ref. 2024-01-089761, 2024-01-616452, 2025-01-015315 and 2025-01-015317), which are incorporated herein by reference.

On 7 March 2023, GM, through a company wholly owned thereby (the "**Service Provider**"), engaged in a service agreement with TikTok Norway AS, a Norwegian company that is part of a group of companies with global operations (the "**Customer**"), which is not affiliated with the Company, for the provision of 90MW of DC services on a campus built by GM in Norway (the "**Agreement**" and the "**Project**", as the case may be). In 2024, handover to the Customer of all 90MW was completed.

On 18 December 2024, the Service Provider engaged with two foreign banking corporations (the "**Lenders**") in a non-recourse loan agreement (the "**Loan Agreement**") for €371 million in financing for the Project. Provision of the loan was contingent, *inter alia*, on the signing of an amendment to the Agreement with the Customer. On 14 January 2025, the amendment to the Agreement was signed, and on 6 February 2025, the loan was provided.

In addition, the Customer has given notice of exercise of the option to increase the Project's capacity by another 30MW, up to a total of 120MW. GM is examining the exercise notice and there is no certainty that the capacity increase will indeed go ahead.

For further details regarding the Agreement with the Customer and the amendment thereto, the Loan Agreement and the terms and conditions thereof and exercise of the option to increase the capacity in the Project, see the Company's immediate reports of 8 March 2023 (Ref. 2023-01-024873), 3 July 2024 (Ref. 2024-01-068701), 19 December 2024 (Ref. 2024-01-625507), 15 January 2025 (Ref. 2025-01-004247), 28 January 2025 (Ref. 2025-01-007395) and 6 February 2025 (Ref. 2025-01-009240), which are incorporated herein by reference.

In addition, in 2023, GM engaged in an agreement for the construction of a DC campus that shall comprise several buildings in the area of Frankfurt, Germany, in the context of a joint venture with a German company, in which the Company's share is 50% (the "**Joint Venture**"). Construction of the first building in the project, with a planned capacity of 18MW, is underway. For further details, see an immediate report released by the Company on 2 April 2023 (Ref. 2023-01-037008), which is incorporated herein by reference. As of the Report Release Date, the Joint Venture is negotiating with an international technology company for engagement in an agreement for the provision of up to 54MW of DC services, with a capacity of 36MW, and an option to the customer to expand the campus by another 18MW.

On 21 December 2023, the Company released an immediate report, incidentally to exploring a possible bond raising, with respect to negotiations being conducted between GM and an international technology company for engagement in an agreement for the provision of ~120MW of DC services to the said international company on a campus to be built by GM in Norway. For further details, see Section 1.3.4 of this Chapter A. On 19 February 2025, the Company reported that due to a decision not to grant a regulatory permit required for the land on which GM was considering building the campus, GM is exploring other land alternatives for the construction of the project. As of the Report Release Date, and as the Company reported on 25 March 2025, until and insofar as an appropriate alternative is found for the Customer, the negotiations for the transaction in the current format are suspended.

As of the Report Release Date, GM is negotiating with a finance provider for receipt of financing in the sum of approx. NOK 4,600 million (approx. €400 million), which is intended for the refinancing of two existing loans of GM as one senior debt loan. Over and above the aforesaid, as of the Report Release Date, the Company is conducting negotiations with various finance providers for the aggregate sum of approx. €365 million, in connection with financing for the various data center projects, including a project for the construction of a DC campus in Frankfurt, Germany, as specified above; and a project for the financing, development and expansion of the DC campus in East London, England, by 14MW, as specified above.

It is emphasized that as of the Report Release Date, there is no certainty that the negotiations specified in this section above, in whole or in part, will lead to binding transactions, and there is no certainty as to the terms and conditions and scope thereof. The Company shall report as required by law on any material development in connection with the said negotiations.

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.

For details regarding the existing campuses and the campuses under development of GM, see the map of properties after Section 2.8 of the Board of Directors' Report.

The Company's assessments in this section regarding the growth potential in the data center industry and that concentration of the holdings in GMG will allow it to raise capital from investors are forward-looking information, as defined in the Securities Law, based on subjective estimates of the Company as of the Report Release Date and on sources of information external to the Company, and there is no certainty that they will materialize, in whole or in part, and they may materialize in a materially 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, regulatory delays or as a result of materialization of any of the risk factors specified in Section 29 of the 2024 Periodic Report.

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 engage in the segment have 5 income-producing properties, 4 of which are in Norway and are 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 10.2 billion on 31 March 2025, compared with approx. NIS 9 billion on 31 December 2024. The change mainly derives from investments in the segment properties, from the revaluation profits recognized in the period and from change in the exchange rate. Some of the properties are presented according to valuations prepared by independent appraisers as of 31 March 2025, and some are presented according to valuations prepared by independent appraisers as of 31 December 2024.

Change due to fair value adjustment of the segment's investment property – the profit from fair value adjustment of the segment's investment property totaled approx. NIS 262 million in the Report Period, and mainly derived from lower cap rates in view of progress in the construction of the segment's properties, compared with a profit of approx. NIS 251 million in the same quarter last year.

The table below presents a summary of the business results of the data center segment:

Summary of the Business Results of the Data Center Segment				
	For the Three Months Ended			For the Year Ended
	Rate of Change	31.3.2025	31.3.2024	31.12.2024
Revenues	223%	210	65	417
NOI	263%	116	32	230

Figures are presented in millions of NIS.

The increase in revenues and in NOI in the data center segment in the Report Period derives from the commencement of income production from new contracts in the existing properties coupled with the commencement of income production from TikTok.

Development of the NOI of the Data Center Segment		
	For the Three Months Ended	
	31.3.2025	**31.3.2024**
NOI from segment properties owned by the Company at beginning of period	**44**	32
NOI from properties whose construction was completed in 2024	**72**	-
Total NOI from all properties	**116**	32

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 rental housing in Israel segment to be 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 ILA (the "**Tender**"), for acquisition of leasehold rights in a site situated in Herzliya in consideration for approx. NIS 85 million plus VAT. According to the terms of the Tender, the Company will bear payment of development costs in the sum 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 incorporated herein by reference,

In May 2024, the Company began the process of occupancy of the apartments in the Modi'in West project.

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 ~34 thousand sqm.

Balance of the Group's investment property in the rental housing in Israel segment – totaled NIS 2.1 billion as of 31 March 2025, similarly to the balance on 31 December 2024.

Change due to fair value adjustment of the segment's investment property and investment property under construction – 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 was unchanged. The properties are presented according to valuations prepared by an independent appraiser as of 31 December 2024.

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

Summary of the Business Results of the Rental Housing in Israel Segment				
	For the Three Months Ended			For the Year Ended
	Rate of Change	**31.3.2025**	**31.3.2024**	**31.12.2024**
Revenues	**60%**	**8**	5	**26**
NOI	**75%**	**7**	4	**19**

Figures are presented in millions of NIS.

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

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

Development of the NOI of the Rental Housing in Israel Segment		
	For the Three Months Ended	
	31.3.2025	**31.3.2024**
NOI from segment properties owned by the Company at beginning of period	**6**	4
NOI from properties whose construction was completed in 2024	**1**	-
Total NOI from all properties	**7**	4

Figures are presented in millions of NIS.

2.15. Income-Producing Real Estate – Additional Operations

2.15.1. Hotels

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 explored expanding its operations into the hospitality industry, and after a review process conducted thereby, on 9 February 2020, the Company completed the first key step of its entering the hospitality industry through the acquisition of the Mount Zion hotel in Jerusalem (in this section: the "**Hotel**").

From the acquisition closing date and until 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 accommodation, food and beverage, leisure services and other hospitality services.

On 17 March 2020, the Company closed the Hotel in view of the encumbering directives imposed on the operation of hotels due to Covid. As of the Report Release Date, the Hotel is closed and the Company is working on planning the Hotel's renovation and exercise of the building rights for its expansion, such that it will comprise 341 rooms and an underground car park with ~210 parking spaces. The Hotel's renovation and expansion are subject to receipt of a building permit, and in November 2021 an excavation and shoring permit was received, and the work began. After its renovation and expansion, the Hotel will be reopened. In April 2025, a building permit was received for the entire hotel.

In addition, in 2023, the Company acquired the Red Rock Hotel in Eilat. For further details, see Section 1.2.2.6 of Chapter B of the 2024 Periodic Report.

As part of the Company's operations in the hospitality industry, the Company plans to build hotels within Group-owned mixed-use projects that confer, *inter alia*, building rights designated for hospitality, as follows: development of a hotel in the city of Modi'in (Modi'in West), situated near the Azrieli mall, which comprises ~85 hotel rooms and suites and has been leased to a third party and was recently opened; and development of a hotel in the expansion of Azrieli Center (the Spiral Tower) in Tel Aviv, which is expected to comprise ~250 hotel rooms and suites.

The Company's assessments in this section are forward-looking information, as defined in the Securities Law, which is based on subjective estimates of the Company as of the Report Release Date and on information sources that are external to the Company, and there is no certainty that they will materialize, in whole or in part, and may materialize in a materially different manner, inter alia due to factors that are beyond the Company's control, including changes in market conditions and in the hospitality industry.

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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 (1)
Investment value in the financial statements as of 31 December 2024	**1,516**
Sale proceeds	**-**
Investment	**-**
Total investment as of 31 March 2025 (2)	**1,516**
Fair value of the investment as presented in the financial statements as of 31 March 2025	**1,742**
Change in fair value in the Report Period	**226**
Income from dividend recorded in the Report Period	**16**

Figures are presented in millions of NIS.

(1) The fair value of the investment in Bank Leumi was determined according to the value of the stock on TASE as of 31 March 2025.

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

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 development and unique architectural design of income-producing real estate projects: malls, offices, senior housing and rental housing. As of the report date, the Group has ten projects at various development stages in Israel.

Summary of the Information on the Development Pipeline

Name of Property	Use	Marketable Sqm[1]	Estimated Completion	Book Value of Project[2]	Cost Invested[3]	Estimated Construction Cost including Land[3]
Development projects under construction in the short term						
Development projects in the medium term						
Rishon LeZion Senior Home	Senior housing & retail	37,300	2025	448	402	540-560
Modi’in (Lot 10)	Offices & retail	37,000	2026	170	169	570-580
SolarEdge Campus	Offices	43,000	2027	681	601	820-840
Mount Zion hotel	Hospitality	[8] 34,000	2027	450	400	950-980
Herzliya Glil Yam	Rental housing and retail	19,630	2027	125	128	380-400
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality & residence	[4] 150,000	2028	2,286	1,419	2,730-2,930
Sde Dov	Senior housing & retail	42,000	2030	2	2	1,200-1,300
Total		**362,930**		**4,162**	**3,121**	**7,190-7,590**
Development projects under planning						
Name of Property	**Use**	**Marketable Sqm[1]**	**Estimated Completion**	**Book Value of Project[2]**	**Cost Invested[3]**	**Estimated Construction Cost including Land[3]**
Azrieli Town Building E	Offices	[5] 21,000	TBD	382	358	TBD
Holon 3 – Holon Industrial Zone	Retail & offices	[6] 250,000	TBD	620	554	TBD
Petach Tikva land[7]	Offices & retail	53,000	TBD	97	101	TBD
Total		**324,000**		**1,099**	**1,013**	
Total		**686,930**		**5,261**	**4,134**	

Cost and value figures are presented in millions of NIS. Holding rate is 100% for all properties (except Azrieli Town Building E, which excludes ~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 2025.
3. Includes land and excludes capitalizations and tenant fit-outs as of 31 March 2025.
4. In April 2018, a zoning plan was validated which increases the building rights of the fourth tower and expansion of the mall by ~80 thousand sqm, to total building rights of ~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 ~90,520 sqm.
6. Includes additional land (~27,000 sqm of marketable space) that was originally purchased in the framework of an ILA tender and was part of the Holon Manor land. In the context of consolidation of parcels, the building rights in the lot increased by ~30,000 sqm (such that the building rights in the consolidated lot total ~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.

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 the land reserves

Palace Rishon LeZion senior home – The land, located in the Givat HaRakafot neighborhood in east Rishon LeZion, of an area of ~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 plans to build a senior home which is expected to comprise up to 274 apartments, an LTC unit and ~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 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 received and in early 2021 the work began. In May 2021, the Company filed an application for a basement permit that was conditionally approved 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 the Mount Zion hotel in Jerusalem. The Company is working on planning the hotel's renovation and exercise of the building rights for expansion of the hotel to comprise 350 rooms and an underground car park with ~210 parking spaces. The hotel's renovation and expansion are subject to receipt of a building permit, and in November 2021, an excavation and shoring permit was received, and the work began. In April 2025, a building permit was received for the entire hotel.

SolarEdge campus – On 17 January 2022, a transaction was closed for the acquisition of a company which holds leasehold rights in land located in the North Glilot site, on part of which the Company will build a campus for SolarEdge Technologies Ltd. ("**SolarEdge**"). The project will include ~43,000 sqm of above-ground areas and 950 parking spaces. The Company engaged in an agreement with SolarEdge for the lease of the campus for 15 years, with extension options up to a total period of 24 years and 11 months. From the date of handover of possession of the campus, SolarEdge will be responsible for the management and maintenance of the campus. In June 2022, an excavation and shoring permit was received, and the work began. In April 2023, receipt of a full building permit for the project was conditionally approved, and in October 2023, the building permit for the entire project was received. 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 incorporated herein by reference. In the Report Period, the Company and SolarEdge agreed on postponement of the estimated date of commencement of the term of the lease of the campus, such that it shall begin at the start of 2027, as specified in Section 1.2.3.7 above.

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 ~17,000 sqm, designated for the construction of a retail and office project, with rights for ~37,000 sqm above-ground, 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. The Company is working on promoting a plan for the project to be built on the land, and in October 2020, it submitted to the Local Committee a zoning plan for additional usages on the lot. In April 2021, a discussion was held on the plan, and it was decided on the conditional deposit thereof. In June 2021, the plan was deposited for objections. In October 2021, the plan was discussed and conditionally approved. In January 2022, the Local Committee finally approved the plan.

In addition, the Company submitted a building plan to the Local Committee which was conditionally approved, and also submitted an application for an excavation and shoring permit which was received in March 2022, and work began. In 2024, 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 ~8,100 sqm on part of the land. The Company promoted a plan for the addition of ~8,000 sqm below ground, which was approved in February 2024. In May 2024, a conditional building permit was approved for all areas of the project, and in November 2024, the full building permit was received, and the work on construction of the project is ongoing.

Expansion of Azrieli Tel Aviv Center (Spiral Tower) – The land, comprising an area of ~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 above-ground building rights of ~147,260 sqm (gross), and, in addition, ~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 above-ground building permit. The Company also undertook to allocate from the said rights in the project a public floor for the City of Tel Aviv-Jaffa, 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 at the City of Tel Aviv. 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 ILA, for the purchase of leasehold rights in a site located in Herzliya (near Kibbutz Glil 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, as well as retail areas. One 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 promotion of building permits for the project.

Sde Dov – On 19 February 2025, the Company reported that it had learned that it had won a tender of the ILA for the purchase of leasehold rights in a lot in Tel Aviv, for the construction of a senior housing project and retail areas, in consideration for approx. NIS 550 million, plus VAT, and that the award is contingent on the taking effect of the zoning plan that applies to the lot. The land is designated for the construction of a senior housing project comprising ~350 apartments and retail areas. On 19 March 2025, the Company reported that final confirmation of the award has been received from the ILA. For further details, see Section 1.2.3.4 above.

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 ~5,500 sqm and basement floors. The property is 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 ~21,000 sqm of 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 building rights totaling 90,520 sqm (gross) of aboveground areas. In June 2023, after a discussion was held on the objections, the Local Committee's decision was received, conditionally approving the plan, and the Company has completed fulfillment of the conditions. An administrative appeal was filed from the Local Committee's decision, and in December 2024, the decision of the administrative appeals committee was received, whereby 1,019 sqm, constituting 13,043 sqm of gross built-up above-ground areas, will be deducted from the area of the plan for the calculation of rights, and that a leasable area allocated to the City will be converted into a public area. In April 2025, the administrative appeals committee re-heard a specific component of the administrative appeals committee's decision, and the committee's final decision has not yet been received. Earlier, in January 2025, an administrative petition was filed by the appellant in the administrative appeal against the decision of the administrative appeals committee of December 2024, which, as of the Report Release Date, is expected to be heard in court in June 2025.

Holon 3 - Holon Industrial Zone – The land is of an area of ~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 on 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 ~250,000 sqm of leasable office space and a family-friendly entertainment and shopping complex. The project is in proximity to major 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 ~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. The Company has fulfilled the required conditions and is awaiting the Committee's final approval.

The Company's assessments in this Section 4.1.1 above, with regards, inter alia, to the expected costs of and investments in properties under construction, the method of financing 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, as defined in the Securities Law, which is based on the Company's subjective estimates as of the report date, and there is no certainty that they will materialize, in whole or in part, and may materialize in a materially different manner, inter alia for reasons which are beyond the Company's control, including changes in market conditions, changes in the Company's plans, the time required for 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 further increase the Company's future operating cash flow, insofar as the Company's board of directors shall deem fit, as well as to explore development of related and/or synergetic 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**	2028
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	2025
Status	Under construction

DEVELOPMENT PIPELINE*

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

SOLAREDGE CAMPUS RAMAT HASHARON

Use	Offices	**Estimated completion**	2027
GLA	43,000 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 activity for the betterment of its existing properties, see Section 4.1.2 of the board of directors' report for the 2024 Periodic Report, which is incorporated herein by reference, and Section 3 of Chapter B of this report – updates to the Description of the Corporation's Business chapter as of 31 March 2025.

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 2024 Periodic Report, which is incorporated 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 2025	31 March 2024	31 December 2024
Current assets	**6,021**	**4,449**	**5,211**
Non-current assets	**54,642**	**49,339**	**52,722**
Current liabilities	**5,839**	**5,145**	**5,002**
Non-current liabilities	**30,659**	**25,773**	**29,094**
Equity attributable to the Company's shareholders	**24,134**	**22,843**	**23,807**
Equity attributable to the Company's shareholders out of total assets (in %)	**40%**	**43%**	**41%**
Net debt to assets (in %)	**33%**	**(*)32%**	**34%**

Figures are presented in millions of NIS.

* Restated.

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.[21] 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.

[21] For further details, see Section 20 of Chapter A of the 2024 Periodic Report, which is incorporated herein by reference.

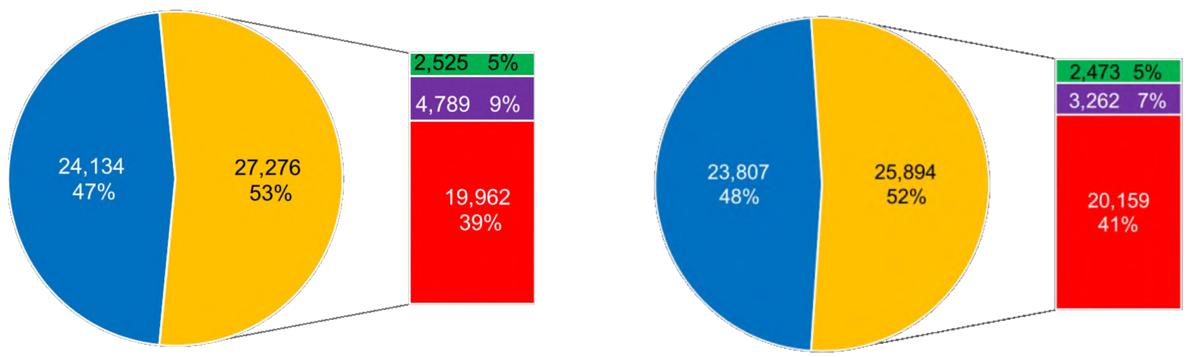
5.2. Composition of Financing Sources

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

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

Composition of Capital and Breakdown of Debt of the Group

31 March 2025 | **31 December 2024**



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

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

The increase of approx. NIS 1,382 million in the total debt in the Report Period mainly derives from receipt of a loan of €371 million (approx. NIS 1.44 billion), which was taken against pledge of the TikTok asset, change in the exchange rate and the debt linkage, net of current repayments.

As of the report date, the Group's consolidated and standalone statements do not include working capital deficit.

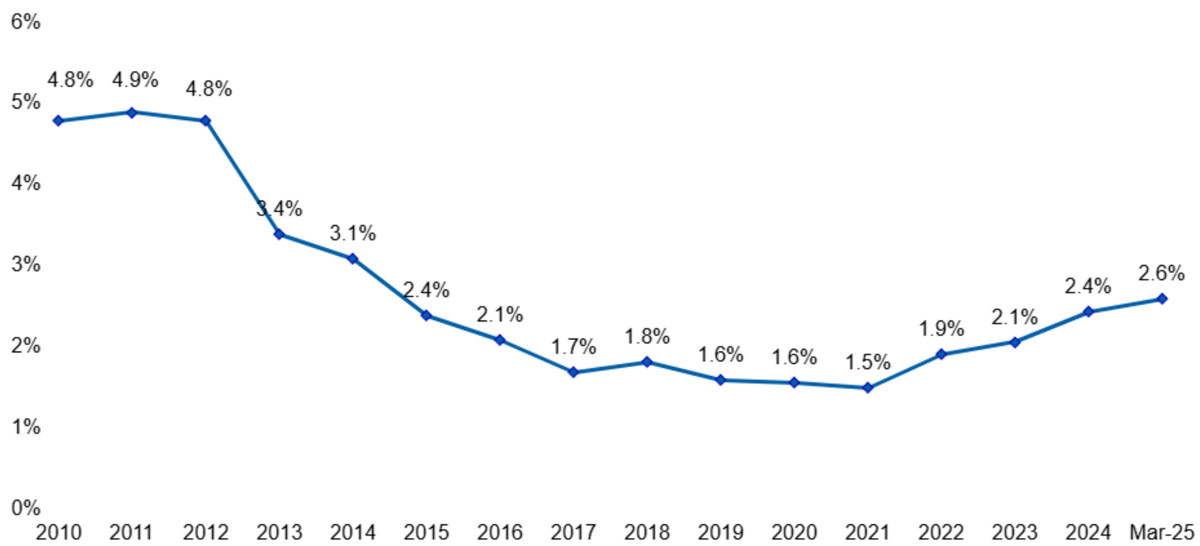
The Group's assessments in this Section 5.2 in connection with its liquidity and the availability of its financing sources are forward-looking information, as defined in the Securities Law, which is based on the Company's assessments with respect to developments in the markets, inflation levels and projected 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 using various financing avenues, deterioration of the economic situation in Israel or in the U.S. and decline into severe recession, and the Company or any of the companies of the Group encountering financing or other difficulties, in a manner that affects 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.

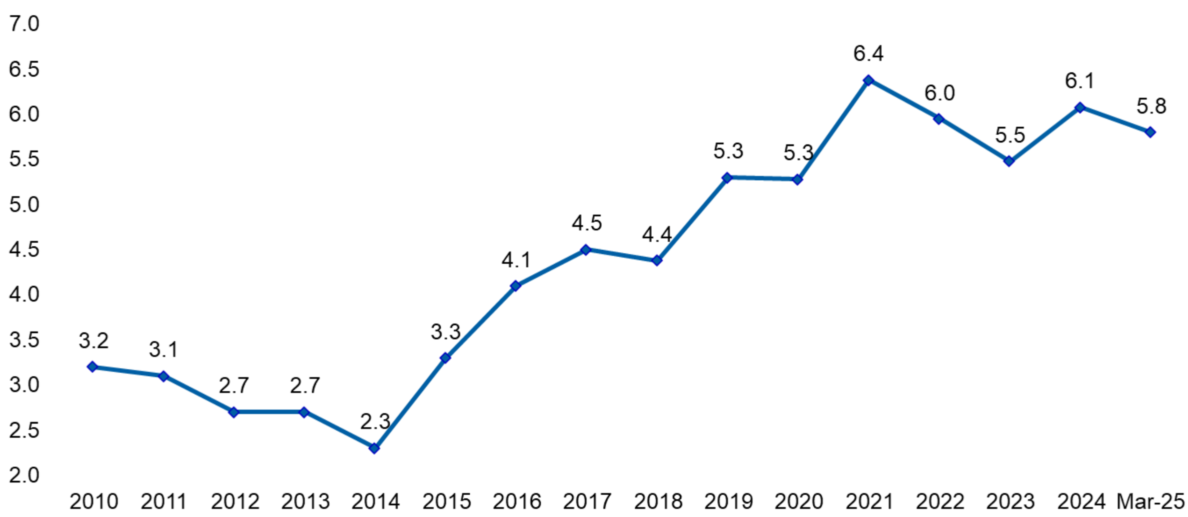
1. Interest Rate at End of Period

Reduction of Average Interest Rate Over the Years



2. Average Duration at End of 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 ilAA+/Stable/ilA-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 2024 Periodic Report, which is incorporated 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	Non-linked	Foreign Currency-linked	Non-linked	Fixed Interest	Variable Interest	
Short-term loans	-	-	-	-	717	-	717	717
Long-term loans	22,514	1,009	-	*3,036	-	23,523	3,036	26,559
Total	**22,514**	**1,009**	**-**	**3,036**	**717**	**23,523**	**3,753**	**27,276**

Figures are presented in millions of NIS, as of 31 March 2025.
* Most of the loan is protected by interest rate hedging.

As of 31 March 2025, short-term loans represented ~3% 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, over and above the positive cash flow from operating activities 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 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 (Series B, D, E, F, G, H and I)

For details with respect to designated disclosure to the holders of the Company's Series B, D, E, F, G, H and I 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 the financial liabilities:

Forecast of Maturities of Financial Liabilities

Year	Principal	Interest	Total
1	**2,525**	**708**	**3,233**
2	**3,439**	**652**	**4,091**
3	**1,938**	**520**	**2,458**
4	**1,978**	**484**	**2,462**
5 forth	**17,396**	**2,553**	**19,949**
Total	**27,276**	**4,917**	**32,193**

Figures are presented in millions of NIS, as of 31 March 2025.

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

- Positive cash flow from operating activities, which totaled approx. NIS 417 million in the three months ended 31 March 2025.
- 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 2025, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group totaled NIS 5.3 billion. The Company deems its liquid assets, the considerable cash flow from its operating activities and its unencumbered assets (in the total value of approx. NIS 37 billion, in addition to the aforesaid liquid assets of approx. NIS 5.3 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.[22] As pertains to additional possible liquid sources, the Group estimates that it has the ability to obtain financing on convenient terms in the currently prevailing economic conditions.

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

Assets	Value of Assets as of 31 March 2025
Properties in the retail centers and malls in Israel segment	**14,085**
Properties in the leasable office and other space in Israel segment	**16,967**
Properties in the rental housing in Israel segment	**2,074**
Other properties (mainly hotels and data centers)	**2,146**
The Company's holdings in Bank Leumi	**1,742**
Total	**37,014**

The figures are as presented in the financial statements and are 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 assessments 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 using 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.

[22] For details with respect to additional matters related to the Group's financing activities, see Section 20 of Chapter A of the 2024 Periodic Report, which is incorporated herein by reference.

5.9. Financial Position

Financial Position, Liquidity and Financing Sources		
Item	**31 March 2025**	**31 December 2024**
Total assets [(1)]	**60,663**	57,933
Current assets	**6,021**	5,211
Investment property [(2)]	**49,481**	48,043
Short-term credit [(3)]	**2,525**	2,473
Loans from banking corporations and other credit providers [(4)]	**4,789**	3,262
Net bonds [(5)]	**19,962**	20,159
Total equity [(6)]	**24,165**	23,837

Figures are presented in millions of NIS.

(1) The increase mainly derives from an increase in investment property item in the sum of NIS 1.4 billion in addition to an increase in cash balance of NIS 0.6 billion.

(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, from change in the exchange rate and from change in the fair value of the properties.

(3) The increase mainly derives from current maturity of TikTok loan.

(4) The increase mainly derives from receipt of a loan against the TikTok asset.

(5) The decrease derives from current repayments in the period, net of linkage to CPI.

(6) The increase mainly derives due to the comprehensive income, net of a dividend distribution.

6 | BUSINESS RESULTS AT A GLANCE

6.1. Summary of Business Results

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

Consolidated Net Income Analysis			
	For the Three Months Ended		For the Year Ended
	31.3.2025	31.3.2024	31.12.2024
Net income for the period attributable to the shareholders	**457**	464	**1,477**
Net income attributable to the shareholders and to non-controlling interests	**457**	464	**1,482**
Basic earnings per share (NIS)	**3.77**	3.82	**12.22**
Comprehensive income to shareholders and to non-controlling interests	**1,126**	302	**1,261**

Figures are presented in millions of NIS.

Net income in the Report Period totaled NIS 457 million, compared with NIS 464 million in the same period last year. The decrease in income in the Report Period was mainly affected by an increase in net financing expenses in the sum of NIS 38 million, an increase in G&A expenses in the sum of NIS 19 million, an increase in net other expenses in the sum of NIS 30 million, an increase in the tax expenses in the sum of NIS 34 million, net of an increase in NOI in the sum of NIS 113 million.

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 income as presented in Section 6.1 above, for the three-month period ended 31 March 2025 mainly derives from profit from translation differences from foreign operations in the sum of NIS 491 million and profit from an increase in the fair value of financial assets net of tax in the sum of NIS 175 million.

6.3. Results of Operations

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

Results of Operations		
	For the Three Months Ended	
	31.3.2025	**31.3.2024**
Marketing, general and administrative expenses(1)	**88**	72
Net other expenses(2)	**(37)**	(7)
Net financing expenses(3)	**(159)**	(121)
Income tax expenses(4)	**156**	122

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 derives from expansion of operations in the data center segment and from an increase in officer compensation.

(2) The increase in other expenses in the Quarter mainly derives from costs resulting from non-consummation of a transaction net of growth in Bank Leumi dividend.

(3) The increase in net financing expenses in the present Quarter compared with the same quarter last year mainly derives from an increase in interest expenses and linkage differentials due to the increase in the debt amount, net of income from exchange rate differences.

(4) The increase in tax expenses in the Report Period derives from an increase in profit in the Report Period and from the effect of non-recurring items.

6.4. Cash Flows

The following table shows the cash flows generated by the Group in Q1/2025 compared with the same quarter in 2024:

Quarterly Cash Flows		
Quarter	**Q1/2025**	**Q1/2024**
Net cash flows generated by the Group from operating activities (1)	**417**	**512**
Net cash flows used by the Group for investment activities (2)	**(684)**	**(799)**
Net cash flows generated (used) by the Group for financing activities (3)	**845**	**(810)**

Figures are presented in million of NIS.

(1) The cash flow in the Quarter and in the same quarter last year mainly derived from the operating income of the income-producing real estate in the sum of approx. NIS 646 million, and in the corresponding period approx. NIS 533 million, plus net senior housing deposits, net of income taxes paid. The decrease year-over-year derives from a decrease in trade and other payables.

(2) The cash flow in Q1/2025 was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 605 million, plus a change in short-term deposits and the provision of long-term loans. The cash flow in the same period last year was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 803 million plus an investment in a company accounted for at equity in the sum of NIS 23 million.

(3) The change year-over-year mainly derives from receipt of long-term loans in the sum of NIS 1,328 million compared with NIS 928 million in the same period last year, and repayment of short- and long-term loans in the sum of NIS 35 million compared with NIS 1,364 million in the same period last year.

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 2024 Periodic Report, which is incorporated herein by reference.

7.1. Changes in the office of officers of the Company

See Section 1.2.3.2 above.

7.2. Granting of options to officers and employees of the Company

On 19 March 2025, the Company's board of directors approved, following the compensation committee's approval of 17 March 2025, the granting of 375,213 (non-listed) options to officers and employees of the Company at an exercise price of NIS 285.16 per share, reflecting the average share price on TASE in the 30 trading days preceding the date of the board of directors' decision. The options may be exercised according to a "cashless exercise" mechanism only. For further details, see a non-material private placement report of 20 March 2025 (Ref. 2025-01-018641), which is incorporated herein by reference.

7.3. Approval of a management agreement of the Company's CEO and the granting of options

On 27 April 2025, the general meeting of the Company's shareholders approved its engagement in a management agreement with the Company's CEO, and the granting of options to the Company's CEO. For further details, see immediate reports in connection with the general meeting of 20 March 2025 (Ref. 2025-01-018605) and an immediate report on the results of the meeting of 27 April 2025 (Ref. 2025-01-029651), which are incorporated herein by reference

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

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

For events and developments during the Report Period, see Chapter B hereof – Updates to the Description of the Corporation's Business chapter as of 31 March 2025 and Note 3 to the financial statements as of 31 March 2025.

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 2024 Periodic Report. The Company has updated some of the valuations in the data center segment as of 31 March 2025.

As specified in Section 9.3 of the board of directors' report, included in the 2024 Periodic Report, which is incorporated 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 2025.

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 2025.

Danna Azrieli, Chairwoman of the Board	Ron Avidan, CEO

Date: 21 May 2025

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	**545.9**	**630.8**	**2**	**630.8**	**630.8**	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 company: Hermetic Trust (1975) Ltd.; Address: Champion Tower, 13th floor, 30 Sheshet Ha-Yamim Road, Bnei Brak. Tel: 03-5274867; Fax: 03-5271039; E-mail address: hermetic@hermetic.co.il Contact person at the trustee: Dan Avnon or Meirav Ofer
	23 June 2015	600.3											
	30 March 2017	228.8											
	2 July 2023	789.8											
Series D	7 July 2016	2,194.1	**2,429.8**	**2,844.4**	**9.2**	**2,833.3**	**2,745.9**	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	**2,594.7**	**2,998.5**	**13.1**	**3,033.4**	**2,953**	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**	**3,807.1**	**23.3**	**3,950**	**3,748.1**	Fixed	2.48	On 31 December of each of the years	From 30 June 2019, twice a year on 30 June and 31 December of each	Linkage (principal and interest) to the rise in the CPI for	
	19 Dec. 2019	932.6											

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
	20 April 2020	761.9								2025 through 2032	of the years 2019 through 2032	December 2018*	
	13 July 2022	1,336.5											
Series G	20 July 2021	1,903.6	**2,751.8**	**3,132.9**	**6.9**	**2,994**	**2,731.4**	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 Dec. 2023	673.1											
	24 July 2024	226.6											
Series H	20 July 2021	1,751.5	**4,363**	**4,967.2**	**20.5**	**4,603.7**	**4,262.6**	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											
Series I	24 July 2024	990.5	**3,282.4**	**3,337.9**	**29.9**	**3,402.5**	**3,475.4**	Fixed	3.67	2 January of each of the years 2034 through 2046	From 2 January 2025, twice a year on 2 January of each of the years 2025 to 2046 and 2 July of each of the years 2025 to 2045	Linkage (principal and interest) to the rise in the CPI for June 2024	
	18 December 2024	2,291.9											
Total		**24,398.8**	**19,262.1**	**21,718.8**	**104.9**	**21,447.7**	**20,547.2**						

* The Series B, Series D, Series E, Series F, Series G, Series H Bonds and Series I (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 which was attached to the shelf offering report that was published by the Company, see the Company's report dated 24 July 2024 (Ref.: 2024-01-078292).

    2.5. With respect to the Series H Bond indenture which was 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).

    2.6. With respect to the Series I Bond indenture which was attached to the shelf offering report that was published by the Company, see the Company's report dated 17 December 2024 (Ref.: 2024-01-625079).

3. The reports mentioned in Sections 2.1, 2.2, 2.4, 2.5 and 2.6 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.

<u>Rating of the Company's publicly-held bonds</u>:

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	Maalot	AA+ stable	AA+ stable	2 February 2025 (*)	AA+ stable	21 June 2015 28 March 2017 2 February 2020 7 February 2021 6 February 2022 5 February 2023 27 June 2023 28 June 2023 4 February 2024 2 February 2025
Series D	Midroog	Aa1/stable outlook	Aa1il/stable outlook	30 December 2024 (**)	Aa1il/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 30 December 2024
Series E	Midroog	Aa1/stable outlook	Aa1il/stable outlook	30 December 2024 (**)	Aa1il/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 30 December 2024
Series F	Midroog	Aa1/stable outlook	Aa1il/stable outlook	30 December 2024 (**)	Aa1il/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 30 December 2024
Series G	Maalot	ilAA+ stable	ilAA+ stable	2 February 2025 (*)	AA+ stable	1 July 2021 21 December 2023 24 December 2023 4 February 2024 22 July 2024 23 July 2024 2 February 2025
Series H	Maalot	ilAA+ stable	ilAA+ stable	2 February 2025 (*)	AA+ stable	1 July 2021 12 July 2022 21 December 2023 24 December 2023 4 February 2024 2 February 2025
Series I	Midroog	Aa1il/stable outlook	Aa1il/stable outlook	30 December 2024 (**)	Aa1il/stable outlook	8 July 2024 23 July 2024 30 December 2024

* For Maalot’s rating report on the Series B, G and H Bonds, see the Company’s immediate report of 2 February 2025 (Ref.: 2025-01-008073), 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 30 December 2024 (Ref.: 2024-01-628535), which is included herein by reference.

PART B

Update of the Description of the Corporation's Business

AZRIELI GROUP LTD.

Update of the Description of the Corporation's Business Chapter in the Company's Periodic Report as of 31 December 2024 (the "**Periodic Report**")[1]

In accordance with Section 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, specified below are material developments that occurred in the Company's business during the three months ended 31 March 2025 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**" – 22 May 2025; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – 31 March 2025; 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 2025.

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; (3) an update to the agreement for the provision of DC services to TikTok and engagement in an agreement for the financing of the project; (4) winning a tender for the construction of a senior housing project in Sde Dov; (5) negotiations with an international technology company for the provision of DC services by GM; (6) update on the negotiations for acquisition of shares of Z.M.H. Hammerman Ltd.; (7) campus for SolarEdge Technologies Ltd. and (8) motion for class certification, see Section 1.2.3 of Chapter A hereof.

2. Dividends

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

On 6 May 2025, the Company paid a dividend to its shareholders in the sum total of approx. NIS 800 million. For details, see Section 1.2.4 of Chapter A hereof.

[1] As reported by the Company on 20 March 2025 (Ref.: 2025-01-018529), which is incorporated herein by reference.

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:

SolarEdge campus – In the report period, the Company and SolarEdge agreed on postponement of the estimated date for commencement of the term of the lease of the campus, such that it shall begin at the start of 2027, as specified in Section 4.1.1 of the Board of Directors' Report.

Azrieli Eilat – In April 2025, the Committee's conditional approval was received for a building permit for the exercise of rights for an additional 500 sqm of main areas and service areas, and the Company is working on fulfilling the conditions.

Update to Section 14.1 of the Description of the Corporation's Business chapter:
Mount Zion hotel – In April 2025, a building permit was received for the entire hotel.

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4. Financing

Non-Bank Financing for the Company

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

Commercial Paper (CS)

As of the Report Date, the Company has two non-negotiable series of CP: a rated series totaling approx. NIS 53 million and an unrated series totaling approx. NIS 5 million. As of the Report Release Date, and towards the expected expiry of the CP period of the said rated series, the Company agreed with the CP series holders to add a twelve-month period to the CP, and that the CP interest as of 27 May 2025 will be the Bank of Israel interest rate plus an annual margin of 0.1%, instead of an annual margin of 0.15%, 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 2,430 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 2,752 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.

Series I 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 I Bonds in circulation is approx. NIS 3,282 million.

PART C

Consolidated Financial Statements

Dated 31 March 2025

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of 31 March 2025

(Unaudited)

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
As of 31 March 2025

C o n t e n t s

Deloitte.

Auditors' review report to the shareholders of

<u>Azrieli Group Ltd.</u>

Introduction:

We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and consolidated companies (the "**Company**") which includes the Condensed Consolidated Statement of Financial Position as of 31 March 2025 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, 21 May 2025

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of 31 March		As of 31 Dec.
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Assets			
Current assets			
Cash and cash equivalents	5,262	3,789	4,633
Short-term investments and deposits	1	1	1
Trade accounts receivable	161	101	132
Other receivables	511	506	359
Inventory	5	6	3
Current tax assets	81	46	83
Total current assets	6,021	4,449	5,211
Non-current assets			
Investment in a company accounted for using the equity method	48	58	45
Loans and receivables	831	334	729
Financial assets	1,749	1,090	1,523
Investment property and investment property under construction	49,481	45,507	48,043
Fixed assets	938	801	907
Intangible and other assets	1,595	1,549	1,475
Total non-current assets	54,642	49,339	52,722
Total assets	60,663	53,788	57,933

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.
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Liabilities and capital			
Current liabilities			
Credit and current maturities from financial corporations and bonds	2,525	1,671	2,473
Trade payables	510	707	617
Payables and other current liabilities	553	392	484
Deposits from senior housing customers	1,447	1,333	1,425
Current tax liabilities	4	42	3
Declared dividend	800	1,000	-
Total current liabilities	5,839	5,145	5,002
Non-current liabilities			
Loans from financial corporations	4,789	3,190	3,262
Bonds	19,962	17,223	20,159
Other liabilities	423	417	406
Deferred tax liabilities	5,485	4,943	5,267
Total non-current liabilities	30,659	25,773	29,094
Capital			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	876	255	206
Retained earnings	20,722	20,052	21,065
Total equity attributable to the shareholders of the Company	24,134	22,843	23,807
Non-controlling interests	31	27	30
Total capital	24,165	22,870	23,837
Total liabilities and capital	60,663	53,788	57,933

21 May 2025			
Date of approval of the financial statements	**Danna Azrieli** **Chairwoman of the Board**	**Ron Avidan** **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
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Revenues from rent and management and maintenance fees, net	938	749	3,281
Cost of revenues from rent and management and maintenance fees	292	216	979
Gross profit	646	533	2,302
Sales and marketing	16	19	75
G&A	72	53	263
Operating profit before other revenues and expenses	558	461	1,964
Net profit from fair value adjustment of investment property and investment property under construction	252	253	913
Share in the results of a company accounted for using the equity method, net of tax	(1)	-	(5)
Other expenses, net	(37)	(7)	(3)
Operating profit after other revenues and expenses	772	707	2,869
Financing income	81	57	141
Financing expenses	240	178	1,086
Income before income taxes	613	586	1,924
Taxes on income	(156)	(122)	(442)
Net income for the year	457	464	1,482
Other comprehensive income (loss):			
Amounts that will not be carried in the future to profit or loss, net of tax:			
Change in the fair value of financial assets, net of tax	175	41	377
Amounts that were carried or will be carried in the future to profit or loss, net of tax:			
Profit from cash flow hedging, net of tax	3	10	12
Translation differences from foreign operations	491	(213)	(610)
Total	494	(203)	(598)
Other comprehensive income (loss) for the year, net of tax	669	(162)	(221)
Total comprehensive income for the year	1,126	302	1,261

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
	2025	**2024**	**2024**
	NIS in millions	**NIS in millions**	**NIS in millions**
	(Unaudited)		**(Audited)**
Net profit for the period attributable to:			
shareholders of the Company	457	464	1,477
non-controlling interests	-	-	5
	457	464	1,482
Total comprehensive income for the period attributable to:			
shareholders of the Company	1,125	300	1,256
non-controlling interests	1	2	5
	1,126	302	1,261
	NIS	**NIS**	**NIS**
Basic and diluted earnings (in NIS) per ordinary share of par value NIS 0.1 attributable to shareholders of the Company:			
Basic	3.77	3.82	12.22
On a fully diluted basis	3.77	3.82	12.17
Weighted average of number of shares used for calculating the basic and diluted earnings per share:			
Basic	121,272,760	121,272,760	121,272,760
On a fully diluted basis	121,304,689	121,272,760	121,784,503

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 2025 (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 2025	18	2,518	908	(733)	31	21,065	23,807	30	23,837
Movement during the report period:									
Net profit for the period	-	-	-	-	-	457	457	-	457
Change in fair value of financial assets, net of tax	-	-	175	-	-	-	175	-	175
Translation differences from foreign operations	-	-	-	490	-	-	490	1	491
Profit from cash flow hedging, net of tax	-	-	-	-	3	-	3	-	3
Total comprehensive income for the period	-	-	175	490	3	457	1,125	1	1,126
Share-based payment capital reserve	-	-	-	-	2	-	2	-	2
Dividend to shareholders of the Company	-	-	-	-	-	(800)	(800)	-	(800)
Total transactions with the shareholders of the Company	-	-	-	-	2	(800)	(798)	-	(798)
Balance as of 31 March 2025	18	2,518	1,083	(243)	36	20,722	24,134	31	24,165

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 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 year ended 31 December 2024 (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								
Balance as of 1 January 2024	18	2,518	531	(123)	11	20,588	23,543	25	23,568
Net income for the year	-	-	-	-	-	1,477	1,477	5	1,482
Change in fair value of financial assets, net of tax	-	-	377	-	-	-	377	-	377
Translation differences from foreign operations	-	-	-	(610)	-	-	(610)	-	(610)
Profit from cash flow hedging, net of tax	-	-	-	-	12	-	12	-	12
Total comprehensive income for the year	-	-	377	(610)	12	1,477	1,256	5	1,261
Share-based payment capital reserve	-	-	-	-	8	-	8	-	8
Dividend to shareholders of the Company	-	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Total transactions with the Company's shareholders	-	-	-	-	8	(1,000)	(992)	-	(992)
Balance as of 31 December 2024	18	2,518	908	(733)	31	21,065	23,807	30	23,837

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
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
Cash flows – Operating activities			
Net profit for the period	457	464	1,482
Depreciation and amortization	5	5	20
Forfeiture of senior housing residents' deposits	(15)	(13)	(57)
Profit from fair value adjustment of investment property and investment property under construction, net	(252)	(253)	(913)
Net financing and other expenses	145	112	888
Share in results of an associate accounted for using the equity method	1	-	5
Expenses due to share-based payment	2	-	8
Taxes recognized in the income statement	156	122	442
Income taxes paid, net	(21)	(13)	(151)
Change in inventory	(2)	1	3
Change in trade and other receivables	(18)	65	35
Change in trade and other payables	(73)	7	(51)
Receipt of deposits from senior housing residents	54	41	204
Return of deposits from senior housing residents	(18)	(26)	(90)
Change in employee provisions and benefits	(4)	-	(9)
Net cash – Operating activities	417	512	1,816
Cash flows – Investment activities			
Proceeds from disposition of investment property	-	-	31
Acquisition of and investment in investment property and investment property under construction	(573)	(813)	(2,882)
Acquisition of and investment in fixed and intangible assets	(45)	(9)	(235)
Investments in companies accounted for using the equity method	(1)	(23)	(24)
Change in short-term deposits	(66)	-	-
Provision of long-term loans	(65)	-	(218)
Collection of long-term loans	-	1	2
Interest and dividend received	66	45	187
Net cash – Investment activities	(684)	(799)	(3,139)

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
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
Cash flows – Financing activities			
Dividend distribution to shareholders	-	-	(1,000)
Repayment of bonds	(258)	(249)	(1,355)
Issuance of bonds net of issue expenses	-	-	3,626
Receipt of long-term loans from financial corporations	1,328	928	1,115
Repayment of long-term loans from financial corporations	(35)	(638)	(715)
Short-term credit from financial corporations, net	-	(726)	(90)
Repayment of other long-term liabilities	-	(5)	(22)
Repayment of deposits from customers	(3)	(3)	(4)
Deposits from customers that were received	4	-	5
Paid interest	(191)	(117)	(485)
Net cash – Financing activity	845	(810)	1,075
Increase (decrease) in cash and cash equivalents	578	(1,097)	(248)
Cash and cash equivalents at beginning of period	4,633	4,915	4,915
Effect of exchange rate changes on cash balances held in foreign currency	51	(29)	(34)
Cash and cash equivalents at end of period	5,262	3,789	4,633

(*) For the three-month period ended 31 March 2025 and 31 March 2024, non-cash transactions include a change in other payables in respect of a dividend in the sum of NIS 800 million and NIS 1,000 million, respectively.

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

Note 1 – General

A. Azrieli Group Ltd. (the "**Company**") is a company domiciled and incorporated in Israel and whose registered address is 1 Azrieli Center, Tel Aviv.

The Company is listed on 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-I) that have been issued to the public as well as commercial papers (CP 1).

The Group's Consolidated Financial Statements as of 31 March 2025 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), ~55.62% of the Company's share capital and ~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**"), ~28.02% of the capital rights in Azrieli Holdings and ~33.13% of the voting rights in Azrieli Holdings, and they jointly hold ~84.06% of the capital rights in Azrieli Holdings and ~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) ~15.93% of Azrieli Holdings' shares, with no voting rights (which constitutes, indirectly, a holding of ~8.86% of the capital rights of the Company), in addition to and separately from its direct holding of ~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 2024, and for the year then ended (the "**Annual Financial Statements**"), and the notes attached thereto.

Note 2 – Significant Accounting Policies

A. The basis for the preparation of the Financial Statements:

The Group's condensed consolidated financial statements ("**Interim Financial Statements**") were prepared in accordance with IAS 34 – Interim Financial Reporting ("**IAS 34**").

In the preparation of these Interim Financial Statements the Group has applied the accounting policy, rules of presentation and methods of calculation identical to those used in the preparation of its financial statements as of 31 December 2024 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 2024.

(2) As of 31 March 2025, the Group has updated the valuations of some of its assets in the data center segment.

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		CPI in Israel	
	NOK	**Dollar**	**“For”**	**"Known”**
Date of the Financial Statements:				
As of 31 March 2025	0.3522	3.718	259.36	258.08
As of 31 March 2024	0.3400	3.681	250.95	249.53
As of 31 December 2024	0.3222	3.647	256.64	257.35
Rates of change:	%	%	%	%
For the three-month period ended:				
31 March 2025	9.31	1.95	1.06	0.29
31 March 2024	(4.47)	1.49	0.95	0.29
For the year ended				
31 December 2024	(9.47)	0.55	3.24	3.43

Note 3 – Material Events during the Report Period

A. On 19 March 2025, the Company's Board decided upon the distribution of a dividend to the shareholders of the Company in the sum of NIS 800 million (reflecting NIS 6.60 per share), which was paid on 6 May 2025.

B. On 14 January 2025, an amendment (the "**Amendment**") was signed to a service agreement between GM, through a company wholly owned thereby (the "**Service Provider**"), and TikTok Norway AS (the "**Customer**"), for the provision of 90MW of data center services to the Customer on a campus that was built by GM in Norway (the "**Agreement**"). In accordance with the Amendment, the parties agreed that any delay in the construction and provision of the services that occurred until the date of the Amendment would not establish a right to termination of the Agreement by the Customer, and the parties further agreed on an updated future date on which the Customer shall have a right of termination for any delay in the construction of the then remaining 30MW. The Amendment does not derogate from the Customer's right to reduction of payments due to the delays that occurred to date in the provision of the services, in accordance with the provisions of the Agreement. According to the Amendment, in any case of imposition of regulatory restrictions the Customer will be entitled to terminate the Agreement subject to payment of termination fees that apply to termination for any reason in lieu of reduced termination fees. In addition, according to the Amendment, in any case of the imposition of regulatory restrictions that prevent the Service Provider from providing the services to the Customer, a right to terminate the Agreement was added in favor of the Service Provider, which is subject to certain terms and conditions as stated in the Amendment (with no entitlement to receipt of termination fees from the Customer in such a case). In 2024 the process of delivery to the Customer of the entire 90MW was completed.

On 28 January 2025, the Customer had given notice of exercise of the option to increase the capacity by another 30MW. GM is examining the exercise notice and there is no certainty that the capacity increase will go ahead.

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

C. On 6 February 2025, GM was provided with a non-recourse loan in the sum of approx. Euro 371 million (approx. NIS 1.4 billion) by two foreign banking corporations to finance the project with the Customer. According to the financing agreement signed on 18 December 2024, the loan will bear variable interest with a margin spread of 4.3% above the 3M EURIBOR interest rate. The interest will be paid on a quarterly basis and in addition, a payment of 2.5% of the original loan amount will be paid at the end of the loan period. The principal will be repaid at a rate of 2.5% annually and the outstanding principal will be repaid at the end of the loan period. The term of the loan is 5 years from the date of signing of the financing agreement, with an option to extend the term of the loan by one more year subject to the terms and conditions set forth in the financing agreement. The financing agreement includes financial covenants regarding the project's LTV – less than 50%, ICR – reflecting the ratio between the monthly income from the Customer net of operating expenses, and the interest payments for the loan – no less than 1.5, a ratio between the monthly income from the Customer net of operating expenses and the loan amount in the measurement period – no less than 15%. Against the loan, a pledge was imposed on all rights in the project and all rights arising from the agreement and other agreements related to the project, as well as a pledge on all the share capital of a wholly-owned subsidiary of GM. In the financing agreement, the Company and a foreign subsidiary thereof undertook to make capital injections for certain liabilities of GM as determined in the financing agreement. The effective interest rate for the loan is 7.7% per annum. As of the report date, GM meets the financial covenants.

D. On 19 February 2025, the Company reported that it had learned that it had won a tender of the Israel Land Authority (ILA) for the purchase of leasehold rights in a lot in Tel Aviv, for the construction of a senior housing project and retail areas, in consideration for approx. NIS 550 million, plus VAT. The rights are contingent on the taking effect of the zoning plan that applies to the lot. The land is designated for the construction of a senior housing project comprising ~350 apartments and retail areas. According to the terms and conditions of the tender, the Company shall pay, in addition to the cost of the land, approx. NIS 46 million for development expenses. On 19 March 2025, the final confirmation of the winning has been received from the ILA, and the zoning plan that applies to the lot has taken effect.

E. On 19 February 2025, further to the negotiations conducted by GM, with a leading international technology company for engagement in an agreement for the provision of ~120MW of data center services on a campus to be built by GM in Norway, the Company reported that due to a decision not to grant a regulatory permit required for the land on which GM planned to build the campus, GM is reviewing other alternative land for the construction of the campus. On 25 March 2025 the Company reported that until and insofar as an appropriate alternative is found for the Customer, the negotiations for the transaction in the current format are suspended.

F. On 9 March 2025, the Company reported that Mr. Henkin will step down as CEO on 1 April 2025, and Mr. Ron Avidan will assume office as CEO on that date.

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

G. On 19 March 2025, the Company's Board approved the granting of 500,294 unlisted options to officers and some of the Company’s employees (125,081 of which were granted to the incoming CEO of the Company after receipt of the general meeting's approval), exercisable for up to 500,294 ordinary shares of the Company, at a price of NIS 285.16 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 76.75 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 tranches, such that all of the options will vest 48 months after the date of allocation thereof.

The exercise period shall be according to the Company's option plan. First tranche options that vest and are not exercised within three years from their vesting date, shall expire. Second, third and fourth tranche options that vest and are not exercised within two years from their vesting date, shall expire. The options were granted to the Company's officers and employees on 27 and 29 April 2025, after fulfillment of all the conditions required for the grant.

H. On 20 March 2025 the Company reported that it had engaged with SolarEdge in an agreement whereby the estimated date for commencement of the term of the lease will be postponed, such that it will begin at the start of 2027, and SolarEdge is remaining in the existing leased premises of the Company at “Azrieli Herzliya Business Park” until commencement of the lease. In addition, it was agreed that payment would be made to the Company for each month of delay until SolarEdge enters the campus.

I. Further to Note 26B(4) to the Annual Financial Statements, On 31 March 2025, the Company reported that after discussions held between it and the independent committee established by the board of directors of ZMH Hammerman, on 31 March 2025, the Company’s Board, ZMH Hammerman’s board of directors and audit committee (as the Company was informed by ZMH Hammerman) approved the continued conduct of the negotiations for the merger agreement, based on a value for ZMH Hammerman in the transaction of NIS 855 million, subject to adjustments as shall be determined in the final agreement and subject to completion of the due diligence on ZMH Hammerman by the Company.

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 2025 (Unaudited)		As of 31 March 2024 (Unaudited)		As of 31 Dec. 2024 (Audited)	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	NIS in millions		NIS in millions		NIS in millions	
Non-current liabilities:						
Loans from banking corporations and other credit providers (1)	5,118	4,995	3,478	3,332	3,561	3,429
Bonds (1)(2)	21,552	20,547	18,627	17,658	21,769	20,719
	26,670	25,542	22,105	20,990	25,330	24,148

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

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

The 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 Dec.
	2025	2024	2024
	%	%	%
	(Unaudited)		(Audited)
Non-current liabilities:			
Loans from financial corporations	2.9-7.5	2.52-8.13	3-7.72

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

C. Hierarchy of fair value:

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

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

	As of 31 March		As of 31 Dec.
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Financial assets at fair value through other comprehensive income:			
Marketable shares – Level 1	1,742	1,084	1,516

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 2025 (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	321	273	56	70	210	8	-	938
Total segment expenses	69	50	32	46	94	1	-	292
Segment profit (NOI)	252	223	24	24	116	7	-	646
Profit (loss) from fair value adjustment of investment property and investment property under construction, net	1	(12)	1	-	262	-	-	252
Unallocated costs								(88)
Financing expenses, net								(159)
Other expenses, net								(37)
The Company's share in results of an associate accounted for using the equity method, net of tax								(1)
Income before income taxes								613
Additional information:								
Segment assets	16,211	17,433	1,893	3,625	10,207	2,074	593	52,036
Unallocated assets (*)								8,627
Total consolidated assets								60,663

(*) Mainly financial assets in the sum of approx. NIS 1.7 billion and cash and short-term deposits in the sum of approx. NIS 5.3 billion.

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

	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 (loss) from fair value adjustment of investment property and investment property under construction, net	-	-	2	-	251	-	-	253
Unallocated costs								(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.

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

	For the year ended 31 December 2024 (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	Consoli-dated
	NIS in millions							
Revenues:								
Total external income	1,285	1,064	222	267	417	26	-	3,281
Total segment expenses	276	199	130	180	187	7	-	979
Segment profit (NOI)	1,009	865	92	87	230	19	-	2,302
Profit (loss) from fair value adjustment of investment property and investment property under construction, net	267	142	7	127	310	60	-	913
Unallocated costs								(338)
Financing expenses, net								(945)
Other expenses, net								(3)
The Company's share in results of an associate accounted for using the equity method, net of tax								(5)
Income before income taxes								1,924
Additional information as of 31 December 2024:								
Segment assets	16,145	17,282	1,858	3,571	8,966	2,056	571	50,449
Unallocated assets (*)								7,484
Total consolidated assets								57,933
Capital investments	336	518	25	167	1,966	109		

(*) Mainly financial assets in the sum of approx. NIS 1.5 billion and cash and short-term deposits in the sum of approx. NIS 4.6 billion.

Note 6 – Subsequent Events

A. Mr. Henkin assumed his full-time position as CEO of GMG on 1 April 2025. On 17 and 19 March 2025, the Company's audit committee and Board, respectively, approved GMG's engagement with Mr. Henkin with respect to his terms of office and employment as GMG's CEO, in which context Mr. Henkin is entitled to an annual salary of £725 thousand, to be updated every year by 5% above the local CPI rate. Mr. Henkin will also be entitled to target-based bonuses in amounts to be determined by the competent organs at GMG in the sum of up to 150% of the annual salary, while for the first year of office, and subject to compliance with the annual target to be determined, Mr. Henkin will be entitled to an annual bonus of up to £1,088 thousand.

In addition, Mr. Henkin is entitled to equity compensation by virtue of the equity incentive plan adopted by GMG (the "**EIP**"). The equity compensation granted to Mr. Henkin is cashless, except in specific circumstances determined in the EIP (such as IPO), granting Mr. Henkin a right to monetary compensation deriving from the increase in GMG's value (the "**Equity Compensation**").

Subject to the provisions of the EIP, the Equity Compensation will vest in four equal tranches over (at least) five years from the date of granting thereof, and will be exercisable, *inter alia*, upon the occurrence of an exit as set forth in the EIP (such as the sale of all or the vast majority of GMG's shares or assets, an IPO, etc.), or 5 years after the date of granting of the Equity Compensation, subject to the approval of GMG's board of directors. Exercise of the Equity Compensation is subject to a minimum aggregate annual rate of increase in the value of GMG compared with GMG's initial equity value, as determined in the EIP.

The agreement also includes fringe benefits that are standard in agreements of this type, such as: company car, mobile telephone, reimbursement of expenses, coverage of relocation expenses, insurance, exemption and indemnity according to GMG's policy.

B. On 27 April 2025, the Company's shareholders' meeting approved, after receipt of the approval of the compensation committee and Board, the terms of office and employment of the Company's incoming CEO, Mr. Ron Avidan, who commenced his office on 1 April 2025.

Mr. Avidan is employed as the Company's CEO on a full-time basis (100%), in return for a gross monthly salary of NIS 200,000 (linked to the CPI for April 2025. In case of a decline in the CPI in a given month, the decrease will be deducted from future CPI increases). Mr. Avidan is entitled to fringe benefits, including the provision of a car (Grade 7) and gross-up of the tax value by the Company; mobile phone; reimbursement of expenses; an adaptation grant in an amount equal to up to 9 gross monthly salaries; a 13th salary; a study fund; health insurance; pension contributions; etc. Each one of the parties may terminate the agreement, for whatever reason, subject to a three-month advance written notice.

Note 6 – Subsequent Events (Cont.)

B. (Cont.)

In addition, Mr. Avidan is entitled to an annual bonus equal to up to 12 gross monthly salaries, of which up to 3 gross monthly salaries as discretionary bonus (subject to the recommendation of the Chairwoman of the Board, to be approved by the compensation committee and the Board, and in accordance with criteria to be determined in advance for each year), and the remainder as a measurable bonus, calculated according to the achievement of financial and/or strategic targets, with the weight attributed to the financial versus the strategic targets to be determined by the compensation committee and the Board, such that financial targets or strategic/functional targets alone can be taken into account, or a combination of both.

A precondition for payment of the measurable bonus calculated according to the achievement of financial targets is contingent on meeting 90% of the financial targets, as will be determined with respect to the incoming CEO by the relevant corporate bodies. Mr. Avidan's entitlement shall be calculated linearly in accordance with the degree of achievement of the financial targets, such that if the measurable bonus for the incoming CEO is based on meeting financial and strategic targets, then, for full achievement of the financial targets, the incoming CEO shall be entitled to the full proportional portion of the measurable bonus based on meeting financial targets, and for achievement of 90% of the financial targets, the incoming CEO shall be entitled to 90% of the said proportional portion.

Mr. Avidan is also entitled to an equity grant equal to 12 gross monthly salaries for each vesting year over a 4-year period. Accordingly, in the meeting, a grant to Mr. Avidan of 125,081 (unlisted) options was approved, exercisable into up to the same number of ordinary shares of the Company, at an exercise price of NIS 285.16 per share, reflecting the average of the Company's share closing prices on TASE during the 30 trading days preceding the date of the Board resolution approving the grant. The options are exercisable via a "net exercise" mechanism only. The fair value of each option unit is approx. NIS 76.75, based on the Black-Scholes model. The options are exercisable in four equal annual tranches, such that upon the lapse of 48 months from the date of grant, all the options will have vested.

The exercise period shall be according to the Company's option plan. First tranche options that vest and are not exercised within three years from their vesting date, shall expire. Second, third and fourth tranche options that vest and are not exercised within two years from their vesting date, shall expire. The options were granted to Mr. Avidan on 27 April 2025, after fulfillment of all the conditions required for the grant.

C. On 18 May 2025, the Company received a motion for class certification against the Company and officers therein, which was filed with the District Court in Lod, according to the Israeli Class Actions Law, 5776-2006 (the "**Motion**").

The Motion raises claims with respect to the disclosure in the Company's reports regarding negotiations held by a subsidiary of the Company for the construction of a data center campus in Norway for the provision of ~120MW of data center services. The Motion states that the amount of the class action is estimated at approx. NIS 256 million. The Company will study the Motion with its legal counsel and prepare to file an answer to the Motion.

Azrieli Group Ltd.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement

as of 31 March 2025

(Unaudited)

<u>Azrieli Group Ltd.</u>

Separate Interim Financial Statement

<u>as of 31 March 2025</u>

Prepared according to the provisions of Regulation 38D

<u>of the Securities Regulations (Periodic and Immediate Reports), 5730-1970</u>

<u>(Unaudited)</u>

Azrieli Group Ltd.

Separate Interim Financial Statement
as of 31 March 2025

(Unaudited)

Contents

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 2025 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 statement in accordance with Regulation 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, 21 May 2025

Azrieli Group Ltd.
Statement of Financial Position

	As of 31 March		As of 31 Dec.
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Assets			
Current assets			
Cash and cash equivalents	4,726	2,444	4,146
Trade accounts receivable	16	28	26
Other receivables	284	254	276
Current tax assets	27	23	25
Total current assets	5,053	2,749	4,473
Non-current assets			
Financial assets	1,749	1,090	1,523
Investment property and investment property under construction	18,965	18,306	18,849
Investments in investee companies	21,138	21,150	21,605
Loans to investee companies	3,020	1,771	2,478
Fixed assets	616	553	594
Other receivables	39	36	38
Total non-current assets	45,527	42,906	45,087
Total assets	50,580	45,655	49,560
Liabilities and capital			
Current liabilities			
Credit and current maturities from financial corporations and bonds	2,280	1,463	2,269
Trade payables	267	252	274
Payables and other current liabilities	383	262	365
Declared dividend	800	1,000	-
Total current liabilities	3,730	2,977	2,908
Non-current liabilities			
Loans from financial corporations	560	616	581
Bonds	19,962	17,223	20,159
Other liabilities	33	36	36
Deferred tax liabilities	2,161	1,960	2,069
Total non-current liabilities	22,716	19,835	22,845
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	916	295	246
Retained earnings	20,722	20,052	21,065
Total capital attributable to shareholders of the Company	24,134	22,843	23,807
Total liabilities and capital	50,580	45,655	49,560

21 May 2025			
Date of Approval of Financial Statements	**Danna Azrieli Chairwoman of the Board**	**Ron Avidan CEO**	**Ariel Goldstein CFO**

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

	For the three-month period ended 31 March		For the year ended 31 December
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Revenues from rent and management and maintenance fees, net	307	288	1,202
Cost of revenues from rent and management and maintenance fees	12	10	42
Gross profit	295	278	1,160
Sales and marketing	8	11	47
G&A	42	32	165
Operating profit before other revenues and expenses	245	235	948
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(9)	2	140
Share in results of investee companies, net of tax	357	334	1,227
Other revenues, net	14	5	41
Operating profit after other revenues and expenses	607	576	2,356
Financing income	67	48	142
Financing expenses	169	130	964
Income before income taxes	505	494	1,534
Expenses for income on taxes	(48)	(30)	(57)
Net income for the year	457	464	1,477
Other comprehensive income (loss):			
Amounts that will not be carried in the future to the profit or loss, net of tax:			
Change in the fair value of financial assets, net of tax	175	41	377
Amounts that were carried or will be carried in the future to the profit or loss, net of tax:			
Translation differences from foreign operations	491	(215)	(598)
Share in the other comprehensive income of investee companies, net of tax	2	10	-
Total	493	(205)	(598)
Other comprehensive income (loss) for the year, net of tax	668	(164)	(221)
Total comprehensive income for the year	1,125	300	1,256

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 31 March		For the year ended 31 December
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Cash flows – operating activities			
Net income for the period	457	464	1,477
Depreciation and amortization	1	1	5
Net loss (profit) from fair value adjustment of investment property and investment property under construction	9	(2)	(140)
Financing and other expenses, net	87	73	752
Share in income of investee companies, net of tax	(357)	(334)	(1,227)
Tax expenses recognized in the income statement	48	30	57
Income tax received (paid), net	(2)	10	8
Expenses due to share-based payment	2	-	8
Change in trade and other receivables	3	80	214
Change in trade and other payables	(4)	108	264
Change in employee benefits and provisions	(4)	-	(8)
Net cash – operating activities	240	430	1,410
Cash flows – investment activities			
Purchase of and investment in investment property and investment property under construction	(113)	(110)	(519)
Purchase of fixed assets	(22)	(7)	(53)
Recovery (grant) of investments in investee companies	1,035	(184)	(517)
Return (grant) of long-term loans from investee companies, net	(251)	418	(39)
Interest and dividend received	58	27	141
Net cash – investment activities	707	144	(987)

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

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

	For the three-month period ended 31 March		For the year ended 31 December
	2025	2024	2024
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		(Audited)
Cash flows – financing activities			
Bond offering net of offering expenses	-	-	3,626
Dividend distribution to shareholders	-	-	(1,000)
Repayment of bonds	(258)	(249)	(1,355)
Receipt of long-term loans from financial corporations	-	425	425
Repayment of long-term loans from financial corporations	(23)	(325)	(378)
Short-term credit from financial corporations, net	-	(726)	(91)
Deposits from customers, net	(1)	(1)	-
Interest paid	(141)	(83)	(330)
Net cash – financing activities	(423)	(959)	897
Increase (decrease) in cash and cash equivalents	524	(385)	1,320
Cash and cash equivalents at beginning of period	4,146	2,824	2,824
Effect of exchange rate changes on cash balances held in foreign currency	56	5	2
Cash and cash equivalents at end of period	4,726	2,444	4,146

(*) For the three-month period ended 31 March 2025, non-cash transactions include a change in other payables in respect of a dividend in the sum of NIS 800 million (for the three-month period ended 31 March 2024 – NIS 1,000 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 2025

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 2024, and for the year then ended, and the supplementing information that were attached thereto.

B. Definitions:

The Company	-	Azrieli Group Ltd.
Investee Company	-	Consolidated company 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 2024 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.

Deloitte.

Date: 21 May 2025

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 21 May 2025 on condensed consolidated financial information of the Company as of 31 March 2025 and for the three-month period then ended.

(2) Special auditors' report of 21 May 2025 on condensed separate financial information of the Company as of 31 March 2025 and for the three-month period then ended according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely,

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

PART D

Effectiveness of Internal Control over the Financial Reporting and Disclosure

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

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

For this purpose, the members of management are:

1 | **Ron Avidan**, CEO

2 | **Ariel Goldstein**, CFO

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

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

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

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

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

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the periodic report for the period ended 31 December 2024 (the "**Most Recent Annual Report on Internal Control**"), the Board of Directors and the management evaluated the internal control at the Corporation; based on this evaluation, the Corporation's management and Board of Directors concluded that the internal control as aforesaid, as of 31 December 2024, is effective.

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

As of the report date, based on the evaluation 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, Ron Avidan, represent that:

1. I have reviewed the quarterly report of Azrieli Group Ltd. (the "**Corporation**") for Q1/2025 (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: 21 May 2025

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Ron Avidan| CEO

STATEMENT OF MANAGERS:

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

I, Ariel Goldstein, represent that:

1. I have reviewed the Interim Financial Statements and other financial information included in the interim reports of Azrieli Group Ltd. (the "**Corporation**") for Q1/2025 (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: 21 May 2025

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Ariel Goldstein | CFO