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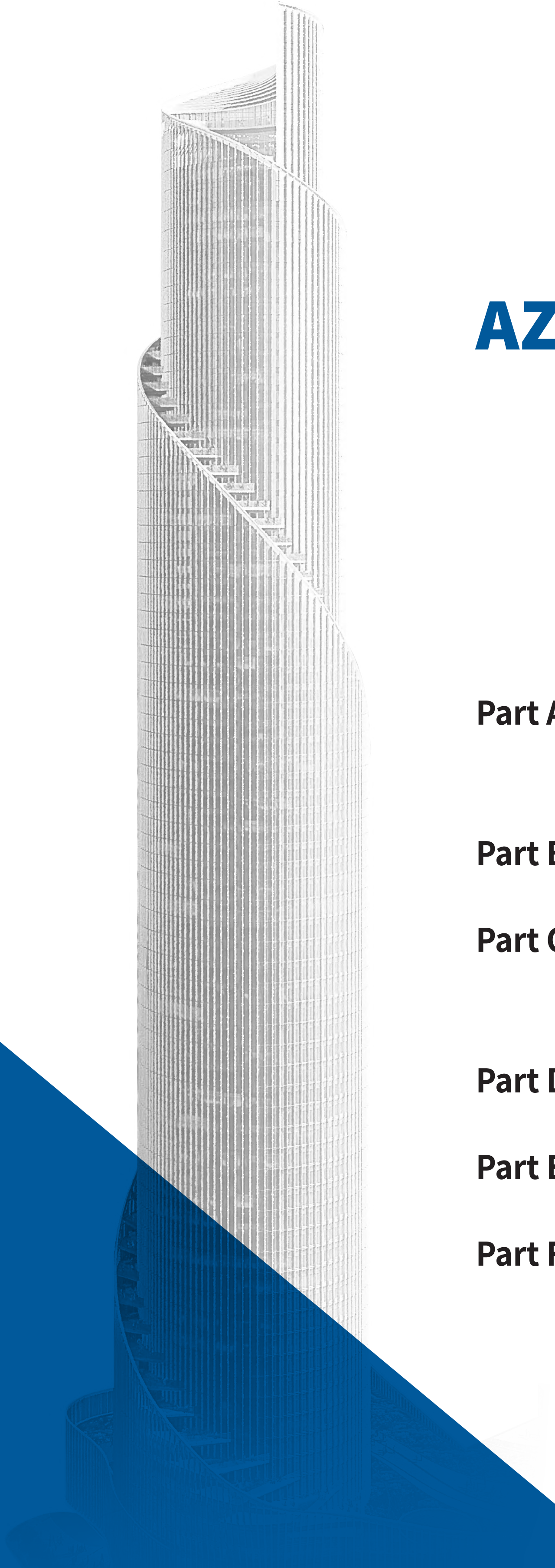
AZRIELI GROUP LTD.

Periodic Report

As of December 31, 2024



AZRIELI GROUP LTD.

Periodic Report

As of December 31, 2024

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PART A

Description of the Corporation's Business

CHAPTER A | DESCRIPTION OF THE COMPANY'S BUSINESS

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FOREWORD AND GENERAL DEFINITIONS

Azrieli Group Ltd. hereby respectfully files the Description of the Corporation's Business Report as of 31 December 2024 (the "**Report Date**"), reviewing the Group's activity and describing the development of its business, as occurred in the twelve-month period ended 31 December 2024 (the "**Report Period**") until the Report Release Date. The Report is prepared pursuant to the provisions of Regulation 8a of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Figures appearing in the Report are true as of the Report Date. However, in certain cases details appear in the Report reviewing events which occurred subsequently to the Report Date until shortly before the date of release thereof, on 20 March 2025 (the "**Report Release Date**") and in such cases the Company notes that these are provided as of the relevant date.

Chapter A of the Report (this chapter) should be read together with its other parts, including the notes to the Financial Statements.

The Description of the Corporation's Business chapter includes data based on public studies and surveys, including information that appears on various websites. It is noted that, except where explicitly stated otherwise, the Company has not requested, and in any case has not received, the consent of the conductors of such surveys, studies and websites for the purpose of including information in the Description of the Corporation's Business chapter, and such information is information that is publicly accessible and, to the best of the Company's knowledge, is public. The Company is not responsible for the content of such surveys, studies and websites.

Materiality

The materiality of the information included in this Report, including a description of the material transactions and/or material projects, is evaluated from the point of view of the Company. It should be clarified that, in a part of the cases, the Company, in its exclusive discretion, decided to expand the description necessary, in order to give a more comprehensive picture of the subject being discussed.

Forward Looking Information

The description of the corporation's business in this Chapter A partly includes forward-looking information as defined in the Securities Law. Such information which is presented below and indicated as forward-looking information, includes goals, forecasts, assessments, estimates or other information that is deemed as uncertain information which refers to a future event and which relies, *inter alia*, on publications of the Central Bureau of Statistics, Bank of Israel, other relevant professional entities and in addition, on internal estimates of the Company that are based on statistics, experience and information accumulated by the Company over the years whose materialization is uncertain and is beyond the Company's control. Actual results may materially differ from those forecasted in the context of the forward-looking information as aforesaid, as a result of a large number of factors, including as a result of the risk factors, in whole or in part, as described in Section 29 of this Chapter A, all as will be specified in the specific references to forward-looking information later in the chapter. Sentences which include expressions such as "expected", "intends", "estimates", "foresees", "expects" and similar expressions indicate that this is forward-looking information. The materialization and/or non-materialization of such information reflects the Company's current point of view regarding future events that are based on estimates and therefore are subject to risk and uncertainty.

DEFINITIONS

In this Chapter, the following terms shall bear the meaning stated alongside them:

"**Board of Directors' Report**"	The Company's Board of Directors' Report on the State of the Company's Affairs as of 31 December 2024, which is included as Chapter B of the Periodic Report
"**TASE**"	Tel Aviv Stock Exchange Ltd.
"**Periodic Report**" or "**Report**"	The Company's periodic report for 2024
"**Financial Statements**"	The consolidated financial statements of the Company as of 31 December 2024, which are included in Chapter C of the Periodic Report
"**Company**"	Azrieli Group Ltd.
"**Companies Law**"	The Companies Law, 5759-1999
"**Securities Law**"	The Securities Law, 5728-1968
"**Midroog**"	Midroog Ltd.
"**Ma'alot**"	Standard & Poor's Maalot Ltd.
"**Nadav Investments**"	Nadav Investments Inc., a private company incorporated under Canadian Law, fully owned and controlled by Azrieli Holdings
"**Azrieli Holdings**"	Azrieli Holdings Inc., a private company incorporated under Canadian Law, which is owned and controlled by Mmes. Sharon Azrieli, Naomi Azrieli and Danna Azrieli
"**Granite Group**" or "**Granite Hacarmel Group**"	Granite Hacarmel and/or subsidiaries thereof and/or affiliates thereof
"**Azrieli Group**" or "**Group**"	The Company and/or subsidiaries thereof and/or affiliates thereof including consolidated corporations
"**Compass**"	Compass Holdco, LLC, a Delaware corporation with which Azrieli Data Centers LLC, a wholly-owned subsidiary of the Company, engaged in an investment agreement as well as in an operating agreement with the holders of units in Compass. In 2023, the Company's holdings in the members' capital of Compass were sold, and the Company no longer holds members' capital in Compass.
"**Canit Hashalom**"	Canit Hashalom Investments Ltd., a wholly-owned subsidiary of the Company
"**Azrieli Foundation (Israel)**"	The Azrieli Foundation (Israel), R.A. 580503118, a not-for-profit association registered in Israel, acting, *inter alia*, to promote education and culture through projects in the fields of culture, welfare and science
"**Azrieli Foundation (Canada)**"	The Azrieli Foundation, a registered Canadian charitable foundation, incorporated and seated in Canada, whose assets are designated for donations and for the funding of philanthropic activities in Israel and in Canada, which is a stakeholder in the Company
"**2023 Periodic Report**"	The Company's annual periodic report for the year 2023, released by the Company on 21 March 2024 (Ref. 2024-01-029448), which is included herein by reference

"2022 Periodic Report"	The Company' annual periodic report for 2022 released by the Company on 22 March 2023 (Ref. 2023-01-029847), which is included herein by reference.
"2016 Shelf Prospectus"	A shelf prospectus released by the Company on 10 May 2016 bearing the date 11 May 2016.
"2019 Shelf Prospectus"	A shelf prospectus released by the Company on 7 May 2019 bearing the date 8 May 2019. For details, see the Company's immediate report of 7 May 2019 (Ref. 2019-01-044203), which is included herein by reference
"2022 Shelf Prospectus"	A shelf prospectus released by the Company on 17 May 2022, bearing the date 18 May 2022. For details, see the Company's immediate report of 17 May 2022 (Ref. 2022-01-059968), which is included herein by reference
"GM"	Green Mountain, AS, a Norwegian company, 100% of whose share capital is (indirectly) held by the Company, which operates in the DC industry in Norway.
"GMG"	Green Mountain Global Ltd., a private company incorporated in England, 100% of whose share capital is held by the Company, and in which the Company's holdings in the DC industry in Europe will be concentrated, as specified in Section 12.1 of this Chapter A.

CHAPTER A | DESCRIPTION OF THE COMPANY'S BUSINESS

PART ONE: DESCRIPTION OF THE GENERAL DEVELOPMENT OF THE COMPANY'S BUSINESS

1. The Company's operations and description of the development of its business

1.1 General

The Company was incorporated on January 6, 1983, as a private company according to the laws of the State of Israel. On 3 June 2010, the Company's shares were issued to the public for the first time and began to be traded on TASE on 7 June 2010, and the Company became a public company, within the meaning thereof in the Companies Law. Commencing on 1 July 2010, the shares of the Company are included, *inter alia*, in the Tel Aviv 35 Index and in the Tel Aviv Real Estate index, and in the EPRA indices, which bring together the public income-producing real estate companies in Europe. The Company's Series B bonds are included in the Bond Max One Year Maturity Index, the Company's Series F and Series H bonds are included, *inter alia*, in the Tel-Bond 20 Index, the Company's Series D, Series E and Series G bonds are included, *inter alia*, in the Tel-Bond 40 Index, the Company's Series I bonds are included, *inter alia*, in the Tel-Bond Linked Index, the Company's Series 1 CP are included, *inter alia*, in the Tel-Bond CP Index.

As of the Report Date, Mmes. Sharon Azrieli, Naomi Azrieli and Danna Azrieli are the controlling parties of the Company.[1]

As of the Report Date, the Group is engaged primarily in the various real estate segments, with most of the Group's business operations being in the office and other space for lease in Israel segment, the retail centers and malls in Israel segment and the data center segment. In addition, the Group engages in the senior housing in Israel segment, the income-producing property overseas segment (mainly in the U.S.) and in the rental housing in Israel segment. The Company is also developing several hotels. In addition, the Company has minority holdings in Bank Leumi Le-Israel Ltd. ("**Bank Leumi**").

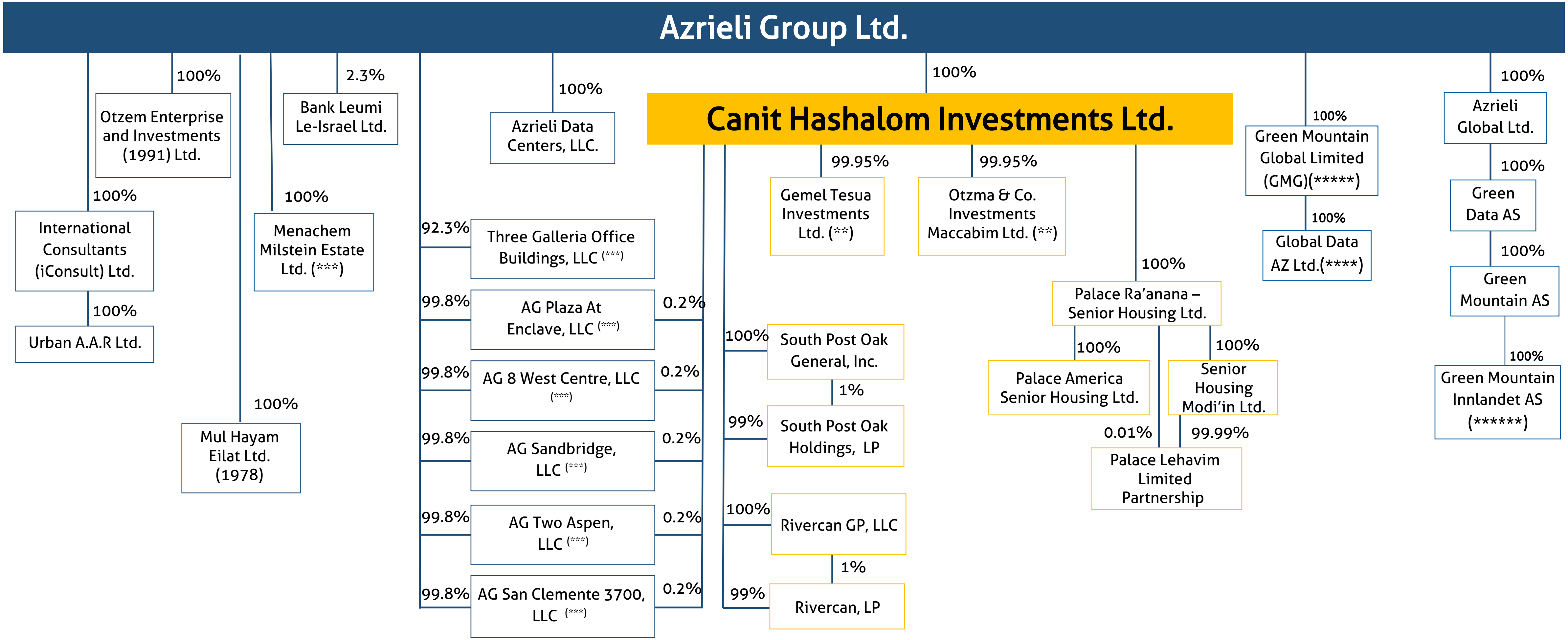
The Company owns income-producing properties with a total GLA of approx. 1,469 thousand sqm in addition to approx. 645 thousand sqm of projects under development in Israel. The average occupancy rate in Israel is approx. 98%,[2] with 80% of the value of income-producing investment property and income-producing properties under construction (on a consolidated basis) attributed to real estate in Israel.

Azrieli Group, which was founded by Mr. David Azrieli OBM, is the leading real estate group in Israel. In July 2014, Ms. Danna Azrieli, was appointed as Active Chairman of the Company's Board of Directors, after many years in which she served in key positions in the Group. Since taking office and under the leadership of Ms. Danna Azrieli, the Company has grown, increased its status of properties, entered into new areas of operation and is constantly in a significant development momentum. The operations of the Group are carried out by means of a managerial head office that is comprised of professionals having a great deal of seniority and managerial experience, including a number of members of management who have been associated with the Company and the Group's companies for many years. The Company estimates that the Chairman of the Board, Ms. Danna Azrieli, the Company's CEO, Mr. Eyal Henkin, together with the experienced officers and managers in the Company who are considered professional and industry leaders, are principal and significant factors of the success of the Company's business results.

[1] For further details, see an immediate report on the status of holdings of interested parties and officers of 7 July 2024 (Ref.: 2024-01-069613) which is included herein by reference.
[2] Excluding areas in properties whose construction has been completed and which are being leased-up for the first time.

1.2 Chart of the Group's main holdings as of the Report Release Date*

1.2.1 Below is a chart updated as of the Report Release Date:



(*) Main holdings only. The chart does not include companies that are inactive as of the Report Release Date or asset management companies.
(**) 0.05% of these companies is held by International Consultants (iConsult) Ltd.
(***) Indirectly, through companies and/or partnerships.
(****) Holds companies operating in the data center sector in England. For details see Section 1.3.6 of Chapter A
(*****) The Company is working to consolidate its holdings in the data center sector in Europe under GMG.
(******) Holds the Tik Tok project

1.2.2 As of the Report Release Date, the Group's asset holdings chart, in the final holdings structure, by operating segment, is as follows:

Residential

Modi'in residential	100%
Spiral Tower (under construction)	100%
Azrieli Town	100%
Modi'in West	100%
Rental housing in Herzliya – Glil Yam (in planning)	100%

Senior Housing

Palace Ra'anana	100%
Palace Modi'in	100%
Palace Tel Aviv	100%
Palace Lehavim	100%
Palace Rishon LeZion (under construction)	100%
Senior home project in Sde Dov (under planning)	100%

Data Centers (****)

GM Properties (Norway and Germany)	100%
The English companies	100%*****

Income-producing property in the U.S. Offices

Three Riverway (Houston, Texas)	70%
One Riverway (Houston, Texas)	67%
Southern house 529 York Road (Leeds, England)	100%
Three Galleria Office Building (Houston, Texas)	92.3%
Plaza At Enclave (Houston, Texas)	100%
8 West Centre (Houston, Texas)	100%
Aspen Lake II (Austin, Texas)	100%
Sandbridge land (Houston, Texas) (Land reserve)	100%
3700 San Clemente (Austin, Texas)	100%

Office and other space for lease

Azrieli Rishonim	100%
Azrieli Center Holon	**83%
Azrieli Akko	100%
Azrieli Sarona	100%
Azrieli Town Offices	100%
Spiral Tower (under construction)	100%
Holon HaManor	100%
Modi'in West	100%
Azrieli Town Building E (in planning)	***100%
Modi'in Lot 10 (under construction)	100%
Mikve Israel Tel Aviv	100%
Azrieli Towers	100%
Jerusalem Offices	100%
Hanegev Offices	100%
Holon 3 (under planning)	100%
Modi'in Offices	100%
Givatayim Offices	100%
Ceasaria Industrial Park	100%
K.M.T. Petach Tikva	100%
Azrieli Center Herzliya	100%
Azrieli Petach Tikva (in planning)	100%
SolarEdge Campus (under construction)	100%

Retail centers and malls

Azrieli Holon Mall	100%
Azrieli Haifa Mall	100%
Modi'in West	100%
Azrieli Akko Mall	100%
Hakrayot Junction (Check Post)	100%
Azrieli Center Holon	**83%
Azrieli Rishonim Mall	100%
Azrieli Ramla Mall	100%
Azrieli Town	100%
Holon 3 (in planning)	100%
Azrieli Ra'anana	100%
Palace Modi'in	100%
Palace Lehavim	100%
Azrieli Mall Hayam	100%
Azrieli Tel Aviv Mall including expansion thereof (under construction)	100%
Azrieli Ayalon Mall	100%
Azrieli Jerusalem Mall	100%
Azrieli Hanegev Mall	100%
Azrieli Modi'in Mall	100%
Azrieli Givatayim Mall	100%
Azrieli Sarona Mall	100%
Azrieli Herzliya OUTLET	100%
Azrieli Or Yehuda OUTLET	*89%
Azrieli Hod Hasharon mall	100%
Modi'in Lot 10 (under construction)	100%

Others

- Investment in Bank Leumi Le-Israel Ltd.
- Red Rock Hotel (in planning)
- Mount Zion Hotel (under construction)

(*) Holding rate determined after deduction of stores not owned by the Company.
(**) The Holon Municipality holds the remaining 17% of the property.
(***) The property does not include offices with a total area of approx. 450 sqm.
(****) For details regarding the properties, see Section 12 of this Chapter A.

1.3 Summary of the main developments occurring in the Group's structure and business in 2024 and until the Report Release Date

1.3.1 Development pipeline

During the Report Period the Group continued to invest in the development and construction of new properties and in the expansion and renovation of existing properties. For details regarding the developments in the Group's development pipeline during the Report Period, see Section 7.7 of this Chapter A and Section 4.1 of the Board of Directors' Report.

1.3.2 Update to agreement for the provision of DC services to TikTok and engagement in an agreement to finance the project

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

In the Report Period, the process of handover to the Customer of the full 90 MW was completed.

On 18 December 2024, the Service Provider engaged with two foreign banking corporations (the "**Finance Providers**") in a non-recourse loan agreement (the "**Loan Agreement**") for the financing of the Project, in the sum of €371 million. 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.

The Customer also gave notice of exercise of the option to increase the capacity in the Project by another 30 MW to a total of 120 MW. GM is examining the exercise notice and there is no certainty that expansion of the capacity 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 immediate reports of the Company of 8 March 2023 (Ref.: 2023-01-024873), of 3 July 2024 (Ref: 2024-01-068701), of 19 December 2024 (Ref.: 2024-01-625507), of 15 January 2025 (Ref.: 2025-01-004247), of 28 January 2025 (Ref.: 2025-01-007395) and of 6 February 2025 (Ref.: 2025-01-009240), which are incorporated herein by reference.

1.3.3 Changes in the office of senior officers of the Company

For changes that occurred in the office of senior officers of the Company during the Report Period and until the date of release hereof, see Section 18.3 of this Chapter A below.

1.3.4 Negotiations with an international tech company for the provision of DC services by GM

On 21 December 2023, the Company released an immediate report, incidentally to considering the possibility of raising bonds, regarding negotiations conducted by GM with a leading international tech company (in this section:

the "**Customer**", and together with GM: the "**Parties**"), for engagement in an agreement for the provision of DC services to the Customer, at a scope of approx. 120MW, on a campus to be built by GM in Norway.

On 19 February 2025, the Company reported that following a decision not to grant a regulatory permit that is required with respect to the land on which GM considered building the campus, GM is examining other alternatives for land for the construction of the project.

As of the date hereof, there is no certainty that the negotiations with the tech company will be successfully completed and/or that a binding and detailed agreement will be signed between the Parties in connection with the terms and conditions of the transaction and/or its scope and/or chances for or date of closing of the transaction.

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

1.3.5 Financing transactions

On 7 July 2024, the Company released a shelf offering report for the issuance and listing of up to approx. NIS 714,000 thousand par value of the Company's Series 1 CP, by virtue of the 2022 Shelf Prospectus. On 8 July 2024, the Company announced that, in accordance with the results of the offering, approx. NIS 638,017 thousand of Series 1 CP had been issued, in consideration for approx. NIS 638 million (approx. NIS 637 million net of issue expenses). For further details, see the Company's immediate reports of 7 July 2024 and 8 July 2024 (Ref.: 2024-01-070594 and 2024-01-071518, respectively), which are included herein by reference.

On 23 July 2024, the Company released a shelf offering report, as amended on 24 July 2024, for the issuance and listing on TASE of up to approx. NIS 1,095 million par value of the Company's Series I bonds, by virtue of the 2022 Shelf Prospectus. On 25 July 2024, the Company announced that, in accordance with the results of the offering, approx. NIS 990.5 million par value of Series I bonds had been issued, in consideration for approx. NIS 990.5 million (approx. NIS 976.6 million net of issue expenses). For further details, see the Company's immediate reports of 24 July 2024 and 25 July 2024 (Ref.: 2024-01-078292 and 2024-01-078781, respectively), which are included herein by reference.

On 23 July 2024, the Company released a shelf offering report, as amended on 24 July 2024, for the issuance and listing on TASE of up to approx. NIS 275,212 thousand par value offered by way of expansion of the Company's Series G bonds, by virtue of the 2022 Shelf Prospectus. On 25 July 2024, the Company announced that, in accordance with the results of the offering, another approx. NIS 226,593 thousand par value of Series G bonds had been issued, in consideration for approx. NIS 214.8 million (approx. NIS 213.3 million net of issue expenses). For further details, see the Company's immediate reports of 24 July 2024 and 25 July 2024 (Ref.: 2024-01-078292 and 2024-01-078781), respectively, which are included herein by reference.

On 17 December 2024, the Company released a shelf offering report, for the issuance and listing on TASE of up to approx. NIS 2,461 thousand par value of the Company's Series I bonds, by virtue of the 2022 Shelf Prospectus. On 18 December 2024, the Company announced that, in accordance with the results of the offering, another approx. NIS 2,292 million par value of Series I bonds had been issued, in consideration for approx. NIS 2,471 million (approx. NIS 2,404 million net of issue expenses and accrued interest). For further details, see the Company's immediate reports of 17 December 2024 and 18 December 2024 (Ref.: 2024-01-625079 and 2024-01-625486, respectively), which are included herein by reference.

For further details regarding the Company’s bonds, see Section 20.5 of this Chapter A.

In addition, during the Report Period, the Company engaged with several other banking corporations for credit facilities in the sum of NIS 1,500 million. As of the Report Date, the Company did not use these facilities.

1.3.6 Submission of a proposal to conduct negotiations for the acquisition of shares of Z.M.H Hammerman Ltd.

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

Z.M.H Hammerman informed the Company that on 1 November 2024, Z.M.H Hammerman's board of directors decided to negotiate with the Company for engagement in the transaction, through an independent board committee established thereby. As of the Report Release Date, the parties are negotiating the transaction and its terms, and there is no certainty that the transaction will be closed and/or with respect to the forecast for the closing thereof.

For further details, see the Company's immediate report of 3 November 2024 (Ref.: 2024-01-613198), which is included herein by reference.

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

On 19 February 2025, the Company (through a wholly-owned subsidiary) was awarded a tender of the Israel Land Authority (the "**Tender**") 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. According to the terms and conditions of the Tender, the Company shall bear payment of development expenses in the sum of approx. NIS 46 million.

On 19 March 2025, the Company received final confirmation of the award from the ILA.

For further details regarding the Tender and final confirmation of the award, see immediate reports released by the Company on 19 February 2025 (Ref.: 2025-01-011815) and on 19 March 2025 (Ref.: 2025-01-018468) respectively, which are included herein by reference.

1.3.8 Swords of Iron war

For details on the impact of the War on the Company's business, see Section 2.2 of the Board of Directors' Report and Section 6.1.1 of this Chapter A.

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2. The Group's main operating segments

As of the Report Date, the Company reports to the public on six operating segments:

1. **Retail centers and malls in Israel segment**: In this operating segment, the Group is primarily focused on the development, acquisition, lease-out, management and maintenance of malls and retail centers in Israel. As of the Report Release Date, the Group owns 23 malls and retail centers in Israel, of a total leasable area of approx. 379 thousand sqm, which are leased to some 1,850 tenants, with most of the malls and retail centers spread throughout the large cities in Israel. In the context of this operating segment, the Company provides management services to the retail centers and malls maintained thereby, with the management being performed by the Company and/or designated management companies for each mall or retail center that is owned by the Group, and enters into management agreements with the tenants. All of the malls and retail centers include (aboveground or underground) car parks that serve the visitors and the tenants. See Section 8 of this Chapter A for additional details regarding the retail centers and malls segment.

2. **Office and other space for lease in Israel segment**: In this operating segment, the Company primarily engages in the development, acquisition, lease-out, management and maintenance of office buildings and parks for offices and high-tech industry, logistic areas and storage in Israel. As of the Report Release Date, the Group owns 17 income-producing properties in the office and other space for lease in Israel segment, with a total leasable area of approx. 655 thousand sqm, leased to around 690 tenants. Most of the Group's income-producing areas in this operating segment are in projects that integrate retail areas. See Section 9 of this Chapter A for further details regarding the office and other space for lease in Israel segment.

3. **Income-producing property in the U.S. segment**: As of the Report Release Date, the Group owns 8 leasable office properties outside of Israel, with a total leasable area of approx. 253 thousand sqm (the Company's share is approx. 245 thousand sqm), leased to some 140 tenants. See Section 10 of this Chapter A for further details with respect to the income-producing property in the U.S. segment.

4. **Senior housing segment**: The Company has four active senior homes with an above-ground built-up area of approx. 115 thousand sqm (excluding areas attributed to the LTC unit and to retail space), which comprise approx. 1,141 apartments. The Company is also building a project in Rishon LeZion for the construction of approx. 274 apartments with a total area of approx. 31 thousand sqm (excluding areas attributed to the LTC unit and to retail space). See Section 11 of this Chapter A for further details regarding the senior housing segment.

5. **Data Centers segment**: The Company holds (indirectly) 100% of the issued and paid-up share capital of GM, which operates in the DC industry in Norway and in Germany, and all of the share capital (100%) of two companies operating in the DC industry in England. For further details regarding the acquisition of the English companies, see Section 12.1 of this Chapter A. For details regarding the DC segment, see Section 12 of this Chapter A.

6. **Rental housing in Israel segment:** In this operating segment, the Company is primarily engaged in the development, acquisition, lease, management and maintenance of rental housing in Israel. As of the Report Release Date, the Company has 3 income-producing projects in the rental housing segment in Modi'in and Tel Aviv, which comprise approx. 357 residential units with a gross leasable area of approx. 34 thousand sqm.

The Company also has two more projects under construction. For further details regarding the rental housing segment, see Section 13 of this Chapter A.

7. Other assets and operations:

For details with respect to other assets and operations which are not included in the operating segments described above, including the construction of properties in the hospitality sector and holding of Bank Leumi shares, see Sections 14 and 15 of this Chapter A.

3. Investments in the Company's capital and transactions in its shares

To the best of the Company's knowledge, no investments were made in the Company's capital in the past two years and no other material transaction in the Company's shares was performed off-TASE by an interested party during the two years preceding 31 December 2024, as well as until the date of release of this report.

For further details, see an immediate report on the status of holdings of interested parties and officers of 7 July 2024 (Ref.: 2024-01-069613) which is included herein by reference.

4. Dividend Distribution

4.1 Details regarding dividend distributions during 2023 and 2024 (until the Report Release Date):

Resolution Date	Distribution Date	Amount of Dividend per Share (NIS)	Amount of Dividend (NIS in millions)
21 March 2023	11 May 2023	5.77	700
20 March 2024	9 May 2024	8.25	1,000[3]
19 March 2025	12 May 2025	6.60	800

(a) The aforesaid distributions did not require approval by the court.

(b) The balance of the Company's distributable profits as of 31 December 2024 is approx. NIS 21.1 billion (this balance also includes real estate revaluation profits).

(c) For further details about dividend distributions by the Company and the restriction on dividend distributions, see Notes 18B-18C to the Financial Statements.

[3] Considering previous distributions made by the Company and the Company's financial results, including the sale of the Company's holdings in Compass, which generated therefor a significant cash flow of approx. NIS 3.2 billion gross (net cash flow after provision for tax and expenses of approx. NIS 2.7 billion), on 20 March 2024 the Company's board considered a dividend distribution of NIS 1 billion and concluded that such distribution meets all the distribution tests.

PART TWO: OTHER INFORMATION

5. Financial information regarding the Company's operating segments

Below are financial figures of the Company, as specified in the Company's Financial Statements (NIS in millions) for the years 2022-2024:

Y2024:

	Retail centers and malls in Israel	Office and other space for lease in Israel	Income-producing property in the U.S.	Senior housing	Data centers	Rental housing in Israel	Adjustments	Consolidated
Revenues								
Total external income	1,285	1,064	222	267	417	26	-	3,281
Total revenues from other operating segments of the Group	-	-	-	-	-	-	-	-
Total	1,285	1,064	222	267	417	26	-	3,281
Attributed costs								
Costs not representing revenues from other operating segments of the Group	276	199	130	180	187	7	-	979
Costs representing revenues of other operating segments of the Group	-	-	-	-	-	-	-	-
Total	276	199	130	180	187	7	-	979
Income from operations attributed to operating segment (NOI in the income-producing real estate segments)	1,009	865	92	87	230	19	-	2,302
Variable costs attributed to the operating segment	257	185	88	167	165	5	-	867
Fixed costs attributed to the operating segment	19	14	42	13	22	2	-	112
Increase (decrease) in the fair value of investment property	267	142	7	127	310	60	-	913
Income from operations attributable to the shareholders of the parent company	1,009	865	90	87	230	19	-	2,300
Income from operations attributable to non-controlling interests	-	-	2	-	-	-	-	2
Total assets attributed to the operating segment	16,145	17,282	1,858	3,751	8,966	2,056	571	50,449

Y2023:

	Retail centers and malls in Israel	Office and other space for lease in Israel	Income-producing property in the U.S.	Senior housing	Data centers	Rental housing in Israel	Adjustments	Consolidated
Revenues								
Total external income	1,197	1,009	239	246	290	18	(56)	2,943
Total revenues from other operating segments of the Group	-	-	-	-	-	-	-	-
Total	1,197	1,009	239	246	290	18	(56)	2,943
Attributed costs								
Costs not representing revenues from other operating segments of the Group	256	188	129	174	136	3	58	944
Costs representing revenues of other operating segments of the Group	-	-	-	-	-	-	-	-
Total	256	188	129	174	136	3	58	944
Income from operations attributed to operating segment (NOI in the income-producing real estate segments)	941	821	110	72	154	15	(114)	1,999
Variable costs attributed to the operating segment	239	176	83	162	87	3	41	791
Fixed costs attributed to the operating segment	17	12	46	12	49	2	17	153
Increase (decrease) in the fair value of investment property	24	335	(240)	90	718	(22)	7	912
Income from operations attributable to the shareholders of the parent company	941	821	108	72	154	15	(114)	1,997
Income from operations attributable to non-controlling interests	-	-	2	-	-	-	-	2
Total assets attributed to the operating segment	15,523	16,625	1,821	3,287	7,395	1,887	525	47,063

* Adjustments to the consolidated statement mainly derive from the discontinued operations in the e-commerce segment – for details, see Section 1.3.9 of Chapter A of the 2023 Periodic Report, and from adjustment to the consolidated statement of results of a company presented in the financial statement according to the equity method.

Y2022:

	Retail centers and malls in Israel	Office and other space for lease in Israel	Income-producing property in the U.S.	Senior housing	Data centers	Rental housing in Israel	Adjustments	Consolidated
Revenues								
Total external income	1,106	933	231	221	227	7	(35)	2,690
Total revenues from other operating segments of the Group	-	-	-	-	-	-	-	-
Total	1,106	933	231	221	227	7	(35)	2,690
Attributed costs								
Costs not representing revenues from other operating segments of the Group	230	164	120	161	94	3	68	840
Costs representing revenues of other operating segments of the Group	-	-	-	-	-	-	-	-
Total	230	164	120	161	94	3	68	840
Income from operations attributed to operating segment (NOI in the income-producing real estate segments)	876	769	111	60	133	4	(103)	1,850
Variable costs attributed to the operating segment	214	153	67	150	68	2	34	688
Fixed costs attributed to the operating segment	16	11	53	11	26	1	34	152
Increase (decrease) in the fair value of investment property	362	1,128	(378)	195	(21)	223	(28)	1,481
Income from operations attributable to the shareholders of the parent company	876	769	109	60	133	4	(103)	1,848
Income from operations attributable to non-controlling interests	-	-	2	-	-	-	-	2
Total assets attributed to the operating segment	15,121	15,875	1,945	3,122	8,033	1,666	(2,396)	43,366

* Adjustments to the consolidated statement mainly derive from the discontinued operations in the e-commerce segment – for details, see Section 1.3.9 of Chapter A of the 2023 Periodic Report, and from adjustments to the consolidated statement of the results of a company presented in the financial statement using the equity method.

6. General environment and the effect of external factors on the Company's business

Following are the assessments of the Company as to the major trends, events and developments in the macroeconomic environment of the Company, which to the best of its knowledge and estimates, have or are anticipated to have material effect on the business results or the developments in the Group's operating segments. For details with respect to regulatory restrictions on the Company, see Section 24 of this Chapter A.

The estimates of the Company below in this section and in this Report are based, *inter alia*, on data published by third parties and not independently examined by the Company. Every reference appearing in this section should be considered data not under the control of the Company and uncertain, and the said estimates are based, *inter alia*, on data published by the Bank of Israel, as specified below.

6.1 Operations in Israel

As a company operating in the Israeli market, with its various industries, the Company is exposed to macro-economic changes in the condition of the economy in general and in the income-producing real estate sector in particular. The central economic factors affecting the business of the Company and the Group companies in Israel are specified below.

Israel	For the Year Ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
Macroeconomic parameters			
GDP (PPP)*	$541 billion	$525 billion	$497 billion
GDP per capita (PPP)*	$54,446	$53,810	$52,000
Growth in GDP (PPP)*	3.1%	5.7%	13.9%
Growth in GDP per capita (PPP)*	1.2%	3.5%	11.8%
Inflation rate **	3.4%	3.3%	5.3%
Return on long-term domestic government debt *** (NIS)	4.47%	4.14%	3.59%
Rating of long-term government debt (international rating) ****	A/Negative	AA-/Negative	AA-/Stable
Domestic currency to dollar exchange rate as of the last day of the year**	3.647	3.627	3.519

* Source: The International Monetary Fund website – www.imf.org - World Economic Outlook Database The figures are based on a publication of October 2024 and include a forecast in respect of the entire year of 2024 and are stated in current prices.

** Source: The Central Bureau of Statistics: www.cbs.gov.il and the Bank of Israel: www.boi.org.il.

*** Synthetic bond yield calculation, with an average duration of 10 years based on data from the *Kav Manche* software.

**** Source: S&P rating report at www.standardandpoors.com.

6.1.1 General

1. 2024 was a challenging year globally, and in the State of Israel in particular. While the world faced the continuing effects of the inflation crisis , a high interest rate environment, a credit crisis and a slowdown in growth rates, Israel faced additional material challenges as specified below.

   While the Israeli economy was facing the said challenges, on 7 October 2023 Hamas terrorists carried out a brutal and murderous attack which launched the Swords of Iron war (the "**War**"). The War led to a shutdown of some of the commercial activity in Israel, impairment of production capacity in fighting zones and areas under threat, a decrease in consumption and an increase in State expenditure and government deficit. The uncertainty in the market about the scope, length, intensity and outcome of the War led to a decrease of the growth forecast, an expected increase in the national security budget and an increase in the debt-to-GDP ratio.

   Nevertheless, the second estimate for 2024 of the Central Bureau of Statistics, in 2024 compared with 2023, the GDP rose by 0.9% and private consumption expenditure rose by 3.7%[4].

   According to the macroeconomic forecast released by the Research Department of the Bank of Israel in January 2025 (in this section: the "**Forecast**"), which analyzes the key macroeconomic variables (GDP, inflation and interest rates) under the assumption that the direct economic impact of the Swords of Iron war (the "**War**") will continue until the end of Q1/2025 at a moderate intensity level of fighting also at the beginning of 2025. The downward risk to the growth forecast has decreased due to geopolitical developments in Q1/2025, particularly the relative calm on the Lebanon front, which led to a reduced probability of more severe economic consequences. However, this risk still remains at a very high level compared to usual, and therefore the level of uncertainty surrounding the forecast remains high. Based on the said assumptions, the GDP is expected to grow by 4% and 4.5% in 2025 and 2026 (respectively), the inflation rate in 2025 and 2026 is expected to be 2.6% and 2.3% (respectively) and the monetary interest rate in Q4/2025 is expected to be 4.0%-4.25%[5].

2. **Security and geopolitical situation** – The Company's business is affected by the geopolitical and security situation in Israel. The War impacted the Israeli economy with, *inter alia*, the temporary closure of businesses, restrictions on work on building sites, restrictions on the education system, considerable mobilization of reservists, an increase in State expenses and the government deficit. The repercussions of the War on the Israeli economy led to an increase in the State's risk premium, along with negative rating actions by all of the international rating agencies. Thus, in February 2024, the rating agency Moody's removed Israel's credit rating from its watchlist, downgraded it from A1 to A2, changed the rating outlook to negative, and further thereto, in September 2024, it downgraded Israel's credit rating to Baa1 with a negative outlook. In April 2024, the rating agency Fitch 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 and left the negative rating outlook. The rating agency S&P also downgraded Israel's credit rating in April 2024 from AA- to A+, and left the negative rating outlook, and in October 2024 it downgraded Israel's rating to A.

   Since the outbreak of the War, the Company continued its operations, subject to the circumstances and while regularly following security developments and the corresponding instructions of the Home Front Command. As of the date hereof, there is uncertainty regarding the continuation and development of the War, therefore the scope of the War's future impact on the business activity in Israel and/or the Company's operations and its business results cannot be estimated.

   For further details on the impact of the War, see Section 2.2 of the Board of Directors' Report.

   The Company's management believes that significant prolongation and/or deterioration of the War may have a negative impact on the Israeli economy and lead to a decline in activity in malls and commercial

[4] Source: CBS – national accounts for 2024, released on 10 March 2025. Link [in Hebrew]
[5] Bank of Israel – press release of 6 January 2025. The macroeconomic forecast of the Research Department, January 2025. The Bank of Israel website: Link [in Hebrew]

center, a decline in demand and significant price decreases in the income-producing real estate sector. At this time, the Company cannot assess the impact of the War on its future operations.

*The Company's above estimates regarding the effects of the War on the Group's results and on the Israeli economy are merely subjective estimates, and are forward-looking information, as defined in the Securities Law, 5728-1968 (the "**Securities Law**"). The actual results and effects may be materially different to the estimates specified above and the implications thereof, for various reasons including prolongation of the War and its development to other fronts, decreased demand, a significant deterioration in the economic situation in Israel, etc.*

3. **Availability and cost of credit** – Changes in financing cost and availability and the scope of available credit in the banking and non-banking system affect the real estate industry and the profitability thereof. As a result of the implementation of structural reforms implemented in the capital market (such as the Bachar Reform, the pension reform and the tax reform), the share of bank credit out of the total credit to the business sector is declining and a non-banking credit market has developed, constituting an alternative for financing assets and projects. The local capital market too, constitutes a source for the raising of funds to finance the Company's business activity, by way of issuing bonds, and presently serves as the Company's primary source of financing.

   Thanks to the financial strength of the Company, its accessibility to sources of bank financing, and the relatively low scope of pledges on properties, taking into consideration the extent of business thereof, the Company estimates that no difficulties are anticipated in raising the financing required thereby.

4. **Fluctuations in the inflation rate, the Consumer Price Index and interest rates** – The real estate industry is exposed to risks deriving from changes in the interest rates, inflation rate and in the Consumer Price Index (CPI). The Company finances most of its business operations through loans linked to the CPI. In addition, most of the Company's revenues from rent are also linked to the CPI. The (known) CPI increased by 3.4% in 2024, compared with a rise of 3.3% in 2023.[6] In view of a trend of decline in inflation in Israel, and following the Monetary Committee's announcement on 1 January 2024 regarding reduction of the Bank of Israel interest rate to 4.5%[7], the Prime interest rate is 6% and the Bank of Israel left the interest rate at 4.5% throughout the Report Period.

5. **Fluctuations in the U.S. dollar and Norwegian Krone exchange rates** – The Company has real properties in the U.S. in the income-producing property in the U.S. segment, which constitute approx. 3% of the Group's total real properties. Some of these properties are financed by loans linked to the U.S. Dollar. The change in the exchange rate of the U.S. Dollar impacts the difference between the real properties' value and the loans in respect thereof. In 2024, the Dollar/NIS exchange rate increased by approx. 0.5%, from an exchange rate of NIS 3.63/$1 at the end of 2023, to NIS 3.65/$1 at the end of 2024. During the year, the Dollar/NIS exchange rate experienced significant fluctuations, primarily due to geopolitical and economic factors, including security developments and monetary policy in the U.S. and Israel. In addition, following the Company's acquisition of GM and with development of the Company's business in the DC industry, in recent years it gained income-producing properties in Norway, which constitute approx. 14% of the Group's total real properties. Further to the aforesaid, changes in the Norwegian Krone exchange rate affect the Group's Financial Statements. Since the end of 2023, the Norwegian Krone has decreased against the Shekel by ~9.5%, to NIS 0.322/NOK 1 at the end of 2024.

6.1.2 Effects on the income-producing real estate segments in Israel

1. **The income-producing real estate sector in Israel** – For a description of the trends related to the income-producing real estate sector in Israel, in relation to each of the Company's operating segments, see Sections 8.1, 9.1, 11.1, 13.1 and 14.1 of this Chapter A.

[6] Source: CBS – Consumer Price Index – December 2024 and summary of 2024 released on 15 January 2025. [Link]
[7] Bank of Israel – press release of 1 January 2024, the Monetary Committee decided, on 1 January 2024, to reduce the interest rate by 0.25%, to 4.5%. Bank of Israel website: [Link]

2. **Rate of growth and increase in private consumption in Israel –**

In 2024, the economy continued to grow and the GDP grew by 0.9%, further to a 1.8% increase in 2023. According to the Bank of Israel's forecast of January 2025, the average annual rate of unemployment in 2024 was 3.5%, and in 2025 and 2026, the average annual unemployment rate is expected to be 3.1%. In 2023, private consumption expenditure decreased by 1.2% and increased by 3.7% in 2024. According to the Bank of Israel's forecasts[8], GDP in Israel will grow in 2025 and 2026 by 4% and 4.5% per year, respectively, and private consumption in these years will grow by 7.5% and 5.5%, respectively. The Bank of Israel's forecast of increase in private consumption and increase in GDP results from the assumptions whereby the direct economic impact of the War will continue until Q1/2025 and after that, the GDP will gradually converge to its trend but will remain below it in the coming years. The Bank of Israel expects that domestic demand will recover at a slightly faster pace compared to the decline in supply, and the geopolitical situation that emerged after the ceasefire and the increase in the tax rate at the beginning of 2025 contributed to growth in 2024. The Bank of Israel assumes that the reduction in the number of reservists during 2025 will ease the existing labor market supply and support the recovery of employment levels.

The Bank of Israel will gradually in 2024 at decreasing intensity, with an expectancy of recovery in 2025 which will support the resumption of the characteristic pre-Covid GDP levels of 2014-2019. The Bank of Israel assumes that the impact on the GDP in 2023-2024 results from a negative consumer sentiment which is expected to reduce demand for consumption, broad mobilization of reserves, partial shutdown of the education system (mainly at the beginning of the War), which led to a decline in the supply of labor. Also taken into account is an impact on the supply of labor in the construction industry due to restrictions on the entry of laborers from Gaza and from Judea and Samaria, and the departure of foreign workers. This is added to the impairment of production capacity in fighting zones and areas under threats.

[8] Bank of Israel - the macroeconomic forecast, January 2025, released on 6 March 2025 . Bank of Israel website: Link.

6.2 Operations in the U.S.

U.S.	For the Year Ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
Macroeconomic parameters			
GDP (PPP) (1) (U.S. $ in billions)	29,168	27,721	26,007
GDP per capita (PPP) (1) (U.S. $)	86,601	82,715	77,980
Growth in GDP (PPP) (1)	5.2%	6.6%	9.8%
Growth in GDP per capita (PPP) (1)	4.7%	6.1%	9.4%
Inflation rate (2)	2.9%	3.4%	6.5%
Return on long-term domestic government debt (3)	4.58%	3.88%	3.88%
Rating of long-term government debt (4)	AA+/Stable	AA+/Stable	AA+/Stable
NIS to U.S.$ exchange rate (5)	3.647	3.627	3.519

(1) Product data are based on a publication by the International Monetary Fund in October 2024 (www.imf.org).
(2) According to publications by the U.S. Department of Labor.
(3) According to the U.S. Department of Treasury with respect to bonds for a 10-year period commencing on 31 December 2024.
(4) According to the rating by S&P (www.standardandpoors.com).
(5) According to Bank of Israel data.

The Company's business in the U.S. is primarily affected by the economic situation in the U.S. market in general, and in the income-producing commercial real estate for offices sector in particular, the demand and supply in the regions in which the Company's properties are located and the rent prices therein. In 2024, the high interest rate and the remote work culture led many companies to continue on a trend of reducing their real estate needs, and hence the office market in the U.S. was characterized by a continued decline in occupancy rates, in rent and in relatively high cap rates. For details regarding the Houston Texas area, which is, as of the Report Date, the location of most of the Company’s operations in the income-producing property in the U.S. segment, see Section 10 of this Chapter A.

The above information in Sections 6.1 and 6.2 concerning the general environment and the external factors that affect the Company's business includes information based on subjective assessments and estimates by the Company, which constitute forward-looking information, as defined in the Securities Law. The Company’s assessments are in consideration of past experience, as well as publications and surveys written by professionals in connection with the state of the Israeli economy, the real estate sector and the state of the economy in countries where the Company operates, as specified in the aforementioned sections, which have not been independently checked by the Company. The above data are merely estimates and accordingly may be incomplete, and therefore should be treated with caution, although in the Company's estimation, they are capable of providing a general picture, even if not an accurate one, of the markets in which it operates in the various operating segments. In view of the foregoing, and due to the fact that the factors concerned are not within the Company’s control, actual results may differ from the aforesaid assessments if a change occurs in any of the factors taken into account in such assessments, the geopolitical and/or economic and/or security situation is adversely changed or due to the materialization of any of the risk factors specified in Section 29 of this Chapter A, and mainly a global financial crisis, the condition of the economy in Israel and in the U.S. and the security situation in Israel, changes in relevant indices and interest rates, a decline in the demand for leasable space and in rent prices, a downturn in the soundness of key tenants and an increase in the costs of debt raising and their impact on markets in Israel and worldwide.

PART THREE: DESCRIPTION OF THE GROUP'S INVESTMENT PROPERTY BUSINESS – AGGREGATE

7. Aggregate disclosure with respect to the investment property activity[9]

The disclosure with respect to the Company's investment property operations is made in accordance with the draft amendment to the Securities Regulations (Details of the Prospectus and the Draft Prospectus – Structure and Form) (Amendment), 5764-2013, as released by the ISA in December 2013 (the "**Prospectus Details Regulations**" and the "**Disclosure Provision**", as applicable), which has been adopted by the Company although the said amendment has yet to take effect.

7.1 General

The Group began its activity in the investment property segment in 1983. Since then and as of the Report Release Date, the Company is engaged in the development, acquisition, lease-out, management and maintenance of malls and retail centers in Israel as well as office and high-tech parks, office and industry, light industry and storage buildings and rental housing in Israel. Since 2001 the Group has also been operating overseas (in particular in the U.S.), mostly in the leasable office space segment, and since 2014 the Group has also been developing its senior housing segment. In July 2019, the Company began operating in the Data Centers segment through investment in and/or acquisition of companies that operate in the segment.

As a development company, the Company examines, from time to time, growth and increase goals for the expansion of its scope of operations, and explores opportunities to purchase income-producing properties and lands for real estate development in Israel and overseas in its core segments (retail and office spaces) and in segments the Company is expanding such as senior housing, data centers, rental housing, as well as tangential segments such as hospitality and more. Underlying the Company's policy is the basic assumption whereby the property's location is the most important factor for its success. Accordingly, upon examination of the location of a potential property, the Company ascribes significant weight to the population growth potential in the examined area and the urban development anticipated therein, based, *inter alia*, on urban research, segmentation of the population, competition in the area and the unique or typical commercial needs of such area.

The Group's strategy and business in the investment real estate segments is implemented both by the development of new properties and by the acquisition, upgrade and potential maximization of existing income-producing properties. In the Report Period, the margins between the rates of capitalization on the properties and the financing costs decreased but still remained high relative to previous periods, a trend which the Company estimates allows it to develop and purchase income-producing properties also at development yields or cap rates for purchase that are lower compared to rates in previous periods.

The Group, by itself (through companies wholly-controlled thereby), manages and operates the properties in Israel, their construction and betterment while using the know-how and experience accrued by the Group, in order to give added value to its properties, tenants and the public visiting the properties. In recent years, the Group has focused on the development of mixed-use assets.

The Company's properties in the retail centers and malls segment are located in the center of residential neighborhoods and at entrances to urban areas, insofar as possible, on main traffic arteries. Due to the location of the properties, their accessibility, spacious car parks, tenant mix and variety of activities therein, they attract a large and diverse target audience. Some of the retail centers include office space for lease designated to provide a supplementary response for the target audience's needs, according to the nature of the retail center and its location.

[9] The disclosure is made on a consolidated basis for the Group's retail centers and malls in Israel segment, the office and other space for lease in Israel segment, the income-producing property in the U.S. segment, the senior housing segment, the Data Centers segment and the rental housing in Israel segment.

The Company's properties in the office and other space for lease in Israel segment, including the properties under construction, are located primarily in the central region (where there is an active demand for office buildings of various types) in proximity to central transport arteries and are characterized by a high standard of finishing and management, relatively large floor and office areas, and include designated parking.

The Company's properties in the rental housing in Israel segment, including the projects under planning and construction, are located in central Israel, close to major commercial and retail districts, and are characterized by the provision of holistic services to tenants, a high finishing standard, including, *inter alia*, parking, air conditioning, electrical appliances, light fixtures, etc.

According to its policy for the maximization of its profits and in order to improve the experience of the users of the Group's properties, the Company acts, as necessary, to upgrade its existing properties, while using the existing and potential retail or office and other space or residential areas, improving the tenant mix and adjusting the same to the target audience, renovating the properties, renewing the systems therein and implementing technological and/or digital improvements.

As previously reported by the Company, the Company examines, from time to time, the expansion of its operations, including entry into close real estate segments. Thus, in 2014, the Company began developing the senior housing business, upon the purchase of senior housing land in the city of Modi'in. As of the Report Release Date, the Company has four active senior homes: Palace Tel Aviv, which was acquired in 2015, Palace Ra'anana (formerly Ahuzat Bayit Ra'anana), the acquisition of which was closed in Q2/2016, a senior home in Modi'in, the construction of which was completed in 2018 and which is fully occupied, and Palace Lehavim, which is nearing full occupancy. Another project of the Company, for the construction of approx. 274 apartments on a total area of approx. 31 thousand sqm (excluding areas attributed to the long-term care wing and retail areas) in the city of Rishon LeZion, is under construction. Furthermore, in February 2020, the Company acquired the Mount Zion Hotel in Jerusalem[10], and in 2023 it completed the acquisition of the Red Rock Hotel in Eilat.

Since 2007, the Company has operated in the field of development, acquisition, lease, management and maintenance of projects designated for rental housing in Israel. Upon completion of the projects in the said segment, the Company leases the properties on a long-term basis and engages in the operation of the properties and in provision of services to tenants. As of the Report Release Date, the Company has 5 projects: Azrieli Modi'in Residences, whose construction was completed in 2009, Azrieli Town Tel Aviv Residences, occupancy of which began in July 2022, another property in Modi'in (the western site), which is designated, *inter alia*, for rental housing and construction of which was completed during the Report Period and is under lease-up. The Company is also working on the construction of the Spiral Tower project, which is a mixed-use project that also includes rental apartments, and in addition, in 2023, the Company was awarded a tender of Dira Lehaskir to build a long-term rental housing project in Herzliya comprising 147 apartments.

In addition, in 2019 the Company entered the Data Centers segment through its investment in Compass, and in October 2023, the Company disposed of its investment in Compass. In 2021, the Company completed the acquisition of GM, and commencing from the Company's financial statement for Q3/2021, the Data Centers segment began to be described as a business segment. In addition, in January 2023, the transaction for the acquisition of the English companies was closed. Additionally, in 2023, GM engaged, through a subsidiary owned thereby, in a joint venture with a German company to build a Data Centers campus in the Frankfurt area. Significant parameters in the location of data centers are the ability to supply large quantities of power from environmentally-friendly sources, preference for cold regions with low electricity costs and proximity to communication networks. Furthermore, physical location relative to the location of customers is relevant in view of the importance of latency and a requirement of cloud companies for redundancy between data centers and the required distances between centers. In addition, data centers close to airports, universities and auxiliary services have an advantage.

Set forth below are aggregate figures regarding investment property owned by the Group. The figures will be presented jointly with regard to properties from the six operating segments of investment property owned by the Group, namely: the retail centers and malls in Israel segment, the office and other space for lease in Israel segment, the income-producing property overseas segment, the senior housing in Israel segment, the Data Centers segment and the rental housing in Israel segment. For further details regarding the operating segments and regarding material properties, see Sections 8, 9, 10, 11, 12 and 13 of this Chapter A.

For details with respect to land reserves, see Section 7.8 of this Chapter A.

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[10] In accordance with GAAP, the Mount Zion and Red Rock hotels are classified in the Company's Financial Statements as fixed assets, rather than investment property.

The Company's estimations in this Section 7.1 are forward-looking information, as defined in the Securities Law, which is based on the Company's subjective assessments as of the Report Date, and whose materialization, in whole or in part, is uncertain, or which may materialize in a materially different manner, inter alia due to factors that are beyond its control, including changes in market conditions, construction input prices and the duration required for execution.

7.2 Summary of the results in the investment property segments*

7.2.1 Summary of the aggregate results of the Group's six investment property segments

	For the year ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
	NIS in millions		
Total business revenues (consolidated)***	3,281	2,999	2,725
Profit from revaluations (consolidated)***	913	1,905	1,509
Business profits (consolidated)** ***	3,215	3,018	3,462
Same property NOI (consolidated)	2,207	2,041	-
Same property NOI (corporation's share)	2,205	2,039	-
Total NOI (consolidated)** ***	2,302	2,113	1,953
Total NOI (corporation's share)** ***	2,300	2,111	1,951

* For details with respect to additional financial indicators which were examined by the Company, see Sections 2.7 to 2.8 of the Board of Directors' Report.

** The figures include the NOI of Palace Tel Aviv Medical, Palace Modi'in and Palace Lehavim and Palace Ra'anana LTC Units according to the management's position, which deems them part of the NOI of the senior homes although they are not investment properties (and therefore, the tables of the investment property chapter below shall not include information in respect thereof) and due to non-materiality in their separate presentation.

*** In addition, the figures for 2023 and 2022 include the revenues, profit and NOI from an investment in a company accounted for using the equity method, which is engaged in the data centers business and was sold in 2023.

7.2.2 Summary of the results of the retail centers and malls in Israel segment

	For the year ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
	NIS in millions		
Total business revenues (consolidated)	1,285	1,197	1,106
Profit from revaluations (consolidated)	267	24	362
Business profits (consolidated)	1,276	965	1,238
Same property NOI (consolidated)	1,007	941	-
Same property NOI (corporation's share)	1,007	941	-
Total NOI (consolidated)	1,009	941	876
Total NOI (corporation's share)	1,009	941	876

7.2.3 Summary of the results of the office and other space for lease in Israel segment

	For the year ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
	NIS in millions		
Total business revenues (consolidated)	1,064	1,009	933
Profit from revaluations (consolidated)	142	335	1,128
Business profits (consolidated)	1,007	1,156	1,897
Same property NOI (consolidated)	861	822	-
Same property NOI (corporation's share)	861	822	-
Total NOI (consolidated)	865	821	769
Total NOI (corporation's share)	865	821	769

7.2.4 Summary of the results of the income-producing property in the U.S. segment

	For the year ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
	NIS in millions		
Total business revenues (consolidated)	222	239	231
Profit (losses) from revaluations (consolidated)	7	(240)	(378)
Business profits (losses) (consolidated)	99	(130)	(267)
Same property NOI (consolidated)	92	110	-
Same property NOI (corporation's share)	90	108	-
Total NOI (consolidated)	92	110	111
Total NOI (corporation's share)	90	108	109

7.2.5 Summary of the results of the senior housing segment

	For the year ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
	NIS in millions		
Total business revenues (consolidated)	267	246	221
Profit from revaluations (consolidated)	127	90	195
Business profits (consolidated)	214	162	255
Same property NOI (consolidated)	87	72	-
Same property NOI (corporation's share)	87	72	-
Total NOI (consolidated)	87	72	60
Total NOI (corporation's share)	87	72	60

7.2.6 Summary of the results of the Data Centers segment*

	For the year ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
	NIS in millions		
Total business revenues (consolidated)	417	290	227
Profits (losses) from revaluations (consolidated)	310	718	(21)
Business profits (consolidated)	540	872	112
Same property NOI (consolidated)	142	81	-
Same property NOI (corporation's share)	142	81	-
Total NOI (consolidated)	230	154	133
Total NOI (corporation's share)	230	154	133

* In 2022 and 2023, the figures include revenues, profits and NOI from the investment in a company accounted for using the equity method which engages in the Data Centers segment and was sold in 2023.

7.2.7 Summary of the results of the rental housing in Israel segment

	For the year ended		
	31 Dec. 2024	31 Dec. 2023	31 Dec. 2022
	NIS in millions		
Total business revenues (consolidated)	26	18	7
Profit (loss) from revaluations (consolidated)	60	(22)	223
Business profits (losses) (consolidated)	79	(7)	227
Same property NOI (consolidated)	18	15	-
Same property NOI (corporation's share)	18	15	-
Total NOI (consolidated)	19	15	4
Total NOI (corporation's share)	19	15	4

7.3 The geographic regions in which the Company operates in the investment property segments

As of the Report Date, the Company operates in two main geographic regions, Israel and the U.S[11]. Most of the Company's business is in Israel, where the Company operates throughout the country, including North, Center, South and other urban areas, without preference to specific areas and without investing special managerial inputs in specific areas. The Company estimates that the State of Israel constitutes one geographical region in terms of the risks and yields of the income-producing property business. In the U.S. the Company operates, as of the Report Date, mainly in the cities of Houston and Austin in Texas.

For details regarding the macroeconomic parameters affecting the business in Israel and the U.S., see Section 6 of this Chapter A.

[11] As of the Report Date, the Group's activity in the Data Centers segment is carried out through GM and the English companies in several territories (Norway, England and Germany). In view of the fact that the Data Centers industry is global, and since the Company is seeking to focus its activity in this industry on Wholesale and Hyperscale customers, which are large consumers with a global presence (such as large cloud service providers), the Company takes a global view of the segment's performance. For further details on the Company's goals and strategy in the Data Centers segment, see Section 27 of this Chapter A.

7.4 Breakdown of the investment property business

Set forth below are details of the Company's investment property business, in six segments: Retail centers and malls in Israel, office and other space for lease in Israel, senior homes, income-producing property in the U.S., Data Centers and rental housing in Israel, on a consolidated basis, broken down by the various uses of the space of each segment[12]. Commercial use in Israel in the tables below is attributed to the retail centers and malls in Israel operating segment, while the office and industrial uses are attributed in Israel to the office and other space for lease in Israel operating segment (and do not constitute operating segments in and of themselves). Furthermore, from Q3/2016, the Company began describing its operations in the senior housing segment in its Financial Statements as a separate business segment. From the 2022 Annual Report, the Company began describing its operations in the rental housing in Israel segment as a separate business segment. This was done in view of the establishment and expansion of the operations and investment in projects under development in the senior housing and rental housing segments, which segments are presented as separate columns in the tables below. Similarly, from Q3/2021, the Group's operations in the Data Centers segment began to be described in the Company's Financial Statements as a separate business segment, in view of the closing of the transaction for the acquisition of GM, and therefore the segment is included as a separate column in the tables below. It is noted in this context that the senior homes in Modi'in, Ra'anana, Lehavim and HaRakafot (under construction) have retail centers that are attributed to the retail centers and malls in Israel segment. The figures of the income-producing property in the U.S. segment all appear under the U.S. region, while the amounts with respect to this region are translated into NIS according to the conversion rate of U.S. $1= NIS 3.647.

The following breakdown of uses is in the format in which the information is presented to the Group's management. As a rule, in properties whose main use is retail, the car park was attached to such use, in properties whose main use is offices the car park was attached to such use. With respect to the Tel Aviv Azrieli Center, for purposes of the Report, the car park areas are divided equally between the retail and office uses, due to its similar contribution to both uses. With respect to the Herzliya Business Park, for purposes of the Report, the car park areas are divided into 25% for retail and 75% for offices. With respect to Rishonim, the car park areas are divided into 40% for retail and 60% for offices according to the Company's estimation, in connection with the use made thereof.

In the Report, the following terms shall hereinafter bear the meaning set forth beside them:

"**Space**"/ "**Area**" – the space/area for which rent is paid, with the addition of unleased areas (excluding areas sold or acquired after the Report Date, if any). With respect to senior housing, the area refers to all of the built area of the home, in view of the fact that in senior homes operated by the Company public areas take up a relatively large percentage of the total area of the home and public areas are also intended to serve the residents. In the Data Centers segment, the total area includes the areas ready for lease ("**White Areas**") of the operating segment.

"**Revenues**" – all payments made by the tenant, including rent, management fees, profit from electricity, parking fees and other payments, if any.

[12] The details on the investment property activity for 2022 include the Company's holdings in Compass. The transaction for the disposition of the Company's holdings in Compass was closed on 3 October 2023, as detailed in Section 1.3.8 of Chapter A to the 2023 Periodic Report.

1. **Breakdown of area of income-producing property (aggregate) by regions and uses, as of 31 December 2024 (in sqm)**

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing*	Car Parks	Data Centers	Total	% of total area of properties
Israel	Consolidated	631,715	23,371	379,292	33,741	114,712	762,270	-	1,945,101	80%
	Corporation's share	631,715	23,371	379,292	33,741	114,712	762,270	-	1,945,101	80%
U.S.	Consolidated	252,997	-	-	-	-	199,859	-	452,856	18%
	Corporation's share	245,360	-	-	-	-	197,720	-	443,080	18%
DC	Consolidated	-	-	-	-	-	-	40,727	40,727	2%
	Corporation's share	-	-	-	-	-	-	40,727	40,727	2%
Total	**Consolidated**	884,712	23,371	379,292	33,741	114,712	962,129	40,727	2,438,685	100%
	Corporation's share	877,075	23,371	379,292	33,741	114,712	959,990	40,727	2,428,908	100%
% of total area of properties	**Consolidated**	36%	1%	16%	1%	5%	39%	2%	100%	
	Corporation's share	36%	1%	16%	1%	5%	39%	2%	100%	

* 1,141 apartments – adjoining apartments are treated as one unit.

2. **Breakdown of area of income-producing property (aggregate) by regions and uses, as of 31 December 2023 (in sqm)**

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing*	Car Parks	Data Centers	Total	% of total area of properties
Israel	Consolidated	608,460	23,371	360,398	28,882	114,712	737,024	-	1,872,847	80%
	Corporation's share	608,460	23,371	360,398	28,882	114,712	737,024	-	1,872,847	80%
U.S.	Consolidated	252,997	-	-	-	-	195,010	-	448,007	19%
	Corporation's share	245,360	-	-	-	-	192,871	-	438,231	19%
DC	Consolidated	-	-	-	-	-	-	18,601	18,601	1%
	Corporation's share	-	-	-	-	-	-	18,601	18,601	1%
Total	**Consolidated**	861,457	23,371	360,398	28,882	114,712	932,034	18,601	2,339,455	100%
	Corporation's share	853,820	23,371	360,398	28,882	114,712	929,895	18,601	2,329,679	100%
% of total area of properties	**Consolidated**	37%	1%	15%	1%	5%	40%	1%	100%	
	Corporation's share	37%	1%	15%	1%	5%	40%	1%	100%	

* 1,142 apartments – adjoining apartments are treated as one unit.

3. Breakdown of fair value of income-producing property (aggregate) by regions and uses, as of 31 December 2024[13]

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing*	Data Centers	Total	% of total value of properties
Israel (NIS in millions)	Consolidated	14,574	155	15,355	1,320	2,987	-	34,391	80%
	Corporation's share	14,574	155	15,355	1,320	2,987	-	34,391	80%
U.S. (USD in millions)	Consolidated	504	-	-	-	-	-	504	4%
	Corporation's share	491	-	-	-	-	-	491	4%
DC (NIS in millions)	Consolidated	-	-	-	-	-	7,054	7,054	16%
	Corporation's share	-	-	-	-	-	7,054	7,054	16%
Total (NIS in millions)	**Consolidated**	16,414	155	15,355	1,320	2,987	7,054	43,285	100%
	Corporation's share	16,366	155	15,355	1,320	2,987	7,054	43,236	100%
% of total value of properties	**Consolidated**	38%	-	36%	3%	7%	16%	100%	
	Corporation's share	38%	-	36%	3%	7%	16%	100%	

* Gross value, without setoff of the balance of resident deposits. The value net of the balance of resident deposits is approx. NIS 1,482 million.

4. Breakdown of fair value of income-producing property (aggregate) by regions and uses, as of 31 December 2023[14]

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing*	Data Centers	Total	% of total value of properties
Israel (NIS in millions)	Consolidated	13,865	150	14,713	1,089	2,837	-	32,654	87%
	Corporation's share	13,865	150	14,713	1,089	2,837	-	32,654	87%
U.S. (USD in millions)	Consolidated	497	-	-	-	-	-	497	5%
	Corporation's share	485	-	-	-	-	-	485	5%
DC (NIS in millions)	Consolidated	-	-	-	-	-	2,943	2,908	8%
	Corporation's share	-	-	-	-	-	2,943	2,908	8%
Total (NIS in millions)	**Consolidated**	15,668	150	14,713	1,089	2,837	2,943	37,400	100%
	Corporation's share	15,625	150	14,713	1,089	2,837	2,943	37,357	100%
% of total value of properties	**Consolidated**	42%	-	39%	3%	8%	8%	100%	
	Corporation's share	42%	-	39%	3%	8%	8%	100%	

* Gross value, without setoff of the balance of resident deposits. The value net of the balance of resident deposits is approx. NIS 1,432 million.

[13] The fair value of the Group's income-producing properties in Israel is according to valuations received by the Group which were prepared by a certified land appraiser with no dependence on the Company or the Group companies as of 31 December 2024. With respect to the overseas properties, the valuations were prepared by certified land appraisers who, in accordance with the ISA's directive, are defined as dependent in view of the indemnification given to them (excluding a non-material property in the sum of approx. NIS 31 million, whose value was updated by the Company).

[14] The fair value of the Group's income-producing properties in Israel is according to valuations received by the Group which were prepared by a certified land appraiser with no dependence on the Company or the Group companies as of 31 December 2023. With respect to the overseas properties, the valuations were prepared by certified land appraisers who, in accordance with the ISA's directive, are defined as dependent in view of the indemnification given to them (excluding a non-material property in the sum of approx. NIS 33 million, whose value was updated by the Company).

5. **Breakdown of NOI of income-producing property (aggregate) by regions and uses, for the year ended 31 December 2024**

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing*	Data Centers	Total	% of total NOI of properties
Israel (NIS in millions)	Consolidated	856	9	1,009	19	87	-	1,980	86%
	Corporation's share	856	9	1,009	19	87	-	1,980	86%
U.S. (USD in millions)	Consolidated	25	-	-	-	-	-	25	4%
	Corporation's share	24	-	-	-	-	-	24	4%
DC (NIS in millions)	Consolidated	-	-	-	-	-	230	230	10%
	Corporation's share	-	-	-	-	-	230	230	10%
Total (NIS in millions)	**Consolidated**	948	9	1,009	19	87	230	2,302	100%
	Corporation's share	946	9	1,009	19	87	230	2,300	100%
% of total NOI of properties	**Consolidated**	41%	-	44%	1%	4%	10%	100%	
	Corporation's share	41%	-	44%	1%	4%	10%	100%	

* The figure includes the NOI of the Medical Department of Palace senior housing.

6. **Breakdown of NOI of income-producing property (aggregate) by regions and uses, for the year ended 31 December 2023**

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing*	Data Centers	Total	% of total NOI of properties
Israel (NIS in millions)	Consolidated	812	9	941	15	72	-	1,849	88%
	Corporation's share	812	9	941	15	72	-	1,849	88%
U.S. (USD in millions)	Consolidated	30	-	-	-	-	-	30	5%
	Corporation's share	29	-	-	-	-	-	29	5%
DC (NIS in millions)	Consolidated	-	-	-	-	-	154	154	7%
	Corporation's share	-	-	-	-	-	154	154	7%
Total (NIS in millions)	**Consolidated**	922	9	941	15	72	154	2,113	100%
	Corporation's share	920	9	941	15	72	154	2,111	100%
% of total NOI of properties	**Consolidated**	44%	-	45%	1%	3%	7%	100%	
	Corporation's share	44%	-	45%	1%	3%	7%	100%	

* The figure includes the NOI of the Medical Department of Palace senior housing.

7. Breakdown of NOI of income-producing property (aggregate) by regions and uses, for the year ended 31 December 2022

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing*	Data Centers	Total	% of total NOI of properties
Israel (NIS in millions)	Consolidated	761	8	876	4	60	-	1,709	87%
	Corporation's share	761	8	876	4	60	-	1,709	87%
U.S. (USD in millions)	Consolidated	33	-	-	-	-	-	33	6%
	Corporation's share	32	-	-	-	-	-	32	6%
DC (NIS in millions)	Consolidated	-	-	-	-	-	133	133	7%
	Corporation's share	-	-	-	-	-	133	133	7%
Total (NIS in millions)	**Consolidated**	872	8	876	4	60	133	1,953	100%
	Corporation's share	870	8	876	4	60	133	1,951	100%
% of total NOI of properties	**Consolidated**	45%	-	45%	-	3%	7%	100%	
	Corporation's share	45%	-	45%	-	3%	7%	100%	

* The figure includes the NOI of the Medical Department in the Palace senior housing.

8. Breakdown of property revaluation profits (aggregate) by regions and uses, for the year ended 31 December 2024

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing	Data Centers	Total	% of total revaluation profits
Israel (NIS in millions)	Consolidated	137	5	267	60	127	-	596	65%
	Corporation's share	137	5	267	60	127	-	596	65%
U.S. (USD in millions)	Consolidated	2	-	-	-	-	-	2	1%
	Corporation's share	1	-	-	-	-	-	1	1%
DC (NIS in millions)	**Consolidated**	-	-	-	-	-	310	310	34%
	Corporation's share	-	-	-	-	-	310	310	34%
Total (NIS in millions)	**Consolidated**	144	5	267	60	127	310	913	100%
	Corporation's share	140	5	267	60	127	310	909	100%
% of total revaluation profits	**Consolidated**	16%	1%	29%	6%	14%	34%	100%	
	Corporation's share	16%	1%	29%	6%	14%	34%	100%	

9. **Breakdown of property revaluation profits (losses) (aggregate) by regions and uses, for the year ended 31 December 2023**

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing	Data Centers	Total	% of total revaluation profits
Israel (NIS in millions)	Consolidated	320	15	24	(22)	90	-	427	47%
	Corporation's share	320	15	24	(22)	90	-	427	47%
U.S. (USD in millions)	Consolidated	(66)	-	-	-	-	-	(66)	(26%)
	Corporation's share	(63)	-	-	-	-	-	(63)	(26%)
DC (NIS in millions)	Consolidated	-	-	-	-	-	718	718	79%
	Corporation's share	-	-	-	-	-	718	718	79%
Total (NIS in millions)	Consolidated	80	15	24	(22)	90	718	905	100%
	Corporation's share	87	15	24	(22)	90	718	912	100%
% of total revaluation profits	Consolidated	9%	2%	3%	(3%)	10%	79%	100%	
	Corporation's share	9%	2%	3%	(3%)	10%	79%	100%	

10. **Breakdown of property revaluation profits (losses) (aggregate) by regions and uses, for the year ended 31 December 2022**

Regions	Uses	Offices	Industry	Retail	Residence	Senior Housing	Data Centers	Total	% of total value of properties
Israel (NIS in millions)	Consolidated	1,121	7	362	223	195	-	1,908	126%
	Corporation's share	1,121	7	362	223	195	-	1,908	126%
U.S. (USD in millions)	Consolidated	(108)	-	-	-	-	-	(108)	(25%)
	Corporation's share	(106)	-	-	-	-	-	(106)	(25%)
DC (NIS in millions)	Consolidated	-	-	-	-	-	(21)	(21)	(1%)
	Corporation's share	-	-	-	-	-	(21)	(21)	(1%)
Total (NIS in millions)	Consolidated	743	7	362	223	195	(21)	1,509	100%
	Corporation's share	747	7	362	223	195	(21)	1,513	100%
% of total revaluation profits	Consolidated	49%	-	24%	15%	13%	(1%)	100%	
	Corporation's share	49%	-	24%	15%	13%	(1%)	100%	

11. Specification of actual average monthly rent per sqm by regions and uses

Uses	Offices		Industry		Retail		Residence		Data Centers	
	For the year ended									
	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
In NIS	107	105	34	33	223	(*)225	97	88	1,098	785
Maximum (***)	144	144	-	-	569	575	124	117	1,607	888
Minimum (***)	53	51	-	-	52(**)	76	53	52	798	642
U.S. (in USD)	18	18	-	-	-	-	-	-	-	-

The maximum represents the average rent per sqm in the property for which the rent average is highest, whereas the minimum represents the average rent per sqm in the property for which the rent average is lowest. The average was calculated according to the areas suitable for use only. The table does not include figures with respect to senior housing, in respect of which the average payment by residents for an apartment was NIS 13,513 per month in 2024 (NIS 12,953 per month in 2023) (including revenues from the forfeiture of deposits and the payment of monthly maintenance fees).

* Restated.

** Attributed to the property in Check Post which opened in 2024.

*** The broad range of rent in all uses derives, *inter alia*, from the diversity in the nature of the leased property, in the type of the leased unit in the property even in the same building, and in other parameters that are not expressed in this table.

12. Specification of average occupancy rates by regions and uses*

Uses	Offices			Industry			Retail			Senior Housing			Residence			Data Center		
	Percentage (%)																	
	As of 31 Dec. 2024	For Y2024	For Y2023	As of 31 Dec. 2024	For Y2024	For Y2023	As of 31 Dec. 2024	For Y2024	For Y2023	As of 31 Dec. 2024	For Y2024	For Y2023	As of 31 Dec. 2024	For Y2024	For Y2023	As of 31 Dec. 2024	For Y2024	For Y2023
Israel	98%(1)	98%(1)	98%(2)	100%	100%	100%	99%(3)	99%(3)	99%(4)	99%(5)	95%(5)	96%(6)	100%(7)	100%(7)	100%(8)	-	-	-
U.S.	65%	65%	67%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100%(9)	100%(9)	97%

* The average occupancy rate was calculated based on the lease agreements' data for the beginning of the period and for the end of each period.

(1) In 2024, excluding the offices at HaManor St. in Holon and the offices at Modi'in West, which are at tenant move-in stages, and Mivnei Gazit which was occupied this year. The occupancy rate in the office space for lease segment, including the aforesaid, is approx. 96% as of 31 December 2024 and 95% for 2024.

(2) In 2023, excluding the offices at HaManor St. in Holon and the offices in Akko, which are at tenant move-in stages. The occupancy rate in the office space for lease segment, including the aforesaid,

is approx. 95% as of 31 December 2023 and 97% for 2023.

(3) In 2024, excluding retail at Sarona complex, retail at Town and retail at Modi'in West, which are at tenant move-in stages. The occupancy rate in the retail space for lease segment including the aforesaid is approx. 98% as of 31 December 2024 and 98% for 2024.

(4) In 2023, excluding retail at Sarona complex and retail at Town, which are at tenant move-in stages. The occupancy rate in the retail space for lease segment including the aforesaid is approx. 98% as of 31 December 2023 and 98% for 2023.

(5) In 2024, excluding Palace Lehavim which is at resident move-in stages. The occupancy rate in the senior housing segment including Palace Lehavim is approx. 98% as of 31 December 2024 and 86% for 2024.

(6) In 2023, excluding Palace Lehavim which is at resident move-in stages. The occupancy rate in the senior housing segment including Palace Lehavim is approx. 93% as of 31 December 2023 and 85% for 2023.

(7) In 2024, excluding Town Residences and Modi'in West which are at resident move-in stages. The occupancy rate in the rental housing segment including Town Residences and Modi'in West is approx. 81% as of 31 December 2024 and 66% for 2024.

(8) In 2023, excluding Town Residences which is at resident move-in stages. The occupancy rate in the rental housing segment including Town Residences is approx. 68% as of 31 December 2023 and 63% for 2023.

(9) The average occupancy rate was calculated based on the lease agreements' data for 31 December 2024, at a weighted average of GM. The occupancy rate does not include spaces under construction.

13. Number of income-producing buildings, by regions and uses*

Uses	Offices		Industry		Retail		Senior Housing		Residence		Data Centers	
	For the year ended											
	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Israel	**16**	14	**1**	1	**23**	21	**4**	4	**3**	2	**-**	-
U.S.	**8**	8	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
DC	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**5**	4
Total income-producing properties	**24**	22	**1**	1	**23**	21	**4**	4	**3**	2	**5**	4

* A number of properties have several different uses, and in such cases the properties were classified in the table under each of those uses.

14. Breakdown of actual average yield rates (according to year-end value), by regions and uses*

Uses	Offices		Industry		Retail		Senior Housing**		Residence		Data Centers	
	For the year ended (in %)											
	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Israel	5.87%	5.85%	5.94%	5.64%	6.56%	6.39%	5.59%	5.08%	1.42%	1.25%	-	-
U.S.	5.01%	6.09%	-	-	-	-	-	-	-	-	-	-
DC	-	-	-	-	-	-	-	-	-	-	3.27%	2.75%[15]

The yield rate is a division of the actual NOI by the value of the property as of the end of the year. In the event of the acquisition of properties or completion of construction thereof in the course of the year, the index does not reflect the rate of the annual yield from these properties. The rate of the actual yield does not constitute the CAP rate that the Group used for revaluation of its properties.

* The figures do not represent representative yield but rather the division of actual NOI by the value of the properties, and do not take into account other influences, such as properties populated, properties purchased during the period, revenues expected from vacant spaces, expected investments in the property etc.

** For the senior housing segment – calculated according to net value (after deduction of the balance of resident deposits) as of the end of the period.

[15] The derived yield rate in 2023 was affected by the sale of Compass during the year, and conversely, by the acquisition of GM UK.

7.5 Projected revenues from signed lease contracts (NIS in millions)

Period of Revenue Recognition		Revenues from Fixed Components*	Number of Ending Contracts	Area to which the Ending Agreements pertain (sqm in thousands)
Y2025	Q/1	783	265	46
	Q/2	748	326	95
	Q/3	708	239	40
	Q/4	689	331	85
Y2026		2,400	1,052	246
Y2027		1,885	880	205
Y2028		1,495	616	149
Y2029 forth		5,342	1,415	505
Total		**14,050**	**5,124**	**1,371**

The revenues figures in the above table, which include revenues from rent, management fees and parking, were calculated based on the basic amounts determined in the lease agreements, linked to the CPI known on 31 December 2024, and based on the following assumptions: (1) The exercise of the tenants' options to extend the lease periods included in the lease contracts, was not taken into account, since the CODM does not review, on a regular basis, the expected revenue figures under the assumption of the exercise of options granted to the tenants to extend the lease period; (2) Lease contracts, the lease period under which has ended, and new lease contracts have not yet been signed with the tenants, were not taken into account; (3) The possibility of sale of the properties or the purchase of new income-producing property, was not taken into account; (4) Fines due to early termination, if any, were not taken into account; and (5) The increments to the rent due to percentages of the sales were not taken into account for calculation of the rent.

The Company's revenues include variable components due to additional revenue from sales alone. The Company does not prepare estimates for revenues from variable components which are immaterial in relation to the Company's revenues from its income-producing properties, and therefore it does not have the information.

The revenue figures specified in the above table are under the assumption that the options for extension of the lease periods included in the lease contracts will not be exercised, although many of the Company's tenants usually extend the lease agreements upon the expiration thereof, according to the extension options specified in the agreements.

The above figures are based on the Company's assessment considering signed agreements as of the Report Date, and constitute forward-looking information, within the definition of such term in the Securities Law. Actual results may significantly differ from the above specified estimates and the implications thereof, for various reasons, including early termination of lease contracts or a business crisis undergone by any of the tenants.

* The figures are in accordance with signed contracts as of 31 December 2024.

7.6 Key tenants

In 2024, the Company had no tenant, the revenue from whom accounted for 10% or more of its total revenues.

In 2024, the revenues from the fashion industry accounted for approx. 15% of the Group's revenues and approx. 38% of the revenues of the Company's retail centers and malls segment. If and when material changes in costs occur in this segment and insofar as the effect of the changes endures over time, the Company's profitability may also be affected thereby.

However, most of the lease agreements include a fixed rent, such that the Company's exposure in this respect is limited in the short term.

In the Data Centers segment, the Company focuses on the Hyperscale market. Accordingly, GM has several core customers which account for a high percentage of its revenues, and the loss of which may affect the Data Centers operating segment. For further details, see Section 12.11 below.

7.7 Properties under construction In Israel(*) (aggregate level), by use

Uses	Parameters	For the Year Ended		
		31 December 2024	31 December 2023	31 December 2022
Retail[4]	Number of properties under construction at the end of the period	5	7	5
	Total space under construction (planned) at the end of the period (sqm in thousands)[1]	99	116	113
	Total costs invested in the current period (consolidated) (NIS in millions)	105	205	118
	The amount at which the properties are presented in the statements at the end of the period (consolidated) (NIS in millions)	795	807	647
	Construction budget in the consecutive period (estimate) (consolidated) (NIS in millions)	195-205	204-214	237-247
	Total estimated balance of construction budget for completion of the construction work (consolidated) (estimate as of the end of the period) (NIS in millions) [2]	412-458	484-544	570-628
	Rate of built-up area in respect of which lease contracts have been signed (%)	2%	11%	9%
	Projected annual income from projects to be completed in the consecutive period and in which contracts have been signed for 50% of the area or more (consolidated) (estimate) (NIS in millions)	-	3	-
Office and other space[4]	Number of properties under construction at the end of the period	4	5	5
	Total space under construction (planned) at the end of the period (sqm in thousands) [1]	351	364	364
	Total costs invested in the current period (consolidated) (NIS in millions)	366	314	431
	The amount at which the properties are presented in the statements at the end of the period (consolidated) (NIS in millions)	2,230	1,986	1,757
	Construction budget in the consecutive period (estimate) (consolidated) (NIS in millions)	676-686	574-584	511-521
	Total estimated balance of construction budget for completion of the construction work (consolidated) (estimate as of the end of the period) (NIS in millions) [2]	678-785	1,007-1,131	1,368-1,492
	Rate of built-up area in respect of which lease contracts have been signed (%)	19%	17%	14%
	Projected annual income from projects to be completed in the following period and in which contracts have been signed for 50% of the area or more (consolidated) (estimate) (NIS in millions)[3]	-	-	-
Residences [4]	Number of properties under construction at the end of the period	2	3	2
	Total space under construction (planned) at the end of the period (sqm in thousands) [1]	53	60	41
	Total costs invested in the current period (consolidated) (NIS in millions)	76	242	157
	The amount at which the properties are presented in the statements at the end of the period (consolidated) (NIS in millions)	733	794	555
	Construction budget in the consecutive period (estimate) (consolidated) (NIS in millions)	180-190	151-161	132-142
	Total estimated balance of construction budget for completion of the construction work (consolidated) (estimate as of the end of the period) (NIS in millions)[2]	397-457	454-521	313-361
	Rate of built-up area in respect of which lease contracts have been signed (%)	-	-	-
	Projected annual income from projects to be completed in the following period and in which contracts have been signed for 50% of the area or more (consolidated) (estimate) (NIS in millions)[3]	-	-	-

Uses	Parameters	For the Year Ended		
		31 December 2024	31 December 2023	31 December 2022
Senior Housing	Number of properties under construction at the end of the period	1	1	1
	Total space under construction (planned) at the end of the period (sqm in thousands) (5)	35	35	37
	Total costs invested in the current period (consolidated) (NIS in millions)	136	84	78
	The amount at which the properties are presented in the statements at the end of the period (consolidated) (NIS in millions)	378	247	180
	Construction budget in the consecutive period (estimate) (consolidated) (NIS in millions)	124-128	149-154	104-108
	Total estimated balance of construction budget for completion of the construction work (consolidated) (estimate as of the end of the period) (NIS in millions) (2)	29-44	97-112	209-225
	Rate of built-up area in respect of which contracts have been signed (%)	15%	-	-
	Projected annual income from projects to be completed in the following period and in which contracts have been signed for 50% of the area or more (consolidated) (estimate) (NIS in millions)	-	-	-

* The Company has no properties under construction outside of Israel, with the exception of the Data Centers segment.
(1) Marketable space.
(2) Balance of construction budget after the expiration of the consecutive period.
(3) There are no projects expected to be completed in the consecutive period for which contracts in respect of 50% or more of the space have been signed.
(4) Projects which combine several uses were split among the various uses.
(5) Scope of building rights.

The following table presents information about properties under construction in the data center operating segment:

Parameters	31.12.2024	31.12.2023	31.12.2022
Number of properties under construction at end of period	2	5	12
Total areas under construction (planned) at end of period (sqm in thousands)(1)	8	62	60
Total costs invested in the current period (on a consolidated basis) (NIS in millions)(2)	275	2,527	1,621
The amount at which the properties are presented in the statements at end of period (consolidated) (NIS in millions)(2)	244	2,645	3,066
Construction budget in the following period (estimate) (consolidated) (NIS in millions)	731-741	1,875-1,885	1,061-1,071
Total balance of estimated construction budget for completion of construction work (consolidated) (estimate as of end of period) (NIS in millions) (3)	275-285	227-237	101-111
Rate of the area being built for which lease contracts have been signed (%) (4)	-	91%	66%
Projected annual revenue from projects to be completed in the following period in which contracts have been signed for 50% or more of the area (consolidated) (estimate) (NIS in millions)	-	440	68

(1) As of 31 December 2024, the figure includes the area of GM UK. As of 31 December 2023, the figure includes the area of GM. As of 31 December 2022, the figure includes the area of GM and GM UK.
(2) As of 31 December 2024, the figure includes the amount of properties under construction of GM UK. As of 31 December 2023, the figure includes the amount of properties under construction of GM and GM UK. As of 31 December 2022, the figure includes the area of GM and Compass. Compass is presented according to the Company's share in Compass at that time (approx. 32.4%). The amount of properties under construction for Compass was presented in the Group's Financial Statements under the item "investment in a company accounted for by the equity method".
(3) The balance of the construction budget from the end of the following period.
(4) As of 31 December 2024, the rate was calculated as a weighted average of GM UK. As of 31 December 2023, the rate was calculated as a weighted average of GM and GM UK. As of 31 December 2022, the rate was calculated as a weighted average of GM and Compass, with Compass presented according to the Company's share in Compass at that time (approx. 32.4%).

PROPERTIES UNDER DEVELOPMENT – FURTHER DETAILS:

Following are details regarding the properties under development as of the Report Date in the investment real estate operating segments. For further details see Section 4.1 of the Board of Directors' Report:

Palace Rishon Lezion Senior Housing

On 13 March 2016, an (indirect) subsidiary of the Company won a tender issued by the Israel Land Authority for the acquisition of leasehold rights in a lot of 3.4 thousand sqm designated for senior housing in the HaRakafot neighborhood in East Rishon LeZion. The Company is building on this land a senior home which is expected to include approx. 274 apartments, an LTC unit and approx. 3,000 sqm of retail space. In April 2018, the recommendation of the Local Committee for the deposit of a zoning plan for the addition of rights was received and transferred for discussion by the District Committee. In November 2018, the District Committee decided to deposit the zoning plan conditionally. In April 2019, the zoning plan was published for objections, and in September 2019 the District Committee discussed the objections filed. In February 2020, the plan was published for validation and 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 work commenced at the beginning of 2021. In May 2021, the Company submitted an application for a basements permit which was conditionally approved during September 2021, and the permit was received in March 2022. In October 2021, the Company submitted an application for a building permit for the entire project, which was received in January 2023 and the project's construction work is in progress.

Expansion of the Azrieli Tel Aviv Center (the Spiral Tower)

In May 2013, the Company engaged in an agreement for the purchase of full title to the land of approx. 8,400 sqm in the intersection of the streets Menachem Begin Road and Noah Moses in Tel Aviv, adjacently to the Azrieli Tel Aviv Center, which held the building known as the "Yediot Aharonot House". On 31 March 2016, the transaction has been closed and possession of the lot has been handed over to the Company. In February 2018 the Company completed the demolition of the said building and began excavation and shoring work. In April 2018 the zoning plan with an urban-mixed designation was validated, which allows uses of retail, offices, hotels, residences and senior housing with above-ground building rights of 147,260 sqm (gross), and, in addition, approx. 3,000 sqm of underground main retail space. The Company intends to construct retail space that will serve to expand the existing mall and a multi-story tower (the Spiral Tower), subject to receipt of the required statutory approvals. In the context of the zoning plan, the Company was required to approve an architectural design and development plan for the project, as a condition for the aboveground construction permit. In addition, the Company undertook to allocate, out of said rights in the project, a public floor for the Tel Aviv Municipality, and in addition, undertook to pay for and perform various tasks in the vicinity of the project, including at Azrieli Center. In January 2020, a basement construction permit was received for the project. In January 2021, the design plan was signed by the approving factors in the Tel Aviv Municipality. In July 2021, the Company submitted an application for an above-ground building permit for the entire project and in December 2021 the Local Committee's decision was received conditionally approving receipt of the permit. In June 2023, an above-ground building permit for the entire project was received and the construction work is in progress.

SolarEdge Campus

17 January 2022 saw the closing of a transaction for the acquisition of a company that 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**"), which campus will comprise ~43,000 sqm of aboveground areas and 950 parking spaces. The Company entered into an agreement with SolarEdge for the lease of the campus for a 15-year term with extension options up to a total period of 24 years and 11 months. From the date of handover of possession of the campus, the SolarEdge will be responsible for the campus's management and maintenance. June 2022 saw the receipt of

a shoring and excavation permit and work has begun. In April 2023, a conditional full building permit for the project was approved, and in October 2023, a building permit was received for the entire project. For further details, see the Company's immediate reports of 11 May 2021 (Ref. 2021-01-082779) and 18 January 2022 (Ref. 2022-01-007851), which are included herein by reference. As of the Report Release Date, the Company and SolarEdge are negotiating regarding postponement of the estimated date of commencement of the term of the lease on the campus.

Land in Modi'in (Lot 10)

On 6 October 2019, the Company learned that it had won a tender held by the Israel Land Authority for the acquisition of leasehold rights in a lot located in the CBD of Modi'in-Maccabim-Re'ut, the area of which is approx. 17,000 sqm, designated for the construction of a retail and office project, with rights for approx. 37,000 sqm above-ground, in consideration for approx. NIS 51 million that were paid by the Company. Furthermore, 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 to promote a plan for the project that is 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 that was submitted by the Company to the Local Committee for additional usages on the lot, and it was decided on the conditional deposit thereof. In June 2021, the plan was deposited for objections and in October 2021, the plan was discussed and conditionally approved. In January 2022, the Local Committee finally approved the plan.

In addition, the Company submitted a building plan to the Local Committee which was conditionally approved, and also submitted an application for an excavation and shoring permit which was received in March 2022, and the work has begun. In the Report Period, the Company engaged in an agreement for the construction of a new medical center that will be leased to Clalit Health Services, spanning over approx. 8.1 thousand sqm on a part of the land. The Company promoted a plan for the addition of approx. 8,000 sqm underground, which was approved in February 2024. In May 2024, a conditional building permit was approved for all of the project's areas, and in November 2024, the full building permit was received and work on construction of the project is underway.

Rental housing project in Herzliya

In April 2023, the Company won a tender of Dira Lehaskir - The State-Owned Rental Housing Company Ltd. and the Israel Land Authority for the purchase of leasehold rights in a complex located in Herzliya (near Kibbutz Glil Yam). According to the provisions of the tender, the land is designated for a multi-family residential building, for the purpose of long-term lease, for a period of no less than 20 consecutive years from the date of completion of construction. The project is expected to include 147 residential units and retail areas. One half of the apartments in the project will be leased in a supervised rent that will be 80% of the free market rent. The Company is working to promote building permits for the project. For further details, see Section 1.3.7 of Chapter A of the 2023 Periodic Report.

Property in the Holon Industrial Zone – Holon 3

A property consisting of land with a registered area of approx. 57.5 thousand sqm, located in the Holon Industrial Zone, acquisition of which was closed in April 2016 and two additional lots originally purchased in the framework of an ILA tender and constituting part of the Holon HaManor land. Over the course of 2017, the Company evicted the tenants from the buildings on the land and completed the demolition of these buildings. In March 2018 and June 2018, excavation and shoring work began. In October 2018 a permit was received for the construction of parking basements, and the Company began work on the construction thereof, and in July 2019, a permit was received for the addition of parking basements. In the framework of consolidation of parcels, approx. 30 thousand sqm of building rights have been added to the lot (such that the total building rights in the consolidated lot amount to approx. 250 thousand sqm). May 2019 saw commencement of the work on construction of the parking basements in the eastern part of the project, and a Form 4 was received therefor in November 2020. In April 2021, a certificate of completion was received for the parking lots. The area is near Azrieli Holon Center, on which the construction of a very large commercial and retail project is planned, which shall include around 250,000 sqm of leasable office space and an entertainment and shopping complex for the whole family. The project is located close to major traffic arteries.

BETTERMENT OF EXISTING PROPERTIES:

During the Report Period, the Company continued to promote the betterment of existing properties, *inter alia*, as follows:

Azrieli Jerusalem Mall – the zoning plan for the expansion of the mall, senior housing and office spaces was discussed by the Local Planning & Building Committee, which recommended the deposit of the plan with the District Committee. In July 2018, the District Planning & Building Committee in Jerusalem approved the Company's application to deposit a plan for expansion of the Azrieli Jerusalem Mall by additional space which includes retail, office and senior housing areas, as well as a structure to be built for the Municipality of Jerusalem. On 22 January 2020, a hearing was held at the local committee on the objections. The local committee recommended to the district committee to approve the plan as submitted subject to minor amendments while dismissing all third-party objections. In September 2020, the District Committee held a discussion of the objections to the zoning plan published by the Company. In December 2020 an interim decision was issued by the District Committee, and the Company was required to present construction alternatives. In December 2021, the District Committee issued a decision granting conditional approval for the zoning plan for expansion of the Azrieli Jerusalem Mall by approx. 95 thousand sqm above-ground gross, and in 2022 the plan was approved.

Azrieli Tel Aviv – in 2022, a permit for the addition of some 2,500 sqm was approved, for the construction of movie theaters on the mall's roof, as well as an addition of some 800 sqm of retail space on the ground floor.

Azrieli Rishonim – in May 2019, a discussion was held by the District Committee in connection with the addition of some 21,000 sqm of office space to the office tower. In January 2020, the plan was deposited for objections at the District Committee. In July 2020, the District Committee discussed and denied the objections to the plan for the addition of office space to the office tower in the project, and the plan was approved for validation. In 2022, the Committee discussed an application for a building permit, which was conditionally approved and the Company is working on fulfilling the conditions.

Azrieli Haifa – in November 2021, the Local Committee approved a plan for additional construction of approx. 3,000 sqm. In 2024, a building permit was received allowing the opening of sealed-off areas in the mall. The building permit was implemented and some of the areas have been leased.

Azrieli Sarona – the Company is acting vis-à-vis the Local Committee to promote a zoning plan for additional rights of approx. 740 sqm main area which were transferred from a landmarked property.

Azrieli Eilat – in 2023, a zoning plan for the addition of 500 sqm of main areas and service areas was approved, and the Company submitted an application for a building permit for the exercise of the rights and renovation of the mall.

The Company reviews, from time to time, options to promote zoning plans for additional building rights and usages in its projects.

The Company's estimations in Section 7.7 of this Chapter A are forward-looking information, as defined in the Securities Law, which is based on subjective estimates of the Company as of the Report Date, and the materialization thereof, in whole or in part, is uncertain, or they may materialize in a significantly different manner, inter alia, due to factors which are beyond its control, including changes in market conditions, the period of time that shall be required for approval of the building plans for performance, the construction input prices and the effects of the War.

7.8 Land (aggregate)

The table below presents a summary of figures on the Company's land reserves:

Region		For the year ended on:	
		31 December 2024	31 December 2023
Israel	The amount at which the lands are presented in the financial statements at the end of the period (NIS in millions)	**315**	**619**
	Total area of the lands at the end of the period (sqm in thousands)	**28.6**	**34.1**
U.S.	The amount at which the lands are presented in the financial statements at the end of the period (USD in millions)	**5**	**5**
	Total area of the lands at the end of the period (sqm in thousands)	**13.7**	**13.7**
DC	The amount at which the lands are presented in the financial statements at the end of the period (NIS in millions)	**273**	**271**
	Total area of the lands at the end of the period (sqm in thousands)	**653**	**653**

As of the Report Date, construction in some of the Company's land reserves is impossible due to planning and other restrictions.

LAND RESERVES – FURTHER DETAILS:

Following are details regarding the lands intended for construction as of the Report Date in the investment real estate operating segments. For further details see Section 4.1.1 of the Board of Directors' Report:

Land in Petach Tikva

On 17 September 2017, the Group has engaged in an agreement for the purchase of land in Petach Tikva of an area of around 19,000 sqm for NIS 91 million plus VAT as required by law (the "**Vacant Land**"). On 9 November 2017, the transaction was closed, and possession of the Vacant Land was handed-over to the Group. The Vacant Land is situated in the eastern part of the Kiryat Aryeh Industrial Zone in Petach Tikva, near an office project that is owned by the Group. The Vacant Land includes building rights for around 53,000 sqm as well as parking basements.

In July 2019 an application for a shoring, excavation and basement permit was submitted. In January 2020, the Local Committee decided to approve the application for a shoring, excavation and basement permit on conditions.

In view of approval of the outline plan for Kiryat Aryeh in Petah Tikva, the Local Committee together with the Company decided on promotion of a zoning plan under local jurisdiction only for the approval of building rights such that it will include 280 thousand sqm, to be used mainly for offices, which are planned to be built both on the Vacant Land and on the land where the office project is situated, in lieu of two other plans which the Company previously promoted. In April 2022, the zoning plan was discussed at the Local Committee and conditionally approved, which conditions the Company is working on fulfilling.

Azrieli Town Building E

On 14 May 2018 the Company closed a transaction for the acquisition of rights in land situated on Menachem Begin Road in Tel Aviv, which hold a building with 4 floors on top of a retail ground floor, with a total area of approx. 5,500 sqm and basement floors, which was fully leased. The property includes unused building rights in accordance with the zoning plan applicable to the land which total approx. 21,000 sqm of above-ground space and additional rights. In July 2021, the Company purchased the gasoline station land (which was not included in the above original transaction for the purchase thereof), which is located on the property and whose operations have been discontinued. In December 2022, the Company deposited for objections a zoning plan which comprises 90,520 sqm gross above-ground areas. In June 2023, after a discussion was held on the objections, the Local Committee decided to conditionally approve the plan and the Company has fulfilled the conditions. An administrative appeal was filed against the decision of the Local Committee, and in December 2024, the decision of the administrative appeals committee was received, whereby 1,019 sqm, which constitute 13,043 sqm of built-up above-ground areas, gross, will be deducted from the area of the plan for calculation of rights, and that a leasable area that was allocated to the city will be converted into a public area. In January 2025, the appellant in the administrative appeal filed an administrative petition against the decision of the administrative appeals committee, which is expected to be heard in court in June 2025.

7.9 Acquisition and Sale of Properties (aggregate)

Region		Parameters (figures of area in thousands and amounts in millions)	Period (Year ended on) 31 December 2024	31 December 2023	31 December 2022
Israel (NIS)	Properties Sold	Number of properties sold in the period	-	-	(6)1
		Consideration from realization of properties sold in the period (consolidated)	-	-	3.3
		Area of properties sold in the period (consolidated)	-	-	2.3
		NOI of properties sold (consolidated)	-	-	-
		Profit / loss due to realization of the properties (consolidated)	-	-	0.5
	Properties Purchased	Number of properties purchased in the period	-	1	2
		Cost of properties purchased in the period (consolidated) (1)	-	(3)119	(4)1,714
		NOI of properties purchased (consolidated)	-	-	(7)94
		Area of properties purchased in the period (consolidated)	-	5	(8)(2)52
Data Centers (NIS)	Properties Sold	Number of properties sold in the period(9)	-	-	-
		Consideration from sale of properties in the period	-	-	-
		Area of properties sold in the period (consolidated)	-	-	-
		NOI of properties sold	-	-	-
		Profit / loss in respect of realization of the properties (consolidated)	-	-	-
	Properties Purchased	Number of properties purchased in the period(10)	-	-	1(5)
		Cost of properties purchased in the period (consolidated)	-	-	75
		NOI of properties purchased (consolidated)	-	-	-
		Area of properties purchased in the period (consolidated)	-	-	70

(1) The costs include the entire purchase amount, even if not yet paid, and do not include purchase taxes and transaction closing costs.
(2) Excluding the parking lot area.
(3) The property purchased is land in Herzliya (Glil Yam).
(4) The properties purchased are Mall Hayam Eilat and land in the North Glilot site (the SolarEdge campus).
(5) The property purchased is land in Milan that was purchased by Compass and is presented according to a holding rate of approx. 32.4%.
(6) The property sold is land in Akko.
(7) Refers to Mall Hayam only.
(8) Refers to marketable area of Mall Hayam and SolarEdge campus.
(9) The holding in Compass was sold in 2023. For further information about the transaction and the closing thereof, see Note 7C to the financial statements that were attached to the 2024 Periodic Report.
(10) A UK company in the DC segment was acquired in 2023. For further information about the transaction and the closing thereof, see Note 10F to the financial statements that were attached to the 2024 Periodic Report.

7.10 Fair value adjustments of values in the Statement of Financial Position required at the corporation level

		As of (Consolidated) (NIS in millions)	
		31 December 2024	31 December 2023
Presentation in the Description of the Corporation's Business Report	Total Income-Producing Property (as presented in the total column in the income-producing properties fair value by region and use tables as of 31 December 2024 and 31 December 2023 Number 3+4)	43,285	37,400
	Total Income-Producing Property under Construction (as presented in the "Total" column in Section 7.7 of the Table) in Israel	4,136	3,834
	Total Income-Producing Property under Construction (as presented in the "Total" column in Section 7.7 of the Table) overseas	244	2,645
	Total Land for Investment in Israel (as presented in the "Total" column in Section 7.8 of the Table)	315	619
	Total Land for Investment in the U.S. (as presented in the "Total" column in Section 7.8 of the Table)	18	17
	Total land for investment DC (as presented in the "Total" column in Section 7.8 of the Table)	273	271
	Consolidated Total	48,271	44,786
Adjustments	Adjustments to value deriving from receivables items	(186)	(123)
	Advances on account of investment property	-	-
	Assets of an associate which is not consolidated	(50)	(56)
	Other adjustments(1)	8	6
	Total adjustments	(228)	(173)
	Total, After Adjustments	48,043	44,613
Presentation in the Statement of Financial Position	Investment Property Item in the Statement of Financial Position (Consolidated)	43,609	38,166
	Investment Property under Construction Item in the Statement of Financial Position (Consolidated)	4,434	6,447
	Total	48,043	44,613

For an explanation with respect to the changes in the investment property items between 2023 and 2024, see Sections 2.9.2, 2.10.2, 2.11.2, 2.12.2, 2.13.2 and 2.14.2 of the Board of Directors' Report.

(1) The adjustments are in respect of non-material costs in respect of projects at early planning stages.

7.11 Adjustments to FFO profits[16]

FFO for the Year Ended		
	31 December 2024	31 December 2023
	NIS in millions **Unaudited**	NIS in millions **Unaudited**
Net profit for the year attributed to the shareholders	1,477	2,225
Adjustments according to the provisions of the Fourth Schedule to the Prospectus Details Regulations		
Changes in the value of investment properties and investment properties under construction	(909)	(921)
Net loss from Azrieli E-Commerce attributed to the shareholders	-	116
Depreciation and amortization	8	8*
Deferred taxes and taxes of previous years	352	554
Losses of an associate	-	77
Other expenses (revenues)	74	(1,148)
Non-cash financing expenses (revenues)	(256)	(137)
Attribution of interest paid in respect of real investments(3)	-	5
Adjustments deriving from the share of non-controlling interests	-	(7)
Nominal FFO according to the provisions of the Fourth Schedule to the Prospectus Details Regulations(1)	746	772
Additional adjustments		
Cash flow from deposits received from residents, net of deposits returned to residents(2)	119	107
Net of revenues from forfeiture of residents' deposits	(57)	(52)
Expenses for share-based payment	8	-
Special bonus for the sale of Compass	8	-
Total cash flow for financing development pipeline(4)	141	94
FFO of an associate	-	(32)
Linkage differentials and exchange rate differentials on financial assets and liabilities (net of the effect of tax)	744	592
FFO according to Management's position	1,709	1,481*

1. FFO is not a GAAP-based financial indicator. This indicator is calculated according to the Disclosure Provision. The indicator is the accounting net profit for the period, discounting one-time expenses and revenues (including profit or loss from the revaluation of properties), sale of properties, depreciation and amortization. This indicator is commonly used to examine the performance of income-producing real estate companies. The required adjustments to the accounting profit are specified in this table.

2. The deposits of senior housing residents are deemed as received or as returned on the date on which the agreement is signed or terminated, as applicable.

3. See the explanation in Section 2.7 of the Board of Directors' Report.

4. Calculated according to out-of-pocket credit costs for development pipeline.

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

[16] On 16 January 2025, the ISA published guidelines for calculation and presentation of the FFO metric ("**FFO According to the ISA's Approach**"). The figures presented in this section, including the comparison figures, are presented in accordance with the FFO According to the ISA's Approach.

PART FOUR: DESCRIPTION OF THE GROUP'S BUSINESS BY OPERATING SEGMENTS AND MATERIAL PROPERTIES

8. The retail centers and malls in Israel segment

8.1 General information on the operating segment

8.1.1 General

Most of the Group's malls and retail centers are spread out throughout the central cities of Israel and are located close to the main traffic thoroughfares which enable easy access and outdoor or indoor parking. The retail centers and malls are optimally planned according to the needs of the population in the area in which the mall is located, and they offer a wide and varied mix of shops in the fields of fashion, footwear, jewelry, gifts, house-wares, communications, electronics and computers, optical devices, entertainment and food complexes for the wellbeing of the visitors, easy access and a large number of parking spaces. The Company puts an emphasis on tenants' mix in each one of the malls and retail centers owned thereby, which it believes shall constitute a center of public attraction to each one of them, in accordance with the characteristics of the local public, and performs suitable marketing work, upgrades and renovates the systems and appearance of the malls and performs technological adjustments. The Company expands the marketing methods of the malls through use of the digital space where most of the end consumers of the retail centers and malls spend time for other purposes, through personal marketing and attractive promotion campaigns, in a manner capable of providing the end-consumer, *inter alia*, a unique shopping experience, which will commence in the digital domain and end in shopping at the Group's malls. Thus, for example, during 2016, the Company launched the Azrieli Malls app, which compiles unique shopping offers and sales at the Group's malls, the ability to pay for parking at the mall and useful information for visitors. The Group also has the Azrieli Gift Card, which is issued either digitally or as a physical card and is redeemable in a broad range of chain stores at the Group's malls.

The Company routinely focuses on the betterment of the Group's existing properties and acts for optimization in the use of its commercial spaces and creates a suitable and modern mix of tenants while differentiating between the projects in order to maintain the relative advantage versus the Group's existing and future competitors.

Most of the Group's lease contracts in Israel are for periods of three to five years and in most cases include an option for additional lease periods (usually three to five additional years), other than agreements in respect of relatively large leasable space, which are mostly signed for longer lease periods ranging between 8 to 25 years (including extensions and exercised options). Most lease agreements include rent that is composed of fixed rent or of rent derived as a percentage of the tenant's turnover in the leased premises, whichever is higher; however, in most cases, the rent actually paid to the Company is the fixed rent, and the Company's revenues from turnover-dependent rent are in an immaterial amount. The occupancy rate of the Group's properties in this operating segment, as of the Report Date, is approx. 99%[17].

The Group's retail centers and malls in Israel are managed, with relation to each mall or retail center, by designated management companies established by the Group, which enter with the tenants into management agreements for the purpose of management and maintenance of the public areas, in consideration for management fees.

Most of the management agreements determine that the management fees will be paid based on the cost of the management services, plus overhead expenses. The management services include, *inter alia*, marketing services of the mall and/or the retail center, both to visitors and to potential tenants, security services, cleaning of public areas, gardening, maintenance of elevators and public systems. The management companies collect from the tenants the management fees or the maintenance fees, which are used, *inter alia*, for financing the maintenance of public areas. The management company leases from the Group companies, as the case may be, in each of the malls and retail centers, an area in a small scope located in a non-central area of the mall or retail center, to serve as the offices and storage rooms of the management company, in consideration for fixed rent. In most of the

[17] Discounting properties that are being leased-up for the first time.

management agreements between the management companies and the tenants, the management companies undertake to maintain and operate the public areas in the malls and retail centers, including cleaning, security, renewal, advertising, insurance, on the conditions and in the scopes as determined by the management companies from time to time.

All of the Group's retail centers and malls include car parks (above-ground and/or underground) which serve the visitors and the potential tenants, with some of the car parks being open to the general public and some requiring payment.

In some of the malls and retail centers there are areas above or in proximity to the retail areas which are designated for lease as offices and other uses, such as clinics and gyms. See Section 9 of this Chapter A for additional details on the office and other space for lease segment.

8.1.2 The structure of the operating segment and changes occurring therein

The retail centers and malls in Israel segment is affected by the business activities in the economy, and by the geopolitical and security situation in Israel. Various entities operate in the retail centers and malls segment which locate, plan, construct, lease and maintain properties designated for lease for various uses.

Based, *inter alia*, on publicly-available information, at the outset, most of the malls relied on large anchor tenants, which were considered to be crowd attracting. However, in recent years, the concept has changed for the malls in Israel and an opposite trend has begun, of reduction of the space of the anchors (such as supermarkets and department stores), due to the low rent per sqm paid by such tenants and the large space occupied thereby. However, there are presently "new" anchors in the form of large and leading fashion and sports stores.

At the same time, the Company is acting to integrate innovative entertainment centers in its malls and retail centers, such as the "Zappa" Club, restaurants and cafés and is acting to bring cinemas back to the malls (thus, agreements have been signed with respect to the construction of movie theatres at Azrieli Tel Aviv Mall, and the construction of movie theatres at Azrieli Haifa Mall was completed during 2019), in a way that creates an innovative shopping experience for recreation, leisure and shopping. The Company is also acting to improve its properties by renovating and refreshing the fast- food courts and the public areas.

It is noted that a sizable percentage of the retail space in the malls in Israel segment and in the Company's properties in this operating segment is intended for the fashion industry. For further details, see Section 7.6 of this Chapter A.

In recent years, there has been a noticeable trend of brand fashion retail chains growing strong at the expense of single local stores, including international fashion retail chains, and the construction of low-priced power centers outside of cities, which compete with the malls. In addition, an increasingly strengthening trend can be observed in the context of which, several retail groups hold a growing number of leading brands and consequently expand the spaces leased thereby in each mall and improve their bargaining power vis-à-vis the malls. Furthermore, we are witnessing the development of new formats of large branded family-oriented stores. At the same time, it is noted that from time to time, various chains, including fashion chains, encounter financial difficulties, however, the wide range of businesses and the mix in the Group's malls and retail centers contribute to the reduction of the scope of exposure to events of this kind.

In addition, in recent years, changes have occurred in the Israeli consumer's shopping habits, *inter alia*, in view of the "open skies" reform, which led to a reduction in the prices of flights to various destinations overseas, thereby enabling the making of more purchases outside of Israel[18], as well as online retail, which brings to the consumer's doorstep a larger variety of products, a quicker and more convenient service and mainly personal tailoring of products according to the consumer's preferences and habits. The Group is acting to develop ways to combine the new digital retailing and the popular mall experience in a manner which creates a novel consumption experience, *inter alia*, through a designated application.

[18] These purchases significantly lessened during the period of the Swords of Iron war due to long periods of flight cancelations.

8.1.3 Restrictions, legislation, standards and special constraints applying to the operating segment

This operating segment is subject mainly to the land laws and the land use and zoning laws. In addition, the business in this segment is affected by legislative updates in the field of business licensing, land taxation and municipal taxation. See Section 24 of this Chapter A for details on the restrictions, legislation, standards and additional constraints that apply to the Group.

8.1.4 Changes in the volume of business and profitability of the segment

In recent years, the volume of operations of the Group in the retail centers and malls segment has grown, mainly due to the development of new income-producing properties such as Modi'in (West Complex), which also includes retail space, a retail building at the Check Post junction in Haifa, the retail areas in Azrieli Town (for a specification of properties under construction, see Section 7.7 of this Chapter A) or expansion and renovation of existing properties (renovation of Azrieli HaNegev Mall, renovation of Azrieli Jerusalem Mall, renovation of Azrieli Holon Mall, and renovation of Azrieli Givatayim Mall). In addition, in 2022, the Company closed a transaction for the acquisition of Mall Hayam in Eilat. The activity indicators in 2024 demonstrate that notwithstanding the Swords of Iron war, which broke out in October 2023, and its impact on the Company's business in the segment at the beginning of the War, as specified in Section 2.2 of Chapter B of this Report, from a summary of 2024 significant growth of around 12% is apparent in the store revenues in the Company's malls compared with 2023, and of around 13.8% compared with 2022, alongside a considerable increase in footfall. For further details on the Bank of Israel forecast with respect to the growth of Israeli economy in the coming years, see Section 6.1 above.

In the Company's estimation, the coming years may see changes in the competitive balance between the players in the income-producing real estate sector, among other things, in view of a forecasted decrease in the number of significant new projects which offer retail space, as well as the limited supply of land in high-demand areas in Israel, which might strengthen the existing leading malls.

For the board of directors' explanations on changes to the fair value of the Group's investment property in this segment as of the Report Date, see Section 2.9.2 of the Board of Directors' Report.

The Company's management estimates that the wide dispersion of the portfolio of properties owned thereby, the maintenance and active management of the properties, their location mainly in areas of demand, the high business positioning of the properties and the Company's investment in the betterment of its properties for maintaining such advantage, the high occupancy rates, the broad variety of businesses in the malls and retail centers of the Group and the suitable mix of businesses, and the Company's stable capital structure, contribute to a reduction of the exposure of the Company's businesses to a crisis and/or to significant instability due to the materialization of any of the Company's risk factors.

The Company's *aforesaid estimations regarding the changes in the income-producing real estate sector in Israel and the effects of such changes on the Company's results are merely subjective assessments and constitute forward-looking information, within the definition of such term in the Securities Law. Actual results and effects may materially differ from the aforesaid estimations and what they imply for various reasons, including an additional intensification of competition, a decrease in demands and a deterioration in the economic situation in Israel.*

8.1.5 Critical success factors in the operating segment and changes occurring therein

The Company estimates that the main success factors in the segment are, *inter alia*: locating retail centers and malls in areas where there is a relatively high level of demand; the right geographic location of retail centers and malls as a response to the needs of the residents in each area, and their proximity to densely-populated areas and convenient access routes; expertise in development as well as knowledge and experience in the management, operation and marketing of retail space, unique architectural planning, management of the construction of retail centers and malls by the professional management team; creation and preservation of a diverse mix of high-quality tenants with financial strength, know-how and experience in marketing, property management and operation that will provide an optimal response to customers; positive goodwill as well as business positioning and financial strength which allows development at relatively low financing costs and provision of immediate response to attractive business opportunities.

8.1.6 Main entry and exit barriers of the operating segment and changes therein

Barriers to entry - In the Company's estimation, entities operating in the retail centers and malls sector require, equity and financial strength. The primary barrier for entry into the development and construction of a retail center, after finding suitable land in an area of demand, is the need for financial strength that enables the obtainment of financing for construction, *inter alia*, due to a growing trend, whereby developers are increasing investment budgets for lessees of income-producing properties upon the initial lease-up of areas under development. In addition, particularly required are professional knowledge, experience in the development sector, a positive reputation in the sector, availability of sources of financing on good conditions and available and planned land reserves in areas with high demand for leasable retail space. In addition, entities operating in the retail centers and malls sector in Israel are required to meet high regulatory requirements, *inter alia*, regulation concerning zoning, business licensing, safety, accessibility, antitrust and environmental protection. It is noted, that despite the high barriers to entry, recent years have shown an increase in the development and construction of retail centers all over Israel. However, the future may bring a decrease in the development and construction of significant projects of malls and large retail centers and a shift towards the development of small, neighborhood centers and/or continuation of the trend of construction of power centers outside the cities.

In the Company's estimation, barriers to entry in respect of malls are significantly higher than those related to power centers outside the cities, due to the high construction costs that characterize the malls (including the cost of the land, which is more expensive since the locations of the malls are closer to the city centers).

Barriers to exit - Exiting this operating segment is mainly contingent on the ability to dispose of properties, which is a direct result of the location of the properties, their physical condition and the condition of the market, as well as various costs, including in connection with land taxation.

8.1.7 Structure of competition in the operating segment and changes occurring therein

For a description of the structure of the competition in this operating segment, see Section 8.4 of this Chapter A.

8.1.8 Manner of execution of purchases or construction of properties

The Company's management does not have a fixed policy on the acquisition of properties, and each case is examined on its merits, in view of the business opportunity it presents. The Company examines from time to time business opportunities in Israel and abroad, related to the expansion of its activity, mostly in the real-estate segment, including by way of purchasing land reserves, purchase of additional properties and the improvement of existing properties, as well as the acquisition of activities.

In general, the Company may at times purchase its rights in properties by way of direct purchase of the rights in the property, by way of purchase of shares in the companies that own the rights in the properties and by way of allotment of shares in such companies. As of the Report Date, the Company purchased most of its rights in properties by way of purchasing rights in the properties. The considerations for the purchase or development of new income-producing properties are based, *inter alia*, on the following parameters: yield from the property; properties which generate steady cash-flows and revenues while prioritizing financially sound tenants; the betterment potential of the purchased property.

The Group's malls and retail centers are either under ownership or under long-term lease from the ILA or long-term lease from the local municipalities in whose territory the property is located.

In transactions in which the registration of rights to the purchased property and its transfer to the name of the Company and or the Group's companies is not finalized by the closing date of the transaction, the Company includes mechanisms in its contracts to secure the fulfilment of the seller' undertakings, including those related to the registration of rights to the property and their transfer to the name of the Company, through the deposit of a part of the consideration in trust and through the lodging of a caveat and/or pledges in favor of the Company, as possible under the circumstances.

Upon the purchase of new properties, in respect of which there is an undertaking towards third parties regarding the management and operation thereof, the Company's policy is to release the properties purchased thereby from the management and operation rights, and provide management services itself or through the Group's companies. As of the Report Date, there are no obligations towards third parties in respect of the management and operation of the Group's properties.

The professional managerial team employed by the Group is involved in the construction of all the Group's projects, from the identification of the property, through the preparation of a cost estimate and a timetable for each project, the architectural planning of the project, the carrying-out of contractor bids and up to the ongoing support of the project's construction, with an emphasis on the finishing and completion stages thereof and the occupation of each project by the various tenants.

The Company does not consider the disposition of its properties to be a part of its business strategy. However, it may act for the disposition of existing income-producing properties if they are not strategic for the Company and are not in its core business. The Company's management has not set a fixed criterion of required yields in the case of dispositions or purchases, and each case is examined on its merits, in view of its circumstances, designation, location and features.

8.2 Material properties

The following table presents a summary of figures pertaining to material properties of the Group in the retail centers and malls segment as of 31 December 2024, which were appraised by the valuator Mr. Ronen Katz, a partner at Greenberg Olpiner & Co. (*) by applying the income capitalization method:

Name and Features of Property			Year	Information Item											According to Regulation 8B(i) (as applicable)
				Fair value/book value at end of period (NIS in millions)	Rent revenues during the period (NIS in millions)	Actual NOI during the period (NIS in millions)	Rate of return (%)	Adjusted rate of return (%)	Return on cost (%)	Property Value to Debt Ratio (LTV)	Revaluation profit (consolidated) (NIS in millions)	Occupancy rate as of end of period (%)	Average monthly rent per sqm from main use – retail (in NIS)	Ratio of average store revenue per sqm to average rent per sqm**	Other assumptions underlying the valuation
Azrieli Tel Aviv Mall (1)	Region	Israel	**2024**	2,366	121	152	6.43%	6.81%	30%	0%	0	100%	325	14%[19]	Main rent cap rate– 6.5%[20]. Weighted cap rate–6.49%.
	Functional currency	NIS													
	Main use	Retail	2023	2,349	117	146	6.23%	6.85%	29%	0%	25	100%	329	15%[21]	Main rent cap rate– 6.5%[22]. Weighted cap rate–6.49%.
	Construction cost (NIS in millions)	512													
	Corporation's share (%)	100%	2022	2,289	112	141	6.17%	6.75%	28%	0%	54	99.7%	316	15%[23]	Main rent cap rate–6.5%[24]. Weighted cap rate–6.48%.
	Area (sqm)	37,880													

[19] Ratio of average revenue per sqm to average rent and management fees per sqm – 17%.
[20] Approx. 26% of the rent (for large areas) were capitalized according to a cap rate of 6.25%.
[21] Ratio of average revenue per sqm to average rent and management fees per sqm – 19%.
[22] Approx. 25% of the rent (for large areas) were capitalized according to a cap rate of 6.25%.
[23] Ratio of average revenue per sqm to average rent and management fees per sqm – 19%.
[24] Approx. 28% of the rent (for large areas) were capitalized according to a cap rate of 6.25%.

Name and Features of Property			Year	Information Item											According to Regulation 8B(i) (as applicable)
				Fair value/book value at end of period (NIS in millions)	Rent revenues during the period (NIS in millions)	Actual NOI during the period (NIS in millions)	Rate of return (%)	Adjusted rate of return (%)	Return on cost (%)	Property Value to Debt Ratio (LTV)	Revaluation profit (consolidated) (NIS in millions)	Occupancy rate as of end of period (%)	Average monthly rent per sqm from main use – retail (in NIS)	Ratio of average store revenue per sqm to average rent per sqm**	Other assumptions underlying the valuation
Azrieli Jerusalem Mall (excluding the office component)	Region Functional Currency	Israel NIS	**2024**	2,548	146	161	6.31%	6.5%	36%	0%	97	100%	324	13%[25]	Rent cap rate– 6.25% Weighted cap rate–6.4%.
	Main Use Construction Cost (NIS in millions)	Retail 447	2023	2,437	133	145	5.95%	6.5%	32%	0%	21	100%	315	13%[26]	Rent cap rate– 6.25% Weighted cap rate–6.4%.
	Corporation's share (%) Area sqm	100% 41,245	2022	2,402	133	145	6.05%	6.45%	32%	0%	94	100%	309	13%[27]	Rent cap rate-6.25%. Weighted cap rate-6.4%.
Material office properties – see Table 9.4			**2024**	8,267	416	486	--	--	--	--	46	--	--	--	--
Material DC properties – see Table 12.20			**2024**	3,621	83	61	--	--	--	--	256	--	--	--	--
The other properties (excepting material properties)***			**2024**	26,483	1,550	1,442	--	--	--	--	514	--	--	--	--
The other properties (excepting material properties)***			2023	22,632	1,063	1,236	--	--	--	--	553	--	--	--	--
The other properties (excepting material properties)***			2022	22,555	960	1,115	--	--	--	--	774	--	--	--	--

* Mr. Ronen Katz is a certified real estate appraiser, with a B.A. in Agricultural Economy and Administration from the Faculty of Agriculture at the Hebrew University of Jerusalem, and experience as a real estate appraiser since 1997.

** The figure is to the best of the Company's knowledge. It does not include lease agreements which do not include rent from sales and is given based on information received from the tenants or from other third parties (as the case may be), and therefore the Company cannot verify that this information is indeed true.

*** In all real estate segments.

(1) The figures include 50% of the profits of the Azrieli Center car park (another 50% were included in the details on the Azrieli Center offices, as specified in Section 9.4 of this Chapter A).

8.3 The following table presents a summary of figures regarding a material income-producing building under construction of the Group, as of 31 December 2024. It is emphasized that the uses of this property will be divided between the retail centers and malls in Israel operating segment and the office for lease in Israel operating segment, and the residential areas in Israel operating segment according to the various uses of the designation of the building rights in the property:

Name of the Property	Location of the Property	Date of Land Purchase	Actual Share of the Corporation (%)	Method of Presentation in Consolidated Report	Estimated Construction Completion Date	Designated Areas of the Property (by usage) (sqm)	Total Projected Investment, including Land, Construction and Development (NIS in millions)
Expansion of Azrieli Center Tel Aviv	Tel Aviv	May 2013	100%	Fair value	2028	150,000 sqm for offices, retail and residences	2,700-2,900

[25] Ratio of average revenue per sqm to average rent and management fees per sqm – 16%.
[26] Ratio of average revenue per sqm to average rent and management fees per sqm – 16%.
[27] Ratio of average revenue per sqm to average rent and management fees per sqm – 16%.

Name and Features of the Property	Reporting Period	Financial Data			Rate of Completion at Year-End [Engineering] (%)	Rate of Areas of the Property for which Binding Lease Contracts have been Signed as of Year-End (%)	Data on Valuation and the Assumptions on which it is Based		
		Aggregate Cost at Year-End, including Land, Construction Development and Financing (Consolidated) (NIS in millions)	Data on Fair Value and Revaluations				Name and Experience of Valuator	Valuation Model	Additional Assumptions on which the Valuation is Based
			Fair Value/Book Value at End of Period (Consolidated) (NIS in millions)	Revaluation Profits (Losses) in the Period (Consolidated) (NIS in millions)					
Expansion of Azrieli Tel Aviv Center (Spiral)	**Y2024**	1,630	2,223	--	30%	9%	Mr. Ronen Katz is a certified real estate appraiser, with a B.A. in Agricultural Economy and Administration from the Faculty of Agriculture at the Hebrew University of Jerusalem, and experience as a real estate appraiser since 1997	Presented according to fair value under the comparative method	N/A
Expansion of Azrieli Tel Aviv Center (Spiral)	**Y2023**	1,339	1,932	--	18%	9%			N/A
Rest of properties under construction in Israel 2024		1,502	1,912	18	--	--	--	--	--
Rest of properties under construction in Israel 2023		1,895	1,783	(151)	--	--	--	--	--

8.4 Competition

Beyond the aforesaid, in the Company's estimation, over recent years, the retail centers and malls in Israel segment has been characterized with high competitiveness, and to the best of the Company's knowledge, there are more than 300 retail centers in Israel. The structure, size and business mix of the retail centers are mostly adjusted to the characteristics of the demand of those leasing areas in the geographical region in which they are located. The competition in this area revolves around several parameters, of which the main ones are: (1) the geographical location of the properties and the level of demand for spaces for lease in such area; (2) the level of revenues in the properties; (3) the rent level and management and maintenance costs; (4) the quality of construction of the leased buildings; (5) the level of auxiliary services and, (6) The Lessor's goodwill.

As of the Report Date, the Company operates in this operating segment principally in the development of retail centers, and focuses on discovering reserves of land in attractive locations and with the potential for high revenues, and therefore the competition vis-à-vis bodies which concentrate primarily on acquisitions of existing retail centers is lower. In retail complexes and centers located in residential areas a competition could also develop with local developers. The market trends over the recent years and the attempt to adjust the characteristics of the retail center accurately to local demands and to the substitutes available to the consumer have blurred the lines distinguishing between the different types of retail centers.

Due to the intensification of the competition in the sector, the addition of retail space in many regions and a trend of increase in online commerce, the Company acted in 2024 and will continue to act for the development of the end consumer marketing segment. *Inter alia*, the Company continues activity for branding of the Group's malls through a uniform language of communication in the properties themselves, marketing activities and campaigns on the different types of media, and planning of further marketing, branding and differentiation activities and sales campaigns for all of the Group's malls (hard sale).

To the best of the Company's knowledge, a number of entities operate in Israel which hold significant portions of properties in the retail centers and malls segment, including REIT 1 Ltd., Gazit Globe Ltd., Melisron Ltd., Industrial Buildings Ltd., Amot Investments Ltd., Jerusalem Economy Ltd. and Big Shopping Centers (2004) Ltd. In addition, to the best of the Company's knowledge, in recent years new players are joining the market such as the institutional bodies (either directly or through a managing body which knows the operating segment well) and investment funds, that seek alternative yield for the members and for themselves.

The Company estimates that the geographic location of the retail center and its differentiation directly affect its characteristics and its tenant mix since each center adjust itself to the sizes of the geographic market in which it is located in order to create a center of attraction which is unique therefor and deal with centers existing in the area which created the consumers' purchase habits. For the most part, the tenants will consider the benefit of space in a retail center with a better geographic location, a mix conforming to its business operations versus its cost and with a better reputational image.

Competition for the private consumer is also mainly characterized by the geographic location and against other centers of the power center-type as well as shops on city streets. Most of the retail centers and malls serve the population residing or employed in the geographic area in which the retail center is situated. Nonetheless, the Azrieli Tel Aviv Mall, due to its location, accessibility and proximity to the train station and to major intersections, serves consumers from all across Israel.

In the Company's estimation, the competition vis-à-vis the private consumer is influenced, *inter alia*, by the tenant mix, the types of the shops and their branding, the atmosphere and shopping experience, benefits to consumers, events initiated in the framework of the retail center, access to the retail center and available parking (free or paid). The malls and retail centers are therefore required to renovate, upgrade and adjust the tenant mix therein from time to time.

In the Company's estimation, the volume of its operations in the retail centers and malls in Israel segment is large, and it is one of the leading companies in the field in Israel. As of the Report Date, approx. 1,850 tenants operate stores and retail in the Group's retail centers and malls. In the Company's estimation, the factors and methods that help the Group cope with the competition in the segment are as follows:

- Most of the retail centers and malls of the Group are characterized by quality planning and a high-quality tenant mix, which the Company carefully maintains over the years and that contribute to its competitive advantage and offer to the visitors to the retail centers and malls a quality shopping experience;
- The volume of the Company's business in the segment allows the Company to engage with chains and service providers at beneficial terms, thus allowing it to specialize in the management of retail centers and malls in an efficient manner in order to lead to savings in costs and in manpower;
- Most of the Company's tenants are large chains and/or companies with superior financial strength and the lease agreements therewith are for a relatively long period;
- The Company's retail centers and malls are located in high-demand areas, enabling the Company to lease the properties to numerous and diverse types of tenants;
- The expertise of the Group in the planning and development of retail centers and malls according to the needs of the tenants and visitors in the retail center and/or mall;
- The scale of the business and the Company's experience in the segment, allows it to carry out marketing activities also to the end consumers, the mall visitors and to adopt innovation in the retail segment, improving the experience of shopping at the Company's shopping centers, including use of digital media.

8.5 Goals and business strategy for the segment

See Section 27 of this Chapter A for the Company's goals and the Group's strategy.

9. The office and other space for lease in Israel segment

9.1 General information on the operating segment

9.1.1 General

In this operating segment, as of the Report Date, the Group is engaged in the development, acquisition, lease-out, management and maintenance of office and high-tech parks, office buildings and buildings for industry, workshops and storage in Israel. The office parks and office buildings are designated primarily for businesses in the segments of liberal professions, service providers, headquarters of financial entities, hotelkeeping, medical services and high-tech industry, which are characterized by a large number of personnel and a demand for adjacent parking spaces.

Most of the Group's lease agreements are for periods of about five years on average, with the tenant given an option for additional lease periods of about five years and the rent is in a fixed amount, linked to the CPI, per square meter of the leased space. A recent trend is the engagement in relatively short-term lease agreements for periods of up to five years. In addition to the aforesaid, at the Azrieli Holon Business Center, and on the office floors above the Azrieli Akko mall, the Group leases small units for shorter periods of around one to three years.

All of the Group's office and other space for lease in Israel include also car parks (above-ground or underground) which serve the tenants and their customers.

In this operating segment, the Group's income-producing areas that are leased to third parties are mainly divided into two types:

- **Parks for businesses and for high-tech industries** - The Group specializes in responding to the special needs of the high-tech industries and the construction of purpose-built buildings fitted in advance to the needs of the tenants. The purpose-built construction provides a comprehensive and complete solution to tenants, that includes the guidance of the tenant beginning from the stage of preparing the working plans for purposes of the design requested by the tenants, the planning and construction of the building in full cooperation with the tenant and through responding to all of the tenant's demands as to the interior of the leasehold. The business parks present a quality and clean working environment in a central location, quality infrastructure, green areas and parking spaces.
- **Office towers** - The Group has office towers that are leased, in most cases, with high occupancy to numerous and diverse tenants for long lease periods.

The Group's office and other space for lease in Israel segment is managed in relation to each building or group of buildings through the Company or designated management companies owned by the Group, which engage with the tenants in management agreements. Most of the management agreements determine that the management fees will be paid based on the cost of the management services plus overhead expenses. The management companies collect from the tenants the management fees or the maintenance fees, which are used, *inter alia*, for financing the maintenance of public areas, whereas in most of the management agreements between the Company or the management companies and the tenants, the management companies undertake to maintain and operate the public areas, including cleaning, security, renewals and insurance, on the conditions and in the scopes as determined by the management companies from time to time.

9.1.2 The structure of the operating segment and the changes occurring therein

The office and other space for lease segment is mainly affected by the economic activity in Israel and globally. Various entities are active in this operating segment which locate, plan, construct, lease and maintain properties designated for lease for various uses. There are many companies in Israel in the office and other space for lease segment, including large, veteran and leading companies, which own properties in large volumes, as well as smaller, local developers who operate in specific geographic areas. The business in this segment is generally characterized by the fact that part of the costs of construction or acquisition is financed by independent sources and the remainder is financed by credit from outside sources.

9.1.3 Restrictions, legislation, standards and special constraints applying to the operating segment

This operating segment is subject mainly to the land laws and the land use and zoning laws. In addition, the business in this segment is affected by legislative updates in the field of business licensing, land taxation and municipal taxation. See Section 24 of this Chapter A for details on the restrictions, legislation, standards and additional constraints that apply to the Group.

9.1.4 Changes in the volume of business and profitability of the segment[28]

In recent years, the Company has acted to expand its business in this operating segment, *inter alia*, by developing new projects (in recent years the Company has built Azrieli Holon HaManor, Azrieli Town, an office tower in Modi'in, which is a part of a mixed-use property, construction of which was completed in the Report Period, and the Company is also building a campus at the North Glilot site for SolarEdge Technologies Ltd., and the Spiral Tower). Furthermore, as part of the business strategy the Company is examining attractive investment opportunities and the creation of new growth engines also in tangential segments, and possibilities to create a synergy with the other operating segments thereof.

For a number of years, until the end of 2019, the office market was growing. According to reviews reported in connection with the office market, in H2/2020, in view of the Covid pandemic, a trend of slowing demand for offices was identified in the office market, and moderate rent reductions were recorded in most commercial areas in the center of Israel. From February 2021, the market trend reversed and in view of significant demand, mainly on the part of high-tech companies in Tel Aviv and in its close vicinity (Ramat Gan and Herzliya), the rent in this area rose significantly compared with the pre-Covid prices. This trend continued throughout 2021, and in the absence of vacant leasable space, the rent has continued to climb, and towards the end of 2021 reached record highs. In H2/2022, as a result, *inter alia*, of global and local macro changes, such as an increase in inflation and interest rates, a slowdown was recorded in the demand for office space, leading to stabilization with a tendency towards slight rent reductions in some of these areas. In the Tel Aviv area, a decrease was observed in the rent compared with the peak rates in 2021. In view of the high occupancy rates in the Group's properties, the effect of the slowdown on the Group's properties was minor. In 2023, the trend continued, with reduced demand in this segment and longer negotiations for the signing of lease agreements, and even a slight decrease in average rent in some office areas in Israel, resulting *inter alia* from the political controversy around the reform in the judicial system, a decline in capital raisings in the high-tech sector and the Swords of Iron war. The trend that characterized 2023 also continued into 2024, *inter alia* due to the uncertainty concerning the continuation of the War. In the Report Period, international companies adopted a conservative approach to lease extensions, and Israeli companies, mainly in the high-tech sector, cut back their hiring, creating surplus space, and some even subleased such areas. The effect in Tel Aviv and its vicinity, where most of the Group's properties are located, is moderate, but the oversupply in the second circle and the slowdown in demand have led to lower rent prices in the sector in all areas.

The aforesaid notwithstanding, as of the Report Date, the Group has maintained very high occupancy rates in its income-producing properties in the segment, and has even increased its total revenues from rent compared with previous years, both in the Tel Aviv region and in other regions, such as the Azrieli Rishonim Center, and has also completed the marketing and lease-up of the office floors above the Azrieli Akko Mall, and is close to leasing up all of the areas in the office tower in Modi'in, which opened in 2024.

[28] The information in this section is taken from the following sources: H2 2023 office market review - Cushman & Wakefield Inter Israel - Link

The Company estimates that its financial strength, the strength of the Company's tenants, some of which constitute the leading firms in the economy (AAA tenants), its high liquidity and standing in the financial market are advantages and strengthen its status in the segment. Despite the slowdown recorded in the demand on the part of tech companies, it may be estimated that this segment will bounce back in the coming years. Further to the aforesaid, the Company's tenant mix is diverse and wide-ranging, and it is concentrating marketing efforts vis-à-vis various industries and diverse sectors as part of its ongoing risk management. According to the aforesaid, and as part of the mix diversity policy, in the Report Period agreement renewals were signed for large areas with tenants from diverse, non-high tech industries.

The Company's properties are essentially characterized by a high standard of construction, location and management, the demand for which in recent years has been constantly on the rise. In addition, a large part of the increase in the supply of offices in the center of Israel is made up of buildings that are being built in the context of purchase groups, or buildings that are intended to be sold to a large number of buyers, which in the Company's estimation, may mainly increase the supply of leasable office space for areas of 200-500 sqm. In addition, in the Company's estimation, the coming years may see changes in the competitive balance between the players in the income-producing real estate sector, *inter alia*, due to the lease-up of office space projects, primarily in the Dan Metropolitan Area, which pose challenges for the sector.

The Company's above estimations with respect to the changes in the segment and the effect thereof on the Company's results are merely subjective estimations which are based, inter alia, on the Company's acquaintance with the market trends, which constitute forward-looking information, as defined in the Securities Law. Actual results and effects may materially differ from the aforesaid estimations and the implications thereof, for various reasons, including further intensification of the competition, a decrease in the demand for office space and an adverse change in the economic situation in Israel, inter alia in view of a deterioration in the high-tech sector and/or the effects of the Swords of Iron war.

9.1.5 Critical success factors in the operating segment and changes occurring therein

In the Company's estimation, the main success factors of the Company in the segment are, *inter alia*: the geographic dispersion and the location of the income-producing properties in areas in demand throughout Israel for offices, commerce and industry; the quality of the properties; expertise in development and architectural planning; management of the construction of properties that are tailored to potential tenants, in relation to which the Company has engaged in lease contracts in advance through the professional management team employed by the Group; the level of demand and supply of properties of a similar type which dictate the terms of the lease contracts and the potential changes thereto; know-how and experience in marketing, property management and operation; a diverse tenant mix; positive goodwill; and business positioning and financial strength which allows an immediate response to attractive business opportunities.

9.1.6 Main entry and exit barriers of the operating segment and changes occurring therein

Barriers to entry – In the Company's estimation, entities operating in this operating segment require mainly equity and financial strength. Also important are professional know-how, experience in the development sector, a positive reputation in the industry and available and planned land reserves in areas with high demand for leasable space in office buildings. Development in the segment requires financial soundness which enables operating in the development segment at relatively low financing costs

Barriers to exit – Exiting this operating segment is primarily contingent on the ability to liquidate properties, which is a direct result of the location of the properties, their physical condition and the condition of the economy, as well as various costs, including in connection with land taxation.

9.1.7 Structure of competition in the operating segment and changes occurring therein

See Section 9.2 of this Chapter A for a description of the structure of competition in this operating segment.

9.1.8 Manner of performance of the Company's acquisitions

See Section 8.1.8 of this Chapter A for a description of the manner of acquisition and disposal of the Group's rights in properties.

9.2 Competition

The income-producing real estate sector in general, and the office and other space for lease segment in particular, are characterized by intense competition. Competition in the office and other space for lease in Israel segment revolves around several parameters, chief of which are the: (1) geographic location of the properties and the level of demand for leasable space in the area; (2) rent level and management and maintenance costs; (3) quality of construction of the leased buildings; (4) standard of auxiliary services, and (5) the lessor's reputation. The competition in this sector exists both at the stage of identifying properties for enterprise, development and property construction purposes and at the stage of lease-up of the properties. In Israel the Group is exposed to competition by numerous companies engaged in the lease of business real estate, in areas of demands similar to those in which the Group's properties are situated, while in most cases, the competition is local. Thus, for example, prestigious office buildings in Tel Aviv compete against the Azrieli Tel Aviv Center, Azrieli Sarona and Azrieli Town, and other alternatives for office buildings in the area compete against the Herzliya Business Park.

To the best of the Company's knowledge, several entities are operating in Israel and holding significant portions of leasable office and other areas, including REIT 1 Ltd., Gav Yam Land Ltd., Nitzba Holdings 1995 Ltd., Industrial Buildings Ltd., Levinstein Properties Ltd., Minve Real Estate Group and Amot Investments Ltd. In the Company's estimation, the scope of its operations in the office and other space for lease in Israel segment is of the most significant from among the leading companies in the sector, especially once the projects that are under various stages of construction as of the Report Date are completed.

The factors assisting the Company to deal with the competition in this segment are as follows:

- The Company's volume of operation in the segment enables the Company to communicate with companies and service providers at beneficial terms, and it further enables it to specialize in the management of commercial parks and office buildings in an efficient manner which leads to savings in costs and in manpower.
- Most of the Company's tenants are companies with high financial strength and the lease agreements therewith are for a relatively long period of time.
- The Company's office and other space for lease is located in areas of high demand, enabling the Company to lease the properties to numerous diverse types of tenants.
- The unique characteristics of the Group's properties, such as: mixed-use assets (the office spaces are part of properties that include additional uses, e.g.: retail, residence, hotels and senior housing in proximity to the office space for rental), access to public transportation, including the railroad and underground car parks for the convenience of the tenants and their customers.
- Most of the Company's office space is characterized by its high quality and prestigious nature, which distinguishes the Company's property from those of the competing companies and strengthen its competitive edge.
- Sole ownership of the properties allowing the Company flexibility in responding to various requirements of tenants, such as the lease of large areas, etc.
- Management of the Company's properties through designated management companies, wholly owned by the Group, which have considerable experience and expertise.

9.3 Goals and business strategy in the segment

See Section 27 of this Chapter A for details on the Company's goals and the Group's strategy.

9.4 Material Properties

The following table presents a summary of figures pertaining to material properties of the Group in the leasable office space segment as of 31 December 2024, which were appraised by the valuator Mr. Ronen Katz, a partner at Greenberg Olpiner & Co. (*) by applying the income capitalization method:

Name and Features of Property			Year	Information Item											According to Regulation 8B(i) (as applicable)
				Fair value/book value at end of period (NIS in millions)	Rent revenues during the period (NIS in millions)	Actual NOI during the period (NIS in millions)	Rate of return (%)	Adjusted rate of return (%)	Return on cost (%)	Property Value to Debt Ratio (LTV)	Revaluation profit (loss) (consolidated) (NIS in millions)	Occupancy rate as of end of period (%)	Average monthly rent per sqm from main use – (in NIS)	Ratio of average store revenue per sqm to average rent per sqm	Other assumptions underlying the valuation
Azrieli Sarona Tel Aviv	Region	Israel	**2024**	3,857	193	227	5.88%	6.33%	14.99%	0%	(76)	100%	144	N/A	Main rent cap rate – 5.8%. Weighted cap rate–6.10%.
	Functional currency	NIS	2023	3,945	186	234	5.93%	6.08%	15.45%	0%	150	100%	144	N/A	Main rent cap rate - 6%. Weighted cap rate–5.91%[29].
	Main use	Offices													
	Construction cost (NIS in millions)	1,514	2022	3,788	165	207	5.47%	6.05%	13.70%	0%	316	100%	139	N/A	Main rent cap rate–6%. Weighted cap rate–5.92%[30].
	Corporation's share (%)	100%													
Azrieli Tel Aviv Towers	Region	Israel	**2024**	4,410	223	259	5.88%	6.35%	20.08%	0%	122	100%	133	N/A	Main rent cap rate–6.00%. Weighted cap rate–6.10%.
	Functional Currency	NIS													
	Main Use	Offices	**2023**	4,229	210	249	5.89%	6.4%	19.27%	0%	130	100%	128	**N/A**	Main rent cap rate–6.25%. Weighted cap rate–6.15%[31].
	Construction Cost (NIS in millions)	1,292													
	Corporation's share (%)	100%	**2022**	4,058	203	241	5.94%	6.36%	18.65%	0%	224	100%	123	N/A	Main rent cap rate–6.25%. Weighted cap rate–6.15%[32].

* Mr. Ronen Katz is a certified real estate appraiser, with a B.A. in Agricultural Economy and Administration from the Faculty of Agriculture at the Hebrew University of Jerusalem, and experience as a real estate appraiser since 1997.

For a summary of figures regarding a material property under construction – the expansion of Azrieli Center (the Spiral Tower), see Section 8.3 of this Chapter A.

29 Approx. 18% of the rent (for areas leased at bare-shell level) were capitalized according to a cap rate of 5.0%.
30 Approx. 19% of the rent (for areas leased at bare-shell level) were capitalized according to a cap rate of 5.0%.
31 Approx. 31% of the rent (for areas leased to long-time tenants) were capitalized according to a cap rate of 5.75%.
32 Approx. 39% of the rent (for areas leased to long-time tenants) were capitalized according to a cap rate of 5.75%.

10. The income-producing property in the U.S. segment

10.1 General

As of the Report Release Date, the Group owns eight (8) office rental properties outside of Israel (seven in the U.S.), of a total leasable area of approx. 253 thousand sqm (the Company's share is approx. 245 thousand sqm), leased to approx. 140 tenants. The Company's properties in this operating segment do not amount to material properties or very material properties. For aggregate details regarding all of the Company's income-producing properties in this operating segment (including land reserves in Section 7.8 of this Chapter A), see Section 7 of this Chapter A, under the geographic region of the U.S.

About 50% of the Group's office properties in this operating segment are multi-tenant properties and the other 50% are properties with a small number of tenants. All are Class A properties that also include car parks (above-ground or underground) which are used by the tenants. Unlike the Company's properties in Israel, in some of the Company's properties in the U.S., the Company holds the property together with one or more local partners. As of the Report Date, the Company is continuing to consider the disposition of properties in this segment in accordance with the market conditions.

The office buildings in the operating segment are mostly intended for businesses (*inter alia* from the energy and high-tech industries) and service providers which are characterized by a large number of employees and demand for adjacent parking spaces. Most of the Group's lease contracts in this operating segment are for periods of between three and ten years, while often the tenant is given an option for additional lease periods of approx. five years. The rent is at a fixed amount per square meter (or the U.S. customary unit – sq. ft) of the leased area, while often the lease contract includes a rent increase during the term of the lease.

Unlike the Group's office properties in Israel, the Group's office space in the U.S. is managed by external local management companies who act professionally, with which the Company has engaged in agreements, and which the Group is entitled to terminate by advance notice of 30 days. The management companies collect from the tenants the rent, as well as current expenses, such as security, cleaning, maintenance, municipal taxes, insurance, gardening, maintenance of elevators and other mechanical systems. The Company is examining, in a current manner, possibilities for both operational and property management streamlining.

10.2 The structure of the operating segment and changes occurring therein

Between 2011-2018, the Company expanded its business in the U.S. and made several purchase transactions in Houston and Austin, Texas. Most of the Group's properties in the U.S. are situated in the Houston metropolitan area, which has around 7.2 million inhabitants[33] and where population growth in the last 30 years exceeded the U.S. average. Such growth stemmed, *inter alia*, from a high quality of life, business opportunities that led to a low unemployment rate, the absence of state income tax and low cost of living.

The Group's income-producing property in the U.S. segment is affected by the economic activity in the U.S. economy, and mainly by the economic business in Houston and its office lease market.

The summer of 2014 saw the beginning of a global downtrend in energy prices, which affected the local economy in 2015-2016. This downtrend was halted in the course of 2017, and a moderate rise in prices began. In early 2018, energy prices continued the slow recovery trend, which was halted in Q4/2018, when energy prices declined again. Energy prices in 2019 were characterized by significant volatility.

The Covid crisis, a global health crisis which led to upheavals both in the U.S. economy in general and in Texas and Houston in particular, erupted in early 2020. Hundreds of thousands of jobs were eliminated, and instructions

[33] Data taken from publications of real estate consulting firm Cushman and Wakefield.

were issued by the authorities ordering anyone not employed in an "essential" job not to leave the house, which aggravated the said upheavals. In addition, the demand for oil and other energy products declined as a result of the global economic slowdown, the slowdown in production and in all types of land and aerial transportation, which led to a sharp decline in energy prices. Geopolitical struggles also contributed to the decline in energy prices.

As the energy market capital of the world, Houston was significantly impacted by the decline in energy prices – 2021 began with an oil barrel price of around U.S. $48 but during the year the barrel price rose and peaked at U.S. $84.65 per barrel. Over the course of 2022, the oil barrel price peaked at U.S. $127.98 per barrel, which price was significantly higher than the price environment to which the world had become accustomed in recent years, *inter alia* in view of the war that erupted in Ukraine in February 2022. However, towards the end of 2022, the price settled at around U.S. $80. The average oil barrel price in 2023 and 2024 was U.S. $83 and $81, respectively.

The state of the employment market in the Houston metropolitan area remained stable in 2024, with an average unemployment rate of approx. 4%.

The decreases in energy prices which occurred between 2015 and 2020 had a considerable effect on the office real estate market in Houston, alongside the impact of the Covid crisis which began during 2020 and continued also during 2021. These trends affected the real estate market in Houston in various ways, such as: a high rate of vacant office space, high competitiveness in engagements with new tenants which led to higher costs in the engagement process with these tenants. In addition, a large amount of space is offered in the sublease market, leading to a decline in the number of new lease transactions. At the same time, there was an increasing willingness on the part of property owners to give incentives to new tenants, such as a high leasehold improvements budget, and a long grace period.

Furthermore, the small number of transactions also derived from lockdowns imposed by the authorities due to the Covid pandemic, the transition to remote work and the general uncertainty, due to which only tenants whose lease contract was coming to an end acted in the market, and a significant portion thereof chose to renew their contracts for a short period or to take risk mitigation measures, avoiding making long-term decisions.

These trends persisted in 2021-2024 as well, and it is noted that the effect of the positive trend in energy prices is not yet evident in the office real estate market in Houston, which continued to have a high rate of vacant space with no increase in rent prices or decrease in the giving of tenant incentives.

In addition to the effect of the petrochemicals, gas and energy sector on Houston's economy, to the best of the Company's knowledge, the local economy is also affected by its large medical center (Houston Texas Medical Center), which is the largest medical center in the world, which continues to develop, as well as by growth in the activity of the Port of Houston.

In 2016-2018, the Company purchased two office properties in Austin, Texas. Both properties are buildings whose construction had been completed not long before their purchase. One of the growth engines of the demand for office space in Austin is the numerous high-tech companies whose research and development activities are concentrated in this city and indeed both properties are occupied mainly by high-tech companies. The slowdown in the tech sector, which began during 2022 and deepened during 2023, was felt in the offices market in Austin as well as in the Company’s properties. This trend eased, in part, in 2024.

10.3 Restrictions, legislation, standards and special constraints applying to the operating segment

This operating segment is subject mainly to the local planning and building laws and land laws. In addition, the business in this segment is affected by legislation and regulation of authorities in the fields of environmental protection, safety, business licensing, land taxation and municipal taxation. See Section 24 of this Chapter A for details on the restrictions, legislation, standards and additional constraints that apply to the entire Group.

10.4 Changes in the volume and profitability of the operations in the segment

As in 2023, the rate of vacant space in the Houston office market continued to be high in 2024 as well. The high rate of vacant space derives mainly from the upheavals in the energy sector which led, in 2015-2016, to a decrease in the oil prices, coupled with increasing activity of mergers and acquisitions of companies in this sector, as well as due to the impact of the Covid pandemic due to the economic slowdown caused by the pandemic in the U.S. and worldwide. Despite the positive trend of improvement in energy prices during 2023-2024, the effect of this trend on the rate of vacant space is not yet evident, however, an improvement in demand for office space is indicated in specific parts of Houston where energy companies are located. The Covid pandemic also led to uncertainty with respect to the office market in Houston which, together with the transition to remote work, led to an increase in vacant space, as well as to a large amount of office space in the sublease market. Due to the said uncertainty and the persistence of remote work, in many cases tenants are currently refraining from entering into long-term agreements and from leasing additional space for expansion. In 2024, the total rate of vacant space in the Houston metropolitan area increased amounting at the end of the year to 24.3% (22.8% at the end of 2023), with the rate of vacant space in Class A office buildings amounting to 21.4% at the end of 2024.[34] In addition, to the best of the Company's knowledge, 2024 saw a modest 2% increase in rent prices .

10.5 Critical success factors in the operating segment and changes occurring therein

The Company estimates that the main success factors in this operating segment are its know-how, expertise and experience in the location and acquisition of attractive properties that will yield a high return, and the location of local management companies specializing in the local market, for the purpose of management of the properties and marketing of the space therein. The Company estimates that the success factors in the acquisition of such properties in the operating segment are, *inter alia*, location of worthwhile transactions and identification of opportunities in the market with a fast response capability, acquisition of properties in attractive, high demand locations with improvement potential, acquisition of properties of a high building and finishing standard, acquisition of properties with a range of related services that are not available in nearby properties which are competing for new contracts, performance of meticulous due diligence investigations, *inter alia* with respect to the expected expense structure in the property and the profit increase potential, the strength of the tenants in the property and the nature of the collateral, as well as knowledge of the financial markets and the various players therein for the purpose of achieving attractive financing terms.

10.6 Main barriers to entry and exit in the operating segment and changes occurring therein

Barriers to entry – In the Company's estimation, entities operating in this operating segment require mainly equity and financial strength which allow the acquisition of existing properties at relatively low financing costs. In addition, professional know-how, experience in the segment of acquisitions and management of income-producing properties, as well as know-how and experience in the credit and financing sector are important. A positive reputation from another important element, both during tenders for the acquisition of income-producing properties and in order to draw attractive tenants to the properties.

Barriers to exit – Exiting this operating segment is conditional, mostly, on the ability to realize properties, which is a direct result of the location of the properties, their physical condition and the condition of the economy, as well as various costs.

[34] According to figures appearing in Figures, Houston, Office Q4 2024, which was published by CBRE in January 2025.

10.7 Structure of competition in the operating segment and changes occurring therein

The income-producing property in the U.S. segment, including in Houston and Austin, is characterized by intense competition. Competition in this segment revolves around a number of parameters, of which the principal ones are; (1) the geographic location of the properties and the level of demand for the leasable in that area; (2) the amount of the rent and the management and maintenance costs; (3) the grant of incentives to new tenants or upon renewal of the lease agreement, such as improvements in the leased premises or a certain lease period in which the tenant is charged no rent; (4) the quality of construction of the leased buildings; (5) the level of related services; and (6) the reputation of the lessor. The competition in this sector exists both at the stage of acquisition of the properties and at the stage of lease-out of the properties. See Section 10.10 of this Chapter A for a description of the structure of competition in this operating segment.

10.8 Manner of execution of the Company's acquisitions

In recent times, the Company has not been exploring possibilities for expanding its operations in this segment over and above the properties in its possession and also continues to examine the possibility of asset disposals in this sector, in accordance with market conditions. In this context, it is noted that due to non-compliance with the terms of the Non-Recourse loan for the financing of the 1 Riverway asset, the Company is under negotiations with the lender to modify the loan terms. Simultaneously with such negotiations, the lender has notified of its intention to sell the asset (against the write-off of the loan, which is in an amount that is not significantly different from the asset's value). As of the Report Release Date, negotiations between the parties are ongoing.

See Section 8.1.8 of this Chapter A for a general description of the manner of acquisition and exercise of the entire Group's rights in properties.

10.9 Acquisitions in the Report Period

No acquisitions were made during and after the Report Period.

10.10 Competition

The income-producing property in the U.S. segment is generally characterized by a high level of competition in all aspects pertaining to the rent, the quality of the finishing of the building and other unique characteristics of the property. The Group is exposed in the U.S. to competition by numerous companies engaging in business property lease, in areas of demands similar to those in which the Group's properties are located. The market of leasable offices in Houston, Texas, comprises approx. 213 million sq. ft. of leasable office space (of which approx. 122 million sq. ft. is defined as Class A), and includes a large number of properties. To the best of the Company's knowledge, several bodies are active in Houston, holding significant shares of the office lease areas segment[35], and the Group's share in the income-producing property in the U.S. segment is negligible.

The factors assisting the Company in coping with the competition in this segment are as follows: (1) The Company's office lease areas are located in attractive high-demand areas, enabling the Company to lease the properties to numerous and diverse types of tenants; (2) most of the Group's properties in this operating segment have special characteristics, including: green building rating (LEED Certificate), financially sound tenants, attractive location adjacent to large retail centers, as well as a high parking space ratio relative to the size of the property; (3) most of the Company's office space in this operating segment is characterized by a high building and finishing standard and has been granted the highest rating level of office properties (Class A).

[35] According to figures appearing in Figures, Houston, Office Q4 2022, published by CBRE in Q4/2023.

The Group engages in this operating segment in management agreements with local entities which have vast experience in and deep knowledge of the local market, for the purpose of management and lease of the properties.

10.11 Goals and business strategy in the segment

See Section 27 of this Chapter A for details on the Company's goals and the Group's strategy.

11. The Senior Housing Segment

11.1. General information about the senior housing segment

The Group's operations in the senior housing segment are carried out through corporations indirectly held thereby, under the "Palace" brand **("Palace"** or the **"Palace Chain"**) and it engages in the operation and development of senior homes for the elderly that feature a high finishing standard and the provision of high-standard related services, which are generally designated for residents who are capable of leading an independent life. As of the Report Release Date, the Palace Chain employs, directly and indirectly, approx. 750 employees in total. As specified below, all senior homes of the Palace Chain operate long-term care (LTC) units (either inside or near the senior homes). The senior home currently under construction is also planned to have an LTC unit.

As of the date of this Report, Palace holds and operates four upscale senior homes as specified below:

- **Palace Tel Aviv** – a senior home in the center of Tel Aviv, including an advanced medical center for recuperation and LTC, also known as "Palace Tel Aviv", which consists of 231 senior home residential units, and "Palace Medical", which contains 136 beds in 4 different units (jointly: "**Palace Tel Aviv**");
- **Palace Ra'anana** – a senior home in Ra'anana, including an LTC unit, also known as "Palace Ra'anana" (formerly Ahuzat Bayit), which consists of 322 residential units and 67 LTC beds in two units ("**Palace Ra'anana**"), as well as an active retail center located adjacently to the senior home and known as Azrieli Ra'anana (formerly named "Park Mall").
- **Palace Modi'in** – a senior home in Modi'in, which is known as "Palace Modi'in", which comprises 239 residential units and approx. 131 LTC beds in 4 different units, 33 of which are recuperation units ("**Palace Modi'in**").
- **Palace Lehavim** – A retirement village within the Lehavim Local Council, which includes an LTC wing, known also as "Palace Lehavim", which comprises approx. 350 residential units and approx. 72 LTC beds ("**Palace Lehavim**"), and is headed to full occupancy.

In addition, in March 2016, the Group won a tender of the Israel Land Authority for the purchase of long-term leasehold rights in a lot of approx. 3.4 thousand sqm designated for senior housing and situated in the HaRakafot neighborhood in east Rishon LeZion, which is designated for the construction of approx. 274 residential units, an LTC wing and approx. 3 thousand sqm of retail space ("**Palace Rishon LeZion**") and the work for construction thereof is ongoing. The project is under construction. For further details, see Section 7.7 of this Chapter A. For details regarding the award of a tender for the construction of a senior housing project in Sde Dov, see Section 1.3.7 of this Chapter A.

11.2. Structure of the senior housing operating segment and changes therein[36]

To the best of Palace's knowledge, recent years (apart from 2020, owing to the impact of the Covid pandemic) have seen an increase in the life expectancy of the elderly population in Israel, alongside a rise in the standard of living of such population. According to data from the Central Bureau of Statistics (CBS)[37], at the end of 2023, there were approx. 1.252 million residents aged 65 or older living in Israel (approx. 44% of whom are aged 75 or older), representing approx. 12.9% of the population of Israel's residents. According to population forecasts, by 2040 persons aged 65 or older will total around 1.9 million, representing approx. 14% of the population. According to CBS data and publications by Ma'alot[38], alongside the increase in life expectancy, there is considerable

[36] This information was taken from the following sources: Myers JDC Brookdale, People Aged 65+ in Israel – Statistical Annual Report for 2020: https://brookdale-web.s3.amazonaws.com/uploads/2020/09/shnaton-2020-internet-min.pdf, Amidar – senior housing - https://goo.gl/JAkoGT.
[37] CBS – Data on older citizens of Israel aged 65 or older: Link
[38] Ma'alot – The Senior Housing Market in Israel, June 2015, and CBS – Link

improvement in the standard of living of the elderly, which is reflected in their increased participation in the Israeli employment market, an improvement in their physical, financial and social wellbeing, and an increase in their general satisfaction with their lives. In the elderly housing sector, a distinction may be made between two main solutions: retirement homes and senior homes. Most retirement homes are characterized by elderly residents of middle-to-low socioeconomic status, who are not independent and require constant nursing and medical services. Residents of the traditional retirement homes mostly share one room and their schedule is dictated by the retirement home's operator.

Unlike retirement homes, the senior housing market is aimed at an aged population which is financially established and mostly independent. Senior homes feature modern and luxurious services and facilities, including deluxe complexes that include expansive public areas containing facilities, such as: a swimming pool, spa and fitness club, class rooms, restaurant, cafeteria, clinic, and the like. Senior homes provide a respectable and high-quality solution for the elderly, and allow the residents to lead an independent life in the residential units, along with a social life in the public complexes and the provision of initial medical attention and LTC when necessary. According to CBS data, as of 2023, the private senior housing market consists of approx. 17,500 senior housing units[39]. As a result of the increase and improvement in the life expectancy of the elderly, as described above, and due to the desire of such residents to conduct an active and social lifestyle, there has been an increase in the demand for senior residential units.

The Senior Housing Law, 5772-2012, which took effect in 2012, and the regulations promulgated thereunder (hereinbelow in this Section, jointly: the "**Senior Housing Law**"), regulates operations in the Israeli senior housing sector for the first time. The Senior Housing Law prescribes various rules in relation to the permits and requirements for the operation of senior homes, including the duty to receive a senior home operation license, and also prescribes sanctions for the violation of such rules. For additional details with respect to the regulation of the senior housing sector, see Section 24.1.3 of this Chapter A.

Resident agreements

Palace's engagements with the residents of the senior homes are made by means of resident agreements, that grant the residents the right to use the residential unit and the public areas and also grant them entitlement to the service basket offered and provided by every senior home to its residents, *inter alia*, in view of the provisions of the Senior Housing Law and by virtue of the relevant engagement agreement. The language of the agreements with the residents varies among the various senior homes operated by Palace (*inter alia*, considering the fact that some were purchased from previous owners), and according to the time of their signing and the provisions of the law at such time.

As a rule, the engagement is made by means of the standard track, i.e., the deposit forfeiture track, which includes the resident depositing a deposit for the duration of the term of the agreement. In most cases, the amount of the deposit is determined according to the location of the home and the services provided thereby, the size of the apartment, the finishing level, the levels of demand, and more (the "**Deposit**"). The resident agreement determines the period over which the deposit will be forfeited (mostly over the course of 12-14 years) (the "**Forfeiture Period**") and the rate at which it will be forfeited every year (mostly at a rate ranging between 3% and 4%, plus V.A.T. as required by law). At the elapse of the Forfeiture Period, the forfeiture of the Deposit comes to an end and the balance of the principal plus linkage differentials is repaid to the resident or his heirs upon the expiration of the resident agreement and the discontinuance of use of the residential unit.

The resident agreement also specifies the collateral to be provided to secure the Deposit, all subject to the relevant legal provisions at such time.

[39] The Central Bureau of Statistics – Apartment Ownership 2013-2023 - Link. Of note, according to the CBS, the said figure is an undervaluation, because there are senior homes for which municipal property tax (*Arnona*) is collected on a collective basis and from which figures at the residential unit level are not available.

In view of the Group's financial soundness, Palace also enables residents to engage in alternative tracks to the deposit forfeiture track described above, including a lease track in which the resident pays rent on a monthly basis etc.; however, the scope of such tracks is smaller than that of the track described above.

In addition to the forfeiture of the Deposit and/or the payment of rent as described above, the resident agreement provides the amount of the monthly maintenance fees to be collected from the resident. Subject to the provisions of the Senior Housing Law, Palace may increase the maintenance fees at a real rate and subject to an actual increase in the operating expenses of the home, and, in any event, by no more than the maximum increase rate specified in the resident agreement.

11.3. Restrictions, legislation, standardization and special constraints applicable to the senior housing operating segment

For details with respect to restrictions, legislation, standardization and special constraints applicable to the operating segment, see Section 24.1.3 of this Chapter A.

11.4. Changes in the volume and profitability of the senior housing operations

According to the various publications, as specified in Section 11.2 of this Chapter A, the increase in life expectancy combined with the increase in population and the improvement in the standard of living among the elderly population targeted by Palace lead to an increase in the scope of demand for high-quality and luxurious senior housing solutions in Israel and to the expansion of Palace's operations in the segment.

Furthermore, the increased awareness of the target group to the advantages of senior housing and the recognition that senior homes for the aged population are a respectable and high-quality solution for this population, while differentiating this operating segment from the image associated with traditional retirement homes, contributes to the development of this segment. As of the Report Date, Palace holds rights in a site on which it is building an additional senior home (Palace Rishon LeZion), and Palace's management expects that its completion and occupancy will increase the scope of its operations in the senior housing segment which constitutes a significant and leading agent in the senior housing market in Israel.

The information regarding the factors which in the estimation of Palace's management may affect the scope of its operations in the senior housing segment and the implications thereof on Palace's positioning as a significant and leading player in the senior housing market as noted above, constitute forward-looking information, as defined in the Securities Law, which is based on the estimations of Palace's management. Such estimations are based on external information sources and subjective assessments by Palace's management. Actual results may differ from the estimations so predicted, inter alia, as a result of failure of all or some of the estimations by the Company, Palace and the external information sources to materialize, or their materialization in a materially different manner, due to factors external to and beyond the control of the Company.

11.5. Developments in the markets or changes in customer characteristics

The scope of the operations in the senior housing segment is growing, as a result of the increased life expectancy of the aged population. This trend is also characterized by the desire of parts of such population to preserve the high standard of living and quality of life to which they have become accustomed during the years of their life, and the feeling of loneliness and lack of independence created due to the difficulty in accessibility to the various community services compared with the fulfillment of needs provided by senior housing. In addition, whereas the elderly population had been deterred in the past from moving to senior housing due to the negative image associated therewith and the poor level of services featured thereby, the senior housing setting presently provides a high quality of life while ensuring a safe environment that preserves the resident's independence, cares for his health, ensures an active daily schedule, which includes culture, sports, social interaction and community, and facilitates living at a high level of comfort in luxurious centers. The entry of leading entities, such as Palace, into the senior housing sector, which players introduce a modern construction standard of high-level senior homes into the sector, also contributes to the improvement of this image. These developments have brought with them new market demands for expansion of the services offered in senior housing. Therefore, recent years have seen an increased demand for an environment that offers, in addition to the basic services, a variety of social and cultural activities, such as a swimming pool, spa, classes, restaurant, cafeteria, alternative medicine services and more.

11.6. Critical success factors in the senior housing operating segment and changes therein

It is Palace's management's position that there are several critical success factors in the operating segment, which include: (1) Knowledge, experience and management: The senior housing segment is complex and requires experience in and knowledge of issues that are unique to the elderly population, with an emphasis on the operation of senior housing homes. The ability to optimally manage a senior home bears great importance in Palace's coping with the competition against the existing competitors in the sector; (2) Financial soundness: The Group's ability to withstand the costs involved in the construction, purchase and/or operation of premium high-level senior homes is critical to the subsistence of Palace's operations and its positioning as a leading factor in the senior housing market, and may be a central consideration in the choice of a senior home by potential residents. In addition, Palace's ability to provide collateral to the residents and repay the funds of the Deposit deposited by them, as mandated by the Senior Housing Law, constitutes, in the estimation of Palace's management, a key success factor; (3) Structure of the senior home, the residential units and the surroundings: Since the senior housing sector is on the course of constant development, both in terms of the quality of the structures and residential units and in terms of the level and variety of services, it is necessary to maintain a high construction and finishing standard in the senior home and the public areas thereof, which constitutes a critical success factor in the sector; (4) Location and nationwide presence: A central and accessible location that also facilitates access to nearby centers, recreation and cultural institutions, convenient access to railway stations and public transportation as well as traffic arteries, in the area of the senior home, constitutes an advantage and a central consideration in the choice of a senior home. Furthermore, the location of the senior home in relation to the place of residence of the children and family and former life center of the resident is a highly significant factor that affects the resident's choice of such or other senior home. A more attractive location of the senior home brands it as a more luxurious place and affects the price and the amount of the deposits that may be charged for the residential unit; (5) The size of the residential center: A large residential center consisting of hundreds of residential units entails economies of scale in view of the number and diversity of the residents residing therein, which enables and creates an abundance of activities and a vibrant community and social life; (6) Reputation and branding: The right branding of a senior home, i.e., the attribution of positive values, such as quality, enjoyment, luxury, value for money, the branding of the company running the senior home, years' long reputation, the company's stability, etc., and the creation of a positive position and perception among consumers with respect to the senior home, bear importance in the positioning of the senior home in relation to its competitors; (7) Resident satisfaction: Residents who express high satisfaction with their standard of living in the senior home are a major marketing tool vis-à-vis potential clients, which has a high cost-to-benefit ratio. Palace ensures that it is attentive to the needs of the residents and provides them with a quick response, while maintaining a high level of service and personal response to each and every resident. Palace also holds various multigenerational events, that involve the residents of the homes and their families in order to expose Palace's senior homes and the services provided thereby to as many potential clients as possible.

11.7. Main barriers to entry and exit in the senior housing operating segment and changes therein

In the estimation of Palace's management, the main barriers to entry in the senior housing operating segment are:

1. The need for unique knowledge, experience and reputation, which are required for the development and management of a senior home;
2. The need for material capital investments for the purpose of purchase or construction of modern senior housing homes of a high finishing standard and their marketing;
3. The shortage of potentially economically viable land for the construction of senior homes;
4. The ability to comply with regulation requirements that prescribe threshold conditions for the operation of senior homes;
5. The requirement for financial soundness and current cash flow for the purpose of ensuring the ability to repay deposits, and, *inter alia*, the provision of collateral to the residents according to the provisions of the Senior Housing Law.

In the estimation of Palace's management, the main barriers to exit in the senior housing operating segment are:

1. The difficulty in finding a buyer for this operation due to the substantial scope of investment, the knowledge and the experience required for operation of a senior home under the provisions of the Senior Housing Law;
2. Long-term contractual obligations and the difficulty in evicting residents within a short time.

11.8. Alternatives to the senior housing sector and changes therein

As of the Report Date, the principal alternative to the senior housing sector is the residence of the elderly in households. In 2023, approx. 96% of persons aged 65 or older were living in households. Among the reasons leading to such high rates, one may specify the improvement in the lifestyle and health of the aged population in recent years, which allow for independent living, and the increase in the variety of services offered to the aged population at home (for example, emergency call centers, medical care at home, etc.). Furthermore, the ability to be assisted by live-in caregivers makes it easier for the elderly to stay at home.

Another alternative to the operating segment is retirement homes, which are mostly characterized by elderly residents of middle-to-low socioeconomic status, who are not independent and are in need of constant medical and nursing services, with the cost of residence in such homes being lower than that of senior homes. It is noted that Palace's management estimates that the existing alternatives on the market do not fully address the social and cultural life aspects that Palace offers in the senior homes, and the sense of security that senior homes provide to their residents, which constitute a significant consideration when choosing an alternative to senior housing,

11.9. Manner of performance of the Group's acquisitions in the senior housing segment

For a description of the manner of purchase and exercise of the Group's rights in properties, see Section 8.1.8 of this Chapter A.

11.10. Acquisitions made during and after the Report Period

After the Report Period, the Company (through a wholly owned subsidiary) won a tender for construction of a senior housing project in Tel Aviv, as set out in Section 1.3.7 above.

11.11. Competition

To the best of Palace's knowledge, as of the Report Date, there are approx. 50 entities operating approx. 100 senior homes in Israel, among which are Mish'an Center, Mediterranean Towers, Ahuzot Rubinstein, Ad 120, Bayit Bakfar, Bayit Balev and others, with half of them being located in the center of Israel, primarily in the area of Tel Aviv and Hasharon. In the estimation of Palace's management, the following may be listed among the factors that affect the structure of the competition in the sector: (1) Geographical location, which constitutes a central consideration in the choice of a senior home by potential residents, who tend to prefer a senior home located in proximity to their family members' place of residence or in proximity to their previous living environment; (2) The nature of the residents in the senior home and their lifestyle, due to the importance of the cultural and social life that senior homes offer residents; (3) The standard of the residential units, public areas and other facilities that the senior home offers its residents; (4) The amount of the deposit and the usage fees collected from the residents. In Palace's estimation, as of the date of this Report, Palace's market share in the senior housing market is approx. 8% based on the presently existing homes and irrespective of the operation of the Medical units.

Principal methods for coping with the competition

In order to preserve Palace's competitive position in the senior housing market and cope with the existing competition, Palace takes, *inter alia*, the following measures:

1. Preserving and ensuring a high standard of services and maintenance in the senior homes. In Palace's estimation, the standard of maintenance and services that Palace provides its residents is among the highest in the sector.
2. Constructing new senior homes in attractive and competitive geographic locations, built to a high finishing standard that includes public areas, luxurious convenience facilities, including infrastructure for the provision of functional services according to the residents' needs.
3. Preserving and ensuring a high level of resident satisfaction, attention to their various needs and quick personal response.
4. Maintenance of an effective marketing and sales layout and branding of the chain as a premium chain under the "Palace" brand.

In the estimation of Palace, its competitive position is favorably affected by the following factors: The reputation and high branding of the existing homes (Palace Tel Aviv, Palace Ra'anana, Palace Lehavim and Palace Modi'in), impeccable management and service, the Group's financial soundness, presence in demanded marketing areas and more.

In the estimation of Palace, its competitive position may be adversely affected by the following factors: entry into and/or expansion of competitors into the senior housing market, mainly in the geographical areas in which Palace operates.

11.12. Goals and business strategy in the segment

For a specification of the Company's goals and the Group's strategy, see Section 27 of this Chapter A.

12. The Data Center Segment

12.1. General

In 2019, having studied the market and the key players in the data center industry, the Company made the decision to invest in a company that operates in this industry, noting the industry's growth potential and intending for it to serve as an additional growth driver in its operations.

The first step in the Company's entry into the data center industry was taken by making an equity investment in Compass, a company that primarily operates in the data center industry in North America and in EMEA.

In accordance with an agreement signed between the unit holders in Compass, the lockup period for the sale of holdings to third parties ended in January 2023[40], and the Company's partners started a process to examine the liquidation of their holdings in Compass. Further to the aforesaid, on 20 June 2023, the Company's partners in Compass engaged in an agreement for the sale of holdings in Compass in an amount reflecting for Compass a value of U.S. $5.7 billion and a net value of approx. U.S. $2.7 billion, and in accordance with the separation mechanisms applicable when selling holdings to third parties after the end of the lockup period, as determined in the unitholders agreement, the Company joined and sold its holding in Compass for the same value as aforesaid. For further details, see Section 1.3.8 of the 2023 Periodic Report and Note 7C to the financial statements attached to the 2023 Periodic Report.

Further to the foregoing, and as part of the Company's strategy for expansion of its data center operations by entering the European market, on 24 August 2021, the Company closed an (indirect) acquisition of 100% of the share capital of GM, a company operating in the data center industry in Norway. For further details, see the Company's immediate reports of 13 July 2021, 19 July 2021 and 24 August 2021 (Ref. 2021-01-116121, 2021-01-118377 and 2021-01-136974, respectively), as well as Section 1.3.8 of the 2021 Periodic Report, which are included herein by way of reference.

As of the Report Release Date, the Company is working toward concentrating its data center holdings in Europe under GMG. In the Company's estimation, concentrating its holdings under GMG will allow it to raise capital from investors to support an accelerated rate of development of its data center operations. On 18 August 2024, the Chairwoman of the Board and the CEO of the Company informed the Company's board of directors that Mr. Henkin would be appointed as CEO of GMG. On 17 November 2024, the Company's board of directors approved the appointment of Mr. Ron Avidan as CEO of the Company. Mr. Henkin is expected to step down and Mr. Avidan is expected to assume office on 1 April 2025. For further details, see the 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), the contents of which are included herein by reference.

On 24 September 2024, a special general meeting of the Company's shareholders approved the terms of office and employment of Dr. Ariel Kor, a director of the Company, in connection with his office as Chairman of the Board of GMG. For further details, see the notice of meeting report of 19 August 2024 (Ref. 2024-01-089680), the contents of 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 in East London from a third party, where an operating data center is situated, and another company that owns unoccupied land which 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 included herein by reference. During the Report Period, the work to increase the leasable MWs in the operating data center, at a scope of 14MW, began.

On 7 March 2023, GM, through a wholly owned subsidiary thereof (the "**Service Provider**"), entered into a service agreement with TikTok Norway AS, a Norwegian company that is part of a globally operating group of companies

[40] See the Company's immediate report of 22 January 2023 (Ref. 2023-01-010098), which is included herein by way of reference.

(the "**Customer**"), which is not related to the Company, for the provision of 90MW in data center services on a campus built by GM in Norway (the "**Agreement**" and the "**Project**", as applicable). In the Report Period, the process of delivery of all 90MW to the Customer was completed.

On 18 December 2024, the Service Provider entered with two foreign banking corporations (the "**Lenders**") into 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.

Furthermore, 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 be executed.

For further details regarding the Agreement with the Customer and the amendment thereto, the Loan Agreement and the terms and conditions thereof and the exercise of the option to increase the Project's 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), the contents of which are included herein by reference.

Furthermore, in 2023, GM entered into a joint venture agreement with a German company for construction of a data center campus comprising several buildings in the area of Frankfurt, Germany. Construction of the first building in the project, which is planned to have a capacity of 18MW, has begun. For further details, see the immediate report released by the Company on 2 April 2023 (Ref.: 2023-01-037008), which is included herein by reference.

On 21 December 2023, the Company, incidentally to consideration of a possible bond financing, released an immediate report regarding GM's negotiations with a leading international technology company toward entry into an agreement for the provision of approx. 120MW in data center services to that 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 to withhold a regulatory permit required in relation to the land on which GM considered building the campus, GM was examining other alternatives for land for construction of the project[41].

As of the Report Release Date, GM is negotiating with a lender toward receipt of approx. NOK 4,600 million in financing (approx. €400 million), intended for the refinancing of two preexisting GM loans into one senior-debt loan. Besides the foregoing, as of the Report Release Date, the Company is negotiating with various lenders for an aggregate amount of approx. €365 million, in connection with financing of the various data center projects, including a project for building a data center campus in the area of Frankfurt, Germany, as specified above, in respect of which GM has signed a non-binding letter of intent to begin negotiations for entry into an agreement for the provision of approx. 54MW in data center services with a leading international technology company; and a project for financing, development and expansion of the data center 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 all or any of the negotiations listed above in this section will evolve into binding transactions, and there is no certainty with respect to their terms and conditions and scale. The Company will report in accordance with the requirements of the law on material developments to occur in connection with the said negotiations.

In the Company's estimation, the data center industry is expected to grow at a significant rate and could serve as a significant growth driver for the Company's operations. As of the Report Date, approx. 217 employees are employed by the Company (through subsidiaries) in the DC segment.

[41] For further details, see the Company's immediate report of 19 February 2025 (Ref. 2025-01-011820), which is included herein by reference.

For further details with respect to GM's existing campuses and campuses under development, see Section the map of properties after Section 2.8 of Chapter B hereof.

The Company's estimations with respect to the expected growth of the data center industry and its becoming a significant growth driver are forward-looking information, within the definition of this term in the Securities Law, which are based on subjective assessments by the Company as of the Report Release Date and on information sources that are external to the Company. There is no certainty that they will materialize, in whole or in part, or they may materialize in a materially different manner, inter alia, due to changes in the timetables, the receipt of permits required for construction of, the actual scope and the marketing of the projects and due to factors beyond the Company's control, including changes in the global data center market.

12.2. Structure of the operating segment and changes therein

The 1950s saw the beginning of relatively widespread computer use. In the late 1980s and early 1990s, the computer infrastructure model shifted to "server-client" architecture which was vastly adopted by large organizations and by home users. The early 2000s saw the beginning of cloud computing use, which supported the transition from the purchase of software accessible through local servers (on-premise) to the purchase of software as a service through data center infrastructure (off-premise). Accordingly, there was a surge in the number of internet users, and as of 2024, there are around 5.5 billion internet users worldwide[42].

The accelerated pace of digital data production has led to increasing complexity in the processing, management and storage of digital data. In view thereof, companies are increasingly turning to cloud service providers to find solutions for their digital data management and are concurrently transferring their server infrastructure to external service providers. GM focuses on building data centers for "Hyperscale" customers, such as cloud service providers, such that they may have infrastructures that support the high rate of demand for their services, and also for organizations that transfer the management of their digital data infrastructures to external sites. The purpose of data centers is to provide their tenant-users with the optimal conditions and space for efficient operation of IT equipment. For such efficient operation, data centers must be located in an area where there is broad and fast connectivity to communication networks by optical fibers, and for that area to have access to large and available power supply, to support the transfer of information from and to customers and for processing and storing information and cooling the servers' environment.

At present, the global data center market is one of the highest growing in the income-producing real estate sector. Total annual revenues from Hyperscale customers in 2023 were estimated at approx. $231 billion and are expected to amount to approx. $2,185 billion in 2030 (average annual growth forecast of approx. 37.8%)[43].

12.3. Changes in the volume and profitability of the operations in the segment

In recent years, the data center market has been growing rapidly. This growth is mainly due to an increase in the volume of data and volume of information that governmental, business and private entities back up by cloud.

Demand in the data center market is affected, among other things, by the following developing factors: Cloud service companies, the Internet of Things (IOT), Artificial Intelligence (AI), 5G networks, smart transport, augmented reality and cryptocurrencies.

Furthermore, given the expectation that the "digitization" of the economy will continue to generate a huge amount of data, the research corporation Statista estimates, that the volume of data generated will increase from 33 zettabytes[44] (ZB) in 2018 to approx. 394 zettabytes in 2028[45]. The rise in the demand for data center storage services also stems from the global trend of transitioning to the outsourcing of information management. While

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[42] The International Telecommunication Union (United Nations agency) – Link.
[43] Fortune Business Insights – Link.
[44] A unit of digital information storage used to indicate the size of data.
[45] Amount of data created, consumed and stored 2010-2020, with forecasts to 2025 - Link.

in 2017 only some 40% of data center services were provided by outsourcing and the rest were managed within the companies themselves, in 2022 the share of outsourcing increased to 60% of such services, and it is expected that by 2027, the share of outsourcing will be over 70% of the said services[46]. The main causes for the transition to outsourcing are, *inter alia*, the companies' desire to focus on their core business, increased advantages (given the increase in costs and the complexity of in-house management of information systems) and the switch to receipt of IT services from companies that provide cloud services – companies that specialize in providing services that include all IT infrastructure building, security and maintenance tasks as well as the retention of data and information on the servers of those "cloud companies".

In recent years, the increase in demand has resulted in an increase in the volume of consumption and use of global data centers. Whereas output in 2018 amounted to 6,439 Utilized MW, output in 2024 totaled approx. 30,500 Utilized MW[47].

The profitability of data centers, like other real estate and infrastructure properties, is measured under a cost recovery model, and this market is characterized by significantly high returns, compared with other income-producing real estate segments in the international markets.

12.4. Developments in the markets of the operating segment or changes in customer characteristics

The development of the cloud sector and the transition of companies to information management through outsourcing has led, as noted, to rapid growth in the data center market.

Furthermore, the US market is a high maturity market and positioned as a global industry leader.

To the best of the Company's knowledge, as of 2024, approx. 40% of revenues from Hyperscale customers in the data center market originated from their North America operations, approx. 23% from their Asia-Pacific operations, approx. approx. 30% from their Europe operations and the remainder in the rest of the world[48].

To the best of the Company's knowledge, the Nordic countries' data center market has the benefit of low electricity costs compared with such costs in other European markets in which less use is made of renewable energies from environmentally friendly sources than in the Nordic countries. The demand for data center properties that use such sources is on an uptrend. It is further noted that most of the European market's data center properties are located in the primary (Tier I) market, the FLAP-D cities (Frankfurt, London, Amsterdam, Paris and Dublin). Recently, secondary (Tier II) markets in Europe (such as the Nordic countries) have generated a growing interest due to the shortage of energy sources and the high cost of land in the primary markets.

12.5. Critical success factors in the operating segment and changes therein

In the Company's estimation, there are several critical success factors in the data center industry, including:

- Strategy for entry into the industry – The Company's strategy for entry into the industry is equity investments in or acquisition of existing and operating companies in the industry, which have a significant growth potential.
- High professional standards – It is required to have high professional standards and understanding in the relevant engineering fields of electrical engineering, mechanical systems and computer and telecommunication systems.
- Relationships with significant customers – This industry has a limited number of Hyperscale customers, which are major consumers, such as large cloud service providers and telecommunications companies, which are

[46] Synergy Research Group - Link.
[47] Cushman & Wakefield 2024 Global Data Center Market Comparison – Link.
[48] Cognitive Market Research - Link.

sophisticated customers with complex and specific requirements a d expectation of high professional standards on the part of their data center providers. Therefore, the ability to engage with these customers is an important element of success in the industry.

- Location of properties – The location of the properties is important, with significant parameters including, among others: The ability to provide a large power supply from environmentally friendly sources, preference of cold areas with low power costs and proximity to communication networks. In addition, physical deployment relative to customers' location is relevant in view of the importance of the data transfer speed (latency), as well as the requirement of cloud companies for data center redundancy and the distances required between the centers. Furthermore, there is an advantage to data center properties that are located near airports, universities and related services.
- Regulation – Continued growth in data consumption encourages regulators to establish provisions concerning protection of the IT infrastructures of end-users, which reinforces the essentiality of the data center market.
- Digitization – Digitization processes and technological developments affect demand levels in the industry. In the estimation of the International Data Corporation (IDC), by 2025 every person will have over 4,900 digital-data interactions per day (once every 18 seconds)[49], which is expected to increase the demand for data centers.

12.6. Changes in suppliers and raw materials in the operating segment

As in other industries in the global economy, in recent years, a slowdown has been noticeable in the chain of supply of several components that are usually included in projects in this industry (such as elements for the cooling systems, generators, construction materials, etc.). Consequently, prolonged supply times can be observed for certain items. In addition, some of the components used in the industry have seen price increases as a result of the rise in the prices of some commodities in the world (e.g., the rise in the price of metals). In addition, there has been an across-the-board rise in prices in view of the rise in inflation. As of the Report Release Date, it is not possible to estimate whether such changes will affect the scope of operations in the segment.

12.7. The main barriers to entry and exit in the operating segment and the changes therein.

In the Company's estimation, the main barriers to entry and exit in the data center industry are as follows:

Barriers to entry – (1) Extremely high capital requirements; (2) Relevant knowledge for generating value in the real estate sector; (3) A deep technical understanding of data center design and an ability to build data centers quickly; (4) Power availability for supply in high volume, with an emphasis on renewable production sources; (5) The need for existence or creation of infrastructures and for a high-connectivity optical fiber communication system near the location of the data centers; (6) Ability to efficiently utilize capital.

Barriers to exit– (1) Disposition of the holdings in companies of the industry, which have a substantial value and restrictions on sale under lease agreements; (2) Termination of existing lease agreements which are mostly long term.

12.8. Substitutes for products of the operating segment and changes therein

While the way data centers are designed and deployed may change, the need for data centers is increasingly growing

According to studies, the number of devices connected to the internet is expected to total more than 75 billion in 2025. This number is set to grow to more than 75 billion devices[50], i.e., a massive increase in the number of

[49] The Digitization of the World From Edge to Core.
[50] ResearchGate - Link.

internet devices is expected, and consequently, an even larger increase in the volume of data that requires storage.

Should these projections materialize, additional infrastructures will be required to provide the services currently offered by data centers and alternative solutions will possibly be developed.

As of the Report Release Date, to the best of the Company's knowledge, there is no substitute for the services provided by data centers. However, as technology advances and demand increases, substitutes may be developed. In the event that new server technology evolves to meet customer needs at lower costs, data center infrastructure may become less attractive. As aforesaid, to the best of the Company's knowledge, no new technology in the industry is expected to mature in the foreseeable future.

12.9. Competition structure in the operating segment and changes therein

The data center industry is characterized by intense competition. There are various aspects to the competition in the industry, including: (1) Competition between developers with similar properties; (2) Competition in relation to the rent offered by data centers; (3) Competition in relation to the premises offered (considering other factors, such as location, connectivity, security, etc.); (4) Competition in relation to the ability to provide services quickly; (5) Competition in relation to the quality and flexibility of the operating services provided to data center tenants; (6) Competition in relation to the ability to provide data center services that are based on use of renewable energies and/or competition with respect to the ability to provide solutions that meet customer requirements in ESG aspects (reduced use of energy, reuse of heat emitted from data center operations, etc.); (7) Competition against Hyperscale customers that develop, in some of the areas where they operate, autonomous abilities to establish data centers independent of third parties.

12.10. Products and services

GM’s Products and services are mainly the planning, building and operation of data centers with high information security, the supply of advanced data center services to organizations and wholesale customers and the highly efficient operation of data centers while using 100% of renewable energies. As of the Report Release Date, GM operates four data centers in Norway and one in England.

12.11. Customers

In the data center industry, the lease is based on power units (kW), rather than area units.

Customers are classified according to the requested amount of kW (the unit of measurement), as follows: Hyperscale (>5 MW), Wholesale (300 kW – 5 MW), and Retail (<300 kW).

As of 31 December 2024, the average occupancy rate[51] in the data center operating segment is approx. 100%.

Due to the sensitivity and materiality of the services provided by data centers, as well as the high costs and significant amount of time required for moving from one data center to another, customers in the industry do not tend to make frequent changes in their server farms and databases, and consequently engagements in the industry are long-term and characterized by stability and few replacements by tenants. Thus, for example, the typical duration of lease contracts with Hyperscale and Wholesale customers (large cloud service providers, telecommunications companies, etc.) ranges between 5 and 10 years, and the typical duration of lease contracts with Retail customers (medium business - banks, airlines, etc.) ranges between 1 and 5 years.

[51] The average occupancy rate was calculated based on the lease agreements’ information as of 31 December 2024, according to a weighted average of GM. The occupancy rate does not include areas under construction.

Other data center customers are entities from various fields, including healthcare services, financial institutions and government and administration agencies. Communication with these entities takes place directly, due to the sensitivity of the information, the importance of information security and the protection of the privacy of the end customers.

In its data center segment, the Company is focusing on the Hyperscale market. In accordance with the foregoing, GM has several core customers, including material cloud customers, significant high-performance computing customers and others, which are responsible for a high percentage out of GM's revenues and loss of which may have a material effect on the operating segment.

12.12. Marketing and distribution

GM's marketing strategy is largely aimed at several core components to support the direct and proactive sales approach required to create awareness of the Norwegian data center market as a secondary (Tier II) market and of the values that the Norwegian market can generate for prospective customers. This is done both by means of digital channels and by means of active participation in conferences, all to attract prospective customers by various methods (videos, articles and other content) and for GM to gain recognition as a leader in the industry.

As of the Report Release Date, GM has no dependence on any of its marketing methods, loss of which would have a material adverse effect on the operating segment or due to the need for replacement of which GM would incur material additional cost.

12.13. Acquisitions made during and after the Report Period

No further acquisitions were during the Report Period and up to the Report Release Date.

12.14. Competition

As of the Report Release Date, there are approx. 300 certified data center providers worldwide, ranging from large public companies to smaller private companies.

As noted above, GM's operating data centers are situated in Norway and England. However, approx. 89% of its revenue originates from international customers.

Furthermore, the Nordic Countries and specifically Norway have vast renewable energy sources, at low cost compared with the rest of Europe, a cold climate, a stable political environment, as well as extremely low seismic activity. In addition, the government in Norway supports the industry. All of these factors make the Nordic Countries and specifically Norway a highly competitive and attractive place for the operation of data centers. The key players in the industry in Norway are Lefdal, GM, Stack, Mine Datacenter and Bulk Infrastructure, with Stack being the largest company in the sector. According to GM's estimations, its market share in the sector in Norway is approx. 39%.

GM also competes against other international data center players in Europe, with GM acting vis-à-vis international customers with the purpose of them having their data center operations set up in Norway, *in lieu* of the industry's traditional markets in Europe. In this context, it is noted that the traditional markets in Europe mostly demonstrate weaker performance as pertains to sustainability (in aspects of renewable energies and PUE[52]).

[52] PUE (Power Usage Effectiveness) – The ratio between the total amount of energy used by the data center and the energy serving the computing equipment in the data center.

12.15. Production Capacity

GM operates four server farms in Norway and, as of the Report Release Date, has undertaken to provide approx. 148 MW to customers that have contracted therewith, for an average term of approx. 7 years. In addition, GM has future development and construction potential in these and other sites totaling at approx. 520 MW.

One of the U.K. Companies acquired leases, under a long-term lease from a third party that is not related to the Company, land on which a data center is built, in relation to which it has engaged in lease agreements with its customers for an average term of approx. two years and for a total volume of approx. 7 MW. As specified above, work for expansion of the site began during the Report Period.

12.16. Fixed assets, real estate, facilities

Data center facilities are intended to host and support the services rendered thereby. Data centers are mostly composed of hardened buildings, power distribution systems and complementary power sub-systems, power switching backup generators, cooling and ventilation systems, and more.

As noted above, GM is presently operating four data centers in Norway. One of these is located in an underground structure that previously served as a NATO ammunition storage facility and leased under a long-term lease agreement until 2079, whereas the other three data centers are on GM-owned land. Furthermore, GM owns additional land and has entered into agreements that grant it rights to buy more land across Norway.

12.17. Raw materials and suppliers

Operating data centers is energy intensive and thus depends on power supply as well as the ability to transmit power to the data centers. While power can be purchased from a large number of alternative suppliers, the transmission of power to each data center depends on the local power transmission provider in the area of the data center. Therefore, future growth depends to a certain degree on each such provider having sufficient capacity for power transmission to the relevant data center.

12.18. Environmental risks and management methods thereof

The operations in the segment are subject to laws and regulations regarding environmental protection, the storage, management and disposal of hazardous substances, emissions into the air and discharges into water, cleaning of polluted sites, noise restrictions, and more. Such laws and regulations were announced by various regulatory bodies and pertain to various aspects, including the use of generators, batteries and fuel storage. To the best of the Company's knowledge, the operations in the segment comply with such laws and regulations, but is potentially exposed to environmental risks that may lead to significant costs due to fines and other sanctions, cleaning costs and third party suits for damages, as a result of violation or liability under laws and environmental regulation.

Furthermore, the operations in this segment require the receipt of permits and/or other Government approvals and the development of action plans in relation to the use of generators or in relation to other actions. Such requirements may limit the operations or delay the development of data centers in the future. In addition, from time to time, regulatory changes that pertain to environmental protection and may result in significant costs for compliance with the provisions of the law.

As noted above, the data center industry is characterized by consumption of vast amounts of power and the industry's growth brings with it challenges, as the availability of power produced from renewable energies is limited. An EU directive prescribes that the heat generated by data centers should be deemed a resource and therefore measures should be taken to reuse it. GM has two projects in which it develops solutions for reuse of the heat.

To the best of the Company's knowledge, GM is not exposed to legal or administrative proceedings related to environmental protection, other than possible exposure to fines in immaterial amounts imposed on the Company for failure to obtain generator use permits. In this context, it is noted that applications for these permits were submitted during the Report Period and the permits are expected to be obtained in 2025.

12.19. Goals and business strategy

For the Company’s goals and the Group’s strategy, see Section 27 of this Chapter A.

12.20. The following table presents a summary of data about a material income-producing building of the Group in the data center segment as of 31 December 2024, as valuated by the CBRE appraisal firm using the discounted cash flow (DCF) method:

Name and Features of the Property			Year	Information Item											According to Regulation 8B(I) (as applicable)
				Fair value/book value at end of period (NIS in millions)	Rent revenues during the period (NIS in millions)	Actual NOI during the period (NIS in millions)	Rate of return (%)	Adjusted rate of return (%)	Return on cost (%)	Property value to debt ratio (LTV)	Revaluation profit (loss) (consolidated) (NIS in millions)	Occupancy rate as of end of period (%)	Average monthly rent per sqm from main use (in NIS)	Ratio of average store revenue per sqm to average rent per sqm	Other assumptions underling the valuation
GM - Hamer[57]	Region	Norway	**2024**	3,621	83	61	1.68%	8.18%	1.89%	-	256	100%	1,607	N/A	Rent cap rate – 7.75%
	Functional currency	NOK	2023	2,559	-	-	-	-	-	-	464	100%	-	-	-
	Main use	Data Center													
	Construction cost (NIS in millions)	3,221													
	Corporation's share (%)	100%													

* Mr. Chris Angel is a RICS-qualified surveyor, a senior director at the firm CBRE.

[57] The property was completed and leased-up in 2024.

13. The Rental Housing in Israel Segment

13.1. General information on the operating segment

13.1.1. General

The Group's operations in the rental housing in Israel segment focus on the development, acquisition, lease, management and maintenance of projects designated for long-term rental housing, as well as the operation and provision of high-standard related residential services (community management, security, apartment fit-out, business services, and so forth).

As of the Report Date, the Group has five projects (some active and some at stages of construction), as well as an additional future project, as specified below:

#	Name of Project/Property	Number of Residential Units	Project Status	Estimated Completion Date (Year)	Project Description
1	Modi'in Residences	67	Active	-	An active project consisting of 67 residential units, with a GLA of 86approx. 8,699 sqm and an average apartment size of 130 sqm. As of the Report Date, the occupancy rate of the residential units in the project is 100%.
2	Azrieli Town Tel Aviv	210	Active	-	July 2022 saw the beginning of tenant move-ins into the Azrieli Town Tel Aviv project, which comprises 210 residential units, with a GLA of approx. 20,184 sqm and an average apartment size of 76 sqm. As of the Report Date, the occupancy rate of the residential units in the project is 75%. The project includes 21 affordable residential units, and the remaining units are on the private market. The project is included in benefits under the Encouragement of Capital Investment Law, as stated in Section 24.1.4 below.
3	Modi'in – West Complex	80	Operating	-	In 2024, tenants began to move into the project, which comprises 11 residential floors that hold 80 residential units, with a GLA of approx. 5,200 sqm and an average apartment size of 63 sqm. The project is included in benefits under the Encouragement of Capital Investments Law, as stated in Section 24.1.4 below.

4	Herzliya Glil Yam	147	Under construction	**2027**	See Section 7.7 above.
5	Spiral Tower (Tel Aviv)	89	Under construction	**2028**	The Spiral Tower, which is under construction, is expected to include, *inter alia*, approx. 89 residential units, with a GLA of approx. 8,900 sqm and an average apartment size of 100 sqm.
Future project					
	Abraham Hostel (Tel Aviv)	110 (preliminary estimate)	Future	-	The work in the project is estimated to begin in 2029. In view of the fact that the property is mostly leased under a long-term lease, as of the Report Date the property is included in the leasable office and other space segment.
Total		**785**			

For further details with respect to the properties, see Sections 7.7 and 7.8 of Chapter A hereof.

The Company's estimations in this Section 13.1.1 with respect to the date of commencement of tenant move-ins and the number of residential units in the Spiral Tower and Abraham Hostel projects, and the projected commencement of work at Abraham Hostel, constitute forward-looking information as defined in the Securities Law. Such information is based, inter alia, on assessments and estimates of the Company, as well as licenses and permits planned to be obtained, the materialization of which is uncertain and beyond the Company's control. Actual results may materially differ from the above estimates for various reasons, including failure to meet design and construction targets, failure to obtain or delays in the receipt of licenses and permits from the regulatory authorities and a decrease in the demand for rental apartments.

Some of the projects in the segment are designated for both private-market tenants and Eligible Persons[58] with the aim of leasing residential apartments on a long-term basis in accordance with the Planning and Building Law (Amendment 120), 5778-2018.

The tenders for construction and operation of projects in the rental housing in Israel segment specified various restrictions, including the following: The residential units that shall be built are designated for long-term rental housing for the periods specified in the tender; a fixed rate of the residential units shall have controlled rent for Eligible Persons, a mechanism for the determination of which is determined by the tender; restrictions pertaining to the term of the engagement with the tenants; restrictions pertaining to the amount of maintenance fees and the ability to raise the rent, etc. For further details about the restrictions that apply to long-term rental housing projects, see Section 24.1.4 below.

In accordance with the aforesaid, the lease contracts in such projects of the Company to which the said restrictions will be relevant will generally include an initial lease period of around five years as well as a tenant option for additional aggregate lease periods of at least five years. For tenants eligible for a reduced rent, the rent will be 20% less than the price determined by a government appraiser and will not exceed the reduced rent cap[59].

[58] As defined in the Sixth Schedule to the Planning and Building Law, 5725-1965 (the "Planning and Building Law").
[59] The national average price of uncontrolled rent for a 4.5-5 room apartment according to CBS publications, multiplied by 1.1.

13.1.2. Structure of the operating segment and changes therein

The Group operates, as aforesaid, in development, acquisition, lease, management and maintenance of long-term rental housing projects. This operating segment is affected, *inter alia*, by macroeconomic changes, changes in demand trends and changes in the Construction Input Index.

Over the past decade, and all the more following the adoption of the recommendations of the report of the Committee for Socioeconomic Change (the "**Trajtenberg Committee**"), Israel began taking several measures to encourage residential construction that is designated for long-term rental. Such measures yielded a host of new regulatory arrangements that concern planning, taxation and the policy for management of state-owned land, as part of which, 2013 saw the formation of a special-purpose government-owned company dedicated to the issue: "Apartment for Rent – The Governmental Company for Housing and Rental Ltd.".

In this context, several regulatory schemes were executed, aiming to expand the rental market and advance the formation of a long-term rental market, including: (1) as aforesaid, the "Apartment for Rent" project, formation of a special-purpose government-owned company to promote rental housing as part of the national housing project as well as projects overseen by the Ministry of Housing; (2) amendment of the Rental and Borrowing Law, 5731-1971 (the "**Rental Law**"), which regulates, *inter alia*, the relationship between tenants and landlords, insofar as the lease agreements do not expressly specify otherwise, and also prescribes mandatory provisions with respect to residential rentals. The Rental Law imposes duties on the landlord and the tenant, including provisions regarding the obligation to repair the leased premises and remedies for failure to repair, use of the leased premises, rent payment dates and general provisions regarding the term of the lease, transfer of the lease and transfer of the leased premises; (3) additional planning and building legislation amendments, including legislation that allows for the construction of rental housing on public land as well as regulations that require the construction of rental apartments under large-scale zoning plans that are approved by the National Planning and Building Committee; (4) taxation legislation aimed at encouraging the development of an institutional rental housing market, including an amendment to the "REIT Law" – Amendment 222 to the Income Tax Ordinance, the purpose of which is to encourage the formation of funds for investment in real estate for rental housing purposes and aiming for the development and perfection of a long-term rental housing market and allowing households to invest in the housing market without the need to actually purchase and manage property; (5) amendments to the Affordable Housing Law and to the Rental Law.

The outcome of the aforesaid policy is the creation of competition in the rental housing market, which includes the activity of many small entities (individuals) or companies, engaged in the development, identification, design, construction and maintenance of properties designated for rental housing. For further details about the competition in the rental housing market, see Section 13.2 of this Chapter A.

According to the Central Bureau of Statistics (CBS), approx. 66% of all households own at least one apartment. Furthermore, about 70.8% of households live in an apartment they own, with the others living as tenants without rent control (and a low percentage live in state-owned public housing and other unique residential arrangements). The percentage of households living in leased properties (approx. 28.6%) varies according to geographic region – about one half of renters live in the Tel Aviv and Central Districts, with the Tel Aviv District having the highest percentage of renters[60]. The Israeli rental market is characterized by small apartments and small households, such that approx. 62% of rented apartments have two or three rooms,

[60] See the following link: Link.

and approx. 69.3% of households in rented apartments house no more than 3 people[61]. Such households form the basis for the current demand for rental housing.

Moreover, despite the size of the rental housing market in Israel, this market remains chiefly held by private investors, and unlike the situation in OECD countries, no significant institutional rental market alternative thereto has developed. In recent years, the number of investors who purchase additional residential apartments for investment purposes has even risen. Such increase in the acquisition of apartments for investment affects the increase in the price levels of owned housing and rent. Additionally, the rise in apartment prices has eroded the ability of households to purchase residential housing, sending them to the rental market. However, it seems that recently, there has been a certain slowdown in housing prices, in view of a decrease in the volume of apartments sold, a slowdown in construction starts, including in the marketing of land for construction by the State.

The Company's estimations in this Section 13.1.2 in connection with an increase in the volume of operations in the long-term rental housing market in Israel as a result of the promotion of regulation are subjective assessments only and constitute forward-looking information, as defined in the Securities Law. Actual results and effects may materially differ from the aforesaid estimations and what they imply, for various reasons, and, inter alia, economic crises, lack of demand for rental apartments with a finishing standard identical to the finishing standard typical of the apartments marketed by the Company.

Trends in the Israeli housing market:

(a) Lasting housing shortage

Building permits and construction starts: From October 2023 to September 2024 (in this section: the "**Period**"), building permits were issued for 72,180 apartments, a decrease of approx. 2.3% compared with the same period last year. In addition, the Period saw the commencement of construction of approx. 58,470 apartments, a decrease of 9.7% compared with the same period last year. Approx. 43.3% of all apartments for which construction began are located in the Central and Tel Aviv Districts (23.4% and 19.9%, respectively). Of note, approx. 6.8% of the apartments for which construction began are designated for rental.

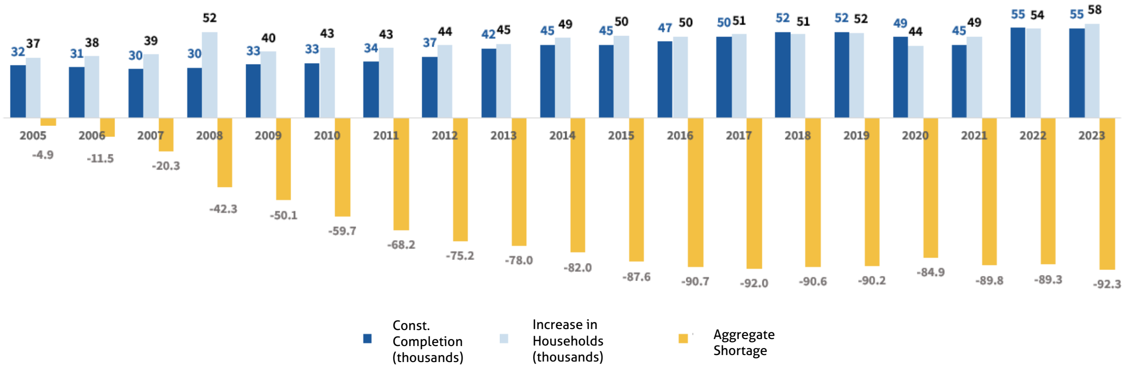
Construction completion: Compared with construction starts, during the Period, the construction of approx. 54,110 apartments was completed, a decrease of approx. 6.1% compared with the same period last year[62].

The gap between the rate of construction starts and completion and the increase in the number of households in Israel reflects a decrease in supply with a simultaneous increase in the demand for housing, mainly in the center of Israel. This trend creates a lasting housing shortage in Israel, which intensifies over time.[63]

[61] Published by the CBS on 29 December 2021: Physical Assets of Households – Characteristics of Residential Apartments, Findings from a Long-Term Survey 2018-2019; see the following link:
https://www.cbs.gov.il/he/mediarelease/DocLib/2021/445-1/15_21_445b.pdf

[62] Source: Construction start and construction completion during the period of October 2023 – September 2024 (posted on the CBS website – 22 December 2024).

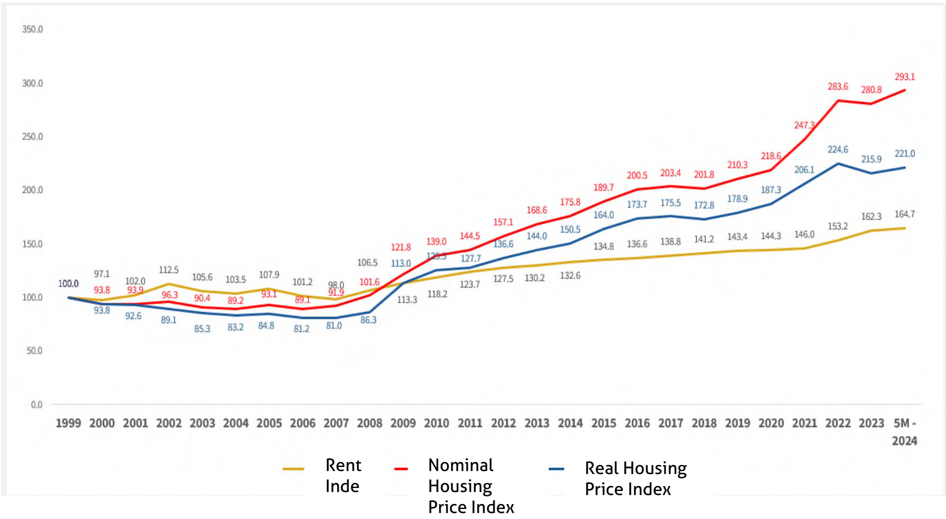
[63] Source: CBS data.



(b) Increase in housing prices versus rent prices

A real increase of 133% was recorded in the apartment price index from the end of 2008 until Q1/2022, with a low interest rate level in the background, leading to an increase in demand for properties, including an increase in the demand for apartments. The rise in rent prices over this period was far more moderate, with the rent price index recording an increase of approx. 35%.

The following chart shows data from recent years, with respect to the development of the increase in apartment prices compared with the increase in rent prices[64]:



In the Company's estimation, the said gap between the increase in apartment prices and the increase in rent prices reflects the increasingly growing gap in households' ability to purchase residential housing, sending them to the rental market, considering, *inter alia*, the improvement witnessed in recent decades in the financial position of households in Israel, which allows for the leasing of an apartment that fits the needs of the household, as well as the rise in inflation and the increase in the Prime interest rate which renders mortgages more costly for those seeking to buy housing.

[64] CBS, Ministry of Housing and public releases.

(c) Housing alternatives – an ownership model versus a rental model

In many of the world's countries, rental housing is deemed interchangeable with owned housing and it diversifies the solutions found on the market. The choice between owning or renting housing depends, among other things, on the residents' point of view, preferences, income and the supply to be found on the market. Ownership seemingly offers clear advantages – the purchase of an apartment is an economic investment which allows, in addition to use of the residential unit, also for the accumulation of wealth, by savings and by capital gains as the value of the property increases. Furthermore, ownership of an apartment confers social status and a sense of accomplishment and success. The disadvantages of the ownership model primarily have to do with the financial and administrative burden of buying and maintaining an apartment, a burden that may be particularly heavy in times of uncertainty and interest rate rises.

The rental market offers a solution for individuals who do not wish to chain themselves financially to a specific property for many years, and greater flexibility in their choice of residential location, and consequently greater flexibility in their choice of places to study and work. In addition, leasing facilitates a better match between the required apartment size and the household size and eliminates the need to invest a considerable part of the household's resources in a single property.

In the Company's estimation, an increase in financing costs has a substantial effect on the ability of households to purchase residential housing and on the preferences of households as concerning the housing options available to them. A trend of rising interest rates adversely affects households' purchasing power and monthly repayment capacity, and therefore households may prefer the rental model that offers them financial flexibility.

(d) Need for long-term rentals

The main existing rental market is characterized by contracts for terms that are significantly shorter than tenants' needs and the duration of their residence – more than 90% of the agreements on the rental market in 2015 were signed for a term of just one year, whereas, in practice, more than one half of tenants live in a rented apartment for 3 years or more[65].

Given these figures, a long-term rental model constitutes a preferable alternative to the private rental model for households, because it offers stability and certainty during the term of the lease and balanced terms and conditions between tenant and landlord, which ensure a proper housing standard and ongoing maintenance.

As of the Report Date, there are several principal avenues for long-term rental apartments:

The Authority for Investments and Industrial and Economic Development (the "**Authority**"): The unit tasked with the supervision and issuance of letters of approval to entrepreneurs seeking to receive the benefits of the Encouragement of Capital Investments Law. Between 2011 and 2020, the Authority approved 423 applications that included the construction of 10,038 residential units. About two thirds of the applications (6,071 residential units) were in the Central district, approx. 12% of the applications (1,549 residential units) were in the Jerusalem district, and the remainder were in the northern and southern districts. 112 applications comprising 2,466 residential units were approved in 2022, and 247 applications comprising 5,402 residential units were approved in 2023.

[65] See the following link: https://www.megureit.co.il/uploads/articles/pdf/rent.pdf

"Apartment for Rent" (*Dira LeHaskir*): A government-owned company established in 2013 for the promotion of rental housing, which serves as an executive branch for the purpose of advancing and planning rental housing projects. The company's goals were defined as the identification of development sites, promotion of statutory planning, execution of proprietary arrangements, management of marketing in the context of tenders, and operation of supervision and control mechanisms over the winners of tenders.

REITs: REITs are funds that operate under the Income Tax Ordinance, wherein they are defined as a "fund for investments in real estate" that constitute a capital investment instrument. Such funds allow the public to buy shares of the fund, which is obligated to invest its resources in real estate and distribute its profits among the shareholders. The fund's activity is underpinned by a one-phase taxation model that views the shareholders as direct investors in the company's ventures. In 2016, the Income Tax Ordinance was amended (Amendment No. 222) to allow for REITs' activity in the long-term rental housing sector through the acquisition of real estate for purposes of rental housing.

(e) Transition from product consumption to service consumption

Recent years have seen the trend of transitioning from product consumption to service consumption, based on long-term engagements while providing comprehensive and supplemental solutions (servitization). Part of this trend originates, *inter alia*, from the willingness of Gen Y-ers and Gen Z-ers to pay for quality services. In accordance with the said trend, the Company provides its customers with comprehensive supplemental services in the form of solutions for day-to-day needs, both in terms of services (workspace, fitted-out apartments, community life, vehicle charging stations, events and activities, etc.) and in terms of bureaucracy vis-à-vis the authorities.

In the Company's estimation, the aforesaid trends will lead to a rise in the demand for the Company's projects for long-term rental of residential housing units, coupled with comprehensive related services for the tenants' daily needs. The Company estimates that the projects will meet the present and future need of many households, in high-demand areas, for stability and certainty during the term of the lease, and for balanced terms and conditions between tenant and landlord that ensure a proper housing standard and ongoing maintenance, while not being required to have the substantial capital that is needed under an ownership model.

The information included in this Section 13.1.2 with respect to the general environment, the external factors that affect the housing market, including trends and the Company's estimations, which is based on the Company's subjective assessments and estimates and the present and future need for the Company's projects, is forward-looking information, as defined in the Securities Law. The Company's estimations take into consideration past experience as well as publications and surveys that were written by professionals in connection with the rental housing in Israel segment, as specified above. Such data are merely estimates and may be incomplete, but in the Company's estimation, may provide a general picture of the market in which the Company operates. Given the aforesaid, and due to the fact that these factors are beyond the Company's control, actual results may differ from the aforesaid estimations, inter alia due to the materialization of any of the risk factors specified in Section 29 of Chapter A hereof.

13.1.3. Restrictions, legislation, standards and special constraints applicable to the operating segment

This operating segment is primarily subject to land law, planning and building law, the Rental and Borrowing Law and government policy in relation to the encouragement of long-term rentals. For details regarding the restrictions, legislation, standards and other constraints applicable to the Group's operations in this segment, see Section 24.1.4 of this Chapter A.

13.1.4. Changes in the volume and profitability of the operations in the segment

The Israeli real estate development sector is characterized by competition and the activity of many players, including public and private real estate companies that operate both nationally and internationally, small entrepreneurial companies with local operations and acquisition groups.

Competition in this sector focuses on the various construction sites, both at the stage of enterprise and identification of the land, and in the advanced stages of construction and marketing of the projects. Profitability in the residential real estate sector and the volume of the sector's operations are primarily affected by the supply of apartments, the demand for housing and the factors that affect them.

13.1.5. Developments in the markets or changes in customer characteristics

As may be seen in the chart below[66], rented residences are typical of younger households and households consisting of a single parent with minor children. According to a CBS survey in connection with the characteristics of households in Israel, approx. 73% of tenants are single individuals under the age of 40 (after the age of 40, this rate is approx. 35%). Approx. 71% of couples without children where the age of the older spouse is 40 also rent their residence (after the age of 40, this rate is only 16%). Furthermore, approx. 45% of families that consist of single parents with children under the age of 18 live in rented apartments[67].

A Central Bureau of Statistics document[68] indicates that the percentage of people living in rented apartments is particularly high up to the age of 34. For ages 35 or older, the rate of households that rent their residence decreases.

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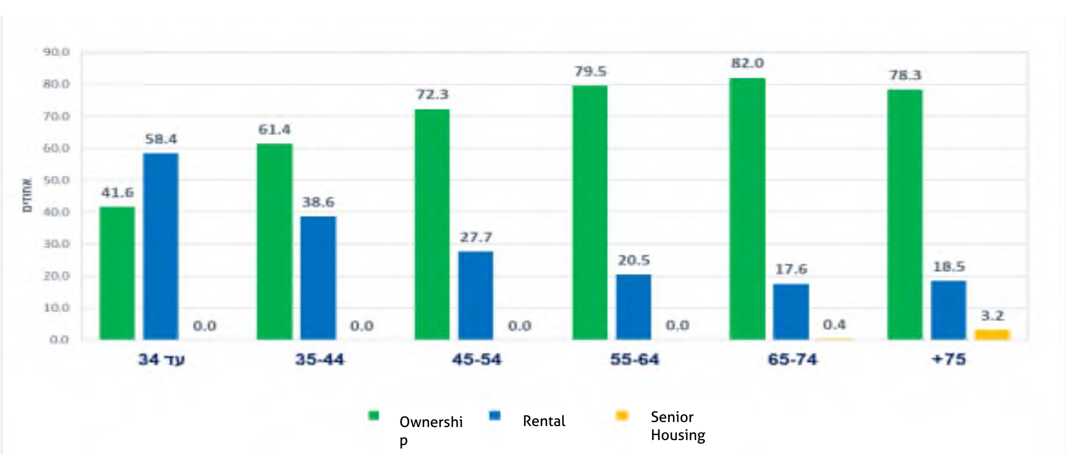
[66] Click the Link.
[67] See Footnote 96, *supra*.
[68] CBS – Apartment Ownership 2013-2023, Link.

Chart 10 – Apartment Ownership by Age Group of Apartment Holder, Percentage, 2023



As of 2024, the projects initiated by the Company include a diverse mix of apartments, with an emphasis on 3- to 5-room apartments, and therefore such projects are primarily suited to family-based communities.

13.1.6. Critical success factors in the operating segment and changes therein

In the Company's estimation, the principal factors that will contribute to the success of the rental housing in Israel segment are, *inter alia*: (1) The ability to find and buy land in the required volume in a highly competitive market on favorable terms, *inter alia*, by buying land from developers that have received permits and licenses; (2) Many years of experience in the real estate sector, coupled with experience and knowledge in the management, development and operation of complex compounds; (3) A positive and proven reputation; (4) The promotion of collaborations with strategic players in the rental housing sector; (5) Availability and high responsiveness to the tenants' needs while ensuring a high standard of related services; (6) Introduction of the standard and range of services provided by the Company to the demographic of potential tenants; (7) The location and geographic dispersal of the properties; (8) Financial soundness, availability of financing resources and ability to finance on optimal terms; (9) The quality and soundness of the tenants; (10) The ability to deploy effective collection measures and the receipt of sufficient collateral from tenants; (11) Holding a mix of apartments according to forecasted demand; (12) Finding land in high-demand areas for the development and construction of projects in the operating segment; (13) Competitive prices; (14) Regulatory aspects.

13.1.7. Key barriers to entry and exit in the operating segment and changes therein

In the Company's estimation, the key barriers to entry in the rental housing in Israel segment are, *inter alia*: (1) access to financing sources, capital, debt and financial soundness; (2) knowledge, experience and a positive reputation; (3) specialization in development and ability to manage and operate large-scale real estate operations from a long-term perspective; (4) available land reserves in areas that are in high demand for rental housing.

In the Company's estimation, the key barriers to exit in the operating segment are: (1) the disposal of real estate being subject to the conditions of supply and demand in the market; (2) in tenders that are marketed by governmental or municipal bodies – endorsement of the rights by the winner is subject to various regulatory approvals.

13.1.8. Structure of the competition in the operating segment and changes therein

For a description of the structure of the competition in this operating segment, see Section 13.2 of this Chapter A.

13.1.9. Acquisitions made during and after the Report Period

No acquisitions were made during and after the Report Period.

13.2. Competition

To the best of the Company's knowledge, there are multiple players operating in the rental housing sector in Israel, most of which operate in specific geographic areas, rather than having a national presence. In recent years, upon the issuance of several tenders for rental housing projects by the government-owned company "Apartment for Rent", several players entered the sector, which players, at present, chiefly specialize in the development of residential projects and in commercial income-producing real estate and leasable office space, including medium-sized development companies, real estate investment funds (REITs) and institutional bodies.

In the Company's estimation, the corporate rental housing sector offers an innovative solution in the rental market, both in terms of the level of certainty provided to the tenant with regards to the term of the lease and the conditions of the lease and in terms of the quality of the services that will meet the consumer preferences of the target audiences. The build-to-rent (BTR) market in Europe and in the United States features two principal residential options: (1) A community residential experience: A residential model of small apartments, with an emphasis on a high finishing standard and investment in the common areas. The apartments are mostly built in high-rise buildings in central locations or relatively suburban locations. The apartments are of minimal size with the emphasis being on the building of developed common areas, such as workspace, areas for entertainment and leisure and so forth; (2) Multifamily: Residential complexes wherein each of the residential units are designated for rental and are owned by one entity.

Competition in the rental housing segment revolves around several parameters, and mainly: (1) The geographic location of the residential rental apartments and the level of demand for residential rental apartments in such areas; (2)The level of rent and management and maintenance costs; (3) The quality of the rental apartments and the standard of the related services provided; (4) The reputation of the landlord; (5) Entry into the market by other competitors.

The Company intends to contend with the competition in the segment by: (1) Utilizing its ability to create retail space or other public areas the demand for which rises as a result of the demand for long-term rentals; (2) Generating a critical mass of rental properties in the segment in order to attain economies of scale and utilize the Company's strengths as pertaining to professional operations management; (3) Focusing on projects that will generate long-term value, such as projects that are close to developing business zones, and on hubs that may promote development, and so forth.

The significant difference between the Company and its various competitors lies in its ability to create retail space, and other public areas, the demand for which rises as a result of the demand for long-term rental apartments, as well as in its specialization in real estate management and the provision of high-standard related services.

13.3. Seasonality

To the best of the Company's knowledge, seasonality has no impact on the rental housing in Israel segment. However, in areas of demand characterized by families with young children, demand and tenant turnover increase during the summer months towards the beginning of the school year.

13.4. Goals and business strategy

For details regarding the Company's goals and the Group's strategy, see Section 27 of this Chapter A.

14. Income-Producing Real Estate – Additional Operations

14.1. Hospitality

14.1.1. Current Operations

As part of the Company's business strategy, the Company periodically examines entry into operating sectors that are related to its income-producing real estate operations. In 2019, the Company considered expanding its operations into the hotel industry, and following an examination process, on 9 February 2020, the Company closed the acquisition of the Mount Zion Hotel in Jerusalem (in this section: the "**Hotel**") .

From the date of closing of the acquisition until 17 March 2020, the Company operated the hotel through a wholly-owned management company. Operation of the hotel included current management and operation, including the provision of overnight stay services, food and beverages, leisure and other hospitality services.

On 17 March 2020, the Company closed the activity of the Mount Zion Hotel in view of the directives encumbering the activity of hotels due to the Covid crisis. As of the Report Release Date, the Company is working on planning renovation of the Hotel and exercise of the building rights for expansion of the Hotel to include 341 rooms and an underground parking garage that includes around 210 parking spaces. Renovation and expansion of the Hotel are subject to receipt of a building permit and a shoring and excavation permit was obtained in November 2021 and the work has begun. After the hotel's renovation and expansion, the Hotel will be reopened. A building permit for the entire hotel was approved under conditions and the Company is acting to fulfill the same.

In addition, in2023, the Company acquired the Red Rock Hotel in Eilat. For further details, see Section 1.3.6 of Chapter A of the 2023 Periodic Report.

As part of the Company's activities in the hotel industry, the Company plans to build hotels as part of projects owned by the Group, characterized by a mixed-use and granting, among other things, building rights for hospitality designation, as follows: Development of a hotel in the city of Modi'in (the West Complex), located near the Azrieli Modi'in Mall, with ~85 hotel rooms and suites, which has been leased out to a third party and is expected to be opened in 2025; as well as development of a hotel within the expansion of the Azrieli Center (the Spiral Tower) in Tel Aviv, which is expected to include approx. 250 hotel rooms and suites. Following a process of examination related to the operating model for Company-owned hotels, the Company has decided that some of them will be leased out to third parties and others will be managed by known and reputable hotel management companies.

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

14.1.2. General environment and the effect of external factors on the Company's operations

The Company's hotel operations are expected to concentrate on the Israeli hotel market; therefore, the Company is exposed to changes in the Israeli economy as a whole, and in the hotel industry in particular.

The Company's revenues from hotel operations are expected to derive from the accommodation of tourists from Israel (in this section: "**Domestic Tourism**") as well as from tourists from different countries of the world (in this section: "**Inbound Tourism**").

The significant and unique factors that may affect the Company's business results in the hotel industry are as follows: (1) Political-security related events: Since the Company's activity in the hotel industry is expected to concentrate in Israel, deterioration in the security situation, hostilities and political and military conflicts between Israel and its neighbors could lead to a decline in demand for hotel services (both foreign and domestic tourism), thus adversely affecting the state of the tourism industry in general and the Company's business in the hotel industry in particular; (2) Economic situation in the Israeli and global economy: The population's consumption habits are directly influenced by the economic situation in Israel as well as worldwide. A global or local economic crisis and economic instability can lead to a decline in general consumption and especially in consumption in the leisure and recreational field, which includes the hotel industry; (3) Limitations on the opening and/or operation of hotels similarly to those imposed during the Covid pandemic.

14.1.3. Structure of operations and changes therein and changes in the scope of operations[69]

The hotel industry is considered a volatile industry, quickly affected by economic changes. Moreover, the industry consists of many operating inputs, thus containing inherent operational risk.

In the Report Period, the supply of hotels in Israel decreased, such that in 2024, there were 445 tourist hotels in Israel, compared with 452 hotels in 2023.

In addition, the number of guest rooms, as of September 2024, was estimated at approx. 55,000, compared with approx. 58,300 rooms in 2023. The average annual room occupancy rate in 2024 was 61% (including residents evacuated to hotels following the Swords of Iron War)[70], compared with approx. 64% in 2023), and broken down by select districts, room occupancy rates were found to be as follows: South District (73.3%), Tel Aviv District (54.6%) and Jerusalem (43.7%).

The industry is characterized by great competition, especially in the demand areas. The multiplicity of competitors, at all levels, increases the need for companies operating in the industry to specialize in the operating markets, in marketing, branding and for high operational efficiency, in order to increase profitability rates from operations. In addition, the industry is significantly exposed to seasonal trends, so that in strong seasons, the hotels must also cover the operating costs of the weaker seasons, some of which are fixed costs or minimum necessary costs. Regulation is also a significant factor in some cases, as activity in the industry is subject to numerous legislative provisions and government decisions, which can affect supply and demand in the industry, service prices, scope of investments and more.

14.1.4. Market developments or changes in customer characteristics

As mentioned, the hotel industry in Israel enjoys both Domestic and Inbound Tourism.

According to CBS data, after 2022 had featured recovery compared with 2021, with the total number of overnight stays in Israel in 2022 at 23 million[71], 2023 saw the uptrend in Inbound Tourism continue up to the outbreak of the Swords of Iron War, whereas the total number of overnight stays dropped to approx. 22.6 million (including evacuees) in 2024, marking a low point in Inbound Tourism overnight stays by reason of the war.

In this context, the CBS has estimated that about 92% of all overnight stays in 2024 were attributable to Domestic Tourism, with the number of Israelis' overnight stays at 20.7 million compared with 18.4 million overnight stays

[69] This information is taken from the following sources:
Midroog – Hotel Companies Rating – Methodological Report 2016 – Link.
Globes – 2019 Brand Index – Link.
Israel Hotel Association website – Link.
CBS – Overnight Stays in Tourist Hotels 2024 – Link.
[70] This figure is significantly lower in comparison with 2019 (the last year before the Covid pandemic), in which this figure was 70%.
[71] Despite the recovery, this figure is still low compared with 2019 (the last year before the Covid pandemic), when this figure was 25.5 million overnight stays.

in 2023. Conversely, the number of overnight stays by Inbound Tourists was 1.9 million in 2024 (compared with around 7.7 million overnight stays in 2023).

In recent years, several major trends have been observed in the hotel industry in Israel, attributed to customer characteristics and preferences, among others: (1) Changes in customer expectations: An increase in the importance of the level of service, the desire for a hospitality experience that combines culture, leisure, culinary and more; (2) Integration of technologies: A trend of adapting hotels to technological changes and developments, integrating technologies in the services offered, among other things, transition to the execution of online bookings used as the key marketing and sales tool; (3) Branding: Focus on branding and creating the characterization of the hotel according to its geographical location, target audiences and its surroundings.

14.1.5. Critical success factors

The Company estimates that there are a number of critical success factors in the hotel industry, including: (1) Location of the hotel: Operation of hotels in attractive locations; (2) Expansion and upgrading: In the event of the acquisition of an existing hotel and in particular in connection with the Mount Zion Hotel – investment in expansion, renovation and the interior and exterior design of the hotel, for its positioning as a luxury brand; (3) Customer experience: Emphasis on a high level of hospitality, courteous service, ensuring food quality and offering a wide range of services to customers; (4) Integration of technologies: Investment in information systems and technology, to improve operational efficiency and profitability; (5) Seizing business opportunities: Locating profitable deals and exploiting business opportunities in the hotel industry; (6) Goodwill and branding: Creating a positive branding and goodwill, among other things, through high standards of construction and service, attribution of positive values, such as: quality, enjoyment, luxury, appropriate value for money; (7) A wide range of customer services: Offering a wide range of customer services, including: shops, restaurants, spa, health club, conference and event halls, swimming pools and more; (8) Maintenance and operations: Financial strength for financing ongoing high-level maintenance.

14.1.6. Main barriers to entry and exit

The Company estimates that the main barriers to entry and exit in the hotel industry are as follows:

Barriers to entry: (1) Obtaining approvals and permits for opening a new hotel and the time required for its establishment; (2) Obtaining regulatory approvals and licenses during the hotel's ongoing operations after its opening; (3) Access to business opportunities; (4) Capital required for the ongoing maintenance and renovation of the buildings and equipment; (5) Positioning, branding and establishing customer audiences; (6) Creating and maintaining a new and successful brand given the competitiveness in the industry and alongside the veteran chains, which enjoy great reputation.

Barriers to exit: (1) Realization of hotel assets, most of which are of significant value; (2) Statutory difficulty and complexity in changing a hotel designation for other purposes; (3) Cancellation or termination of existing rental and management agreements, engagements with suppliers and more.

14.1.7. Substitutes

In recent years, hospitality alternatives have been expanding, and the main alternatives today include: (1) Private properties: privately owned properties, which are rented for short periods, both independently (e.g. sublet) and through brokerage sites (such as Airbnb); (2) Guest houses, boarding houses and field schools; (3) Hostels. It should be noted that these alternatives appeal to certain market segments and are distinct from the Company's planned activity in the hotel industry in both the nature and level of hospitality and in the customer experience.

14.1.8. Competition

The hotel industry in Israel is characterized by high competitiveness. Competitiveness in the field exists on a variety of levels, including: at the individual hotel level in relation to other hotels at and around its level, in a specific hotel category (e.g. luxury hotels, boutique), at a geographical level (specific region), national, regional (the Mediterranean) and international level (tourism in Israel relative to other destinations around the world). Private properties, serving as an alternative to short-term rentals, pose competition for hotels, especially in Tel Aviv and Jerusalem and in respect of a particular market segment. The same is true of guest houses and boarding houses, however, there is a difference in the quality of the accommodation, its nature and in the customer experience and service.

As of the Report Release Date, the Group's share in the hotel industry is its holding in the Mount Zion Hotel, which is closed and will reopen after the Hotel's renovation and expansion, as well as the holding in the Red Rock Hotel in Eilat.

14.1.9. Seasonality

The hotel industry in Israel is significantly affected by seasonality and there are fluctuations in hotel occupancy rates and room rates between seasons. As a rule, the second and third quarters (i.e., April - September), which include warmer months and most of the Israeli holidays, are characterized by higher demand in the first and fourth quarters (i.e. January - March and October - December, respectively). The difference in the income of the hotel industry between the various quarters is due to differences in price levels between the different seasons, according to demand, so that in the second and third quarters prices are higher than their level in the first and fourth quarters. Furthermore, seasonality is expressed differently depending on the regional location of the hotels in Israel and the target population of the hotels.

With the aim of coping with the existing seasonality in the hotel industry, the Company will work to adjust its expenses to expected revenues during the same period, *inter alia*, by adjusting the manpower required for the hotel operations during that period.

PART FIVE: ADDITIONAL OPERATIONS

15. Azrieli Group - Additional Operations

The Group has various operations which are not included in the operating segments described above, and do not meet the quantitative threshold for presentation as reportable segments in the Financial Statements. These activities comprise mainly the following:

15.1. Investments in financial assets available for sale and other investments

15.1.1. Investment in Bank Leumi

On 30 April 2009, the Company acquired from third parties, unaffiliated with the Company, as a passive financial investment, ordinary shares of Bank Leumi, a banking corporation whose shares are listed on TASE, which represented approx. 4.8% of the issued and paid-up share capital of Bank Leumi, in consideration for a sum total of approx. NIS 742 million. Over the course of 2016-2024 and up to the Report Release Date, the Company disposed of some of its holdings in Bank Leumi for a total sum of approx. NIS 798 million, and its holding as of the Report Release Date represents approx. 2.3% of Bank Leumi's issued and paid-up share capital (as of the Report Release Date, the dividends received over the years and the proceeds from sales total approx. NIS 1,191 million). The value of the Company's investment in Bank Leumi as of 31 December 2024 was approx. NIS 1,516 million. The Company's investment in Bank Leumi is presented in its books as a financial asset available for sale in accordance with GAAP.

In 2024, the Company recorded a comprehensive profit (before tax) of approx. NIS 484 million due to this investment. For details, see Section 3.1.1 of the Board of Directors' Report.

On 30 April 2009, the acquisition date, the price of Bank Leumi's share was 1,055 Agorot. On 31 December 2024 (the last trading day of the year), the price of Bank Leumi's share was 4,335 Agorot, whereas shortly before the report release date, the price of Bank Leumi's share was 5,171 Agorot, such that from the date of the Report Date until its release, the value of the Bank Leumi shares held by the Company increased by approx. NIS 292 million (before tax).

On 6 March 2019, Bank Leumi's board of directors approved a dividend distribution policy. Pursuant to this policy, the bank would distribute every quarter a dividend of up to 50% of the bank's net profit according to the bank's financial statements for the past quarter, subject, *inter alia*, to the Bank's compliance with its capital adequacy targets also following the dividend distribution. Under the said policy and until the bank's board resolution of 16 April 2020, as specified below, the bank would distribute a dividend equal to approx. 40% of the quarterly profit. As noted, in April 2020, the board of directors of Bank Leumi decided to discontinue dividend distributions at that stage, given the Covid crisis and regulatory directives released consequently thereto. In July 2021, the Supervisor of Banks released a notice whereby banks were not barred from examining dividend distributions, based, however, on a cautious and conservative approach, with distributions exceeding 30% of the bank's profits in the years 2020-2021 not deemed to be cautious and conservative capital planning. On 27 December 2021, the Banking Supervision Department released a circular that revoked the temporary provision regarding adjustments due to the Covid crisis. This circular clarified, however, that in the context of a dividend distribution resolution, banking corporations should exercise caution because the markets still featured a certain level of uncertainty.

Given the war, on 12 November 2023, the Supervisor of Banks requested banking corporations to revisit their dividend distribution policies, which he did once more on 5 March 2024. On 16 May 2024, the Supervisor of Banks wrote another letter to the banking corporations, in which he reiterated that, in view of the geopolitical situation, dividend distribution policies should continue to be examined in a conservative and informed manner.

Further to the aforesaid, in Q3/2021, Bank Leumi resumed the distribution of dividends to its shareholders, and in 2024 Bank Leumi distributed a dividend of approx. NIS 2.080 billion to its shareholders, with the total dividend received by the Company in respect of such distribution amounting to approx. NIS 59 million, as specified below:

Distribution Resolution Date	Payment Date	Total Distribution (NIS in millions)	The Company's Share of the Total Distribution (NIS in millions)
18 March 2024	11 April 2024	Approx. 365 (approx. NIS 0.23 per share)	Approx. NIS 8.3 million
27 May 2024	20 June 2024	Approx. 835 (approx. NIS 0.54 per share)	Approx. NIS 19.2 million
14 August 2024	5 September 2024	Approx. 680 (approx. NIS 0.44 per share)	Approx. NIS 15.7 million
18 November 2024	5 December 2024	Approx. 687 (approx. NIS 0.45 per share)	Approx. NIS 15.9 million

Bank Leumi's financials are publicly posted on the ISA's distribution website at: www.magna.isa.gov.il and on the TASE website at www.tase.co.il.

15.1.2. Investments in investment funds

As of 31 December 2023, the Company has invested in two investment funds, which are presented at fair value in the sum of approx. NIS 7 million, compared with a fair value of approx. NIS 5 million as of 31 December 2022.

PART SIX: MATTERS COMMON TO THE GROUP'S ACTIVITIES IN ALL OPERATING SEGMENTS THEREOF[72]

16. Fixed assets, land and facilities

The Company's offices are situated on Floor 48, Floor 33 and part of Floor 32 of the Round Tower in Azrieli Center in Tel Aviv. The Company leases its offices, the gross area of which is 3,542 sqm, from Canit Hashalom for a long-term period, in non-material amounts.

The Mount Zion Hotel acquired by the Company in 2020, as well as the Red Rock Hotel acquired in the Report Period, as specified in Section 14.1 of this Chapter A, are presented in the Financial Statements under the "fixed assets" item.

The Company has no material fixed assets other than the aforementioned.

The fixed assets of Palace Tel Aviv, Palace Modi'in and Palace Lehavim are primarily buildings that contain the LTC and recuperation units, see Section 11.1 of this Chapter A.

17. Intangible assets

The primary trademark owned by the Company and the Group companies, is a designed mark which includes the inscription "Azrieli Group", and the Group's logo:

As of the Report Release Date, the Company owns additional registered trademarks, such as the trademarks of Azrieli Town, Azrieli Sarona, the Spiral Tower, point, designed trademarks of the Group's senior housing chain – the Palace senior home chain. Registered trademarks are valid for 10 years from the date of their registration and may be renewed, at the Company's decision, for additional periods of 10 years each, with no limit, subject to the payment of a renewal fee.

[72] This part – "Matters Common to the Group's Activities in all of its Operating Segments" – does not include the data center operations, unless otherwise expressly stated.

18. Human capital

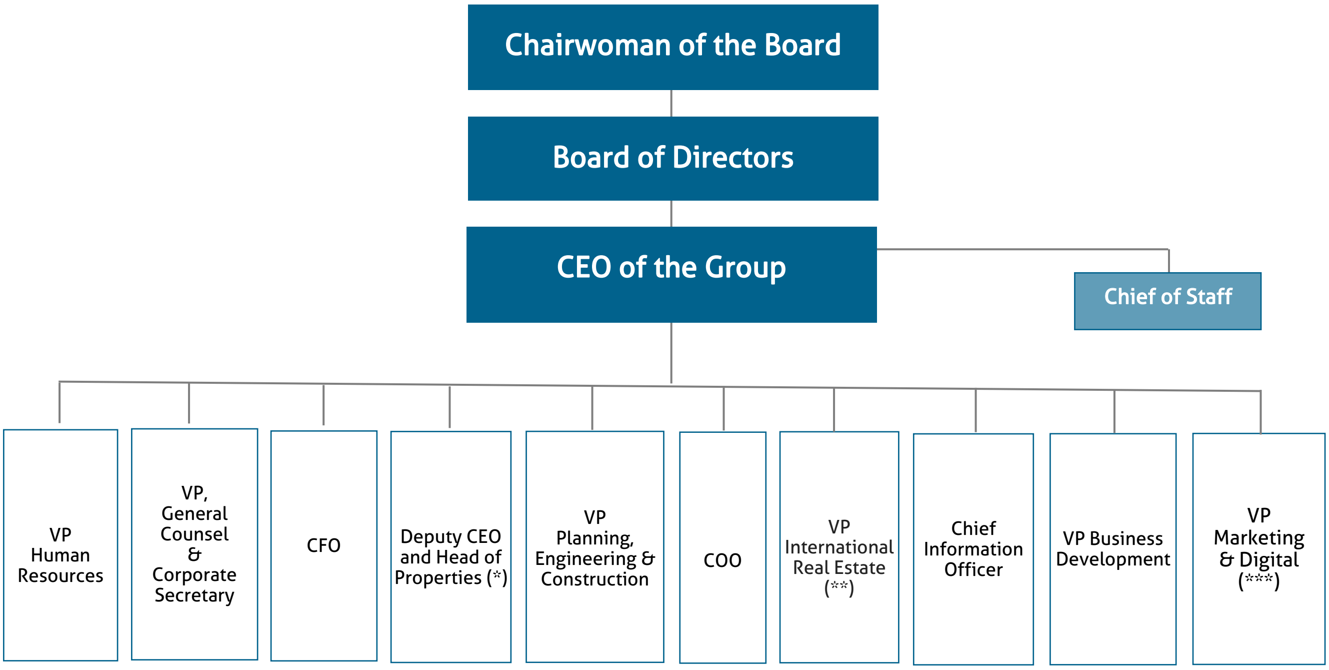
18.1. General

The Company places special emphasis on the quality of human capital, particularly at the Company's management level, by hiring a professional workforce with vast knowledge and experience in a variety of fields which are required within the framework of the Company's operating segments. Most of the Company's employees, mainly at its management level, have significant seniority in the Company, and vast experience in its operating segments. Unless otherwise noted, the description in this Section does not address human capital aspects of the senior housing segment (see Section 11 of this Chapter A), and the data center segment (see Section 12 of this Chapter A).

18.2. Organizational structure and workforce

In 2023, a change was made to the Company's organizational structure such that management of the properties in the malls segment was consolidated with management of the properties in the offices segment, led by Mr. Gideon Avrami, Deputy CEO and Head of Properties. A new managerial echelon of cluster managers has also been added between Mr. Avrami and the general managers of the various properties.

The following chart describes the Group's organizational structure as of the Report Release Date:



(*) Mr. Gideon Avrami manages both the retail centers and malls segment and the leasable office and other space in Israel segment, and will step down in June 2025, with Mr. Amihay Kilstein replacing him as Head of Properties from 1 May 2025.

(**) Mr. Rafi Wunsh will step down in April 2025 and assume the position of Chief Investments Officer at GMG.

(***) In March 2025, Mr. Daniel Koren informed of his wish to step down from his position with the Company.

As of 31 December 2024, the Group companies have 442 employees, broken down by the principal segments as follows:

Department	Number of Employees as of 31 December 20204	Number of Employees as of 31 December 2023
Management headquarters*	**164**	**160**
Retail centers and malls segment	**162**	**160**
Leasable office and other space in Israel Segment	**116**	**115**
Total	**442**	**435**

* One employee from management headquarters is assigned to the income-producing property in the U.S. segment and 10 employees are assigned to the rental housing segment.

** For details with respect to all employees of the senior housing segment, see Section 11.1 of this Chapter A. For details with respect to all employees of the data center segment, see Section 12.1 of this Chapter A.

The Group's management and headquarters have 164 employees, including the Group's CEO, the Deputy CEO and Head of Properties, CFO, VP, General Counsel & Corporate Secretary, VP International Real Estate, VP Planning, Engineering & Construction, Chief Information Officer, COO, VP Marketing & Digital, VP Business Development and VP Human Resources. The members of the Group's executive headquarters have considerable managerial experience, and some of them have been with the Group for many years. 162 employees work in the Group's retail centers and malls segment, 154 of whom work in the retail centers' and malls' management and maintenance teams, which are tasked with current management of the retail centers and malls.

116 employees work in the leasable office and other space in Israel segment in the segment's management and maintenance teams, which are tasked with current management of the offices.

As of the Report Date, the income-producing property in the U.S. segment is managed by the Company's headquarters, and management services and other services are provided to the Group in this segment by local professional management companies.

As of the Report Date, the Company and the companies of the Group collaborate and have mutual understandings in place in connection with the provision of management services amongst themselves, including, *inter alia*, financial advice, strategic advice and current management advice, in consideration for a monthly payment. In addition, there are management agreements with companies of the Group, some of which are derived as a percentage of such company's total expenses. The total payments that were made between companies of the Group for these management services in 2023 and 2024 totaled approx. NIS 262 million and approx. NIS 274 million, respectively.

18.3. Changes in senior officers of the corporation

On 16 January 2024, Ms. Irit Sekler-Pilosof was appointed to hold office as a director of the Company. For further details, see the immediate report of 16 January 2024 (Ref. 2024-01-007008), which is included herein by reference. On 2 May 2024, the Company's general meeting approved the appointment of Ms. Sekler-Pilosof until the next annual general meeting to be convened. For further details regarding the results of the said meeting, see the immediate report of 2 May 2024 (Ref. 2024-01-046821), which is included herein by reference.

On 16 January 2024, Mr. Nehemia (Hemi) Yaakov Peres was appointed to hold office as an independent director of the Company. For further details, see the immediate report of 16 January 2024 and the supplemental immediate report of 22 January 2024 (Ref. 2024-01-007005 and 2024-01-008901, respectively), which are included herein by reference. On 2 May 2024, the Company's general meeting approved the appointment of Ms. Peres until the next annual general meeting to be convened. For further details regarding the results of the said meeting, see the immediate report of 2 May 2024 (Ref. 2024-01-046821), which is included herein by reference

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

In June 2024, Mr. Gideon Avrami, Deputy CEO and Head of Properties, gave notice of his wish to step down from his position with the Company, and he is expected to depart in June 2025, and on 1 May 2025, Mr. Amihay Kilstein is expected to assume the position of Head of Properties of the Company.

On 18 August 2024, the Chairwoman of the Board and CEO of the Company apprised the Company's board of directors that Mr. Henkin would be appointed the CEO of a foreign company wholly controlled by the Company, which would concentrate the Company's data center holdings ("**GMG**"). On 17 November 2024, the board of directors of the Company approved the appointment of Mr. Ron Avidan to the office of CEO of the Company. Mr. Henkin is expected to step down and Mr. Avidan is expected to assume office on 1 April 2025. For further details, see the 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), the contents of which are included herein by reference.

On 24 September 2024, the general meeting approved the terms of office of Dr. Ariel Kor, a director of the Company, in connection with his office as Chairman of the Board of GMG. For further details, see the notice of meeting report of 19 August 2024 (Ref. 2024-01-089680), the contents of which are included herein by reference.

In November 2024, Mr. Yehonatan Yaari, VP Projects of the Company, gave notice of his wish to step down from his position with the Company, which came to an end after the Report Period.

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

In March 2025, Mr. Daniel Koren, VP Marketing & Digital of the Company, informed of his wish to step down from his position with the Company.

At the beginning of April 2025, Mr. Rafi Wunsh is expected to step down from his office as VP International Real Estate and assume office as Chief Investments Officer at GMG.

For further details about the senior officers of the corporation, see the details relating to Section 26 and Section 26A in Chapter D of the Report

18.4. Investment in training, instruction and development of human capital

The Group companies hold training and instruction workshops from time to time for their employees in accordance with the employee's position and the Group's needs, in order to ensure that employees have adequate training. Once a year, the Company holds concentrated training for officers and employees of the Company in accordance with the Company's Internal Enforcement Program, including in the areas of securities, planning and building and real estate, labor law, competition law, environment, safety and accessibility, prevention of sexual harassment, consumer protection, as well as additional training held from time to time according to need. Employees of the Group companies keep abreast of fields touching on their responsibilities in the Group, from time to time, by participating in exhibitions, seminars, conferences and professional courses.

18.5. Benefits given to employees and the nature of the employment agreements

Employees of the Group are employed under personal contracts and no collective bargaining agreements apply.

The employment conditions of the Group's employees include, in some cases, *inter alia*, *per diems*, travel expenses/car maintenance/making a vehicle available to the employee, managers insurance/pension fund, advanced training fund, annual leave, recuperation pay, basic health insurance, work disability insurance, payment for global overtime, reimbursement of expenses and a 13th salary.

Additionally, the Group's third-party insurance policy is a policy that includes an expansion for coverage for professional liability insurance for the management companies and the Company's employees who are professionals, with a liability cap of $2 million per incident and per insurance period, as part of the policy's liability cap.

In addition to the above, all of the Company's and the Group Companies' liabilities are covered in respect of the employees' social benefits and termination of the employment relationship by deposits that are made in severance pay funds and insurance policies and/or provisions that exist on the Company's books. For a description of the Company's liabilities in relation to the employees' social benefits and termination of the employment relationship, see Note 17 to the Company's Financial Statements.

18.6. Employment of officers and senior management employees of the Group

As of the Report Date, members of senior management in the Group are hired as employees under personal employment agreements or through management agreements.

The Company estimates that the Group headed by the Chairman of the Board, Ms. Danna Azrieli, CEO of the Group, Mr. Eyal Henkin, and alongside them the experienced officers and managers in the Company, who are considered professional and leaders in the field, constitute a main and significant part of the success factors for the Company's business results.

18.7. Company's officer compensation plan

For details about the Company's officer compensation policy as approved on 2 May 2024 by the general meeting of the Company's shareholders, see the notice of general meeting report of 15 April 2024 (Ref. 2024-01-043176), and the amendment thereto of 30 April 2024 (Ref. 2024-01-041491), and the immediate report of 2 May 2024 regarding the results of the meeting (Ref. 2024-01-046821), which are included herein by reference.

For details on GM's compensation policy, see Note 17 to the financial statements.

19. Working capital

19.1. Working capital

As of 31 December 2024, the Group holds a positive working capital of NIS 209 million compared with a positive working capital of approx. NIS 327 million, as of 31 December 2023.

For details regarding the Company's liquid means and its credit raising possibilities, see Section 5.2 of the Board of Directors' Report.

19.2. Customer credit

In the income-producing property segment there is no customer credit since the lease agreements with tenants contain provisions for payment of rent in advance, for monthly or quarterly periods. The Group collects the rent pursuant to the terms and conditions of the lease agreement, usually, by way of standing orders, wire transfers and postdated checks. Before the leased premises are handed over to the tenants, they provide collateral to secure the performance of their obligations under the lease agreements and the management agreements (bank guarantees, deposits, promissory notes, personal guarantees, etc.). The cases where rent is not paid in advance are immaterial to the Group, other than relief granted during lockdown periods in previous years due to the Covid pandemic. In addition, in Q4/2023, relief in immaterial amounts was given in connection with the prepayment of rent, granted to tenants in the retail centers and malls segment following the Swords of Iron War, as specified in Section 2.2 of the Board of Directors' Report.

19.3. Supplier credit

The Company receives credit from its suppliers (primarily construction contractors and maintenance service providers) for average periods ranging from 15 to 60 days, after the requested service has been completed (on average – a period of approx. 45 days). The Group's supplier credit totaled approx. NIS 617 million as of 31 December 2024, compared with approx. NIS 751 million on 31 December 2023.

20. Financing

20.1. General

The Group finances its activities from independent resources, from bank credit from financial institutions and non-bank credit, including through the issue of bonds. The Group has liabilities vis-à-vis banking corporations and non-bank financing sources which, as of 31 December 2024, amount to approx. NIS 25.9 billion (including current maturities). Most of the agreements include provisions pursuant to which the Company has a right to prepayment which is contingent, in most cases, upon the payment of a prepayment fine to the financing entity. For details regarding the total financial liabilities of the Group as of 31 December 2024, see Sections 5.5 and 5.6 of the Board of Directors' Report. For details regarding projected maturities by year, see the immediate report of 20 March 2025 on the status of the Company's liabilities, which is released concurrently with this Report. For further details concerning the Company's financing in general, see Section 5 of the Board of Directors' Report.

20.2. Balance of the Group's loans (not intended for specific uses) as of 31 December 2024

The following table specifies the average interest rate and the effective interest rate on long-term loans and short-term loans which were in force in the course of 2024 and are not intended for specific uses by the Group, with a distinction between banking credit sources and non-bank credit sources:

As of 31 December 2024						
	Long-Term Loans			Short-Term Loans		
	Amount (NIS in millions)	Average Interest Rate	Effective Interest Rate	Amount (NIS in millions)	Average Interest Rate	Effective Interest Rate
Non-bank sources – Index-linked financing	**21,864**	**1.96**	**2.02**	-	-	-
Banking sources - Index-linked Financing	-	-	-	-	-	-
Non-bank sources - NIS financing	-	-	-	**712**	**4.64**	**4.64**
Banking sources – foreign currency	-	-	-	-	-	-
Total financial liabilities	**21,864**	**1.96**	**2.02**	**712**	**4.64**	**4.64**

Reportable credit made available to the Company

There are no material loans that were provided to the Company as of 31 December 2024[73].

The Company has undertaken vis-à-vis some credit providers not to create a floating charge on all of its assets without receipt of their consent, and that in the event of a breach, they will be entitled to accelerate also other loans that shall have been given to the Company.

As of 31 December 2024, the Group's unmortgaged properties total approx. NIS 36.2 billion, as specified in Section 5.8 of the Board of Directors' Report.

For details on non-bank credit see Section 20.5 below.

20.3. Reportable credit made available to the Group's companies

There are no material loans that were provided to the Group companies as of 31 December 2024.

Several Group companies have non-material loans whose balance on the books, as of 31 December 2024, is approx. NIS 2,454 million, linked to foreign currency and bearing interest at a rate ranging between 3.66% and 7.55%, which shall be repaid in 2025-2033. Some of the loans are subject to financial covenants. For details see Note 16 to the Financial Statements. of note, as of the Report Date, the Company is compliant with the financial covenants related to the said loans. For further details, see Note 16B(7) to the Financial Statements. As concerns another loan from institutional entities, half of which was given to the Company and half of which was given to a company of the Group, see Section 20.5 below. For details with respect to a non-recourse loan of €371 million provided by two foreign banking corporations to a subsidiary of GM for financing the TikTok project after the Report Period, see Section 12.1 of this Chapter A.

20.4. Non-bank financing for the Company

Commercial paper

As of the Report Release Date, the Company has two CP series, a rated series of approx. NIS 53 million and a non-rated series of approx. NIS 5 million. Toward the expected expiration of the term of each one of the two said series, the Company and the CP series holders agreed to add 5 periods of 12 months each to the term of the CP series, and that each one of the series' interest rate would be equal to the Bank of Israel interest rate plus a margin of 0.15% per annum, *in lieu* of a margin of 0.3% per annum, with no change in the other terms and conditions of the CP series.

Furthermore, on 8 July 2024, the Company issued under the 2022 Shelf Prospectus approx. NIS 638,017 of Series 1 Commercial Paper in consideration for approx. NIS 638 million (approx. NIS 637 million net of issue expenses) with an interest rate equal to the Bank of Israel interest rate plus a margin of 0.12% per annum. For further details, see the Company's immediate reports of 7 July 2024 and 8 July 2024 (Ref. 2024-01-070594 and 2024-01-071518, respectively), which are included herein by reference. For details with respect to the rating of the Company's commercial paper, see Section 20.12 of this Chapter A.

Long-term loans from institutional bodies

The Company has non-material loans from institutional bodies, whose balance on the books as of 31 December 2024 is approx. NIS 1,091 million. These loans are index-linked and bear fixed interest of between 1.5%-2.91%

[73] In accordance with Legal Position No. 104-15: Reportable Credit Event of 30 October 2011, as updated on 19 March 2017, as updated on 2 February 2023 and as updated on 14 January 2024, and the parameters approved by the board of directors for the examination of materiality in the Reporting Procedure as part of the Internal Enforcement Program.

which will be repaid in 2025-2030. The loans are subject to financial covenants, with which the Company is compliant as of the Report Date.

The Company's Series B Bonds

On 28 June 2023, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 880,245 thousand par value which were offered by way of expansion of the Company's Series D Bonds, under the 2022 Shelf Prospectus. On 28 June 2023, the Company announced that pursuant to the results of the issue, approx. NIS 789,850 thousand par value of Series B Bonds had been additionally allotted in consideration for approx. NIS 852 million (approx. NIS 850 million net of issue expenses). For further details, see the Company's immediate reports of 28 June 2023, 29 June 2023, as well as an amending report on the results of the issue dated 3 July 2023 (Ref. 2023-01-071943, 2023-01-072849 and 2023-01-073725), which are included herein by way of reference.

During the Report Period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company's Series B Bonds is NIS 546 million. In accordance with the terms and conditions thereof, the final maturity of the Company's Series B Bonds is 1 April 2025. For details regarding the current credit rating of the Series B Bonds, see Section 20.12 of this Chapter A.

The Company's Series D Bonds

On 29 March 2017, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 1,090 million par value which were offered by way of expansion of the Company's Series D Bonds, under the 2016 Shelf Prospectus. On 30 March 2017, the Company announced that pursuant to the results of the issue, approx. NIS 984 million par value of Series D Bonds had been additionally allotted in consideration for approx. NIS 960 million (approx. NIS 955 million net of issue expenses).

On 31 January 2018, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 1,490 million par value which were offered by way of expansion of the Company's Series D Bonds, under the 2016 Shelf Prospectus. On 1 February 2018, the Company announced that pursuant to the results of the issue, approx. NIS 1,367 million par value of Series D Bonds had been additionally allotted in consideration for approx. NIS 1,409 million (approx. NIS 1,400 million net of issue expenses).

On 12 July 2022, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 707,614 thousand par value offered by way of expansion of the Company’s Series D Bonds under the 2022 Shelf Prospectus. On 13 July 2022, the Company announced that pursuant to the results of the issue, an additional approx. NIS 625,591 thousand par value of Series D Bonds had been allotted in consideration for approx. NIS 671 million (approx. NIS 667 million net of issue expenses). For further details, see the Company’s immediate reports of 12 July 2022 and 13 July 2022 (Ref. 2022-01-073659 and 2022-01-089251, respectively), which are included herein by way of reference, as well as the corrective immediate report of 14 July 2022 on the results of the issue (Ref. 2022-01-089530), which is included herein by way of reference.

During 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 is NIS 2,651 million. In accordance with the terms and conditions thereof, the final maturity of the Company's Series D Bonds is 5 July 2030. For details regarding the current credit rating of Series D Bonds see Section 20.12 of this Chapter A.

The Company's Series E Bonds

On 20 January 2019, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 1,335 million par value of Series E Bonds of the Company, under the 2016 Shelf Prospectus. On 22 January 2019, the Company announced that pursuant to the results of the issue, NIS 1,216 million par value of Series E Bonds had been allotted in consideration for approx. NIS 1,216 million (approx. NIS 1,207 million net of issue expenses).

For further details, see the Company's immediate reports of 20 January 2019 and of 22 January 2019 (Ref. 2019-01-006388 and 2019-01-006934, respectively), which are included herein by way of reference.

On 17 December 2019, the Company released a shelf offering report for the issue of bonds by way of expansion of the Company's Series E Bonds, under the 2019 Shelf Prospectus. Under this issue, approx. NIS 1,217 million par value of Series E Bonds were allotted in consideration for approx. NIS 1,355 million (approx. NIS 1,336 million net of issue expenses). For further details, see the Company's immediate reports of 17 December 2019 and 19 December 2019 (Ref. 2019-01-110526 and 2019-01-111306, respectively), which are included herein by way of reference.

On 20 April 2020, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 904 million par value of the Company's Series E Bonds under the 2019 Shelf Prospectus. On 21 April 2020, the Company announced that pursuant to the results of the issue, approx. NIS 811 million par value of Series E Bonds had been allotted in consideration for approx. NIS 847 million (approx. NIS 842 million net of issue expenses). For further details, see the Company's immediate reports of 20 April 2020 and 21 April 2020 (Ref. 2020-01-035128 and 2020-01-035899, respectively), which are included herein by way of reference.

During the Report Period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the outstanding par value of the Company's Series E Bonds is NIS 2,595 million. In accordance with the terms and conditions thereof, the final maturity of the Company's Series E Bonds is 30 June 2028. For details regarding the current credit rating of the Series E Bonds, see Section 20.12 of this Chapter A.

The Company's Series F Bonds

On 20 January 2019, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 315 million par value of Series F Bonds, a new bond series of the Company, under the 2016 Shelf Prospectus. On 22 January 2019, the Company announced that pursuant to the results of the issue, approx. NIS 263 million par value of Series F Bonds had been allotted in consideration for approx. NIS 263 million (approx. NIS 260 million net of issue expenses).

On 17 December 2019, the Company released a shelf offering report for the issue of bonds by way of expansion of the Company's Series F Bonds, under the 2019 Shelf Prospectus. Under this issue, approx. NIS 933 million par value of Series F Bonds were allotted in consideration for approx. NIS 1,122 million (approx. NIS 1,101 million net of issue expenses). For further details, see the Company's immediate reports of 17 December 2019 and 19 December 2019 (Ref. 2019-01-110526 and 2019-01-111306, respectively), which are included herein by way of reference.

On 20 April 2020, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 849 million par value of the Company's Series F Bonds, under the 2019 Shelf Prospectus. On 21 April 2020, the Company announced that pursuant to the results of the issue, approx. NIS 762 million par value of Series F Bonds had been allotted in consideration for approx. NIS 850 million (approx. NIS 841 million net of issue expenses). For further details, see the Company's immediate reports of 20 April 2020 and 21 April 2020 (Ref. 2020-01-035128 and 2020-01-035899, respectively), which are included herein by way of reference.

On 12 July 2022, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 1,455,043 thousand par value offered by way of expansion of the Company's Series F Bonds under the 2022 Shelf Prospectus. On 13 July 2022, the Company announced that pursuant to the results of the issue, an additional approx. NIS 1,336,503 thousand par value of Series F Bonds had been allotted in consideration for approx. NIS 1,460 million (approx. NIS 1,445 million net of issue expenses). For further details, see the Company's immediate reports of 12 July 2022 and 13 July 2022 (Ref. 2022-01-073659 and 2022-01-089251, respectively), which are included herein by way of reference, as well as the corrective immediate report of 14 July 2022 on the results of the issue (Ref. 2022-01-089530), which is included herein by way of reference.

During the Report Period, 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 F Bonds is NIS 3,294 million. In accordance with the terms and conditions thereof, the final maturity of the Company's Series F Bonds is 31 December 2032. For details regarding the current credit rating of Series F Bonds, see Section 20.12 of this Chapter A.

The Company's Series G Bonds

On 19 July 2021 the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 2,056 million par value of Series G Bonds, a new bond series of the Company, under the 2019 Shelf Prospectus. On 20 July 2021, the Company announced that pursuant to the results of the issue, approx. NIS 1,904 million par value of Series G Bonds had been allotted in consideration for approx. NIS 1,904 million (approx. NIS 1,883 million net of issue expenses). For further details, see the Company's immediate reports of 19 July 2021 and 20 July 2021 (Ref. 2021-01-118986 and 2021-01-120093, respectively), which are included herein by way of reference.

On 24 December 2023, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 764,004 thousand par value which were offered by way of expansion of the Company's Series G Bonds, under the 2022 Shelf Prospectus. On 25 December 2023, the Company announced that pursuant to the results of the issue, approx. NIS 673,116 thousand par value of Series G Bonds had been additionally allotted in consideration for approx. NIS 639 million (approx. NIS 630 million net of issue expenses and accrued interest). For further details, see the Company's immediate reports of 24 December 2023 and 25 December 2023 (Ref. 2023-01-115813 and 2023-01-116110), which are included herein by way of reference.

On 23 July 2024, the Company released a shelf offering report as amended on 24 July 2024 for the issue and TASE-listing of up to approx. NIS 275,212 thousand in par value offered by way of expansion of the Series G Bonds under the 2022 Shelf Prospectus. On 25 July 2024, the Company notified that, according to the results of the issue, an additional par value of approx. NIS 226,593 thousand of Series G Bonds had been issued in consideration for approx. NIS 214.8 million (approx. NIS 213.3 million net of issue expenses). For further details, see the Company's immediate reports of 24 July 2024 and 25 July 2024 (Ref. 2024-01-078292 and 2024-01-078781), which are included herein by reference.

During 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 G Bonds is NIS 2,752 million. In accordance with the terms and conditions thereof, the final maturity of the Company's Series G Bonds is 2 July 2036. For details regarding the current credit rating of the Series G Bonds, see Section 20.12 of this Chapter A.

The Company's Series H Bonds

On 19 July 2021 the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 1,896 million par value of Series H Bonds, a new bond series of the Company, under the 2019 Shelf Prospectus. On 20 July 2021, the Company announced that pursuant to the results of the issue, approx. NIS 1,751 million par value of Series H Bonds had been allotted in consideration for approx. NIS 1,751 million (approx. NIS 1,730 million net of issue expenses). For further details, see the Company's immediate reports of 19 July 2021 and 20 July 2021 (Ref. 2021-01-118986 and 2021-01-120093, respectively), which are included herein by way of reference.

On 12 July 2022, the Company released a shelf offering report for the issue and listing on TASE of up to NIS 1,031,226 thousand par value offered by way of expansion of the Company's Series H Bonds under the 2022 Shelf Prospectus. On 13 July 2022, the Company announced that pursuant to the results of the issue, an additional approx. NIS 926,416 million par value of Series H Bonds had been allotted in consideration for approx. NIS 870 million (approx. NIS 857 million net of issue expenses). For further details, see the Company's immediate reports of 12 July 2022 and 13 July 2022 (Ref. 2022-01-073659 and 2022-01-089251, respectively), which are included herein by way of reference, as well as the corrective immediate report of 14 July 2022 on the results of the issue (Ref. 2022-01-089530), which is included herein by way of reference.

On 24 December 2023, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 1,829,669 thousand par value which were offered by way of expansion of the Company's Series H Bonds, under the 2022 Shelf Prospectus. On 25 December 2023, the Company announced that pursuant to the results of the issue, approx. NIS 1,685,050 thousand par value of Series H Bonds had been additionally allotted in consideration for approx. NIS 1,586 million (approx. NIS 1,552 million net of issue expenses and accrued interest). For further details, see the Company's immediate reports of 24 December 2023 and 25 December 2023 (Ref. 2023-01-115813 and 2023-01-116110, respectively), which are included herein by way of reference.

During the Report Period, 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 H Bonds is NIS 4,363 million. In accordance with the terms and conditions thereof, the final maturity of the Company's Series H Bonds is 2 January 2041. For details regarding the current credit rating of the Series H Bonds, see Section 20.12 of this Chapter A.

The Company's Series I Bonds

On 23 July 2024, the Company released a shelf offering report as amended on 24 July 2024 for the issue and TASE-listing of up to approx. NIS 1,095 million in par value of the Company's Series I Bonds under the 2022 Shelf Prospectus. On 25 July 2024, the Company notified that, according to the results of the issue, a par value of approx. NIS 990.5 million of Series I Bonds had been issued in consideration for approx. NIS 990.5 million (approx. NIS 976.6 million net of issue expenses). For further details, see the Company's immediate reports of 24 July 2024 and 25 July 2024 (Ref. 2024-01-078292 and 2024-01-078781, respectively) which are included herein by reference.

On 17 December 2024, the Company released a shelf offering report for the issue and TASE-listing of up to approx. NIS 2,461 million in par value offered by way of expansion of the Company's Series I Bonds under the 2022 Shelf Prospectus. On 18 December 2024, the Company notified that, according to the results of the issue, an additional par value of approx. NIS 2,292 million of Series I Bonds had been issued in consideration for approx. NIS 2,471 million (approx. NIS 2,404 million net of issue expenses and accrued interest). For further details, see the Company's immediate reports of 17 December 2024 and 18 December 2024 (Ref. 2024-01-625079 and 2024-01-625486, respectively), which are included herein by reference.

In accordance with their terms and conditions, the final date scheduled for repayment of the Company's Series I Bonds is 2 January 2046. For details with respect to the current credit rating of the Series I Bonds, see Section 20.12 of this Chapter A.

The Company has complied with all of its obligations under the terms and conditions of the Series B and Series D-I Bonds, and, to the best of its knowledge, there are no grounds for acceleration of the said bonds.

For further details regarding the Company's bonds, see Annex A to the Board of Directors' Report and Note 16B to the Financial Statements.

20.5. Non-bank financing for the Group's companies

In the year of the Report and as of the Report Date, other than as specified with respect to non-bank financing of the Company in Section 20.5 of this Chapter A, no use of non-bank financing has been made for companies of the Group.

20.6. Inter-company loans

Set forth below is a specification of the balances of loans provided between the Group companies, excluding inter-company debit and credit balances, as of 31 December 2024 (NIS in millions) in amounts exceeding NIS 20 million:

The Lending Corporation in the Group	The Borrowing Corporation in the Group	Date of Provision of the Loan	Original Loan Amount (NIS in millions)	Last Date For Payment	Annual Interest	Linkage	Balance of Loan Amount as of Dec. 31, 2024 (NIS in millions)
Canit Hashalom[2]	AG Galleria Office Buildings LP	February 2011	99[1]	February 2025	Libor + 7.1%	USD	**104**
Canit Hashalom[3]	Palace America Senior Housing Co.	November 2021	96	November 2026	-	-	**89**
Palace Ra'anana – Senior Housing Ltd.[7]	Palace Lehavim	January 2022	200	December 2026	-	-	**190**
Palace Ra'anana – Senior Housing Ltd.[6]	Palace Modi'in	January 2022	81	December 2026	-	-	**77**
Palace Ra'anana – Senior Housing Ltd.[5]	Palace America Senior Housing Co.	October 2022	51	October 2027	-	-	**45**
Palace Ra'anana – Senior Housing Ltd.[8]	Palace America Senior Housing Co.	March 2023	51	March 2028	-	-	**42**
Palace Ra'anana – Senior Housing Ltd.[9]	Palace America Senior Housing Co.	March 2024	106	March 2029	-	-	**83**
Global Data AZ Limited[10]	Green Mountain DC UK Limited	May 2024	165	-	4.8%	Pound Sterling	**160**

* For a description of the balances of the loans provided by the Company to the Group companies, see Section 11 of Part D of this Report.

1. The loan is in the sum of approx. U.S. $28 million.
2. The balance of the loan including interest outstanding as of 31 December 2024, is approx. NIS 342 million.
3. Against the loan, Palace America Senior Housing Co. issued Canit Hashalom with capital notes in the sum total of approx. NIS 96 million, which bear no interest and linkage, and the due date of the later note will be no earlier than November 2026. Repayment of the capital notes is not secured by any collateral, is inferior to other liabilities of Palace America Senior Housing Co. and only precedes the distribution of surplus assets upon dissolution thereof.
4. The loans bear an annual interest according to Section 3I of the Income Tax Ordinance.
5. Against the loan, Palace America Senior Housing Co. issued Palace Ra'anana with a capital note in the sum total of approx. NIS 51 million which bears no interest and linkage, and the due date of which will be no earlier than October 2027. Repayment of the capital note is not secured by any collateral, is inferior to other liabilities of Palace America Senior Housing Co. and only precedes the distribution of surplus assets upon dissolution thereof.
6. Against the loan, Palace Modi'in issued Palace Ra'anana with a capital note in the sum total of approx. NIS 81 million which bears no interest and linkage, and the due date of which will be no earlier than October 2026. Repayment of the capital note is not secured by any collateral, is inferior to other liabilities of Palace Modi'in and only precedes the distribution of surplus assets upon dissolution thereof.
7. Against the loan, Palace Lehavim issued Palace Ra'anana with a capital note in the sum total of approx. NIS 200 million which bears no interest and linkage, and the due date of which will be no earlier than December 2026. Repayment of the capital note is not secured by any collateral, is inferior to other liabilities of Palace Lehavim and only precedes the distribution of surplus assets upon dissolution thereof.
8. Against the loan, Palace America Senior Housing Co. issued Palace Ra'anana with a capital note in the sum total of approx. NIS 51 million which bears no interest and linkage, and the due date of which will be no earlier than March 2028. Repayment of the capital note is not secured by any collateral, is inferior to other liabilities of Palace America Senior Housing Co. and only precedes the distribution of surplus assets upon dissolution thereof.

9. Against the loan, Palace America Senior Housing Co. issued Palace Ra'anana with a capital note in the sum total of approx. NIS 106 million which bears no interest and linkage, and the due date of which will be no earlier than March 2029. Repayment of the capital note is not secured by any collateral, is inferior to other liabilities of Palace America Senior Housing Co. and only precedes the distribution of surplus assets upon dissolution thereof.
10. The loan has no maturity date and is repaid upon the lender's request.

20.7. Credit restrictions

For a description of the Company's obligations in connection with the issue of Series B Bonds, Series D Bonds, Series E Bonds, Serie F Bonds, Series G Bonds, Series H Bonds and Series I Bonds vis-à-vis the bondholders and the holders of Series 1 CP, see Note 16B to the Financial Statements.

20.8. Credit facilities

As of the Report Date, the Company has been provided with binding credit facilities in the sum of NIS 1,500 million. The undrawn facility balance as of the Report Date is NIS 1,500 million.

As of the Report Date, a company in the Group has been provided with binding credit facilities in the sum of NOK 2,135 million (approx. NIS 688 million), of which NOK 1,718 million (approx. NIS 554 million) have been used as of the Report Date, such that the undrawn facility balance as of the Report Date is NOK 417 million (approx. NIS 134 million).

20.9. Bank and non-bank credit received between the date of the Financial Statements as of 31 December 2024 until shortly before the Report Release Date

In the period from 31 December 2024 until shortly before the Report Release Date, the Company has not taken any credit, other than a non-recourse loan in the amount of €371 million provided by two foreign banking corporations to a GM subsidiary for financing the TikTok project after the report period, as set out in Section 12.1 of this Chapter A.

20.10. Loans repaid between the date of the Financial Statements as of 31 December 2024 and shortly before the Report Release Date

No such loans have been repaid, over and above current payments in accordance with the payment schedule of each loan.

20.11. Credit rating

On 2 February 2025, Ma'alot reaffirmed the Company's AA+/Stable/ilA-1+ rating. To inspect the full report by Ma'alot, see the Company's immediate report of 2 February 2025 (Ref. 2025-01-008073), which is included herein by way of reference.

As of the Report Release Date, the Company's Series B Bonds and Series G-H Bonds are rated stable AA+ by Ma'alot, and the Company's CP are rated ilA-1+ by Ma'alot. For further details and details on the rating history of the Company's Series B Bonds and Series G-H Bonds and the Company's CP, see the Company's immediate report of 2 February 2025 (Ref. 2025-01-008073), which is included herein by way of reference.

As of the Report Release Date, the Company's Series D-F and I Bonds have been assigned a rating of Aa1.il with a stable outlook by Midroog, and the Company's Series 1 Commercial Paper have been assigned a rating of P.-1.il by Midroog. For further details and details on the rating history of the Company's Series D-F and I Bonds and the Company's Series 1 Commercial Paper, see the Company's immediate report of 30 December 2024 (Ref. 2024-01-628535), which is included herein by way of reference.

Rating of private loans taken by the Company

The Company and a subsidiary have rated non-material loans from institutional entities.

20.12. Pledges

For details regarding various pledges which were created by the Company and the Group's companies to secure their obligations, see Note 27A to the Financial Statements. For details regarding pledges created by a subsidiary of GM in the context of a non-recourse loan it took for the financing of the TikTok project, see Note 34B to the Financial Statements.

20.13. Guarantees

In the ordinary course of business, at the request of the Company and the Group's companies, bank guarantees are issued by banking corporations in connection with their properties, including guarantees to secure the obligations of the Company and the Group's companies. For information regarding guarantees which the Company has provided, *inter alia*, in connection with the financing of the acquisition of properties overseas, see Note 27B to the Financial Statements.

20.14. Variable interest credit

The Group has several loans at variable interest credit. Most of the credit was taken in Shekel currency linked to Prime or Bank of Israel interest, and the remainder in foreign currency linked to the LIBOR, plus a margin determined in relation to each loan. Such credit varies according to changes in the LIBOR or NIBOR or Prime interest rates or the Bank of Israel interest rate.

Set forth below is a specification of the range of (nominal) interest for the periods of the Report, as well as the interest rate in proximity to the Report Release Date in respect of the loans at variable interest:

Credit Type	Currency	Amount of Credit Shortly Before the Report Release Date (NIS in millions)	Interest Rate Shortly Before the Report Release Date (%)	Interest Range in Reporting Periods (%)	
				31 December 2024	31 December 2023
Non-bank credit	NIS	60	4.8	4.8-5.05	3.55-5.05
Non-bank credit	NIS	652	4.62	4.62	-

As of the Report Date, a consolidated company has long-term credit at a variable interest rate in Norwegian Krone for which, according to the financing agreement, hedges against changes in the interest rate have been acquired. For further details, see Note 16B(7) to the Financial Statements.

As of the Report Release Date, a consolidated company has long-term credit at a variable interest rate in euros, for which, according to the financing agreement, hedges against changes in the variable interest rate (Euribor) have been acquired. For further details, see Note 34B to the Financial Statements.

The Company and/or the Group's companies will raise additional funds, according to the Company's decision, for the purpose of its business operations, the continued construction of projects under development and investment in new projects.

20.15. Regulatory Implications

The directives of the Supervisor of Banks in Israel include limitations on the liability of a borrower and a group of borrowers, which affect the provision of credit beyond certain amounts, relative to the total liability of one group of borrowers and the total liabilities of the largest borrowers of the banking corporation, the liability of each of which exceeds 10% of the capital of the banking corporation. To the best of the Company's management's knowledge, as of the Report Date, the borrowers' limitation does not apply to Azrieli Group.

In accordance with Section 26 of the Anti-Concentration Law, as defined below, provisions are to be determined in respect of limitations on credit to be provided by financial entities to a corporation or a business group. A 'business group' is defined in said Section as the "controlling shareholder and the companies controlled thereby", notwithstanding the inclusion of any of such entities in the list of centralistic bodies. In the context of the report of the Committee to Assess Debt Restructuring Proceedings in Israel (the "Andorn Committee") that was released in November 2014, several recommendations were included regarding such matter, including a credit limit of business groups, whose effective credit exceeds 5% of the market business credit, and an imposition of a reporting obligation to the Committee for Reduction of Concentration on companies whose effective credit exceeds 3% of the scope of market business credit. As of the Report Date, such recommendations have yet to receive statutory or binding status and the Company is not aware of other new limitations deriving from the Anti-Concentration Law.

21. Insurance

The Company's insurance policies for the insurance of property and liability include insurance policies which cover certain risks in the Group's assets, up to the amounts set in such policies. These policies include: all-risks property insurance at reinstatement value, which includes coverage of fire, machinery breakdown, loss of rent and loss of profits from machinery breakdown, terror and war insurance, third party liability insurance, employers' liability insurance, contractor work insurance, cyber insurance and crime insurance.

The amounts of the Group's property insurance were determined thereby according to its estimation, and the insurance policies are reviewed periodically by the Company's insurance consultants before the Board of Directors.

For details regarding the insurance coverage applicable to the Company's officers, see Note 32D(3) to the Financial Statements.

22. Taxation

For details regarding the taxation applicable to the Company and the Group companies, see Note 25 to the Financial Statements.

23. Environmental risks and management thereof

In the framework of its activities in the property segment, (including the development segment and the senior housing segment)the Group is required, *inter alia*, to meet the conditions and requirements of the Planning and Building Law, 5725-1965, including the Planning and Building Regulations (application for a permit, the conditions therein and fees), 5730-1970, the Planning and Building Regulations (Environmental Impact Surveys), 5763-2003 etc., *inter alia*, in the framework of approval of zoning plans, building permits, various licensing proceedings under the planning and building laws and the performance of building and construction work. The Group companies are responsible, by virtue of their owning or leasing land, under certain circumstances, pursuant to law, for compliance with the provisions of the environmental protection laws, including the Water Law, 5719-1959, the Business Licensing Law, 5728-1968 and the Hazardous Substances Law, 5753-1993, the Nuisance Prevention Law, 5721-1961, Sewage and Water Corporations Rules (Plant Wastewater Discharged into the Sewage System), 5771-2011, the Maintenance of Cleanliness Law, 5744-1984, the Senior Housing Law, 5772-2012 and more. A considerable tightening of the aforesaid regulation may have material implications for the Group’s business results and the amount of expenses required consequently thereto. In this context it is noted, that as of the Report Release Date, several bills are pending which, if passed, will affect the Group’s business, including: the Prevention of Soil Pollution and Treatment of Polluted Soil Bill, 5771-2011.

It shall be noted that in recent years, environmental activity, in Israel and worldwide, has significantly increased, as expressed, *inter alia*, in supervision and enforcement by government agencies and activity by environmental organizations. In the Group’s estimation, this trend is expected to continue in the coming years. The Group is investing many resources in ensuring its compliance with the provisions of the environmental laws that apply thereto, and is acting to prevent and minimize the environmental risks from its activity.

The Group is working to comply with the provisions and requirements of the law, including the environmental laws, as well as the requirements of the various supervisory bodies. For this purpose, professional environmental consultants are assigned to each project of the Group, who assist the Group and advise it throughout the project.

Cellular rental space - In some of the Group’s income-producing properties, the Group leases space to the cellular companies (in this Section, the “**Leased Space**”) for the purpose of installing and operating cellular antennas and/or miniature transmitters (the “**Telecommunications Equipment**”). In accordance with most of the agreements between the Company and/or the Group’s management companies and the cellular companies, responsibility for obtaining all of the approvals required by law to set up and operate the antennas and/or miniature transmitters, and responsibility for complying with the various environmental protection laws lies with the cellular companies, including holding, so long as they lease the Leased Space, the approval of the Radiation Commissioner at the Ministry of Environmental Protection regarding instructions and restrictions relating to the use of the Telecommunication Equipment, and acting in accordance with this approval, and they also undertake to comply with the safety instructions that shall be published by the Company or the management companies. Additionally, in the framework of these agreements, the cellular companies undertake to indemnify and compensate the Company and/or the management companies for any damage and/or expense that shall be caused as a result of the cellular companies' activities on the Leased Space, and for their liability by law for any act or omission of the cellular companies, and they undertake to insure their liability under the law for any damage and/or harm that may be caused to a third party.

Water and Sewage Corporations (Plant Wastewater Discharged into the Sewage System) Rules, 5771-2011 – In the Report Period, to the best of the Company's knowledge, there have been insignificant deviations in the values of the wastewater discharged into the municipal sewage system in one of the Company's properties, for which a negligible monetary fine was paid to the Company. The Company has retained the services of a professional wastewater consultant in order to meet the required criteria, and places great importance on environmental protection.

The Company's policy on environmental risk management

The Company, under the leadership of the Chairwoman of the Board, Ms. Danna Azrieli, recognizes the importance of the identification, assessment and management of significant environmental and climate risks as part of the Company's overall risk management process. In 2024, according to the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) methodology, the Company began a structured initial process to analyze the climate risks with the most significant impact on the Company's operations, in order to formulate a strategy and set goals for management of such risks. In this context, the Company intends to present a periodic report to the Board of Directors regarding the risk findings and the proposed ways to address them. In addition to the aforesaid, the Company is undergoing a strategic process, in collaboration with external consultants, with the purpose of creating a multi-year work plan to reduce greenhouse gas emissions.

As part of the corporate responsibility program, the Company also operates voluntarily, over and above the legal requirements, regarding various environmental aspects that also have the potential to reduce the impact of climate risks, such as: green building for all new properties, sustainable operation of existing properties, reducing waste sent to landfills, use of renewable energy, and more. For further details, see Section 9 of Chapter E to this report.

For details in relation to environmental risks and the management thereof in the data center segment, see Section 12.18 of this Chapter A.

24. Restrictions on and Supervision over the Corporation

Below is a brief overview of the laws, regulations, orders, restrictions and requirements with which the Group is obligated to comply in its various operating segments:

24.1. In Israel

24.1.1. Real estate operations

The Company's operations in Israel is subject to the land laws, including in relation to land taxation and lease and borrowing laws, as well as directives and contracts of the Israel Land Authority and Local Authorities, planning and building laws and environmental laws.

24.1.2. General laws concerning the Group's operating segments

In the framework of its activities, the Company and the Group companies are subject to municipal bylaws in each one of the local authorities in which the Group's income-producing properties are located, insofar as relevant, including regarding the opening and closing of businesses, the Prevention of Smoking and Exposure to Smoking in Public Places Law, 5743-1983, Equal Rights for Persons with Disabilities Regulations (Service Accessibility Adjustments), 5773-2013, Water and Sewage Corporations rules, the Privacy Protection Law, 5741-1981, the Privacy Protection Regulations (Information Security), 5777-2017, the Communications Law (Telecommunications and Broadcasting), 5742-1982 (which includes clauses addressing "Spam"), and the Consumer Protection Law, 5741-1981.

Furthermore, some of the Group's companies purchase electricity through a high-voltage connection and supply the electricity to tenants according to a low-voltage tariff as determined and updated from time to time by the Electricity Authority (PUA-E). To the best of the Company's knowledge, as of the date of the Report, the Ministry of Energy and the PUA-E are acting for the regulation of electricity distribution in retail centers and malls across the country.

The Anti-Concentration Law

December 2013 saw the publication of the Promotion of Competition and Reduction of Concentration Law, 5774-2013 (the "**Anti-Concentration Law**").

The law includes three main chapters, as follows: (a) limitation of control in companies in a pyramid structure; (b) separation between significant non-financial corporations and significant financial bodies; (c) weighing of economy-wide concentration considerations and sector-specific competition considerations in the allocation of rights by the State.

Azrieli Group (and the controlling shareholders thereof and the corporations controlled by them) was listed among the significant non-financial corporations.

Therefore, the last two chapters may be relevant in the examination of future transactions of the Company.

Amendment No. 13 to the Protection of Privacy Law, 5741-1981

Amendment No. 13 to the Protection of Privacy Law, which was approved by the Knesset in August 2024 and will take effect in August 2025, offers significant changes that bring Israel's privacy laws closer to the strict privacy laws of the European Union (the GDPR), with extensive emphasis on the processes of information processing and security in general, rather than merely in the context of database registration. The Amendment redefines basic terms such as "personal information", "information with special sensitivity" and "processing", expanding the duties to inform data subjects, in order to ensure transparency and higher awareness of the information collected and the purposes for which it is permitted to be used. Another aspect is the considerable relaxation of the database registration requirement, while keeping the registration duty for especially sensitive databases, ones that are designated for the transfer of information by way of occupation or for consideration, or ones belonging to public bodies. This change eases the regulatory burden carried by multiple companies but retains the need to comply with stringent requirements of information security and protection of data subject rights.

Furthermore, the Amendment significantly expands the oversight and enforcement powers of the Privacy Protection Authority, including the ability to impose substantial administrative fines, demand the remedying of violations, and conduct administrative inquiries. The Amendment also grants aggrieved parties the right to bring personal claims in the event of breach of the duties to inform, improper handling of applications for inspection or correction of information, and more, and in certain cases, also the award of damages without proof of damage. Amendment 13 upgrades and tightens enforcement mechanisms, relaxes unnecessary administrative requirements, and compels companies to prepare for the changes by updating procedures, appointing suitable appointees, and strictly upholding the rights of data subjects and security information measures and proper control over the implementation and update thereof. The Company is acting to examine and implement the required adjustments as set out in Amendment 13.

Protection of Privacy Regulations (Information Security), 5777-2017

On 8 May 2017, the Protection of Privacy Regulations (Information Security), 5777-2017 were approved by the Constitution, Law and Justice Committee. The purpose of the Regulations is, *inter alia*, to define information security principles related to the management and use of information in databases, based on information security standards that are generally accepted around the world, all with the aim of providing protection for the rights of the subjects of the information in the database from abuse of the information about them. The Regulations prescribe several provisions in relation to the definition and periodic update of risks, the determination of information security procedures according to the database's sensitivity, and also address the physical aspects of safeguarding the database and the need to secure it.

Furthermore, these Regulations have been granted significant support and enhanced enforcement measures upon the approval of Amendment No. 13 to the law as mentioned above, including increased fines for violation of the Regulations.

24.1.3. Senior housing

Restrictions on and supervision of the senior housing operating segment

Operations in the senior housing segment are mostly regulated by the provisions of the Senior Housing Law, which prescribes, *inter alia*, the duty to receive an operation license for the management and operation of a senior home, provisions in respect of the requirements and conditions for the receipt of a senior home operation license, the contractual relationship between the operator and the resident, the duty to enter into a written engagement agreement, the provision of collateral to secure the repayment of the funds of the residents' deposits, provisions in connection with vacation of residents, and more.

Additional provisions of law applicable to the senior housing segment are established in the Senior Housing Regulations, as specified in this Chapter A below.

The Senior Housing Law

The Senior Housing Law prescribes, *inter alia*, that the operation of senior homes requires the receipt of an operation license on behalf of the Commissioner of Senior Homes at the Ministry of Social Affairs and Social Security (the "**Commissioner of Senior Homes**") and is subject to compliance with several conditions prescribed by the said law, including the applicant for the license being the owner or long-term leaseholder of the land of the senior home in respect of which the license is requested, there being no conviction of the license applicant and the senior home manager of certain offences, proof of the financial stability of the license applicant to ensure the proper operation of the senior home and so forth. The operation of a senior home without an operation license or other than according to the conditions of the license constitutes an offence that carries various fines and incarceration penalties. As of the Report Release Date, the regulations regulating the issuance of the operation licenses for senior homes have not yet been published.

Furthermore, the Senior Housing Law regulates additional matters, including the following: (1) The duty to make a written engagement agreement between the holder of the senior home operation license (the "**Operator**" or "**License Holder**") and the person seeking to be a resident of the senior home; (2) The specification of basic mandatory services the Operator is obligated to provide the residents; (3) The duty to set up an LTC unit for senior homes consisting of at least 250 residential units, while the Commissioner of Senior Homes is authorized to exempt the senior homes from this duty in accordance with the terms and conditions stated in the Senior Housing Law; (4) Limitation on arbitrary increases of the management fees and any other payment, which the resident does not have the actual ability to waive; (5) The right of the residents to set up a residents' representative body at the senior home, and more.

On 25 July 2018, an amendment was published to the Senior Housing Law (the Senior Housing Law (Amendment), 5778-2018) (the "**Amendment to the Law**"), concerning amendment of the provisions pertaining to the collateral used to secure the funds of the residents' deposits[74], which prescribes that in a case where the Operator holds an amount exceeding 7% of the Deposit paid for a resident or NIS 70,000, whichever is lower, it is required to register a first-ranking mortgage in favor of a trustee to be appointed by the residents on its right in the land on which the senior home where the resident lives is built, and if the senior home is registered as a condominium, the Operator may register the first-ranking mortgage on its right in the land in favor of the resident, on the apartment where the resident shall live. Alternatively, the Operator may provide the resident with a bank guarantee from an insurer or banking corporation to secure the deposit funds, or transfer 40% of the Deposit to a trustee, at its choice, with the resident nominated as the beneficiary in the trust contract, and insofar as the Operator shall have chosen these options, the provisions pertaining to proof of the Operator's financial stability and to the fund for the financing of medical expenses specified below shall not apply. The law further prescribes that in a case where the senior home is under construction and residents have not yet moved in, the Operator is required to provide any person who shall have paid the deposit funds with a bank guarantee from an insurer until it is possible to register a mortgage in favor of the resident. Accordingly, on 16 June 2022, the Senior Housing Regulations (Disclosure Document Form), 5778-2018, were amended, in the context of which amendment the options for the provision of collateral were updated to reflect the Amendment to the Law. It is noted that the collateral will be enforced upon fulfillment of one of the grounds set forth in the law, including insolvency of the Operator, a moratorium, a receivership order, a dissolution order, an order for the appointment of a receiver, or in circumstances of an absolute impediment to reimbursement of the deposit funds.

The Amendment to the Law prescribes that the resident may not waive receipt of the collateral from the Operator and that the Operator will bear all of the costs entailed by provision of the aforesaid collateral (as distinguished from the Operator's obligation to bear 20% of the said costs under the provisions of the Senior Housing Law prior to the date of the taking effect of the Amendment to the Law).

Furthermore, pursuant to the provisions of the Amendment to the Law, an irregularities committee was established at the Ministry of Welfare, which may exempt an Operator, at its request, fully or partially, from provision of the collateral under the Senior Housing Law, and determine conditions to such an exemption, or alternatively, order the provision of alternative collateral, and it is further prescribed that the Commissioner of Senior Homes may require the Operator, at any time, to prove its financial stability by conducting such inspections as determined in the Senior Housing Law and also deliver the results of such inspections to the residents, subject to the conditions specified in the Amendment to the Law.

In addition, provisions were determined regarding the establishment of a joint fund for the financing of medical expenses under circumstances of insolvency for the benefit of all of the residents, and the establishment of a joint fund for the financing of expenses due to insolvency – these funds will be managed by the Custodian

[74] "Deposit" – A payment made by a resident to an operating license holder under an engagement agreement, including as collateral for its compliance with the terms and conditions of the engagement agreement, which, under the terms and conditions of the engagement agreement, the operating license holder must repay to the resident, in whole or in part, when the engagement comes to an end, net of any sum deducted from such payment under the provisions of the engagement agreement and the law.

General.

The Amendment to the Law includes transitional provisions whereby the provisions of the law shall apply retroactively, such that they will also apply to agreements that were made prior to the amendment. The Amendment to the Law took effect 18 months after the publication thereof (i.e. in late January 2020), with the exception of the sections concerning the irregularities committee, the examination of financial stability, the fund for the financing of medical expenses under circumstances of insolvency and the fund for the financing of expenses in a case of insolvency, which took effect 6 months after the date of publication (i.e., at the end of January 2019).

Senior Housing Regulations

The Senior Housing Regulations (Disclosure Document Form), 5778-2018 – These regulations took effect on 5 April 2018 and were amended on 14 June 2022. The regulations determine the content of the disclosure document that the operator is required to hand over to a resident with whom the operator expects to enter into an engagement agreement. According to these regulations, the operator is required to disclose and provide to the prospective resident, *inter alia*, information and details regarding the operator and its identity, details about the operator's license, details about services to be provided by the operator, details 124regarding the operator's rights in the land on which the senior home is built and operates, a description of the public areas, a breakdown of payments, a specification of collateral, and all other details required to be disclosed in accordance with these regulations and the Senior Housing Law.

Draft Senior Housing Regulations (Financial Stability), 5784-2024 – These draft regulations were released for public comment on 30 September 2024 and specify the financial conditions with which a license applicant is required to comply, *inter alia*, in order to prove its financial stability, and as a condition for receipt of an operating license. As specified in this draft, as part of the license application, the license applicant is required to provide the Commissioner of Senior Homes, *inter alia*, with audited CPA-signed financial statements and with other documents certified by an attorney and/or signed by a CPA on behalf of the license applicant. These regulations also set forth the method for examining the financial stability of the license applicant, as well as an administrative objection mechanism. To the best of Palace management's knowledge, the period for public comment submission ended on 14 October 2024, but they have not yet been presented for discussion by the Labor, Welfare and Health Committee of the Knesset. Of note, a practically identical version of this draft had been released for public comment in March 2018, but did not advance further in the legislation process.

The Senior Housing Regulations (Apartment Specifications Form), 5778-2017 – These regulations took effect on 17 January 2018. These regulations impose a duty on the Operator to attach to every engagement agreement with residents (pertaining to the occupancy of an apartment in a senior home) a detailed and accurate specification, which addresses all of the details and information as specified in the said Regulations. Furthermore, the Regulations stipulate that in the case of engagement contracts between senior homes and residents regarding the occupancy of senior homes under planning and construction, which are yet to be built or occupied, a plan of the future apartment, including exact measurements, must be annexed to such contracts in addition to the specifications of the future apartment.

The Senior Housing Regulations (Residents' Committee), 5778-2017 – These regulations took effect on 3 December 2017. In summary, these regulations pertain to the right of residents in senior homes to appoint a representative body on their behalf, and prescribe procedures for the election of such representative body, its powers, the manner for convening its meetings, the manner of voting thereat, its term of office and so forth.

The Senior Housing Regulations (Experience, Professional Training and Seniority Conditions for Senior Home Managers), 5778-2017 – These regulations took effect on 14 December 2017 and set forth the prerequisites and the experience and professional training requirements for a senior home manager, which include, *inter alia*, the duty imposed on a senior home manager to participate in a course and training according to various criteria prescribed by the regulations, as well as the requirement of at least three years of previous managerial experience. Furthermore, these regulations impose a duty on the holder of the license to operate the senior home to ascertain the enforcement and implementation of these regulations. The regulations further establish the prohibition on senior home managers to act in a conflict of interests in their capacity.

The Senior Housing Regulations (Conditions for Senior Home Operations), 5781-2021 – These regulations took effect on 16 June 2021 and prescribe the conditions required for proper operation of a senior home, including the admission of new residents to the senior home, the senior home's responsibility for minimal physical conditions in the residential units of the senior home, assurance of the existence of facilities and services in the senior home, assurance of resident rights, and so forth.

The Senior Housing Regulations (Medical Expenses Fund and Insolvency Fund), 5783-2023 – These regulations were promulgated and took effect on 9 July 2023. The regulations were promulgated following the amendment to the Senior Housing Law which set forth provisions for establishment of a joint fund for payment of health-related expenses in circumstances of insolvency, for the benefit of all residents, as well as establishment of a joint fund for payment of expenses in cases of insolvency. These regulations require a License Holder to deposit a base amount in the medical expenses fund and in the insolvency fund, for the benefit of all the senior home residents who made a payment toward the deposit, as well as for all apartments the residents living in which made a payment toward the deposit. The regulations provide a mechanism to ensure consistency between the number of residents and apartments that made a payment toward the deposit and the amounts deposited in such funds, such that every January the License Holder is required to check whether any change had occurred in the passing year in the number of residents who made a payment towards the deposit or in the number of apartments, the residents living in which had made such a payment. If the number of residents has grown, the License Holder is required to make a deposit in the amount set forth in the Senior Housing Law, and if the number of residents has declined, the License Holder may choose between a refund from the Administrator General, and keeping a positive balance.

With the exception of the aforementioned regulations, as of the Report Date, additional regulations applicable to the senior housing segment have not yet taken effect. To the best of the Company's knowledge, at this point there are additional regulations which pertain to the senior housing segment and whose legislation is yet incomplete.

Invalids and the mentally frail – The People's Health Ordinance and Regulations

The People's Health Ordinance, 1940, the People's Health Regulations (Registration of Hospitals), 5726-1966, and the People's Health Regulations (Nursing Staff in Clinics), 5741-1981, prescribe that the operation of hospitals, including units for invalids and the mentally frail, requires receipt of a permit from the Ministry of Health and is subject to supervision thereby. Such regulations include provisions with respect to the physical structure, the condition of the equipment, the manner of management, the rights of hospitalized patients and manpower capacities and training.

Labor law

Palace has employees in the senior housing operations and has also engaged with manpower agencies and manpower contractors for the receipt of various services in the senior homes, including cleaning, protection and security. Palace is therefore subject to labor law and particularly to the law applicable to engagement of contractor employees, including the Employment of Workers by Manpower Contractors Law, 5756-1966, the regulations promulgated thereunder, and the Enhancement of Labor Law Enforcement Law, 5772-2011.

Planning and building laws, work safety and accessibility and consumer legislation

In the context of the planning, development and construction processes of senior homes, Palace is subject, *inter alia*, to the planning and building laws, including the decisions of local authorities and the various zoning committees, and is also subject to the Equal Rights for Persons with Disabilities Law, 5758-1998 and the secondary legislation thereunder, and to the work safety laws. Furthermore, the operation of senior homes is subject to consumer laws, such as: the Consumer Protection Law, 5741-1981 and the regulations thereunder, and the Control of Products and Services Law, 5718-1957.

24.1.4. Rental housing in Israel

The Company's operations in the rental housing in Israel segment are subject, *inter alia*, to statutes and regulations in the field of land law, including statutes and regulations related to planning and building, supervision and municipal legislation, rental and borrowing, the Encouragement of Capital Investments Law, etc., as well as various decisions of statutory bodies.

The Planning and Building Law, 5725-1965, and the regulations promulgated thereunder

On 5 February 2018, the Knesset plenum passed, in the second and third readings, Amendment 120 of the Planning and Building Law (the 'Affordable Housing Law'). The amendment seeks to promote a coherent policy and encourage the construction of affordable housing on both the local and national level, while improving the preexisting mechanism in the Planning and Building Law in three principal aspects: (a) Expansion of the powers of the planning institutions to include in plans under their authority provisions that pertain to affordable housing, such that a district committee is authorized to determine additional rights for long-term rental housing without limitation, with at least 25% of the residential units designated for reduced-price rental. Furthermore, an independent local committee can determine additional building rights of up to 25%, or 20% of the total area approved by the district committee, provided that the entire land is Israel land and the plan was submitted by the Israel Land Authority; (b) Amendment of the Sixth Schedule to the Planning and Building Law and the conditions included therein for the purpose of executing a plan that includes affordable housing[75]; (c) Addition of an arrangement pertaining to rental housing units at a price reduced as compared to market price, with the aim of facilitating and enabling the promotion of plans that include affordable housing[76].

It is noted that as part of the Economic Plan Law (Legislative Amendments for Implementation of the Economic Policy for Budget Years 2021 and 2022), 5782-2021 (the "**2021 Arrangements Law**"), the powers of local committees were amended as set out in Section (a) above, expanding local committees' powers as concerning a determination of building additions to 50% (in lieu of 20%), and revoking the conditions limiting the powers of local committees to land promoted by the Israel Land Authority only. That is to say, the powers of local committees also apply to privately-owned land and to plans submitted by parties other than the Israel Land Authority.

Furthermore, the 2021 Arrangements Law authorizes independent local committees to approve plans that include: (a) An increase of the total area permitted for residential construction at a rate that shall not exceed 200%, provided that the plan determines that the provisions of the Sixth Schedule to the Planning and Building Law (Affordable Housing) will apply to the land. The 2021 Arrangements Law provides that such plan for additional area shall not contradict a comprehensive outline plan, unless the built-up areas on the lot do not exceed the built-up areas that may be approved for the lot under the comprehensive plan by more than 60%, and where approval of the plan by the district committee is obtained – do not exceed 120% of the built-up areas; (b) The addition of residential uses to a lot designated for commerce or retail (excepting the area of a lot on which the use of land for industry or high-tech industry or workshops is permitted), at a rate not to exceed 100% of the total area permitted for construction, provided that the provisions of the Sixth Schedule shall apply thereto, as well as the provisions of Section 63C of the Planning and Building Law, which prescribes, *inter alia*, that in a plan to which the section applies, at least 25% of the total units under the plan and 20% of the total area permitted for the construction of residential units shall be designated for reduced-price rental housing units; and the

[75] According to the Schedule, affordable housing is one of the following: (a) Long-term rental housing or reduced-price rental housing. Long-term rentals are defined in the Schedule as rentals for a term of at least 20 years for rent that cannot be capitalized, with the lease granting options for an aggregate period of at least 5 years per tenant. Reduced-price rental housing is similarly defined, but the lease carries a reduced price for eligible persons. An eligible person is anyone who satisfies the threshold conditions determined in Government Resolution 203 (Housing/13) of the Ministerial Committee for Planning, Building, Land and Housing on 22 June 2015, i.e., a homeless couple or individual who is 26 or older.

[76] In reduced-price rental housing, the rent will be 20% less than the price determined by the State Appraiser and will not exceed the reduced rent cap. A local authority has the power to determine, for land not owned by the Israel Land Authority, varying reduction rates, and there is a limit on rent increases. The regular and reduced rent may be increased once a year by the rate of the increase in the index and an additional amount that the Minister may determine in regulations. After five years, the market price can be updated according to a decision of the State Appraiser.

additional area will expire insofar as no application for a building permit to execute the addition is submitted within 5 years from the date of approval of the plan.

Further to the foregoing, the Economic Plan Law (Legislative Amendments to Implement the Economic Policy for the Budget Years 2023-2024), 5783-2023, also known as the "2023 Arrangements Law", expanded the powers of local committees to approve plans: redesignation from offices or commerce to residential, by the local committee, and increase of the total permitted area for residential construction.

The Rental and Borrowing Law, 5731-1971

The Rental and Borrowing Law regulates various contractual and property aspects pertaining to rental and borrowing rights. The law applies to any residential lease, save for the residential lease of an apartment in the following cases: (1) A term of lease shorter than three months with the parties to the contract not having the right of choice to extend the term of the lease; (2) A term of lease that exceeds ten years; (3) Where the rent is higher than NIS 20,000 or a different amount as determined by the Minister of Justice; (4) Apartments in a home, senior home, student dormitories, or lease of an apartment which is governed by the Tenant Protection Law.

Encouragement of Capital Investments Law, 5719-1959

The purpose of the Encouragement of Capital Investments Law is to encourage investments and various economic initiatives; among other things, one of the objectives of the law is to increase the supply of rental apartments. Chapter VII-1 of the Encouragement of Capital Investments Law addresses the encouragement of investment toward construction for rental and the benefits to owners of rental or institutional rental buildings. Under the law, rental building owners may be entitled to tax benefits in acquisition, expansion or construction. As noted, Chapter Vii-1 of the Law grants various tax benefits to owners of rental buildings and/or institutional rental buildings approved as certified properties and used for apartment rental in accordance with the conditions specified in the Law.

On 18 November 2021, the Economic Plan Law (Legislative Amendments for Implementation of the Economic Policy for Budget Years 2021 and 2022), 5782-2021 was published in the Official Gazette, under which, *inter alia*, the Encouragement of Capital Investments Law was amended and the 'institutional rental' scheme took effect, which grants benefits to owners of institutional rental buildings and/or buyers of institutional rental building serving as "successor lessors", which comply with the conditions specified in the law for this purpose.

The tax brackets in respect of a lease of apartments in a building for institutional lease will be in the first lease period (5 years): 11% corporate tax, in the second lease period (5 lease years after the end of the first lease period): 9% corporate tax, a third lease period (5 lease years after the end of the second lease period): 7% corporate tax, and in the lease period after the third lease period: 5% corporate tax. The tax brackets are also relevant to the sale of apartments.

The tax rate on dividends originating from taxable income generated from the sale or lease of apartments in a building for institutional lease is 20%.

For an apartment leased on an institutional lease track, the Company will be entitled to claim accelerated depreciation at the rate of 20%.

There is also a VAT exemption in respect of the sale of apartments that were made available for lease for the minimum required period.

Encouragement of Construction of Rental Apartments Law, 5767-2007

The Encouragement of Construction of Rental Apartments Law applies to companies defined as companies "owning a rental building"[77], and grants various tax incentives to companies that hold buildings for long-term lease. It is a unique scheme for the receipt of tax incentives, and a company that chooses it cannot claim relief via other schemes or switch to another scheme after making its choice.

The tax incentives are divided into two categories: (a) Exemption from appreciation tax upon the sale of a right in land that constitutes a "rental building"; (b) Grant of an option for depreciation deductions at the rate of 20% as losses permitted to be offset under the Income Tax Ordinance, provided that the building is a "rental building" which is held by the same company for a total period of at least 10 consecutive years.

Local authority directives and municipal bylaws

The Company is subject to local authority directives and municipal bylaws, including the payment of levies, municipal property tax (Arnona) for periods when the residential units are not leased, and so forth.

24.1.5. Hospitality

The Company's activities in the hotel industry are subject, *inter alia,* to the provisions of law, compliance with which is a condition by law for its current operations in the segment, as well as provisions of law that affect or may affect its operations and business results, as follows:

The Planning and Building Law, 5725-1965

This law prohibits construction without obtaining a building permit or construction in deviation from a granted permit and/or from approved building plans. Construction of buildings, including hotels, is subject to the Planning and Building Law and the regulations promulgated thereunder.

The Tourism Services Law, 5736-1976

This law and the regulations promulgated thereunder regulate, *inter alia*, the operation of hotels in Israel, including, among other things, the services provided by hotels, hotel ratings and the duties imposed on hotel owners.

The Business Licensing Law, 5728-1968

This law allows the local authorities, where hotels operate, to prescribe conditions for the grant of business licenses. As part of the conditions for obtaining such business licenses, the Company is required, as part of its hotel business, to comply with firefighting laws (thus, the Company is subject to compliance with the Firefighting Services Regulations (Fire Extinguishing Equipment in Hotels), 5732-1972, and the requirements of the Israel Fire Services Authority thereunder), a poison permit (issued by the Ministry of Environmental Protection for those dealing with poisons under the Hazardous Substances Law, 5753-1933, in connection with the operation of hotel swimming pools). On 1 January 2019, Amendment No. 34 to the said Business Licensing Law came into effect, the purpose of which is to facilitate the bureaucratic process for obtaining a business license, according to the risk levels associated with the business establishment.

The Labor Inspection Organization Regulations (Safety Officers), 5756–1996

[77] A company that owns all the rights in a rental building and satisfies the following conditions: (a) It is a resident of Israel; (b) It is not a closely held company, a family company or a transparent company. "Lease" is defined by law as a case where an apartment is leased for periodic rent, which cannot be capitalized, for a term of at least one year. A "rental building" is defined as a permanent structure comprising at least 16 apartments on 4 floors, the average main area of which does not exceed 100 sqm, at least 70% of the apartments in which are leased as residences, and construction of which was completed after 31 December 2006.

These regulations establish and regulate the duty to employ a safety officer in hotels that have more than 50 employees.

The Labor Inspection Organization Regulations (Safety Management Plan), 5773-2013

These regulations impose on certain places of work, hotels among them, the duty to establish a work safety management plan the purpose of which is to prevent workplace accidents and occupational diseases and comply with legislative requirements relating to occupational health and safety. The regulations regulate the provisions of the duty under this plan, the functions who may prepare the plan and the duties imposed on them and on the holder of the workplace. At the same time, the regulations provide for an exemption mechanism, whereby the holder of a workplace, and in our case – hotel owners, may apply to the Regional Labor Inspector with a reasoned written request to exempt them from the duty to prepare a safety management plan, if they believe that the workplace entails no risks that merit the preparation of such plan.

The Consumer Protection Law, 5741-1981

This law and the regulations promulgated thereunder establish various provisions relating to the activities of the Company in the hotel industry, including the prohibition on misleading (including in advertisements), disclosure duty to consumers, consumer cancellation rights, special sales (deals), remote sale transactions (online and telephone bookings), cancellation of remote sale transactions by consumers who are persons with disabilities, senior citizens or new immigrants (*Olim Hadashim*), holiday unit purchases, telemarketing activities, price display rules, and more.

The Equal Rights for Persons with Disabilities Law, 5758-1998

This law and the regulations promulgated thereunder apply various provisions to the Company that require making accessibility adjustments for the hotels and services provided there, to persons with disabilities.

Municipal by-laws and municipal taxation laws

In addition to the aforementioned restrictions, the Company's activities in the hotel industry are subject to relevant legal provisions and in particular to the tax laws and municipal by-laws of each of the local authorities in the location of the Company's hotels in Israel.

24.1.6. Business Licensing

In the framework of the operations of the Group's companies, some of the Group's companies are required to obtain a business license pursuant to the Business Licensing Law, 5728-1968. To the best of the Company's knowledge, as of the Report Date, all of the Company's properties have a valid business license or are in the midst of proceedings for the renewal or issuance of a business license (including such which had expired), as required under the Business Licensing Law, 5728-1968. In addition, in the lease agreements in which the Group engages with the various lessees, the lessee is required to hold a business license as required by law for the operation of its business in the property.

24.1.7. Economic Competition

In the framework of expansion of the Group's operations, *inter alia*, by acquiring shares in companies owning the rights in real properties, by the Group and the Group's companies may require, under certain circumstances, to approve the merger pursuant to the Economic Competition Law, 5748-1988.

24.2. Outside Israel

The Group's operations in the U.S. and in England are subject to the laws and regulations in these countries, *inter alia*, in the relation to land, planning and building, lease, environmental protection and laws on the municipal level and in connection with land taxation.

The data center operations are characterized by high requirements in the following areas: security, both physical and of computing and server systems, environmental requirements from the various systems used by the buildings (such as the cooling systems, generators, fuel storage for the generators, etc.), very high power redundancy requirement (prevention of general failure in the event that one of the system components fails), the communication, control and safety systems. Every development project in the field is subject to regulation and provisions prescribed by the relevant authorities, incl the receipt of operation permits and licenses from various regulatory bodies, according to the area where the operations take place.

GM's operations in Norway are subject to the provisions of the Norwegian Security Act. This law is a comprehensive legal framework designed to ensure the security, resilience and integrity of providers of critical infrastructures in Norway, including data center services. The law, which was enacted to address developing security challenges, outlines means required to be taken to protect assets and mitigate risks (such as performance of risk assessments, preliminary planning of cases and responses, physical security and cyber security measures, periodic audits, etc.). As a key regulatory tool, this law plays a crucial role in improvement of the overall security of organizations operating in Norway, in compliance with strict standards of confidentiality, integrity and availability.

25. Material Agreements and Collaboration Agreements

The Group is a party to collaboration agreements with third parties with respect to some of the projects within the Group's activities.

Excluding agreements which were specified in this Chapter, in the Additional Details Chapter (Chapter D of the Report) and in the Notes to the Financial Statements, the Company is not a party to any material agreements which are not in the ordinary course of business or which were not described in any of the aforesaid chapters of the Report.

26. Legal Proceedings

As of the Report Date, the Company and/or the Group companies are not a party to material pending legal proceedings, except as specified in Note 28 to the Financial Statements. In addition, as of the date of this Report, the Company and/or the Group companies are conducting various proceedings, as determined by law, *inter alia*, for the resolution of demands received from the various local authorities in respect of mandatory payments and levies, in a total amount that is immaterial to the Company. In respect of part of the proceedings, the Company included provisions in the Financial Statements on the basis of the opinion of the Company's outside advisors, under the circumstances of each matter.

27. Goals and Business Strategy

As a leading company in its segments of activity, the Company focuses on the income-producing real estate sector. In the retail centers and malls in Israel segment, the Company regularly focuses, on improving its existing properties, and acts to optimize the utilization of its commercial space and create a suitable tenant mix according to the changing demand needs, increase the number of visitors while maintaining and even improving the attractiveness of its malls and retail centers, continuing to offer management services to its properties through the Group's management teams, maintaining the level of its tenants and renewing the lease agreements therewith for additional long-term periods. In the leasable office and other space in Israel segment, the Group places an emphasis on the location of the property, the uniqueness of the building, accessibility and parking, and supporting functions for the tenants and their employees in order to create differentiation against competing properties in the same areas of demand. In the senior housing segment, the Group laid an emphasis on the location, standard of service, varied activities' contents and a supportive environment.

The Group's business strategy is to continue to invest in the expansion of its vast operations in the segment of retail centers and malls, mainly in mixed use projects, and by constant upgrade and improvement of its existing properties along with cleansing the mix of the services and/or stores, in the leasable office and other space in Israel, both in pipeline projects and in upgrading and improving the existing properties, and subsequently the development and expansion of the senior housing segment, the rental housing segment and lines of business that are close to the Company's operating segments, through the purchase of land for development and construction of properties and/or the purchase of additional properties. In addition, the Company places emphasis on betterment of the existing properties, promotion of building plans and expansions for optimal use of the rights in its properties. The Company ensures that it maintains its sound financial strength and a relatively low leverage ratio.

In the income-producing real estate in the U.S. segment, as of the Report Release Date, the Group is continuing to consider the disposition of assets in accordance with the market conditions.

The Company estimates that its main growth engines are, *inter alia*, the projects undergoing planning and construction, development of new properties through the identification of lands for purchase while taking into account areas of demand, large population centers, central transportation junctions and high accessibility to public transportation.

Furthermore, from time to time, the Company examines additional options for expansion of its operating segments into other operating segments that are synergetic with or close to the Company's business, as additional growth drivers, while taking advantage of market situations and/or crisis conditions in leading, cash-generating target companies. In this context, the Company acquired the Mount Zion Hotel, and in 2023, closed the acquisition of the Red Rock Hotel in Eilat as stated in Section 1.3.6 of Chapter A of the 2023 Periodic Report.

In addition, as part of its strategy for the coming years, the Company has considered expanding into the residential property segment (apartments for sale), in which context it is conducting negotiations for acquisition of the shares of Z.M.H. Hammerman, as specified in Section 1.3.6 of this Chapter A .

In the Report Period, the Company continued to operate "Palace Tel Aviv", the longstanding senior home it purchased in 2015, the "Palace Ra'anana" senior home (formerly Ahuzat Bayit Ra'anana) that was purchased in 2016, the senior home in Modi'in, the senior home in Lehavim, and is also in the process of construction of another senior home in Rishon LeZion. The Company is striving to continue developing the senior housing business and to create a significant portfolio with national presence and a 4-5 star finishing standard. In the Report Period, the Company continued to examine various ventures for the construction of new senior homes, identification of suitable land and purchase of existing senior homes, aiming to be a leading player in the senior housing market, both in terms of the number of residential units offered to residents and in terms of the standard of the services provided. For details regarding the award of a tender for construction of a senior housing project in Sde Dov, see Section 1.3.7 of this Chapter A.

The rental housing in Israel segment – The Company's plans in relation to the rental housing in Israel operating segment are, *inter alia*, to build a platform for long-term rentals, while setting the product apart and providing high-standard services.

The data center segment – The Company has set its sights on becoming a significant player in the global data center market, focused on Wholesale and Hyperscale customers.

The acquisition of companies in this industry is made as part of the Company's growth strategy, under which the Company entered the data center industry, and for the purpose of expanding its operations in this industry.

The Company intends to use the presence of GM in the European data center market, its experienced management, professional knowledge and business connections, in order to gain a foothold and grow in this market, which is characterized by high growth rates and high yields. The Company also intends to act in the future to expand GM's current operations in the European market (in Norway, Germany and England), with an emphasis on the expansion of the operations in the Nordic Countries in the coming years and in the medium-term, also expand into other countries in Northern Europe.

The Company strives and acts to expand its operations in the segment to other territories, both by expanding the operations of GM and the U.K. Companies and by additional mergers and acquisitions. The Company is also exploring various options for collaborations with additional investors and various alternatives for financing its operations in the data center segment according to the growth rate of such operations. The Company is acting to concentrate its holdings in the data center segment in Europe under GMG, *inter alia*, in order to facilitate capital raising from investors in support of acceleration of the pace of development of its data center operations.

The Company's plans for GM and the U.K. Companies, and the data center segment in general, as specified above, are forward-looking information, within the meaning thereof in the Securities Law, which is based, inter alia, on the Company's estimations according to information about the business of GM and the data center industry. 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 principal factors that may affect this are: Changes related to the operations of any of the companies in the segment and/or their customers and/or the operating segment in general, non-receipt of approvals required for the Company's plans and/or materialization of the risk factors specified below.

The Company's goals as of the Report Release Date are based on the management's estimates in connection with the market conditions as of such date, and there is no certainty that the aforesaid will indeed materialize. For further details, see the Board of Directors' Report.

28. Forecast for Development

As previously reported by the Company, during the Report Period and until the Report Release Date, the Group has continued exploring business opportunities in Israel in connection with the expansion of its operations, mainly in the income-producing real estate sector, including continued development of the senior housing segment and the rental housing segment, and entry into adjacent operating segments, with an emphasis on residential real estate. The Group has also examined business opportunities abroad, particularly in the data center industry. These opportunities are examined both by way of purchase of land reserves and property development and by way of purchase of properties and/or companies and/or operations from third parties and/or betterment of the existing properties owned by the Group, some of which have materialized as stated in the Company's reports. The Company is regularly engaged in identifying opportunities for expanding retail and office space in its existing properties as an addition to existing projects and is working to promote the betterment of such properties and is expected to proceed with such activity also in 2025. In addition, the Company continues to regularly look into its financial holdings, all according to its discretion as to the timing, structure and consideration of the transaction.

29. Discussion of Risk Factors

In the Company's estimation, the Group is exposed to several fundamental risk factors deriving from the economic environment and the Group's unique characteristics.

The information concerning risk factors to which the Group is exposed, is forward-looking information as defined in the Securities Law. The Company's expectations with respect to this issue are based on past experience, the Group's familiarity with the markets in which it operates and its estimations in relation to its economic and business development. However, the Group's estimations regarding the following risk factors, including the extent of their effect on the Group's business, are forward-looking information, as defined in the Securities Law, *based on the information held by the Group as of the Report Date and also include assessments and analysis* of *the Group. The effect of the materialization of any particular risk factor may differ from the Group's estimations, inter alia, due to factors that are not necessarily within the Group's control. Furthermore, in view of the Group's continued examination of the expansion of its business, in particular in the real estate sector, the Group may by exposed in the future to additional risk factors, and the effect of any risk factor, if it materializes, may differ from the Group's estimations. Notwithstanding the aforesaid, it is noted that the Group's operations are characterized by a large number of tenants, numerous segments and geographic dispersion. These characteristics allow the Group to reduce its exposure to changes in a specific operating segment and to reduce its exposure to the business of a specific tenant.*

29.1. Macro-economic and financial risks

29.1.1. The growth and consumption rates in Israel

The Group's operations are dependent, *inter alia*, on the growth of the Israeli economy and the per capita consumption rates, which affect the demand for the Group's income-producing real estate space and the strength of material tenants in the Group's properties and their ability to comply with their obligations to the Group. In this context, see Section 6.1.1 of this Chapter A regarding the geopolitical situation and the security situation in Israel and the possible impact thereof on the Israeli economy.

29.1.2. A change in the Construction Input Index

An increase in the building inputs may affect the price of the Group's engagement with sub-contractors. While construction costs are usually linked to the Construction Input Index, income is usually linked to the Consumer Price Index. Therefore, the Group may be exposed to negative effects in the event of changes in these indices.

29.1.3. Changes in the market interest rates

A majority of the Group's undertakings and Group's development plans are affected by changes in the market interest rates and the conditions stipulated by banking corporations for the provision of bank credit. A long-term increase in the market interest rates may affect the Group's financing costs in relation to each project, the yield from the properties, the value of the income-producing properties and the Group's profitability. In this context, see Section 2.1 of the Board of Directors' Report.

29.1.4. Security situation

Changes in and deterioration of the political and security situation may affect the Group's operations and negatively affect its business results, both in terms of the public's willingness to visit the Group's retail centers and malls, in regions in turmoil and in general, and in terms of demand for leasable space, shortage in manpower in the construction industry, increased construction costs, etc. For the impact of the Iron Swords war, see Section 2.2 of the Board of Directors' report.

29.1.5. Regulatory changes in the Group's business environment

The Group's operations are exposed to various regulatory restrictions, including under competition law, securities law, corporate law and the bank supervision law. Stricter regulation in areas pertaining to the Group, as well as the possible implications of further regulatory changes, may reduce and/or limit the Company's operations, *inter alia*, by organizational changes and the imposition of conditions on the Company's business activity and financial holdings.

29.1.6. Changes in the value of financial investments available for sale

In view of the condition of the capital market in Israel, the Group is exposed, to a certain extent, to adverse changes in the value of the company in which it has invested as a financial asset available for sale. A decrease in the value of this company may adversely affect the Group's comprehensive income and its equity.

29.2. Industry-specific risks

29.2.1. Decline in the demand for leasable space

A decline in the demand for leasable space and/or non-renewal of existing lease agreements may lead to a decline in the occupancy rates of the Group's properties and a decline in the revenues from rent and in the value of the properties, and will inevitably negatively affect the Company's business results.

29.2.2. Decline in rent prices

A decline in the demand for leasable space together with intensification of the competition in the sector may lead to erosion of the Group's rent, a decrease in the value of properties, and a negative effect on its financial results.

29.2.3. Strength of key tenants

Damage to the financial strength of tenants, and particularly key tenants, may lead to an increase in provisions for doubtful debts or alternatively, the termination of lease agreements and/or eviction of tenants from the Group's properties, and consequently to a decrease in the Group's revenues from rent and an inevitable adverse effect on the Company's business results.

29.2.4. Competition

The income-producing commercial real estate sector in Israel is subject to significant competition. For details regarding the effect of the Group's competitors on its business results, see Sections 8.4 and 9.2 of this Chapter A.

29.2.5. Approval by the authorities

Operations in the income-producing real estate sector are characterized by the need to obtain approval from various functions in various authorities, particularly as pertains to authorizations of rights and uses (zoning plans), building permits, business licenses, etc. A delay in obtaining or failure to obtain approval could have a negative effect on the profitability of the project or entail various financial expenses for compliance with the requirements of the authorities to obtain the approval.

29.2.6. Legal and regulatory requirements, including with respect to environmental protection

The Group's companies are subject to legal and regulatory requirements from various aspects and, *inter alia*, on issues pertaining to the environment (nuisance, underground and above-ground pollution, toxic waste etc.), and they are required to bear the costs involved in meeting the same, such that it may have an adverse effect on their results. A toughening of such regulatory requirements may force the Group to allocate additional financial resources to this issue.

29.2.7. Changes in the tax burden

The Group's companies are subject to the tax laws in the jurisdictions in which they operate. Changes in the present or future tax rates, or other changes in tax laws that affect the tax liability of the companies, will cause a change in the Company's financial results.

29.2.8. Cyber Risks

The group uses computer systems and digital databases for the daily management of its business. The information in these databases includes, inter alia, business and personal details about the group, its employees, customers, etc. Such systems may be exposed to cyber risks such as cyber attacks, hacking, unauthorized data encryption etc., which may cause the Group direct and indirect harm. The consequences may include harm to ongoing operations, loss of business information, leaks of confidential or personal information, exposure to lawsuits, fines, reputational damage, etc.

In order to prevent and mitigate the exposure to cyber risks, the Group has carried out a risk assessment and mapping for IT systems and infrastructures, and is developing procedures for the regular implementation of security for the information it retains and to address cyber and information security events. The Group retains outside consultants and carries out internal audits to identify and address cyber risks. The Group estimates that the risk of damage from information security events is not high, due to the existence of an entity-wide work plan, compensating controls, mapping of potential attack platforms, and mapping of the existing cyber risks.

In this context, the Group applies organizational methods and technologies to prevent risks, enhance the security system and address threats. These processes include procedures as aforesaid, training for employees including unannounced drills, regular controls, instructions to third party vendors who are involved in data processing and/or have access to databases, backup on a secondary site for disaster recovery, etc. The Company retains outside consultants for mapping and compliance with information security regulations.

To address cyber risks, the Group uses the services of a CISO who is an external consultant with expertise in information security and who is familiar with the Group's systems and infrastructures. The CISO works in collaboration with the Group's Chief Information Officer, for the planning and implementation of required defenses and technologies in the area of information security and protection of the Company's databases.

The Group works frequently and is continuing to monitor the threats emerging from time to time, and adjusts and systems and procedures to the necessary security needs. The Group has also purchased insurance coverage for cyber attacks.

29.3. Risks specific for the Group

29.3.1. Fluctuations in the Consumer Price Index

The Group has loans and bonds and deposits from senior housing residents that are linked to the Consumer Price Index and therefore the Group is exposed to fluctuations in the Consumer Price Index. However, most of the Group's revenues from rent in the commercial centers and malls segment and the leasable office and other space segment are linked to the Consumer Price Index, while a rise in the Consumer Price Index may lead to an increase in the revenue from rent and reduce the exposure in relation to this risk.

29.3.2. Foreign Currency Risks

The Group has assets and liabilities that are stated in various foreign currencies. Since the total of foreign currency liabilities is not always equal in value to the total of foreign currency assets, the Group is exposed to possible changes in the exchange rate of the foreign currencies in relation to the NIS. However, the Group's revenues from rent in the income-producing real estate in the U.S. segment and in the data center segment are stated in foreign currency, with a rise in the exchange rate of the foreign currency possibly leading to an increase in the revenues from rent and a reduction of the exposure deriving from this risk.

29.3.3. Dependency on Financing Sources

The Group's operations are also financed by external sources and an adverse change in the conditions for provision of credit and/or non-renewal of existing credit may have a material adverse effect on the Company's results.

29.3.4. Debt raising costs

Changes in the market interest rates and in the CPI may affect the cost of debt raising by the Company as well as the financing expenses.

29.4. Risks specific to senior housing

Regulation of senior housing operations

The senior housing sector has developed significantly in recent years, along with the regulation of the sector. For details regarding the Senior Housing Law and the regulations promulgated thereunder, which prescribe, *inter alia*, the conditions for receipt of a senior home operation license, as well as conditions and duties for the purpose of proper management and operation of senior homes, see Section 24.1.3 of this Chapter A.

29.5. Risks specific to data centers

29.5.1. Regulation of data center operations

The data center operations are subject to restrictions, legislation, standardization and special constraints that apply to the operating segment, and consequently supervision and the receipt of licenses and operation permits from various regulatory bodies.

29.5.2. Technological changes

In the event of future technological developments in the data center market, which are able serve as a substitute for the presently existing technologies (such as the quantum computing technology which is in early development stages and not yet used commercially), GM's existing data centers may have less appeal.

29.6. Risks specific to the rental housing in Israel segment

29.6.1. Success of the introduction of the rental housing product into Israel and education of the market

Israel's housing market is characterized by relatively high property ownership rates. A lease that includes the provision of complementary services is not common in the rental market, resulting in the need to introduce to the target audiences the nature of the lease offered by the Company, including the complementary services offered thereby.

29.6.2. Rent control

Part of the rent that the Company is permitted to collect in projects in the segment is controlled and is not within the Company's control; it is indexed, but exposed to changes and updates by the regulator, and is not necessarily linked to changes in the market.

29.6.3. Regulation and government policy

Given the housing shortage in Israel, various Israeli governments have put together a policy that supports the promotion of long-term rental housing. Changes in this policy may adversely affect the results of the Company's operations in the rental housing in Israel segment. Moreover, changes in government policy regarding the allocation and marketing of land, incentives for tenants who rent apartments, planning and building proceedings, interest on mortgage loans and so forth, may have a material impact on the Company's operations in the rental housing in Israel segment.

The following table presents the main risk factors described above, rated according to the Company's estimations by the severity of the impact they may have on the Company's business:

	The Severity of the Impact of the Risk Factor on the Company		
	Major Impact	Moderate Impact	Minor Impact
Macro-Economic and Financial Risks			
Growth and consumption rates in Israel	X		
Change in the Construction Input Index			X
Changes in market interest rates		X	
The security situation	X		
Regulatory changes in the Company's business environment		X	
Changes in the value of financial investments available for sale			X
Industry-Specific Risks			
Decline in the demand for leasable space	X		
Decline in rent prices	X		
Strength of key tenants			X
Competition	X		
Approval by the authorities			X
Legal and regulatory requirements, including with respect to environmental protection		X	
Changes in tax burden		X	
Cyber risks		X	
Company-Specific Risks			
Fluctuations in the Consumer Price Index		X	
Foreign currency risks		X	
Dependency on financing sources		X	
Debt raising costs		X	
Risks specific to Senior Housing			
Regulation of senior housing operations			X
Risks specific to Data Centers			
Regulation of data center operations		X	
Technological changes		X	
Risks specific to rental housing in Israel			
Success of the introduction of the rental housing product into Israel and education of the market			X
Rent control			X
Regulation and government policy			X

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

Report Date: 19 March 2025

PART B

Board Report

Dear Shareholders,

The year 2024 began under the heavy shadow of security and economic challenges, yet also with a sense of resilience, determination, and faith in the future of the State of Israel.

At Azrieli Group, we bow our heads in memory of those who have fallen in defense of our country, and our hearts are with their families. We send our support to the security forces, wish a swift recovery to all the wounded, and hope for the rapid return home of all the hostages.

Throughout the challenges the country faced this year, the Group has remained steadfast in maintaining business continuity, and keeping up investments, development, and enhancement of its properties to ensure economic, business, and social resilience. This commitment reflects our faith in the Israeli economy and society, as well as our forward-looking approach to future growth across our areas of activity.

The strength of Azrieli Group – evident in the quality of our assets, the diversity of our operations, responsible management, and financial resilience – stands out particularly in these times. This strength enables us to manage our business with a long-term vision, maintaining our leadership position while continuing to explore opportunities for expansion into promising new fields.

This year, we reported a record NOI of approximately NIS 2.3 billion, marking a 9% increase year-over-year and an 18% increase compared to 2022. This figure reflects the Group's consistent and sustained growth across its business sectors.

In 2024, our office segment continued to deliver strong performance while maintaining high occupancy rates, demonstrating confidence in the quality and management of our properties. Many of the Group's flagship office buildings are located in the high-demand areas of Tel Aviv – Israel's business hub.

In the retail and shopping mall segment, the Group achieved solid results, with an increase in revenues compared to previous years. The significant increase in revenue this year was influenced in part by periodic air travel restrictions. This year, we completed the renovation of Givatayim Mall and continue to enhance our existing properties, improving, upgrading, and driving innovation and creativity, particularly in customer experience and technology.

In the senior housing segment, where the Group currently operates four active homes, we present operational improvements and high occupancy across all locations. We have successfully completed the occupancy of most apartments in Lehavim and are actively expanding our presence in this sector. Development of Palace Rakafot in Rishon LeZion is progressing, with the project scheduled to open by the end of the year. The complex will include 274 apartments, a medical department, and 3,000 sqm of retail space. Additionally, in February 2025, we won a tender of the Israel Land Authority for a leasehold purchase in the Sde Dov quarter of Tel Aviv, where we plan to develop a senior housing project with approximately 350 apartments and additional retail space.

In the data centers segment – a key growth engine for the Group – we continued our investments and development efforts. This year, we completed and delivered a 90MW data center campus for TikTok. Additionally, we finalized and delivered further projects at our existing sites, adding approximately 20MW, primarily serving hyperscalers, who are the core customers of our data center operations. We also made progress in expanding our London site and developing a new site in Frankfurt. In February 2025 we closed the financing for the TikTok campus, securing a non-recourse loan of approximately €371 million from two international banking institutions, which we view as reflecting strong confidence by Group project lenders.

As part of our growth strategy, we are expanding into the residential for-sale market, recognizing its significant potential. This initiative reflects our commitment to long-term growth and value-creation, aligning with our core mission of contributing to Israel's development.

The Group's unique financial strength was demonstrated in the successful raising of approximately NIS 3.4 billion through the issuance of a new bond series, with a long duration of over 12 years. The terms and strong demand for this issuance reflect what we see as a remarkable vote of confidence from investors in the Group and its operations, particularly in the current climate.

Corporate responsibility remains a cornerstone of the Group's activities. In recent years, we have made it our mission to reduce our environmental footprint through significant projects while also increasing public awareness of sustainability. This year, we reinforced our commitment to sustainable construction according to LEED standards, enhancing energy efficiency, promoting recycling and waste reduction, supporting local communities, driving the economy and advancing other ESG-related initiatives.

Since the outbreak of the Swords of Iron War, and as part of our corporate responsibility approach, we have taken proactive steps to support Israeli society, contributing approximately NIS 19 million in direct and in-kind donations. Additionally, Azrieli Group employees have volunteered thousands of hours in aid of residents of southern and northern Israel, engaging in a wide range of relief efforts.

On this occasion, I would like to extend my gratitude to Mr. Eyal Henkin for his major contibution to the Group's business and success. Mr. Henkin has served as the Group's CEO for the past seven years and is now stepping down and moving to London to lead Azrieli Group's global data center operations. I also wish to warmly welcome Mr. Ron Avidan, who will assume the role of CEO in April 2025.

We remain fully committed to managing the Group with dedication and determination, continuing to drive it forward, and creating value for you, our shareholders, as well as for all our stakeholders.

Yours Truly,

Danna Azrieli,
Chairwoman of the Board

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.
During the report period, the Group began occupancy at Azrieli Modi'in West, with the first tenants moving into the commercial floors, office spaces, and residential towers. The Group also completed construction of a commercial building at the Check Post junction in Haifa, featuring a supermarket on the ground floor.
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 34%. 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 ~0.6 million sqm under development

Israel's largest real estate company with total assets of NIS 58 billion

Shareholders Equity NIS 23.8 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 excluding the DCs

23 MALLS

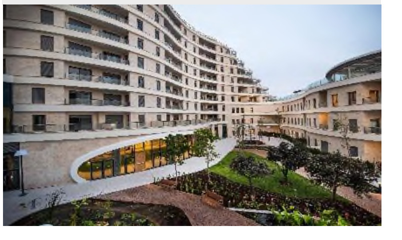
379 thousand sqm | 99% Occupancy*

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 | 98% Occupancy*

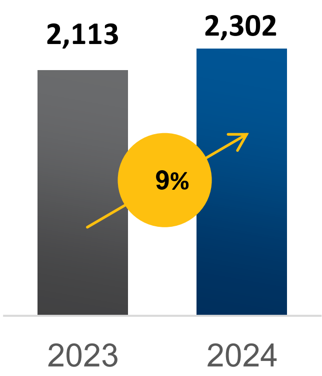
DEVELOPMENT PIPELINE – 9 PROJECTS

645 thousand sqm |

PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR THE REPORT PERIOD

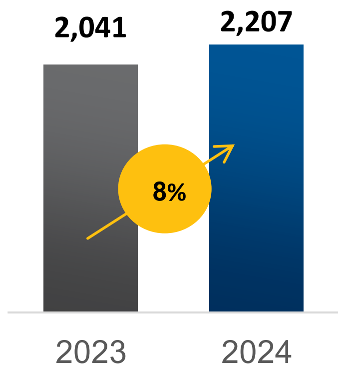
Increase of approx. 9% in 2024 NOI to NIS 2,302 million compared with NIS 2,113 million in 2023

NOI



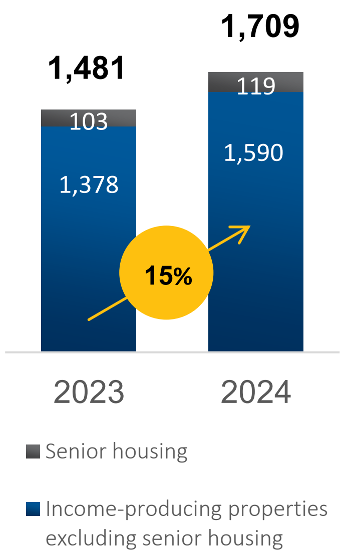
Increase of approx. 8% in 2024 Same property NOI to NIS 2,207 million compared with NIS 2,041 million in 2023

Same property NOI



Increase of approx. 15% in 2024 FFO to NIS 1,709 million compared with 2023

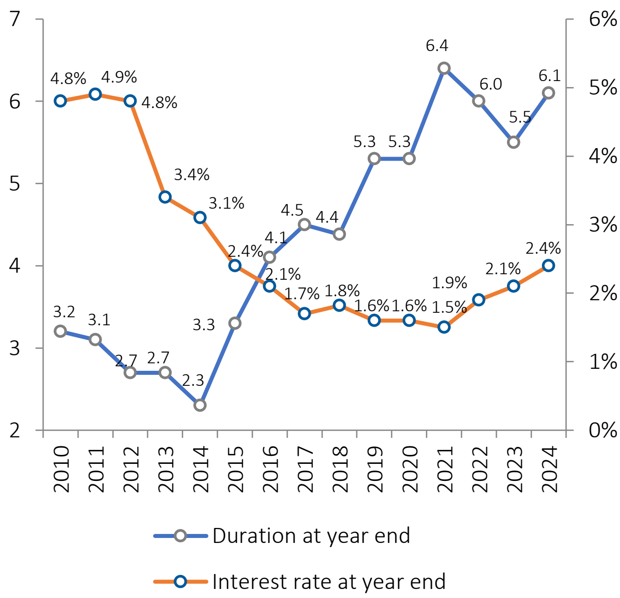
FFO from income-producing real estate business



*According to the ISA, the FFO is NIS 742 million compared with NIS 772 million in 2023

Average debt duration extended while reducing the interest rate

Average interest vs. average duration



In May 2025, the Company Will distribute a NIS 800 million dividend

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

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

1.1.General

The board of directors of Azrieli Group Ltd. (the "**Company**"; the Company jointly with all corporations directly and/or indirectly held thereby shall hereinafter be referred to as the "**Group**" or "**Azrieli Group**") hereby respectfully submits the board of directors' report for the year ended 31 December 2024 and for the three-month period ended 31 December 2024 (the "**Report Period**"), in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Regulations**"), which reviews the main changes in the Company's operations, and was prepared assuming that the reader has before them the Description of the Corporation's Business, as included in Chapter A of this Periodic Report.

The information in the board of directors' report is based on the consolidated financial statements as of 31 December 2024[1]. The Company's financials and results of operations are affected by the financials and results of operations of the companies held thereby. In certain cases, details are presented reviewing events that occurred after the date of the financial statements and shortly before the date of release of the report (the "Report Release Date"), while indicating the same, or additional figures and details that are strictly at Company-level. The materiality of the information included in this Report has been examined from the Company's perspective. In some cases, an additional and detailed description is provided in order to give a comprehensive picture of the described issue, which the Company believes to be material for the purposes of this Report.

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

1.2.1. Summary of the Operating Segments for 2024

In 2024, Azrieli Group continued to focus its business operations on the various real estate sectors, and primarily on the retail centers and malls in Israel segment, the leasable office (and other) space in Israel segment, the senior housing in Israel segment, the data centers (DC) segment, the income-producing property overseas segment (mostly in the U.S.) and the rental housing in Israel segment. The Company is also developing several hotels. The Company additionally has a minority interest holding in 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 9 projects at various development stages in Israel, the planned area of which is approx. 645 thousand sqm, as well as land for development. It is noted in this context that on 21 March 2024, the Lot 21 project in Modi'in was issued a finishing certificate, and the Company has begun the process of occupancy of the retail floors and the office and residential towers in the project. Furthermore, on 23 September 2024, a finishing certificate was received for the retail building project built by the Company at the Check Post junction in Haifa, the ground floor of which serves as a supermarket.

[1] The attached financial statements were prepared according to the International Financial Reporting Standards (IFRS). For further details, see Note 2 to the financial statements.

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 property 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 DC 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 approx. 2.3% of Bank Leumi's shares.

1.2.2. Breakdown of Asset Value by Operating Segment

Below is a breakdown of the total balance sheet assets by operating segment:[2]

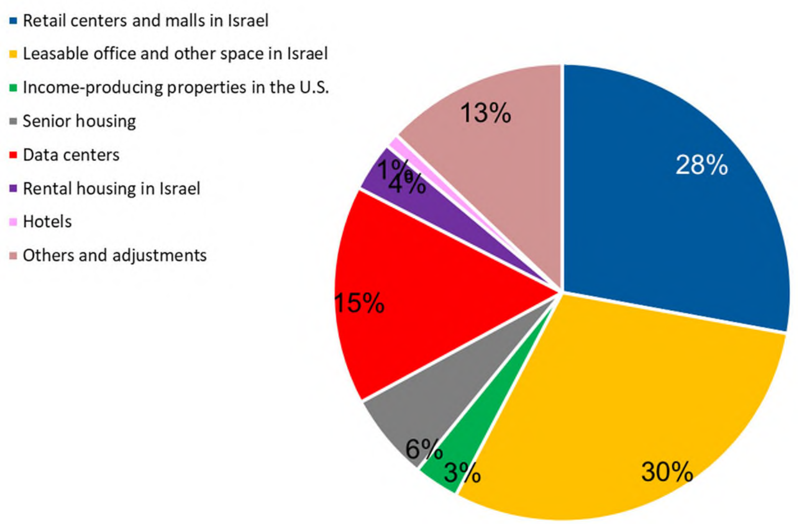
Breakdown of Total Balance Sheet Assets by Operating Segment

Comparison of Segment Assets

As of	31 Dec. 2024	31 Dec. 2023
Retail centers and malls in Israel	**16,145**	**15,523**
Leasable office and other space in Israel	**17,282**	**16,625**
Income-producing property in the U.S.	**1,858**	**1,821**
Senior housing	**3,571**	**3,287**
Data centers	**8,966**	**7,395**
Rental housing in Israel	**2,056**	**1,887**
Hospitality	**571**	**525**
Others and adjustments	**7,484**	**7,009**
Total	**57,933**	**54,072**

Percentage of Segment Assets out of Total Assets

31 December 2024



Figures are presented in millions of NIS.

The Company's assets in the leasable office and other space segment constitute approx. 30% of the total balance sheet assets, the assets in the retail centers and malls segment constitute approx. 28% of the total balance sheet assets. The remaining income-producing real estate segments constitute, collectively, around 28% of the total balance sheet assets.

1.2.3. For a summary of main developments during and after the Report Period, see Section 1.3 of Part A. For details on developments in the Group's development pipeline during the Report Period, see Section 7.7 of Chapter A of this Report and Section 4.1 of this Board of Directors' Report.

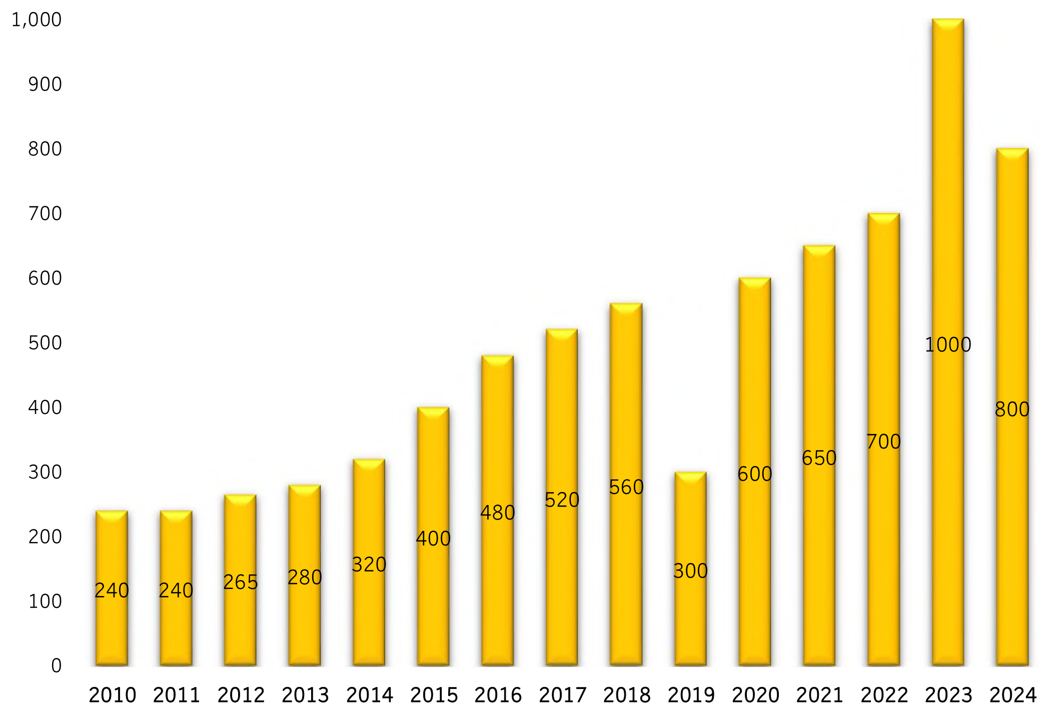
1.2.4. Dividends

Since its IPO, the Company has distributed dividends every year in increasing amounts[3]. The aggregate dividend amount distributed by the Company since listing its shares in 2010 is approx. NIS 7.4 billion, including a dividend for 2024 which was declared but not yet paid. The following chart presents the amounts of the dividends distributed in recent years:

[2] In its financial statements, the Company applied IFRS 8 – Operating Segments.

[3] Aside from the dividend distributed for 2019, in respect of which, on 24 March 2020, the Company's Board decided to approve a dividend distribution in the sum of NIS 300 million only, for reasons of conservatism and, *inter alia*, in view of the uncertainty regarding the implications of Covid which had begun to spread around the world at that time. In addition, the dividend for 2023 was higher than usual in view of the sale of the Company's holdings in Compass in that year.

Dividends distributed by the Company since listing its shares on TASE



Figures are presented in millions of NIS.
The years relate to the years for which the dividends were distributed. The dividend was actually paid in the following year.
The dividend for 2024 was declared but not yet paid.

2 | INCOME-PRODUCING REAL ESTATE

2.1.Business Environment

Below are the macroeconomic indicators relevant to all of the operations in Israel, based on reports of the Central Bureau of Statistics (CBS)[4]:

- According to the macroeconomic forecast of the Research Department of the Bank of Israel of January 2025, it is estimated that in 2025 and 2026, the GDP will increase by 4.0% and 4.5% (respectively); the rate of inflation in 2025 and 2026 is expected to be 2.6% and 2.3% (respectively); and the monetary interest rate at the end of 2025 is expected to range between 4% and 4.25%[5].
- As of the end of 2024, the State of Israel has around 10.027 million residents, the population growth rate is, as of 2024, around 1.1% (mainly owing to a high birth rate). According to the population growth forecasts, in 2035 Israel will have over 12 million residents[6].
- In 2024, the rate of unemployment for ages 25-64 dropped to 3.5%, with the Bank of Israel forecasting an unemployment rate of 3.1% in 2025 and 2026[7]. Israel's rate of unemployment is considered low and stable.
- The (known) Consumer Price Index (CPI) rose in 2024 by around 3.4% compared with a rise of around 3.3% in 2023. In the Report Period, interest rate decisions were made, while in the first decision of 2024, the Monetary Committee of the Bank of Israel decided to reduce the interest rate by 0.25% to 4.5%. Subsequently, the Bank of Israel decided, later in the year, to leave the Bank of Israel interest rate at 4.5%, unchanged, such that as of the Report Release Date, the Bank of Israel interest rate is 4.5% in view of a moderate downward trend in the rate of inflation in Israel in the last two years (compared with 2022).
- In 2024, the Prime interest rate ranged between 6.25% and 6%.

The Company has loans and bonds that are linked to the CPI. Therefore, the rise in the CPI has led to an increase in the Company's financing costs. Conversely, the Company's income-producing real estate in Israel, whose current value is approx. NIS 35 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, the rise in the CPI has led to growth in the Company's revenues from the lease of properties in Israel and an increase in the fair value of these properties accordingly.

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 around 2.9% and 3.1%, respectively. The rise in the Construction Input Indices causes a rise in the Company's construction costs in the various projects around the country, since the agreements in which the Company engages with the construction contractors are linked to these indices.

The Company is unable to predict the future effects of all of the above factors, if any, on the Israeli economy, on the income-producing real estate sector generally and on the Company's operations specifically. However, as of the present time, the Company estimates that they will not have a material effect on its results of operations.

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[4] The Central Bureau of Statistics www.cbs.gov.il

[5] Bank of Israel: The macroeconomic forecast, January 2025, released on 6 January 2025. Link

[6] The Central Bureau of Statistics – Israel's population at the start of 2025, see link.

[7] See Footnote 10 above.

Further to the aforesaid, the Company's management estimates that various factors in the Group's mode of operation contribute to mitigation of the exposure of the Group's business to significant crises or instability resulting from the materialization of any of the Company's risk factors:

- Broad dispersion of the Group's real estate portfolio - both geograpically and between its various operating segments.
- The property portfolio is charcterized by many properties that are located in high-demand areas, built and maintained to a very high standard.
- The premium market positioning of the properties, and the Company's investments in the betterment of its properties help maintain this advantage.
- High occupancy rates resulting from the factors mentioned above.
- The wide variety of businesses in the Group's malls and retail centers, which reduce the Group's exposure to such or another sector.
- The appropriate mix of businesses which characterizes the tenants in the retail centers and offices.
- Finally, the Company's stable capital structure and its financial conservatism allow it to more easily weather fluctuations in turnover and profitability.

*The Group's above estimates regarding the changes in the income-producing real estate sector in Israel and their impact on the Group's results, are merely subjective estimates and constitute forward-looking information, as defined in the Securities Law, 5728-1968 (the "**Securities Law**"). Actual results and effects may materially differ from the aforesaid estimates and from any inferences drawn from them, for various reasons including a further intensification of competition, a decline in demand and a deterioration in the economic situation in Israel and possible effects of the War.*

2.2.The Swords of Iron War and its Impact

The Swords of Iron war (the "**War**") has impacted the Israeli economy as reflected, *inter alia* in the temporary closing of businesses, restrictions on work at building sites, restrictions on the activity of the education system, significant recruitment of reservists, drops in prices on TASE, an increase in State expenditure and in governmental deficit and a rise in the yield on corporate bonds. The effects of the War on the Israeli economy have led to an increase in the State's risk premium and were accompanied by negative rating actions taken by all the international rating agencies. Thus, in February 2024, the Moody's rating agency removed the credit rating of the State of Israel from its watchlist, downgraded the rating from 'A1' to 'A2', changed the rating outlook to negative, and reaffirmed the rating in May 2024, subsequently to which, in September 2024, it downgraded Israel's credit rating to 'Baa1' with a negative outlook. In April 2024, the Fitch rating agency removed the credit rating of the State of Israel from its watchlist, reaffirmed Israel's 'A+' credit rating, but changed the rating outlook to negative, 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 unchanged, and in October 2024, it downgraded Israel's long-term rating to A.

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 to assess the extent of the War's future impact on business activity in Israel and/or on the Company's activity and business results.

The War's impact on the retail centers and malls segment – In view of the impact of the War on the business of some of the tenants in the Company's malls, the Company decided to grant a 30% discount on the rent for October 2023, and a 15% discount on the rent for November 2023, or to charge rent according to a percentage of store sales as set forth in the contract, whichever is higher (the "**Relief Plan**"). The Relief Plan is subject to conditions, including a decrease of at least 15% in tenant store sales in October 2023 compared with October 2022. In addition, the rent and management fees for November 2023 will be paid in four equal installments in January-April 2024[8]. The relief totaled approx. NIS 35

[8] Different relief, including higher discount rates, were determined for Azrieli Mall Hayam in Eilat and Azrieli HaNegev Mall in Be'er Sheva.

million which was given for Q4/2023. The Report Period saw a significant increase of around 12% in the store revenues reported by the tenants in the Group's malls compared with 2023 and around 13.8% compared with 2022, deriving from several factors including the suspension of operations by many foreign airlines due to the War and concentration of evacuees in central Israel.

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

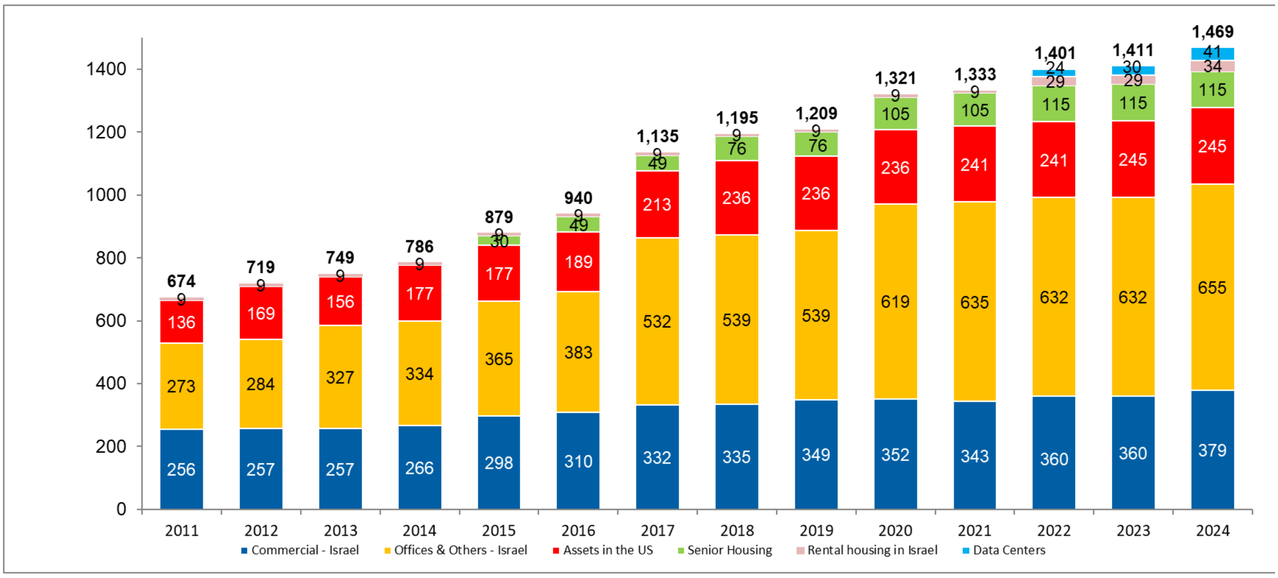
The War's impact on property development – The Company is continuing to develop and initiate the construction of new properties, as well as expand and renovate existing properties. In this context, it is noted that given the fact that work on some of the properties had been halted for some time upon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

Aid and donations – Since the War broke out, the Group has given support both by financial donations and in-kind donations for civil aid on all fronts, including aid for evacuated families and for businesses in its properties. In this context, up to the Report Release Date, the Group made donations in cash and cash equivalents totaling approx. NIS 19.1 million.

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

The Group's above estimates regarding the impact of the War on the Group's results, including the delays in projects under development, are merely subjective estimates and constitute forward-looking information, as defined in the Securities Law. Actual results and effects may materially differ from the aforesaid estimates and from any inferences drawn from them, for various reasons, including prolongation of the War and its expansion to additional fronts, a decline in demand, a significant deterioration in the economic situation in Israel, and more.

2.3.Consolidated GLA (Gross Leasable Area) Data



2.4.Average Occupancy Rates in the Income-Producing Properties

The average occupancy rates in the Group's income-producing properties, by operating segment, as of the report date:

- Retail centers and malls in Israel – approx. 99%[9].
- Leasable office and other space in Israel – approx. 98%[9].
- Income-producing property in the U.S. – approx. 65%.
- Senior housing in Israel – approx. 99%[9].
- Data centers – approx. 100%[10].
- Rental housing in Israel – approx. 98%[9].

[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 December 2024 according to a weighted average of GM. The occupancy rate does not include areas under construction.

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. It serves as one of the important parameters in the valuation of income-producing real estate companies, as its division by the appropriate cap rate for the properties provides an indication for the determination of the value of the income-producing properties[11]. In addition, after deduction of the current maintenance expenses incurred to preserve the property's condition, the NOI is used to measure the free and available cash flow for the service of financial debt undertaken for the purpose of funding the purchase of the property.

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

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

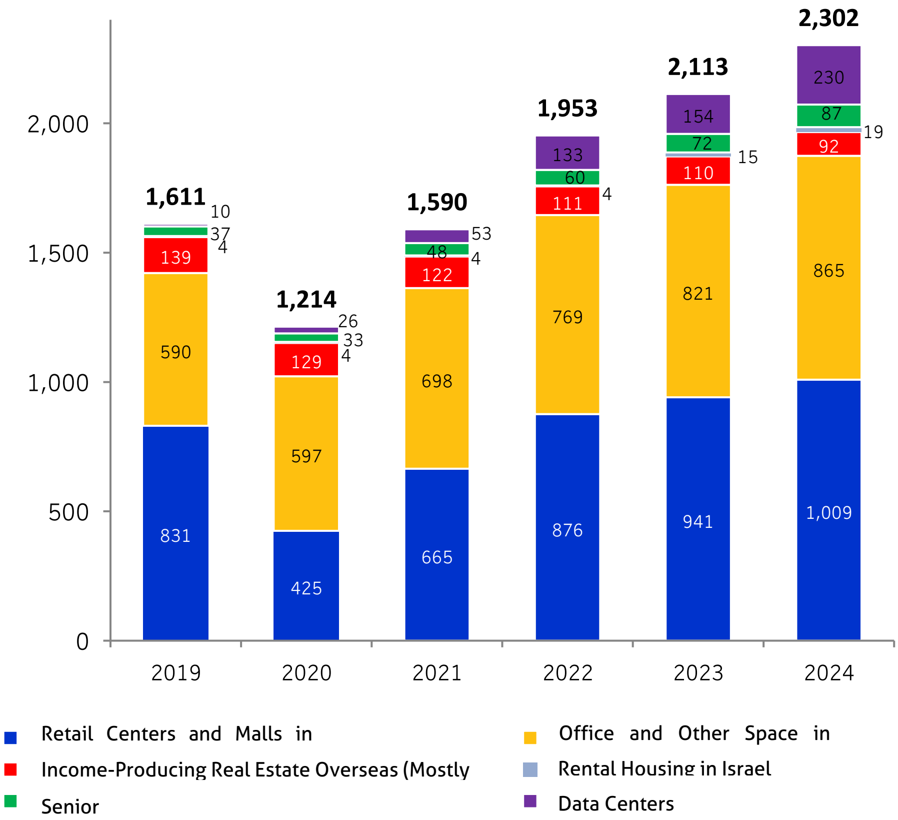
[11] Additional indications are, for example: The market value of similar properties in the same area and the sale prices of similar properties in recent transactions.

[12] The Group prepares its financial statements based on international standards, and therefore, 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 above 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 property in the U.S.; senior housing; data centers and rental housing in Israel.

NOI

Annual Data



Figures are presented in millions of NIS.

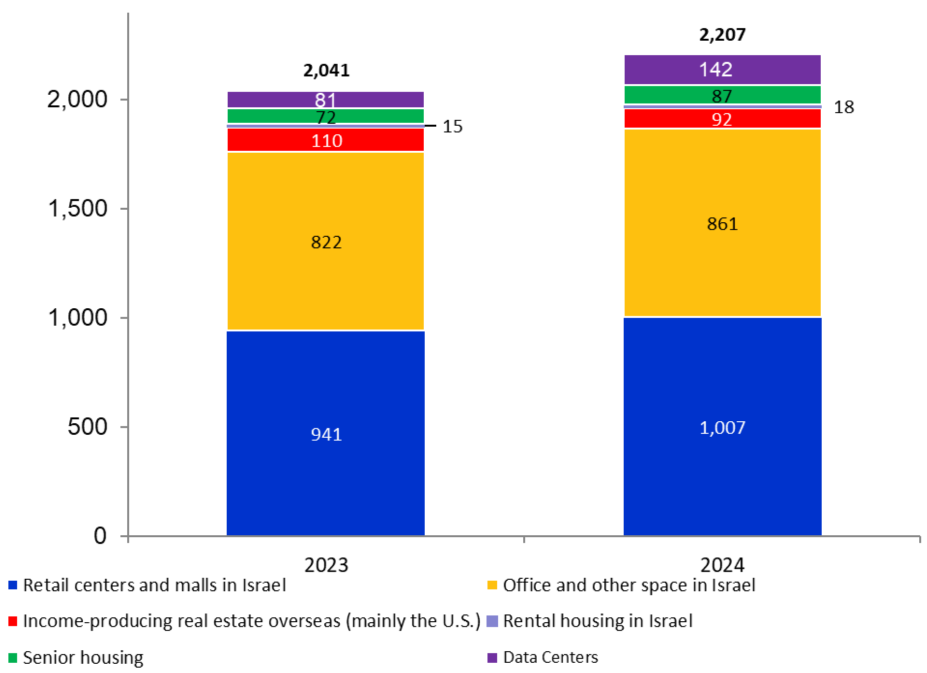
For explanations with respect to the change in the NOI, see Sections 2.9.2, 2.10.2, 2.11.2, 2.12.2, 2.13.2 and 2.14.2 of this Chapter B.

2.5.2. Same-Property NOI Data

NOI is affected by changes in the property portfolio. That is to say, the sale of a property or the addition of a new property to the Company's portfolio is reflected in a change in the NOI. Contrarily, the Same-Property NOI index discounts such changes and allows for an examination of changes in the profitability of the same portfolio of the Group's properties over time. For the purpose of calculation thereof, only properties that were part of the Group's property portfolio throughout the analysis period are taken into account. In 2023-2024, this metric was as follows:

Same-Property NOI

Annual Data



Figures are presented in millions of NIS.

The increase in Same-Property NOI was mainly affected by an increase in the office and other space in Israel segment and the retail centers and malls in Israel segment, which derived from rent increases upon tenant changeovers and rises in the CPI, owing to the fact that the lease contracts are linked to the CPI, as well as tenant relief granted during the War in 2023, and growth in the DC segment. The NOI from the agreement with TikTok was not included in the DC segment nor were the results of Compass and the results of the property in East London.

2.6. Weighted Cap Rate

The following table shows the calculation of the weighted cap rate derived from all of the income-producing real estate, excluding senior housing[14], rental housing[15] and data centers[16] and excluding hotels[17] of the Group, for 2024:

Calculation of the Weighted Cap Rate for 2024	
Total investment property in the statement	**48,229**
Net of value attributed to investment property under construction	**3,425**
Net of value attributed to land reserves	**1,298**
Net of value attributed to income-producing senior housing	**2,987**
Net of value attributed to DC properties	**7,521**
Net of value attributed to building rights in income-producing properties and the 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)	**31,296**
Actual NOI in the quarter ended 31 December 2024 (excluding senior housing, rental housing and data centers)	**503**
Additional future quarterly NOI (1)	**44**
Total standardized NOI	**547**
Proforma annual NOI based on the standardized NOI (excluding senior housing, rental housing and data centers)	**2,187**
Weighted cap rate derived from income-producing investment property (including vacant space) (2)	**6.99%**

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 occupied during 2024 for a full year (the main amounts in this item are in respect of the Group's overseas properties, the Modi'in West project 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).

For a test of the sensitivity to changes in the cap rate interest rates of the investment property, see Note 31E to the financial statements.

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 of all the income-producing properties.

The Company's estimates 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 estimates regarding the occupancy of areas. Actual results may materially differ from the aforesaid estimates and from any inferences drawn from them, for various reasons, including immediate termination of lease agreements or a business crisis for any of the tenants, or a change in the fair value parameters or failure to meet the development or occupancy targets or the repercussions 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 report date is 8.25%.

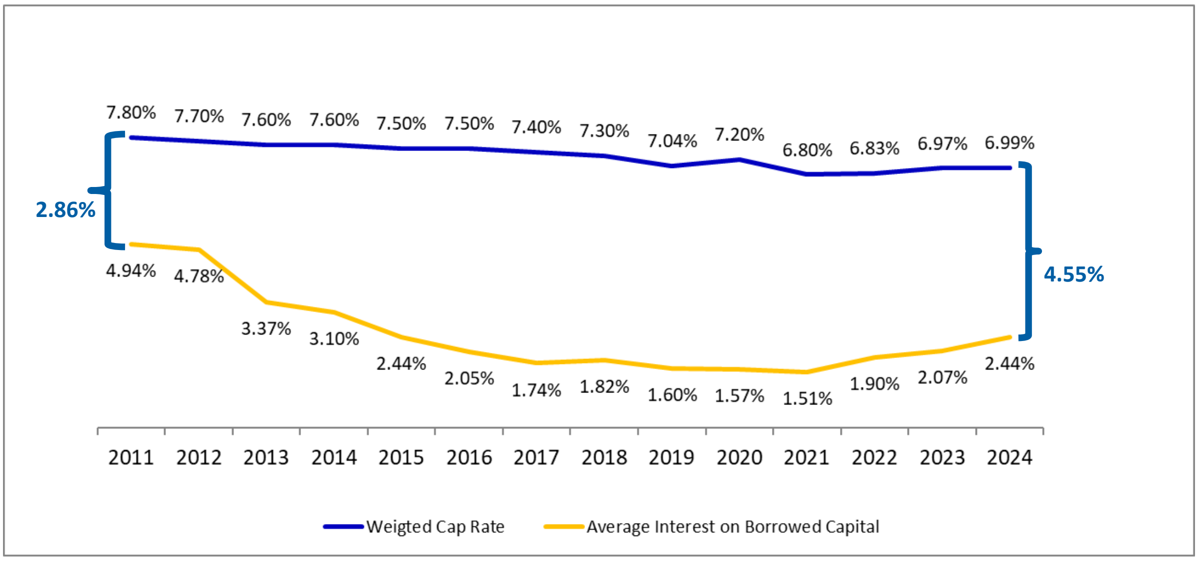
[15] A different valuation methodology was used for rental housing properties, which were therefore excluded from the investment property.

[16] The data center properties are either in development stages or a different valuation methodology was used, which is why they were excluded from investment property. For some of the income-producing properties, the weighted cap rate is 7.19%.

[17] Presented as fixed assets and not measured at fair value because they are not included under the definition of investment property.

The weighted cap rate of the Group's properties experienced only a slight decline in 2011-2021, despite the significant decline in the market interest rate in those years. In 2023-2024, few transactions were performed in income-producing properties. The transactions do not indicate, at this stage, any change in the cap rates compared with 2022, which was marked by multiple transactions which were performed by major companies in the sector and indicated a decline in the cap rates. On the other hand, in accordance with the said decline in the market interest rate, the Group's financing costs decreased significantly in the said years. After 2022, a year marked by a significant rise in market interest rates, 2023-2024 saw moderation in the rise in market interest rates, which remained at 4.5%. Since most of the Company's liabilities are at a fixed interest rate, the impact on the Company's financing costs is relatively small. In view of the aforesaid, large gaps were created between the weighted cap rate of the Group's properties and the financing costs, as demonstrated by the following chart:

The Gap Between the Weighted Cap Rate and the Average Interest Rate of the Debt



Data are as of the end of each year.

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

FFO from the Income-Producing Real Estate Business

	31.12.2024	**31.12.2023**	**31.12.2022**
Net income for the period attributable to shareholders	1,477	2,225	1,797
Net of the net loss from Azrieli E-Commerce attributable to shareholders (including deduction of excess cost)	-	111	51
Profit adjustments:(1)			
Net increase in the value of investment property and fixed assets	(909)	(921)	(1,486)
Depreciation and amortization	8	8*	7*
Net non-cash flow financing and other income	(256)	(137)*	(73)*
Tax expenses	352	549	240
Effect of losses (profit) of associate	-	77	(125)
One-time expenses (revenues) (7)	74	(1,145)	114
Total profit adjustments	(731)	(1,569)	(1,323)
Plus interest paid for real investments (3)	-	5	4
Total nominal FFO according to the provisions of the Fourth Schedule to the Prospectus Details Regulations, attributed to the income-producing real estate business, excluding financing cash flow for properties under development(4)	746	772*	529*
FFO of associate	-	(32)	(40)
Expenses for share-based payment	8	-	-
Special bonus for sale of Compass	8	-	-
Total financing cash flow for properties under development (6)	141	94	37
Linkage differentials and exchange rate differences in respect of assets and liabilities (net of tax effect)	744	592	798
Cash flow from incoming resident deposits net of outgoing resident deposits (2)	119	107	102
Net of income from forfeiture of resident deposits	(57)	(52)	(48)
Total FFO attributed to the income-producing real estate business, according to the management's approach (5)	1,709	1,481*	1,378*

Financials presented in NIS in millions.
1. The profit adjustments below do not include adjustments for Azrieli E-Commerce, since the results thereof have been fully discounted.
2. 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.

[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.

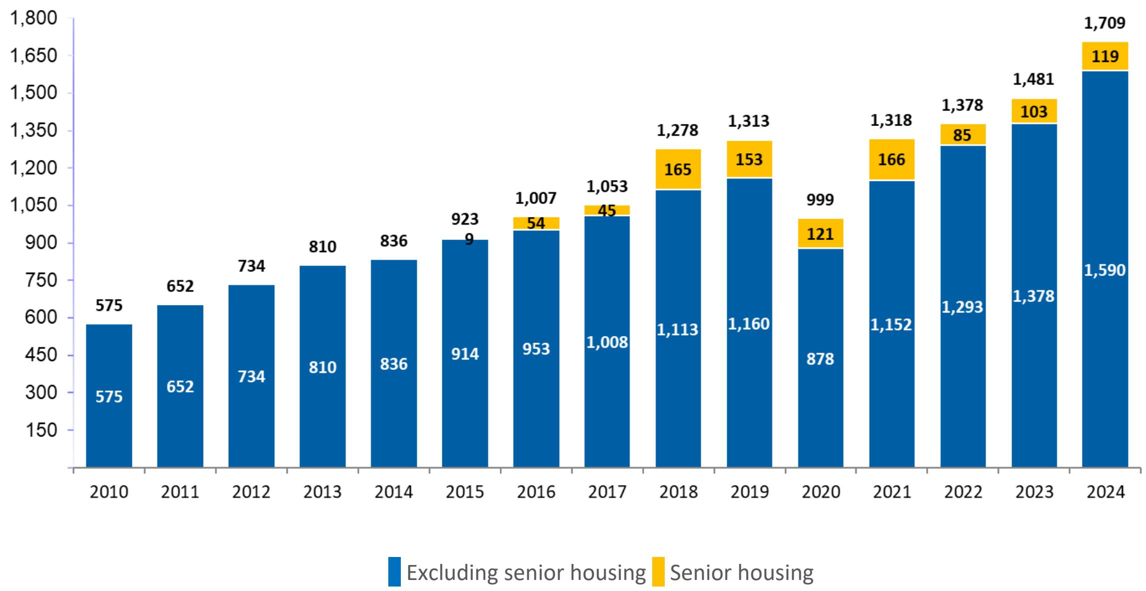
3. Calculated according to the Group's weighted interest rate in respect of the real investments in Azrieli E-Commerce, for 65% of the cost of the investments.
4. Attributable to the shareholders only.
5. Including FFO from the senior housing segment in the sum of approx. NIS 118 million in 2024, approx. NIS 103 million in 2023, and approx. NIS 85 million in 2022.
6. Calculated based on real credit costs in respect of the development pipeline.
7. In 2024 – mainly costs in respect of the sale of Compass. In 2023 – mainly profit from the sale of Compass. In 2022 – mainly payment of purchase tax for the Mall Hayam company and depreciation of a loan to the partners.

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

In recent years, Azrieli Group's FFO has consistently increased every year, with the exception of 2020 due to the Covid crisis. Since the Company's IPO (around fifteen years ago), FFO from the income-producing real estate business has grown some 197%. 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 – According to the Management's Approach

Annual Data



Data are presented in NIS in millions.
Net of real credit costs for properties under development.
*** 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. Being listed in the EPRA indices provides Azrieli Group greater exposure to international investors, according to its weight in the index.

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

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

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

2.8.1. EPRA NRV

The EPRA NRV index is a 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 December 2024	**31 December 2023**
Equity attributable to the Company's shareholders in the financial statements	**23,807**	23,543
Goodwill created against a reserve for deferred taxes	**(222)**	(238)
Plus a tax reserve in respect of the revaluation of investment property to fair value (net of minority interests)	**5,624**	5,114
EPRA NRV	**29,209**	28,419
EPRA NRV per share (NIS)	**241**	234

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

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 income-producing real estate.

EPRA NTA		
	31 December 2024	**31 December 2023**
Equity attributable to the Company's shareholders in the financial statements	**23,807**	23,543
Goodwill created against a reserve for deferred taxes	**(222)**	(238)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	**(1,250)**	(1,375)
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)	**2,812**	2,557
EPRA NTA	**25,146**	24,485
EPRA NTA per share (NIS)	**207**	202

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

2.8.3. EPRA NDV

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

EPRA NDV		
	31 December 2024	**31 December 2023**
Equity attributable to the Company's shareholders in the financial statements	**23,807**	23,543
Goodwill created against reserve for deferred tax	**(222)**	(238)
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	**(1,250)**	(1,375)
Adjustment of the value of financial liabilities to fair value	**1,177**	1,380
EPRA NDV	**23,512**	23,311
EPRA NDV per share (NIS)	**194**	192

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

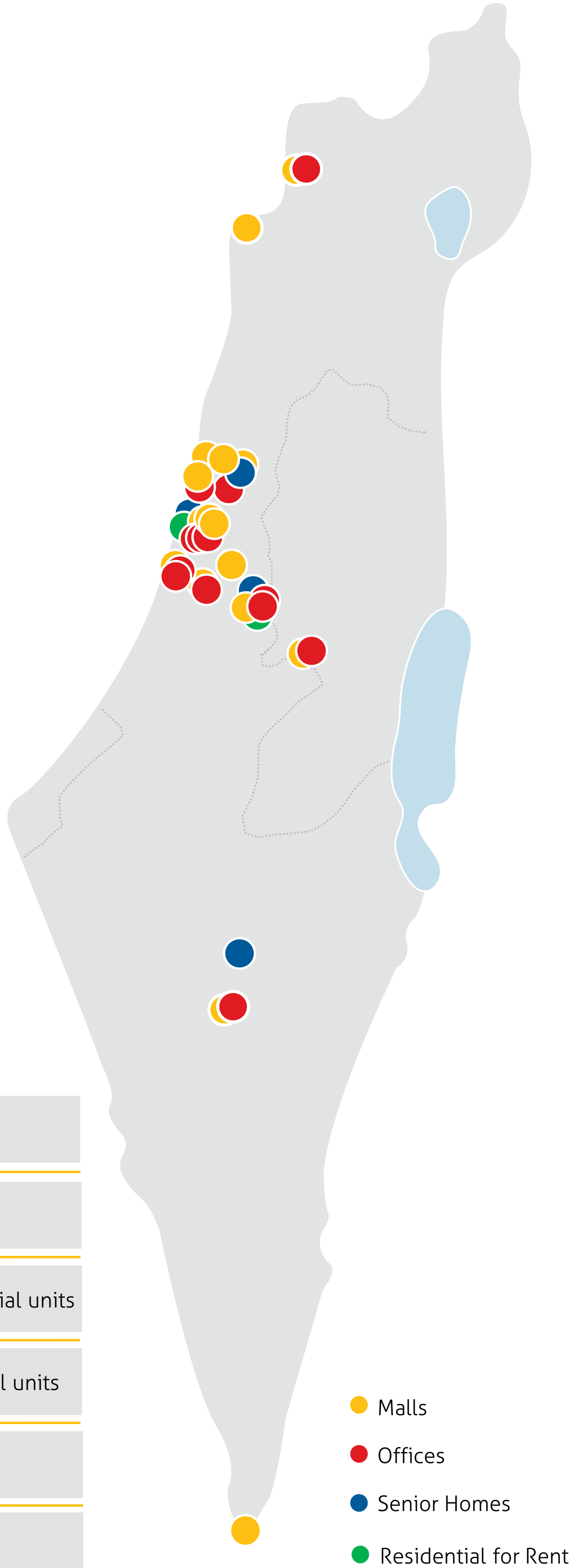
Galleria
1 Riverway
3 Riverway
Plaza
8 West
Aspen Lake II
San Clemente
Leeds

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 December 31, 2024.
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 December 31, 2024.
(2) Illustration
(3) GM and KMW JV (50%-50%)

2.9. Retail Centers and Malls in Israel Segment

2.9.1. Description of the Retail Centers and Malls in Israel Segment

Shopping centers are a key component of Israel's retail market. The country's largest malls and shopping centers offer consumers a broader variety of shopping experiences and a rich tenant mix. These centers typically feature fashion chains, diverse attractions for the entire family, as well as restaurants and cafés — all gathered under one roof in easily accessible locations, close to public transportation and with convenient parking for those arriving by car. This stands in contrast to other types of retail areas, which may lack some of these features.

According to data from the Central Bureau of Statistics, in 2024 Israel's population grew at a rate of approx. 1.1% (about 112,000 people)[19], significantly higher than the population growth rate in developed countries. Private consumption expenditure in Israel increased by 3.7% in 2024 (compared to a decrease of approx. 1.2% in 2023)[20], a rate similar to that seen in the years preceding the Covid crisis, when private consumption grew by around 3-4%.

Store revenues reported by tenants in the Group's malls (excluding the Modi'in West site) in January–December 2024 were approx. 12% higher than those in 2023 and approx. 13.8% higher than those in 2022. This increase stems from several factors, including the suspension of operations by many foreign airlines due to the war and the concentration of evacuees in central Israel.

The Company's foregoing assessments regarding the future activity of malls are subjective and constitute forward-looking information, as defined in the Securities Law. Actual results may differ materially from these assessments and from any inferences drawn from them, due to various factors, including intensified competition, declining demand, and deterioration in Israel's economic conditions.

The ratio of retail space per capita in Israel is approx. 1.17 sqm per person, compared to a much higher ratio in many developed countries (for example, the United States, where the ratio is about 4.8 sqm per person).

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 finding the land, through the stage of development and construction of properties, to the holding, management and betterment of the properties over the years.

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 to open flagship 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

[19] According to CBS data – see link.

[20] CBS – national accounts for 2024 – see link (in Hebrew).

and added crowd-attracting entertainment options such as the "Zappa" club and cinemas. The Group further acts to create family entertainment spaces in its malls, including play areas, diaper changing and nursing rooms.

- **Innovation** – in recent years the Company has been implementing technological improvements into the shopping experience and striving for leadership and innovation in the mall segment, including by way of creating a unique application which grant exclusive discounts to mall attendants and enables direct marketing based on customer preferences. The goal of technological innovation is to enhance customer experience in the mall while combining both digital and physical worlds.

- **Gift cards** – the Group's designated gift card, Azrieli Time, can be used in the Group's malls. The card is accepted in all the Group's malls, offering a huge range of more than 100 dining and entertainment, fashion, footwear and cosmetics brands.

The retail areas in Azrieli Group's malls and retail centers are leased to some 1,850 different tenants.

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

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

Balance of the properties in the retail centers and malls in Israel segment – the balance of investment property in this segment increased by approx. NIS 0.6 billion in 2024 due to investments in the segment properties and from revaluation profits. The balance on 31 December 2024 totaled approx. NIS 16.1 billion, compared with approx. NIS 15.5 billion on 31 December 2023.

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 Report Period totaled approx. NIS 267 million, compared with a profit of approx. NIS 24 million in the year ended 31 December 2023, and primarily derives from the effect of the rise in the CPI on the value of the properties.

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 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	31.12.2024	31.12.2023	Rate of Change	31.12.2024	31.12.2023
Revenues	**19%**	**323**	272	**7%**	**1,285**	1,197
NOI	**25%**	**259**	207	**7%**	**1,009**	941

Figures are presented in millions of NIS.

The NOI growth year-over-year was affected by the rise in the CPI, owing to the fact that the lease contracts are linked to the CPI, by rent increases upon tenant changeovers, and by the Company's decision to grant relief in Q4/2023, during the period of the War, as specified in Section 2.2 above.

Compared with the corresponding quarter, the NOI growth was primarily affected by the Company's decision to grant relief in Q4/2023, during the period of the War, as specified in Section 2.2 above.

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		For the Year Ended	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
NOI from segment properties owned by the Company as of the beginning of the period	**257**	207	**1,007**	941
NOI from properties whose construction was completed in 2024	**2**	-	**2**	-
Total NOI from all properties	**259**	207	**1,009**	941

Figures are presented in millions of NIS.

The Same-Property NOI growth year-over-year 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, by rent increases upon tenant changeovers, and by the Company's decision to grant relief in Q4/2023, during the period of the War. Compared with the same quarter last year, the NOI growth was primarily affected by the Company's decision to grant relief in Q4/2023, during the period of the War, as specified in Section 2.2 above.

2.10. Office Segment

2.10.1. Description of the Office Segment[21]

For many years, Israel's economy maintained continuous growth. However, in 2020, the economy experienced a decline due to the repercussions of the Covid pandemic and the measures taken to contain it. In 2021–2022, Israel's economy resumed growth, but in view of the War which broke out in October 2023, further slowdowns occurred in the Israeli economy, and assessments now indicate more moderate growth for 2024–2025. For further details, see Section 6.1.1 of Chapter A of this Report.

In line with the aforesaid, during the second half of 2020, against the backdrop of the Covid pandemic, a decline in demand for office space was observed, along with moderate decreases in rent in most employment hubs in central Israel. From mid-Q1/2021, the market trend reversed, and in light of strong demand, especially from high-tech companies in Tel Aviv and its immediate surroundings (Ramat Gan and Herzliya), rent in these areas rose significantly, surpassing pre-pandemic levels. This upward trend continued throughout 2021, and with a shortage in available leasable space, rent continued to climb, reaching record highs by the end of 2021. In the second half of 2022, partly due to global and local macro changes, including rising inflation and interest rates, a slowdown in demand for office space emerged, leading to a stabilization in rent, with a slight downward trend in some of these areas. Throughout 2023 and 2024, this trend persisted, marked by moderation in demand in the segment, longer negotiation periods for signing lease agreements, and even a slight decline in average rent in some employment hubs across Israel. These developments were driven, among other factors, by political disputes over judicial reforms, a decline in capital raising within the high-tech sector, and the Swords of Iron War. Despite these challenges, as of the report date, the Group has maintained very high occupancy rates in its income-producing properties in the segment and even increased its total rent revenues compared to previous years — both in Tel Aviv and in other areas, for example, Azrieli Rishonim Center – and has completed the lease-up and occupancy of the office floors above the Azrieli Akko mall, and is nearing completion of lease-up of the areas in the office tower in Modi'in, opened in 2024. For details, see Section 2.10.2 below.

Tel Aviv is Israel's business hub, and sees the highest demand for leasable office space in the country. The Group owns several office rental properties in Tel Aviv: Azrieli Tel Aviv, Azrieli Sarona, Azrieli Town, and a project under development and construction, the expansion of Azrieli Center (the Spiral Tower). One of the developments that has occurred in the office market in recent years is the significant expansion of international high-tech giants, either entering Israel for the first time or broadening their presence in the country, particularly in central Israel. Nonetheless, amid the slowdown in

[21] Review of the office market, H2/2024 - Cushman & Wakefield Inter Israel – link.

demand during 2023–2024, further to the trend observed in the second half of 2022 as aforesaid, a further decline in rent in Tel Aviv was noted, compared to the peak levels of 2021.

The Company's portfolio of properties of leasable office space mostly consists of office towers classified as Class A properties, which are located mostly in CBDs, in proximity to major traffic arteries in the heart of the city. The location, quality and positioning of the office space enable the Company to maintain high occupancy rates, and over time increase the rent. The Company develops and builds office projects in significant scopes, which meet the international standards of employment centers in the world's largest cities, in all aspects pertaining to the management of the property and the quality thereof.

Furthermore, the Company has leasable office areas which are part of malls, in which small tenants offer services to the public (e.g. medical institutes, health funds and independent service providers). The combination of offices and retail increases customer traffic in these properties.

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

- **Positioning** – among the Company's properties are projects which are considered to be leading and very significant in the field of leasable office spaces in Israel, and are an icon in Israeli landscape in general, and in Tel Aviv in particular, such as the Azrieli Tel Aviv Center and the Azrieli Sarona Tower.

- **Location** – the Company engages in the development of leasable office spaces and works to locate, develop and build its properties in this segment in areas which enjoy a high demand for offices. The Company's projects are mostly located in the heart of Israel's CBDs and in proximity to city centers and are characterized by convenient access by both private and public transportation. For example, the Company has several projects in Tel Aviv's northern CBD with both income-producing projects and projects under development and construction.

- **Large floors** – the Company's property portfolio includes a number of projects that can offer large floor spaces. These projects can meet the growing demand by large companies that are interested in creating one central site for employees, and their spread over a smaller number of floors. The planning of the Azrieli Sarona project and the Azrieli Holon center, for example, enables tenant to unite several sites which were previously spread across the country.

- **Building standard** – the Group persistently applies high building standards to all of its properties, as expressed in the architectural design, the properties' functionality and the meticulous attention to high building qualities as well as to details such as new and fast elevators, advanced lighting and more. This is rooted in the long-term vision of properties that will be owned and managed by the Group for many years to come. The Group also complies with international green building standards (LEED) which guide the design, construction and operation of the Group's properties in the segment. Thus, for example, Azrieli Sarona, Azrieli Town and Azrieli Holon HaManor were built in compliance with the LEED Gold standard and Azrieli Rishonim was built in compliance with the LEED Silver standard.

- **Operational efficiency** – the size of the Company's properties facilitates operational efficiency which is reflected, *inter alia*, in the ability to implement technological improvements and infrastructure upgrades, including the installation of complex communication networks and energetic efficiency (LEED certification), enabling large international companies that require compliance with rigorous standards to lease space in the Company's properties. Thus, for example, the strict LEED O&M Gold standard certification has been received for Azrieli Tel Aviv Towers and Azrieli Sarona, and LEED O&M Platinum certification has been received for Azrieli Town.

- **Management** – all of the Group's leasable office spaces are managed by management companies which are subsidiaries of the Company and are committed to high service standard.

Azrieli Group's office areas in Israel are leased to some 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.

2.10.2. 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 approx. 655 thousand sqm.

Balance of the Group's investment property in the leasable office and other space in Israel segment – the balance of investment property in this segment increased by approx. NIS 0.7 billion in 2024. The balance on 31 December 2024 totaled approx. NIS 17.3 billion, compared with approx. NIS 16.6 billion on 31 December 2023. The change mainly derives from investments in the segment properties and from appreciation of the segment properties.

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 Report Period totaled approx. NIS 142 million compared with approx. NIS 335 million in the year ended 31 December 2023. The profit in the year ended 31 December 2024 mainly derived from rent increases upon tenant changeovers and rent increases deriving from the rise in the CPI, owing to the fact that the lease contracts are linked to the CPI. 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 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	31.12.2024	31.12.2023	Rate of Change	31.12.2024	31.12.2023
Revenues	**7%**	**278**	261	**5%**	**1,064**	1,009
NOI	**9%**	**227**	209	**5%**	**865**	821

Figures are presented in millions of NIS.

The NOI was primarily affected by the rise in the CPI, owing to the fact that the lease contracts are linked to the CPI, and by inhabitation of the 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		For the Year Ended	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
NOI from segment properties owned by the Company as of the beginning of the period	**224**	210	**861**	822
NOI from property slated for demolition	**2**	(1)	**3**	(1)
NOI from properties whose construction was completed in 2024	**1**	-	**1**	-
Total NOI from all properties	**227**	209	**865**	821

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

2.11.1. Description of the Senior Housing Segment

Private senior housing in Israel generally targets seniors with a medium-high socio-economic status, offering housing services alongside many supplementary services, the purpose of which is to enable residents to lead an independent and fulfilling lifestyle. The senior housing sector is growing due to the increase in life expectancy and the standard of living. The demand for senior housing solutions is constantly growing worldwide. In Israel it is a sector that is undeveloped compared with other Western countries.

The Company deems the senior housing segment as synergetic with its other operations, using, *inter alia*, know-how accumulated by the Group's head office over the years in its operating segments in income-producing real estate. With respect to development in the senior housing segment, the Group has clear advantages in the identification of land, purchase, development, efficient construction and management of the statutory processes, including full utilization of the zoning plan as well as economies of scale in connection with holding and operating the active senior homes. Finally, there is synergy between the retail segment and the senior housing segment, with demand for senior homes that are close to shopping centers to serve senior home residents.

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 for the continued successful operation and upgrade of the four operational senior homes: Palace Tel Aviv, Palace Ra'anana (formerly Achuzat Bayit), Palace Modi'in (construction of which was completed in Q3/2018 and which is now fully occupied) and Palace Lehavim, which is approaching full occupancy. In addition, the Group is building another project in Rishon LeZion, as specified below.

2.11.2. Performance of the Senior Housing Segment and Changes in Value

Azrieli Group has four operating senior homes with aboveground built-up areas of approx. 115 thousand sqm (excluding areas attributed to the LTC unit and to retail areas), which comprise approx. 1,141 senior housing units. The Company is also building another project in Rishon LeZion with approx. 274 residential units of a total area of approx. 31 thousand sqm (excluding areas attributed to the LTC unit and to retail areas). For further details, see Section 4.1.2 of this Chapter B.

Balance of the Group's properties in the senior housing segment – the balance of properties in the senior housing segment increased by approx. NIS 0.3 billion in 2024. The balance on 31 December 2024 totaled approx. NIS 3.6 billion, compared with approx. NIS 3.3 billion on 31 December 2023. The change mainly derives from appreciation of the segment properties and from investments in the segment properties.

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 Report Period totaled approx. NIS 127 million, compared with approx. NIS 90 million in the year ended 31 December 2023. 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 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	31.12.2024	31.12.2023	Rate of Change	31.12.2024	31.12.2023
Revenues	**6%**	**68**	64	**9%**	**267**	246
NOI	**10%**	**22**	20	**21%**	**87**	72

Figures are presented in millions of NIS.

The increase in revenues and in the NOI in the Report Period mainly results from continued resident move-ins at Palace Lehavim, higher resident turnover at increased rental rates, and a reduction 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		For the Year Ended	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
NOI from segment properties owned by the Company as of the beginning of the period	**22**	20	**87**	72
NOI from properties acquired or whose construction was completed in 2024	**-**	-	**-**	-
Total NOI from all properties	**22**	20	**87**	72

Figures are presented in millions of NIS.

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

2.12.1. Description of the Income-Producing Property 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 continuing to explore the possibility of disposal of properties in this segment according to market conditions.

The Group holds some of the properties overseas together with local partners. However, most of the rights in and control of the Group's properties overseas are held thereby. The properties are managed through local management companies, with oversight by Azrieli Group.

Significant renovations were carried out in some of the Group's properties, including in the public areas, to maintain the market positioning of the properties.

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

The trend of increasing vacant space in the Houston office market continued in 2024, 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 has resulted in potential tenants taking longer to sign new lease agreements. In addition, the rise in oil prices in 2021, which 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 uptick in demand for office space.

2.12.2. Performance of the Income-Producing Property in the U.S. Segment and Changes in Value

Azrieli Group has 8 income-producing properties in this segment, mostly in the U.S., with a total GLA of approx. 253 thousand sqm (on a consolidated basis) and approx. 245 thousand sqm (the Company's share) leased to some 140 tenants.[22]

Balance of the Group's investment property in the segment – totaled approx. NIS 1.9 billion on 31 December 2024, compared with approx. NIS 1.8 billion on 31 December 2023. The change mainly derives from investments in properties.

Change due to fair value adjustment of the segment's investment property – the profit from fair value adjustment of the segment's investment property in the Report Period totaled approx. NIS 7 million compared with a loss of approx. NIS 240 million in the year ended 31 December 2023.

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

Summary of the Business Results of the Income-Producing Property in the U.S. Segment – figures are presented in millions of U.S. dollars

	For the Three Months Ended			For the Year Ended		
	Rate of Change	**31.12.2024**	**31.12.2023**	**Rate of Change**	**31.12.2024**	**31.12.2023**
Revenues	**(7%)**	**14**	15	**(6%)**	**60**	64
NOI	**(29%)**	**5**	7	**(14%)**	**25**	29

Figures are presented in millions of U.S. dollars.

Summary of the Business Results of the Income-Producing Property in the U.S. Segment – figures are presented in millions of NIS

	For the Three Months Ended			For the Year Ended		
	Rate of Change	**31.12.2024**	**31.12.2023**	**Rate of Change**	**31.12.2024**	**31.12.2023**
Revenues	**(11%)**	**50**	56	**(7%)**	**222**	239
NOI	**(37%)**	**17**	27	**(16%)**	**92**	110

Figures are presented in millions of NIS.

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

The following table presents the segment's NOI development:

Development of the NOI of the Income-Producing Property in the U.S. Segment				
	For the Three Months Ended		For the Year Ended	
	31.12.2024	**31.12.2023**	**31.12.2024**	**31.12.2023**
NOI from segment properties owned by the Company as of the beginning of the period	**17**	27	**92**	110
NOI from properties acquired in 2024	**-**	-	**-**	-
Total NOI from all properties	**17**	27	**92**	110

Figures are presented in millions of NIS.

Same-property NOI in the income-producing property in the U.S. segment was mainly affected by changes in the occupancy rates in some of the properties, and in the quarter it was also affected by the change in the average exchange rate of the U.S. dollar.

2.13. Data Centers Segment

2.13.1. Description of the Data Centers Segment

In 2019, having studied the market and the key players in the data center industry, the Company made the decision to invest in a company that operates in this industry, noting the industry's growth potential and intending for it to serve as an additional growth driver in its operations.

The first step in the Company's entry into the data center industry was taken by making an equity investment in Compass, a company that primarily operates in the data center industry in North America and in EMEA.

In accordance with an agreement signed between the unit holders in Compass, the lockup period for the sale of holdings to third parties ended in January 2023, and the Company's partners started a process to examine the liquidation of their holdings in Compass. Further to the aforesaid, on 20 June 2023, the Company's partners in Compass engaged in an agreement for the sale of holdings in Compass in an amount reflecting for Compass a value of U.S. $5.7 billion and a net value of approx. U.S. $2.7 billion, and in accordance with the separation mechanisms applicable when selling holdings to third parties after the end of the lockup period, as determined in the unitholders agreement, the Company joined and sold its holding in Compass for the same value as aforesaid. For further details, see Section 1.3.8 of Chapter A of the 2023 Periodic Report and Note 7C to the financial statements attached to the 2023 Periodic Report.

Further to the foregoing, and as part of the Company's strategy for expansion of its data center operations by entering the European market, on 24 August 2021, the Company closed an (indirect) acquisition of 100% of the share capital of GM, a company operating in the data center industry in Norway. For further details, see the Company's immediate reports of 13 July 2021, 19 July 2021 and 24 August 2021 (Ref. 2021-01-116121, 2021-01-118377 and 2021-01-136974, respectively), as well as Section 1.3.8 of the 2021 Periodic Report, which are included herein by way of reference.

As of the Report Release Date, the Company is working toward concentrating its data center holdings in Europe under GMG. In the Company's estimation, concentrating its holdings under GMG will allow it to raise capital from investors to support an accelerated rate of development of its data center operations. On 18 August 2024, the Chairwoman of the Board and the CEO of the Company informed the Company's board of directors that Mr. Henkin would be appointed as CEO of GMG. On 17 November 2024, the Company's board of directors approved the appointment of Mr. Ron Avidan as CEO of the Company. Mr. Henkin is expected to step down and Mr. Avidan is expected to assume office on 1 April 2025. For further details, see the 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), the contents of which are included herein by reference.

On 24 September 2024, a special general meeting of the Company's shareholders approved the terms of office and employment of Dr. Ariel Kor, a director of the Company, in connection with his office as Chairman of the Board of GMG. For further details, see the notice of meeting report of 19 August 2024 (Ref. 2024-01-089680), the contents of 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 in East London from a third party, where an operating data center is situated, and another company that owns unoccupied land which 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 included herein by reference. During the Report Period, the work to increase the leasable capacity in the operating data center by 14MW began.

On 7 March 2023, GM, through a wholly owned subsidiary thereof (the "**Service Provider**"), entered into a service agreement with TikTok Norway AS, a Norwegian company that is part of a globally operating group of companies (the "**Customer**"), which is not related to the Company, for the provision of 90MW in data center services on a campus built by GM in Norway (the "**Agreement**" and the "**Project**", as applicable). In the Report Period and until the release hereof, the process of delivery of all 90MW to the Customer was completed.

On 18 December 2024, the Service Provider entered with two foreign banking corporations (the "**Lenders**") into 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.

Furthermore, 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 be executed.

For further details regarding the Agreement with the Customer and the amendment thereto, the Loan Agreement and the terms and conditions thereof and the exercise of the option to increase the Project's 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), the contents of which are included herein by reference.

Furthermore, in 2023, GM entered into a joint venture agreement with a German company for construction of a data center campus comprising several buildings in the area of Frankfurt, Germany. Construction of the first building in the project, which is planned to have a capacity of 18MW, has begun. For further details, see the immediate report released by the Company on 2 April 2023 (Ref. 2023-01-037008), which is included herein by reference.

On 21 December 2023, the Company, incidentally to consideration of a possible bond financing, released an immediate report regarding GM's negotiations with a leading international technology company toward entry into an agreement for the provision of approx. 120MW in data center services to that 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 to withhold a regulatory permit required in relation to the land on which GM had considered building the campus, GM was examining alternative land options for construction of the project. In the Company's estimation, the transaction, if closed, is expected to have a material impact on its financial results.

As of the Report Release Date, GM is negotiating with a lender toward receipt of approx. NOK 4,600 million in financing (approx. €400 million), intended for the refinancing of two preexisting GM loans into one senior-debt loan. Besides the foregoing, as of the Report Release Date, the Company is negotiating with various lenders for an aggregate amount of approx. €365 million, in connection with financing of the various data center projects, including a project for building a data center campus in the area of Frankfurt, Germany, as specified above, in respect of which GM has signed a non-binding letter of intent to begin negotiations for entry into an agreement for the provision of approx. 54MW in data center services with a leading international technology company; and a project for financing, development and expansion of the data center 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 all or any of the negotiations listed above in this section will evolve into binding transactions, and there is no certainty with respect to their terms and conditions and scale. The Company will report in accordance with the requirements of the law on material developments to occur in connection with the said negotiations.

In the Company's estimation, the data center industry is expected to grow at a significant rate and could serve as a significant growth driver for the Company's operations.

For further details with respect to GM's existing campuses and campuses under development, see Section Property Map after Section 2.8 below.

The Company's estimations in this section with respect to the effect of closing the transaction with the international technology company on the Company's financial results and with respect to the current growth potential in the data center industry, are forward-looking information, as defined in the Securities Law, which are based on subjective assessments of the Company as of the Report Release Date and on information sources that are external to the Company. There is no certainty that they will materialize, in whole or in part, or they may materialize in a materially different manner, inter alia due to changes in the timetables of the projects, receipt of the permits required for construction thereof, their actual scope and the marketing of the projects, and due to factors beyond the Company's control, including changes in the global data center market.

2.13.2. Performance of the Data Center Segment and Changes in Value

As of the report date, Azrieli Group has 5 income-producing properties in this segment, 4 of which are in Norway and held through the Company's holdings in GM, and an operating data center in East London.

Balance of the Group's properties in the segment – totaled approx. NIS 9 billion on 31 December 2024, compared with approx. NIS 7.4 billion on 31 December 2023. The change mainly derives from investments in properties in the period and appreciation of the segment properties net of the effect of the decrease in the exchange rate.

Change due to fair value adjustment of the segment's investment property – the profit from fair value adjustment of investment property of the segment totaled approx. NIS 310 million in the Report Period, and mainly derived from a decrease in the cap rates in view of progress in the construction of the segment properties, compared with a profit of approx. NIS 718 million that was recorded in 2023. The properties are presented according to valuations prepared by outside appraisers.

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

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	31.12.2024	31.12.2023	Rate of Change	31.12.2024	31.12.2023
Revenues	**236%**	**185**	55	**44%**	**417**	290
NOI	**267%**	**99**	27	**49%**	**230**	154

Figures are presented in millions of NIS.

The increase in revenues and in NOI in the Report Period derive from the commencement of income production from new contracts in the existing properties coupled with the commencement of income production from TikTok, net of a decrease in revenues and in NOI due to the sale of the holdings in Compass in 2023.

The following table presents the segment's NOI development:

Development of the NOI of the Data Center Segment				
	For the Three Months Ended		For the Year Ended	
	31.12.2024	**31.12.2023**	**31.12.2024**	**31.12.2023**
NOI from segment properties owned by the Company as of the beginning of the period	**46**	27	**142**	81
NOI from Compass which was sold in 2023 and the U.K. Companies which were acquired in 2023 and from properties whose construction was completed in 2024	**53**	-	**88**	73
Total NOI from all properties	**99**	27	**230**	154

Figures are presented in millions of NIS.

2.14. Rental Housing in Israel Segment

2.14.1. Description of the Rental Housing in Israel Segment

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

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

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

2.14.2. Performance of the Rental Housing in Israel Segment and Changes in Value

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

The balance of the Group's investment property in the rental housing in Israel segment – the balance of this segment's investment property increased by approx. NIS 169 million in 2024. On 31 December 2024, the balance totaled approx. NIS 2.1 billion, compared with approx. NIS 1.9 billion on 31 December 2023. The change mainly derives from investments made in the period and appreciation of the segment properties.

Change due to fair value adjustment of investment property and investment property under construction in the segment – the profit from fair value adjustment of the segment's investment property and investment property under construction in the Report Period totaled approx. NIS 60 million compared with a loss of approx. NIS 22 million in the year ended 31 December 2023. 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	31.12.2024	31.12.2023	Rate of Change	31.12.2024	31.12.2023
Revenues	**60%**	**8**	5	**44%**	**26**	18
NOI	**50%**	**6**	4	**27%**	**19**	15

Figures are presented in millions of NIS.

The increase in revenues and in the NOI derives from continued resident move-ins into the Azrieli Town residential project and from the opening of the Modi'in West residential project in 2024.

The following table presents the segment's NOI development:

Development of the NOI of the Rental Housing in Israel Segment				
	For the Three Months Ended		For the Year Ended	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
NOI from segment properties owned by the Company as of the beginning of the period	**5**	4	**18**	15
NOI from properties whose construction was completed in 2024	**1**	-	**1**	-
Total NOI from all properties	**6**	4	**19**	15

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 explores entry into operating segments related 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 in 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 up to 17 March 2020, the Company operated the Hotel through a management company wholly owned thereby. The Hotel's operation included ongoing management and operation, including the provision of accommodation, food and beverage and leisure services, and other hospitality services.

On 17 March 2020, the Company closed the Mount Zion Hotel, in view of the encumbering directives imposed on the operation of hotels due to Covid. As of the Report Release Date, the Hotel is closed and the Company has planned the Hotel's renovation and is working on exercising the building rights for its expansion, such that it will comprise 350 rooms and an underground car park with approx. 250 parking spaces. The Hotel's renovation and expansion are subject to the receipt of a building permit, and in November 2021, an excavation and shoring permit was received, and work began. The Hotel will reopen after its renovation and expansion. A building permit for the entire Hotel has been conditionally approved and the Company is acting to satisfy the conditions.

In addition, in 2023, the Company acquired the Red Rock Hotel in Eilat. For further details, see Section 1.2.2.6 of Chapter B of the 2023 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 grant, *inter alia*, building rights designated for hospitality, as follows: development of a hotel in the city of Modi'in (Modi'in West), situated close to the Azrieli Modi'in Mall, planned to comprise approx. 85 hotel rooms and suites, leased to a third party, and expected to open in 2025; and development of a hotel in the Azrieli Center's expansion (the Spiral Tower), in Tel Aviv, which is expected to comprise approx. 250 hotel rooms and suites.

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

3 | NON-REAL ESTATE BUSINESS

3.1.Additional Activities

3.1.1. Investments in Financial Corporations

Azrieli Group is invested in the financial sector through a 2.3% stake in Bank Leumi. Below is a summary of changes in the investments in 2024:

Changes in Investments in Financial Companies

	Bank Leumi [(1)]
Investment value in the financial statements as of 31 December 2023	1,032
Sale proceeds	-
Investment	-
Total investment as of 31 December 2024[(2)]	1,032
Fair value of the investment as presented in the financial statements	1,516
Change in fair value in the Report Period	484
Dividend received in 2024	59

Figures are presented in millions of NIS.

(1) The fair value of the investment in Bank Leumi was determined according to the value of the share on TASE as of 31 December 2024.

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

4 | BUSINESS DEVELOPMENT – GROWTH DRIVERS

4.1.Review of the Business Development Operations

4.1.1. Development of Income-Producing Properties

Azrieli Group's primary growth driver is expertise in the 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 9 projects at various development stages in Israel.

Summary of Information on Development Pipeline

Name of Property	Use	Marketable Sqm(1)	Estimated Completion	Book Value of Project (2)	Cost Invested (3)	Estimated Construction Cost including Land(3)
Development Projects Under Construction in the Short Term						
Development Projects in the Medium Term						
Rishon LeZion Senior Home	Senior housing and retail	37,300	2025	404	366	**530-550**
SolarEdge Campus	Offices	43,000	2025	628	554	**790-810**
Modi'in (Lot 10)	Offices and retail	37,000	2026	160	159	**570-580**
Mount Zion Hotel	Hospitality	(8)34,000	2027	435	390	**920-950**
Herzliya Glil Yam	Rental housing and retail	19,630	2027	124	127	**380-400**
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hospitality and residence	(4)150,000	2028	2,223	1,370	**2,700-2,900**
Total		**320,930**		**3,974**	**2,966**	**5,890-6,190**
Development Projects in Planning Stages						
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 and offices	(6)250,000	TBD	596	530	TBD
Petach Tikva land(7)	Offices and retail	53,000	TBD	97	101	TBD
Total		**324,000**		**1,075**	**989**	
Total		**644,930**		**5,049**	**3,955**	

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

1. With respect to uses of the senior housing and/or rental apartments, the figure represents rights in sqm.
2. As of 31 December 2024.
3. Including land and without capitalizations and tenant fit-outs as of 31 December 2024.
4. In April 2018, a zoning plan was validated which increases the building rights of the fourth tower and expansion of the mall by approx. 80 thousand sqm, to total building rights of approx. 150 thousand sqm.
5. The building rights were purchased in the context of acquisition of the income-producing property in May 2018. The Company is working on increasing the building rights to approx. 90,520 sqm.
6. Includes additional land (approx. 27,000 sqm of marketable space) that was originally purchased in the framework of an ILA tender and was part of the Holon HaManor land. In the context of consolidation of parcels, the building rights in the lot increased by approx. 30,000 sqm (such that the building rights in the consolidated lot total approx. 250,000 sqm).
7. The data presented relate to the existing zoning plan for the land. The Group is in the process of increasing the building rights in the project to 280,000 sqm.
8. Includes both the existing area and the additional rights, since the Company intends to expand and renovate the entire Hotel.

During the Report Period, the Company 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 areas under construction. For further details, see Sections 7.7-7.8 of Chapter A of this Report.

Description of the properties under construction and land reserves

Palace Rishon LeZion Senior Home – The land, located in the HaRakafot neighborhood in East Rishon LeZion, of an area of approx. 3,400 sqm, was purchased in March 2016 in a tender held by the ILA for the purchase of the leasehold rights in the land. The project is under construction. On the land, the Company plans to build a senior home which is expected to comprise up to 275 residential units, an LTC unit and approx. 3,000 sqm of retail space. In April 2018, the recommendation of the Local Committee was received for the deposit of a zoning plan for additional rights and was referred for a discussion at the District Committee. In November 2018 the decision of the District Committee on the conditional deposit of the zoning plan was received. In April 2019, the zoning plan was published for objections, and in September 2019, a hearing was held at the District Committee on the objections that were submitted. In February 2020, the plan was published for validation and was approved in the Official Gazette.

In March 2020, the Company submitted an application for an excavation and shoring permit for the project. In June 2020, the permit was obtained and in early 2021 the work began. In May 2021, the Company filed an application for a basement permit that was approved with conditions in September 2021, and the permit was received in March 2022. In October 2021, the Company filed an application for a building permit for the entire project, which was received in January 2023, and the work for construction of the project is ongoing.

Mount Zion Hotel – On 9 February 2020, the Company closed a transaction for the acquisition of Mount Zion Hotel in Jerusalem. The Company is working on planning a renovation of the hotel and exercise of the building rights for expansion of the hotel to 350 rooms and an underground car park with around 250 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 obtained, and work commenced. A building permit for the entire hotel was conditionally approved and the Company is acting to satisfy the conditions.

SolarEdge campus – On 17 January 2022, a transaction was closed for the acquisition of a company which holds leasehold rights in land located in the North Glilot site, on part of which the Company will build a campus for SolarEdge Technologies Ltd. ("**SolarEdge**"). The project will include approx. 43,000 sqm aboveground and 950 parking spaces. The Company engaged in an agreement with SolarEdge for the lease of the campus for 15 years, with extension options up to a total period of 24 years and 11 months. From the date of handover of possession of the campus, SolarEdge will be responsible for the management and maintenance of the campus. In June 2022, an excavation and shoring permit was obtained, and work began. In April 2023, receipt of a full building permit for the project was conditionally approved, and in October 2023, a building permit was obtained for the entire project. For further details, see the Company's immediate reports of 11 May 2021 (Ref. 2021-01-082779) and 18 January 2022 (Ref. 2022-01-007851), which are included herein by reference. As of the date of release of this report, the Company and SolarEdge are negotiating a postponement of the estimated date of commencement of the campus lease period.

Land in Modi'in (Lot 10) – On 6 October 2019, the Company won a tender held by the ILA for the acquisition of leasehold rights in a lot located in the CBD of Modi'in-Maccabim-Re'ut, the area of which is approx. 17,000 sqm, designated for the construction of a retail and office project, with rights for approx. 37,000 sqm aboveground, in consideration for approx. NIS 51 million. According to the terms of the tender, the Company paid, in addition to the cost of the land, approx. NIS 37 million for development costs. For further details, see the Company's immediate report of 7 October 2019 (Ref. 2019-01-086697), which is included herein by reference. The Company is working to promote a plan for the project to be built on the land, and in October 2020 it submitted to the Local Committee a zoning plan for additional usages on the lot. In April 2021, a discussion was held on the plan, and it was decided on the conditional deposit thereof. In June 2021, the plan was deposited for objections. In October 2021, the plan was discussed and conditionally approved. In January 2022, the Local Committee finally approved the plan.

In addition, the Company submitted a building plan to the Local Committee which was conditionally approved, and also submitted an application for an excavation and shoring permit which was obtained in March 2022, and work began. In the Report Period, the Company entered into an agreement for the construction of a new medical center that will be leased to Clalit Health Fund on an area of approx. 8,100 sqm on part of the land. The Company had advanced a plan for the addition of approx. 8,000 sqm underground, which was approved in February 2024. In May 2024, a building permit was conditionally approved for all areas of the project, and in November 2024, the full building permit was received and work on construction of the project is underway.

Expansion of Azrieli Tel Aviv Center (Spiral Tower) – The land, comprising an area of approx. 8,400 sqm, was acquired in May 2013 and construction commenced in September 2016. The land, which is adjacent to the Azrieli Tel Aviv Center, will allow for construction of the fourth tower and expansion of Azrieli Tel Aviv mall. In April 2018, a zoning plan was validated with an urban-mixed designation, which allows uses of retail, offices, hotels, residence and senior housing with aboveground building rights of approx. 147,260 sqm (gross), and, in addition, approx. 3,000 sqm of main retail areas underground.

As part of the zoning plan, the Company was required to approve an architectural design and development plan for the project, as a condition for an aboveground building permit. The Company also undertook to allocate from the said rights in the project a public floor for the Tel Aviv-Jaffa Municipality, and undertook to pay and perform various tasks in the vicinity of the project, including in Azrieli Center. The Company intends to construct retail space that will serve to expand the existing mall and a multi-story tower, the Spiral Tower. In January 2020, a basement permit was received for the project. In January 2021 the design plan was signed by the approving functions 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 Israel Land Authority, 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 comprise 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 the promotion of building permits for the project.

Azrieli Town Building E – On 14 May 2018, the Company closed a transaction for the acquisition of rights in land located on Menachem Begin Road in Tel Aviv, on which a four-story building is built above a retail ground floor, of a total area of approx. 5,500 sqm and basement floors, which until recently was leased in its entirety. The property includes unutilized building rights according to the zoning plan that applies to the land with a total scope of additional rights of approx. 21,000 sqm. 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 above-ground areas. In June 2023, after a discussion had been held on the objections, the Local Committee's decision was received, conditionally approving the plan, and the Company has satisfied the conditions. An administrative appeal was filed from the Local Committee's decision, and 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 January 2025, an administrative petition was filed by the appellant in the administrative appeal against the decision of the administrative appeals committee, which is expected to be heard in court in June 2025.

Holon 3 - Holon Industrial Zone – The land is of an area of approx. 57,500 sqm, and the purchase thereof was closed in April 2016. Construction in the project commenced in March 2018 and excavation and shoring work in the project commenced in June 2018. In October 2018, a building permit was received for the project's underground parking levels, and in July 2019 a permit for additional underground parking levels was received. In May 2019, work began for the construction of the underground parking levels in the eastern part of the project, and a Form 4 (occupancy permit) with respect thereto was received in November 2020. In April 2021, a certificate of completion was received for the car parks. The land is located in proximity to the Azrieli Holon Center, on which the plan is to build a very large commercial and retail project, which will comprise approx. 250,000 sqm of leasable office space and a family-friendly entertainment and shopping complex. The project is in proximity to central traffic arteries.

Land in Petach Tikva – The land, which was purchased in November 2017, of an area of 19,000 sqm (the "**Vacant Land**"), is situated in the eastern part of the Kiryat Aryeh Industrial Zone in Petach Tikva, near an existing office project owned by the Group. The Vacant Land includes building rights for around 53,000 sqm as well as parking basements.

In July 2019, an application was filed for a shoring, excavation and basement permit. In January 2020, the Local Committee decided to grant conditional approval for the shoring, excavation and basement permit application.

In view of the approval of the Petach Tikva Kiryat Aryeh outline plan, the Local Committee and the Company jointly decided to promote a zoning plan subject to local jurisdiction only, for approval of the building rights to include 280 thousand sqm, which will mainly be used for offices and are planned to be built both on the Vacant Land and on the land on which the office project is located, in lieu of two other plans previously promoted by the Company. In April 2022, the zoning plan was discussed at the Local Committee and conditionally approved, and the Company is working to fulfill the conditions.

The Company's estimations in Section 4.1.1 of this Chapter B, with regards to, inter alia, the expected costs of and investments in properties under construction, manner of financing of the projects, construction completion dates, receipt of various regulatory approvals required for the promotion of projects under construction or the results of administrative and legal proceedings, are forward-looking information, within the definition of this term in the Securities Law, which is based on the Company's subjective estimations as of the date of the report, and their materialization, in whole or in part, is uncertain, or they may materialize in materially different ways, inter alia for reasons which are beyond the Company's control, including changes in market conditions, changes in the Company's plans, the time required for approval of the construction plan for execution, and construction input prices and the repercussions of Covid.

For details regarding the projects under construction, see Section 7.7 of Chapter A of this Report.

The Company's management is acting to continue leading the income-producing real estate market, *inter alia* through the purchase of land reserves, the expansion of existing properties and the purchase of additional similar properties as aforesaid, in order to bring about a further increase in the Company's future operating cash flow, insofar as the Company's board of directors shall so deem fit, and to further consider the development of related and/or synergistic segments.

DEVELOPMENT PIPELINE*

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

EXPANSION OF AZRIELI TEL AVIV CENTER (SPIRAL TOWER)

Use	Retail, offices, hotel and residence	**Estimated completion**	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 HERZLIYA

Use	Offices	**Estimated completion**	2025
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.

As of the Report Release Date, the Company is working on betterment of its properties, as follows:

Azrieli Jerusalem Mall – the zoning plan for expansion of the mall, senior housing and office areas was discussed by the Local Planning & Building Committee, which recommended the deposit of the plan with the District Committee. In July 2018, the District Planning & Building Committee in Jerusalem approved the Company's application to deposit a plan for expansion of the Azrieli Jerusalem Mall by additional areas which include retail, commercial and senior housing areas, as well as a structure to be built for the City of Jerusalem. On 22 January 2020, a hearing was held at the Local Committee on the objections. The Local Committee recommended that the District Committee approve the plan as submitted, subject to minor amendments, while dismissing all third-party objections. In September 2020, the District Committee held a discussion on the objections to the zoning plan published by the Company. In December 2020, an interim decision was issued by the District Committee, and the Company was required to present construction alternatives. In December 2021, the District Committee issued a decision granting conditional approval for the zoning plan for expansion of the Azrieli Jerusalem Mall by approx. 95 thousand sqm above-ground, gross, and in 2022 the plan was approved.

Azrieli Tel Aviv – in 2022, approval was granted for a permit for the addition of approx. 2,500 sqm, for the construction of movie theaters on the mall's roof, as well as the addition of approx. 800 sqm of retail space on the ground floor.

Azrieli Rishonim – in May 2019, a discussion was held by the District Committee in connection with the addition of approx. 21,000 sqm of office space in the office tower. In January 2020, the plan was deposited for objections at the District Committee. In July 2020, the District Committee discussed and rejected the objections to the plan for the addition of office space to the office tower in the project, and the plan was approved for validation. In 2022, the Committee discussed an application for a building permit, which was conditionally approved, and the Company is working on fulfilling the conditions.

Azrieli Haifa – in November 2021, the Local Committee approved a plan for additional construction of approx. 3,000 sqm. In 2024, a building permit was received allowing the opening of sealed-off areas in the mall. The building permit was implemented and some of the areas have been leased.

Azrieli Sarona – the Company is acting vis-à-vis the Local Committee to promote a zoning plan for additional rights of approx. 740 sqm main area which were transferred from a landmarked property.

Azrieli Eilat – in 2023, a zoning plan for the addition of 500 sqm of main areas and service areas was approved, and the Company submitted an application for a building permit for the exercise of the rights and renovation of the mall.

4.1.3. Finding and Acquiring Properties in the Company's Operating Segments

One of the Company's primary growth drivers is its know-how, expertise and experience in finding and acquiring attractive properties that will yield a high return, and which are in high demand and have betterment potential. In the Company's estimation, the success factors for the acquisition of such properties in its operating segments are, *inter alia*, identifying attractive transactions and opportunities in the market, positive goodwill and market positioning and financial strength which facilitate the acquisition of income-producing properties and immediate reaction to attractive business opportunities.

As the Group previously reported, the Group periodically explores expansion of its operations, including entry into related real estate sectors, including by finding and acquiring income-producing properties as aforesaid.

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 statement:

Summary of Balance Sheet Figures out of the Consolidated Statement		
	31 December 2024	**31 December 2023**
Current assets	**5,211**	5,645
Non-current assets	**52,722**	48,427
Current liabilities	**5,002**	5,318
Non-current liabilities	**29,094**	25,186
Equity attributable to the Company's shareholders	**23,807**	23,543
Equity attributable to the Company's shareholders out of total assets (in %)	**41%**	44%
Net debt to assets (in %)	**34%**	31%(*)
Figures are presented in millions of NIS.		

*Restated

The Group funds its business operations primarily from 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. In July 2024, the Company issued Series G bonds by way of expansion of this bond series, and the Company also issued a new series of Series I bonds and Series 1 CP. In December 2024, the Company issued Series I bonds, by way of expansion of this bond series. For further details, see Section 20.5 of Chapter A.

The Group's financial soundness, which is characterized by a low leverage ratio and considerable unencumbered assets, affords the Group available sources for the obtainment of financing on convenient terms[23]. The Group's leverage ratio is low, compared to many of its major competitors. The Group's low leverage ratio converges with the Company's wide-scale real estate development and allows for flexibility also during times of crisis.

[23] For further details, see Section 21 of Chapter A of this Report.

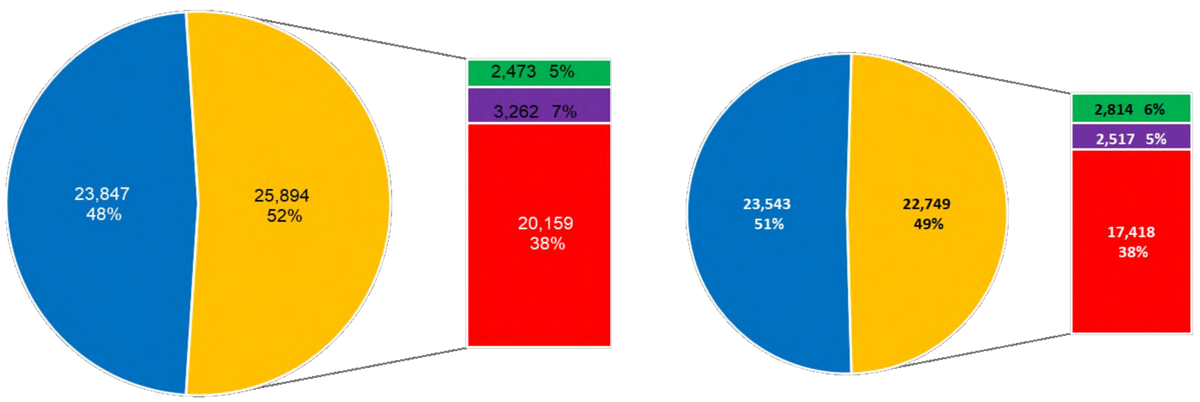
5.2.Composition of Financing Sources

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 the Group's Capital and Breakdown of the Debt

31 December 2024	31 December 2023



▪ 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.

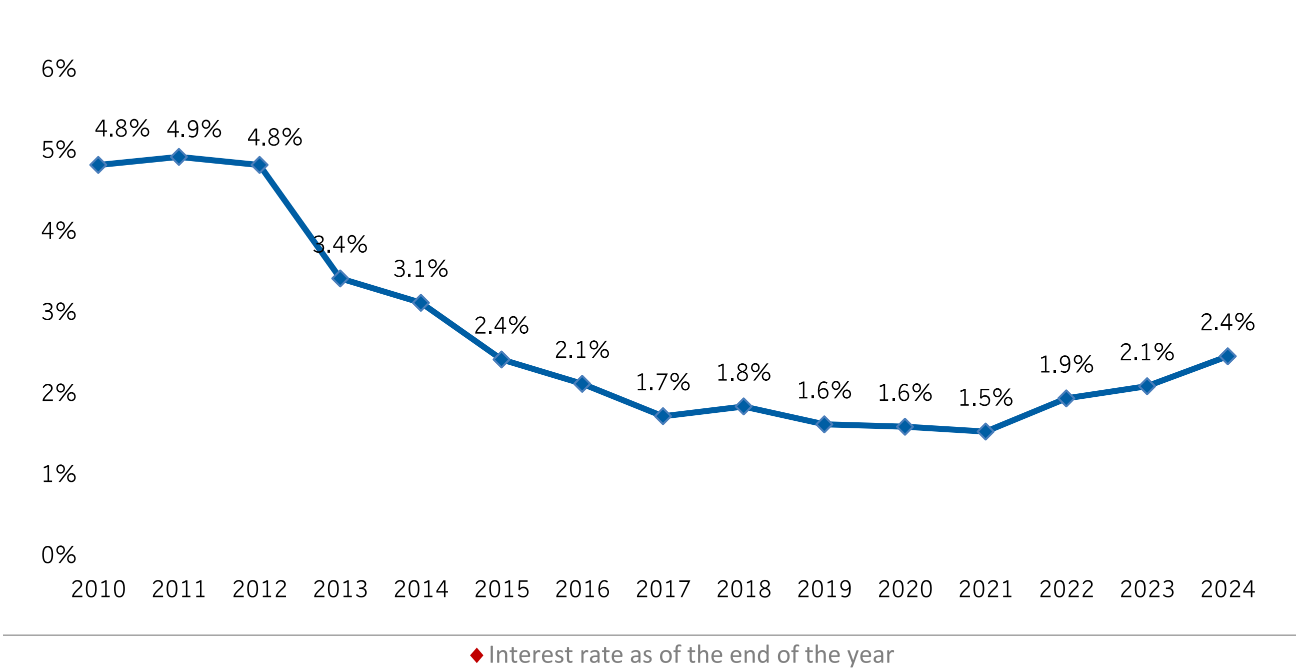
The increase of approx. NIS 3,145 million in the total debt in the Report Period mainly derives from the expansion of Series G bonds, the issue of Series I bonds and expansion thereof, the issue of Series 1 CP, refinancing of the Mall HaYam loan and the effect of the rise in the CPI on the indexed debt, offset by repayment of short-term loans and repayment of the principal of bonds and loans.

See Note 16 and Note 27 to the financial statements in Chapter C of this Report with respect to collateral and pledges given against the debt and regarding financial covenants in connection with the debt.

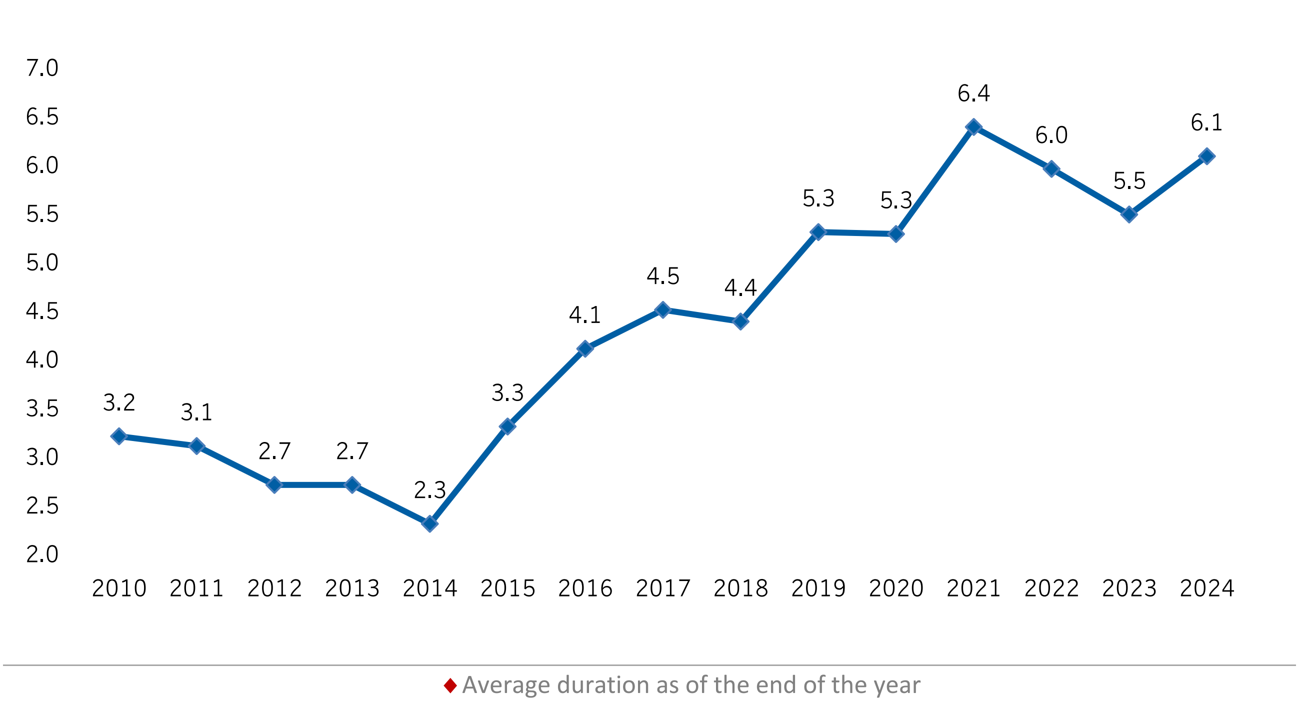
5.3. Financing Transactions in the Report Period and Until the Date of its Release

In recent years, the Company has been working to reduce the average interest rate on the debt and to extend the debt duration. During the Report Period, the Company took action to raise debt with a short average duration by issuing Series 1 CP, as well as to raise debt with a long average duration by expanding Series G and issuing and expanding Series I, while maintaining the Company's high credit rating and extending the average duration of the loans. After the Report Period, in February 2025, a non-recourse loan was provided to a subsidiary of the Company in the sum of €371 million to fund the TikTok project in Norway. For details regarding the debt raising, see Section 1.3.5 of Chapter A of this Report.

Reduction of the Average Interest Rate over the Years



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 end of 2024, the Group's bonds are rated AA+/Stable/ilA-1+ by Ma'alot and Aa1.il by Midroog.

In recent years, the Company has maintained a stable credit rating.

Various parameters that have affected the Company's high rating are the low leverage ratio, the high debt repayment capacity (debt to FFO ratio), broad dispersion of properties and tenants, different and diverse income-producing real estate operating segments, excellent property locations, numerous unencumbered properties and a focus on the Company's core business, namely income-producing real estate.

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	-	-	-	-	*712	-	712	712
Long-term loans	22,729	999	-	**1,454	-	23,728	1,454	25,182
Total	22,729	999	-	1,454	712	23,728	2,166	25,894

Figures are presented in millions of NIS, as of 31 December 2024.
* Against the sum of NIS 652 million, the Company made a hedging transaction for conversion of a shekel-denominated debt into index-linked, fixed-interest debt.
** Most of the loan is protected by interest rate hedging.

As of 31 December 2024, short-term loans represented approx. 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 and stable cash flow from current operations and current assets, is implemented primarily by taking long-term index-linked fixed-interest loans, in order to minimize market risks resulting from changes in the market interest rates and to counteract the market risk resulting from changes in the 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 B.

5.7.Maturity Dates of the Group's Financial Liabilities

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

Forecasted Maturity of Financial Liabilities			
Year	**Principal**	**Interest**	**Total**
1	**2,473**	**603**	**3,076**
2	**1,805**	**570**	**2,375**
3	**3,350**	**466**	**3,816**
4	**1,952**	**396**	**2,348**
5 forth	**16,314**	**2,605**	**18,919**
Total	**25,894**	**4,640**	**30,534**

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

Last year, the principal sources for funding of the Group's financial liabilities were:

- Positive cash flow from operating activities, which totaled approx. NIS 1,816 million in the year ended 31 December 2024, compared with approx. NIS 1,371 million in the year ended 31 December 2023.
- Liquid assets and unencumbered assets.
- The Group has mortgaged income-producing properties, the fair value of which significantly exceeds the loan taken 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 December 2024, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group totaled approx. NIS 4.6 billion. The Company deems its liquid assets, the considerable cash flow from its operating activities and its unencumbered assets (of a total value of approx. NIS 36.2 billion, in addition to the approx. NIS 4.6 billion specified above), 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 its ability to seize investment opportunities at various times.[24] As pertains to additional possible liquid sources, the Group estimates that it has the ability to obtain financing on convenient terms in the currently prevailing economic conditions.

Unencumbered Assets Available to Serve as Collateral against the Receipt of Credit	
Assets	**Value of assets as of 31 December 2024**
Properties in the retail centers and malls in Israel segment	**14,018**
Properties in the leasable office and other space in Israel segment	**16,818**
Properties in the rental housing in Israel segment	**2,056**
Other properties (mainly hotels and data centers)	**1,838**
The Company's holdings in Bank Leumi	**1,516**
Total	**36,246**

The figures are as presented in the financial statements and in millions of NIS.
In addition, the Group holds mortgaged income-producing properties, the fair value of which exceeds the amount of the loan taken therefor.

The Group's estimations mentioned in this section 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

[24] For details with respect to additional matters related to the Group's financing activities, see Section 21 of Chapter A of this Report.

materially differs from the Company's estimations. The primary factors that may affect the above are: changes in the capital market affecting the conditions and possibilities of obtaining financing, changes in the Company's plans, including use of future available liquid balances in order to seize business opportunities, changes in the advantageousness of the holding of various investment channels or the advantageousness of use of various financing channels, deterioration of the Israeli or U.S. economy and decline into severe recession, in a manner which affects the Company's ability to obtain financing on convenient terms.

5.9.Financial Position

Financial Position, Liquidity and Financing Sources		
Item	**31 December 2024**	**31 December 2023**
Total assets [(1)]	**57,933**	54,072
Current assets	**5,211**	5,645
Investment property [(2)]	**48,043**	44,613
Short-term credit [(3)]	**2,473**	2,814
Loans from banking corporations and other credit providers [(4)]	**3,262**	2,517
Net bonds [(5)]	**20,159**	17,418
Equity [(6)]	**23,837**	23,568

Figures are presented in millions of NIS.

(1) The increase mainly derives from an increase in investment property and appreciation of the investment in Bank Leumi shares.
(2) The increase mainly derives from the progress of the investments in projects under construction and in the income-producing properties and from a change in the fair value of the properties.
(3) The decrease mainly derives from refinancing of a loan of Mall HaYam and from the repayment of short-term credit, offset by the raising of marketable CP.
(4) The increase mainly derives from refinancing of the Mall HaYam loan.
(5) The increase derives from the issue and expansion of the Series I bonds, expansion of Series G and an increase due to linkage to the CPI, net of current repayments in the Report Period.
(6) The increase mainly derives from the comprehensive income in the Report Period, offset by a dividend distribution.

6 | BUSINESS RESULTS AT A GLANCE

6.1.Summary of Business Results

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

Year:	2024	2023	2022
Net income for the period attributable to the shareholders	**1,477**	2,225	1,797
Net income attributable to the shareholders and to non-controlling interests	**1,482**	2,218	1,792
Basic earnings per share (NIS)	**12.22**	18.35	14.82
Comprehensive income attributable to shareholders and to non-controlling interests	**1,261**	2,166	1,964

Figures are presented in millions of NIS

Net income in the Report Period totaled approx. NIS 1,482 million, compared with approx. NIS 2,218 million in the year ended 31 December 2023. The decrease in income in the Report Period was mainly affected by a decrease in net other income, primarily due to the sale of Compass in the same period last year, offset by growth in the NOI and a decrease of approx. NIS 193 million in the tax expenses, primarily due to the taxes on the income from the sale of Compass which were recorded last year.

6.2.Quality of Earnings

The Group's net income is primarily comprised of and influenced by the following components:

- Income from income-producing real estate business – the retail centers and malls in Israel segment, the office and other space for lease in Israel segment, the income-producing property in the U.S. segment, the senior housing segment, the data center segment, and the rental housing in Israel segment;
- Changes in the fair value of the Group's investment property;
- Activity of the Group’s head office, including net financing expenses, general, administrative and marketing expenses;
- Current and deferred tax expenses.

Income from the real estate sector is mainly affected by rental income from the various properties, which is primarily influenced by supply and demand for rental space.

The Group's income may experience significant fluctuations between different reporting periods, mainly due to changes in the value of the income-producing real estate. This is affected, as aforesaid, *inter alia* by changes in the cap rates and changes in the scope of the revenues, as a result of changes in the market conditions and/or a rise in the CPI. Additionally, the Group's financing expenses are impacted mainly by CPI fluctuations.

The Group assesses the fair value of investment property in Israel at least semi-annually and whenever there are indications of material changes in the value. Fair value is determined primarily based on valuations performed mainly by independent appraisers. Fair value is measured based on the discounting of cash flows based on signed contracts and market rent for vacant spaces at the time of the assessment, supported by comparisons to renewals in similar locations shortly before the date of the valuation, as well as using cap rates that are checked, *inter alia*, by analyzing comparable transactions shortly before the date of the valuation. The Group reviews the need to update the value of investment property on a quarterly basis by examining macroeconomic changes, changes in the environment of the properties and in revenues deriving therefrom, and consults with independent real estate appraisers to examine changes in the cap rates. In addition, for investment property under construction, the costs actually invested in the period, updated forecasts of costs to completion, and lease contracts signed during the period are taken into account. If, in the estimation of the Company's management, there have been material changes in the value of the properties, as defined in the Group's procedures, updated valuations are prepared for the relevant properties by the Company or by an appraiser.

Changes in assumptions used by external experts and/or changes in the estimations of the Group's management based on its accumulated experience, can lead to changes in the fair value carried to the income statement, thereby affecting the Group's financial position and results of operations. For further details, see Note 31 to the financial statements.

For details regarding the fair value of investment property by operating segment, see Section 7.4 of Chapter A of this Report. See also Note 31 to the attached financial statements.

6.3.Comprehensive Income

The Group's capital and comprehensive income are also affected by various capital reserves, primarily capital reserves in respect of adjustment to the fair value of investments in equity instruments designated at fair value through other comprehensive income, and reserves for translation differences from foreign operations. The difference between the comprehensive income and the net income as presented in Section 6.1 of this Chapter B, mainly derives from a loss from translation differences from foreign operations in the sum of approx. NIS 610 million net of an increase in the fair value of financial assets net of tax in the sum of approx. NIS 377 million.

6.4. Results of Operations

The following table presents the marketing, general and administrative expenses, other income, financing expenses and income taxes in 2024 compared with 2023, and in Q4/2024 compared with Q4/2023:

Results of Operations	Q4/2024	Q4/2023	2024	2023
Marketing, general and administrative expenses(1)	**110**	102	**338**	316
Net other income (expenses)(2)	**(1)**	1,154	**(3)**	1,145
Net financing expenses(3)	**98**	95	**945**	843
Income tax expenses(4)	**214**	252	**442**	635

Figures are presented in millions of NIS.

(1) The increase in expenses in the quarter year-over-year mainly derives from expansion of the data center segment. In the Report Period, the year-over-year increase in expenses mainly derives from expansion of the data center segment and from an increase in payroll expenses, net of a decrease in the expenses of Azrieli E-Commerce due to discontinuation of its operations at the beginning of the year.

(2) The decrease in net other income in the quarter and in the Report Period mainly derives from the income from the sale of holdings in Compass recorded in the corresponding periods.

(3) The increase in net financing expenses in Q4/2024 compared with Q4/2023 derives from an increase in interest expenses due to the increase in the amount of the debt net of a decrease in expenses of linkage on loans, bonds and senior housing residents' deposits due to a 0.1% decline in the known CPI in Q4/2024 compared with a 0.1% rise in Q4/2023. The increase in the net financing expenses in 2024 compared with 2023 mainly derives from an increase in expenses of linkage on loans, bonds and senior housing residents' deposits.

(4) The decrease in tax expenses in the quarter and in the Report Period mainly derives from a decrease in the pre-tax income, net of the recording of additional tax expenses due to the sale of the holding in Compass.

6.5. Cash Flows

The following table presents the cash flows generated by the Group in 2024 compared with 2023:

Annual Cash Flows		
Year	**2024**	**2023**
Net cash flows generated by the Group from operating activities (1)	**1,816**	1,371
Net cash flows used by the Group for investment activities (2)	**(3,139)**	(1,472)
Net cash flows generated by the Group from financing activities (3)	**1,075**	1,684

Figures are presented in millions of NIS.

(1) The cash flow in the Report Period and in the same period last year mainly derived from the operating income of the income-producing real estate in the sum of approx. NIS 2,302 million, net of tax payments in the period of NIS 151 million and plus net senior housing deposits.
(In the corresponding period – approx. NIS 2,062 million) (excluding Compass) net of income taxes paid.

(2) The cash flow in the Report Period was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 2,882 million, plus investments in fixed assets in the sum of NIS 235 million, and plus a loan to a company accounted for at equity. The cash flow in the corresponding period was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 3,505 million, for the acquisition of a company that was consolidated for the first time in the sum of NIS 228 million and for a NIS 203 million investment in a company accounted for at equity, net of proceeds from the sale of investments in Compass in the sum of NIS 2,598 million net.

(3) The change year-over-year mainly derived from an increase in the sum of the dividend distributed and a decrease in short-term credit raised net of an increase in net loans.

The following table presents the cash flows generated by the Group in Q4/2024 compared with Q4/2023:

Cash Flows for the Quarter		
Quarter	**Q4/2024**	**Q4/2023**
Net cash flows generated by the Group from operating activities (1)	**502**	327
Net cash flows from investment activities (2)	**(576)**	1,296
Net cash flows generated by the Group from financing activities (3)	**2,308**	2,130

Figures are presented in millions of NIS.

(1) The cash flow in the quarter and in the same quarter in 2023 mainly derived from the operating income of the income-producing real estate in the sum of approx. NIS 630 million (in the corresponding period – approx. NIS 494 million excluding Compass), net of income taxes paid.

(2) The cash flow in Q4/2024 was mainly used for the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 481 million and investment in fixed assets in the sum of NIS 76 million. The cash flow in the same quarter last year was mainly generated by proceeds from the sale of Compass in the sum of NIS 2,598 million, net of the acquisition of and investment in investment property and investment property under construction in the sum of approx. NIS 1,327 million.

(3) The cash flow in the current quarter is mainly from expansion of Series I bonds in the net sum of NIS 2.4 billion, and in the corresponding quarter from expansion of Series G and H bonds in the sum of NIS 2,200 million.

7 | EXPOSURE TO AND MANAGEMENT OF MARKET RISKS

7.1.General

The Company's financial statements present no separate reportable segment which is a "financial operating segment" and as of 31 December 2024 the Company has no "material financial operations" as stated in Regulation 10(b)(7) of the Regulations.

7.2.Description of Market Risks

For details with respect to the Company's market risks, see Notes 29 and 30 to the financial statements.

7.3.The Company's Policy on Market Risk Management

For details with respect to the Company's market risk management, see Notes 29 and 30 to the financial statements.

7.4.Policy Implementation and Oversight

At least once a year, the Financial Statements Review Committee and the Board of Directors discuss the Company's exposure to market risks and the actions taken by the Company's management, and, to the extent necessary, set quantitative criteria and restrictions. The Company's management routinely examines the operation scopes and the risk deriving from the operations.

7.5. Analysis of Sensitivity Tests and Effects on the Fair Value of the Investment Property

The Group conducts tests of sensitivity to changes in cap rates affecting the fair value of investment property.

For details, see Note 31E to the financial statements.

8 | CORPORATE GOVERNANCE ASPECTS

For details on aspects of the Company's corporate governance, including a corporate governance questionnaire, compensation of senior officers, contributions policy, details regarding the internal auditor, the auditor and an internal enforcement program at the Company, see the "Corporate Governance" chapter attached to Chapter E hereof. For details with respect to the Company's directors, see the "Additional Details" chapter attached as Chapter D hereof.

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

9.1.Report on the Group's Liabilities

A report on the Group's liabilities according to payment dates, in accordance with Regulation 9D of the Regulations is attached in a separate report form (V-126) concurrently with the release of this Report.

9.2.Legal claims

For details with respect to material legal claims, see Note 28 to the financial statements.

9.3.Disclosure of Highly Material Valuations

A directive of the Israel Securities Authority (ISA)[25] determines that a material valuation is a valuation that fulfills one of the following criteria: (1) The subject matter of the valuation represents at least 5% of the company's total assets as presented in the consolidated statement of financial position as of the last day of the report period (the "**Balance Sheet Test**") (2) The effect of the change in value that results from the valuation on the net income or the comprehensive income, as applicable, represents at least 5% of the company's respective total net income or comprehensive income in the report period and also represents at least 2.5% of the company's equity as of the end the report period[26] (the "**Consequence Test**"). In addition, the directive specifies that a highly material valuation, which is required to be attached to the financial statements of the reporting corporation, is a valuation of double materiality (10%, rather than 5%; and 5%, rather than 2.5%).

The ISA directive also determined that where the valuation satisfies the quantitative tests, but qualitative considerations lead to a different decision by the corporation, and it is decided not to attach it, the corporation will disclose its decision, while specifying the results of the quantitative tests and the reasons and considerations that underpinned such decision.

As of the report date, the Company's board of directors has adopted the parameters determined by the ISA, as specified above, with respect to the attachment of a highly material valuation.

As of the report date, and following an examination of the above determination, according to the ISA directive, it transpires that the Company has no valuation that is highly material which should be attached to the Report.

9.4.Subsequent Events

See Note 34 to the financial statements.

9.5.Financials attributable to the Company as a Parent Company

In accordance with Section 9C 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.

[25] Legal statement no. 105-23 regarding parameters for testing the materiality of valuations, last updated in July 2014, and clarification to legal statement no. 105-23 regarding parameters for testing the materiality of valuations: Q&A's last updated in December 2022.
[26] Referring to the effect of the subject matter of the valuation after the tax effect, if any, and in absolute values.

9.6.Note on Forward-Looking Information

The Company's intentions mentioned in the introduction to the Board Report and the highlights to the Board Report, inter alia, in relation to the utilization of business opportunities and expansion of 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 the possibility of converting short-term debt into long-term debt and/or obtaining financing, 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 report date.

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 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 relating 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, 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 2024.

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

Date: 19 March 2025

<u>Annex A</u>

Designated Disclosure to the Bondholders

Annex A - Designated Disclosure to the Bondholders

Set forth below are details regarding the bonds of the Company that are held by the public as of the Report Release Date

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**	**629.0**	**1.0**	**626.2**	**626.5**	Fixed	0.65	1 April in the years 2016 through 2025	From 1 October 2015 and subsequently 1 April and 1 October in the years 2016 through 2025	Linkage (principal and interest) to the rise in the CPI for December 2014*	Name of the trust company: Hermetic Trust (1975) Ltd.; Address: Champion Tower, 13th floor, 30 Sheshet Ha-Yamim Road, Bnei Brak. Tel: 03-5274867; Fax: 03-5271039; E-mail address: hermetic@hermetic.co.il Contact person at the trustee: Dan Avnon or Meirav Ofer
	23 June 2015	600.3											
	30 Mar. 2017	228.8											
	2 July 2023	789.8											
Series D	7 July 2016	2,194.1	**2,650.7**	**3,094.2**	**20.3**	**3,082.4**	**2,986.2**	Fixed	1.34	From 5 July 2018 twice a year on 5 January and 5 July of each of the years 2018 through 2030	From January 2017, twice a year on 5 January and 5 July of each of the years 2017 through 2030	Linkage (principal and interest) to the rise in the CPI for May 2016*	
	30 Mar. 2017	983.6											
	1 Feb. 2018	1,367											
	13 July 2022	625.6											
Series E	22 Jan. 2019	1,215.9	**2,594.7**	**2,989.9**	**-**	**3,028.9**	**2,934.6**	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	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	19 Dec. 2019	1,216.7											

Series	Date of issue	Par value on the date of issue	Par value on the report date	Par value on the report date, including linkage	Amount of Interest accrued by the report date	Fair value of the series in the financial statements as of the report date	Market cap as of the report date	Type of interest	Annual interest rate	Principal payment dates	Interest payment dates	Linkage terms	Details regarding the Trustee
	20 Apr. 2020	810.7									and 31 December of each of the years 2019 through 2027		
Series F	22 Jan. 2019	263.4	**3,294.5**	**3,796.3**	-	**3,945.6**	**3,728.4**	Fixed	2.48	On 31 December of each of the years 2025 through 2032	From 30 June 2019, twice a year on 30 June and 31 December of each of the years 2019 through 2032	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	19 Dec. 2019	932.6											
	20 Apr. 2020	761.9											
	13 July 2022	1,336.5											
Series G	20 July 2021	1,903.6	**2,751.8**	**3,123.9**	**14.0**	**2,979.9**	**2,718.8**	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	**4,363.0**	**4,953.0**	**41.7**	**4,581.3**	**4,250.0**	Fixed	1.69	2 January of each of the years 2032 through 2041	From 2 January 2022, twice a year on 2 January of each of the years 2022 to 2041 and 2 July of each of the years 2022 to 2040	Linkage (principal and interest) to the rise in the CPI for June 2021	
	13 July 2022	926.4											
	25 Dec. 2023	1,685											
Series I	24 July 2024	990.5	**3,282.4**	**3,328.3**	**52.9**	**3,394.1**	**3,474.8**	Fixed	3.67	2 January of each of the years 2034	From 2 January 2025, twice a year on 2 January of	Linkage (principal and interest)	

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
	18 Dec. 2024	2,291.9								through 2046	each of the years 2025 to 2046 and 2 July of each of the years 2025 to 2045	to the rise in the CPI for June 2024	
Total		**24,398.8**	**19,483.0**	**21,914.6**	**129.9**	**21,638.4**	**20,719.3**						

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

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

1. The Company's Bond Series are material to the Company and are not secured by any collateral.
2. The Company will be entitled, at its sole discretion, to perform (partial or full) early redemption of the Company's Bond Series. For details, see Section 9.2 of the terms and conditions overleaf in the indentures of each of the Company's Bond Series, and as follows:
   2.1. With respect to the Series B Bond indenture which was attached to the shelf offering report that was published by the Company, see the Company's report dated 28 June 2023 (Ref.: 2023-01-071943).
   2.2. With respect to the Series D Bond indenture which was attached to the shelf offering report that was published by the Company, see the Company's report dated 12 July 2022 (Ref.: 2022-01-073659).
   2.3. With respect to the Series E Bond indenture and the Series F Bond indenture, both of which were attached to the shelf offering report that was published by the Company, see the Company's report dated 20 April 2020 (Ref.: 2020-01-035128).
   2.4. With respect to the Series G Bond indenture 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.

Rating of the Company's publicly-held bonds:

Series	Name of rating agency	Rating set on the date of issue	Rating set as of the report release date	Date of issuance of the current rating	Additional ratings set between the date of issue and the report date	
					Rating	Date of rating
Series B	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

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
						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 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

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
						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, F and I Bonds, see the Company's immediate report of 30 December 2024 (Ref.: 2024-01-628535), which is included herein by reference.

AZRIELI GROUP

PART C

Consolidated Financial Statements

Dated 31 December 2024

Azrieli Group Ltd.

Consolidated Financial Statements for Y2024

Azrieli Group Ltd.

Consolidated Financial Statements for Y2024

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English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Independent Auditors' Report to the Shareholders of

Azrieli Group Ltd.

Regarding Audit of Components of Internal Control over Financial Reporting pursuant to
<u>Section 9B(c) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970</u>

We have audited components of internal control over financial reporting of **Azrieli Group Ltd. and subsidiaries** (jointly, the "**Company**") as of 31 December 2024. These components of control were determined as explained in the following paragraph. The Company's Board of Directors ("**Board**") and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of the components of internal control over financial reporting, attached to the periodic report as of the above date. Our responsibility is to express an opinion on the components of internal control over financial reporting of the Company, based on our audit.

The components of the internal control over financial reporting that were audited were determined pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" ("**Audit Standard (Israel) 911**"). These Components are: (1) Entity-level controls, including controls over the financial reporting and closing process and ITGCs; (2) Controls over investment property; (3) Controls over rent revenues from investment property; (all referred to hereafter jointly as the "**Audited Components of Control**").

We conducted our audit pursuant to Audit Standard (Israel) 911. This Standard requires that we plan and perform the audit with the purpose of identifying the Audited Components of Control, and to obtain reasonable assurance about whether these components of control were effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the Audited Components of Control, assessing the risk that a material weakness exists in the Audited Components of Control, and testing and evaluating the design and operating effectiveness of such components of control, based on the assessed risk. Our audit of such components of control also included performing such other procedures as we considered necessary in the circumstances. Our audit only referred to the Audited Components of Control, as opposed to internal control over all of the material processes in connection with the financial reporting, and therefore our opinion refers only to the Audited Components of Control. In addition, our audit did not address mutual effects between the Audited Components of Control and non-audited controls, and therefore, our opinion does not take into consideration such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Because of its inherent limitations, internal control over financial reporting in general and components thereof in particular, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company effectively maintained, in all material respects, the Audited Components of Control as of 31 December 2024.

We have also audited, based on Generally Accepted Auditing Standards in Israel, the Consolidated Financial Statements of the Company as of 31 December 2024 and 2023, and for each of the three-year period ended 31 December 2024, and our report of 19 March 2025, included an unqualified opinion on those financial statements.

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

Tel Aviv, 19 March 2025

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

Independent Auditors' Report to the Shareholders of

Azrieli Group Ltd.

We have audited the accompanying Consolidated Statements of Financial Position of **Azrieli Group Ltd.** (the "**Company**") as of 31 December 2024 and 2023 and the Consolidated Statements of Income, Comprehensive Income, of Changes in Capital, and of Cash Flows for each of the years in the three-year period ended 31 December 2024. The Company's Board and Management are responsible for these Financial Statements. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Israel, including standards set in the Accountants Regulations (Mode of Operation of Accountants) 5733-1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board and Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of the Company and of its consolidated companies as of 31 December 2024 and 2023 and the results of their operations, the changes in their equity and their cash flows for each of the three-year period ended 31 December 2024 in accordance with International Financial Reporting Standards (IFRS Accounting Standards) and the provisions of the Securities Regulations (Annual Financial Statements), 5770-2010.

We have also audited, pursuant to Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting", the components of the Company's internal control over financial reporting as of 31 December 2024 and our report of 19 March 2025 included an unqualified opinion on the effective maintenance of such components.

Key Audit Matters:

The key audit matters specified below are those matters that were communicated or required to be communicated to the Company's Board and that, in our professional judgment, were of most significance in the audit of the Consolidated Financial Statements for 2024. These matters include, among others, any matter that: (1) relates, or may relate, to material items or disclosures in the financial statements, and (2) our discretion with respect to which was especially challenging, subjective, or complex. These matters were addressed in our audit of and opinion on the Consolidated Financial Statements as a whole. The communication of those matters below does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not providing a separate opinion on those matters, items or disclosures.

Below are matters that we determined as key matters in the audit of the Company's Consolidated Financial Statements for 2024:

Fair value of investment property and property under construction:

As stated in Notes 2L, 3B, 10 and 31 to the Consolidated Financial Statements as of 31 December 2024, the Company has investment property, which are presented at their fair value for that date pursuant to the accounting policy described in Note 2. The fair value of all the investment property of the Company (income-producing and under construction) as of 31 December 2024, amounts to a total of approx. NIS 48,043 million, and in 2024 the Company recorded a profit from the increase in their fair value in the amount of approx. NIS 913 million.

As specified in Note 3B to the Consolidated Financial Statements, the determination of the fair value of investment property is a critical estimate, involving uncertainties and based on valuations, which include assumptions, some of which are subjective considering the circumstances and the best information as of 31 December 2024, and which were conducted with the assistance of external real estate appraisers. These assumptions mainly include the most appropriate cap rate, the property's location, its physical condition, occupancy rates, tenant turnover rate, sale price of similar properties and lands and the Group's assets in the surrounding area, tenant quality and financial robustness, lease periods, market prices for relevant comparison units, required adjustments to existing rent prices, actual and projected occupancy rates of the asset and the costs of its operation.

Determination of the fair value of investment property under construction takes into account, *inter alia* and insofar as relevant, the duration of construction of the project, the expected sale prices, the expected rent prices, the cost required for construction completion until current operation of the project and the cap rate, the project's risk premium and deduction of developer profit.

These basic assumptions, as well as the determination of the fair value estimate as a whole of the Company's investment property, including the selection of the most appropriate valuation approach, are the result of exercising subjective judgement in an environment of uncertainty, sometimes particularly significant, and therefore changes in the aforementioned basic assumptions may bring about changes in the fair value of the investment property, sometimes substantially, and therefore also affect the Company's financial position as of 31 December 2024 and the results of its operations for that year, as detailed in Note 31.

Due to the above, and in particular that the fair value of investment property is a critical estimate, involving uncertainties and based on valuations, which include assumptions, some of which are subjective, we determined, according to our professional judgment, that the examination of the fair value of investment property, with an emphasis on the reasonableness of the rates of return used in its estimation, is a key matter in the audit.

The audit procedures that we performed in response to the key audit matter:

In response to the uncertainties involved in determining the fair value of the Company's investment property and investment property under construction, we mainly performed the following procedures, with an emphasis on examining the reasonableness of the rates of return determined in the valuations of the assets: 1. Understanding the internal control environment regarding the determination of the fair value of the investment property and auditing the effectiveness of the relevant internal controls for determining their fair value; 2. Examination and analysis of fair value representations, mainly valuations, conducted by the Company and appraisers on its behalf, based on a sample model that includes quantitative and qualitative considerations; 3. Examining the base assumptions applied in the valuations, selected on a sample basis, with an emphasis on examining the rates of return, as well as predicted operating income (NOI), market prices/comparison prices per square meter of rental unit/land unit, cost required for construction completion and the valuation approach taken; 4. Reviewing valuations, on a sample basis , by an expert appraiser on our behalf with an emphasis on rates of return; 5. Direct communication with the appraisers on behalf of the Company; 6. Involvement of the senior staff of the engagement team, and holding consultations.

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

Tel Aviv, 19 March 2025

Azrieli Group Ltd.
Consolidated Statements of Financial Position

	Note	As of 31 December 2024 NIS in millions	2023 NIS in millions
ASSETS			
Current assets			
Cash and cash equivalents	4	4,633	4,915
Short-term deposits and investments		1	1
Trade accounts receivable	5	132	159
Other receivables	6	359	506
Inventory		3	6
Current tax assets	25	83	58
Total current assets		5,211	5,645
Non-current assets			
Investment in a company accounted for by the equity method		45	56
Loans and other receivables	8	729	308
Financial assets	9	1,523	1,038
Investment property and investment property under construction	10	48,043	44,613
Fixed assets	11	907	796
Intangible and other assets	12	1,475	1,616
Total non-current assets		52,722	48,427
Total assets		57,933	54,072

The notes attached to the consolidated financial statements form an integral part thereof.

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

	Note	As of 31 December 2024 NIS in millions	2023 NIS in millions
LIABILITIES AND CAPITAL			
Current liabilities			
Credit and current maturities from financial corporations and bonds	16	2,473	2,814
Trade payables	13	617	751
Other payables	14	484	383
Deposits from senior housing customers	15	1,425	1,327
Current tax liabilities	25	3	43
Total current liabilities		5,002	5,318
Non-current liabilities			
Loans from financial corporations	16	3,262	2,517
Bonds	16	20,159	17,418
Other liabilities	17	406	406
Deferred tax liabilities	25	5,267	4,845
Total non-current liabilities		29,094	25,186
Capital	18		
Ordinary share capital		18	18
Share premium		2,518	2,518
Capital reserves		206	419
Retained earnings		21,065	20,588
Total equity attributable to the shareholders of the Company		23,807	23,543
Non-controlling interests		30	25
Total capital		23,837	23,568
Total liabilities and capital		57,933	54,072

19 March 2025			
Date of approval of the Financial Statements	**Danna Azrieli Chairwoman of the Board**	**Eyal Henkin CEO**	**Ariel Goldstein, CFO**

The notes attached to the consolidated financial statements form an integral part thereof.

Azrieli Group Ltd.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Note	As of the year ended 31 December 2024 NIS in millions	2023 NIS in millions	2022 NIS in millions
Revenues From rent, management, maintenance and sales fees, net	19	3,281	2,943	2,690
Cost of revenues from rent, management, maintenance and sales fees	20	979	911	798
Gross Profit		2,302	2,032	1,892
Sales and marketing	21	75	96	95
General and administrative	22	263	220	167
Gross profit before other revenues and expenses		1,964	1,716	1,630
Net profit from adjustment to fair value of investment property and investment property under construction	10	913	912	1,481
Share in results of companies accounted for by the equity method, net of tax	7C	(5)	(77)	(73)
Other revenues (expenses), net	23	(3)	1,145	130
Gross profit after other revenues and expenses		2,869	3,696	3,168
Financing revenues	24	141	100	83
Financing expenses	24	1,086	943	1,105
Profit before taxes on income		1,924	2,853	2,146
Taxes on income	25	(442)	(635)	(354)
Net profit for the year		1,482	2,218	1,792
Other comprehensive income (loss):				
Amounts that will not be carried in the future to the profit or loss, net of tax:				
Change in fair value of financial assets, net of tax		377	9	(101)
Amounts that were carried or will be carried in the future to profit or loss, net of tax:				
Share in other comprehensive income (loss) of an investment accounted for using the equity method		-	2	(48)
Profit (loss) from cash flow hedging, net of tax		12	(9)	-
Write-off of capital reserves from disposition of associate		-	(163)	-
Translation differences from foreign operations		(610)	109	321
Total		(598)	(61)	273
Other comprehensive income (loss) for the year, net of tax		(221)	(52)	172
Total comprehensive income for the year		1,261	2,166	1,964

The notes attached to the consolidated financial statements form an integral part thereof.

Consolidated Statements of Profit or Loss and Other Comprehensive Income
(Continued)

	As of the year ended 31 December		
	2 0 2 4	**2 0 2 3**	**2 0 2 2**
	NIS in millions	**NIS in millions**	**NIS in millions**
Net profit for the year attributable to:			
Shareholders of the Company	1,477	2,225	1,797
Non-controlling interests	5	(7)	(5)
	1,482	2,218	1,792
Comprehensive income for the year attributable to:			
Shareholders of the Company			
Non-controlling interests	1,256	2,170	1,965
	5	(4)	(1)
	1,261	2,166	1,964
Basic and diluted earnings per ordinary share (in NIS) of par value NIS 0.1 attributable to shareholders of the Company:	**NIS**	**NIS**	**NIS**
Basic	12.22	18.35	14.82
On a fully diluted basis	12.17	18.35	14.82
Average weighted number of shares used in calculating the basic and diluted earnings per share:			
Basic	121,272,760	121,272,760	121,272,760
On a fully diluted basis	121,784,503	121,272,760	121,272,760

The notes attached to the consolidated financial statements form an integral part thereof.

Azrieli Group Ltd.
Consolidated Statements of Changes in Capital

	For the year ended 31 December 2024								
	Share Capital	Share premium	Capital reserve for changes in 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 share-holders 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 profit 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 other 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 shareholders of the Company	-	-	-	-	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 consolidated financial statements form an integral part thereof.

Azrieli Group Ltd.

Consolidated Statements of Changes in Capital

(Continued)

	For the year ended 31 December 2023								
	Share Capital	Share premium	Capital reserve for changes in 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 share-holders of the company	Non-controlling interests	Total
	NIS in millions								
Balance as of 1 January 2023	18	2,518	522	(68)	20	19,063	22,073	29	22,102
Net profit (loss) for the year	-	-	-	-	-	2,225	2,225	(7)	2,218
Change in fair value of financial assets, net of tax	-	-	9	-	-	-	9	-	9
Share in other comprehensive loss of an investment accounted for using the equity method	-	-	-	2	-	-	2	-	2
Write-off of capital reserves for disposition of a company accounted for on the equity method	-	-	-	(163)	-	-	(163)	-	(163)
Translation differences from foreign operations	-	-	-	106	-	-	106	3	109
Loss from cash flow hedging, net of tax	-	-	-	-	(9)	-	(9)	-	(9)
Total other comprehensive income (loss) for the year	-	-	9	(55)	(9)	2,225	2,170	(4)	2,166
Dividend to shareholders of the Company	-	-	-	-	-	(700)	(700)	-	(700)
Total transactions with shareholders of the Company	-	-	-	-	-	(700)	(700)	-	(700)
Balance as of 31 December 2023	18	2,518	531	(123)	11	20,588	23,543	25	23,568

The notes attached to the consolidated financial statements form an integral part thereof.

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

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

The notes attached to the consolidated financial statements form an integral part thereof.

Azrieli Group Ltd.
Consolidated Statements of Cash Flows

	As of the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Cash Flows – Operating Activities			
Net profit for the year	1,482	2,218	1,792
Depreciation and amortization	20	70	16
Forfeiture of senior housing residents' deposits	(57)	(52)	(47)
Net profit from adjustment to fair value of investment property and investment property under construction	(913)	(912)	(1,481)
Financing and other expenses, net	888	799	1,061
Profit from sale of holding in associate	-	(1,211)	-
Share in the results of associates accounted for using the equity method	5	77	73
Expenses due to share-based payment	8	-	-
Taxes recognized in the income statement	442	635	354
Income taxes paid, net	(151)	(204)	(29)
Revaluation of financial assets designated at fair value through profit and loss	-	(2)	9
Change in inventory	3	4	1
Change in trade and other receivables	35	(107)	42
Change in trade and other payables	(51)	1	9
Receipt of deposits from senior housing residents	204	128	210
Return of deposits from senior housing residents	(90)	(74)	(54)
Profit from increase in holding rate of an associate	-	-	(204)
Change in provisions and employee benefits	(9)	1	1
Net cash – operating activities	1,816	1,371	1,753

Azrieli Group Ltd.

Consolidated Statements of Cash Flows

(Continued)

	As of the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Cash Flows - Investment Activities			
Proceeds from the disposition of fixed assets	-	1	-
Proceeds from the disposition of investment property	31	-	3
Purchase of and investment in investment property and investment property under construction	(2,882)	(3,505)	(2,003)
Purchase of and investment in fixed assets and intangible assets	(235)	(204)	(61)
Investments in companies accounted for using the equity method	(24)	(203)	(433)
Change in short-term deposits	-	3	(3)
Provision of long-term loans	(218)	(2)	(13)
Collection of long-term loans	2	2	3
Interest and dividend received	187	138	75
Proceeds from disposition of financial assets	-	1	120
Proceeds, net, from disposition of investment in associate	-	2,598	-
Proceeds from liquidation of investments in investee companies, net (Annex A)	-	-	53
Purchase of companies consolidated for the first time (Annex B)	-	(228)	(477)
Taxes paid for assets	-	(73)	(84)
Net cash - investment activities	(3,139)	(1,472)	(2,820)

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

	As of the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Cash Flows - Financing Activities			
Distribution of dividend to shareholders	(1,000)	(700)	(650)
Repayment of bonds	(1,355)	(922)	(796)
Issuance of bonds net of issue expenses	3,626	3,050	2,969
Receipt of long-term loans from financial corporations	1,115	230	1,099
Repayment of long-term loans from financial corporations	(715)	(211)	(139)
Short-term credit from financial corporations, net	(90)	710	(561)
Repayment of lease liabilities	(22)	(18)	(3)
Repayment of deposits from customers	(4)	(3)	(3)
Deposits from customers that were received	5	3	6
Interest paid	(485)	(455)	(355)
Net cash - financing activities	1,075	1,684	1,567
Increase (decrease) in cash and cash equivalents	(248)	1,583	500
Cash and cash equivalents at the beginning of the year	4,915	3,404	2,886
Effect of the changes in exchange rates on cash balances held in foreign currency	(34)	(72)	18
Cash and cash equivalents at the end of the year	4,633	4,915	3,404

(*) Non-cash transactions in 2023 included a change in other payables in respect of acquisitions on credit of non-current assets in the sum of approx. NIS 211 million.

Annex A - Proceeds from liquidation of investments in investee companies:

	As of the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Receivables due to sale of the investment	-	-	53

Annex B - Purchase of companies consolidated for the first time (*):

	As of the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Working capital (excluding for cash and cash equivalents)	-	(10)	31
Investment property	-	(479)	(814)
Long-term liabilities including current maturities	-	261	306
	-	(228)	(477)

(*) See Notes 10D and 10E for further details on the purchase of companies in 2022.

See Note 10F for further details on the purchase of companies in 2023.

Note 1 – General

A. General description of the Company and its operations:

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 traded 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 bond series that were issued to the public (Series B and D-I) as well as commercial paper (CP 1).

The Group's Consolidated Financial Statements as of 31 December 2024 include those of the Company and of subsidiaries thereof (jointly, the "**Group**"), as well as the Group's rights in associates and in jointly-controlled entities.

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

As the Company was informed, each one of Sharon Azrieli, Naomi Azrieli and Danna Azrieli, holds, directly and through a Canadian holding corporation controlled thereby ("**Canadian Holding Corporation**"), approx. 28.02% of the equity interests in Azrieli Holdings and approx. 33.13% of the voting rights in Azrieli Holdings, and they jointly hold approx. 84.06% of the equity interests in Azrieli Holdings and approx. 99.39% of the voting rights therein. The remainder of Azrieli Holdings' shares are mainly held by the Azrieli Foundation of Canada (an Interested Party of the Company), which holds (indirectly, through a holding of shares of a Canadian Holding Corporation) approx. 15.93% of Azrieli Holdings' shares, with no voting rights (which constitutes, indirectly, a holding of approx. 8.86% of the equity interests of the Company), in addition to and separately from its direct holding of approx. 8.55% of the equity interests and voting rights in the Company.

As the Company was informed, on 20 March 2017, a shareholders' agreement (the "**2017 Agreement**") was signed between Sharon Azrieli, Naomi Azrieli and Danna Azrieli (in person and through companies controlled by them), the indirect controlling shareholders of the Company and directors thereof (the "**Controlling Shareholders**"). Additional parties to the 2017 Agreement are Azrieli Holdings, Nadav Investments and a Canadian Holding Corporation (the three, the "**Holding Corporations**"). The 2017 Agreement regulates the relations between the Controlling Shareholders, in person, and through the Holding Corporations, in respect of their rights in the Company. The terms of the 2017 Agreement include agreements regarding the sale and transfer of shares in the Company and in the Holding Corporations, including a lock-up period, right of first refusal, right of first offer, co-sale right and an exclusion in connection with certain sales of shares (drip) on TASE. The 2017 Agreement further prescribes that the manner of use of the voting rights in the Company will be determined by the Controlling Shareholders (by a majority vote), provided however, that in respect of resolutions to appoint directors of the Company, each one of the Controlling Shareholders shall have the right to use the voting rights to appoint one director who will be determined by her, whereas the manner of use of the voting rights in the Company regarding resolutions to appoint additional directors, will be adopted by a majority vote. It is clarified, that the 2017 Agreement does not change the identity of the Company's Controlling Shareholders (including of Azrieli Holdings) nor their percentage holdings in the capital and in the voting rights in the Company, and that as of the report date, Sharon Azrieli, Naomi Azrieli and Danna Azrieli are the Company's Controlling Shareholders.

Note 1 – General (Cont.)

A. General description of the Company and its operations: (Cont.)

The Company engages (both directly and through Investee Companies in which it invests and which it develops) primarily in the following operating segments:

(1) In development, acquisition, management, lease and maintenance in the retail centers and malls in Israel segment.

(2) In development, acquisition, management, lease and maintenance in the leasable office space in Israel segment.

(3) In acquisition, management and lease in income-producing property in the U.S. segment.

(4) In development, acquisition and operation of senior housing.

(5) In development, acquisition, lease and maintenance in the data centers segment.

(6) In development, acquisition, management, lease and maintenance in the rental housing in Israel segment.

For details regarding additional operating segments of the Company, see Note 33A.

B. Definitions:

The Company	-	Azrieli Group Ltd.
Related Parties	-	As defined in IAS 24.
Consolidated Company	-	A company in which the Company has direct or indirect control and whose statements are fully consolidated with the Company's statements.
Investee Company	-	A Consolidated Company or a company under joint arrangement or an associate.
Interested Parties	-	As defined in the Securities Law, 5728-1968, and regulations thereunder.
Controlling Shareholder	-	Within the definition of "Control" in the Securities Law, 5728-1968.
Canit Hashalom	-	Canit Hashalom Investments Ltd.
GM	-	Green Mountain, AS.

C. The War's Impact:

(1) The War's impact on the retail centers and malls segment:

In view of the impact of the War on the business of some of the tenants in the Company's malls, the Company decided to grant a 30% discount on the rent for the month of October 2023, and a 15% discount on the rent for the month of November 2023, or rent according to a percentage of store revenues as set forth in the contract, whichever is higher (the "**Relief Plan**").

The Relief Plan is subject to compliance with conditions, *inter alia*, a decline of at least 15% in the tenant's store revenues in October 2023 compared to October 2022.

In addition, the rent and management fees for November 2023 will be paid in four equal installments in January-April 2024.

Note 1 – General (Cont.)

C. The War's Impact: (Cont.)

(2) The War's impact on the office and other space for lease in Israel segment:

The Company's revenues from the office space in Israel segment have not been materially impacted since the outbreak of the War.

(3) The War's impact on property development:

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

Note 2 - Significant Accounting Policies

A. Declaration in respect of the application of the IFRS® Accounting Standards:

The Group's Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards (the "**IFRS Standards**") and the interpretations thereto, which have been published by the International Accounting Standards Board (IASB®). The significant accounting policies detailed below have been applied consistently for all reporting periods presented in these Consolidated Financial Statements.

The Consolidated Financial Statements were approved for publication by the Company's Board on 19 March 2025.

B. The Financial Statements are prepared in accordance with the Securities Regulations (Annual Financial Statements), 5770-2010 (the "**Financial Statements Regulations**").

C. The operating cycle period:

The Group's operating cycle does not exceed 12 months.

D. The format for the analysis of the expenses that have been recognized in the Statement of Comprehensive Income:

The Group changed the presentation of the profit or loss and other comprehensive income information in accordance with the characteristic of the activity rather than the characteristic of the nature of the expense. In the opinion of the Group's management, this method of presentation more accurately, relevantly, and adequately reflects the Company's performance.

E. Foreign currency:

(1) The functional currency and the presentation currency:

The financial statements of each of the companies in the Group have been prepared in the currency of the main economic environment in which it operates (the "**Functional Currency**"). For the purposes of the consolidation of the Financial Statements, the results and the financial position of each of the companies in the Group are translated into New Israeli Shekels (NIS), which is the Company's functional currency. The Company's Consolidated Financial Statements are presented in NIS in millions.

On exchange rates and the changes therein in the course of the periods that are presented, see Note 2S.

Note 2 - Significant Accounting Policies (Cont.)
E. Foreign currency (Cont.)

(2) The method by which exchange differences are recorded:

Exchange differences are recognized in the income statement in the period in which they arise, except for the following case:

Exchange differences in respect of financial items receivable from foreign operations ("**Capital Loans**"), whose settlement is not planned or expected to occur and accordingly they constitute part of the net investment in foreign operations, are recognized in the statement of other comprehensive income under the 'exchange differences in respect of foreign operations' item, and are carried to profit and loss at the time of the disposition of the net investment in foreign operations and upon partial disposition of the net investment in foreign business entailing loss of control.

(3) The translation of the financial statements of foreign operations whose functional currency is different from the Company's functional currency:

For the purposes of the presentation of the Consolidated Financial Statements, the assets and the liabilities of foreign operations, including attributed excess of fair value over the book value and goodwill, are presented in accordance with the exchange rates effective as of the end of the reporting period. Income and expense items are translated in accordance with the average exchange rates in the reporting period unless there shall have been significant fluctuations in the exchange rates in the course of the period. In such a case, the translation of these items is done using the exchange rates at the time of the execution of the transactions. The translation differences are recognized in other comprehensive income in the "translation differences from foreign operations" item. These translation differences are carried to the income statement on the date of the disposition of the foreign business in respect of which they were created and upon partial disposition of foreign business entailing loss of control. The Company does not liquidate capital reserves from translation differences when Capital Loans are repaid.

F. Cash and cash equivalents:

Cash comprise cash on hand and demand deposits.

G. Joint arrangements:

"Joint arrangement" is a contractual agreement whereby the Group and other parties perform financial activity that is subject to joint control. Joint control is in place where the contractual arrangement includes a requirement whereby decisions pertaining to the transaction's financial and operational strategy, must be adopted unanimously by the parties which jointly control the joint transaction.

A "joint venture" is a joint arrangement, the parties to which have rights in net assets attributed to the arrangement.

In joint arrangements which constitute a joint venture, the Group recognizes the joint venture as an investment, and it is accounted for by the equity method. With respect to the equity method, see accounting policy Note 2H below.

Note 2 - Significant Accounting Policies (Cont.)

H. Joint ventures:

The results, assets and liabilities of joint ventures are included in these financial statements using the equity method. The Group classifies the investment as a non-current asset. According to the equity method, investments in associates and joint ventures are included in the consolidated statement of financial position at cost adjusted to the changes that occurred after the purchase in the Group’s share in the net assets, including capital reserves, net of impairment, if any, of the value of the joint venture.

The excess purchase cost of a joint venture over and above the Group’s share in the fair value of identifiable assets, liabilities and contingent liabilities of the associate or the joint venture which were recognized on the purchase date, is recognized as goodwill. The goodwill is included in the book value of the investment in the joint venture, and is tested for impairment purposes as part of the investment.

I. Goodwill:

Goodwill that derives from the acquisition of a Consolidated Company is presented in the framework of intangible assets and is measured at the level of the surplus of the cost of the acquisition over the Company’s share in the net fair value of the identified assets, liabilities and contingent liabilities of the Consolidated Company, which were recognized at the time of the acquisition.

Goodwill is initially recognized as an asset at cost and is measured in following periods as cost net of accumulated losses from impairment.

For the purposes of the testing for impairment, goodwill is allocated to each of the Group's cash generating units, which derive benefits from the synergies from the business combination. Cash generating units to which Goodwill has been allocated are tested for impairment each year or more frequently, where signs exist, which evidence a possible impairment of the unit, as aforesaid. Where the recoverable amount of a cash generating unit is lower than the book value of that unit, the loss from impairment is allocated firstly to the writing down of the book value of any goodwill whatsoever in respect of the cash generating unit. Thereafter, the balance of the impairment loss, if any remains, is allocated to the other assets making up the cash generating unit, in proportion to their book value. A loss from impairment of goodwill is not cancelled in following periods.

J. Financial instruments:

(1) Financial assets:

(a) General:

Financial assets are recognized in the Statement of Financial Position when the Group becomes a party to the contractual terms of the instrument.

Investments in financial assets are initially recognized at their fair value, plus transaction costs, with the exception of such financial assets that are classified at fair value through profit and loss, which are initially recognized at their fair value. Transaction costs for financial assets at fair value through profit or loss are carried to profit or loss as an immediate expense.

After initial recognition, financial assets are measured at depreciated cost or fair value, according to their classification.

Note 2 - Significant Accounting Policies (Cont.)
J. Financial Instruments: (Cont.)
(1) Financial Assets: (Cont.)

(b) Equity instruments designated at fair value through other comprehensive income (see Note 9):

On the date of initial recognition, the Group may designate investments in equity instruments, that are not held for trade and do not constitute contingent consideration in a business combination, at fair value through other comprehensive income. This designation cannot be revoked in subsequent periods and can be made for each investment separately, irrespective of the designation or non-designation of other investments at fair value through other comprehensive income.

The Group has an investment in Bank Leumi Le-Israel Ltd. which was designated thereby on the date of initial recognition at fair value through other comprehensive income.

On the date of initial recognition, the investment in equity instruments that were designated at fair value through other comprehensive income is measured at fair value, plus transaction costs. In subsequent periods, the investment is measured at fair value when profits or losses arising from changes in the fair value are carried to other comprehensive income to a capital reserve for changes in fair value of investments in equity instruments designated at fair value through other comprehensive income and are never reclassified as profit or loss.

Income from dividends in respect of investment in equity instruments designated at fair value through other comprehensive income are recognized in profit or loss when the Group derives the right to receive payments therefor, unless the dividend clearly represents recovery of part of the cost of the investment.

(2) Financial liabilities issued by the Group:

(a) Financial liabilities:

Financial liabilities are stated and measured at depreciated cost.

Financial liabilities at depreciated cost:

Financial liabilities measured at depreciated cost are initially recognized at fair value net of the transaction costs. After the date of initial recognition, such financial liabilities are measured at depreciated cost while using the effective interest method.

The effective interest method is a method for calculation of the depreciated cost of a financial liability and the allocation of interest expenses over the relevant credit period. The effective interest rate is the rate that accurately deducts the projected future cash flows over the expected life time of the financial liability to its book value or, where applicable, over a shorter period of time.

(b) Write-off of financial liabilities:

The Group writes off a financial liability when, and only when the financial liability is paid up, cancelled or expires. The difference between the book value of the settled financial liability and the consideration paid is recognized in profit or loss.

(3) Deposits from customers:

The Group has liabilities for NIS deposits received from senior housing residents with whom contracts were signed in deposit tracks. The liabilities for the NIS deposits are linked to the CPI and presented after amortization according to the agreements signed by the Group with the residents. The amortization of the deposits is carried to the income statement as rental income over the term of the agreement.

The resident deposits are a financial liability with a demand characteristic, and therefore their fair value on the date of initial recognition is the amount payable upon the demand. In view of the existence of a demand characteristic, liabilities for deposits from residents are classified as current liabilities.

Note 2 - Significant Accounting Policies (Cont.)

K. Fixed assets:

(1) Recognition and measurement:

Fixed assets are tangible items that are held for use in the production or supply of goods or services, or for lease to others, which it is predicted will use the same for more than one period. Fixed asset items are measured at cost net of accumulated depreciation and accumulated losses from impairment.

The cost includes expenses that are directly attributable to the acquisition of the asset. The cost of assets that were self-built includes the cost of the materials and the direct labor, as well as any additional cost that is directly attributable to bringing the asset to the location and condition that are required in order for it to operate in the manner intended by management, as well as capitalized credit costs.

A profit or loss from the write-off of a fixed asset item is determined according to the difference between the proceeds from the sale thereof and its book value on the date of the sale or retirement, and is recognized in the income statement as other income or other expenses, as the case may be.

(2) Depreciation:

Depreciation is carried to the income statement in accordance with the straight line method in accordance with an estimate of the useful lifetime of each part of the fixed asset items, since this method reflects the manner of the forecast consumption of the future economic benefits that are inherent in an asset in the best way. Lands under ownership are not amortized.

The estimates regarding the depreciation method, useful life and the residual value are reexamined at least in the end of each year and are adjusted when necessary.

L. Investment property:

Investment property is property (land or a building – or part of a building - or both, including, *inter alia*, senior homes, data centers, commercial centers, and office and rental housing buildings), which is held by the Group for the purpose of the production of rent or for the purposes of a capital gain or both, and not for the purposes of use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of business. Investment property, as aforesaid, also includes investment property that is under construction or development.

In the senior housing segment (apart from the nursing care units operated by the Group), the Group has reviewed the scope of secondary services given to residents in the homes, and concluded that the scope of secondary services is immaterial, and therefore does not affect the definition of investment property. Such review was made based on a qualitative and quantitative test.

The Group's investment property includes buildings and land that is owned or held under lease. Investment property is initially recognized at cost. Direct initial costs incurred in the initial acquisition of investment property are added to the book value of the property and are recognized as an expense in the 'net profit (loss) from adjustment to fair value of investment property and investment property under construction' item. In the subsequent periods, investment property is measured at fair value. Profits or losses deriving from changes in the fair value of investment property, and with respect to specific properties also those that originate from changes in exchange rates, are recorded in the income statement in the period in which they were generated, under the 'net profit (loss) from adjustment to fair value of investment property and investment property under construction' item. In the senior housing segment, since the deposits received from residents are presented as financial liabilities in the Statement of Financial Position, the Group's investment property is presented according to the fair value of the real estate, plus the liabilities for deposits from residents, in order to avoid double measurement.

Investment property, as aforesaid, also includes investment property that is under construction or development. Investment property under construction is measured at fair value when the value thereof can be reliably measured. Costs of credit are capitalized to investment property under construction.

Note 2 - Significant Accounting Policies (Cont.)

M. Borrowing costs:

Specific borrowing costs and non-specific borrowing costs are capitalized as part of the cost of qualifying assets (including investment property under construction and fixed assets), that take a substantial period of time to be ready for their intended use, during the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner for such investment in investment property under construction or for such part thereof that is not financed by specific credit, applying a rate which is the weighted average of the cost rates in respect of such credit sources the cost of which has not been specifically capitalized.

All other borrowing costs are carried to the income statement when they are incurred.

In the cash flow statement, the Group classifies cash flows for interest payments which are capitalized on qualifying assets as cash flows used for financing activity, in a manner that is consistent with the Group's policy regarding interest payments in the cash flow statement, as stated in Note 2R.

N. Leased assets:

The Group as a lessee:

Includes leases, including leases of land from the Israel Land Authority or from other third parties.

The Group assesses whether a contract is a lease (or contains a lease) on the date of the engagement in the contract. The Group recognizes a right-of-use asset on the one hand and a lease liability on the other hand in respect of all of the lease contracts in which it is the lessee.

The Company has assets of rights of use of lands leased from the Israel Land Authority, which are used by the Company as investment property measured at fair value. Amounts recognized for such assets (amounts paid in advance in capitalized leases) are treated and presented as investment property when the measurement at fair value relates to the rights of use rather than to the underlying assets. Future payments due at the time of exercise of the option to extend the lease period vis-à-vis the Israel Land Authority are not recognized as an asset against a liability since they are deemed as varying rent, deriving from the fair value of the land at the time of renewal of the lease. Such payments are taken into account in the determination of the fair value of the rights of use.

The lease liability is initially measured at the present value of the unpaid lease payments on the commencement date, discounted using the interest rate implicit in the lease.

O. Provisions:

A provision is recognized where the Group has a current obligation, whether legal or implicit, as the result of an event that has taken place in the past, which can be reliably assessed, and where it is expected that economic resources will be required in order to settle the obligation.

Legal claims:

A provision for claims is recognized where the Group has a present legal obligation or an implicit obligation as the result of an event that has taken place in the past, it being more likely than not that the Group will be required to use its economic resources to settle the obligation and it may be reliably estimated. Where the impact of the time value is material, the provision is measured in accordance with its present value.

Note 2 - Significant Accounting Policies (Cont.)

P. Revenues:

(1) Rent income:

Rent income in respect of investment property is recognized on the straight line basis over the length of the relevant rent period.

In lease arrangements in which in the beginning of the lease period no rent is received, or reduced rent is received, and when additional benefits are given to the lessee, the Group recognizes revenue on a straight line basis, over the lease period.

Operating lease arrangements that combine fixed and variable long-term lease payments:

In operating lease arrangements which combine fixed and variable long-term lease payments, in which context the lessees were granted relief, according to which the fixed component was reduced to a lower amount for a fixed period while leaving the variable component in place, the Group deems the updated floor of the fixed component as another methodical basis which better represents the format in which the benefit from use of the underlying asset decreases.

(2) Revenues from management and maintenance fees and net income from the use of electricity:

Revenues from management and maintenance fees and net income from the use of electricity is reflected pro-rata over the length of the period in which the relevant services are provided.

The Company recognizes income from the provision of asset management services (maintenance, cleaning, etc.) on a gross basis since it operates as a key provider for such services.

(3) Dividend income:

Income from dividends in respect of investment in equity instruments designated at fair value through other comprehensive income are recognized in profit or loss when the Group derives the right to receive payments therefor, unless the dividend clearly represents recovery of part of the cost of the investment.

(4) Revenues from forfeiture of senior housing deposits:

The revenues from forfeiture of deposits are recorded in the income statement when created.

Since the contracts with residents do not stipulate any minimum period for residents' term of use of the apartments, no straight line spread is applied to the rental income in deposit tracks.

Q. Taxes on income:

(1) General:

Tax expenses (income) on income include the sum of the current tax as well as the change in the deferred tax balances, except in respect of deferred taxes that derive from transactions that are reflected directly under shareholders' equity.

(2) Current taxes:

Current tax assets and liabilities are presented as offset, where the entity has an enforceable legal right to offset the amounts recognized as well as an intention to settle on a net basis, or to realize the asset and settle the liability at the same time.

Note 2 - Significant Accounting Policies (Cont.)
Q. Taxes on income: (Cont.)

(3) Deferred taxes:

The companies in the Group record deferred taxes in respect of temporary differences between the values of assets and liabilities for tax purposes and their values in the Financial Statements. Deferred tax balances (assets or liabilities) are calculated in accordance with the tax rates that are expected to apply at the time that they are realized, based on the tax rates and the tax laws that have been legislated or whose legislation has been effectively completed as of the date of the Statement of Financial Position. Deferred tax liabilities are generally recognized in respect of all of the temporary differences between the value of assets and liabilities for tax purposes and their values in the Financial Statements. Deferred tax assets are recognized in respect of temporary differences that can be deducted up to the amount of the chargeable income against which it is expected that the deductible temporary differences can be exploited. The deferred taxes in respect of the structure component of investment property are calculated in accordance with a business model whose purpose is significant consumption over time of all of the economic benefits incorporated therein.

The Group does not record deferred taxes in respect of temporary differences deriving from the initial recognition of goodwill, and from initial recognition of an asset or liability in the framework of a transaction which is not a business combination, where on the date of the transaction the initial recognition of the asset or liability does not affect the accounting profit and the taxable income (loss for tax purposes) As of 31 December 2024 the Group has temporary differences in the sum of approx. NIS 892 million, for which no deferred taxes have been recognized.

Deferred taxes in respect of temporary differences that relate to investment property are determined based on the tax rate expected from the use of the asset.

The calculation of the deferred taxes does not take into account the taxes that would have applied in the event of liquidation of the investments in Investee Companies, other than due to an investment held for sale, since in the Group's management estimate, the temporary differences which are the subject matter of such deferred taxes are under the control of the Group and are not expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are presented as offset, where the entity has an enforceable legal right to offset current tax asset against current tax liabilities, and where they refer to income taxes that are imposed by such tax authority, and the Group intends to settle the current tax assets and liabilities on a net basis.

R. Classification of interest paid, dividends paid, interest and dividends received and income taxes paid, net, in cash flow statement:

The Group classifies cash flows due to interest and dividends received thereby as cash flows from investment activity. In addition, cash flows due to interest paid are classified as cash flows used for the financing activity. Cash flows due to income taxes and indirect taxes are classified in general as cash flows used for operating activities, other than cash flows that are easily identifiable with cash flows used for investment or financing activity. Dividends paid by the Group are classified as cash flows from financing activity.

Note 2 - Significant Accounting Policies (Cont.)

S. Exchange rates and linkage base:

(1) Balances that are stated in foreign currency or which are linked thereto are recorded in the Financial Statements in accordance with the representative exchange rates that were published by the Bank of Israel and which were in force as of the date of the Statement of Financial Position.

(2) Balances that are linked to the CPI are presented in accordance with the last known index as of the date of the Statement of Financial Position (the index for the month preceding the date of the Financial Statements), or in accordance with the index in respect of the last month of the reporting period (the index for the month in which the date of the Financial Statements lies), in accordance with the terms of the transaction.

(3) **The following are details in respect of the exchange rates and Index:**

	Representative exchange rate of the		Index in Israel	
	NOK	Dollar	"for"	"known"
	(NIS to 1 NOK)	(NIS to 1 Dollar)	Basis 1993	Basis 1993
The date of the financial statements:				
as of December 31, 2024	0.3222	3.647	256.64	257.35
as of December 31, 2023	0.3559	3.627	248.59	248.82
as of December 31, 2022	0.3572	3.519	241.45	240.77
Rates of change	%	%	%	%
For the year ended:				
December 31, 2024	(9.47)	0.55	3.24	3.43
December 31, 2023	(0.36)	3.07	2.96	3.34
December 31, 2022	1.33	13.15	5.26	5.28

Note 2 - Significant Accounting Policies (Cont.)

T. New standards, new interpretations and amendments to standards that have an effect on the current period and/or previous periods:

- **Amendments to IAS 1 "Presentation of Financial Statements" (regarding the classification of liabilities as current or non-current):**

  In 2020 an amendment to IAS 1 on classification of liabilities as current or non-current was issued (the "2020 Amendment"). The amendment clarified that classifying the liabilities as current or non-current is based on the rights that exist at the end of the reporting period, and is unaffected by the entity's expectation of exercising this right.

  The amendment removed the reference to the existence of an unconditional right, and clarified that if the right to defer the settlement is contingent on compliance with financial covenants, the rights exists if the entity meets the covenants determined at the end of the reporting period, even if compliance with the covenants is examined by the lender to a later date.

  In addition, a definition was added in the amendment for the term "settlement" in order to clarify that settlement may be the transfer of cash, goods and services or equity instruments of the entity itself to the counterparty. In this context, it was clarified that if, according to the terms and conditions of the liability, the counterparty has an option to demand settlement in the entity's equity instruments, this condition does not affect classification of the liability as current or non-current if the option is classified as a separate equity component in accordance with IAS 32 "Financial Instruments: Presentation".

  The amendment only affects classification of liabilities as current or non-current in the statement of financial position and not the amount or the timing of the recognition of such liabilities or of income and expenses related thereto.

  In October 2022, another amendment was issued on classification of liabilities with financial covenants (the "2022 Amendment"), which clarified that only financial covenants with which an entity is required to comply at the end or before the reporting period, affect the entity's right to defer the settlement of the liability for at least twelve months after the reporting period, even if compliance therewith is actually examined after the reporting period. Conversely, financial covenants with which an entity is required to comply as of a date later than the end of the reporting period do not affect the existence of the said right as of the end of the reporting period.

  The 2022 Amendment further determines that if the entity's right to defer the settlement of the liability for at least 12 months after the reporting period is subject to the entity's compliance with financial covenants within 12 months after the reporting period, then the entity is required to make a disclosure that will enable the users of the financial statements understand the risk entailed thereby. The other amendments issued in the framework of the 2020 Amendment remained unchanged. The commencement date of the 2020 Amendment and the 2022 Amendment was set for annual reporting periods commencing on or after 1 January 2024. The application of the amendment had no influence on the Group's books.

Note 2 - Significant Accounting Policies (Cont.)

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

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

  On 9 April 2024, IFRS 18 was released, replacing International Accounting Standard 1 "Presentation of Financial Statements" ("**IAS 1**").

  The purpose of this standard is to improve the way entities communicate information to the users of their financial statements.

  The main changes in the standard focus on the following categories:

  (1) Structure for the statement of profit or loss - Presentation of defined subtotals and categorization in the statement of profit or loss.

  (2) Requirements for improving the aggregation and disaggregation of information in the financial statements and notes.

  (3) Disclosure in the notes to the financial statements of information with respect to performance measures defined by management ("**MPMs**") that are non-GAAP standards.

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

  IFRS 18 will become effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 is applied retroactively, with specific transition instructions. Early adoption is possible. However, according to the Israel Securities Authority's decision, early adoption will be possible only from the period commencing on 1 January 2025 (financial statements for Q1/2025).

  The Company examines the effect of IFRS 18, including the effect of the amendments to other IFRS standards, as a result of the application thereof, on the financial statements.

- **Annual Improvements to IFRS Accounting Standards (Volume 11):**

  As part of the annual improvements process, several amendments to IFRS standards were published in July 2024, including:

  - Limited-scope wording amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 10 "Consolidated Financial Statements", and IAS 7 "Statement of Cash Flows".

  - Amendments to IFRS 9 "Financial Instruments" clarifying that when a lease liability is considered extinguished in accordance with IFRS 9, the lessee is required to apply the provisions of Section 3.3.3 of IFRS 9, such that any gain or loss resulting from the derecognition is recognized in profit or loss. Additionally, it was clarified that trade receivables should, upon initial recognition, be measured based on the amount determined by application of IFRS 15, rather than the transaction price.

  The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted subject to disclosure of this fact.

  The amendment to IFRS 9 regarding the derecognition of lease liabilities will apply to lease liabilities extinguished at the beginning of the annual reporting period in which the amendment is first applied.

Note 3 - Considerations in the Application of Accounting Policy and Key Factors for Uncertainty of the Estimate

A. General:

In the implementation of the Group's accounting policy, which is described in Note 2 above, the managements of the companies in the Group are required to exercise broad accounting judgment in respect of estimates and assumptions, in connection with the book values of assets and liabilities, which cannot necessarily be found in other sources. The estimates and the related assumption are based on past experience and on other factors, which are considered to be relevant. The actual results may well be different from those estimates.

The estimates and assumptions that they are based on are reviewed routinely by the management of the companies in the Group. Changes in the accounting estimates are recognized only in the period in which the change is made in the estimates in the event that a change affects only one period or they are recognized in the said period and also in future periods in cases where the change affect both the current period and also the future periods.

B. Critical estimates:

Following is information in respect of a critical estimate, which have been prepared whilst implementing the accounting policies, and which has a significant impact on the Financial Statements:

The revaluation of investment property and investment property under construction – (see Notes 10 and 31) in accordance with the IFRS and in accordance with the Company’s selection, the Group presents investment property and investment property under construction in accordance with the fair value.

Investment property and investment property under construction – As stated in Note 2L, the Group's investment property is presented at fair value, where changes in the fair value are carried to the income statement as income or as expenses.

For the purpose of the determination of the fair value of investment property, the Company’s management bases itself, primarily, on evaluations that are performed once a year by independent appraisers of land, having the required knowledge, experience and expertise. The Company’s management is in the habit of determining the fair value in accordance with generally accepted evaluation methods of real properties, primarily discounted cash flow and comparison with selling prices of similar assets and land and the Group's assets in the near environment. Where use has been made of the discounted cash flow method, the interest rate used in the discounting of the net cash flows that are expected from the asset has a significant impact on the fair value.

In the determination of the fair value of investment property, the following are taken into account, *inter alia* and insofar as is relevant: the location of the property and its physical state, the cap rates, the occupancy rates, the tenant turnover rates, selling prices, the quality of the tenants and their stability, the rent period, the rent prices in similar properties, the adjustments that are required to the existing rent prices, the actual and forecast occupancy levels for the property and the costs of operating it. In the determination of the fair value of investment property under construction, the following are taken into account, inter alia and insofar as is relevant: the duration of the construction of the project, the selling prices, the amount of the rent, the additional cost required for construction thereof until the current operation thereof and the interest rate, the project’s risk premium, deduction of developer profit and the required cap rate. In the determination of the fair value of land, the following are taken into account, inter alia: the location of the land, the rights and comparative transactions of similar properties, while making the required adjustments. A change in the value of any of these components, or all of them, could have a significant impact on the fair value of the property as estimated by the Company’s management.

The Group strives to determine as objective a fair value as possible, but at the same time, the process of estimating the fair value of investment property also includes subjective elements, which are sources, inter alia, in the past experience of the Company’s management and its understanding of what is expected to take place in the investment property market at the time at which the estimate of the fair value is determined. In the light of what is stated in the previous paragraph, the determination of the fair value of the Group's investment property mandates the exercise of judgment. Changes in the assumptions that were used in the determination of the fair value could have a significant effect on the Group's state of affairs and the results of its activities.

Note 3 - Considerations in the Application of Accounting Policy and Key Factors for Uncertainty of the Estimate (Cont.)
B. Critical estimates (Cont.):

The Company reviews in its quarterly reports the need to update the value of the investment property by examining macro-economic changes that may have a material effect on the fair value of the properties and/or upon the occurrence of a material event in an asset that was defined as a material or a very material asset in the Company's statements, due to population, material change in rent, etc. Also, with regard to investment property under construction, the following are taken into account: the costs actually invested during the period, the updated forecast of costs for completion and lease agreements signed during the period. Upon initial classification of a property that was under construction as investment property, and insofar as no valuation was received therefor in the six months preceding the classification date, an external valuation will be performed therefor, as of the end of the quarter in which it was initially classified as investment property.

Changes in the fair value are carried to the income statement and accordingly they may have a material effect on the Company's results.

Note 4 - Cash and Cash Equivalents

Composition:

	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Balances with banks	248	226
Short-term deposits – in NIS unlinked	4,124	2,845
Short-term deposits in Dollar	129	1,654
Short-term deposits in NOK	132	187
Deposits in GBP	-	3
Total cash and cash equivalents	4,633	4,915

Note 5 - Trade Accounts Receivable

Composition:

	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Outstanding debts	135	164
Income receivable	9	8
	144	172
Net of – provision for projected credit losses	(12)	(13)
	132	159

For details regarding the credit risk management by the Group – see Note 29B.

Note 6 - Other Receivables

Composition:

	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Institutions	19	180
Pre-paid expenses	37	36
Restricted deposits in escrow (*)	247	233
Other receivables	56	57
	359	506

(*) For details on contingent deposit in connection with the sale of holdings in Compass – see Note 7C.

Note 7 - Investments in Investee Companies

A. Material consolidated partnerships and companies that are held by the Group:

	Country of Incorporation	Operating Segment	Rates of Ownership and Control of the Holding Company as of 31 December 2024
			%
Consolidated Companies:			
Canit Hashalom Investments Ltd.	Israel	Income-producing property	100.00
Gemel Tesua Investments Ltd.	Israel	Income-producing property	100.00
Otzma & Co. Investments Maccabim Ltd.	Israel	Income-producing property	100.00
Palace Ra'anana – Senior Housing Ltd.	Israel	Senior housing	100.00
Palace America Senior Housing Ltd.	Israel	Senior housing	100.00
Palace Lehavim Partnership	Israel	Senior housing	100.00
Assisted Living Modi'in Ltd.	Israel	Senior housing	100.00
Otzem Enterprise and Investments (1991) Ltd.	Israel	Income-producing property	100.00
International Consultants (Iconsult) Ltd.	Israel	Income-producing property	100.00
Mul Hayam Eilat (1978) Ltd. (*)	Israel	Income-producing property	100.00
Ahuzat Menachem Milstein Ltd. (**)	Israel	Income-producing property	100.00
Partnership – held by the Company, AG Galleria office buildings, LP	U.S.	Income-producing property	92.3
AG Plaza at Enclave Inc.	U.S.	Income-producing property	100.00
AG Two Aspen, LP	U.S.	Income-producing property	100.00
AG 8 West Center LP	U.S.	Income-producing property	100.00
AG San Clemente 3700 LP	U.S.	Income-producing property	100.00
Green Mountain, AS	Norway	Data centers	100.00
Global Data AZ (***)	England	Data centers	100.00
Green Mountain Global LTD	England	Data centers	100.00

(*) For details with respect to the purchase of Mul Hayam Eilat (1978) Ltd. in 2022 – see Note 10D.

(**) For details with respect to the purchase of Ahuzat Menachem Milstein Ltd. in 2022 – see Note 10C.

(***) For details with respect to the purchase of English companies through a special purpose subsidiary in 2023 – see Note 10F.

Note 7 - Investments in Investee Companies (Cont.)

B. On 16 July 2021, the Company, through a special-purpose wholly-owned subsidiary incorporated under Norwegian law (in this section: the "**Subsidiary**" and the "**Buyer**"), entered into an agreement for acquisition of 100% of the issued and paid-up share capital of GM, a private company incorporated under Norwegian law (in this section: the "**Agreement**" and the "**Transaction**", as applicable), which is engaged in the data center industry (in this section: "**DC**") and, as of this report release date, operates four server farms in Norway, in consideration for 6,500 million Norwegian Krone (NOK) (in this section: the "**Consideration**") and in Israeli currency, approx. NIS 2,427 million.

The parties to the Agreement are the Company, the Subsidiary and all of GM's shareholders (in this section, all of them collectively: the "**Parties**"; all of GM's shareholders: the "**Sellers**").

On 24 August 2021, upon the closing of the Transaction, the DC field turned into a business segment and the financial outcome of GM was consolidated for the first time in the Company's financial statements as of 30 September 2021.

On the acquisition date, the Company performed a purchase price allocation (PPA), and the excess acquisition cost over and above the identified assets in the sum of NIS 1,590 million, was recognized in the financial statements as goodwill, which is attributed to GM's future growth potential.

The Consideration was self-funded by the Company, including by means of some of the proceeds from the debt offering the Company has made (for details, see Note 16B(4)).

C. Joint arrangements – joint ventures:

On 17 July 2019, Azrieli Data Centers LLC., a wholly-owned subsidiary of the Company (in this section: the "**Buyer**") entered into an investment agreement (in this section: the "**Agreement**") with Compass Holdco, LLC, a Delaware corporation ("**Compass**"), and in an operating agreement with the members in Compass (in this section: the "**Members**" and the "**Operating Agreement**", respectively). The main business of Compass is data centers in North America. Compass owns active sites and additional sites under construction and development. The said transaction, in which the Buyer made an investment in the members' capital of Compass, was closed in 2019 and the consideration therefor was paid by the Buyer to Compass.

The Buyer invested in Compass's members' capital and held approx. 20% of the members' capital of Compass (the "**Initial Investment**"). The Buyer has an option, which is not limited in time, to make additional investments and increase its holdings in Compass up to approx. 33% according to a price per unit in the Initial Investment.

Upon the closing of the transaction, the Buyer paid Compass the sum of approx. U.S. $135 million for the Initial Investment (an amount of approx. NIS 495 million, including transaction costs). The Company financed the transaction from its internal sources.

Compass, the Buyer and the Members entered into an operating agreement, which governs the relationship between them and includes, *inter alia*, provisions in connection with the appointment of directors in Compass, resolutions requiring the unanimous consent of the Members, separation mechanism and the manner of injection of capital into Compass.

The Company treated the acquisition as a joint arrangement which constitutes a joint transaction and is accordingly presented in the Company's financial statements by the equity method. Compass's business is included in the 'segment reporting' note under the data centers segment.

In February and September 2020, additional rounds of investment were made in Compass, in the context of which the Buyer invested $66.78 million (NIS 229 million), such that after these investments, the Buyer held approx. 23.95% of Compass's members' capital.

In July and September 2022, additional rounds of investment were made in Compass, in the context of which the Buyer invested approx. $126 million (approx. NIS 431 million). In view of the aforesaid, the Company made a profit from an increase in the holding rate in 2022 in the sum of NIS 204 million, which were recorded under the 'other income' item in the Statement of Profit or Loss.

In January 2023, an additional round of investment was made in Compass, in the context of which the Buyer invested $41.5 million (approx. NIS 144 million), such that after this investment, the Company held approx. 32.5% of Compass's members' capital.

Note 7 - Investments in Investee Companies (Cont.)

C. **Joint arrangements – joint ventures**: **(Cont.)**

On 20 June 2023, the Company's partners in Compass engaged in an agreement for the sale of holdings in Compass for a sum reflecting a valuation for Compass of approx. US$5.7 billion (approx. NIS 21.8 billion) and a net value of approx. US$2.7 billion (approx. NIS 10.3 billion) (in this section: the "**Transaction**"). According to the mechanism set forth in the Compass unitholders' agreement, the Company tagged along and sold its holdings in Compass for the same value.

On 3 October 2023, and after fulfillment of the closing conditions set forth in the Transaction, the Transaction was closed. With the closing of the Transaction, after performance of the consideration adjustments according to the mechanisms set forth in the Transaction, the gross cash flow and the net cash flow (after tax, expenses, realization pf capital reserves and hedging transaction) is approx. NIS 3.2 and 2.7 billion (respectively), of which a total of approx. U.S. $44 million has been deposited in escrow until the making of adjustments to the consideration (if any). As of the report date, the Company expects to recover approx. U.S. $33 million from the amount deposited in escrow. In addition, the accounting profit net of tax recorded in the Company's income statement for 2023 was approx. NIS 0.96 billion.

Note 8 - Long-term Loans and Receivables

Composition:

	As of 31 December	
	2024	**2023**
	NIS in millions	**NIS in millions**
Loans provided net of current maturities	(*)249	36
Long-term receivables for disposition of consolidated companies	3	3
Authorities (**)	29	29
Receivables in respect of the averaging of income from rent	187	123
Other receivables	261	117
	729	308

(*) Including a loan to Green Mountain KMW Data Center in the sum of NIS 215 million at a 5% annual interest rate.
(**) A sum of approx. NIS 29 million which is a part of a betterment levy assessment that the Company paid under protest. Administrative appeals from the consulting appraiser's assessment have been submitted.

Note 9 - Financial Assets

Composition:

	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Financial assets at fair value through other comprehensive income	1,516	1,032
Financial assets designated at fair value through profit and loss	7	6
	1,523	1,038

Investment in Bank Leumi Le-Israel Ltd. (financial assets at fair value through other comprehensive income) ("Bank Leumi"):

On 30 April 2009, the Company acquired ~4.8% of the shares in Bank Leumi (~71 million shares) in consideration for a sum equivalent to NIS 742 million.

By 2021, the Company sold approx. 32 million shares in consideration for approx. NIS 678 million, and in 2022 the Company sold ~3.4 million shares in consideration for approx. NIS 120 million. As of 31 December 2024, the Company holds ~2.3% of Bank Leumi's shares.

As of the date of the Statement of Financial Position, the balance of the Company's investment in the shares of Bank Leumi amounts to approx. NIS 1,516 million (as of 31 December 2023 – approx. NIS 1,032 million), according to the value of Bank Leumi shares on TASE (Level 1).

In 2024, the Company received dividends in the sum of approx. NIS 59 million (in 2023 – approx. NIS 47 million) which were recorded under the 'other income' item in the Statement of Profit or Loss.

Note 10 – Investment Property and Investment Property Under Construction

A. Movement and composition:

	As of 31 December 2024			As of 31 December 2023		
	Land, buildings and leasable retail areas	Investment property under construction	Total	Land, buildings and leasable retail areas	Investment property under construction	Total
	NIS in millions			NIS in millions		
Balance at beginning of the year	38,166	6,447	44,613	35,602	3,778	39,380
Additions during the year:						
Investments	935	2,191	3,126	945	2,819	3,764
Fair value adjustment	704	209	913	620	292	912
Net translation differences deriving from the translation of financial statements of foreign operations	(304)	(318)	(622)	49	29	78
Entry into consolidation (*)	-	-	-	397	82	479
Classification from fixed assets	13	-	13	-	-	-
Transition from investment property under construction, net	4,095	(4,095)	-	553	(553)	-
Total additions	5,443	(2,013)	3,430	2,564	2,669	5,233
Balance at end of the year	43,609	4,434	48,043	38,166	6,447	44,613

(*) For further details regarding the acquisition of English companies through a designated subsidiary in 2023 – See Note 10F.

B. Additional information:

(1) Canit Hashalom leases from the Municipality of Tel Aviv-Jaffa the land on which the Azrieli Center was built, under a 200-year capitalized lease. The lease period is until 6 February 2195.

(2) From 24 December 2003, Canit Hashalom leases from the ILA the land on which the Azrieli Modi'in Mall was built, under a 98-year capitalized lease in respect of residential units, and under a 49-year capitalized lease in respect of units with other designations (mall and offices), with an option for additional periods of 98 years and of 49 years, respectively.

(3) The Company leases from the ILA the land on which the Azrieli Jerusalem (Malha) Mall was built, under a 49-yeas capitalized lease ending on 15 August 2039, with an option for an additional period of 49 years.

(4) The Company leases from the ILA the land on which the Azrieli Ayalon Mall was built, under 49-year capitalized lease ending on 1 August 2031, with an option for an additional period of 49 years.

(5) The Group leases from the ILA the land on which the Azrieli Or Yehuda Outlet Mall was built, under a 49-year capitalized lease ending on 24 March 2040, with an option for an additional period of 49 years.

Note 10 - Investment Property and Investment Property Under Construction (Cont.)

B. Additional information (Cont.)

(6) The Company leases from the ILA the land on which the Azrieli Givatayim Mall was built, under a 49-year capitalized lease ending on 5 September 2053 and 9 February 2051, with an option for an additional period of 49 years.

(7) The Company leases from the ILA the land on which the Azrieli Haifa Mall was built, under a 49-year capitalized lease ending on 31 October 2042 and 2 March 2035, with an option for an additional period of 49 years.

(8) The Group holds rights in a plot of land on an area of approx. 40,000 sqm in Caesarea Industrial Park, which was sub-leased from the Caesarea Edmond Benjamin de Rothschild Development Corporation Ltd. for a period of 49 years, from 2004. With respect to part of the area, of ~19,000 sqm, the Group has an option to lease the rights in the land for another 49 years.

(9) The Group leases from the ILA the land on which the Azrieli Ramla Mall was built, under a capitalized lease ending on 14 January 2050, with an option for an additional 49 years.

(10) Canit Hashalom leases from the Municipality of Holon parts of the land on which the Azrieli Holon Center was built, under a 99-year capitalized lease, in accordance with its share in the transaction (83%), with an option for additional period of 99 years.

On the Group's engagement with the Municipality of Holon through Canit Hashalom, see Note 26B(3).

(11) The Company leases from the ILA the land on which the Azrieli Sarona Project was built, under a 49-year capitalized lease ending on 29 May 2060, with an option for an additional period of 49 years.

(12) The Company has around 10,000 sqm of land in Tel Aviv on which the Azrieli Town project was built, which is partially owned and partially leased from the ILA under a 49-year capitalized lease ending on 8 May 2061, with an option for an additional period of 49 years.

(13) The Group is entitled to be registered as the owner of a sub-leasehold from the municipality in the framework of a set of agreements with a third party, in Palace Tel Aviv Senior Housing, until 2097.

(14) The Group leases from the ILA the land on which Palace Modi'in Senior Housing was built, under a 49-year capitalized lease ending on 25 January 2063, with an option for an additional period of 49 years.

(15) The Group leases from the ILA the land on which Palace Lehavim Senior Housing was built, under a 49-year capitalized lease ending on 30 November 2063, with an option for an additional period of 49 years.

(16) The Group leases from the ILA the land located at the intersection of Mikveh Israel, Levontin and Ha-Rakevet streets in Tel Aviv, under a capitalized lease, with the lease period being until 23 March 2036, with an option for an additional period of 49 years in relation to part of the property until 21 March 2042, with an option for an additional period of 49 years in relation to the remaining of the property.

(17) The Group leases from the ILA around 5,300 sqm of land on which Modi'in 21 Project was built, under a 98-year capitalized lease ending on 9 January 2116, with an option for an additional period of 98 years.

(18) The Group leases a land in Stavanger, Norway, on which a data center has been established, until 31 December 2079.

(19) The Company leases a land and a property in London, England, on which a data center has been established, until 11 June 2045, with an option for an additional period of 15 years.

(20) The remaining income-producing properties are owned by the Group's companies, other than development pipeline and additional assets that were purchased and specified below in this note.

(21) The rights in the property in the Azrieli Rishonim Center are subject to pledges in favor of institutional bodies which provided the Company with a loan.

(22) In respect of additional charges and guarantees, see Note 27.

Note 10 - Investment Property and Investment Property Under Construction (Cont.)
B. Additional information (Cont.)

(23) The Group has several additional development projects in the retail centers and malls segment and in the leasable office and other space segment and in the rental housing in Israel segment and the senior housing segment:

- **Expansion of Azrieli Center Tel Aviv (the Spiral Tower)** – in Tel Aviv, on an area of approx. 8,400 sqm, under ownership.

- **Land – Modi'in Lot 10** – On 6 October 2019, the Company won a tender held by the ILA for the purchase of a capitalized lease rights for a period of 98 years ending on 5 October 2117 with an option for an additional period of 98 years, in a lot located in the Modi'in-Maccabim-Re'ut CBD, on an area of approx. 17,000 sqm, designated for the construction of a commerce and office project with leasehold of approx. 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 due to development costs.

- **Land – Rishon LeZion Senior Housing** – in Rishon LeZion on an area of approx. 3,400 sqm leased in a capitalized lease from the ILA for 49 years, ending on 12 March 2065 with an option for an additional period of 49 years.

- **Azrieli Town Building E (Mivnei Gazit)** – Rights in land (some under ownership and some under a capitalized lease from the ILA for a period of 49 years ending 5 February 2060) located on Menachem Begin Road, Tel Aviv, on which a 4-story building is built above a commercial ground floor, of a total area of approx. 5,500 sqm and basement floors, which is fully leased-up.

- **Holon 3 Industrial Area Holon ("Lodzia")** – in Holon on an area of approx. 57,500 sqm, under ownership, including within it an additional plot of land that was originally purchased in an ILA tender and constituted part of the land of Holon Hamanor.

- **Land in Petah Tikva** – A Land, under ownership, on an area of about 19 thousand sqm located in the Eastern part of the Kiryat Aryeh industrial zone in Petah Tikva, close to an office project owned by the Group.

- **SolarEdge Campus** – Leasehold rights in lands located in the North Glilot site, on part of which the Company will build a campus for SolarEdge Technologies Ltd. ("**SolarEdge**"), which campus will comprise 43,000 sqm of aboveground areas and 950 parking spaces.

- **Rental housing project in Herzliya** – The land is designated for a multi-family residential building, for the purpose of long-term lease, for a period of no less than 20 consecutive years from the date of completion of construction. The project is expected to include 147 residential units and retail areas.

(24) Some of the assets of the Group are registered in their names in the Lands Registry. The Group is working to register the remaining assets, *inter alia*, by obtaining third party approvals, including the ILA, local authorities and the tax authorities.

(25) With respect to the techniques for the fair value estimation of the Group's investment property, see Note 31B(2). In addition, the fair value of the investment property is presented in the Company's books, with reconciliations for receivables in respect of the averaging of income from rent (see Note 8).

Note 10 - Investment Property and Investment Property Under Construction (Cont.)
B. Additional information (Cont.)

(26) Amounts recognized in the statement of profit and loss:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Income from rent, management and maintenance fees	3,210	2,846	2,600
Direct operating expenses deriving from rent, management and maintenance fees	916	794	710

C. On 10 May 2021, the Company engaged in an agreement for the acquisition of control (directly and indirectly) of a company which is not affiliated with the Company (the "**Acquired Company**" and the "**Acquisition Agreement**"), which is entitled to receive from the ILA leasehold rights in two lots, the total area of which is approx. 26,000 sqm, which are situated in the North Glilot complex, including all building rights related to the lots (the "**Lots**"). The Company further engaged in a lease agreement for the construction and lease of a campus for SolarEdge Technologies Ltd. on part of the Lots (the "**Lease Agreement**", the "**Lessee**" and the "**Transactions**", respectively).

The Acquisition Agreement is contingent on the allocation of the Lots to the Acquired Company by the ILA and the receipt of further approvals.

The total consideration for the Transaction is approx. NIS 350 million.

The Acquisition Agreement includes representations and indemnities the responsibility and liability in respect of which is limited to the amount of the total consideration.

Subject to the allocation of the rights in the Lots to the Acquired Company within the period of time set forth in the Lease Agreement, the Company shall design and build, in cooperation with the Lessee, a campus for the Lessee, to be built on one of the lots on an area of approx. 16,500 sqm, which will include 43,000 sqm above ground and 950 parking spaces.

An area of approx. 9,000 sqm will remain in the Lots, which in the Company's assessment may be used to build additional retail and commercial space of similar sizes, subject to promotion and approval of a zoning plan for the addition of rights in part of the said area.

On 17 January 2022, the Transaction was closed.

D. On 3 October 2021, the Company engaged in an agreement with two third parties unaffiliated with the Company (in this section jointly: the "**Sellers**") and with Mul Hayam Eilat (1978) Ltd. (in this section: the "**Acquired Company**") for the acquisition of 100% of the issued and paid-up share capital of the Acquired Company and for the acquisition of the full rights in a land on an area of approx. 6,000 sqm in Eilat, registered with the ILA, on which "Mall Hayam" in Eilat is built, on a built-up area of approx. 19,000 sqm (in this section: the "**Agreement**").

Also, the Company received, by way of assignment, all of the Sellers' rights and undertakings under loan agreements in which they have engaged vis-à-vis the lenders for taking of loans, such that from the closing date the Company superseded the borrowers (in this Section: the "**Financing Loans**").

The total consideration for the transaction is approx. NIS 1.31 billion, plus linkage differentials to the May 2021 Index, net of the outstanding Financing Loans as of the closing date.

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

Note 10 - Investment Property and Investment Property Under Construction (Cont.)

E. In 2022 the Company closed an acquisition of a company having a long-term lease agreement for six office floors in the Azrieli Sarona Tower. The Company thereby regained possession of these floors for the purpose of leasing them, in whole or in part, to third parties. As of the report release date, the said floors are fully leased-up.

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

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

The overall consideration in the transaction is in the sum of approx. £52 million (approx. NIS 217 million).

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

G. On 27 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), in consideration for approx. NIS 85 million plus VAT, as well as approx. NIS 19 million in development expenses.

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

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

H. **Projected revenues due to signed lease contracts:**

Set forth below are the minimal lease payments due to be received due to lease contracts for the agreement periods (including revenues from rent, management and parking fees and excluding extension options):

	Revenues from fixed components	
	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
The revenue recognition period:		
Year one	2,928	2,817
Year two	2,400	2,473
Year three	1,885	1,950
Year four	1,495	1,461
Year five onwards	5,342	5,487
	14,050	14,188

Note 11 - Fixed Assets

A. Movement and composition:

	Real estate used by the Group	Land and hotel building	LTC units senior housing	Furniture, equipment and computers	Others	Total
	NIS in millions					
Cost:						
Balance as of 1 January 2023	94	334	171	129	18	746
Additions	2	191	-	10	5	208
Write-offs	-	-	-	-	(2)	(2)
Balance as of 31 December 2023	96	525	171	139	21	952
Additions	3	46	1	93	5	148
Net translation differences deriving from the translation of financial statements of foreign operations	-	-	-	(7)	-	(7)
Classification for investment property	(13)	-	-	-	-	(13)
Write-offs	-	-	-	-	(2)	(2)
Balance as of 31 December 2024	86	571	172	225	24	1,078
Accumulated depreciation and loss from impairment:						
Balance as of 1 January 2023	8	-	41	84	8	141
Depreciation for the year	2	-	4	5	5	16
Write-offs	-	-	-	-	(1)	(1)
Balance as of 31 December 2023	10	-	45	89	12	156
Depreciation for the year	3	-	4	8	3	18
Net translation differences deriving from the translation of financial statements of foreign operations	-	-	-	(1)	-	(1)
Write-offs	-	-	-	-	(2)	(2)
Balance as of 31 December 2024	13	-	49	96	13	171
Depreciated Cost:						
As of 31 December 2024	73	571	123	129	11	907
As of 31 December 2023	86	525	126	50	9	796

B. On charges - see Note 27.

C. With respect to the land rights of the Company's offices and the senior homes' LTC units, see Note 10B.

D. On 16 April 2023, the Company entered into an agreement for the acquisition of the Red Rock Hotel in Eilat (in this section: the "**Agreement**" and the "**Transaction**", respectively). The property, the subject matter of the Transaction, includes all of the seller's rights in the land in Eilat, with a total area of approx. 9,000 sqm on which the Red Rock Hotel in Eilat is built, including existing and future building rights and the hotel's operations and equipment, as well as additional related rights of the seller.
On 11 May 2023, the Transaction was closed and possession of the property was transferred to the Company. On such closing date the Company paid the seller the sum of approx. NIS 130 million.

Note 12 – Intangible and Other Assets

A. Composition:

	As of 31 December	
	2024	**2023**
	NIS in millions	**NIS in millions**
Intangible assets	1,473	1,614
Deferred taxes (for details see Note 25)	2	2
	1,475	1,616

B. Intangible assets:

	Goodwill	Other (*)	Total
		NIS in millions	
Cost:			
Balance as of 1 January 2023	1,655	83	1,738
Effect of exchange rate changes	(6)	-	(6)
Balance as of 31 December 2023	1,649	83	1,732
Effect of exchange rate changes	(139)	-	(139)
Balance as of 31 December 2024	1,510	83	1,593
Amortizations and losses from impairment:			
Balance as of 1 January 2023	11	59	70
Amortization for the year	-	2	2
Impairment (**)	26	20	46
Balance as of 31 December 2023	37	81	118
Amortization for the year	-	2	2
Balance as of 31 December 2024	37	83	120
Book value:			
As of 31 December 2024	1,473	-	1,473
As of 31 December 2023	1,612	2	1,614

(*) The 'Other' item primarily consists of amounts in respect of brand, patents, software and websites.
(**) For details regarding the discontinuation of the e-commerce activity, see Note 12E.

Original Amount of Goodwill:	**NIS in Millions**
As of 31 December 2022	1,655
As of 31 December 2023	1,649
As of 31 December 2024	1,510

Note 12 - Intangible and Other Assets (Cont.)

C. Allocation of goodwill to cash-generating units:

The goodwill has been allocated to cash-generating units for the purposes of testing for impairment, as follows:

	As of 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Activity A – Senior housing	77	77	77
Activity B – E-commerce (See paragraph E below)	-	-	26
Activity C – Data centers (see paragraph D below)	1,396	1,535	1,541
	1,473	1,612	1,644

D. Annual impairment testing:

The Company tested for impairment of goodwill in Q4/2024. The recoverable amount is determined according to fair value, net of sale costs, which is an estimate of the discounting cash flows net of sale costs.

The recoverable amount of this cash-producing unit is determined based on the forecast of cash flows as included in the management's forecast.

The key assumptions used to calculate the recoverable amount are: a WACC (Weighted Average Cost of Capital) rate of ~7.7% (as of 31 December 2023 ~7.8%) and a long-term growth rate of 3.5% (as of 31 December 2023 ~3%).

Based on these assumptions, the recoverable amount of the cash-producing unit is EURO 2,632 million (approx. NIS 10 billion).

E. As of 23 December 2023, the Company discontinued its e-commerce business, through Azrieli.Com, which was operated by the subsidiary, Azrieli Commerce Ltd. Accordingly, the balance of the goodwill and intangible assets was depreciated.

Note 13 - Trade Payables

Composition:

	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Outstanding debts	578	715
Checks payable	39	36
	617	751

Note 14 - Other Payables

Composition:

	As of 31 December	
	2024	**2023**
	NIS in millions	**NIS in millions**
Advance payments from customers and income in advance	77	89
Liabilities to employees and other liabilities in respect of salaries and wages	61	59
Interest and expenses payable	220	145
Institutions	16	16
Others	110	74
	484	383

For further information regarding payables that constitute Related and Interested Parties, see Note 32C.

Note 15 - Deposits from Senior Housing Customers

Liability due to senior housing deposits – the Group has liabilities due to Shekel deposits received from residents with whom contracts were signed in senior housing projects, which are operated by the Group. The liabilities due to the Shekel deposits are linked to the CPI and are presented after amortization according to the agreements signed by the Group's companies with the residents. These deposits may be immediately demanded, by law.

Furthermore, there are liabilities due to apartment keeping deposits.

Note 16 - Loans from Financial Corporations and Bonds

A. Current liabilities:

	As of 31 December	
	2024	**2023**
	NIS in millions	**NIS in millions**
Credit from banking corporations	-	727
Commercial paper	(*)712	60
Current maturities of loans from financial corporations	282	705
Current maturities of bonds	1,479	1,322
	2,473	2,814

(*) See Note 16B(10) for further details.

Note 16 - Loans from Financial Corporations and Bonds (Cont.)

B. Non-current liabilities:

	As of 31 December	
	2024	**2023**
	NIS in Millions	**NIS in Millions**
Bonds (1), (2), (3), (4), (5)	21,638	18,740
Long-term loans from financial corporations	3,544	3,222
	25,182	21,962
Net of current maturities	(1,761)	(2,027)
Total non-current liabilities	23,421	19,935
Presented under the following items:		
Loans from financial corporations	3,262	2,517
Bonds	20,159	17,418
	23,421	19,935

(1) In February 2015, the Company made a public offering of approx. NIS 623.3 million par value of registered Series B Bonds, based on a shelf prospectus of the Company. The bonds are linked (principal and interest) to the CPI and bear interest at a fixed rate of 0.65% per year.

The principal payments are made in 10 equal annual installments on 1 April of each of the years 2016 to 2025 (each installment will be 10% of the principal's par value). The interest is paid in semiannual installments from 1 October 2015 and on 1 April and 1 October of each of the years 2016 to 2025. The bonds were issued without a discount.

The effective interest rate in respect of the bonds is 0.78% per annum.

On 20 January 2015, Ma'alot rated the Series B Bonds as ilAA+ (stable outlook), and since then Ma'alot ratified this rating several times, with the last time being on 2 February 2025.

The bonds are not secured by any collateral.

At the time of the offering, the Company undertook to meet financial covenants and undertakings, the main ones being:

(a) So long as the Series B Bonds are not fully paid-up, the Company shall neither encumber nor pledge by way of a floating charge all of the Company's existing or future assets and rights, except under certain conditions set forth in the Indenture.

(b) Maintaining minimal equity (equity attributable to the Company's shareholders, excluding minority rights) of at least NIS 5 billion for two or more consecutive calendar quarters, according to its last consolidated financial statements.

The net financial debt to net assets ratio, according to the definitions in the Indenture, shall not exceed 60% for two or more consecutive calendar quarters.

The Indenture determines that in lieu of the said financial covenants, the Company may, at its sole discretion, pledge (either itself or through an Investee Company) in favor of the trustee for the holders of Series B Bonds, by way of a fixed charge, Permitted Assets as defined in the Indenture (i.e., insofar as the Company pledges Permitted Assets as aforesaid, and the pledges are in force and effect, the Company shall not be bound by the said financial covenants).

Note 16 - Loans from Financial Corporations and Bonds (Cont.)

B. Non-current liabilities: (Cont.)

(1) (Cont.)

(c) The Company shall not perform a Distribution (as defined in the Companies Law) to its shareholders, if: (1) the Company's equity (equity attributable to the Company's shareholders, excluding minority rights) according to its last published consolidated financial statements, net of the amount of the Distribution, is less than NIS 6 billion; (2) the Company's net financial debt to net assets ratio (as defined in the Indenture), net of the amount of the Distribution, exceeds 50%; (3) there are grounds for acceleration according to the definitions in the Indenture of the Series B Bonds on the date of the decision to perform the Distribution or as a result thereof.

As of the date of the Statement of Financial Position, the Company meets the financial covenants, with the Company's shareholders' equity as of the date of the Statement of Financial Position being approx. NIS 23.8 billion and the net financial debt to net assets ratio being ~38%.

It was further determined that in the event that the rating of the Company's Series B Bonds falls below Ma'alot's ilAA rating, or a corresponding rating determined by another company that rates the bonds, the rate of the annual interest borne by the unpaid balance of the bond principal shall rise, in which case, the annual interest rate that shall be added to the annual interest in respect of the bonds will range between 0.25% and 1%, according to the bonds' rating.

In addition, the Series B Bonds shall be accelerated upon fulfillment of certain conditions, including: delisting or dissolution of the Company, receivership, delinquency in payments under the bonds, attachments on all or most of the Company's assets, changes in control, a fundamental breach of the terms and conditions of the bonds or the Indenture, non-compliance with the above financial covenants, performance of a distribution contrary to the above restriction on the performance of a distribution, suspension of trading of the bonds (except on grounds of ambiguity), a demand for acceleration by financial creditors (excluding non-recourse debt to the Company) of a sum no less than NIS 200 million, provided that such demand will not be cancelled within 30 days from the acceleration or another bond series of the Company, discontinuation of rating of the bonds due to circumstances within the Company's control, a bond rating lower than BBB-, or the sale of most of the Company's assets.

In June 2015, the Company made another public offering of approx. NIS 600.3 million par value by way of expansion of the Series B Bond series, at a price of 100.24 Agorot per NIS 1 par value (discounting at a rate of 0.44% relative to their adjusted value) based on a shelf prospectus of the Company.

In March 2017, the Company made another public offering of NIS 228.8 million par value of Series B Bonds, at a price of 97.45 Agorot per NIS 1 par value (discounting at a rate of approx. 2.55% relative to their adjusted value), by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to NIS 223 million, and the net proceeds net of the issue expenses amounted to approx. NIS 221.2 million.

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

The balance of the Series B Bonds, principal and linkage differentials (net of issue expenses and discounting) as of 31 December 2024 is NIS 626 million (as of 31 December 2023 – NIS 1,198 million).

Note 16 - Loans from Financial Corporations and Bonds (Cont.)
B. Non-current liabilities: (Cont.)

(2) In July 2016, the Company issued approx. NIS 2,194.1 million par value registered Series D Bonds to the public, based on a shelf prospectus of the Company. The bonds are linked (principal and interest) to the CPI and bear fixed interest at the rate of 1.34% per annum.

The principal payments are made in 25 equal semiannual installments on 5 January and 5 July of each of the years 2018 to 2030 (each payment will be 4% of the principal's par value from 5 July 2018).

The interest is paid in semiannual installments from 5 January 2017 of each of the years 2017 to 2030. The bonds were issued without a discount.

The issue proceeds amounted to approx. NIS 2,194 million, and net of the issue expenses, the net proceeds amounted to approx. NIS 2,177 million. The effective interest rate on the bonds is 1.45% per annum.

On 5 July 2016, Midroog rated the Series D Bonds an Aa1 with a stable outlook rating, and since then, Midroog ratified this rating several times, with the last time being on 30 December 2024.

The bonds are not secured by any collateral.

At the time of the issuance, the Company undertook to comply with financial covenants and undertakings similar to the financial covenants undertakings to which it committed in respect of the Series B Bonds (for a description of the conditions and the compliance with the financial covenants – see Section 1 above).

It was further determined that in the event that the rating of the Company's Series D Bonds falls below Midroog's Aa2 rating, or a corresponding rating that is determined by another company that rates the bonds, the annual interest rate borne by the unpaid balance of the bond principal shall rise, in which case, the annual interest rate that shall be added to the annual interest in respect of the bonds will range between 0.25% and 1%, according to the bonds' rating.

In addition, the Series D Bonds shall be accelerated upon fulfillment of certain conditions, similar to the conditions that were determined in respect of the Series B Bonds (for a description of the conditions and the compliance with the financial covenants – see Section 1 above).

In March 2017, the Company made another public offering of NIS 983.6 million par value of Series D Bonds, at a price of 97.6 Agorot per NIS 1 par value (discounting at a rate of approx. 2.7% relative to their adjusted value), by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to NIS 960 million, and the net proceeds net of the issue expenses amounted to approx. NIS 955.3 million.

In February 2018, the Company made another public offering of NIS 1,367 million par value of the Company's Series D Bonds by way of expansion of the bonds series, at a price of 103.1 Agorot per NIS 1 par value (premium at a rate of approx. 2.5% with respect to their adjusted value), based on a shelf prospectus of the Company. The gross issue proceeds amounted to approx. NIS 1,409 million, and the net proceeds net of the issue expenses amounted to approx. NIS 1,400 million.

In July 2022, the Company issued to the public NIS 625.6 million par value of Series D Bonds at a price of 107.2 Agorot per NIS 1 par value (a premium of approx. 0.17% relative to the adjusted value thereof), by way of expansion of the bond series, based on the Company's shelf prospectus. The gross issue proceeds amounted to approx. NIS 671 million, and the net proceeds net of the issue expenses amounted to approx. NIS 667 million.

The balance of the Series D Bonds, principal and linkage differentials (net of issue expenses) as of 31 December 2024 is NIS 3,082 million (as of 31 December 2023 – NIS 3,476 million).

Note 16 - Loans from Financial Corporations and Bonds (Cont.)
B. Non-current liabilities: (Cont.)

(3) In January 2019, the Company issued to the public registered Series E Bonds in the nominal value of approx. NIS 1,216 million, based on a shelf prospectus of the Company. The bonds are linked (principal and interest) to the CPI and bear a fixed interest rate of 1.77% per annum.

The Series E Bonds will be payable (principal) in 7 annual, consecutive but not equal, payments, paid on 30 June of each of the years 2022 to 2028 as specified below:

The first and second payments will be paid on 30 June of the years 2022 and 2023 and will each be at the rate of 7.5% of the nominal value of the principal. The third and fourth payments will be paid on 30 June of the years 2024 and 2025 and will each be at the rate of 5% of the nominal value of the principal. The fifth, sixth and seventh payments (the seventh being the last) will be paid on 30 June of the years 2026, 2027 and 2028 and will each be at the rate of 25% of the nominal value of the principal.

Interest will be paid in semiannual payments as of 30 June 2019 in each of the years 2019 to 2028. The bonds were issued without discount.

The proceeds of the issuance of the Series E Bonds totaled approx. NIS 1,216 million, and net of issue expenses, the net proceeds totaled approx. NIS 1,207 million. The effective interest rate for the Series E Bonds is 1.86% per annum.

In January 2019, the Company issued to the public registered Series F Bonds in the nominal value of approx. NIS 263.4 million, based on a shelf prospectus of the Company. The bonds are linked (principal and interest) to the CPI and bear a fixed interest rate of 2.48% per annum.

The Series F Bonds will be payable (principal) in 8 annual, consecutive but not equal, payments, paid on 31 December of each of the years 2025 to 2032 as specified below:

The first payment will be paid on 31 December 2025 and will be at the rate of 2.5% of the nominal value of the principal. The second payment will be paid on 31 December 2026 and will be at the rate of 5% of the nominal value of the principal. The third payment will be paid on 31 December 2027 and will be at the rate of 7.5% of the nominal value of the principal. The fourth payment will be paid on 31 December 2028 and will be at the rate of 10% of the nominal value of the principal. The fifth payment will be paid on 31 December 2029 and will be at the rate of 15% of the nominal value of the principal. The sixth, seventh and eighth payments (the eighth being the last) will be paid on 31 December of the years 2030, 2031 and 2032 and will each be at the rate of 20% of the nominal value of the principal.

Interest is paid in semi-annual payments from 30 June 2019 to 31 December 2032. The bonds were issued without discount.

The proceeds of the issuance of the Series F Bonds totaled approx. NIS 263 million, and net of issue expenses, the net proceeds totaled approx. NIS 260 million. The effective interest rate for the Series F Bonds is 2.57% per annum.

On 7 January 2019 and 20 January 2019, Midroog approved an Aa1 rating for the issuance of new series (Series E and Series F) (collectively in this section: the “**Bonds**”), and since then, Midroog ratified this rating several times, with the last time being on 30 December 2024.

The Bonds are not secured by any collateral and will be of equal rank in respect of the sums due therefor, *pari passu*, *inter se*, without any preference right or priority of one over the other.

At the time of the issuance of the Series E and F bonds, the Company undertook to comply with financial covenants similar to the financial covenants undertaken thereby in respect of the Series B and D Bonds (for a description of the conditions and the compliance with the financial covenants – see Section 1 above), with the exception of the following:

Note 16 - Loans from Financial Corporations and Bonds (Cont.)
B. Non-current liabilities: (Cont.)
(3) (Cont.)

In the event that a change occurs in the accounting standards applicable to the Company as compared with the accounting standards applicable to the Company on the date of issuance of the Series E Bonds and Series F Bonds for the first time, and such change has a material effect (as defined in the indenture) on the result of computation of any of the financial covenants (defined in the indenture), the Company shall examine such covenant according to a proforma income statement and balance sheet according to the standards on the date of the issuance.

It is further determined that if the rating of the Company's Series E Bonds and Series F Bonds drops below Midroog's Aa2 rating or an equivalent rating determined by another agency that shall rate the bonds, the annual interest rate to be borne by the outstanding principal of the bonds shall, in such case, increase by 0.5% up to 1%, insofar as the rating drops three tiers or more below such Aa2 rating.

Furthermore, the Series E Bonds and Series F Bonds shall be accelerated upon the fulfillment of certain conditions which are substantially similar to the conditions determined in relation to the Series B and Series D Bonds (for a description of the conditions and compliance with the financial covenants – see Section 1 above).

In December 2019, the Company made another public offering of NIS 1,217 million par value of Series E Bonds, at a price of 111.4 Agorot per NIS 1 par value (an approx. 10% premium relative to their adjusted value) and NIS 933 million par value of Series F Bonds, at a price of 120.3 Agorot per NIS 1 par value (an approx. 18% premium relative to their adjusted value), by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to NIS 2,477 million, and the net proceeds, net of the issue expenses and accumulated interest, amounted to approx. NIS 2,437 million.

In April 2020, the Company made a public offering of NIS 810.7 million par value of additional Series E Bonds at a price of 104.5 Agorot per NIS 1 par value (an approx. 3.4% premium relative to their adjusted value) and NIS 761.9 million par value of additional Series F bonds at a price of 111.5 Agorot per NIS 1 par value (a ~10.2% premium relative to their adjusted value) by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds totaled approx. NIS 1,697 million and the net proceeds, after attribution of issue expenses, totaled approx. NIS 1,683 million.

In July 2022, the Company made a public offering of NIS 1,336.5 million par value of additional Series F Bonds at a price of 109.2 Agorot per NIS 1 par value (a ~3.31% premium relative to their adjusted value) by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds totaled approx. NIS 1,459 million and the net proceeds, after attribution of issue expenses, totaled approx. NIS 1,446 million.

The balance of the Series E Bonds, principal and linkage differentials (net of issue expenses) as of 31 December 2024 is NIS 3,029 million (as of 31 December 2023 - NIS 3,128 million).

The balance of the Series F Bonds, principal and linkage differentials (net of issue expenses) as of 31 December 2024 is NIS 3,946 million (as of 31 December 2023 - NIS 3,846 million).

Note 16 - Loans from Financial Corporations and Bonds (Cont.)
B. Non-current liabilities: (Cont.)

(4) In July 2021, the Company made a public issue of registered Series G Bonds of approx. NIS 1,904 million par value, based on a shelf prospectus of the Company. The bonds are linked (principal and interest) to the CPI and bear fixed interest at the rate of 0.90% per year.

The Series G Bonds will be payable (principal) in 13 annual payments, which payments shall be consecutive but not equal and paid on 2 July of each of the years 2024 through 2036 as follows:

Payments 1-5 shall be paid on 2 July of each of the years 2024 through 2028 and shall each amount to 2% of the nominal value of the principal. Payments 6-10 shall be paid on 2 July of each of the years 2029 through 2033 and shall each amount to 13% of the nominal value of the principal. Payments 11 and 12 shall be paid on 2 July of each of the years 2034 and 2035 and shall each amount to 10% of the nominal value of the principal. Payment 13 (the final payment) shall be paid on 2 July 2036 and amount to 5% of the nominal value of the principal.

Interest is payable in semiannual installments on 2 January and 2 July of each of the years 2022 through 2036, beginning on 2 January 2022 and ending with the last payment on 2 July 2036. The bonds were issued without discount.

The proceeds of the issue of Series G Bonds totaled approx. NIS 1,904 million, and net of issue expenses, net proceeds totaled approx. NIS 1,883 million. The effective interest rate for Series G Bonds is 1.01% per year.

In July 2021, the Company made a public issue of registered Series H Bonds of approx. NIS 1,751 million par value, based on a shelf prospectus of the Company. The bonds are linked (principal and interest) to the CPI and bear fixed interest at the rate of 1.69% per year.

The Series H Bonds will be payable (principal) in 10 consecutive and equal annual payments on 2 January of each of the years 2032 through 2041 (each payment shall amount to 10% of the nominal value of the principal beginning on 2 January 2032).

Interest is payable in semiannual installments on 2 January and 2 July of each of the years 2022 through 2041, beginning on 2 January 2022 and ending with the last payment on 2 January 2041. The bonds were issued without discount.

The proceeds of the issue of Series H Bonds totaled approx. NIS 1,751 million, and net of issue expenses, net proceeds totaled approx. NIS 1,730 million. The effective interest rate for Series H Bonds is 1.79% per year.

On 18 July 2021, S&P Ma'alot approved an ilAA+ rating for the issuance of the new series - Series G Bonds and Series H Bonds (jointly in this section: the "**Bonds**"), and since then, Ma'alot approved this rating several times, with the last time being on 2 February 2025.

The Bonds are not secured by any collateral and shall be of equal rank in relation to the amounts due in respect thereof, *pari passu*, *inter se*, having no preference or priority over one another.

When issuing the Series G Bonds and Series H Bonds, the Company undertook to comply with financial covenants similar to the financial covenants undertaken thereby with respect to the Series E Bonds and Series F Bonds the description of the terms and compliance with the financial covenants – see Sections 1 and 3 above).

It is further provided that if the rating of the Company's Series G Bonds and Series H Bonds falls below S&P Ma'alot's (AA) rating or a corresponding rating determined by another agency that shall rank the Bonds, the annual interest rate borne by the balance of the outstanding principal of the Bonds shall increase. In such a case, the interest rate to be added to the annual interest on the Bonds shall be 0.5% up to 1% according to the rating of the Bonds.

Furthermore, the Series G Bonds and Series H Bonds shall be accelerated upon the fulfillment of certain conditions which are materially similar to the conditions specified in relation to Series B Bonds and Series D-F Bonds (for a description of the terms and conditions and compliance with the financial covenants – see Sections 1 and 3 above).

Note 16 - Loans from Financial Corporations and Bonds (Cont.)

B. Non-current liabilities: (Cont.)

(4) (Cont.)

In July 2022, the Company made a public offering of NIS 926.4 million par value of additional Series H Bonds, at a price of 93.9 Agorot per NIS 1 par value (discounting at a rate of approx. 9.8% relative to their adjusted value), by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to approx. NIS 870 million, and the net proceeds, after attribution of issue expenses, amounted to approx. NIS 858 million.

In December 2023, the Company made a public offering of NIS 673.1 million par value of additional Series G Bonds, at a price of 94.9 Agorot per NIS 1 par value (discounting at a rate of approx. 13.9% relative to their adjusted value), with an effective interest rate of approx. 2.9%, by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to approx. NIS 639 million, and the net proceeds, after attribution of issue expenses, amounted to approx. NIS 630 million.

In December 2023, the Company made a public offering of NIS 1,685 million par value of additional Series H Bonds, at a price of 94.1 Agorot per NIS 1 par value (discounting at a rate of approx. 15% relative to their adjusted value), with an effective interest rate of approx. 3.2%, by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to approx. NIS 1,586 million, and the net proceeds, after attribution of issue expenses, amounted to approx. NIS 1,553 million.

In July 2024, the Company made a public offering of NIS 226.6 million par value of additional Series G Bonds, at a price of 94.8 Agorot per NIS 1 par value (discounting at a rate of approx. 15.3% relative to their adjusted value), with an effective interest rate of ~3.3%, by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to approx. NIS 214.8 million, and the net proceeds, after attribution of issue expenses, amounted to approx. NIS 213.3 million.

On 23 July 2024, S&P Ma'alot approved the rating of ilAA+ for the expansion of the Company's Series G Bonds.

The balance of Series G Bonds, principal and linkage differentials (net of issue expenses), as of 31 December 2024, totals NIS 2,980 million (as of 31 December 2023 – NIS 2,707 million).

The balance of Series H Bonds, principal and linkage differentials (net of issue expenses), as of 31 December 2024, totals NIS 4,581 million (as of 31 December 2023 – NIS 4,385 million).

(5) In July 2024, the Company made a public offering, based on a shelf prospectus of the Company, of approx. NIS 990.5 million par value of registered Series I Bonds. The bonds are linked (principal and interest) to the CPI and bear fixed annual interest of 3.67%.

The Series I Bonds will be payable (principal) in 13 annual payments, which payments shall be consecutive but not equal and paid on 2 January of each of the years 2034 through 2046 as follows:

First two payments shall be paid on 2 January of each of the years 2034 through 2035 and shall each amount to 2.5% of the nominal value of the principal. The third payment shall be paid on 2 January 2036 and amount to 5% of the nominal value of the principal. The remaining ten payments shall be paid in equal annual payments, which shall be paid on 2 January of each of the years 2037 through 2046 and shall each amount to 9% of the nominal value of the principal.

Interest is payable in semiannual installments on 2 January and 2 July of each of the years 2025 through 2046, with the first payment being made on 2 January 2025 and last payment being made on 2 January 2046. The bonds were issued without discount.

The proceeds of the issue of Series I Bonds totaled approx. NIS 990.5 million, and net of issue expenses, net proceeds totaled approx. NIS 976.6 million. The effective interest rate for Series I Bonds is 3.77% per year.

On 23 July 2024, Midroog approved an Aa1.il rating for the issuance of a new series (Series I), and since then ratified this rating on 30 December 2024.

The bonds are not secured by any collateral and shall rank *pari passu*, *inter se*, in respect of the sums due therefor, and without any preference or priority of one over another.

Note 16 - Loans from Financial Corporations and Bonds (Cont.)

B. Non-current liabilities: (Cont.)

(5) (Cont.)

At the time of the issuance of the Series I bonds, the Company undertook to comply with financial covenants similar to the financial covenants undertaken thereby in respect of the Series B Bonds (for a description of the conditions and the compliance with financial covenants – see Section 1 above), as well as with provisions regarding testing of the covenants in the event of a change in standards, similarly to the provisions set forth in the Series E-I Bonds applicable to the Company (for a description of the conditions and the compliance with financial covenants – see Sections 3 and 4 above).

It is further provided that if the rating of the Company's Series I Bonds falls below Midroog's Aa3 rating or a corresponding rating determined by another agency that shall rank the Bonds, the annual interest rate borne by the balance of the outstanding principal of the Bonds shall increase. In such a case, the interest rate to be added to the annual interest on the Bonds shall be 0.5% up to 1% according to the rating of the Bonds.

Furthermore, the Series I Bonds shall be accelerated upon the fulfillment of certain conditions which are materially similar to the conditions specified in relation to Series B Bonds and Series D-H Bonds (for a description of the terms and conditions – see Sections 2-4 above).

In December 2024, the Company made a public offering of NIS 2,292 million par value of additional Series I Bonds, at a price of 107.8 Agorot per NIS 1 par value (premium at a rate of approx. 5% relative to their adjusted value), with an effective interest rate of ~3.4%, by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds amounted to approx. NIS 2,471 million, and the net proceeds, net of the issue expenses and accrued interest, amounted to approx. NIS 2,404 million.

The balance of Series I Bonds, principal and linkage differentials (net of issue expenses), as of 31 December 2024, totals NIS 3,394 million.

(6) On 24 May 2016, a loan was provided to the Company in the sum of NIS 550 million from an institutional body affiliated neither with the Company nor with its Controlling Shareholders, linked to the CPI, at an annual interest at the rate of 1.5%. The repayment of the loan's principal commenced from the second anniversary of the date of provision of the loan and shall be made in 40 equal quarterly installments (the last principal payment shall be made 12 years after the date of provision of the loan). The interest on the loan is paid on a quarterly basis, until the final repayment date. The Company is entitled to prepay the loan (in whole or in part) against a prepayment fee according to a mechanism defined in the agreement.

To secure repayment of the loan, Canit Hashalom, a subsidiary wholly owned by the Company, pledged in favor of the lender, by way of a first-ranking fixed pledge unlimited in amount, the Azrieli Rishonim Center in Rishon LeZion, including its rights to receive rent from the property's tenants and its rights under the insurance policies in connection with the property.

In the context of the loan agreement, the Company undertook to meet the financial covenants that were set forth in the indentures of the Company's Series B Bonds (i.e., a net debt to net assets ratio that shall not exceed 60% and equity of no less than NIS 5 billion), and it further undertook to maintain an LTV ratio that shall not exceed 80%, commencing from 1 April 2018. In addition, the agreement includes limitations on the distribution of a dividend that correspond with the undertaking set forth in the Bonds' indentures (i.e., that no distributions shall be made if, as a consequence thereof, the equity shall be less than NIS 6 billion and the net debt to assets ratio shall exceed 50%). In addition, the Company undertook not to create a floating charge on all or part of the Company's assets, to any entity, unless it shall create in favor of the lender, on the same date, a floating charge of identical ranking and scope (*pari passu*) (such an undertaking also exists in the Series B Bonds' indentures). The grounds for acceleration are as customary in agreements of this type and in the Series B Bonds' indentures, including a ground pertaining to the acceleration of another substantial debt of the Company.

As of the date of the Statement of Financial Position, the loan balance in the books is in the sum of NIS 225 million and the Company meets the contractual restrictions that have been set, with the Company's shareholders' equity being approx. NIS 23.8 billion, the net financial debt to net assets ratio being ~38% and the LTV ratio being ~19%.

Note 16 - Loans from Financial Corporations and Bonds (Cont.)

B. Non-current liabilities: (Cont.)

(7) In February 2022, a refinancing agreement was signed which replaced the short-term loan that existed at GM at the time of its acquisition. The agreement included a senior and junior debt of approx. NOK 2.9 billion (approx. NIS 1 billion), most of which was used to repay a previous debt of approx. NOK 1.5 billion (approx. NIS 0.5 billion). The debt has an average variable interest rate, with a margin of approx. 4.2% over NIBOR for three months to repay principal after 60 months.

In addition, the financing agreement includes credit facilities of approx. NOK 2.1 billion (approx. NIS 0.7 billion) that can be used in accordance with the terms set forth in the agreement at an average variable interest rate with a margin of approx. 3.25% over three-month NIBOR. The financing costs are approx. NOK 118 million (approx. NIS 42 million). Against the loan, a pledge was imposed on the Company's holdings in Green Data, As, a Norwegian company wholly-owned by the Company, which holds GM's shares ("**GD**"), GD's holdings in GM as well as GM's operating and real estate assets and GM's holding in a wholly-owned subsidiary thereof. The financing agreement includes a requirement to hedge against changes in the variable interest rate, and further determines financial covenants for GM, that are being assessed quarterly, as follows: ratio of leverage as expressed in adjusted debt to adjusted EBITDA, debt coverage ratio as expressed in the ratio between the adjusted EBITDA and the annual debt service liability, weighted average customer lease term ratio and LTV ratio. As of 31 December 2024, GM is in compliance with the said covenants.

(8) Further to Note 10D, the Company and a wholly-owned subsidiary received, by way of assignment, all of the Sellers' rights and undertakings under loan agreements in which they have engaged vis-à-vis the lenders for taking of loans (in the sum of approx. NIS 641 million), such that from the closing date the Company superseded the borrowers.

On 2 February 2024, the loan was fully repaid according to the payment schedule. At that time, the Company engaged with financial corporations for the purpose of taking a loan of approx. NIS 850 million. The debt has an interest rate of ~2.9% and is linked to the CPI.

In the framework of the taking of the loan, the Company undertook to meet the financial covenants that were set forth in the indentures of the Company's Series B Bonds (i.e., a net debt to net assets ratio that shall not exceed 60% and equity of no less than NIS 5 billion), and in addition the Company pledged the acquired asset and undertook to maintain an LTV ratio that shall not exceed 75%. In addition, the Company undertook to maintain a historical and projected debt service ratio between the NOI and the principal and interest payments of no less than 1.2. As of the report date, the Company meets the covenants.

(9) In 2023, the Company engaged with a banking corporation with respect to short-term loans in the amount of approx. NIS 220 million. In addition, the Company engaged with several banking corporations for credit facilities in the amount of NIS 1,300 million. As of 31 December 2023, the Company used NIS 500 million of these facilities. The loans and these credit facilities were fully repaid in 2024.

(10) On 8 July 2024, the Company made a public offering, based on a shelf prospectus of the Company, of registered Commercial Paper (CP) (Series 1) with a total par value of NIS 638 million, without any linkage basis. The CP principal bears variable NIS interest at the rate of Bank of Israel interest plus a fixed interest of 0.12% per annum. The principal and interest will be repaid together in a single installment on 8 July 2025. The CP are listed on TASE.

On 7 July 2024, Midroog approved the rating of P-1.il for the Series 1 CP.

The Series 1 CP are not secured by any collateral and shall rank *pari passu*, *inter se*, in respect of the Company's liabilities according to the Series 1 CP, without any preference or priority of one over another.

At the time of the issuance of the Series 1 CP, the Company undertook to comply with financial covenants similar to the financial covenants undertaken thereby in respect of the Series B Bonds (for a description of the conditions – see Section 1 above), as well as with provisions regarding testing of the covenants in the event of a change in standards, similarly to the provisions set forth in the Series E-I Bonds applicable to the Company (see Section 3 above).

In addition, the Series 1 CP shall be accelerated upon fulfillment of certain conditions, which are substantially similar to the conditions set forth in respect of the Series B Bonds and Series D-I Bonds (for a description of the conditions – see Section 1 above).

The Company also entered into a transaction exchanging the NIS interest with CPI-linked interest.

Note 16 - Loans from Financial Corporations and Bonds (Cont.)

C. Details in respect of interest and linkage:

	Currency	As of 31 December 2024	As of 31 December 2024		As of 31 December 2023	
		Nominal interest	Par value	Book value	Par value	Book value
		%		NIS in millions		NIS in millions
Short-term loans from banks		-	-	-	-	727
Commercial paper (Series 1)	Unlinked	Bank of Israel + 0.12	-	652	-	-
Commercial paper	Unlinked	Bank of Israel + 0.15-0.3	-	60	-	60
Bonds	Index	0.65 - 3.67	19,483	21,639	17,175	18,740
Long-term loans from financial corporations	Index	1.5 – 2.9	-	1,102	-	898
Long-term loans from financial corporations	Foreign currency	3.66 - 7.55	-	2,441	-	2,324
Total loans, credit from financial corporations and bonds			19,483	25,894	17,175	22,749

For details on loans that are secured by pledges – see Note 27.

Note 16 - Loans from Financial Corporations and Bonds (Cont.)

D. Contractual restrictions and financial covenants in the Company:

Upon fulfillment of certain conditions, as detailed in the loan agreements (primarily upon a restructuring and change of control in the Company, arrears in payments, receivership and a reduction in the value of the collateral), the loan providers are entitled to accelerate the loans. As of 31 December 2024, the total sum of credit for which the Company has committed to the aforesaid terms and conditions amounted to approx. NIS 2,545 million. As of the date of the Statement of Financial Position, the Company is in compliance with the contractual restrictions that have been set.

E. Changes in liabilities arising from financing activities:

The table below specifies the changes in the Group's liabilities arising from financing activities, including both changes that arise from cash flows and non-cash changes. Liabilities arising from financing activities are liabilities in respect of which cash flows have been classified, or future cash flows will be classified, in the Statement of Cash Flows, as cash flows from financing activities.

	Short-term credit from financial corporations	Long-term loans from financial corporations	Bonds	Total
	NIS in millions	NIS in millions	NIS in millions	NIS in millions
Balance as of 1 January 2023	1,153	2,061	16,115	19,329
Cash flows from financing activity (*)	710	19	2,128	2,857
Linkage differentials	-	33	526	559
Exchange rate differences	-	33	-	33
Other changes	(1,076)	1,076	(29)	(29)
Balance as of 31 December 2023	787	3,222	18,740	22,749
Cash flows from financing activity (*)	(90)	400	2,271	2,581
Linkage differentials	15	48	635	698
Exchange rate differences	-	(127)	-	(127)
Other changes	-	-	(7)	(7)
Balance as of 31 December 2024	712	3,543	21,639	25,894

(*) Cash flows from financing activities include the net cash flows presented in the Consolidated Statements of Cash Flows as cash flows that derive from financing activities.

Note 17 - Other liabilities

"Other liabilities" include primarily tenant deposits in the sum of approx. NIS 79 million (2023 – approx. NIS 78 million), employee benefits in the sum of NIS 10 million (2023 – approx. NIS 10 million) and lease liabilities in the sum of approx. NIS 317 million (2023 – approx. NIS 318 million).

Employee benefits include post-employment benefits, other long-term benefits, benefits upon the termination of employment, including due to wages and salary.

In respect of post-employment employee benefits, the Group has defined benefits plans, in respect of which it deposits amounts in appropriate severance pay funds and insurance policies. Moreover, the Group has a defined deposit plan in respect of some of its employees, with regard to whom Section 14 of the Severance Pay Law, 5723-1963 applies.

In March 2022, a subsidiary, GM, signed an employment agreement with several senior employees, including, among others, the CEO of GM, which includes two types of bonuses, as follows:

Loyalty Bonus (LB):

To be eligible for a loyalty bonus, the employee is required to be employed by GM on the eligibility date (without notice of registration or dismissal by GM and without termination of employment on other grounds, detailed in the employment agreement). The LB is paid for each one of the years ended 31 December 2022 to 31 December 2025. In the years ended 31 December 2024 and 2023, a liability was recorded for these bonuses to the officers in the sum total of NIS 4.6 million and NIS 5.3 million, respectively.

Value Creation Bonus (VCB):

The VCB is based on GM's EBITDA targets for the years 2025 and 2026. Insofar as the EBITDA results exceed the reference metric set forth in the agreement, the offerees are entitled to the bonus at varying rates. The condition to the offerees being entitled to the said bonus is that such offerees work for GM in the years 2022 to 2025/2026, as applicable.

The accounting treatment of such bonuses is made under "Other long-term employee benefits".

The expense for the liability is spread out over the vesting period the employee is required to complete, according to each bonus, and provided that the required conditions are met, considering the conditions of the VCB, including the ability of GM's board of directors to adapt the performance targets to the bonus in certain cases.

The Company does not expect the eligibility to the bonuses to materialize.

Therefore, as of 31 December 2024, no liability was recognized for the VCB.

Note 18 - Capital

A. The share capital and share rights as of 31 December 2024 and 2023:

	Authorized		Issued and paid-up	
	As of 31 December		As of 31 December	
	2024	2023	2024	2023
	NIS	NIS	NIS	NIS
Ordinary shares of par value NIS 0.1	12,750,150	12,750,150	12,127,276	12,127,276

Each fully paid-up ordinary share of par value NIS 0.1 grants the right to participate and vote at general meetings. Each shareholder will have one vote for every fully paid-up share he owns. All the shares have equal rights relating to the amounts of capital paid or credited as paid on their par value, and everything connected with distribution of dividend, bonus shares and any other distribution, repayment of capital and participation in the distribution of the Company's surplus assets upon liquidation.

B. Dividend:

The Company's Board discusses the issue of the distribution of a dividend at the Company (following the recommendation of the Financial Statements Review Committee ("**FSRC**")) on an annual basis. In such context, the desire and intention of the Company to share the Company's profits with its shareholders, versus the Company's being a development company on a significant scale and its investment needs in view of its existing activity and its future plans, were examined, while taking into account the gamut of business considerations.

In this framework, the Company's Board and the FSRC examine whether the dividend distribution meets the profit test and the solvency test set forth in Section 302 of the Companies Law. In addition, restrictions on distributions by the Company are examined, including the Company's undertaking to the trustee which includes restrictions on distributions by the Company, in connection with the indentures for the Company's Series B and D-I bonds, see Notes 16B(1)-(5), and in relation to some of the long-term loans, see Note 16B(6).

C. On 20 March 2024, the Company's Board decided upon the distribution of a NIS 1,000 million dividend to the shareholders of the Company (which reflects NIS 8.25 per share), which was paid on 9 May 2024.

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

With respect to the resolution of the Company's Board regarding the distribution of a dividend for 2024 in the sum of NIS 800 million after the date of the Statement of Financial Position, see Note 34G.

Note 19 - Income

Composition:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Rent, management and maintenance fees, net	3,014	2,665	2,435
Senior housing	267	246	221
Others	-	32	34
Total income	3,281	2,943	2,690

Note 20 - Cost of Income

Composition:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
A. According to the sources of income:			
Rent, management and maintenance fees	799	681	603
Senior housing	180	174	161
Others	-	56	34
Total cost of income	979	911	798
B. According to its components:			
Compensation for work and external work	264	211	179
Depreciation and amortization	11	22	11
Others	704	678	608
	979	911	798

Note 21 - Sales and Marketing Expenses

Composition:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Wages, salaries and related expenses	28	31	33
Advertising	44	62	60
Other sales and marketing expenses	3	3	2
	75	96	95

Note 22 - General & Administrative Expenses

Composition:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Management fees, wages, salaries and related expenses (*)	164	131	75
Consultancy, legal and audit fees	23	30	59
Provision for doubtful debts	(1)	2	1
Depreciation and amortization	9	8	5
Contributions and environmental responsibility	16	20	11
Other general and administrative expenses	52	29	16
	263	220	167

(*) For details in respect of transactions with Related and Interested Parties – see Note 32C.

Note 23 - Other Income and Expenses

Composition:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Other income:			
Income from dividends	59	47	39
Profit from increase in holding rate (*)	-	-	204
Profit from sale of company accounted for by the equity method (Compass) (*)	-	1,211	-
Other	1	1	2
	60	1,259	245
Other expenses:			
Other expenses for acquisition and sale of assets	1	24	24
Purchase tax for acquisition of Mul Hayam's shares	-	-	41
Impairment of a loan granted	-	6	26
Impairment of goodwill and intangible assets	-	(**) 46	11
Other	62	38	13
	63	114	115
Other income (expenses), net	(3)	1,145	130

(*) See Note 7C.
(**) See Note 12E.

Note 24 - Financing Revenues and Expenses

Composition:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Financing revenues:			
Revenues from interest on loans and receivables	3	4	1
Revenues from interest on deposits in banks	127	83	32
Financing revenues from hedging transactions in foreign currency	-	-	-
Profit from change in exchange rates, net	6	11	36
Other financing revenues	5	2	14
Financing revenues recognized in profit and loss	141	100	83
Financing expenses:			
Financing expenses on loans and liabilities	266	228	157
Financing expenses on bonds	985	786	928
Miscellaneous bank expenses and charges	7	4	2
Loss from change in exchange rates, net	25	4	-
Linkage on deposits from customers	48	44	64
Financing revenues from hedging transactions in foreign currency	-	-	12
Other financing expenses	20	24	26
Total financing expenses	1,351	1,090	1,189
Net of capitalized credit costs	(265)	(147)	(84)
Financing expenses recognized in profit and loss	1,086	943	1,105
Net financing expenses recognized in profit and loss	945	843	1,022

Note 25 - Taxes on Income

A. Details in respect of the tax environment in which the Group operates:

(1) Amendments to the Income Tax Ordinance and the Land Appreciation Tax Law

(a) Commencing 2018, the corporate tax rate applicable to the Company is 23%.

(b) In August 2013, the “Arrangements Law” was published in the Official Gazette in which context Section 100A1 of the Income Ordinance was added, determining that revaluation profits will be taxable, based on a mechanism of a notional sale and purchase of an asset at any time for which a revaluation thereof was performed, from which revaluation profits were also distributed. Accordingly, a parallel provision was set forth in the Land Taxation Law (Appreciation and Purchase) with respect to appreciation tax on a right in land or a right in a land association for which a distribution from revaluation profits was recorded in the Company’s financial statements, as if the right was sold on the date of distribution of the revaluation profits, and re-purchased on the same day.

The applicability provisions determine that they shall apply to assets outside of Israel on the effective date of regulations to be promulgated by the Minister of Finance, and provisions shall be set for the avoidance of double taxation within the meaning thereof in Section 200 of the Income Tax Ordinance. Furthermore, the definition of “Revaluation Profits” determined that they are “surpluses not subject to corporate tax of the type determined by the Minister of Finance”. As of the date of approval of the Financial Statements, no such regulations have been published.

(2) The Company and a subsidiary have a holding (at a rate of 92.3%-99%) in American partnerships, which hold real property. The profits (losses) of the American partnerships from the rental of the real properties and from the sale thereof are attributable directly to the partners, in accordance with their shares in the capital, because under American tax law, a partnership which has been registered in the U.S. is considered to be transparent for tax purposes.

Accordingly, the profits (losses) of the American partnerships in which it serves as a limited partner will be attributed to the Group and it will accordingly be liable for tax in the U.S. in respect of the profits, attributed thereto as aforesaid in accordance with the Federal corporate tax rate (at a rate of 21%) and Texas State Franchise Tax (whose rate on 31 December 2024 was 0.75% of the “taxable margin”, as defined in the law), which constitutes an expense for the purposes of the calculation of the Federal tax. In addition, under certain circumstances, a "branch tax" at the rate of 12.5% may be levied on part of the profits of the partnerships (even if not yet actually distributed). If such profits are reinvested for business in the U.S. and subject to compliance with additional conditions, the "branch tax" may be deferred.

In a similar manner, the general partners in the American partnerships, that are also held by the Group, will be liable for tax in the U.S. in respect of their share (1%) of the profits (losses) from the rental of the real properties and/or from the sale thereof, in accordance with the tax rates that are mentioned above (with the exclusion of "branch tax").

In accordance with the provisions of Section 63 of the Ordinance, the limited partners (the Company and its subsidiary), will be liable for corporate tax in Israel in respect of their share of the profits from the rental of the land in the U.S. and in the real capital gain that is derived from their sale by the American partnerships.

In the case of tax payable in the U.S., in respect of which it is not possible to obtain a tax credit in Israel in the tax year in which it was paid, *inter alia*, by reason of losses for tax purposes incurred by the subsidiary - a credit may be obtained in respect thereof (in adjusted values, in accordance with the rate of the rise in the CPI) against the tax imposed on the subsidiary in Israel in respect of revenues from lease overseas in the 5 subsequent years.

(3) The Company has a holding (100%) in U.S. subsidiaries that are liable for tax in the U.S.. The subsidiaries are liable for Federal Tax on the companies’ current income and capital gains from the sale of the real properties at the rate of 21%, and for Texas state tax.

(4) The Company has a holding (100%) in the Norwegian GM. The corporate tax rate in Norway is 22%.

Note 25 - Taxes on Income (Cont.)

A. Details in respect of the tax environment in which the Group operates: (Cont.)

(5) The Company has a holding (100%) in English companies. The corporate tax rate in England until 1 April 2023 was 19%. Starting from this date, the corporate tax rate will change according to the level of the company's profits and will be 19% for companies with a profit of less than £50 thousand and up to 25% for companies with a profit of more than £250 thousand.

(6) The Encouragement of Capital Investments Law, 5719-1959 (the "**Law**") Chapter "Seventh 1" grants tax benefits to investors in a qualified property used for apartment rental in accordance with the conditions set forth in the Law. An institutional rental track is a track that took effect on 18 November 2021, when the Economic Program Law (Legislative Amendments to Implement the Economic Policy for the Budget Years 2021 and 2022), 5782-2021, was published in the Official Gazette, and which, among other things, extended the rental period to at least 15 years, and established a differential reduction of the tax on the income from the sale or rental of the apartments.

The Company received approval for a residential rental building - institutional rental track in accordance with Chapter 'Seventh 1' of the Law from the Authority for Investments and Development of the Industry and Economy (the "**Investment Authority**") for the Azrieli Town project in Tel Aviv and for the Modi'in West project.

The tax brackets for the rental of apartments in a building for institutional rental will be, in the first rental period (5 years): 11% corporate tax; in the second rental period (5 years of rental after expiration of the first rental period): 9% corporate tax; in the third rental period (5 years of rental after expiration of the second rental period): 7% corporate tax; and in the rental period following the third: 5% corporate tax. The tax brackets also apply to the sale of the apartments.

The tax rate on dividends originating from taxable income generated from the sale or rental of apartments in a building for institutional rental, is 20%.

In respect of an apartment rented through an institutional rental track, the Company will be entitled to claim accelerated depreciation at the rate of 20%.

In addition, there is a VAT exemption for the sale of apartments that have been put up for rent for the required minimum period.

B. Tax expenses on income recognized in the income statement:

	For the year ended 31 December		
	2024	**2023**	**2022**
	NIS in millions	**NIS in millions**	**NIS in millions**
Current tax expenses			
For the current period	(92)	(83)	(110)
Net taxes in respect of previous years	3	(1)	(120)
	(89)	(84)	(230)
Taxes for sale of holding in associate	-	(250)	-
Deferred tax expenses	(353)	(301)	(124)
Total expenses of taxes on income	(442)	(635)	(354)

Note 25 - Taxes on Income (Cont.)

C. Taxes on income in respect of the components of other comprehensive income:

	As of 31 December 2024			As of 31 December 2023			As of 31 December 2022		
	Amounts before tax	Tax income(*)	Amounts net of tax	Amounts before tax	Tax income(*)	Amounts net of tax	Amounts before tax	Tax expenses(*)	Amounts net of tax
	NIS in millions								
Translation differences from foreign operations	(610)	-	(610)	109	-	109	321	-	321
Change in the fair value of financial assets	484	(107)	377	7	2	9	(138)	37	(101)
Write-off of capital reserves for disposition of company accounted for using the equity method	-	-	-	(163)	-	(163)	-	-	-
Profit (loss) from cash flow hedging	12	-	12	(9)	-	(9)	-	-	-
Share in comprehensive income (loss) including investee companies	-	-	-	2	-	2	(48)	-	(48)
Total other comprehensive income (loss)	(114)	(107)	(221)	(54)	2	(52)	135	37	172

(*) The deferred taxes were calculated according to a tax rate of 23%.

Note 25 - Taxes on Income (Cont.)

D. Compatibility between the theoretical tax on the income before income taxes and the tax expenses:

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Income before income taxes	1,924	2,853	2,146
The Company's principle tax rate	23%	23%	23%
Tax calculated at the Company's principle tax rate	443	656	494
Addition (saving) in the tax liability in respect of:			
Different tax rates and laws in subsidiaries that operate outside of Israel	(6)	(1)	3
Net of results of companies accounted for using the equity method	(2)	(17)	26
Exempt income	(15)	(12)	(17)
Income not recognized	-	-	(28)
Utilization and creation of deferred taxes in respect of losses and benefits from previous years, in respect of which deferred taxes were not recorded	-	(16)	(24)
Losses and benefits for tax purposes from the period in respect of which deferred taxes were not recorded	19	54	16
Taxes in respect of previous years	-	1	12
Differences in the definitions of capital, assets and expenses for tax purposes and others	31	(43)	(59)
Different tax rate under the Encouragement of Capital Investments Law	(17)	2	(78)
Other differences	(11)	11	9
Expenses of taxes on income	442	635	354

Note 25 - Taxes on Income (Cont.)

E. Deferred tax assets and liabilities:

(1) Deferred tax assets and liabilities that have been recognized:

The deferred taxes in respect of companies in Israel have been calculated in accordance with the aforesaid tax rates that are expected to apply at the time of the reversal. Deferred taxes in respect of subsidiaries that operate outside of Israel have been calculated in accordance with the relevant tax rates in each country.

The deferred tax assets and liabilities are attributed to the following items:

	Real estate and fixed assets	Employee benefits	Financial instruments (1)	Deductions and losses to be carried forward for tax purposes	Others (2)	Total
	NIS in millions					
Deferred tax as of 1 January 2023	(5,051)	7	(132)	533	38	(4,605)
Changes carried to profit and loss	(394)	-	-	107	(14)	(301)
Changes carried to other comprehensive income	-	-	1	-	1	2
Sale of holding in associate	49	-	-	15	-	64
Effect of exchange rate changes	(3)	-	-	-	-	(3)
Deferred tax as of 31 December 2023	(5,399)	7	(131)	655	25	(4,843)
Changes carried to profit and loss	(381)	-		38	(10)	(353)
Changes carried to other comprehensive income	-		(107)	-	-	(107)
Effect of exchange rate changes	46	-	-	(8)		38
Deferred tax as of 31 December 2024	(5,734)	7	(238)	685	15	(5,265)

(1) Primarily for financial assets at fair value through other comprehensive income.

(2) Primarily doubtful debts and linkage differentials on deposits from customers.

(*) The deferred taxes were calculated according to a tax rate of 23% regarding assets in Israel.

The deferred taxes were calculated according to a tax rate of 21% regarding assets in the U.S.

The deferred taxes were calculated according to a tax rate of 22% regarding assets in Norway.

The deferred taxes were calculated according to a tax rate of 25% regarding assets in England.

The deferred taxes according to the Encouragement of Capital Investments Law were calculated according to a tax rate of 5%.

Note 25 - Taxes on Income (Cont.)

E. Deferred tax assets and liabilities: (Cont.)

(2) Deferred tax assets that have not been recognized:

Deferred tax assets were not recognized in respect of the following items:

	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Losses for tax purposes	692	665

(3) Losses and deductions for tax purposes that are available to be carried forward to the following years:

(a) Current business losses and deductions from a future tax liability according to an assessment agreement for tax purposes of the Company and Consolidated Companies, which are carried forward to the following years amount, as of 31 December 2024, to approx. NIS 3,400 million (as of 31 December 2023 – approx. NIS 3,192 million).

As of 31 December 2024, Consolidated Companies have recorded deferred tax assets in the sum of NIS 693 million in respect of accumulated business losses (31 December 2023 – NIS 577 million) in accordance with the management's evaluation that these losses and deductions will be realized in the coming years.

(b) The Company and Consolidated Companies have accumulated capital losses for tax purposes in the sum of approx. NIS 240 million (as of 31 December 2023 – approx. NIS 315 million). The Company and Consolidated Companies recorded deferred tax assets in the sum of NIS 55 million in respect of accumulated capital losses (as of 31 December 2023 – NIS 72 million).

(c) According to the existing tax laws, there is no time restriction on the exploitation of losses for tax purposes, or on the exploitation of the deductible temporary differences. Deferred tax assets have not been recognized in respect of such losses and differences, in cases where it is not expected that there will be sufficient chargeable income in the coming years against which it will be possible to exploit the tax benefits.

(d) The Group does not record deferred taxes that relate to investments in investee companies in respect of which the decision as to the disposition thereof is in the Group’s hands whenever there is no decision to realize them in the foreseeable future.

F. Tax assessments:

The Company has final tax assessments through 2020 tax year.

On 29 December 2022, a settlement agreement was signed between the Company and Canit Hashalom Investments Ltd., a wholly-owned subsidiary of the Company, with the Israel Tax Authority in respect of tax assessments pursuant to Section 152(B) of the Income Tax Ordinance for the years 2017-2020 (the “**Settlement Agreement**”). According to the Settlement Agreement, the Company shall pay a sum of NIS 130 million, most of which will be returned to the Company in the coming years as a deduction from future tax liability (timing differences). The Settlement Agreement has no material effect on the Company's financial results.

Some of the Consolidated Companies have final tax assessments through 2020 tax year.

Save for the abovementioned companies, the other Group companies in Israel have final tax assessments through 2019, some in the framework of Section 145(a)(2) of the Income Tax Ordinance (Prescription).

Note 25 - Taxes on Income (Cont.)

G. The Pillar Two rules, released on 20 December 2021, are designed to ensure that large multinational groups pay a minimum level of tax on the income generated in each country in which they operate. The said directives apply to multinational groups whose income turnover in the consolidating parent company's consolidated statement is equal to or higher than Euro 750 million in at least two of the four years preceding the reviewed tax year.

According to the Pillar Two directives, the effective tax rate is calculated for each country in which the group operates, and accordingly a determination is made as to whether the group has an additional tax liability deriving from the difference between the effective tax rate for that country and the minimum tax rate determined in the Pillar Two directives (15%).

Any resulting supplementary tax is charged according to an adjusted system of integrated tools introduced into the Pillar Two rules, designed to ensure collection of the said supplementary tax.

Temporary relief from the calculations of the effective tax rate according to the Pillar Two directives was given for the jurisdiction in which the multinational group operates, when meeting the Transitional Safe Harbor tests, for the transition period (in the years 2024-2026).

The Group's exposure from Pillar Two legislation:

The Pillar Two rules have been materially enacted in certain jurisdictions in which the Group operates. The legislation took effect from 1 January 2024 in certain countries where the Group operates. The Group has made an assessment of the potential tax exposure from the Pillar Two rules. This assessment is based on the most current information available on the financial performance of the Group's entities in the various countries.

Based on the assessment made in accordance with the Transitional Safe Harbor rules and the status of the Pillar Two legislation in the various countries in which the Group operates, the Group has not identified any potential additional tax exposure from the Pillar Two rules for the year ended 31 December 2024.

Note 26 - Engagements

The Company and Consolidated Companies have engagements and liabilities as of the date of the Statement of Financial Position, as follows:

A. **Material engagements:**

		NIS in millions
(1)	For the performance of projects	2,393

(2) With respect to the engagements with Related and Interested Parties, see Note 32.

B. **Additional engagements:**

(1) The Company and subsidiaries thereof engaged with OPC Rotem Ltd. ("**OPC**"), an independent power producer, in an agreement to purchase electricity. In addition, the companies of the Group engaged in a parallel agreement between them, which regulates the relationship between the companies of the Group in relation to the aforesaid agreement. Pursuant to the agreement, OPC shall sell electricity to the companies of the Group in the volume that is set forth in the agreement, in consideration for a tariff which varies according to actual consumption which is based on the tariffs of the Israel Electric Corporation Ltd. (the "**IEC**"), net of various discount rates determined in the agreement, which depend on the companies' volumes of consumption. The agreement is effective for a 15-year period, commencing from July 2013. The agreement sets forth special conditions that allow the parties to terminate it by giving an advance notice. In the event that OPC's power plant does not work and does not supply electricity for any reason whatsoever, electricity shall be supplied directly from the IEC. The agreement sets forth maximum and minimum volumes of electricity consumption by the companies of the Group. In the event of failure to meet the minimum volumes, the discount shall be gradually reduced.

The Group's companies reserve the right to purchase 100 megawatt hour more, in the event of the construction of an additional power plant by OPC's parent company.

Note 26 - Engagements (Cont.)
B. Additional engagements: (Cont.)

(2) On 20 May 2015, Consolidated Companies in the senior housing segment entered into a trust agreement with a trust company, whereby it will serve as the trustee for the residents of the senior home for the registration of the mortgages in their favor. Pursuant to the agreement, the Consolidated Companies registered a first ranking mortgage in favor of the trust company at the Land Registry, on a majority of the sub-parcels that constitute the land of the senior home. The Consolidated Companies are working to complete the registration of the mortgage in favor of the trust company on all of their sub-parcels in the senior homes.

(3) Azrieli Holon Center:

The Group, via Canit Hashalom, is the owner of leaseholds in a reserve of land of a total area of approx. 30,000 sqm in the East Holon Industrial Area (in this section: the "**Land Reserve**") under an agreement that was signed between the Municipality of Holon and Canit Hashalom on 5 June 2008 (in this section: the "**Agreement**") and approved by the Minster of the Interior in December 2008.

The entire Land Reserve is owned by the Municipality of Holon, without any known charges or mortgages. In accordance with the Agreement the project is for the construction of a business park, including buildings for hi-tech, offices, display halls and retail, service areas and parking areas as well as for additional uses (in this section: the "**Project**").

The Project was built and is operated as an income-producing property (for rental) by way of a joint venture, where the material terms of the transaction are as follows:

(a) The Municipality of Holon is leasing to Canit Hashalom, in accordance with the Agreement, for a period of 99 years with an option for an additional 99 years for a payment, 83% of the areas and land of the Project.

(b) The Project is managed and operated by the Company as an income-producing property that is held jointly by the two parties, where the areas of the Project are leased as a common reserve for both parties. The areas are leased via Canit Hashalom, and the division of the rent is carried out using a mechanism that has been agreed by the two parties.

(c) The Project is managed by a management company. The management fees are on the basis of cost+15% and constitute the fees of the management company.

(d) The Agreement sets various restrictions on the transfer of rights in areas in the Project and/or in the rights and undertakings of Canit Hashalom thereupon. It is further determined in the Agreement that the transfer of shares, including by way of a public offering, in shares of Canit Hashalom in an amount of up to 25% will be permitted. It is further clarified that the provisions relating the transfer of rights and a change in the ownership structure will not apply to the parent company or to a subsidiary or an affiliate of Canit Hashalom.

(e) The Group treats this Project as a joint arrangement which constitutes a joint activity.

Note 26 - Engagements (Cont.)

B. Additional engagements: (Cont.)

(4) 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 engages, *inter alia*, in development and construction of residential projects for sale in Israel ("**Z.M.H Hammerman**") an offer to conduct negotiations for the engagement in a reverse triangular merger transaction for the purchase of part of Z.M.H Hammerman's shares (the "**Offer**" and the "**Transaction**", as the case may be).

Z.M.H Hammerman informed the Company that on 1 November 2024, the board of directors of Z.M.H Hammerman resolved to conduct negotiations with the Company regarding the engagement in the Transaction, through an independent board committee established thereby.

In the context of the Offer, the Company is offering to purchase, in cash, all of the ordinary shares of Z.M.H Hammerman, on a fully-diluted basis, held by institutional shareholders and the public at Z.M.H Hammerman (~56.71% of the issued share capital of Z.M.H Hammerman). The Transaction shall be conducted based on a value of NIS 635 million for Z.M.H Hammerman, subject to adjustments according to the results of the due diligence that the Company shall conduct on Z.M.H Hammerman, its assets and liabilities.

The Offer is subject to the completion of a due diligence process by the Company, to negotiations between the parties regarding the terms and conditions of the Transaction and to the parties' signing of a binding merger agreement (the "**Merger Agreement**"). The closing of the Transaction shall also be subject to closing conditions that shall be established in the Merger Agreement, including the receipt of the approvals required by law, including the approvals of the authorized organs of the parties, the Competition Commissioner, the holders of Z.M.H Hammerman's Series F and H Bonds, and other third parties. So long as the Merger Agreement is not signed, the Offer does not bind the Company to consummate the Transaction.

Concurrently with the Offer, the Company engaged with the controlling shareholders of Z.M.H Hammerman in a non-binding MOU, which concerns, *inter alia*, the regulation of their relationship with respect to their holdings in Z.M.H Hammerman and the management thereof after the closing of the Transaction. The MOU is subject to the signing of a binding shareholders' agreement, which shall take effect on the date of closing of the Transaction.

Note 27 - Charges and Guarantees

A. Fixed and floating charges:

		As of 31 December 2024 NIS in millions	As of 31 December 2023 NIS in millions
Loans from banks and others (including accumulated interest presented in short-term)	(1)	3,556	3,231
Senior housing residents' deposits	(2)	1,425	1,327

(1) A charge on deposits, rights to receive money and real properties of the Company and some of the Investee Companies.

The book value of the pledged assets as of 31 December 2024 – approx. NIS 10.8 billion.

(2) On the date of entry of residents, Consolidated Companies register caveats in favor of the residents or the depositors, the purpose of which is to ensure repayment of the balance of the deposit. The collateral is to be deleted upon the registration of another permanent collateral in the form of a mortgage.

Some of the homes are in the process of condominium registration.

According to the provisions of the Senior Housing Law, the Consolidated Companies and the partnerships that hold senior housing properties are required to give the residents collateral. Until amendment of the Senior Housing Law as specified below, the options for collateral included, *inter alia*, a bank guarantee or a mortgage.

On 25 July 2018, an amendment was published to the Senior Housing Law pertaining to the collateral used to secure the residents' deposits, which took effect in late January 2020. On 14 June 2022, the alternatives for securing the deposit were updated in the Senior Housing Regulations (Disclosure Document Form) (Amendment), 5783-2022, which determine, *inter alia*:

1) The imposition of an obligation to provide collateral to secure the full deposit deposited by the resident.
2) The bearing of all of the costs entailed by provision of such collateral.
3) Denial of the resident's right to waive receipt of collateral.

In some of the Investee Companies, mortgages in trust and corresponding pledges were registered in the name of trustees for the residents or depositors of the senior homes. In addition, caveats were registered in favor of some of the residents on apartments and additional areas in the senior home, the purpose of which is to secure restitution of the balance of the deposit.

In circumstances where the senior home was under construction, and after the resident moves into the senior home, as aforesaid, the Investee Company / partnership may register a caveat regarding an undertaking to register a mortgage on his right in the land in favor of a trustee who shall be appointed by the residents or in favor of the resident. Such caveat shall be for a period that shall not exceed two years, and upon conclusion of the period, the Investee Company / partnership shall register a mortgage on his right in the land.

Note 27 - Charges and Guarantees (Cont.)

A. Fixed and floating charges: (Cont.)

(3) The Company committed to banking corporations, financial institutions and in the bond indentures that it would not create floating charges over its entire assets. The Company may create a floating charge as aforesaid, provided that concurrently with the creation thereof, it will create a floating charge in favor of the lender as well. The Company also committed, irrevocably, to a banking corporation that it had not created and will not create a floating charge over its entire property and assets, whether they are owned thereby or will be owned thereby in the future, including over the goodwill and share capital thereof, and it also committed towards another banking corporation not to commit in any manner to create a floating charge as aforesaid, without the advance written agreement of the banking corporation.

With respect to charges that were given regarding a loan taken by a consolidated company, see Note 16B(7).

B. The Company and Consolidated Companies have contingent liabilities:

	As of 31 December	
	2024	**2023**
	NIS in millions	**NIS in millions**
(1) Performance and other guarantees:		
- Guarantees to authorities.	80	58
(2) Guarantees to lessor in respect of usage rights for LTC units.	1	1
(3) A guarantee provided by a Consolidated Company in favor of a Consolidated Company thereof in respect of its liabilities to banking corporations.	-	1
(4) A guarantee provided by a Consolidated Company in favor of a Consolidated Company thereof in respect of its liabilities to its customers.	4	1

(*) In addition to guarantees given by the Company and an Investee Company to consolidated limited partnerships thereof overseas and to Consolidated Companies thereof overseas, for their liabilities to financial corporations, which are enforceable only in several specific cases defined in the loan agreements (Bad Boy).

Note 28 - Contingent Liabilities

A.	Parties	Amount of claim	Nature of claim	Prospects of claim
1.	Action in tort against Canit Hashalom and a former officer	Action in tort in the sum of NIS 55 million and, on the other hand, a pecuniary claim by Canit Hashalom in the sum of NIS 15 million.	In May 2017, Canit Hashalom filed a pecuniary claim in the sum of NIS 15 million with the Tel Aviv District Court, against the companies Winditaly Ltd. and Gualini S.p.A. (jointly: "**Gualini**"), in relation to the performance of a project in which Gualini served as subcontractors. Along with the filing of the claim, Canit Hashalom forfeited a bank guarantee in the sum of NIS 2.7 million. Gualini filed an answer in which they denied Canit Hashalom's claims and filed a countersuit in the sum of NIS 55 million against Canit Hashalom and a former officer, in which countersuit they alleged failure to pay the full contractual consideration, damage to reputation and loss of future profit in Israel and unlawful forfeiture of a bank guarantee.	Canit Hashalom estimates, based on its legal counsel, that the countersuit's chances as pertains to components relating to damage to reputation and loss of future profit are lower than 50%. However, it appears that Canit Hashalom has good arguments to defend against the countersuit.
2.	Claim for pecuniary remedy against Palace Lehavim Limited Partnership	A claim for approx. NIS 23 million	In December 2021, "Or Sadeh" filed a Complaint against the partnership in respect of finishing and system work performed thereby in the Palace Lehavim senior housing project. On 6 June 2022, the partnership filed an Answer and a Counterclaim against the plaintiff in the sum of approx. NIS 26 million. The parties held a mediation, with no outcome. The legal proceeding has been fully transferred to the court.	At this stage, it is impossible to assess the chances of the claim.

B. Additional claims (mostly legal and in insignificant amounts) arising from the ordinary course of business have been submitted against the Group companies.

C. In the estimation of the Company's management, based on its legal counsel, the provisions recorded to settle the results of the claims outlined above are adequate.

Note 29 - Management of Financial Risks

A. General:

The Group is exposed to the following risks, which derive from the use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk (including currency risk, interest risk and other price risks).

Information is provided in this Note in respect of the Group's exposure to each of the abovementioned risks, the Group's objectives, its policy and its processes in respect of the measurement and management of the risk. Additional, quantitative disclosure is provided throughout these Consolidated Financial Statements.

The comprehensive responsibility for establishing the framework for the management of the financial risks of the Company and its subsidiaries (except for management of the risks of the senior housing segment and the data centers segment, which is carried out thereby) and for overseeing the same rests with the Company's management.

The Company has a Finance Committee, which is responsible, *inter alia*, for supervising and monitoring the management of the Company's financial risks, and also supervises Management as pertains to the implementation of its decisions.

The officer in charge of financial risk management in the Company is the Company's CFO, Mr. Ariel Goldstein.

The Company's managers routinely examine the market risks in the fields of interest, the index and the exchange rates and act to reduce the economic exposure that is inherent in those risks, whilst taking cost-benefit considerations, such as changes in the composition of the long-term and short-term bank and non-bank credit, into account.

B. Credit risk:

Credit risk is the risk of a financial loss that would be caused to the Group if a customer or a counter party to a financial instrument does not meet its contractual commitments, and it derives primarily from the debts of customers and other receivables, from the long-term loans that have been extended and from investments in securities.

The Group has no significant credit risk from its customers in the retail centers and malls segment, the office and other space for lease segment, the rental housing in Israel segment and the income-producing property in the U.S. segment, since the Group collects its income in respect of rent and management fees in advance. Moreover, in most cases, as collateral for the rent, the tenants are required to prove personal guarantees from third parties and/or bank guarantees and/or deposits, to the Company's satisfaction.

The Group has no significant credit risk from its customers in the senior housing segment, since the Group collects a significant portion of the deposit required of the resident prior to his moving into the apartment.

The Group has no significant credit risk from its customers in the data centers segment, since most of the Group's revenues are from international public companies with a high credit rating who pay on a monthly basis.

C. Liquidity risk:

Liquidity risk finds expression in the non-ability to meet the Group's financial commitments when they are due for payment. The Group's approach to the management of its liquidity risk is to ensure, in so far as it is possible, that there is a sufficient level of liquidity to meet its commitments on time. The Group verifies the existence of sufficient levels of cash and/or credit lines in accordance with the expected needs for the payment of the operating expenses, including the amounts that are required to meet the financial liabilities; the aforesaid does not take into account the potential impact of extreme occurrences, which it is not reasonably possible to forecast.

The Group is of the opinion that at the time of need, financing entities will grant it the credit required thereby for the purposes of its business.

Note 29 - Management of Financial Risks (Cont.)

D. Market risks:

Market risk is the risk that changes in market prices, such as the exchange rates of foreign currencies, the CPI, the Construction Input Index, interest rates and prices of capital instruments, will have an impact on the Group's income or on the value of its holdings in financial instruments.

The objective of the management of market risks is to manage and supervise the exposure to market risk within the framework of generally accepted parameters.

Currency risk:

The Company's functional currency is the New Israeli Shekel (NIS).

The Group has loans in U.S. dollars and NOK, therefore its financial results are exposed to the risk of a change in the dollar and NOK exchange rates. Most of the Group's income in the income-producing property in the U.S. segment and in the data centers segment is stated in U.S. dollars, EURO and NOK, such that a rise in the exchange rate as aforesaid leads to an increase in income from lease and in the value of the property and reduces this risk.

Interest rate risk:

The Group has short-term and long-term credit at variable interest rates. Accordingly, its financial results (financing income/expenses) are exposed to the risk of a change in the interest rates (as of 31 December 2024, ~8% of the credit from financial corporations and bonds are at variable interest rates). The Company hedged most of the amount against changes in the variable interest rate.

Index risks:

The Group has loans and bonds that are index-linked, and therefore its financial results (financing income/expenses) are exposed to the risk of a change in the index.

Most of the Group's income in the retail centers and malls segment, in the office and other space for lease segment and in the rental housing in Israel segment are linked to the CPI, such that an increase in the index, as aforesaid, will lead to an increase in the rent income and a reduction in this risk.

Furthermore, the index rise bears an impact on the calculation of the value of investment property due to the increase in rent revenues.

The companies in the senior housing sector have exposure in respect of the effect of changes in the CPI on the deposits

Currency risk – cash:

As of 31 December 2024, some of the cash is managed overseas in dollar, GBP and NOK, and therefore the Company may be exposed to fluctuations in the currencies’ exchange rates.

Other price risk:

The Company has a holding in Bank Leumi’s shares that are traded on TASE. Changes in the price of Bank Leumi’s stock may affect the equity. The Company does not hedge against such exposure.

Note 30 - Financial Instruments

A. Credit risk:

The book value of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of the date of the Statement of Financial Position was as follows:

	Book Value As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Financial assets at amortized cost:		
Short-term deposits and investments	2	1
Trade accounts receivable	132	159
Other receivables	300	290
Non-current investments and loans	540	182
	974	632

The maximum exposure to credit risk in respect of trade accounts receivable, other receivables, long-term loans, as of the date of the Statement of Financial Position, by geographical region, is mainly local and the exposure overseas is negligible.

Note 30 - Financial Instruments (Cont.)

B. Liquidity risk:

Set forth below are the projected repayment dates of the financial liabilities, including an estimate of interest payments:

		As of 31 December 2024							
		Book value	**Forecasted cash flow**	**2025**	**2026**	**2027**	**2028**	**2029 forth**	**No repayment date /upon demand**
		NIS in millions							
Non-derivative financial liabilities									
Short-term credit from financial corporations	(1)	712	738	738	-	-	-	-	-
Trade accounts payable		617	617	617	-	-	-	-	-
Other payables		182	182	182	-	-	-	-	-
Deposits from customers		1,425	1,425	-	-	-	-	-	1,425
Long-term loans from financial corporations	(2)	3,561	4,168	460	285	1,664	139	1,620	-
Bonds	(2)	21,769	25,925	1,903	2,103	2,169	2,233	17,517	-
Long-term deposits from customers		79	79	-	-	79	-	-	-
		28,345	33,134	3,900	2,388	3,912	2,372	19,137	1,425

(1) The book value includes accrued interest.

(2) The book value includes current maturities and accrued interest.

Note 30 - Financial Instruments (Cont.)

B. Liquidity risk: (Cont.)

		As of 31 December 2023							
		Book value	**Forecasted cash flow**	**2024**	**2025**	**2026**	**2027**	**2028 forth**	**No repayment date /upon demand**
		NIS in millions							
Non-derivative financial liabilities									
Short-term credit from financial corporations	(1)	787	787	787	-	-	-	-	-
Trade accounts payable		751	751	751	-	-	-	-	-
Other payables		138	138	138	-	-	-	-	-
Deposits from customers		1,327	1,327	-	-	-	-	-	1,327
Long-term loans from financial corporations	(2)	3,228	3,797	843	379	210	1,456	909	-
Bonds	(2)	18,818	21,294	1,638	1,723	1,908	1,972	14,053	-
Long-term deposits from customers		78	78	-	-	78	-	-	-
		25,127	28,172	4,157	2,102	2,196	3,428	14,962	1,327

(1) The book value includes accrued interest.

(2) The book value includes current maturities and accrued interest.

Note 30 - Financial Instruments (Cont.)

C. Index and foreign currency risks:

(1) Exposure to Index and foreign currency risk:

The Group's exposure to index and foreign currency risk, based on nominal values, is as follows:

	As of 31 December 2024			
	Israeli currency	Foreign currency		
	Index-linked	Dollar	NOK	Other (*)
	NIS in millions	NIS in millions	NIS in millions	NIS in millions
Assets	-	521	426	45
Liabilities	(24,357)	(1,061)	(1,715)	(317)
Total net balance sheet balance	(24,357)	(540)	(1,289)	(272)

	As of 31 December 2023			
	Israeli currency	Foreign currency		
	Index-linked	Dollar	NOK	Other (*)
	NIS in millions	NIS in millions	NIS in millions	NIS in millions
Assets	70	2,000	251	36
Liabilities	(21,108)	(1,101)	(1,720)	(304)
Total net balance sheet balance	(21,038)	899	(1,469)	(268)

(*) Mainly Euro and GBP.

Note 30 - Financial Instruments (Cont.)

C. Index and foreign currency risks: (Cont.)

(2) Sensitivity analysis

The strengthening of the New Israeli Shekel against the following currencies as of 31 December 2024 and an increase in the CPI would decrease the capital and the profit or loss, net of tax, by the amounts that are presented below. This analysis has been made on the assumption that the other variables, and especially the interest rates, remain fixed. The analysis in respect of year 2023 was made on the same basis.

	As of 31 December 2024	
	Capital	Profit (loss)
	NIS in millions	NIS in millions
3% rise in the CPI	(563)	(563)
3% rise in the USD exchange rate	(12)	(12)
3% rise in the NOK exchange rate	(30)	(30)
3% rise in the GBP exchange rate	(6)	(6)

	As of 31 December 2023	
	Capital	Profit (loss)
	NIS in millions	NIS in millions
3% rise in the CPI	(486)	(486)
3% rise in the USD exchange rate	21	21
3% rise in the NOK exchange rate	(34)	(34)
3% rise in the GBP exchange rate	(7)	(7)

Note 30 - Financial Instruments (Cont.)

D. Interest rate risk:

Type of interest:

Below are details regarding the interest type of the Group's interest-bearing financial instruments:

	Book value	
	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Fixed interest instruments:		
Financial liabilities	24,037	20,870
Variable interest instruments:		
Financial liabilities (*)	2,166	2,095

(*) The Company hedged most of the amount against changes in the variable interest rate.

(1) Sensitivity analysis for the fair value in respect of fixed interest instruments:

The Group's assets and liabilities at fixed interest are not measured at fair value through profit and loss, therefore, a change in the interest rates is not expected to have any effect on the profit or loss in respect of changes in the value of assets and liabilities with fixed interest rates.

(2) Sensitivity analysis for variable interest instruments:

Since the Company has hedges against changes in the variable interest rate, a change in the interest rate on the reporting date would not cause a significant change in the profit or loss or in capital.

E. Other price risk:

Sensitivity analysis of the security price – financial assets at fair value through other comprehensive income – (see Note 9).

If the prices of the held securities were higher by 10%, the effect after tax would be as follows:

The net income for the year ending 31 December 2024 would not be affected since these investments are accounted for through other comprehensive income.

The other comprehensive income would increase by approx. NIS 117 million as of 31 December 2024 as a result of the change in the fair value of the shares.

Note 31 - Fair Value

A. Assets and liabilities measured at fair value in the Statement of Financial Position:

For the purpose of measurement of the fair value of the assets or liabilities, the Group classifies them in accordance with the rating that includes the following three levels:

Level 1: Quoted (not adjusted) prices in active markets for identical assets or identical liabilities to which the entity has access at the time of measurement.

Level 2: Data, other than quoted prices included in level 1, that are directly or indirectly observable for the asset or liability.

Level 3: Non-observable data for the asset or liability.

The classification of the assets or liabilities that are measured at fair value is based on the lowest level significantly used for measuring the fair value of the entire asset or liability.

Below are the Group's assets and liabilities measured at fair value in the Company's Statement of Financial Position as of 31 December according to their measurement levels.

Fair value of items measured at fair value on a periodic basis:

	As of 31 December 2024		
	Level 2	Level 3	Total
	NIS in millions	NIS in millions	NIS in millions
Investment property:			
Retail centers and malls in Israel	-	15,334	15,334
Land and leasable office space in Israel	-	15,011	15,011
Investment property under construction in Israel	-	4,135	4,135
Rental housing in Israel	-	1,320	1,320
Senior housing	-	2,987	2,987
Total investment property in Israel	-	38,787	38,787
Income-producing properties in the U.S.	-	1,807	1,807
Data centers	-	7,449	7,449
	-	9,256	9,256
Total investment property	-	48,043	48,043

Note 31 - Fair Value (Cont.)

A. Assets and liabilities measured at fair value in the Statement of Financial Position (Cont.)

Fair value of items measured at fair value on a periodic basis: (Cont.)

	As of 31 December 2023		
	Level 2	Level 3	Total
	NIS in millions	NIS in millions	NIS in millions
Investment property:			
Retail centers and malls in Israel	-	14,703	14,703
Land and leasable office space in Israel	-	14,580	14,580
Investment property under construction in Israel	120	3,715	3,835
Rental housing in Israel	-	1,089	1,089
Senior housing	-	2,836	2,836
Total investment property in Israel	120	36,923	37,043
Income-producing properties in the U.S.	-	1,766	1,766
Data centers	-	5,804	5,804
	-	7,570	7,570
Total investment property	120	44,493	44,613

Fair value of items measured at fair value on a periodic basis

Financial assets:

	As of 31 December 2024		
	Level 1	Level 2	Total
	NIS in millions	NIS in millions	NIS in millions
Financial assets designated at fair value through profit and loss:			
Non-marketable investments	-	7	7
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,516	-	1,516
Total fair value of financial assets	1,516	7	1,523

	As of 31 December 2023		
	Level 1	Level 2	Total
	NIS in millions	NIS in millions	NIS in millions
Financial assets designated at fair value through profit and loss:			
Non-marketable investments	-	6	6
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,032	-	1,032
Total fair value of financial assets	1,032	6	1,038

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position:

(1) Movement in investment property measured at fair value:

	Real Estate in Israel					Real Estate in the U.S.	Data centers		
	Retail Centers and Malls	Offices and Other	Rental housing	Senior Housing	Under Construction	Income-Producing Properties	Income-Producing Properties	Under Construction	Total
	NIS in millions								
Balance as of 1 January 2024	14,703	14,580	1,089	2,836	3,835	1,766	3,192	2,612	44,613
Profit or loss recognized as profit or loss	270	105	63	127	32	7	132	177	913
Acquisitions and investments	159	109	-	24	842	25	618	1,349	3,126
Classification from fixed assets	-	13	-	-	-	-	-	-	13
Classifications	202	204	168	-	(574)	-	3,520	(3,520)	-
Net translation differences deriving from the translation of the financial statements of foreign operations	-	-	-	-	-	9	(313)	(318)	(622)
Balance as of 31 December 2024	15,334	15,011	1,320	2,987	4,135	1,807	7,149	300	48,043

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position: (Cont.)

(1) Movement in investment property measured at fair value: (Cont.)

	Real Estate in Israel					Real Estate in the U.S.	Data centers		
	Retail Centers and Malls	Offices and Other	Rental housing	Senior Housing	Under Construction	Income-Producing Properties	Income-Producing Properties	Under construction	Total
	NIS in millions								
Balance as of 1 January 2023	14,461	14,048	1,111	2,726	3,139	1,884	1,372	639	39,380
Profit or loss recognized as profit or loss	82	435	(18)	93	(165)	(240)	268	457	912
Acquisitions and investments	160	93	-	17	861	66	609	1,958	3,764
Entry into consolidation (*)	-	-	-	-	-	-	397	82	479
Classification	-	4	(4)	-	-	-	553	(553)	-
Net translation differences deriving from the translation of the financial statements of foreign operations	-	-	-	-	-	56	(7)	29	78
Balance as of 31 December 2023	14,703	14,580	1,089	2,836	3,835	1,766	3,192	2,612	44,613

(*) See Note 10F.

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position: (Cont.)

(2) Description of evaluation techniques:

Description of the measured instrument	Fair value as of 31 December 2024	Evaluation technique	Description of significant non-observable data	Mainly in the Range	Other data	Range
	NIS in millions					
Retail centers and malls in Israel	15,271	Income approach – DCF	Primary cap rate Fair value per sqm in NIS in thousands Occupancy rate (**)	6.25% - 7.25% NIS 10-101 thousand 84% - 100%	Marketable space (in sqm in thousands)	1-41 thousand sqm
Land	63	Comparison approach				
Offices and others in Israel:						
Existing office space for lease	13,972	Income approach - DCF	Primary cap rate Fair value per sqm in NIS in thousands Occupancy rate (**)	5.75%-7.65% NIS 7-31 thousand 94% - 100%	Marketable space (in sqm in thousands)	3-150 thousand sqm
Other space for lease	155	Income approach – DCF	Estimated average rent per sqm in NIS Primary cap rate	NIS 35 6%		
Land and rights	884	Comparison approach	Size-specific adjustment			

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position: (Cont.)

(2) Description of evaluation techniques: (Cont.)

Description of the measured instrument	Fair value as of 31 December 2024	Evaluation technique	Description of significant non-observable data	Mainly in the Range	Other data	Range
	NIS in millions					
Buildings under construction in Israel	628	DCF, net of the estimated construction costs expected to arise for completion thereof	Estimated rent per sqm in NIS	NIS 129	Estimated balance of construction costs expected per sqm	NIS 12 thousand
					Marketable space	43 thousand sqm
	3,507	Comparison approach	Specific adjustment for location, size and standard			
Income-producing property in the U.S.	1,789	Income approach –DCF	Estimated average rent per sqm in dollars (*)	$12-26	Marketable space (in sqm in thousands)	3-92 thousand sqm
			Primary cap rate	6.5% - 9.25%		
			Fair value per sqm in NIS in thousands	4-15		
			Occupancy rate (**)	45% - 100%		
	18	Comparison approach	Size and standard			

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position: (Cont.)

(2) Description of evaluation techniques: (Cont.)

Description of the measured instrument	Fair value as of 31 December 2024	Evaluation technique	Description of significant non-observable data	Mainly in the Range	Other data	Range
	NIS in millions					
Senior housing	2,987	Income approach – DCF	Cap rate	8.25%		
			Annual resident turnover rate	8.3% - 14%		
Rental housing in Israel	1,320	Comparison approach				
Data centers	7,149	Income approach – DCF	Cap rate	6.25% - 7.75%	Marketable space (in sqm in thousands)	2-18 thousand sqm
Data centers under construction	300	DCF, net of the estimated construction costs expected to arise for completion thereof (***)		10.9%		

(*) Calculated on the basis of average rent per marketable meter in each property separately.

(**) Calculated on the basis of each property separately, excluding properties under lease-up.

(***) The fair value estimate will increase if construction costs per sqm decrease, the rent payments increase, and the weighted cap rate decreases.

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position: (Cont.)

(2) Description of evaluation techniques: (Cont.)

Description of the measured instrument	Fair value as of 31 December 2023	Evaluation technique	Description of significant non-observable data	Mainly in the Range	Other data	Range
	NIS in millions					
Retail centers and malls in Israel	14,641	Income approach – DCF	Primary cap rate Fair value per sqm in NIS in thousands Occupancy rate (**)	6.25% - 7.25% NIS 12-102 thousand 89% - 100%	Marketable space (in sqm in thousands)	1-41 thousand sqm
Land	62	Comparison approach				
Offices and others in Israel:						
Existing office space for lease	13,413	Income approach - DCF	Primary cap rate Fair value per sqm in NIS in thousands Occupancy rate (**)	5% - 7.5% NIS 8-31 thousand 95% - 100%	Marketable space (in sqm in thousands)	3-150 thousand sqm
Other space for lease	150	Income approach – DCF	Estimated average rent per sqm in NIS Primary cap rate	NIS 30 6%		
Land and rights	1,017	Comparison approach	Size-specific adjustment			

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position: (Cont.)

(2) Description of evaluation techniques: (Cont.)

Description of the measured instrument	Fair value as of 31 December 2023	Evaluation technique	Description of significant non-observable data	Mainly in the Range	Other data	Range
	NIS in millions					
Buildings under construction in Israel	642	DCF, net of the estimated construction costs expected to arise for completion thereof	Estimated rent per sqm in NIS	NIS 90-168	Estimated balance of expected construction cost per sqm	NIS 4-16 thousand
					Marketable space	4-38 thousand sqm
	3,193	Comparison approach	Specific adjustment for location, size and standard			
Income-producing property in the U.S.	1,748	Income approach –DCF	Estimated average rent per sqm in dollars (*)	$12-26	Marketable space (in sqm in thousands)	3-92 thousand sqm
			Primary cap rate	6.5% - 10.25%		
			Fair value per sqm in NIS in thousands	5-15		
			Occupancy rate (**)	43% - 100%		
	18	Comparison approach	Size and standard			

Note 31 - Fair Value (Cont.)

B. Assets and liabilities measured at fair value at level 3 in the Statement of Financial Position: (Cont.)

(2) Description of evaluation techniques: (Cont.)

Description of the measured instrument	Fair value as of 31 December 2023	Evaluation technique	Description of significant non-observable data	Mainly in the Range	Other data	Range
	NIS in millions					
Senior housing	2,836	Income approach – DCF	Cap rate	8.25%		
			Annual resident turnover rate	6.6% - 14%		
Rental housing in Israel	1,089	Comparison approach				
Data Centers	3,192	Income approach – DCF	Cap rate	6.55%	Marketable space (in sqm in thousands)	2-8 thousand sqm
Data Centers	2,612	DCF, net of the estimated construction costs expected to arise for completion thereof (***)		8%-9.75%		

(*) Calculated on the basis of average rent per marketable meter in each property separately.

(**) Calculated on the basis of each property separately, excluding properties that are in stages of lease-up.

(***) The fair value estimate will increase if construction costs per sqm decrease, the rent payments increase and the weighted cap rate decreases.

Note 31 - Fair Value (Cont.)

C. For a description of the evaluation processes used in determining the fair value – see Note 3B.

D. Fair value of items that are not measured at fair value in the Statement of Financial Position:

(1) Fair value by comparison to the book value:

Following are details regarding the fair value of certain items that are not measured at fair value in the Statement of Financial Position.

	Level of fair value	As of 31 December 2024 Book value	As of 31 December 2024 Fair value
		NIS in millions	NIS in millions
Non-current liabilities:			
Loans from banking corporations and other credit providers (*)	2	3,561	3,429
Bonds (*)	1	21,769	20,719
		25,330	24,148

	Level of fair value	As of 31 December 2023 Book value	As of 31 December 2023 Fair value
		NIS in millions	NIS in millions
Non-current liabilities:			
Loans from banking corporations and other credit providers (*)	2	3,228	3,088
Bonds (*)	1	18,818	17,572
		22,046	20,660

(*) The book value includes current maturities and accrued interest.

(2) The interest rates used in the determination of the fair value:

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

	As of 31 December 2024	As of 31 December 2023
	%	%
Non-current liabilities:		
Loans from financial corporations	3-7.72	1.98-7.95

Note 31 - Fair Value (Cont.)

E. Sensitivity to changes in the interest rates of the investment property cap rates:

As of 31 December 2024:

	Loss from changes in the market factor			Fair value of the assets	Profit from changes in the market factor			Valuation method
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	
Rate of change	2% absolute increase	10% increase	5% increase		5% decrease	10% decrease	2% absolute decrease	
Weighted cap rate:								
5.62% - 6.25%	(2,624)	(929)	(468)	11,040	593	1,210	5,209	DCF method
6.26% - 6.99%	(4,498)	(1,864)	(850)	18,495	1,096	2,229	8,713	DCF method
7.0% - 7.79%	(1,099)	(438)	(219)	6,985	263	527	1,633	DCF method
7.8% - 8.25%	(327)	(150)	(77)	3,338	86	182	520	DCF method
8.26% - 9.25%	(238)	(119)	(62)	930	69	145	373	DCF method
Investment property and investment property under construction	(8,786)	(3,500)	(1,676)	40,788	2,107	4,293	16,448	

Note 31 - Fair Value (Cont.)

E. Sensitivity to changes in the interest rates of the investment property cap rates: (Cont.)

As of 31 December 2023:

	Loss from changes in the market factor			Fair value of the assets	Profit from changes in the market factor			Valuation method
	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	NIS in millions	
Rate of change	2% absolute increase	10% increase	5% increase		5% decrease	10% decrease	2% absolute decrease	
Weighted cap rate:								
5.87% - 6.25%	(2,447)	(837)	(404)	9,939	597	1,181	5,176	DCF method
6.26% - 6.99%	(4,569)	(1,788)	(884)	18,967	1,067	2,202	8,653	DCF method
7.0% - 7.79%	(569)	(240)	(132)	2,879	113	252	868	DCF method
7.8% - 8.25%	(263)	(122)	(63)	2,989	69	147	413	DCF method
8.26% - 10.25%	(641)	(333)	(172)	3,316	185	381	862	DCF method
Investment property and investment property under construction	(8,489)	(3,320)	(1,655)	38,090	2,031	4,163	15,972	

Note 32 - Related Parties and Interested Parties

A. Parent company, Controlling Shareholder and subsidiaries:

As stated in Note 1A, most of the Company's shares are held by Nadav Investments Inc., a company controlled by Mses. Sharon Azrieli, Naomi Azrieli and Danna Azrieli. On material subsidiaries, see Note 7 in respect of the Group's entities.

B. Benefits for key managerial personnel (including directors who are employed by the Company):

Benefits in respect of the employment of key management personnel (including directors who are employed by the Group) include:

	For the year ended 31 December					
	2024		2023		2022	
	No. of persons	Amount	No. of persons	Amount	No. of persons	Amount
		NIS in millions		NIS in millions		NIS in millions
Short-term benefits (1) (2)	30	88.4	29	63.6	33	57.2
Other long-term benefits	3	0.2	4	1.3	2	0.2
		88.6		64.9		57.4

(1) See also Note 32C below.

(2) Including 8 directors who are not employed by the Company (in the years 2023 and 2022 – 8 and 10 directors, respectively).

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties:

	For the year ended 31 December			As of 31 December	
	2024	2023	2022	2024	2023
	Amounts of Transactions			Balance in Balance Sheet	
	NIS in millions				
Interested Parties and affiliates owned by Interested Parties:					
Revenues from rent, management fee and parking	1.1	1.1	1	-	-
Trade and other payables	-	-	-	0.1	0.1

	Amounts of Transactions		
	For the year ended 31 December		
	2024	2023	2022
	NIS in millions		
Key management personnel (including directors) in the Company: (*)			
Interested Parties employed by the Company	12	14	14
Number of persons to whom the benefit relates	2	2	2
Director remuneration for Interested Parties who are not employed by the Company	0.4	0.3	0.4
Number of persons to whom the benefit relates	2	2	2
Remuneration for directors who are not employed by the Company (**)	1.9	1.6	1.8
Number of persons to whom the benefit relates	6	6	8

(*) This information is included in Section B above.
(**) See Note 32C(7).

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(1) On 28 December 2014, after receiving the approval of the Company's Compensation Committee and Board, the general meeting of the Company approved the engagement in a management agreement with Ms. Danna Azrieli with respect to the terms and conditions of her office and employment as Active Chairwoman of the Board of the Company (in this section: the "**Management Agreement**"), an agreement which took effect on 1 January 2015, and the principles of which are specified below:

The Management Services, as hereinafter defined, shall be provided to the Company by Ms. Danna Azrieli through a company wholly-owned by her (in this section: the "**Management Company**"), in the framework of which services, Ms. Danna Azrieli shall serve as the Active Chairwoman of the Board of the Company on a full-time basis (100% position) (it is clarified that Ms. Danna Azrieli may continue to take additional actions, including philanthropic activities in which she is involved, from time to time, provided that the performance thereof does not affect the discharge of her duties in the Company) and shall provide the following services to the Company, through the Management Company: chairwoman of the executive board of the Company's management, overseeing the implementation of strategic decisions, formulating business and managerial decisions related to the development and management of the Company's properties, business development, financing and budget, targets and the examination of new operating segments, providing ongoing managerial and professional advice to the Company's management and the managers of the principal operating segments, overseeing, accompanying and analyzing business opportunities and leading transactions and acquisitions in Israel and overseas, overseeing existing projects and monitoring their progress, overseeing development and construction and business development overseas, responsibility for outlining the Company's community relations and representing the Company in conferences in Israel and overseas (in this section: the "**Management Services**").

Clawback clause – if and insofar as it transpires *post factum* that the figures on which the Company relied when granting an annual bonus as aforesaid to the Management Company are incorrect and that restatement thereof in the Company's Financial Statements is required, the Management Company shall repay the Company the difference between the amount of the bonus paid thereto based on such incorrect figures and the amount of the annual bonus to which it is entitled based on the figures following such restatement.

Reimbursement of expenses, car and telecommunication – the Company shall bear all of the expenses of the Management Company in the context of the provision of the Management Services, including entertaining expenses, travel and *per diem* expenses in Israel and abroad, all in accordance with the Company's procedures and against presentation of appropriate evidence up to a maximum amount as shall be determined by the Company's Audit Committee from time to time and which shall be determined appropriate thereby, taking into account the Company's business and the scope thereof. The Company shall further bear the costs of making available and maintaining a car for the purpose of providing the Management Services, the costs of use of telephony and telecommunication, and may also, from time to time and in accordance with the compensation policy, grant Ms. Danna Azrieli additional related benefits, such as a laptop, internet connection, subscriptions to financial newspapers and daily newspapers, payment for participation in professional conferences, professional literature, seminars, etc. Reimbursement of car and telecommunication expenses shall not exceed a maximum amount as shall be determined from time to time by the Audit Committee and which shall be determined appropriate thereby, considering the Company's business and the scope thereof.

Note 32 - Related Parties and Interested Parties (Cont.)
C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(1) (Cont.)

The Management Agreement also includes the Company's undertaking of inclusion within an officers' insurance policy, and the grant of letters of exemption and indemnification in the standard language granted to the other officers of the Company, all subject to the provisions of the Companies Law and the approvals required thereunder, the Company's articles of association and the Company's compensation policy.

Term of the agreement and termination thereof – the Management Agreement took effect on 1 January 2015 for a three-year period as of such date, unless extended prior thereto by agreement between the parties and subject to receipt of all of the approvals required under law. The Management Agreement may be terminated by the Management Company, on the one hand, and by the Company, by way of a board resolution, on the other hand, subject to a prior notice of 6 months in advance (with no adjustment period), other than in exceptional events in which it may be terminated by the Company with immediate effect.

Terms of Compensation until 2022:

In consideration for provision of the Management Services, the Company shall pay Ms. Danna Azrieli annual management fees as were updated in August 2019, as stated below.

Variable component – for the Management Services, the Management Company shall be entitled to an annual bonus, for each calendar year, deriving from the Adjusted Profit, as specified below:

The "Adjusted Profit" for purposes of this section, for each calendar year – the annual pre-tax profit, according to the Company's audited consolidated annual financial statements, net of the following amounts: (1) dividend received thereby from financial assets available for sale, which was included in the annual pre-tax profit; (2) profit (loss) deriving from the revaluation of real estate properties; (3) results of companies which do not engage in the Company's core business segments (real estate) and were included in the annual pre-tax profit; (4) linkage differentials accrued on financial liabilities; (5) interest expenses, at the actual weighted effective interest rate for such year, of the Company and companies controlled thereby, which engage in the Company's core business, on loans (regardless of whether or not they were taken) at a financing rate of 65% on the historical purchase cost in the books of the investment in companies which are not in the core business; (6) the sum total of the management fees (including bonus) to Ms. Danna Azrieli for such year, as included in the annual pre-tax profit; and (7) profit (loss) from financial assets (marketable securities) held for trading, including interest and dividend in respect thereof.

Bonus cap and payment for a partial year – the sum total of the annual bonus for each calendar year as aforesaid shall not exceed NIS 1.5 million. If the Management Services shall have been rendered during part of a calendar year, the Management Company shall be entitled to a bonus calculated according to the relative part in the annual calculation results, on the basis of a 365-day year, in accordance with the part of the year during which the Management Services were rendered and based on the consolidated annual statements for such year in which the Management Agreement commenced or ended.

On 6 October 2016, the general meeting of the Company's shareholders approved the extension of the Management Agreement for a three-year period, from the aforesaid meeting approval date, with no change to the agreement then in effect.

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(1) (Cont.)

On 11 August 2019, the Company's general meeting approved, after approval by the Board and the Compensation Committee's recommendation, an update to the conditions of the management agreements with the Company's Chairwoman of the Board for a period of three years from this date, as follows:

a. Update to the fixed component:

The annual management fees will be NIS 3 million (which constitute monthly management fees in the sum of NIS 250 thousands), plus legal VAT, linked to the increase in the CPI for the month of April 2019, which was published on 15 May 2019 (the "**Fixed Management Fees**") (the consideration will not be reduced in the event of a decrease in the CPI in a given month, but the reduction will be deducted from future increases in the CPI). The Fixed Management Fees will be paid in each current calendar month.

b. Update to the annual bonus:

In a year in which the Adjusted Profit is lower than NIS 1,015 million - there is no bonus entitlement (the "**Bonus Threshold**"). It is clarified that if the Adjusted Profit is higher than such Bonus Threshold, no bonus shall be paid for an Adjusted Profit in the sum of up to NIS 1,015 million.

In a year in which the Adjusted Profit shall be NIS 1,015 million up to NIS 1,140 million – a bonus shall be paid at a rate of 0.5% of the difference between the Bonus Threshold and the actual Adjusted Profit; In a year in which the Adjusted Profit shall exceed NIS 1,140 million – a cumulative annual bonus shall be paid as follows:

1. For an Adjusted Profit in the amount of up to NIS 1,015 million – no bonus shall be paid;

2. For that part of the Adjusted Profit between NIS 1,015 million and NIS 1,140 million – 0.5% of the difference between NIS 1,015 million and NIS 1,140 million, shall be paid.

3. For that part of the Adjusted Profit that shall exceed NIS 1,140 million – 0.75% of the difference between the Adjusted Profit and NIS 1,140 million, shall be paid.

The total annual bonus for each calendar year shall not exceed NIS 2 million.

c. Update to the 2022 Agreement:

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

1. Update to the fixed component:

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

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(1) (Cont.)

c. Update to the 2022 Agreement: (cont.)

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

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

(a) The potential bonus that may be derived for the officers who are subject to the bonus mechanism applicable to the Management Company, jointly, is at least twice the potential bonus that may be derived for the Management Company from the same targets.

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

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

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

(1) Development, maintenance and/or management of a senior home in Israel with 100 rooms or more; and/or

(2) Development, maintenance and/or management of a hotel in Israel with 100 rooms or more; and/or

(3) Development, maintenance and/or management of a data center site in Israel or overseas with a capacity of over 5 MW.

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

Other than the foregoing updates, no further changes were made to the management agreement.

The total management fees for 2024 and 2023 totaled approx. NIS 4.5 million and NIS 4.2 million, respectively.

(2) With respect to the guarantees that the Group has provided to companies in the Group, see Note 27B.

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(3) On 19 October 2017, the Company's Board appointed Mr. Eyal Henkin ("**Mr. Henkin**") as the Company's CEO, starting from 1 January 2018.

On 30 April 2018, the general meeting of the Company's shareholders approved the terms and conditions of Mr. Eyal Henkin's office and employment (through a private company wholly-owned by him, "**Mr. Henkin's Management Company**") as CEO of the Company.

Mr. Henkin's Management Company is entitled to a fixed monthly payment of NIS 313 thousand, linked to the June 2016 index, as published in July 2016, with a possible supplement to such amount of 5% every year (over and above indexation). As of the report date, the fixed monthly payment is NIS 389 thousand. It is further entitled to related benefits, including the provision of a vehicle (Group 7) and a mobile phone.

Each of the parties may terminate the agreement, for any reason whatsoever, by a prior written notice of three months.

Furthermore, Mr. Henkin's Management Company shall be entitled to an adjustment bonus in an amount equal to 9 monthly payments.

On 11 August 2019, the Company's general meeting approved, after approval by the Compensation Committee and the Board, the update to the conditions of the management agreements with the Company's CEO, as follows:

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

The Company's CEO shall further be entitled to an annual bonus that will be based on the following two components and will be calculated as follows (the "**Measurable Bonus**"):

a. Meeting the FFO target – An operational parameter based on meeting the FFO target set forth in the Company's annual work plan, as shall be approved by the Compensation Committee and the Board during the first quarter of each year for which the Measurable Bonus is granted (the "**FFO Target**").

A prerequisite for receiving this component of the bonus is meeting 90% of the FFO Target. The CEO's eligibility for the bonus shall be calculated in a linear manner in accordance with the extent to which the FFO Target is met, whereby for fully meeting the FFO Target the CEO shall be entitled to a bonus in the sum of 2 times the monthly cost of employment.

b. Meeting the NOI target – An operational parameter based on meeting the NOI target set forth in the Company's annual work plan, as shall be approved by the Compensation Committee and the Board of the Company during the first quarter of each year for which the Measurable Bonus is granted (the "**NOI Target**").

A prerequisite for receiving this component of the bonus is meeting 90% of the NOI Target. The CEO's eligibility for the bonus shall be calculated in a linear manner in accordance with the extent to which the NOI Target is met, whereby for fully meeting the NOI Target the CEO shall be entitled to a bonus in the sum of 4 times the monthly cost of employment.

To clarify, in any event, the total amount of the Discretionary Bonus together with the Measurable Bonus to the CEO shall not exceed the amount of 9 times the monthly cost of employment of the CEO.

Should it transpire, in retrospect, that the figures on which the Company relied at the time of granting the annual bonus are incorrect, and that restatement thereof in the Company's financial statements is required, then the Company's CEO shall return to the Company the gap between the sum of the bonus that was paid to him based on the said incorrect figures and the sum of the annual bonus to which he is entitled based on the figures after their said restatement.

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(3) (Cont.)

On 2 May 2024, the Company's general meeting approved, after approval by the Compensation Committee and the Company's Board, among others, the following issues:

a. Special bonus to the Company's CEO:

Payment of a special bonus in the sum of approx. NIS 5.3 million to the Company's CEO, Mr. Eyal Henkin, in view of his special contribution to the Company, its business and results in 2023.

b. Update to the management agreement with the Company's CEO:

Update to the terms and conditions of the management agreement with Company's CEO, Mr. Eyal Henkin, valid as of the date of approval by the general meeting, with the following main provisions:

1. Update to the fixed component:

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

2. Update to the annual bonus:

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

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

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

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

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(3) (Cont.)

c. Equity compensation to the Company's CEO:

Granting of 234,350 unlisted options, exercisable for up to 234,350 ordinary shares of the Company, at a price of NIS 249.7 per share, reflecting the average closing price on TASE of the Company's stock in the 30 trading days preceding the date of the Board's resolution that approved the granting of the options. The fair value of an option unit is approx. NIS 89.86 calculated based on the Black-Scholes model. The options are exercisable according to a cashless exercise mechanism only. The options will vest and become exercisable in four equal annual tranches, such that all of the options will vest 48 months after the date of allocation thereof.

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

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

Other than the update to the annual bonus to which the Company's CEO is entitled, no further changes were made to the management agreement of the Company's CEO.

For 2024, Mr. Henkin received, through the management company, a bonus in the sum of approx. NIS 9.1 million, a part of which is composed of the aforesaid special bonus (2023 – approx. NIS 3.5 million).

On 18 August 2024, the Chairwoman and CEO of the Company informed the Company's Board that Mr. Henkin would be appointed as CEO of Green Mountain Global Ltd., a private company incorporated in England and owned by the Company, which will concentrate the Company's Data Center holdings ("GMG"). On 17 November 2024, the Company's Board approved the appointment of Mr. Ron Avidan as CEO of the Company. For further details, see Note 34E and Note 34F.

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(4) On 13 March 2014, a contribution agreement (the "**Contribution Agreement**") was signed, under which Azrieli granted holdings to Azrieli Foundation (Israel), R.A. ("**AFI**"), for no consideration, that include 6,902,000 ordinary shares of par value NIS 0.1 each of the Company (the "**Contribution Shares**"), which constitute ~5.69% of the Company's issued capital.

According to the provisions of the Contribution Agreement, the contribution of the Contribution Shares to AFI was made subject to the following 3 conditions:

(a) AFI shall hold the Contribution Shares, shall not transfer the same nor make any other disposition therein, for a period of at least 10 years from the date of execution of the Contribution Agreement (the "**Limitation Period**"); upon expiration of the Limitation Period, any transfer of the Contribution Shares by AFI will require a resolution by a special majority of at least 75% of the members of the board (or any other required organ), who are entitled to participate in a vote on such resolution ("**Special Approval**").

(b) Upon expiration of the Limitation Period and subject to receipt of the Special Approval as aforesaid, any future transfer of the Contribution Shares will be subject to a right of first refusal in favor of Azrieli Holdings.

(c) Azrieli Holdings shall retain all of the voting rights under the Contribution Shares, to which end AFI has signed the necessary powers of attorney. In the case of a future sale of the Contribution Shares by AFI, the voting rights under the Contribution Shares shall pass to the buyer.

As a result of receipt of the Contribution Shares, AFI became an Interested Party, as this term is defined in the Securities Law, 5728-1968 (the "**Securities Law**"), in the Company. Pursuant to the provisions of the Contribution Agreement, Azrieli Holdings and AFI are considered "Joint Holders of the Contribution Shares" (within the definition of "Holding or Purchasing Securities Together with Others" in the Securities Law). For purposes of duties applicable or relating, according to the Companies Law, to controlling shareholders of a company, the Company chose to treat AFI as if it is a controlling shareholder of the Company, even if this is not required by the provisions of the law, so long as the Company does not report otherwise.

(5) In November 2014, Gemel Tesua Investments Ltd. – a Consolidated Company ("**Gemel Tesua**") entered into an agreement AFI (see Section 4 above), according to which Gemel Tesua will lease to AFI, at arm's length, from January 2015, an area of approx. 457 sqm out of the office space in the Herzliya Business Park project, which is owned by the Group, and will also provide AFI with management and maintenance services as it provides to the other tenants in the project, which include, *inter alia*, cleaning, maintenance, building insurance and third party insurance for the public areas, payments of municipal taxes in respect of the public areas and gardening, for a period of five years, with an option to extend the period for an additional five years, in consideration for a monthly payment of approx. NIS 58 thousand. In 2020, the agreement was extended by an additional 5 years, until 15 January 2025. It was further agreed that Gemel Tesua will receive one-time compensation from AFI in respect of the investment budget provided in relation to the old area in the sum of NIS 313 thousand, linked to the index according to the previous agreement of 2010.

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(5) (Cont.)

In January 2022, an agreement was signed for increase of the leased premises to 518 sqm and provision of an allocation for leasehold investments in the sum of approx. NIS 363 thousand for a period of three years with an option to extend the period by another five years, until January 2030, in consideration for a monthly payment of approx. NIS 65 thousand. In June 2022, another agreement was signed for increase of the leased premises to 577.92 sqm, with no change in the consideration mechanism. In August 2023, another agreement was signed whereby, from August 2023, Gemel Tesua will lease to AFI an additional area of 8.68 sqm, such that the total leased premises area according to the agreement (with all its additions) is 586.6 sqm, with no change in the consideration mechanism. The engagement came to an end on 31 December 2024.

In October 2013, Gemel Tesua entered into an agreement with Candan Residences Ltd. ("**Candan Residences**"), a company controlled by the Controlling Shareholder and Chairwoman of the Board, Ms. Danna Azrieli, whereby Gemel Tesua will lease to Candan Residences, at arm's length, effective from October 2013, an area of approx. 190 sqm of the office space in the Herzliya Business Park project that is owned by the Group, and will provide to Candan Residences management and maintenance services as it does to the other tenants in the project which include, *inter alia*, cleaning, maintenance, building insurance, third party insurance for public areas, payment of municipal taxes for public areas and gardening, for a two-year period with an option to extend the period by two more years until 14 October 2017, in consideration for a monthly payment of approx. NIS 22 thousand. The agreement was extended by additional years with the same terms and conditions.

In December 2021, an agreement was signed whereby the area of the leased premises was reduced to 81 sqm for a period of two years with an option to extend the period by an additional two years until 31 December 2025, in consideration for a monthly payment of approx. NIS 10 thousand. In June 2022, an additional agreement was signed for the decrease of the leased premises to 21.08 sqm, with no change in the consideration mechanism. In August 2023, another agreement was signed for decrease of the leased premises to 12.4 sqm, with no change in the consideration mechanism. On 27 December 2023, Gemel Tesua and Candan Residences entered into an addendum to the agreement whereby the lease period was extended until 31 December 2024 (the "**Additional Lease Period**"). During the Additional Lease Period, the rent will be NIS 100 per 1 sqm gross, plus CPI linkage differentials. On 31 December 2024, the engagement came to an end.

(6) In December 2024, Canit Hashalom engaged with AFI, in which Ms. Danna Azrieli, who is one of the Company's controlling shareholders, holds office as a member of the Board, in a lease agreement under which Canit Hashalom shall lease to AFI offices of an area of approx. 467 sqm, in the Round Tower in Azrieli Center, and eight parking spaces, and shall also provide management and maintenance services, as provided thereby to the other tenants in the tower. The lease agreement is for a period of 5 years (from 1 January 2025) with an option for another 5 years. The monthly rent will be NIS 135 per sqm (linked to the CPI), plus monthly management fees as customary in the tower (cost+15%), and plus parking fees in the sum total of NIS 11,900, plus VAT. The said payments total NIS 88,875 per month plus VAT.

The Company classified transactions (5)-(6) above as negligible transactions, at arm's length and in the ordinary course of business, and determined that they are not transactions which require special approvals pursuant to the Companies Law (the classification was made in relation to each transaction separately).

Note 32 - Related Parties and Interested Parties (Cont.)

C. Transactions and balances with Related Parties and Interested Parties: (Cont.)

(7) Remuneration of the directors - in accordance with the decision of the Company's Board and general meeting, from 10 May 2010 and 24 August 2010, the remuneration of the outside directors, who are appointed in the Company, to be in accordance with the Companies Regulations (Rules on Outside Directors' Remuneration and Expenses), 5760-2000 (the "**Remuneration Regulations**"). The annual remuneration and the remuneration for participation (including remuneration as an expert outside director) will be paid in accordance with the maximum amount that is set in the Remuneration Regulations, in accordance with the Company's capital grade, as it may be from time to time.

In accordance with the decision of the Company's Compensation Committee and Board of 24 May 2016, Mses. Sharon Azrieli and Naomi Azrieli, who serve as directors of the Company, were entitled to an annual remuneration in an amount of NIS 65 thousand and remuneration for participation in a meeting in an amount of NIS 2,300, which amounts are linked to the index in accordance with the provisions of the Remuneration Regulations. In addition, the provisions of Sections 5(B) and 6(A) of the Remuneration Regulations will apply to the remuneration paid to such directors, *mutatis mutandis*.

On 4 July 2019, the Company's Board approved, after receipt of the approval of the Compensation Committee, that as of 3 June 2019 the aforesaid directors are entitled to the remuneration to which are entitled all the other directors in the Company who do not receive a salary or management fees, as renewed every 3 years subject to the approvals required by law.

(8) On 24 September 2024, the special general meeting of the Company's shareholders approved the terms of office and employment of Dr. Ariel Kor, a director of the Company, in connection with his position as Chairman of the Board of GMG. In consideration for the services, Dr. Kor will be entitled to an annual payment, from 12 July 2024, of £250 thousand.

For details regarding engagements with related parties and interested parties after the report date, see Note 34.

D. Exemption, insurance and indemnification for officers and directors:

(1) Exemption:

In accordance with the decisions of the Company's shareholders meeting from time to time (after the approval of the Compensation Committee and Board), the Company grants officers and directors, as being from time to time, an exemption in advance and in retrospect from their responsibility, in whole or in part, for any damage that may be caused thereto and/or that has been caused thereto, whether directly or indirectly, as a result of a breach of the duty of care of the directors and the officers vis-à-vis it and its subsidiaries, and in their capacity as officers and/or directors of the Company or officers and/or directors acting on the Company's behalf in subsidiaries, provided that the exemption will not apply to a decision or transaction in which the Company's Controlling Shareholder or officer has a personal interest.

(2) Indemnification:

In accordance with the decisions of the Company's shareholders meeting from time to time (after the approval of the Compensation Committee and Board), the Company grants all of the officers of the Company and directors of the Company, as being from time to time, an undertaking to indemnify for any liability or expense as specified below, imposed thereon as a result of actions made (including actions made prior to the grant of the letter of indemnification) and/or will make in their capacity as officers and/or directors of the Company or as officers and/or directors acting on the Company's behalf in subsidiaries or affiliates of the Company or any other company in which the Company has an interest:

Note 32 - Related Parties and Interested Parties (Cont.)

D. Exemption, insurance and indemnification for officers and directors: (Cont.)

(2) Indemnification: (Cont.)

(a) A financial liability that is placed on an officer and/or director in favor of another person under a judgment, including a judgment issued by way of compromise or an arbitration award that is approved by a court and provided that those actions relate to one or more of the events that are detailed in the letter of indemnification; (b) reasonable litigation expenses, including legal fees, incurred by an officer and/or director or that they were charged to pay by a court, in proceedings that were presented against them by the Company or in its name or by another person, or on a criminal indictment that they are acquitted of, or on a criminal indictment on which they are found guilty in an offence that does not require proof of criminal intent; (c) reasonable litigation expenses, including legal fees incurred by the officer and/or director, as the result of an investigation or proceedings that are conducted against them by an authority that is authorized to conduct the investigation or proceedings, and which ended without the presentation of an indictment against them and without any financial liability being placed upon them in lieu of criminal proceedings, or which ended without the presentation of an indictment against them but with the placement of a financial liability in lieu of criminal proceedings in an offence that does not require proof of criminal intent; (d) a financial liability imposed on the officer and/or director due to payment for parties injured by a breach in administrative proceedings; (e) the expenses incurred by the officer and/or director in connection with an administrative proceedings conducted in respect to him, including reasonable litigations expenses, and including legal fees.

The amount of the indemnification that the Company will pay to all of the officers (including the directors), cumulatively, in accordance with all of the letters of indemnification that is issued to them by the Company pursuant to the indemnification decision, in respect of one or more of the events that are detailed in the letter of indemnification, may not exceed 20% of the equity that is attributed to the shareholders of the Company in accordance with the last financial statements of the Company (audited or reviewed), which were published before the date of the indemnification.

On 10 August 2022, regarding Ms. Danna Azrieli, and on 27 April 2023, regarding Ms. Sharon Azrieli and Ms. Naomi Azrieli, who are indirect controlling shareholders of the Company and serve as directors of the Company, the general meeting of the Company's shareholders approved an extension of letters of exemption and indemnification that had been granted to them, for an additional three-year period starting 11 August 2022 (regarding Ms. Danna Azrieli) and as of the date of approval of the general meeting (regarding Ms. Sharon Azrieli and Ms. Naomi Azrieli).

(3) Insurance:

Pursuant to the Company's compensation policy, the Company is purchasing an insurance policy for directors and officers (including from among the Company's controlling shareholders) of the Company and the Company's subsidiaries.

On 27 June 2024, the Compensation Committee approved an engagement for the renewal of the insurance policy for directors and officers of the Company (including from among the Company's controlling shareholders) and the subsidiaries of the Company, from July 2024 until June 2025, under the conditions specified below:

1) The limits of liability in the insurance policy shall not exceed U.S. $100 million per event and for the period of the insurance, plus reasonable legal defense costs in Israel, over and above the limits of liability, and in respect of claims filed outside of Israel – reasonable legal defense costs over and above the limits of liability, in accordance with trial costs customary in Israel and pursuant to the Israeli law.

2) The sums of both the annual premium and the deductible are at market prices and of a cost which is immaterial to the Company.

Note 32 - Related Parties and Interested Parties (Cont.)

D. Exemption, insurance and indemnification for officers and directors: (Cont.)

(2) Insurance: (Cont.)

3) The insurance policy includes coverage for claims that are filed against the Company (as distinguished from claims against directors and/or officers thereof), which concern the violation of securities law at least in Israel (Coverage for Securities Claims Entity) as well as claims concerning employment relations with limits of liability of up to U.S. $1 million, and procedures for the payment of insurance benefits shall be determined, whereby the right of the directors and/or officers to receive indemnification from the insurer pursuant to the policy shall precede the right of the Company.

E. Negligible transactions:

On 24 November 2010, the Company's Board decided to adopt guidelines and rules regarding the classification of transactions which are not irregular transactions, of the Company or of a Consolidated Company thereof with Interested Parties therein or controlling shareholders, as a negligible transaction. Such guidelines were prescribed, *inter alia*, considering the scope of the Company's assets, the diversity of its businesses, the nature of the transactions performed thereby and the level of effect thereof on the Company's business and results. In May 2015, the Company's Board adopted a master procedure for transactions with Related Parties, which consolidated and incorporated procedures that were approved at the Company in the years preceding the approval thereof, including in respect of classification of negligible transactions.

Such rules and guidelines will serve on the one hand for examining the need to approve the transaction at the relevant institutions in the Company, and on the other hand, for examining the duty and/or scope of disclosure in the periodic report and the prospectus (including in shelf offer reports), and/or the provision of an immediate report in respect of such a transaction. It is noted that the transactions are examined at the group level, including material companies controlled by the Company.

The Company's Board determined that a negligible transaction at the Company is a transaction of the Company with controlling shareholders or another person in which the controlling shareholder has a personal interest, which is not irregular (i.e. is in the ordinary course of business, at arm's length and immaterial), and meets the following tests:

(1) In respect of the duty to provide an immediate report in connection with a negligible transaction – a single transaction in a company or a subsidiary controlled thereby is a negligible transaction if the financial scope thereof does not exceed the rate of 0.1% of the Company's consolidated equity according to the last financial statements; in case of ongoing transactions (including rent, leases and so forth), according to the monthly transaction amount, or the total sum of the transaction for the whole duration of the engagement, according to the shorter/lower between them. For the purpose of immediate report, the negligibility of a transaction will be examined on the basis of the specific single transaction, and to the extent such will pass the negligibility threshold, the Company will report such transaction through an immediate report.

(2) In respect of providing specification in the annual report in connection with negligible transactions – the total sum of all of the transactions of a certain type in the Company or a subsidiary controlled thereby, in a calendar year has not exceeded a rate of 0.5% of the Company's consolidated equity according to the last annual reports. The Company will include the types of transactions and aggregate amount thereof within its annual report only if the total amount exceeds the rate stated above. For the purpose of reporting within a periodic report, financial statements and a prospectus (including a shelf proposition report), the negligibility of the aggregate of all of the transactions of the same type of the Company with the controlling shareholder or with corporations controlled by the controlling shareholder, will be examined on an annual basis.

(3) Integrated transactions - upon the classification of transactions as negligible or non-negligible, each transaction will be examined in itself, however, the negligibility of integrated transactions, or such that are contingent upon each other or transactions of the same type, will be examined in the aggregate as one transaction. In respect of multiannual transactions (agreements for a period of several years), the scope of transaction will be calculated for examination of the negligibility threshold on an annual basis (i.e. – the total monetary amount deriving from the transaction exceeding the negligibility threshold as aforesaid). In insurance transactions, the premium will be examined as the transaction amount. Regardless of the insurance coverage provided, multiannual insurance transactions will be measured on the basis of the annual insurance fees paid or collected.

Note 32 - Related Parties and Interested Parties (Cont.)

E. Negligible Transactions: (Cont.)

(4) Negligible transactions at the subsidiaries – the transactions classified as negligible by the Company's investees will be deemed as negligible at the Company level too, while those classified by them as non-negligible, will be examined on the Company level. In case that the Company does not have available information allowing the examination of the classification of transactions as negligible or non-negligible transactions, then the aggregate of all of the transactions of the same type will be deemed as a negligible or non-negligible transaction, except if according to the figures in the Company's possession, one of the two conditions has been fulfilled: (1) According to the quantitative parameter above, the transaction in itself as a single transaction is not negligible; (2) the aggregate of the transactions is material to the Company.

(5) Non-quantitative examination – notwithstanding the aforesaid, the examination of the qualitative considerations of a negligible transaction from the quantitative aspect, may lead to the classification thereof as a transaction which is not negligible, if due to its nature, materiality and effect on the Company it is perceived as a significant event by the Company's management and serves as a basis for adoption of important managerial decisions or if within the context of the Company's transaction with controlling shareholders or another person in which the controlling shareholder has a personal interest, the other party is expected to receive benefits with regards to which there is significance in the reporting thereof to the investor public. It is clarified that even if a transaction of the Company with controlling shareholders or another person in which the controlling shareholder has a personal interest meets the quantitative test below, it will not be deemed negligible if such qualitative considerations indicate a material aspect thereof.

The approving entity:

Pursuant to Section 22.3 of the Company's articles, the Board determined that the classification of an Interested Parties' transaction as a negligible transaction will be examined by the CFO in cooperation with the general counsel, to the extent required, and in any approval of a transaction as negligible the examination and classification proceeding will be documented.

In accordance with the Company's master procedure, the classification of a transaction of the Company with controlling shareholders or with another person in which the controlling shareholder has a personal interest as a negligible transaction will be examined by the CFO and the general counsel, to the extent required, and in every approval of a transaction as a negligible transaction, the examination and classification proceeding will be documented. In addition, the Board has authorized the Company's CEO or the CFO to approve the performance of transactions which meet the definition of negligibility according to this procedure, subject to the following two exceptions: (a) a situation in which both of the said persons have a personal interest in the same transaction, in which case such person will be replaced by another senior officer at the Company; and (b) a transaction concerning the terms of office and employment of an officer, or an engagement with a controlling shareholder or his relative, directly or indirectly, including through a company controlled by him, in respect of receipt of services from him by the Company, and if he is an employee of the Company and not an officer thereof – in respect of his employment at the Company, in which case the approval proceeding will be carried out pursuant to the Companies Law.

Note 32 - Related Parties and Interested Parties (Cont.)

E. Negligible Transactions (Cont.)

(5) (Cont.)

Competitive proceeding or another proceeding:

In May 2015, the Audit Committee approved an amendment to the procedure, whereby unless decided otherwise by the Audit Committee, for Irregular Transactions and Non-negligible Transactions specified in Section 270(4) of the Companies Law, the Company's management shall conduct a competitive proceeding or another proceeding at the Company under the supervision of the Audit Committee, in accordance with the following principles.

In transactions for the purchase of services and/or the purchase of equipment and systems, the amount of annual expense in respect of which exceeds the quantitative threshold set for in the procedure, proposals from at least 3 different relevant suppliers in the required field, which were given in accordance with a specification of requirements to be determined thereby according to its needs and in accordance with the Group's procurement procedures, as being from time to time, will be presented to the Audit Committee with a recommendation to the Audit Committee of the chosen bidder and the reasons for the choice. The invitation to submit proposals will be supervised by the CFO of the Company who may instruct, according to his discretion, the performance of changes and/or improvements in the proceeding and/or negotiations with the bidders.

With respect to transactions for the lease of income-producing spaces, which are the Company's core business, and in view of the fact that during the regular course of business the proper proceeding is not necessarily a competitive proceeding, especially when such proceeding may create a business advantage for competing companies vis-à-vis potential lessees who are good for the Company, and the length of time for conducting such proceeding may jeopardize good transactions, the Company has adopted another proceeding, whereby a transaction, the amount of annual expense in respect of which exceeds the quantitative threshold set for in the procedure, and assuming that the marketing stages for such asset shall have commenced (i.e., pricing, hiring brokers etc.), the Company shall act to collect comparative data for the transaction (price per sqm, benefits and investments, lessees and their characterization, fittingness to the mix) in similar properties of the Company and similar properties of third parties in that area, and, to the extent required, shall be assisted by external consultants for this purpose. The Audit Committee and/or Board may request the Company's management to provide additional details or a comparison from other aspects. The Company's management shall present the Audit Committee with the details of the transaction proposed for approval and the reasons with respect to its advantageousness relative to the comparative transactions. It is clarified, that if it is a transaction which the Audit Committee determines to be uncharacteristic of the Company due to its scope and content (such as the construction or purchase of an entire building for the purpose of leasing it to one lessee which is a Related Party), the Audit Committee shall determine the procedures and the transaction shall be approved according to the requirements of the law.

Transactions with respect to terms of office and employment, other transactions with the Group’s companies and/or the contributions to bodies in which the Controlling Shareholder has a Personal Interest, shall be discussed at the Audit Committee, which shall determine, for every transaction, the suitable procedure for approval thereof. Nothing in the aforesaid shall derogate from the duties of approval of such engagements under any law.

In types of transactions in respect of which this chapter does not stipulate whether there is a duty to conduct a competitive proceeding or another proceeding, the Audit Committee shall determine in advance, ad hoc, for any concrete future transaction, whether the competitive proceeding or another proceeding will be conducted and the nature thereof as aforesaid.

Supervision and audit:

Internal bi-quarterly review – until 15 July and 15 January of each year, a report shall be made to the Company's CFO on transactions as stated in the procedure (including negligible and non-negligible transactions) in which the Company engaged in the two quarters that lapsed, and in respect of transactions with affiliates in which other companies in the Group engaged, stating the terms and conditions of each transaction (annual financial volume, general financial volume, nature of the transaction, identity of the Related Party and other material conditions).

Note 32 - Related Parties and Interested Parties (Cont.)

E. Negligible transactions: (Cont.)

(5) (Cont.)

Annual follow-up:

Once a year, before the deliberation on the Company's annual financial statements, or in special cases if the Audit Committee so requests prior thereto, the coordinator will report to the Audit Committee on transactions as stated in the procedure (including negligible and non-negligible transactions and including the Company's engagements in lease agreements with Related Parties in view of the Company's undertaking in the Company's IPO prospectus released in May 2010) and in which the Company engaged during the previous year and during the months until the date of approval of the financial statement at the Company's institutions, insofar as relevant. The report will also include Related Party transactions in other companies of the Group which were brought to the coordinator's attention during such period, stating the terms and conditions of each transaction (annual financial volume, general financial volume, nature of the transaction, identity of the Related Party and other material conditions), and regarding the sum total of the Related Party transactions in such year. In the framework of the annual follow-up as aforesaid, the officer shall attach a statement signed by him, whereby to the best of his knowledge and understanding, all of the relevant processes for mapping and identifying transactions with Related Parties were carried out at the Company and that all of the checks required by virtue of the undertaking in the prospectus were carried out, all in accordance with the provisions of the procedure, and that the transactions he reported were duly disclosed in the annual financial statements.

The Company's Board will examine, from time to time and at least once every three years, after receipt of the Audit Committee's recommendation, the implementation of the procedure by the Company and the need to update the procedure and/or the criteria therein and/or the proceedings prescribed for approval of the transactions, considering Related Party transactions in which the Company engages, material changes in the scope of the business of the Company and the Company's Investee Companies, and the relevant financial figures, and changes in the relevant statutory provisions. The provisions of the procedure do not derogate from the authority of the Audit Committee to decide to hold a discussion, from time to time, on various aspects relating to Interested Party transactions and to invite to such discussions the relevant entities, including the Company's management, the coordinator, the internal auditor and the general counsel.

Note 33 - Segment Reporting

A. General:

The Company applies IFRS 8, "Operating Segments" ("**IFRS 8**"). In accordance with the provisions of the standard, operating segments are identified on the basis of the internal reporting in respect of the components of the Group, which are reviewed on a regular basis by the Group's Chief Operational Decision Makers ("**CODM**") for the purpose of the allocation of resources and the evaluation of the performance of the operating segments.

The Company's business activities focus primarily on the various property segments, while most of the Group's business activity is in the retail centers and malls in Israel segment, the leasable office and other space segment, and in the rental housing segment in Israel. In addition, the Company engages in the income-producing property in the U.S. segment (office space for lease), in the senior housing segment and in the data centers segment.

The Company has other business activities, including financial investments and e-commerce activity (see Note 12E for details regarding the discontinuation of the ecommerce activity). In February 2020 the Company closed the purchase of the Mount Zion Hotel in Jerusalem in the context of its entry into the hospitality industry.

The following are the Company's operating segments:

Segment A – Retail centers and malls in Israel.

Segment B – Leasable office and other space in Israel.

Segment C – Income-producing property in the U.S.

Segment D – Senior housing.

Segment E – Data centers.

Segment F - Rental housing in Israel.

In the following operating segments: retail centers and malls in Israel; leasable office and other space in Israel; income-producing property in the U.S.; senior housing; data centers; and rental housing in Israel, these components have been aggregated into segments.

The segment's results include the profit (loss) generated from the operations of each reportable segment. These reports were compiled on the basis of the same accounting policy as the policy applied by the company.

Note 33 - Segment Reporting (Cont.)

A. General (Cont.):

Following are the considerations exercised by the management in implementing the criteria for aggregation of each one of these segments:

The Group's management examined the financial characteristics of each one of these segments and reached the conclusion that the financial characteristics in each one of them are similar, due to the fact that each one of the segments, other than the data center segment, is managed in the same geographical region (Israel or the U.S.), stated in the same currency (NIS or USD), subject to similar political and legal conditions, and has similar profitability rates. In addition, the Group's management considered that each one of these segments is similar in all of the following characteristics:

- The nature of the projects – all of the projects in each one these segments are in the same operating segment.
- The nature of the development and enterprise processes – all of the projects in each one of these segments involve similar development and enterprise processes.
- Type of customers – all of the projects in each one of these segments, are marketed to similar clientele (business customers, the senior population).
- The methods used for marketing the projects – the methods for marketing all of the projects in each one of these segments are similar and include identical advertising and marketing processes.
- The nature of the supervisory environment – similar laws, regulations and rules apply to all of the projects in each one of these segments, including in respect of real property, planning, construction, and leasing, environmental protection, laws on the municipal level and in respect of land taxation, and laws and regulations in the field of senior housing.

Based on the considerations specified above, the Group's management believes that the aggregation of each one of the segments: the retail centers and malls in Israel, leasable office and other space in Israel, income-producing property in the U.S., senior housing, data centers and rental housing in Israel are in accordance with IFRS 8.

Note 33 - Segment Reporting (Cont.)

B. Operating segments:

	For the year ended 31 December 2024							
	Retail centers and malls in Israel	Office and other space for lease in Israel	Income-producing property in the U.S.	Senior housing	Data centers	Rental housing in Israel	Others	Consoli-dated
	NIS in millions							
Income:								
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
Net profit from adjustment to fair value of investment property and investment property under construction	267	142	7	127	310	60	-	913
Unallocated costs								(338)
Financing expenses, net								(945)
Other income, net								(3)
Company's share in the results of associates, net of tax								(5)
Income before taxes on income								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 NIS 4.6 billion.

Note 33 - Segment reporting (Cont.)

B. Operating segments (Cont.):

	For the year ended 31 December 2023								
	Retail centers and malls in Israel	Office and other space for lease in Israel	Income-producing property in the U.S.	Senior housing	Data centers	Rental housing in Israel	Others	Adjust-ments	Consoli-dated
	NIS in millions								
Income:									
Total external income	1,197	1,009	239	246	290	18	33	(89)	2,943
Total segment expenses	256	188	129	174	136	3	93	(35)	944
Segment profit (loss) (NOI)	941	821	110	72	154	15	(60)	(54)	1,999
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	24	335	(240)	90	718	(22)	-	7	912
Unallocated costs									(283)
Financing expenses, net									(843)
Other income, net									1,145
Company's share in the results of associates, net of tax									(77)
Income before taxes on income									2,853
Additional information as of 31 December 2023:									
Segment assets	15,523	16,625	1,821	3,287	7,395	1,887	525	-	47,063
Unallocated assets (*)									7,009
Total consolidated assets									54,072
Capital investments	362	426	66	100	2,566	243			

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

Note 33 - Segment Reporting (Cont.)
B. Operating segments: (Cont.)

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

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

Note 34 - Material Subsequent Events

A. 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 being 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 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 the report period 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. As of the report date, GM is examining the exercise notice and there is no certainty that the capacity increase will go ahead.

B. 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.

C. On 19 February 2025, the Company awarded 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. The award of the tender is contingent on the taking effect of the zoning plan that applies to the lot. 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. The zoning plan that applies to the lot has taken effect on 19 March 2025.

D. 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 options for alternative land for the construction of the campus.

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

Note 34 - Material Subsequent Events (Cont.)

F. Mr. Henkin will assume his full-time position as CEO of GMG on 1 April 2025. On 17 and 19 March 2025, the audit committee and the Company's 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 will be entitled to an annual salary of £725 thousand, which will be updated each year by a rate of 5% above the rate of the CPI. 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**"). Generally, except in specific circumstances determined in the EIP, the equity compensation granted to Mr. Henkin is only cashless, 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. 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 related terms and conditions that are standard in agreements of this type, such as: company car, mobile telephone, expense reimbursement, coverage of relocation expenses, insurance, exemption and indemnity according to GMG's policy.

G. According to the Board resolution of 19 March 2025, it was determined that a dividend in the sum total of NIS 800 million will be distributed.

H. 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 will be granted to the incoming CEO of the Company, subject to the approval of the general meeting), 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.

Azrieli Group Ltd.

Separate Financial Statement
For Y2024

Prepared pursuant to the provisions of Section 9C of the Securities Regulations
(Periodic and Immediate Reports), 5730-1970

Azrieli Group Ltd.

Separate Financial Statement For Y2024

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Deloitte.

English Translation solely for the convenience of the readers of the Hebrew language audit report and Hebrew language financial statements.

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

Dear Sir/Madam,

Re: Auditor's special report on separate financial statement pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

We have audited the separate financial statement, which is presented according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of **Azrieli Group Ltd.** (the "**Company**") as of 31 December 2024 and 2023 and for each of the years in the three-year period ended 31 December 2024. This separate financial statement is the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on this separate financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and details included in the separate financial statement. An audit also includes assessing the accounting principles used in the preparation of the separate financial statement and significant estimates made by the Company's board of directors and management, as well as evaluating the overall presentation of the separate financial statement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial statement has been prepared, in all material respects, in accordance with the provisions of Regulation 9C 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, 19 March 2025

Azrieli Group Ltd.

Statement of Financial Position

	As of 31 December	
	2024	2023
	NIS in millions	NIS in millions
Assets		
Current assets		
Cash and cash equivalents	4,146	2,824
Trade accounts receivable	26	42
Other receivables	276	639
Current tax assets	25	33
Total current assets	4,473	3,538
Non-current assets		
Financial assets	1,523	1,038
Investment property and investment property under construction	18,849	18,182
Investments in investee companies	21,605	20,837
Loans to investee companies	2,478	1,845
Fixed assets	594	548
Receivables	38	39
Total non-current assets	45,087	42,489
Total assets	49,560	46,027
Liabilities and capital		
Current liabilities		
Credit and current maturities from financial corporations and bonds	2,269	2,480
Trade payables	274	230
Payables and other current liabilities	365	177
Total current liabilities	2,908	2,887
Non-current liabilities		
Loans from financial corporations	581	218
Bonds	20,159	17,418
Other liabilities	36	38
Deferred tax liabilities	2,069	1,923
Total non-current liabilities	22,845	19,597
Capital		
Ordinary share capital	18	18
Share premium	2,478	2,478
Capital reserves	246	459
Retained earnings	21,065	20,588
Total capital attributed to shareholders of the Company	23,807	23,543
Total liabilities and capital	49,560	46,027

19 March 2025			
Date of approval of the financial statements	**Danna Azrieli** **Chairwoman of the Board**	**Eyal Henkin** **CEO**	**Ariel Goldstein** **CFO**

The notes attached to the consolidated financial statements form an integral part thereof

Azrieli Group Ltd.

Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Revenues from rent, management and maintenance fees, net	1,202	1,109	847
Cost of revenues from rent, management and maintenance fees	42	40	34
Gross profit	1,160	1,069	813
Sales and marketing	47	45	43
General and administrative	165	146	119
Operational profit before other expenses and income	948	878	651
Net profit from adjustment to fair value of investment property and investment property under construction	140	212	1,069
Share in results of investee companies, net of tax	1,227	1,885	793
Other income (expenses), net	41	(72)	160
Operational profit after other expenses and income	2,356	2,903	2,673
Financing income	142	121	146
Financing expenses	964	780	920
Profit before income taxes	1,534	2,244	1,899
Expenses for taxes on income	(57)	(19)	(102)
Net profit for the year	1,477	2,225	1,797
Other comprehensive income (loss):			
Amounts that will not be classified in the future to income or loss, net of tax:			
Change in fair value of financial assets, net of tax	377	9	(101)
Amounts that were or will be classified in the future to income or loss, net of tax:			
Translation differences due to foreign operations	(598)	(57)	247
Share in the other comprehensive income (loss) of investee companies, net of tax.	-	(7)	22
Total	(598)	(64)	269
Other comprehensive income (loss) for the year, net of tax	(221)	(55)	168
Total comprehensive income for the year	1,256	2,170	1,965

The notes attached to the consolidated financial statements form an integral part thereof

Azrieli Group Ltd.

Statement of Cash Flows

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Cash flows - current operations			
Net profit for the year	1,477	2,225	1,797
Depreciation and amortization	5	4	2
Net profit from adjustment of fair value of investment property and investment property under construction	(140)	(212)	(1,069)
Financing and other income, net	752	668	794
Profit from increase in holding of associate	-	-	(204)
Share in profits of investee companies, net of tax	(1,227)	(1,885)	(793)
Tax expenses recognized in the income statement	57	19	102
Income tax received (paid), net	8	(70)	31
Change in trade and other receivables	222	21	(17)
Change in trade and other payables	264	9	72
Change in employee provisions and benefits	(8)	1	(1)
Revaluation of financial assets designated at fair value through profit and loss	-	(3)	-
Net cash – current operations	1,410	777	714
Cash flows - investment activities			
Acquisition and investment in investment property and investment property under construction	(519)	(409)	(1,042)
Purchase of fixed assets	(53)	(190)	(39)
Investments in investee companies	(517)	(1,517)	(1,180)
Repayment (grant) of long-term loans from investee companies, net	(39)	(329)	431
Interest and dividend received	141	106	82
Proceeds from liquidation of financial assets	-	1	120
Taxes paid in respect of assets	-	(68)	(84)
Proceeds from disposition of fixed assets	-	1	-
Loss from hedging transaction	-	(67)	-
Net cash - investment activities	(987)	(2,472)	(1,712)

The notes attached to the consolidated financial statements form an integral part thereof

Azrieli Group Ltd.

Statement of Cash Flows
(Continued)

	For the year ended 31 December		
	2024	2023	2022
	NIS in millions	NIS in millions	NIS in millions
Cash flows - financing activities			
Issue of bonds net of issue expenses	3,626	3,050	2,969
Dividend distribution to the shareholders	(1,000)	(700)	(650)
Repayment of bonds	(1,355)	(922)	(796)
Receipt of long-term loans	425	-	-
Repayment of long-term loans	(378)	(101)	(102)
Short-term credit from financing corporations, net	(91)	710	1
Customer deposits, net	-	-	3
Interest paid	(330)	(312)	(232)
Net cash - financing activities	897	1,725	1,193
Increase in cash and cash equivalents	1,320	30	195
Cash and cash equivalents at the beginning of the year	2,824	2,787	2,597
Effect of exchange rates changes on cash balances held in foreign currency	2	7	(5)
Cash and cash equivalents at the end of the year	4,146	2,824	2,787

The notes attached to the consolidated financial statements form an integral part thereof

A. General:

Definitions

The Company	-	Azrieli Group Ltd.
Investee company	-	See Note 7 to the Company's consolidated financial statements as of 31 December 2024.

B. Form of Preparation of the Financial Information:

The financial information out of the consolidated statements, attributed to the Company itself as a parent company (the "**Financial Information**") was prepared according to the provisions of Regulations 9C of and the 10th Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The Notes specified below also include disclosures pertaining to additional material information, according to the disclosure requirements specified in the said Regulation and as specified in the 10th Schedule, insofar as such information is not included in the consolidated statements in a manner which explicitly addresses the Company itself as a parent company.

Accounting policy:

The Company's separate financial statement is prepared according to the accounting policy specified in Note 2 to the Company's consolidated financial statements except for the amounts of the assets, liabilities, revenues, expenses and cash flows in respect of investee companies, as specified below:

a. The assets and liabilities are presented at their value in the consolidated statements attributed to the Company itself as a parent company, except for investments in investee companies.

b. Investments in investee companies are presented as the net sum amount of the total assets net of the total liabilities which present in the Company's consolidated statements financial information regarding the investee companies, including goodwill.

c. The revenues and expenses amounts reflect the revenues and expenses included in the consolidated statements attributed to the Company itself as a parent company, segmented between profit or loss and other comprehensive income, except for amounts of revenues and expenses in respect of investee companies.

d. The Company's share in the results of investee companies is presented as the net amount of the total revenues net of the total expenses presenting in the consolidated statements of the Company business results in respect of investee companies, including impairment of goodwill or the reversal thereof, in segmentation between profit or loss and other comprehensive income.

e. The cash flow amounts reflect the amounts included in the consolidated statements attributed to the Company itself as a parent company, except for amounts of the cash flows in respect of investee companies.

f. Loans given and/or received from investee companies are presented at the amount attributed to the Company itself as a parent company.

g. Balances, revenues and expenses in respect of transactions with investee companies which were written off within the consolidated statements, are measured and presented within the relevant clauses in the information on the financial position and the comprehensive income, in the same manner that such transactions would have been measured and presented had they been performed vis-à-vis third parties. Profits (losses) in respect of such transactions until the level that they are not recognized in the Company's consolidated statements, which were deferred, are presented net of (as an addition) of the items of the Company's share in the profits (losses) of investee companies and investments in investee companies so that the Company's separate profit (loss) is identical to the Company's consolidated profit (loss) attributed to the owners of the parent company.

C. Financial Assets and Liabilities:

(1) Liquidity risk management:

Financial liabilities which do not constitute derivative financial instruments:

The following tables specify the Company's remaining contractual maturity dates in respect of financial liabilities which do not constitute a derivative financial instrument. The tables were prepared based on the non-discounted cash flows of the financial liabilities based on the earliest date on which the Company might be required to repay them. The table includes cash flows in respect of both interest and principal.

	As of 31 December 2024					
	Book Value	Projected cash flow	2025	2026	2027	2028 forth
	NIS in millions					
Financial liabilities which are not derivatives:						
Short-term credit from financing corporations (1)	712	738	738	-	-	-
Trade accounts payable	274	274	274	-	-	-
Other payables	182	182	182	-	-	-
Loans from financial corporations (2)	664	729	93	92	90	454
Bonds (2)	21,769	25,925	1,903	2,103	2,169	19,750
Long-term customer deposits	32	32	-	-	32	-
Total	23,633	27,880	3,190	2,195	2,291	20,204

	As of 31 December 2023					
	Book Value	Projected cash flow	2024	2025	2026	2027 forth
	NIS in millions					
Financial liabilities which are not derivatives:						
Short-term credit from financing corporations (1)	787	787	787	-	-	-
Trade accounts payable	230	230	230	-	-	-
Other payables	36	36	36	-	-	-
Loans from financial corporations (2)	591	600	377	65	64	94
Bonds (2)	18,818	21,294	1,638	1,723	1,908	16,025
Long-term customer deposits	33	33	-	-	33	-
Total	20,495	22,980	3,068	1,788	2,005	16,119

(1) Book value includes interest accrued as of 31 December 2024 and 2023.
(2) Book value includes current maturities and interest accrued as of 31 December 2024 and 2023.

C. Financial Assets and Liabilities (Cont.):

(2) Details regarding investments in other companies:

Details regarding investments in financial at fair value through other comprehensive income.

For details pertaining to the Company's investments in Bank Leumi Le-Israel Ltd, see Note 9 to the consolidated financial statements as of 31 December 2024.

D. Taxes on Income:

(1) Details regarding the tax environment in which the Group operates and changes in the tax rates:

For details pertaining to the tax environment in which the Company operates, see Note 25A to the consolidated financial statements for the year ended 31 December 2024.

(2) Taxes on income recognized in profit and loss:

	For the year ended on December 31		
	2024	**2023**	**2022**
	NIS in millions	**NIS in millions**	**NIS in millions**
Expenses for current taxes:			
For the current period	-	-	-
Adjustments for previous years, net	-	-	(94)
	-	-	(94)
Deferred taxes expenses:	(57)	(19)	(8)
Total income tax expenses	(57)	(19)	(102)

(3) Tax Assessments:

See Note 25F to the consolidated financial statements of the year ended 31 December 2024.

D. Taxes on Income: (Cont.)

(4) Taxes on income due to other comprehensive income components:

	As of 31 December 2024			As of 31 December 2023			As of 31 December 2022		
	Amounts before tax	Tax expenses	Amounts net of tax	Amounts before tax	Tax income	Amounts net of tax	Amounts before tax	Tax expenses	Amounts net of tax
	NIS in millions			NIS in millions			NIS in millions		
Change in the fair value of financial assets	484	(107)	377	7	2	9	(138)	37	(101)
Translation differences due to foreign operations	(598)	-	(598)	(57)	-	(57)	247	-	247
Share in the other comprehensive income (loss) of investee companies, net of tax	-	-	-	(7)	-	(7)	22	-	22
Total other comprehensive income (loss)	(114)	(107)	(221)	(57)	2	(55)	131	37	168

D. Taxes on Income: (Cont.)

(5) Deferred taxes note:

Deferred taxes assets and liabilities which were recognized:

The deferred taxes are calculated according to the tax rate expected to apply on the reversal date as specified above.

Deferred taxes assets and liabilities are attributed to the following items:

	Real estate assets and fixed assets	Employee benefits	Financial instruments (1)	Carry forward deductions and losses for tax purposes	Others (2)	Total
	NIS in millions					
Deferred tax asset (liability) balance as of 1 January 2023	(2,134)	2	(132)	282	17	(1,965)
Changes carried to profit and loss	(95)	1	(1)	83	(7)	(19)
Changes carried to other comprehensive income	-	-	2	-	-	2
Other	49	-	-	-	10	59
Deferred tax asset (liability) balance as of 31 December 2023	(2,180)	3	(131)	365	20	(1,923)
Changes carried to profit and loss	(87)	-	-	39	(9)	(57)
Changes carried to other comprehensive income	-	-	(107)	-	-	(107)
Other	-	-	-	-	18	18
Deferred tax asset (liability) balance as of 31 December 2024	(2,267)	3	(238)	404	29	(2,069)

(1) Mainly due to financial assets available for sale.

(2) Mainly due to the capital reserve created due to credit given to subsidiaries other than at arm's length.

E. Material Engagements and Transactions with Investee Companies:

(1) On material investments in companies directly held by the Company, see Note 7 to the consolidated financial statements as of 31 December 2024.

(2) On 1 January 2023, Canit Hashalom issued to the Company NIS 209 million in bonds linked to the CPI and bearing interest at the rate of 1% per annum payable at the end of the year with an option for a prepayment of the bonds. The interest and the linkage differentials in respect of the loan will in no event be lower than the interest rate determined in respect of Section 3(j) of the Income Tax Ordinance. If Canit Hashalom does not repay the principal, interest and linkage differentials by the maturity date, the bonds shall be deemed as having been paid and reissued on the day following the maturity date

On 31 December 2023 the bonds were repaid in full.

(3) Material arrangements between the Company and Investee Companies:

a. The Company and several companies held thereby and other companies in the Group have agreements, according to which the Company is entitled to management fees at a fixed rate out of those companies' total expenses. In the years 2024 and 2023, the Company received management fees as aforesaid at a total sum of approx. NIS 274 million and approx. NIS 246 million, respectively.

b. The Company and several companies held thereby have agreements, according to which the Company is entitled to amounts for a depreciation and replacement fund for the replacement and/or fundamental repair of facilities and equipment serving all of the tenants in the Company's real estate. In the years 2024 and 2023, the Company received proceeds as aforesaid at a total sum of approx. NIS 16 million and approx. NIS 14 million, respectively.

c. The Company and several companies held thereby have agreements, according to which the Company is entitled to amounts for rent due to the companies' use of areas owned thereby. In the years 2024 and 2023, the Company received rent as aforesaid at a total sum of approx. NIS 1 million and approx. NIS 1 million, respectively.

d. The Company provided loans to several companies held thereby, as detailed below:

Loans in the amount of approx. NIS 146 million linked to the USD and bearing interest at a rate of ~10% per annum.

A loan in the amount of approx. NIS 27 million linked to the USD and bearing interest at a rate of ~6.5% per annum.

A loan in the amount of approx. NIS 5 million linked to the USD and bearing interest at a rate of ~6% per annum.

A loan in the amount of approx. NIS 5 million linked to the NIS and bearing interest at a rate of ~6.4% per annum.

A loan in the amount of approx. NIS 215 million linked to the EURO and bearing interest at a rate of ~5.2% per annum.

A loan in the amount of approx. NIS 239 million linked to the GBP and bearing interest at a rate of ~3.2% per annum.

A loan in the amount of approx. NIS 158 million linked to the GBP and bearing interest at a rate of ~4.8% per annum.

Capital notes in the amount of approx. NIS 1,470 million, not linked to the CPI and not bearing interest, have been issued for a period of at least 5 years. The balance is presented net of capital reserve according to market interest.

With regards to the loans to Canit Hashalom, see Section 2 above.

The remaining loans bear interest pursuant to the Income Tax Regulations.

The interest and linkage differentials which were accrued due to such loans and were presented in the statement of net profit of the Company for the years ended on 31 December 2024 and 2023 are in a total amount of approx. NIS 75 million and approx. NIS 73 million, respectively.

E. Material Engagements and Transactions with Investee Companies: (Cont.)

(3) Material arrangements between the Company and Investee Companies (Cont.)

e. The Company bears insurance and office expenses, payroll expenses for employees of the Group (the "**r**"). The Company and several companies held thereby and other companies in the Group have agreements, according to which the Company is entitled to reimbursement for amounts paid thereby for the companies. In the years 2024 and 2023 the Company received such proceeds in a total amount of approx. NIS 30 million and approx. NIS 25 million, respectively.

f. The Company and companies held thereby have an agreement, according to which the investee companies are entitled to rent, management fee and parking fees for areas owned thereby. In the years 2024 and 2023, the Company paid rent, management fees and parking fees as aforesaid in a total amount of approx. NIS 11 million and approx. NIS 11 million, respectively.

F. Guarantees:

For details on guarantees provided by the Company – See Note 27B to the consolidated financial statements as of 31 December 2024.

G. Contractual Restrictions and Financial Covenants:

For details regarding contractual restrictions undertaken by the Company, see Note 16 to the consolidated financial statements as of 31 December 2024.

H. Dividends from Companies Directly held by the Company:

Companies directly held by the Company have no contractual restrictions on dividend distribution.

I. Pledges:

With respect to pledges – see Note 27A to the consolidated financial statements as of 31 December 2024.

J. Engagements with Related and Interested Parties:

Regarding engagements with related and interested parties, see Note 32 to the consolidated financial statements as of 31 December 2024.

K. Subsequent Events:

For material events after the balance sheet date - see Note 34 to the consolidated financial statements as of 34 December 2024.

19 March 2025
Our number:

To:
The Board of Directors of Azrieli Group Ltd.
1 Azrieli Center,
Tel Aviv

Dear Sir/Madam,

Re: Letter of consent 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:

a. The auditor's report of 19 March 2025 on the Company's consolidated financial statements as of 31 December 2024 and 2023 and for each of the three years in the period ended 31 December 2024.

b. The auditor's report of 19 March 2025 on the audit of components of internal control over financial reporting of the Company as of 31 December 2024.

c. The special auditor's report of 19 March 2025 on the separate financial information of the Company according to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, as of 31 December 2024 and 2023 and for each of the three years in the period ended 31 December 2024.

Sincerely,

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

PART D

Further Details about the Corporation

CHAPTER D | ADDITIONAL DETAILS ABOUT THE CORPORATION

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Regulation 25A – Registered Address

Company Name: Azrieli Group Ltd.

Company Number in the Registrar of Companies: 51-096071-9

Address: 1 Azrieli Center, Tel Aviv, 6702101

Facsimile: 03-6081380

Telephone: 03-6081400

email: Niritz@azrieli.com

Date of the Statement of Financial Position: 31 December 2024

The Report Date: 19 March 2025

Regulation 10A - Summary of the Reports on Results of the Company's Operations for Each Quarter of 2024 (NIS in million)

	1-3/2024	4-6/2024	7-9/2024	10-12/2024	1-12/2024
Income From rent, management and maintenance fees, and sales	749	781	839	912	3,281
Cost of income from rent, management and maintenance fees, and sales	216	228	253	282	979
Gross profit	533	553	586	630	2,302
Sales and marketing	19	15	17	24	75
General and administrative	53	63	61	86	263
Operating income before other income and expenses	461	475	508	520	1,964
Net profit from fair value adjustment of investment property and investment property under construction	253	65	318	277	913
Share in the results of a company accounted for by the equity method, net of tax	-	-	-	(5)	(5)
Other income (expenses), net	(7)	(6)	11	(1)	(3)
Operating income after other income and expenses	707	534	837	791	2,869
Financing income	57	26	37	21	141
Financing expenses	178	372	417	119	1,086
Profit before taxes on income	586	188	457	693	1,924
Taxes on income	(122)	(32)	(74)	(214)	(442)
Net profit for the period	464	156	383	479	1,482
Attributed to:					
Shareholders of the Company	464	156	383	474	1,477
Non-controlling interests	-	-	-	5	5
	464	156	383	479	1,482

Regulation 10C - Use of Proceeds from Securities

Series 1 Commercial Paper

On 8 July 2024, approx. NIS 638,017 thousand par value of Series 1 commercial paper were issued, in consideration for approx. NIS 638 million (approx. NIS 637 million net of issue expenses), in accordance with a shelf offering report released on 7 July 2024 (Ref. 2024-01-070594), which is included herein by way of reference and was released under the 2022 Shelf Prospectus.

Series G Bonds

On 25 July 2024, approx. NIS 226,593 thousand par value of Series G Bonds were issued by way of expansion of such series, in consideration for approx. NIS 214.8 million (approx. NIS 213.3 million net of issue expenses), in accordance with a shelf offering report released on 23 July 2024 (Ref. 2024-01-077860) and amended on 24 July 2024 (Ref. 2024-01-078292), which is included herein by way of reference and was released under the 2022 Shelf Prospectus.

Series I Bonds

On 25 July 2024, approx. NIS 990,497 thousand par value of Series I Bonds were issued, in consideration for approx. NIS 990,497 thousand (approx. NIS 976,856 thousand net of issue expenses) in accordance with a shelf offering report released on 23 July 2024 (Ref. 2024-01-078292) and amended on 24 July 2024 (Ref. 2024-01-077860), which is included herein by way of reference and was released under the 2022 Shelf Prospectus.

On 18 December 2024, approx. NIS 2,291,905 thousand par value of Series I Bonds were issued, by way of expansion of such series, in consideration for approx. NIS 2,470,634 thousand (approx. NIS 2,403,234 thousand net of issue expenses and accrued interest), in accordance with a shelf offering report released on 17 December 2024 (Ref. 2024-01-625079), which is included herein by way of reference and was released under the 2022 Shelf Prospectus.

The proceeds received from these issues were and shall be used by the Company, among other things, for refinancing an existing financial debt, making investments and current financing purposes, from time to time.

Regulation 11 - List of Investments in Material Subsidiaries and Affiliates as of the Date of the Statement of Financial Position

See Annex A to this Chapter D.

Regulation 12 - Changes in Investments in Material Subsidiaries and Affiliates, Directly and Indirectly, in the Report Period

In the Report Period there were no changes in investments in material subsidiaries and affiliates, directly and indirectly.

Regulation 13 - Profit of Material Subsidiaries and Affiliates and the Corporation's Income therefrom as of the Date of Statement of Financial Position (NIS in Million)

Investee Company	Main Business	Profit (Loss) (NIS in million)		Company's Income from the Affiliate		
		Net Profit	Comprehensive Income	Dividend	Management Fee	Interest and Linkage Differentials*
Canit Hashalom Investments Ltd.	Development, management, acquisition and lease of commercial and office buildings in Israel and in the US.	849	850	-	176	-
Otzem Initiation & Investments (1991) Ltd.	Development and lease of commercial buildings (Or Yehuda and Ramla)	36	36	-	11	14
AG Galleria Office Buildings, LP	Holding of 92.3% of the rights in office buildings situated in Houston, Texas, USA, which are known by the name Galleria	7	8	-	-	-
Gemel Tesua Investments Ltd.	Development, management, acquisition and lease of commercial and office buildings in Israel	105	105	-	25	-
Otzma & Co. Investments Maccabim Ltd.	Development, management, acquisition and lease of office buildings in Israel	8	8	-	(**)-	2
AG Plaza at Enclave	Holding of 100% of the rights in an office building in Houston, Texas, USA - "Houston Dow Center"	(62)	(61)	-	-	8
Palace America Senior Housing Company Ltd.	Operation of a senior home	12	12	-	-	-
Ahuzat Bayit Ra'anana – Senior Housing Ltd.	Operation of a senior home and a retail center	15	15	-	-	14
Modi'in Senior Housing Ltd.	Operation of a senior home	35	35	-	-	-
Mall Hayam Eilat (1978) Ltd.	Management and lease of Eilat mall	6	6	-	1	-
Ahuzat Menachem Milstein Ltd.	Development, management and lease of office buildings in Israel	19	19	-	-	11
International Consultants (E-Consult) Ltd.	Development and leasing of offices and industrial buildings	8	8	-	3	-
AG 8 West Centre	Holding of 100% of the rights in an office building in Houston, Texas, USA	1	1	-	-	7
AG San Clemente	Holding of 100% of the rights in an office building in Houston, Texas, USA	24	25	-	-	-
AG Two Aspen	Holding 100% of the rights in an office building in Austin, Texas, USA	9	9	-	-	2
Green Mountain	Data centers in Norway	362	(60)	-	-	3
Global Data AZ Ltd.	Data centers in England	(62)	(68)	-	-	4
Palace Lehavim Limited Partnership	Establishment and operation of a senior home and retail center	47	47	-	-	-

* Including capital reserve

** Less than NIS 1 million

Regulation 20 - Trade on the Stock Exchange – Listed Securities / Trading Suspensions - Dates and Reasons

a. Shares/Securities

On 8 July 2024, NIS 638,017 thousand par value Series 1 Commercial Paper were listed on TASE, having been offered to the public under the 2022 Shelf Prospectus.

On 25 July 2024, NIS 226,593 thousand par value Series G Bonds were listed on TASE, having been offered to the public under the 2022 Shelf Prospectus.

On 25 July 2024, approx. NIS 990,497 thousand par value Series I Bonds were listed on TASE, having been offered to the public under the 2022 Shelf Prospectus.

On 18 December 2024, NIS 2,291,905 thousand par value additional Series I Bonds were listed on TASE, having been offered to the public under the 2022 Shelf Prospectus.

For further details, see Regulation 10C of this Chapter D.

b. Trading Suspensions

In the Report Period, no trading suspensions of securities issued by the Company took place.

Regulation 21 - Payments to Senior Officers

For a specification of the compensation granted in the Report Period, as specified in Schedule 6 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see Section 1 of Chapter E of this Report.

Regulation 21A - Control of the Company

As of the Report Release Date, Azrieli Holdings Inc. ("**Azrieli Holdings**"), a private company incorporated under Canadian law, holds, directly and indirectly, through its holding of the entire share capital of Nadav Investments Inc. ("**Nadav Investments**"), a private company incorporated under Canadian law, which is the direct controlling shareholder of the Company, 55.62% of the share capital and 61.31%[1] of the voting rights of the Company *de facto* and on a fully-diluted basis. As the Company has been informed, Azrieli Holdings is controlled by Sharon Azrieli, Naomi Azrieli and Danna Azrieli, either directly or through Canadian holding corporations.

Until his death, in July 2014, Mr. David Azrieli OBM directly and indirectly held approx. 44.77% of the share capital of Azrieli Holdings and all of the voting rights in Azrieli Holdings (including the voting rights of his children's shares, which were held by him in trust). Following the passing of Mr. David Azrieli OBM, the shares of Azrieli Holdings that had been held by him and his shares in a Canadian holding corporation controlled by him ("**David Holding Corporation**") were transferred to his estate, and Sharon Azrieli, Naomi Azrieli and Danna Azrieli were appointed as the 3 directors of Azrieli Holdings and of Nadav Investments.

As the Company has been informed, on 13 April 2015, shares of Mr. David Azrieli OBM in Azrieli Holdings and in David Holding Corporation were distributed from his estate. Following such distribution, each one of Sharon Azrieli, Naomi Azrieli and Danna Azrieli, holds, directly and through David Holding Corporation, approx. 28.02%

1 Which include all of the voting rights by virtue of the Contribution Shares. According to the Contribution Agreement (as defined in Note 32C(4) to the Financial Statements), Azrieli Holdings granted Azrieli Foundation Israel, by way of contribution without consideration, 6,902,000 ordinary shares of the Company of par value NIS 0.1 each, which constitute ~5.69% of the Company's issued capital (the "**Contribution Shares**").

of the capital rights in Azrieli Holdings and approx. 33.13% of the voting rights in Azrieli Holdings, and together they hold approx. 84.06% of the capital rights in Azrieli Holdings and approx. 99.39% of the voting rights therein. The remainder of Azrieli Holdings' shares are mainly held by the Azrieli Foundation of Canada (an interested party in the Company), which, following the distribution of the estate, holds (indirectly, through a holding of shares of David Holding Corporation) 15.93% of Azrieli Holdings' shares, with no voting rights (which holding indirectly constitutes a holding of approx. 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 the Company has been informed, on 20 March 2017, a shareholders' agreement (the "**2017 Agreement**") was signed between Sharon Azrieli, Naomi Azrieli and Danna Azrieli (by themselves and through companies controlled by them), the indirect controlling shareholders of the Company and directors thereof (the "**Controlling Shareholders**"). Additional parties to the 2017 Agreement are Azrieli Holdings, Nadav Investments and David Holding Corporation (the three "**Holding Corporations**"). The 2017 Agreement replaces and substitutes the former shareholders agreement made by the parties in November 2012 (the "**2012 Agreement**"), and it regulates the relations between the Controlling Shareholders, by themselves, and through the Holding Corporations, in respect of their rights in the Company. Similarly to the 2012 Agreement, the terms of the 2017 Agreement include agreements regarding the sale and transfer of shares in the Company and in the Holding Corporations, including a lock-up period, right of first refusal, right of first offer, co-sale right and an exclusion in connection with certain sales of shares (drip) on TASE.

The 2017 Agreement further prescribes that the manner of use of the voting rights in the Company will be determined by the Controlling Shareholders (by a majority vote), provided however, that in respect of resolutions to appoint directors of the Company, each one of the Controlling Shareholders shall have the right to use the voting rights to appoint one director who will be determined by her, whereas the manner of use of the voting rights in the Company regarding resolutions to appoint additional directors, will be adopted by a majority vote. Together with the 2017 Agreement, another agreement was signed between all of the direct shareholders in Azrieli Holdings (including the controlling shareholders). Such additional agreement was required under Canadian law, in order to ensure that Azrieli Holdings is subject to part of the provisions of the 2017 Agreement.

It is clarified that the 2017 Agreement does not change the identity of the Company's controlling shareholders (including of Azrieli Holdings) nor their percentage holdings in the capital and in the voting rights in the Company, and that as of the Report Release Date, Sharon Azrieli, Naomi Azrieli and Danna Azrieli are the Company's controlling shareholders.

Regulation 22 - Transactions with the Controlling Shareholder

For details with respect to transactions with the controlling shareholder or in the approval of which the controlling shareholder has a personal interest, in which the Company or a corporation controlled thereby or an affiliate thereof engaged, see Section 2 of the Company's Corporate Governance Report, which is attached as Chapter E hereof.

Regulation 24 - Holdings of Interested Parties and Senior Officers

For details regarding the holdings of interested parties and senior officers of the Company, see the immediate report regarding the holdings of interested parties and officers of 7 July 2024 (Ref. 2024-01-069613), which is included herein by way of reference.

Regulation 24A - Authorized Capital, Issued Capital and Convertible Securities

As of 31 December 2024, the registered share capital of the Company is 127,501,500 ordinary shares par value NIS 0.1 each, and the issued share capital of the Company is 121,272,760 ordinary shares par value NIS 0.1 each. As of 31 December 2024, the Company's securities include 234,350 unlisted options which were granted to the Company's CEO, Mr. Eyal Henkin.[2]

Regulation 24B - The Company's Shareholders' Register

Shareholder's Name	Company	Address	Class of Shares	Quantity of Shares	Par value
The TASE Transfer Agent	510356603	2 Ahuzat Bayit, Tel Aviv	Ordinary par value NIS 0.1	121,272,760	NIS 0.1

Regulation 26 - Directors of the Corporation (as of the Report Release Date)

Below are personal and professional details with regard to the Company's directors:

(1)	Director's Name:	Danna Azrieli, Active Chairwoman of the Board
	Identification number:	321657744
	Date of Birth:	3 June 1967
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Israeli
	Membership on board of directors' committees	Investment Committee
	Outside Director/Independent Director:	No
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	Active Chairwoman of the Board
	Date of commencement of service as director of the Company:	1 June 2010
	Education:	BA in Sociology and Anthropology from Swarthmore College; Juris Doctor of Law from Vermont Law School; member of the Massachusetts State Bar Association in the U.S. and the Israel Bar Association.
	Occupation in the past five years and other corporations in which he holds office as director:	Director of subsidiaries of the Company and of the companies: Nadav Investments Inc., Azrieli Holdings Inc., Candan Residences Ltd., Dan Squared Ltd., Candan Management Services Ltd. and Candan Holdings Ltd.; Chair of Azrieli Foundation (Israel), R.A., member of Azrieli Foundation (Canada), a Canadian nonprofit organization, director of Weizmann Institute of Science, director of Tel Aviv University, a director of Darca Schools NPO (R.A.), member of the board of the Israel Center on Addiction (ICA) and member of the board of Birthright Israel International (CC) Ltd.
	Family relation to an interested party:	Controlling shareholder. For details see Regulation 21A above
	Accounting and Financial Expertise or Professional Qualification:	Has professional Qualification
(2)	**Director's Name:**	**Sharon Azrieli**
	Identification number:	AR684368

[2] For further details on the options and their terms and conditions, see immediate report regarding notice of meeting as released by the Company on 30 April 2024 (Ref. 2024-01-041491), which is included herein by way of reference.

	Date of Birth:	4 August 1960
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Canadian
	Membership on board of directors' committees	None
	Outside Director/Independent Director:	No
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	None
	Date of commencement of service as director of the Company:	1 June 2010
	Education:	Doctorate in Music from the University of Montreal; MA in Music from the University of Montreal; BA in Art from Vassar College; Advanced Certificate from the Juilliard School of Music; Associate degree from the Parsons School of Design.
	Occupation in the past five years and other corporations in which he holds office as director:	Owner of Real Estate Business; opera singer, Cantor and artist; Publisher of interior design magazines; Member of the board of Azrieli Foundation (Israel), R.A., and director of Azrieli Foundation (Canada), a Canadian nonprofit organization. President or CEO of the following organizations: Orchestre Classique de Montreal; Orchestre de Chambre McGill; Opera Cares Foundation; Shir Chadash Synagogue; Sazzy Investments Ltd. A director of Nadav Investments Inc. and Azrieli Holdings Inc. A director and CEO of the following organizations: 8240349 Canada Inc.; 7809298 Canada Inc.; 7807872 Canada Inc.; 7852703 Canada Inc.; Vancouver Home Magazine Inc.; Toronto Home Magazine Inc.; Montreal Home Magazine Inc.; McCord Museum (Montreal); Canadian Vocal Arts Institute; 4287690 Canada Inc; Viva! Diva! Can Inc.; Viva! Diva! U.S. Inc.; Canbonim Ltd.; My Dezign Inc.; MyDezign S.L. Ltd.; 1992671 Alberta ULC; 9839623 Canada Inc.; 11581252 Canada Inc.; 101 California Avenue Limited Partnership; National Arts Centre (Ottawa, Canada); National Arts Foundation; Shir Chadash Synagogue; Opera Cares Foundation and Sharon Azrieli Foundation for the Arts (SAFA); and Festival Stradivaria. Owner and manager of foreign private companies
	Family relation to an interested party:	Controlling shareholder. For details see Regulation 21A above
	Accounting and Financial Expertise or Professional Qualification:	No
(3)	**Director's Name:**	**Naomi Azrieli**
	Identification number:	P551661PC
	Date of Birth:	26 September 1965
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Canadian
	Membership on board of directors' committees	None
	Outside Director/Independent Director:	No
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	None
	Date of commencement of service as director of the Company:	1 June 2010
	Education:	PhD (D. Phil) in International History from Oxford University, England; Master of International Affairs in International Relations, Finance and

		Economics from Columbia University, New York; BA from the University of Pennsylvania in Political Science and Russian Studies.
	Occupation in the past five years and other corporations in which he holds office as director:	Chairman and CEO of Azrieli Foundation (Canada), a Canadian nonprofit organization. Co-Chair of Azrieli Foundation (Israel), R.A. Owner and manager of foreign private companies. Director and president of the corporations: Canpro Investments Ltd., Omico Investments Ltd., Omico Residential Ltd., Omico NY Limited Partnership, 7852711 Canada Inc., Rafiken Social Enterprises Inc., The Infinite Bean, and 8585539 Canada Inc. A director of the following entities: Nadav Investments Inc., Azrieli Holdings Inc., Brain Canada Foundation and the International Board of Weizmann Institute of Science.
	Family relation to an interested party:	Controlling shareholder. For details see Regulation 21A above
	Accounting and Financial Expertise or Professional Qualification:	Has professional Qualification
(4)	**Director's Name:**	**Dan Isaac Gillerman**
	Identification number:	07132889
	Date of Birth:	26 March 1944
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Israeli
	Membership on board of directors' committees	Audit Committee, Compensation Committee, FSRC and Enforcement Committee
	Outside Director/Independent Director:	Independent Director
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	None
	Date of commencement of service as director of the Company:	23 August 2019
	Education:	Economics and Political Science, the Hebrew University of Jerusalem; Law studies, Tel Aviv University
	Occupation in the past five years and other corporations in which he holds office as director:	Chairman of Blackstone Israel, Chairman of the America-Israel Friendship League; CEO of Gillerman Global Ltd.; Member of the Council of the Israeli Opera; Member of the Board of Trustees of the Hebrew and Tel Aviv Universities; Member of the Board of Trustees of the Israel Museum; Member of the Advisory Board of cyber company Sentra; Member of the Board of the Weizmann Institute of Science (until 2022); Chairman of Nagum Ltd. (private company); Member of the Executive Board of the Hostages and Missing Families Forum; Honorary President of the Federation of Israeli Chambers of Commerce.
	Family relation to an interested party:	None
	Accounting and Financial Expertise or Professional Qualification:	Has professional qualifications
(5)	**Director's Name:**	**Varda Levy, Outside Director**
	Identification number:	057089369
	Date of Birth:	26 May 1961
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Israeli
	Membership on board of directors' committees	Audit Committee, Compensation Committee, FSRC, Enforcement Committee, Investment Committee ("**All of the Committees**")
	Outside Director/Independent Director:	Outside Director

	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	None
	Date of commencement of service as director of the Company:	23 August 2022
	Education:	B.A. in Economics and Accounting, Tel Aviv University, C.P.A. (ISR)
	Occupation in the past five years and other corporations in which he holds office as director:	Outside director of Mendelson Infrastructures and Industries Ltd. (until 2021); outside director of Related Commercial Portfolio, Ltd. (until 2021); independent consultant
	Family relation to an interested party:	None
	Accounting and Financial Expertise or Professional Qualification:	Has accounting and financial expertise
(6)	**Director's Name:**	**Yossef Shachak, Outside Director**
	Identification number:	008025009
	Date of Birth:	25 August 1945
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Israeli
	Membership on board of directors' committees	Audit Committee, Compensation Committee, FSRC, and Enforcement Committee
	Outside Director/Independent Director:	Outside Director
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	None
	Date of commencement of service as director of the Company:	23 August 2019
	Education:	B.A. in Accounting, the Hebrew University of Jerusalem, C.P.A. (ISR)
	Occupation in the past five years and other corporations in which he holds office as director:	Consultant to companies and boards of directors; Business mediator and arbitrator; Member of the Public Council of the Israel Accounting Standards Boards; Member of the finance committee of the Israel Cancer Association; Chairman of the Board of Emilia Development (O.F.G.) Ltd.; Chairman of the Board of Tefron Ltd.; outside director of Southern Properties Capital Ltd. (until 2023); independent director of Partner Communications Ltd. (2022); director of Yogi Consulting and Investments Ltd. (a private company under this control); director in NPO Gvahim – Association for the Absorption of Aliya (R.A.); consultant and mediator of the Carasso Group and companies owned thereby.
	Family relation to an interested party:	None
	Accounting and Financial Expertise or Professional Qualification:	Has accounting and financial expertise
(7)	**Director's Name:**	**Nechemia (Chemi) Jacob Peres**
	Identification number:	055366306
	Date of Birth:	17 July 1958
	Address for service of process:	11 Hamenofim Street, Herzliya
	Citizenship:	Israeli
	Membership on board of directors' committees	FSRC, Audit Committee, and Enforcement Committee
	Outside Director/Independent Director:	Independent Director

	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	None
	Date of commencement of service as director of the Company:	16 January 2024
	Education:	BSc. in Industrial Engineering and Management and MBA from Tel Aviv University.
	Occupation in the past five years and other corporations in which he holds office as director:	Managing partner and founder of Pitango Venture Partners 2004 Ltd.; Chairman of the Peres Center for Peace and Innovation. Serves as a director in the following corporations: Chairman of Peres and Associates Global Advisory Ltd.; Chairman of Amelia G.P. Ltd.; Chairman of Yuka Monsters; Takwin Las; Venn 2014 Ltd., Taboola Com Ltd.; Via Transportation Inc.; Duda Mobile D.M. Ltd.; Masterschool Ltd.; Localize Ltd.; Rosetal System Information Ltd. and Idomoo Ltd. In addition, Chairman of the advisory board of NewEra Capital Partners; and member of the Investment Committee of TDJ Pitango. Member of the Advisory Board of NevaTeam Partners; Member of the Board of HaGal Sheli association. Director of Teva Pharmaceutical Industries Ltd. (until 2023); director of Radwin Ltd. (until 2021); Chairman of the board of Pearls of Wisdom Research and Development Ltd. (until 2023); director of Totango Inc. (until 2021); director of Anywell Hosting Solutions Ltd. (until 2024), director of Social Finance Israel (until 2023) and Chairman of the Board of Webbing Technologies Ltd. (until 2024).
	Family relation to an interested party:	No
	Accounting and Financial Expertise or Professional Qualification:	Has accounting and financial expertise
(8)	**Director's Name:**	**Dr. Ariel Kor**
	Identification number:	038346268
	Date of Birth:	8 November 1975
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Israeli
	Membership on board of directors' committees	Investment Committee
	Outside Director/Independent Director:	No
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	Chairman of the Board of Green Mountain Global Ltd., a subsidiary of the Company.[3]
	Date of commencement of service as director of the Company:	22 November 2022
	Education:	BA and MA in Modern History from Oxford University; MPhil and PhD in Clinical Psychology from Columbia University
	Occupation in the past five years and other corporations in which he holds office as director:	Private investments; Chairman of the Israel Center on Addiction (R.A.); member of the board of Jewish Funders Network (JFN) (R.A.); Lishma – Policy, Entrepreneurship, Community (R.A.), board member; Matan Investing in the Community (R.A.), board member; director of Pro Sportority (Israel) Ltd.; Associate Professor of the Hebrew University.
	Family relation to an interested party:	No

[3] For further detail on the appointment of Dr. Kor as Chairman of the Board of Green Mountain Global Ltd., see immediate report regarding notice of meeting that was released by the Company on 19 August 2024 (Ref. 2024-01-089680) which is included herein by way of reference.

	Accounting and Financial Expertise or Professional Qualification:	Has accounting and financial expertise.
(9)	Director's Name:	Menachem Einan
	Identification number:	008995383
	Date of Birth:	17 June 1939
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Israeli
	Membership on board of directors' committees	Audit Committee, FSRC and Enforcement Committee
	Outside Director/Independent Director:	No
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	In addition to his being a director of the Company, Mr. Einan served as an external consultant of the Company until 28 February 2017.
	Date of commencement of service as a director of the Company:	22 March 2016
	Education:	BA in Humanities from Tel Aviv University; degree in Business Administration from UCLA.
	Occupation in the past five years and other corporations in which he holds office as director:	Member of the board of Azrieli Foundation (Israel), R.A.
	Family relation to an interested party:	No
	Accounting and Financial Expertise or Professional Qualification:	Has professional qualifications

(10)	Director's Name:	Irit Sekler-Pilosof
	Identification number:	025710542
	Date of Birth:	31 October 1973
	Address for service of process:	1 Azrieli Center, Tel Aviv
	Citizenship:	Israeli
	Membership on board of directors' committees	FSRC, Audit Committee, Enforcement Committee and Investment Committee
	Outside Director/Independent Director:	No
	Position filled at the Company/Subsidiary/Affiliate of the Company or of an interested party therein:	No
	Date of commencement of service as a director of the Company:	16 January 2024
	Education:	BA in Business Administration, major in accounting, College of Management Academic Studies; LL.M., Bar Ilan University, C.P.A. (ISR)
	Occupation in the past five years and other corporations in which he holds office as director:	2020-2023: Deputy CEO of the Company; 2013-2023: CFO of the Company; Director of Elran Consulting Ltd.
	Family relation to an interested party:	No
	Accounting and Financial Expertise or Professional Qualification:	Has accounting and financial Expertise

Regulation 26A: Senior Officers of the Corporation as of the Report Release Date

Name	Eyal Henkin[4]	Ariel Goldstein	Gideon Avrami[5]	Nirit Zeevi	Tamir Amar	Yaacov Danino	Gali Gana	Rafi Wunsh[6]	Sharon Arie	Rachel Mittelman	Elad Alon	Daniel Koren[7]	Michal Alaluf Tamir
Identity Number	024604332	029302890	056524325	036386795	25414871	300207933	059674770	028145738	023544612	035730746	027279025	032928707	049814551
Date of Birth	3 November 1969	26 February 1972	6 July 1960	11 March 1979	23 August 1973	23 February 1987	2 June 1965	15 February 1971	2 July 1968	14 August 1978	25 May 1975	7 January 1979	28 August 1981
Office Commence-ment Date	1 January 2018	28 May 2023	26 February 2023	2 October 2019	29 December 2024	1 March 2023	21 March 2023	15 October 2010	1 December 2017	1 September 2018	25 November 2020	5 May 2024	19 March 2023
Position held in the Company/ Subsidiary/ Affiliate or in an interested party	CEO of the Company. CEO of Canit Hashalom Investments Ltd. Director of subsidiaries of the Company	CFO	Deputy CEO, Head of Properties. Director of subsidiaries of the Company	VP, General Counsel and Company Secretary	COO	Chief Accounting and Financial Statements Controller	The internal auditor	VP International Real Estate. Director of subsidiaries of the Company	VP Planning, Engineering and Construction	Chief Information Officer	VP Business Development	VP Marketing & Digital	VP Human Resources

[4] On 18 August 2024, the Chairwoman of the Board and the CEO informed the Company's board that Mr. Henkin is expected to be appointed as the CEO of GMG, which will concentrate the Company's holdings in the Data Centers segment. On 17 November 2024, the Company's board approved the appointment of Mr. Ron Avidan as the Company's CEO. The date on which the office of Mr. Henkin shall end and the office of Mr. Avidan shall begin is expected to be on 1 April 2025. For further details, see immediate reports of 19 August 2024, 18 November 2024 and 9 March 2025 (Ref. 2024-01-089761 and 2024-01-616452, 2025-01-015315 and 2025-01-015317, respectively), which is included herein by way of reference.

[5] In June 2024 Mr. Gideon Avrami, Deputy CEO and Head of Property, announced his desire to end his term of office in the Company, which is expected to end in June 2025, as stated in Section 18.3 above, and Mr. Amihay Kilstein is expected to begin his office as Head of Income-Producing Property of the Company on 1 May 2025.

[6] On 1 April 2025, Mr. Rafi Wunsch is expected to end his term of office as VP International Real Estate and become Chief Investments Officer of GMG.

[7] In March 2025, Mr. Danial Koren, the Company's VP Marketing & Digital, announced his desire to end his term of office in the Company.

Name	Eyal Henkin[4]	Ariel Goldstein	Gideon Avrami[5]	Nirit Zeevi	Tamir Amar	Yaacov Danino	Gali Gana	Rafi Wunsh[6]	Sharon Arie	Rachel Mittelman	Elad Alon	Daniel Koren[7]	Michal Alaluf Tamir
Education	B.A. in Computer Science and Management from Tel Aviv University; Executive MBA, in the Kellogg Recanati program of Northwestern University and Tel Aviv University	B.A. in Economics and Accounting, Bar Ilan University; MBA, Bar Ilan University; Licensed as a CPA (Israel).	B.A. in History and International Relations, the Hebrew University 1986. Diploma in Hotel Management 1994	LL.B and B.A. specializing in Information Technology (IT), both from the IDC Herzliya; qualified to practice law in Israel	B.A. in Economics and Accounting, MBA (Major in Financing), both from Ben Gurion University	B.A. in Accounting and Economics from the Open University; MBA from Bar Ilan University; Licensed as a CPA (Israel)	B.A. in business administration from the College of Management, M.A. in internal audit and public administration from Bar Ilan University, CIA, CISA, CRISC, CDPCE	B.A. in Economics and Accounting, Hebrew University of Jerusalem	Graduate of studies of Civil Engineering from the Technion	Industrial engineer and an MBA, both from Tel Aviv University	High school education	B.A. in law and economics, the Hebrew University of Jerusalem, MBA from INSEAD (in France and Singapore)	B.A. in behavioral science from Ben Gurion University in the Negev; M.A. In organizational psychology from Bar Ilan University
Business experience in the last five years	CEO of Supergas Israel Gas Distribution Company Ltd. in the eight years prior to his appointment as CEO	Deputy CEO, CFO and VP Finance, AFI Properties.	VP and Head of Offices, General Manager of Azrieli Jerusalem mall, Malcha 2005-2016	The Company's Deputy General Counsel for six years prior to the appointment	CEO of Hagag Group, Deputy CEO, CFO and VP Business Development and VP Infrastructure and Fibers in the Partner Group	Comptroller at Azrieli Group, Senior Manager at Deloitte	Partner at accounting firm Rosenblum Holtzman since 1997	VP Quebec Region, Elad Group Canada Inc. CFO, Elad Group Canada Inc.	VP Engineering, Nitsba Holdings, VP Engineering and Business Development, Aura Israel	Chief Information Officer Supergas Israeli Gas Distribution Company Ltd.	Director of Teddy Sagi Group's real estate operations in Israel; Founder and CEO of LABS Israel	CEO of Azrieli E-Commerce, Head of E-Commerce at Shufersal	Head of HR at Azrieli Group for the four years prior to her appointment as VP Human Resources

None of the officers is an interested party in the Company or has a family relation to another officer of the Company or to another interested party in the Company.

Senior officers whose office ended during the Report Period and in the subsequent period until the Report Release Date:

In the report period and until the Report Release Date, the following terms of office at the Company came to an end:

- On 31 March 2024, the term of office of Mr. Ofer Yarom as the Company's VP Marketing and Digital came to an end.
- In January 2025, the term of office of Mr. Israel Keren as the Company's COO came to an end.
- In February 2025, the term of office of Mr. Yehonatan Yaari as the Company's VP Projects came to an end.

Regulation 26B - Authorized Signatories of the Corporation

See Section 8 of Chapter E of this Report.

Regulation 27 - The Company's Accountants

The Company's auditors are Deloitte Brightman Almagor Zohar & Co., CPA, 1 Azrieli Center, Tel Aviv.

Regulation 28 - Changes in the Memorandum or Articles of Association

No change was performed in the Report period.

Regulation 29 - Resolutions and Recommendations of the Board of Directors

See Section 4 of Chapter E of this Report.

Regulation 29A - The Company's Resolutions

See Section 4 of Chapter E of this Report.

Exemption, Indemnification and Insurance of Officers:

For a description of the applicable arrangements with regard to exemption, indemnification and insurance for Directors and Officers in the Company, see Note 32D to the Financial Statements as of 31 December 2024.

Danna Azrieli, **Chairman of the Board of Directors**	**Eyal Henkin, CEO**

Date: 19 March 2025

Annex A – Regulation 11 – List of Investments in Material Subsidiaries and Affiliates as of the Date of the Statement of the Financial Position

				Rate in %						NIS in million			
Company name	Share class	Total par value of shares in NIS	Total par value of held shares in NIS	% of capital	% of voting	Authority to appoint Directors	Cost of the held shares	Book value of investment (*)	Balance of loans from the Company	Method of presentation in the financial statements	Company's country of incorporation	Securities exercisable for capital rights or voting rights in the company held by the Company	Guaranties provided by the Company to the investee
						Directly-held companies							
Canit Hashalom Investments Ltd.	Ordinary	116	116	100%	100%	100%	51	13,986	-	Consolidated Company	Israel	-	-
International Consultants (Iconsult) Ltd.	Ordinary	3,900	3,900	100%	100%	100%	30	156	3	Consolidated Company	Israel	-	-
Otzem Initiation & Investments (1991) Ltd.	Management	80	80			100%	-	305	279	Consolidated Company	Israel	-	-
	Ordinary A	21,330,220	21,330,220										
	Ordinary B	4,999	4,999										
		21,335,299	21,335,299	100%	100%	100%							
Azrieli E-Commerce Ltd.	Ordinary	1,600	1,600	100%	100%	100%	26	(381)	(2)381	Consolidated Company	Israel		
Mall Hayam Eilat (1978) Ltd.	Ordinary	4,400	4,400	100%	100%	100%	316	365	-	Consolidated Company	Israel	-	-
	Management	100	100										
Ahuzat Menachem Milstein Ltd.	Ordinary	1,100	1,100	100%	100%	100%	173	257	463	Consolidated Company	Israel	-	-
	Management	(6)*	(6)*										
AG Galleria Office Buildings (3)		-	-	92.3%	92.3%	-	335	(64)	-	Consolidated Company	USA	-	Guarantee in several cases defined in the loan agreement
AG Plaza at Enclave (3)		-	-	100%	100%	-	50	(34)	80	Consolidated Company	USA	-	Guarantee in several cases defined in the loan agreement
AG 8 West Center (3)		-	-	100%	100%	-	33	(27)	67	Consolidated Company	USA	-	Guarantee in several cases defined in the loan agreement
AG San Clemente (3)		-	-	100%	100%	-	86	73	(4)60	Consolidated Company	USA		Guarantee in several cases defined in the loan agreement
AG Two Aspen (3)		-	-	100%	100%	-	18	148	27	Consolidated Company	USA	-	Guarantee in several cases defined in the loan agreement

				Rate in %						NIS in million			
Company name	**Share class**	**Total par value of shares in NIS**	**Total par value of held shares in NIS**	**% of capital**	**% of voting**	**Authority to appoint Directors**	**Cost of the held shares**	**Book value of investment (*)**	**Balance of loans from the Company**	**Method of presentation in the financial statements**	**Company's country of incorporation**	**Securities exercisable for capital rights or voting rights in the company held by the Company**	**Guarantees provided by the Company to the investee**
Companies held by Canit Hashalom													
Gemel Tesua Investments Ltd.	Ordinary	53,750,000	53,721,650	99.9%	99.9%	100%	-		-	Consolidated Company	Israel	-	-
Otzma & Co. Investments Maccabim Ltd.	Ordinary	16,100,000	16,091,764	99.9%	99.9%	100%	-		(2)85	Consolidated Company	Israel	-	-
Palace Ra'anana - Senior Housing Ltd.	Ordinary	50,191,999	50,191,999	100%	100%	100%	55		(2)479	Consolidated Company	Israel	-	-
Companies held by Palace Ra'anana - Senior Housing Ltd.													
Modi'in Senior Housing	Ordinary	1,000	1,000	100%	100%	100%	32		-	Consolidated Company	Israel	-	-
Palace Lehavim Limited Partnership[8]		(5)-	(5)-	100%	100%	100%	-(5)		-	Consolidated Company	Israel		
Palace America Senior Housing Company Ltd.	Ordinary	100	100	100%	100%	100%	270		-	Consolidated Company	Israel	-	-
Companies in the Data Center segment													
Green Mountain, AS		-	-	100%	100%	100%	3,304	4,250	5	Consolidated Company	Norway	-	-
Green Mountain Global Ltd.		-	-	100%	100%	100%	-	(14)	-	Consolidated Company	England	-	-
Global Data AZ Ltd		-	-	100%	100%	100%	-	-	-	Consolidated Company	England	-	-

* Data refers solely to the companies directly held by the Company.

(1) Net of capital reserve.

(2) Capital notes net of capital reserve.

(3) Foreign partnership.

(4) Including loan and capital note net of capital reserve.

(5) Partnership.

(6) Amount lower than NIS 1.

8 The Group holds all of the rights (100%) in the partnership's general partner, Modi'in Senior Housing Ltd., which holds 0.01% of the partnership, and Palace Ra'anana Senior Housing Ltd. holds the remaining rights in the partnership (99.99%) as its limited partner.

PART E

Corporate Governance

CHAPTER E – CORPORATE GOVERNANCE REPORT

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PART A | ASPECTS OF CORPORATE GOVERNANCE

Presented below are details regarding corporate governance processes in the Company in 2024, which include both issues relating to corporate governance in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Report Regulations**"), and a corporate governance questionnaire in accordance with the version included in the document on proposed legislative amendments for improvement of the reports which was published by the Israel Securities Authority on March 16, 2014.

1. Regulation 21 - Payments to Interested Parties and Senior Officers – 2024

Compensation as recognized in the Company's financial statements in 2024 of the five highest paid individuals among the senior officers of the Company or a corporation controlled thereby, in connection with their office in the Company or in a corporation controlled thereby (the "**Group**"), are as follows (in terms of annual cost to the Company, in thousands of NIS, for the twelve-month period ended 31 December 2024 (as specified in the Sixth Schedule of the Report Regulations):

Details of the Compensation Recipient				Compensation			
Name	Position	Position Scope	Rate of Holding in the Corporation's Capital	Management Fees [a]	Bonus	Other [c]	Total
(1) Eyal Henkin	CEO of the Company	100%	---	4,887	9,135	8,397[d]	22,419
(2) Danna Azrieli	Active Chairwoman of the Board	100%*	[b]	4,628	3,408	-	8,036
(3) Svein Atle Hagaseth	CEO of subsidiary GM	100%	---	1,294	5,578	-	6,872
(4) Gideon Avrami	Deputy CEO and Head of Properties	100%	---	2,631	3,114	14	5,759
(5) Ariel Goldstein	CFO	100%	---	2,739	2,880	23	5,642

* It is clarified that Ms. Danna Azrieli may continue to perform additional activities, including philanthropic activities in which she is involved, from time to time, provided that performance thereof does not compromise the fulfillment of her duties at the Company.

(a) The management fee component includes the following components: cost of monthly management fees and related costs such as car maintenance, reimbursement of communications and other expenses and/or cost of monthly salary, social rights, social and related benefits as customary, car maintenance and reimbursement of communication and other expenses.
(b) For details regarding control of the Company on the report date see Regulation 21A of Chapter D of this Report.
(c) Reflects expenses in 2024 for adjustment.
(d) Including cost of employment for the grant of options with a value of NIS 8,284 thousand.

(1) Mr. Eyal Henkin

Mr. Henkin has served as the Company's CEO since January 1, 2018, through a company he owns (in this section: "**Mr. Henkin's Management Company**"). Prior thereto, from September 1, 2010 to December 31, 2017, Mr. Henkin, through a company owned by him, had served as the CEO of Supergas (having previously served as Deputy CEO of Supergas for approx. eight months). For further details about the Company's management agreement with Mr. Henkin's Management Company, which took effect on August 11, 2019, and was updated on 2 May 2024, see Note 32C3 to the financial statements ("**CEO Management Agreement**").

According to the CEO Management Agreement and the Company's Compensation Policy[1] (the "**Compensation Policy**"), Mr. Henkin is entitled to an annual bonus of up to 12 gross salaries[2], as follows:

A discretionary annual bonus, in a sum up to 3 times the gross monthly salary, according to the recommendation of the Chairwoman of the Board and as approved by the compensation committee and the board of directors, according to criteria to be determined in advance for each year (the "**Discretionary Bonus**"). In addition, Mr. Henkin shall be entitled to a measurable bonus, which shall be based on the achievement of financial and/or functional strategic targets detailed in Section 5.3.1.2 of the Compensation Policy, with the relative weight of the financial targets versus the strategic/functional objectives being determined by the compensation committee and the board of directors, so as to allow consideration of either financial targets or strategic/functional targets only, or a combination of both (the "**Measurable Bonus**").

In accordance with the aforesaid, on 17 March 2025, the compensation committee examined, and on 19 March 2025, the Company's board examined, the CEO's contribution (having received the recommendation of the Chairwoman of the Board), and it was resolved that, based on such contribution and the Company's results in 2024, Mr. Henkin will be awarded a Discretionary Bonus in the sum of three (3) times the gross monthly salary, i.e., a total of NIS 951 thousand.

In addition, for the purpose of the Measurable Bonus, the following targets were determined for Mr. Henkin for 2024: the FFO target of NIS 1,577 thousand and the NOI target of NIS 2,272 thousand (the "**Measurable Targets**"), based on the Company's work plan as approved by the Company's Board in January 2024.

The Company's FFO and NOI in 2024 were NIS 1,739 million[3] and NIS 2,302 million, respectively.

Thus, for accomplishing the 2024 Measurable Targets, the Company's CEO is entitled to a bonus in the sum of 9 gross salary, i.e., approx. NIS 2,852 thousand.

In addition, at the meeting of the Company's shareholders held on 2 May 2024, decisions were adopted on, *inter alia*, payment of a special bonus to Mr. Henkin for the Compass transaction in the sum of approx. NIS 5.3 million, and the grant of 234,350 options (not listed for trade), according to the stock option plan adopted by the Company in March 2024 (the "**Options**" and the "**ESOP**", as the case may be). The Options are exercisable for up to the same number of ordinary shares of the Company, in a cashless exercise mechanism only. The exercise price of each Option is NIS 249.7, reflecting the average closing price of the Company's stock in the 30 trading days preceding the date of the Board resolution approving the grant of the Options. According to the provisions of the ESOP and the terms of the grant, the Options will continue to vest and will be exercisable in four equal annual tranches, from the date of grant thereof, provided that Mr. Henkin is employed by the Group on the vesting date. For further

[1] The Company's Compensation Policy was revised and approved by the Company's general meeting on 2 May 2024. For details, see Part B of the notice of meeting report released on 21 March 2024 (Ref. 2024-01-029742), included herein by way of reference.

[2] Since Mr. Henkin provides services to the Company against payment of management fees, and in accordance with Section 1.1.10 of the Compensation Policy, the gross salary will be calculated according to the quotient of division of the fixed monthly compensation component – i.e., the management fees – by a coefficient of 1.33.

[3] The calculation includes a conversion between a rent model and a senior housing deposit model.

details, see the Company's immediate report on notice of meeting, as released on 30 April 2024 (Ref. 2024-01-041491), which is included herein by reference.

(2) Ms. Danna Azrieli

Ms. Danna Azrieli has been serving as the Company's Active Chairwoman of the Board since July 2014, through a company under her control (in this section: the "**Management Company**"). For details on the Company's management agreement with the Management Company (the "**Management Agreement**"), which took effect on 11 August 2022, see Note 32C1 to the financial statements.

According to the Management Agreement, the Management Company is entitled to an annual bonus for 2024 for meeting the FFO target and/or the NOI target, as specified below, up to a maximum of nine (9) times the monthly cost of employment.

The FFO target and the NOI target, as approved by the compensation committee and the Board for 2024, were NIS 1,577 thousand and NIS 2,272 thousand, respectively, based on the Company's work plan which was approved by the Company's Board in January 2024.

A prerequisite for receipt of the component of the bonus for meeting the FFO target and/or the NOI target is meeting 90% of these targets, as the case may be, whereas the Management Company's eligibility for the bonus for the year 2024 will be calculated in a linear manner in accordance with the extent to which the FFO target and/or or the NOI target are met, while for fully meeting the FFO target, the Management Company will be entitled to a bonus in the sum of 3 times the monthly employment cost and for meeting 90% of the FFO target, the Management Company will be entitled to 90% of such amount; For fully meeting the NOI target, the Management Company will be entitled to a bonus in the sum of 6 times the monthly employment cost and for meeting 90% of the NOI target, the Management Company will be entitled to 90% of such amount.

The Company's FFO and NOI for 2024 amounted to a total of NIS 1,739 million[4] and a total of NIS 2,302 million, respectively. Therefore, for meeting the FFO target in 2024, the Management Company is entitled to a bonus in the sum of three (3) times the monthly cost of employment cost, i.e., a total of NIS 1,136 thousand, and for meeting the NOI target in 2024, the Management Company is entitled to a bonus in the sum of six (6) times the monthly cost of employment, i.e., a total of NIS 2,272 thousand.

(3) Mr. Svein Atle Hagaseth

As of 2023, Mr. Svein Atle Hagaseth acts as CEO of the (indirect) subsidiary GM. For his work, Mr. Hagaseth is entitled to a fixed gross monthly salary which amounted to approx. NIS 1,294 thousand for all of 2024, and standard related benefits, including car, cellular phones and reimbursement of expenses. GM bears the full cost of all the benefits. According to GM's compensation policy, it was decided to grant Mr. Hagaseth a bonus of NIS 5,578 thousand. For further details about the bonuses to which Mr. Svein Atle Hagaseth is entitled, and GM's compensation policy, see Note 17 to the financial statements.

[4] The calculation includes a conversion between a rent model and a senior housing deposit model.

(4) Mr. Gideon Avrami

As of 26 February 2023, Mr. Gideon Avrami acts as the Company's Deputy CEO and Head of Properties. In accordance with his employment agreement, Mr. Avrami is entitled to a CPI-linked, gross monthly salary which, as of 31 December 2024, amounted to approx. NIS 148 thousand and standard related benefits, including the provision of a car (Grade 6), cellular telephones, expense reimbursements, advance notice of 6 months and an adjustment period of 3 months. The Company bears the full cost of all the benefits (including the cost of use and gross-up of the tax value). In June 2024, Mr. Gideon Avrami informed of his wish to end his office at the Company, which shall end in May 2025.

According to the Compensation Policy, an officer who does not hold office as the Company's CEO or as a director thereof will be entitled, in the aggregate, to two types of annual bonuses, as shall be determined according to the recommendation of the Chairwoman of the Board and the CEO and shall be approved by the compensation committee and the Board:

1. <u>**Measurable and Discretionary Bonus**</u> – an annual bonus in the sum of up to 12 gross monthly salaries, as a Measurable Bonus based on financial and/or strategic/functional targets, out of which up to 3 gross salaries for a Discretionary Bonus which shall be granted in consideration of the officer's compliance with criteria which shall be based mainly on the officer's contribution to the Company in accordance with his role and responsibilities.

2. <u>**Special bonus**</u> – a special annual bonus in the amount of up to 18 gross monthly salaries during the period of the Compensation Policy. The special bonus shall be granted in special cases, such as: execution of special projects such as a strategic agreement related to the Company's operations, identification of opportunities, exceedance of the set KPIs, including due to another business move/s having significant influence on the Company, investment of unusual and exceptional effort in the promotion and execution of a Company project, and in the event of making material new investments/acquisitions and/or material sales and/or dispositions and/or development in such scope as is material to the Company. For the avoidance of doubt, it is not possible to grant an officer more than one special bonus in any calendar year, but it is possible to approve and grant a special bonus in the course of the year and on a date that does not coincide with the date of approval or granting of the annual bonus.

In accordance with the aforesaid, it was resolved to grant Mr. Avrami a bonus in the sum of 21 gross monthly salaries.

(5) Mr. Ariel Goldstein

Mr. Ariel Goldstein served as the Company's CFO since 28 May 2023. For his work, Mr. Goldstein is entitled to a fixed gross monthly salary, linked to the CPI which, as of the Report Release Date, amounts to approx. NIS 160 thousand[5], and standard related benefits, including the provision of a (Grade 6) vehicle, cellular telephones, expense reimbursements, advance notice of 3 months and a 1.5-month adjustment period. The Company bears the full cost of all the benefits (including the cost of use and gross-up of the tax value). According to the Company's Compensation Policy and the bonuses as specified in Section (4) above, it was resolved to grant Mr.

[5] In the report period, he was entitled, through a company owned by him, to a fixed monthly management fee, linked to the CPI, which as of 31 December 2024, were approx. NIS 225 thousand.

Goldstein a bonus in the sum of 18 gross monthly salaries.

The compensation paid during the year preceding the Report Release Date to interested parties in the Company who are not listed in the above table, in relation to services they provided as holders of positions with the Company or a corporation controlled thereby, are as follows (in terms of annual cost to the Company, in thousands of NIS, for the twelve-month period ended 31 December 2024, as specified in the Sixth Schedule to the Report Regulations):

Name of compensation recipient				Compensation					
Name	Position	Scope of position	Rate of holding in corporation's capital	Salary	Bonus	Share-based payment	Management fee(*)	Other	Total
Dr. Ariel Kor	Chairman of the Board of GMG	-	-	-	-	-	-	960[b]	960
Eight directors	Directors of the Company [a]	-		-	-	-	-	2,259[c]	2,259

(a) Two independent directors, two outside directors, two ordinary directors, and two female directors who are controlling shareholders.
(b) Including compensation as a director in Azrieli Group and for his office as the Chairman of the Board of GMG.
(c) Directors' compensation, with the exception of Ms. Danna Azrieli and Dr. Ariel Kor.

(6) Dr. Ariel Kor

Dr. Ariel Kor serves as the Chairman of the Board of GMG, a subsidiary of the Company, incorporated in England, under which all of the Group's activities and holdings in the Data Centers sector shall be concentrated. Dr. Ariel Kor provides GMG with Chairman of the Board services as needed from time to time. In exchange for the services, Dr. Kor is entitled an annual payment, starting from 12 July 2024, in the amount of £250,000. In addition, Dr. Kor is entitled to reimbursement for expenses incurred by him in connection with the services, in accordance with the expense reimbursement policy of GMG and/or the Company.

The proposed compensation for Dr. Kor in connection with his role as Chairman of the Board of GMG, is in addition to the compensation to which he is entitled as a director of the Company.

For further details regarding the terms of service and employment of Dr. Kor as Chairman of the Board of GMG, see the immediate report on the notice of meeting, as released by the Company on 19 August 2024 (Ref.: 2024-01-089680), included herein by way of reference.

(7) Directors of the Company

In accordance with the Company's Compensation Policy, the remuneration for outside directors and other directors of the Company who do not receive a salary or management fee as will hold office from time to time, shall be the remuneration in the amount of the "maximum amount" per director (and in respect of directors who are controlling shareholders – up to the "maximum remuneration" amount), according to the rating of the

Company as provided in the Companies Regulations (Rules on Remuneration and Expenses for the Outside Director), 5760-2000 (the "**Remuneration Regulations**") and the classification of such director. In addition, the directors may be included in an insurance policy for officers of the Company and shall receive an undertaking of indemnification, or indemnification pursuant to an indemnification permit and exemption from liability subject to the provisions of the Companies Law. In 2024, the remuneration paid by the Company to all of the independent directors (two independent directors and two outside directors) amounted to a total of approx. NIS 1,309 thousand, and NIS 600 thousand to two ordinary directors. For further details, see Notes 32C(7) and 32D to the financial statements. In addition, the directors are entitled to the reimbursement of expenses as customary in the Company and in accordance with the Remuneration Regulations.

Remuneration of additional directors of the Company who are controlling shareholders: For details see Regulation 22 below – Remuneration of Additional Directors who are Controlling Shareholders of the Company.

2. Regulation 22 - Controlling Shareholder Transactions

Following are details, to the Company's best knowledge, with regard to transactions with the controlling shareholder or in the approval of which the controlling shareholder has a personal interest, in which the Company or a corporation controlled thereby or an affiliate thereof engaged in the report period, and which are still in force as of the report date:

Transactions listed in Section 270(4) of the Companies Law

- **Engagement in a Management Agreement with a Management Company Controlled by Ms. Danna Azrieli**

  On 28 December 2014, the Company's general meeting approved the Company's engagement with a Company controlled by Ms. Danna Azrieli in a management agreement through which Ms. Danna Azrieli provides to the Company Active Chairwoman of the Board services. On 6 October 2016, the general meeting of the Company's shareholders approved the extension of the management agreement, with no change to the terms and conditions of the engagement between a company controlled by Ms. Danna Azrieli and the Company, for another three years from the date of the meeting's approval. On 11 August 2019, the general meeting of the Company's shareholders approved the update and extension of the management agreement once again, for another three years from the date of the meeting's approval. On 10 August 2022, the general meeting of the Company's shareholders approved the update and extension of the management agreement once again, for another three years from 11 August 2022. For further details, see Note 32C(1) to the financial statements.

- **Remuneration of Additional Directors who are Controlling Shareholders of the Company**

  Ms. Sharon Azrieli and Ms. Naomi Azrieli, controlling shareholders of the Company, are entitled to directors' remuneration in the "maximum amount" for a director, according to the Company's rank as set out in the Remuneration Regulations, as paid to the other directors of the Company who do not receive a salary or management fees and as approved by the Company's compensation committee and the Board on 18 May 2022 and 30 May 2022 (respectively), pursuant to Section 1B(3) of the Companies Regulations (Relaxations for Transactions with Interested Parties), 5760-2000. The aforesaid remuneration approval of 30 May 2022 was granted for a 3-year period commencing from 3 June 2022. In addition, the provisions of Sections 5(b) and 6(a) of the Remuneration Regulations pertaining to reimbursement of expenses to directors, including flights, per diems and hospitality, shall apply also with regard to such directors, *mutatis mutandis*. The audit committee and the Board approved a framework for such expenses, which is examined from time to time. In accordance with the aforesaid, in 2024, the remuneration paid by the Company to Naomi Azrieli and Sharon Azrieli as aforesaid amounted to a total of approx. NIS 350 thousand. For details, see an immediate report released by the Company on 31 May 2022 (Ref.: 2022-01-067546), included herein by way of reference, Regulation 21(7) of this part above and Note 32C(7) to the financial statements.

- **Insurance, indemnification and exemption for Controlling Shareholders in the Company**

  Ms. Danna Azrieli, the Company's Chairwoman of the Board , Ms. Naomi Azrieli, Director, and Ms. Sharon Azrieli, Director (the "**Controlling Shareholders who are Directors**"), are entitled to an officers' insurance arrangement to which all of the directors and officers of the Company are entitled. On 27 June 2024, the compensation committee approved an engagement for renewal of the D&O insurance policy of the Company (including from among the controlling shareholders of the Company) and the Company's subsidiaries from 1 July 2024 until 30 June 2025. The engagement in the insurance policy is consistent with the provisions of the Compensation Policy, as approved by the Company's shareholders meeting on 2 May 2024, which was attached to the Company's notice of general meeting report released on 21 March 2024 (Ref.:2024-01-029742), which is included herein by way of reference. In addition, the Controlling Shareholders who are Directors are entitled to letters of indemnification and exemption according to the Company's Compensation Policy. For details see Note 32D to the financial statements.

  On 10 August 2022, the general meeting of the Company's shareholders (after the approval of the Company's compensation committee and Board of 3 July 2022) approved the extension of the aforesaid management agreement of Ms. Danna Azrieli as the Company's Chairwoman of the Board for additional three years starting from 11 August 2022, within which the grant of letters of indemnification and exemption to Ms. Danna Azrieli was approved as well. On 27 April 2023, the Company's general meeting approved the extension of the letters of indemnification and exemption from liability granted to Mses. Sharon Azrieli and Naomi Azrieli, who are among the Controlling Shareholders who are Directors, for an additional 3-year period commencing on 30 April 2023. For further details, see the notice of meeting report released on 22 March 2023 (Ref.: 2023-01-29988) and the immediate report of 30 April 2023 regarding the results of the meeting (Ref.: 2023-01-045594), which are included herein by way of reference.

Negligible Transactions

In the report period, the Group performed negligible transactions with the controlling shareholders thereof, or that the controlling shareholders thereof had an interest in their approval, of the kinds and characteristics in accordance with a negligible transactions procedure approved by the Board of the Company, as specified in Note 32C to the financial statements, including:

- **Lease Agreements with Related Parties**

  The Company, companies controlled by the Company and affiliates thereof, have engaged in lease agreements with tenants, in the engagement with whom the controlling shareholders have a personal interest, pursuant to which some of the aforesaid companies have been leasing out for several years and/or leased out during 2024, in the ordinary course of business and at arm's length, areas in some of the Company's income-producing properties. The income with respect to the aforesaid leases in the year ended 31 December 2024, totaled approx. NIS 4,005 thousand (about 4 tenants, including Azrieli Foundation (Israel), R.A.). For details, see Note 32C to the financial statements.

- **Community relations**

  The Company makes donations to the community from time to time, either itself or through companies that are members of the Group. To the best of the Company's understanding, the Group may donate to the community and to bodies or entities in need of assistance, including bodies with which interested parties of the Company may be affiliated, or of which interested parties of the Company are volunteer members.

3. Additional Issues in Relation to the Control of the Company

3.1 Restructuring

In the context of a process of restructuring of the companies in the Group and primarily, steps for the consolidation of similar activities of the Group which were performed in fellow subsidiaries, and streamlining of the Group's current operation, the Company engaged, in November 2008, in an agreement with Nadav Investments whereby Nadav Investments transferred its shares in some of the Group's companies to the Company, as is, in consideration for an allotment of shares of the Company (the "**Restructuring Agreement**"). As of the report date, the restriction period by virtue of Section 104A of the Income Tax Ordinance (New Version), 5721-1961, pertaining to the sale of shares which have been transferred, has expired.

Due to it being a company which is incorporated under Canadian law, Nadav Investments is governed, *inter alia*, in connection with its operations or investments in Israel, by the rules of taxation which are set forth in the Convention between the State of Israel and Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital (the "**Convention**"), including with regard to the sale of shares in companies whose assets are mainly real properties. For purposes of clarification and interpretation of the sections of the Convention which contemplate this issue, various tax ramifications and provisions regarding the sale of the Company's shares were set forth in the context of an agreement between the Israel Tax Authority and the Company, Canit Hashalom and Nadav Investments, dated November 2008, in accordance with the rate of the Company's holdings in real properties in Israel.

In addition, the aforesaid agreement set forth provisions whereby Nadav Investments shall not act towards receiving any tax benefits in Canada which are not in accordance with the provisions of the law in Canada or the Convention, provisions pertaining to the possibility to terminate the agreement if in the future the provisions of the Convention and/or Chapter E of the Ordinance will be materially modified in the manner which has an effect on the manner of taxation of the sale, and additional provisions whereby in any event where there will be a tax liability in Canada due to the sale of the shares, the same shall have no effect on the tax liability which is set forth in the agreement. Any restructuring in accordance with the provisions of the second part of the Ordinance which addresses the Company's shares and/or the shares of Canit Hashalom shall be performed solely after the receipt of the advance consent of the Mergers and Splits Department of the Tax Authority.

3.2 Definition of Business

On 24 May 2016, the Company's Board, after the approval of the audit committee of 22 May 2016, approved the Company's Definition of Business Procedure (the "**Procedure**") which shall apply to the Company's directors and to the Company's controlling shareholders. The Procedure determines the types of business in which they will not be able to engage in transactions in Israel and overseas, and the manner of disclosure to the Company, prior to engagement in such transactions, and the how the Company shall make the decision as to whether such transactions are relevant to the Company. The Procedure shall apply to controlling shareholders and board members at the Company and will be in effect throughout the period of their being controlling shareholders of the Company and/or their term of office as members of the Company's Board, whichever is later, and with respect to directors for an additional period of six months from the end of the said timeframe, so long as no other resolution shall have been adopted by the Company's Board, after receipt of the resolution of the Company's audit committee. The Procedure determines that a controlling shareholder and/or director of the Company is prohibited from being involved, either directly or indirectly, in business activity which may, according to the Companies Law, fall under the definition of a business opportunity of the Company, and in any event which falls within one or more of the activities to which the Procedure applies. On 3 July 2022 the audit committee approved the update of the Procedure.

The Procedure regulates the process of approval of performance of the transaction by a controlling shareholder and/or director, if the Company chooses not to perform such transaction itself. According to the Procedure, a controlling shareholder and/or director is required to present, in writing, to the Company's management and subsequently to the audit committee, an outline of the transaction in connection with a property and/or activity which fall within any of the activities according to the Procedure which he is interested in performing, and to forward all of the material relevant to the transaction for their perusal. Only if the Company's management, and subsequently the audit committee, decide that the proposed activity does not interest the Company, will the controlling shareholder and/or director of the Company be free to engage in such transaction.

Due to the complexity of the issues covered by the Procedure, the timetables for performance of transactions and the concern of other bodies which may frustrate the transaction, decisions must be made under the Procedure on short notice and even immediately, all as specified in the Procedure. Therefore, the decision of the audit committee as to whether to approve the proposed activity or alternatively to seek supplementary details from the Company's management, shall be given no later than up to 10 business days after the date of presentation of the proposal by such person and receipt of the material and information required, such decision being made by a majority of members who do not have a personal interest in the decision.

It is clarified that the provisions of the Companies Law and the provisions of supplementary laws such as securities law prevail over the provisions of the Procedure, and therefore the Company is required to seek advice in each case according to the special circumstances thereof from the legal aspect, as applicable at such time.

In addition, the Chairwoman of the Board, Ms. Danna Azrieli, is subject to the Definition of Business Procedure, in addition to the provisions of the Procedure, which was updated in view of the Group's entry into new operating segments and/or expansion of some of its operating segments, and approved on 10 August 2022 by the general meeting of the Company's shareholders. For further details, see Section 9.2.3 of the Company's notice of general meeting report released on 25 July 2022 (Ref.: 2022-01-094888), included herein by way of reference.

4. Regulation 29 and Regulation 29A - Recommendations and Resolutions of the Board

For details on resolutions of the Board with regards to dividend distribution, see Section 4 of Chapter A of this Report and Notes 18C and 34G to the financial statements.

Resolutions of the Special General Meeting

Set forth below is a specification of resolutions which were approved during a special general meeting of the Company's shareholders:

Date of resolution	Subject of resolution	Ref.[6]
2 May 2024	Special bonus payment to the CEO of the Company; approval of the updated Compensation Policy; approval of the update to the CEO Management Agreement; approval of the granting of options to the CEO of the Company; approval of the appointments of Messrs. Mr. Nehemia (Hemi) Yaakov Peres and Irit Sekler-Pilosof as directors of the Company.	2024-01-029742
24 September 2024	Reappointment of directors (who are not outside directors); reappointment of the accounting firm Deloitte Brightman, Almagor, Zohar & Co. as the Company's auditor; discussion on the 2023 financial statements; approval of the terms of service of Dr. Ariel Kor as Chairman of the Board of GMG.	2024-01-089680

Resolutions of the Company – Regulation 29A

In the report period, and until the Report Release Date, no Company resolutions were adopted on the issues specified in Regulation 29A of the Report Regulations, other than as specified below:

- For details in relation to the resolution for renewal of the Company's D&O insurance policy (including from among the controlling shareholders of the Company) of the Company and the Company's subsidiaries, from 1 July 2024 to 30 June 2025, see Section 2 above, which is included in the specification with respect to insurance for controlling shareholders of the Company and Note 32D to the financial statements.
- For details regarding the entitlement of the directors and officers to receive from the Company an indemnity undertaking, or indemnity according to an indemnity and exemption from liability permit, subject to the provisions of the Companies Law, see Note 32D to the financial statements.
- On 17 and 19 March 2025, the Company's audit committee and board (respectively) approved GMG's engagement with Mr. Henkin in an employment agreement in connection with his terms of employment as CEO of GMG. For further details, see Note 34 to the financial statements.
- On 17 and 19 March 2025, the Company's audit committee and board (respectively) approved the engagement of the Company's subsidiaries (GMG and Azrieli Global) with Mr. Rafi Wunsh, the Company's VP International Real Estate, in employment agreements in connection with his terms of employment as Chief Investment Officer in the said subsidiaries (in lieu of his current position), in a full-time (100%) position. In this context, Mr. Wunsh will be entitled to, *inter alia*, a gross annual salary in the sum total of £392,150, an annual bonus based on targets determined by GMG's competent organs, and equity compensation under the equity incentive plan adopted by GMG. For further details about the plan, see Note 34 to the financial statements.

5. Compensation of Senior Officers

On 2 May 2024, the Company's general meeting approved the updated compensation policy for the Company's officers. The Company's Compensation Policy determines a compensation plan for officers of the Company, including directors of the Company who are controlling shareholders.

At the meeting of the compensation committee of 17 March 2025 and at the board meeting of 19 March 2025, a discussion was held on the terms of employment and the compensation granted to the senior officers of the

[6] The report specified in this table is included herein by way of reference.

Company and the interested parties thereof in 2024 which are specified in Regulation 21 of this chapter, with respect to each one of the said senior officers and interested parties separately.

The Company's Board determined, after having received the recommendation of the compensation committee, that all of the compensation terms of the officers are consistent with the Company's Compensation Policy. The board noted that the CEO of GM, an (indirectly) wholly-owned subsidiary of the Company, is included in the disclosure under Regulation 21 of the Reports Regulations in his capacity, during the report period, as a senior officer in a corporation controlled by the Company. Therefore, in view of the fact that he is not included in the definition of an officer in the Company itself, he is not subject to the provisions of the Company's compensation policy. Accordingly, in the estimation of the compensation committee and the board of directors of the Company, the compensation given as specified in Regulations 21 and 22 above is consistent with the compensation policy of the Company and/or is reasonable and fair.

6. Internal Audit

In 2010 the Company adopted an internal audit procedure (the "**Internal Audit Procedure**"), whose purpose is to define the status and scope of activity of the internal auditing of the Company, as well as the methods and means for fulfillment of its tasks. This Procedure was approved by the audit committee in its meeting of 15 November 2010 and by the Company's Board in its meeting of 24 November 2010.

Identity of the Internal Auditor: Mr. Gali Gana of Rosenblum-Holtzman & Co. (the "**Internal Auditor**"), was appointed to the position of the internal auditor of the Company and the Group's companies and began his service at the Company in March 2023.

Compliance of the Internal Auditor with Legal Requirements: To the best of the knowledge of the Company's management, according to the Internal Auditor's statement, he complies with the requirements of Section 146 (b) of the Companies Law and the provisions of Section 3(a) and 8 of the Internal Audit Law, 5752-1992 (the "**Internal Audit Law**").

Holding Securities of the Company or a Body Related Thereto: As of this report date, as the Internal Auditor informed the Company, he does not hold securities of the Company or a body related thereto.

Ties of the Internal Auditor with the Company or a Body Related Thereto: To the best of the knowledge of the Company's management, as the Internal Auditor informed the Company, the Internal Auditor does not have material business or other ties with the Company, and nothing in other business ties of the Internal Auditor creates a conflict of interest with his duties as an internal auditor of the Company.

Additional Positions of the Internal Auditor in the Company: The Internal Auditor is an external service provider to the Company on behalf of Rosenblum-Holtzman & Co. According to the Internal Audit Procedure, the Internal Auditor and the audit workers will not hold a position in the Company in addition to the internal audit. As of the report date, except for his position as the Company's internal auditor, the Internal Auditor is neither employed by the Company nor provides any other external services thereto.

Other positions of the Internal Auditor outside the Company: Mr. Gali Gana is a managing partner at Rosenblum-Holtzman & Co.

Method of Appointment of the Internal Auditor: Mr. Gali Gana was appointed to serve as the Internal Auditor of the Company pursuant to the recommendation of the Company's audit committee of 19 March 2023 and the resolution of the Company's Board of 21 March 2023, after an in-depth review of his education, qualifications and experience of many years in internal auditing while considering the obligations, authorities and duties imposed on the internal auditor according to law.

Mr. Gana was found suitable to serve as the Internal Auditor of the Company, *inter alia,* considering the scope of business and complexity of the company. Within the framework of the Company's Internal Audit Procedure which was approved by the audit committee and the Board of the Company in November 2010, the Company's Board appointed the Internal Auditor and determined his status and compensation terms.

Termination of office: The Internal Audit Procedure determines that the term of office of the Company's Internal Auditor shall not exceed 6 years. Therefore, at the very latest, on 21 March 2029, Mr. Gali Gana's term of office as the Company's Internal Auditor will come to an end.

The Identity of the Supervisor of the Internal Auditor: The organizational supervisor of the Internal Auditor is, as of the report date, the Company's Chairwoman of the Board, in coordination with the Company's audit committee.

The Audit Plans: According to the Internal Audit Procedure, the internal auditor submits a proposal for an annual work plan, in coordination with the Company's Chairwoman of the Board and the CEO. The audit committee must discuss the plan and approve it, and thereafter the plan is forwarded for the Board's approval. In May 2023, the audit committee adopted the report of the Internal Auditor regarding a multi-annual risk survey, according to which the audit committee laid down a multi-annual plan for the years 2023-2025 for determination of the audit objectives, which served as an outline for laying down the annual work plan of the internal audit. In addition, in March 2025 the Internal Auditor's work plan for 2025 was approved. The audit plan of the Internal Auditor is an annual plan, derived from a multi-annual work plan, *inter alia*, according to the following considerations: potential for streamlining and saving, risks inherent to the Company's business, rules and regulations applicable to the Company and weaknesses which the Company's Board, management or Internal Auditor observe on an ongoing basis.

The annual work plan of the internal audit includes also the performance of an audit of the follow up on implementation of the internal auditor and audit committee's recommendations by the Company's management. The audit is carried out according to the plan under the supervision of the internal auditor and is adapted, according to developments and findings which are discovered during the audit. The work plan leaves discretion with the Internal Auditor for change in the audited issues, after a discussion on the subject with the relevant parties.

Material Transactions: The Internal Auditor receives an invitation, including background material for meetings of the Company's audit committee in which transactions are examined and approved, as specified in Section 270 of the Companies Law. According to his choice, after receiving proper details, he is present at the meetings or is updated in respect thereof. Also, the Internal Auditor may receive, according to his request, minutes of the Company's Board meetings in which such transactions had been approved.

Audit of Investee Corporations: The Internal Auditor also serves as the internal auditor of subsidiaries in the Group, excluding in GM. The audit plan also refers to material investee corporations of the Company in which no internal auditor had been appointed, including overseas.

Scope of Engagement of the Internal Auditor: The scope of engagement of the Internal Auditor was approved by the audit committee according to the audit plan which was approved thereby.

In respect of the audit plan for 2024, the hours of the internal audit in the Company and in its investees, which were performed by the Internal Auditor amounted to approx. 1,190 hours. The management has the option to expand the scope of the work according to the circumstances.

In the Company's estimation, the scope of the Internal Auditor's work in respect of 2024 is appropriate.

The number of hours for the audit work in the Company and in the subsidiaries is determined according to the audit plan proposed by the Internal Auditor and is approved by the audit committee.

Guiding Professional Standards in the Performance of the Audit: The internal auditor and the team of employees reporting to him perform the audit work in meticulous compliance with necessary standards for the performance of professional, reliable, autonomous audit, independent of the auditee. Pursuant to information provided to the Company's management by the Internal Auditor, the audit reports rely on the audit findings and the facts recorded in the audit are carried out according to accepted professional standards according to professional guidelines on internal auditing, including standards of the Institute of Internal Auditors in Israel (IIA), and in accordance with the Internal Audit Law and the Companies Law. The Board relied on the reports of the Internal Auditor regarding his compliance with the professional standards according to which he performs the audit.

The Internal Auditor has Free Access: The Internal Auditor of the Company has free, unlimited and direct access, in coordination, to documents, information and the relevant information systems of the Company, and of investee companies, including financial data, as well as an independent status. The Internal Auditor undertakes to keep in confidence, not to provide to others and not to make any use for his own use or for the use of others, of any information pertaining to the Company.

The Report of the Internal Auditor: The internal audit reports are submitted in writing and discussed on an ongoing basis with the Company's management and the CEO.

The dates on which a report on the findings of the Internal Auditor was submitted to the CEO are: 8 May 2024 (one report), 1 August 2024 (2 reports), 10 November 2024 (one report) and 11 March 2025 (3 reports). The dates on which a discussion was held by the audit committee on the findings of the Internal Auditor, are as follows: 20 May 2024, 15 August 2024, 18 November 2024 and 17 March 2025, respectively.

The Evaluation by the Company's Board of the Activity of the Internal Auditor: According to the evaluation of the Board, the qualifications of the Internal Auditor and his team, the scope, nature and continuity of the activity of the Internal Auditor and his work plan are reasonable in the circumstances of the matter, and fulfill the purposes of the internal audit at the Company.

Compensation of the Internal Auditor: The payment to the Internal Auditor of the Company and of subsidiaries in Israel is done according to actual working hours and according to the work plan approved by the audit committee and the progress in the audit work of each and every subject. In the beginning of each year the Internal Auditor submits a proposal for an annual audit plan which will include a planned hourly framework.

The audit committee determines the audit plan and the hour quota. The Internal Auditor will not deviate from the hour quota without the approval of the audit committee. In case that further tasks will be imposed on the Internal Auditor during the audit year – the audit committee will determine the hour quota for the further tasks.

In respect of 2024, the cost of the fee of the Internal Auditor and his team amounted to approx. NIS 297 thousand (plus VAT).

According to the Company's estimation, due to the fact that the compensation is based on working hours, the aforesaid compensation cannot affect the exercise of the Internal Auditor's professional discretion. The Company determined as a matter of essential policy the independence of the internal audit, and therefore, the Internal Auditor is not dependent at all upon the Company and the management thereof.

7. The Auditor

The identity of the Auditor

The primary outside auditors of the Company and of the investee companies are the accounting firm of Deloitte Brightman Almagor Zohar (the "**Auditor**"). It shall be stated that the firm leases offices from the Company at the Azrieli Center in Tel Aviv for amounts which are immaterial to the Company. However, in order to ensure that the independence thereof is not prejudiced, the Auditor has assumed (within the framework of an agreement with the Israel Securities Authority) parameters which will be examined from time to time in respect of the engagement, including with respect to the specificity of the terms of the lease agreement and non-modification thereof; written – at arm's length fee agreements; separation between the identity of the service providers and the decision makers in respect of the lease agreement; restrictions regarding the settling of accounts with respect to the lease agreement and the services and agreement that in case of dispute the Auditor shall act for termination of his office. The Company confirms with the Auditor the fulfillment of such parameters and the validity thereof on an annual basis. On 19 March 2023, the Company's audit committee approved the engagement in a new lease agreement between the Company and the Auditor, the lease period under which will commence in H2/2024. This was done in accordance with the conditions of an updated outline agreed between the Auditor and the ISA in 2022, which guarantees compliance with the independence rules applicable to the Auditor[7].

The Auditor's Fee

In 2023 and 2024, total fees of the accountants for audit services, audit-related services, including audit-related tax services, and for consultation services were as follows:

2024		Audit Services, Audit-Related Services and Audit-Related Tax Services	Other Services	Total
Company	**Auditor**	**NIS in thousands**	**NIS in thousands**	**NIS in thousands**
Azrieli Group Ltd.	Deloitte	4,399	584	4,983
2023		**Audit Services, Audit-Related Services and Audit-Related Tax Services**	**Other Services**	**Total**
Company	**Auditor**	**NIS in thousands**	**NIS in thousands**	**NIS in thousands**
Azrieli Group Ltd.	Deloitte	3,959	365	4,324

Determination of the Auditor's Fee

The Company's Board, after receiving the recommendation of the Company's audit committee, was authorized in the Company's articles of association to determine the fee of the outside auditor. The fee is determined based on the work required and past experience, while adjusting such to changes in regulation and scope of work, development of the Company and events which occurred during the passing year.

[7] For details on the terms and conditions of the outline, see the ISA's answer [in Hebrew] to the Auditor's application here.

8. Independent Authorized Signatory

As of the Report Release Date, the Company does not have an independent authorized signatory.

9. ESG and Donations

In 2020, the Group adopted a corporate responsibility plan that defines the Group's commitment to social and business responsibility, the building of Israel and environmental protection. On 18 August 2020 the Company's Board approved an annual budgetary framework of up to 1.5% of the consolidated annual net profit[8] or NIS 20 million, whichever is higher, for implementation of a corporate responsibility plan, and, *inter alia*, the donation policy included therein, which shall be carried out by the grant of financial and/or in kind donations. In January 2025, as part of the work plan for 2025, an amount of approx. NIS 22 million was approved for the implementation of the plan.

In November 2023, Azrieli Group released its second ESG report, prepared in accordance with the international GRI standards, the world's leading corporate responsibility reporting standards. The report is evidence of the Group's ongoing commitment to promoting ESG based on its corporate, social and environmental responsibility[9].

As part of its corporate responsibility (ESG), the Group voluntarily acts beyond the requirements of the law, with the aim of leading a wide-scale practical change in the development, operation and management of its real estate projects as pertaining to environmental and social sustainability and promoting a shift in perception through collaborations and community activities throughout Israel. By investing in groundbreaking environmental and social projects, the Company is working to realize its ESG vision in the following ways:

Environmental responsibility:

Green Building to the highest standards

Green building standards integrate the environmental impact of construction and operating processes and generate a comparative rating. As one of Israel's green building pioneers, the Company has been working under the Israeli green building standard since as early as 2013. At present, most of the buildings of the Company are designed in accordance with the U.S. LEED (Leadership in Energy and Environmental Design) standard, which is revised every few years and raises the bar in accordance with global green building trends.

Moreover, the Company has set for itself the **Azrieli Green Building Standard** – which aims for significantly greater reduction in the Company's projects' carbon footprint than the standards require. By so doing, the Company hopes to lead the way in Israel's real estate market and operate with serious attention to climate change and through the creation of sustainable construction solutions in Israel.

The **Azrieli standard** includes the setting of quantitative targets for green construction in every building, **above the standard requirements**, in such areas as energy efficiency, reduction of embodied carbon, water conservation and waste reduction, and improvement of the well-being of the building's users. Such targets are incorporated into the Company's work plan every year, thus creating real, measurable reduction of greenhouse gas emissions in every project. The green building processes in the Group are managed in the Engineering Department, by an architect who specializes in green building, with advice by external green building consultants.

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[8] Net of fair value adjustments of investment properties net of tax.

[9] The report is available on the Company's website at https://www.azrieligroup.com/wp-content/uploads/2023/10/Azrieli_ESG__EN.pdf. In 2025, the Company expects to release its Corporate Social Responsibility Report for 2023-2024.

As of the close of 2024, five of the Group's properties are LEED-construction certified, and seven more properties are under development and construction, aiming for the current LEED Platinum rating. Three of the Company's properties are certified for the Israeli Green Building Standard 5281, and another two are undergoing planning for certification for the said standard.

The Company undertakes that all of its new projects will be green building-certified, and strives for every new project to be certified for LEED Platinum and a minimum of three stars under the Israeli standard, according to the Company's green building policy[10].

Existing LEED-certified projects:

- Azrieli Sarona tower – LEED Gold
- Azrieli Town office tower – LEED Gold
- Azrieli Holon HaManor – LEED Gold
- Azrieli Center Rishonim – LEED Silver
- Azrieli Center Modi'in West – LEED Gold

LEED O&M Standard

This standard certifies green operations, addressing energy consumption, water consumption, improvement of indoor air quality, waste management, tenant satisfaction, and other aspects.

Fourteen of the Group's properties are LEED O&M V4-certified:

Platinum-certified: Azrieli Town Office Tower. Gold-certified office towers: Azrieli Center Round, Triangular and Square Towers (Israel's first office towers to ever attain this certification), Azrieli Sarona Center, Azrieli Rishonim Center, Azrieli Holon Business Center (4 buildings), Azrieli Herzliya Center (Buildings G and E). Gold-certified malls: Azrieli Tel Aviv Mall (Israel's first mall to ever attain this certification), Azrieli Rishonim Mall.

LEED O&M V5 standard: Azrieli Sarona has been included in a pilot of the new version of the standard, which also addresses climate risks. Azrieli Sarona is one of 50 buildings worldwide to be included in the pilot, part of which is a review of an environmental management system (EMS) for greater efficiency of data of environmental impact, to generate savings.

The Environment Project

The Environment Project is one of the Company's most significant initiatives, in which it has set the target of reducing the amount of waste sent to landfill by 50% by the end of 2025. Reducing landfill waste is achieved by source separation of the waste into different material streams and transfer of waste for recycling. In the interest of influencing and mobilizing stakeholders, the Group has taken many steps, including joint brainstorming with tenant representatives in order to engage them in the process, designing a space that encourages recycling, training and informational activities for tenants and their employees and for the properties' visitors, and more.

The project spans 19 of the Group's properties and is operated in collaboration with the 'Social Green' initiative – a social-economic project that facilitates the integration of people with disabilities and special needs in the employment market. At present, some 50 employees with disabilities are employed in the project, with an expected increase in 2025. In 2024, the Environment Project diverted from landfill 3,778 tons of waste, sent to recycling or local treatment – some 30% of the total waste produced by the properties participating in the project.

[10] Available on the Company's website – https://www.azrieligroup.com/wp-content/uploads/2024/02/Green-Building-Policy-1.pdf

This collaboration promotes two objectives of high importance to the Company: Reducing landfill waste and promoting equal and diverse employment.

Social responsibility

As part of its ESG program, the Group initiates and operates community projects for environmental protection and community empowerment that integrate stakeholders – customers, the Company's employees, tenants and residents. The following projects were conducted in 2024:

- Social recycling hubs in collaboration with the 'Pitchon Lev' nonprofit organization – the Company placed recycling containers in 10 of the Company's properties. The participating properties were chosen for being mixed-use centers consisting of malls and offices. The recycling area allows customers, tenants and employees to donate clothes, shoes and electronic waste in specifically designated containers. The employees of Pitchon Lev who are people with disabilities collect and sort the donated items and forward them to aid centers.

- Zionist Shopping project in collaboration with the Joint organization – In 2024 the Company partnered with the Joint organization in a venture to support approx. 300 small businesses owned by reservists and residents from the north and south of Israel. Hundreds of businesses received a comprehensive six-month support package, including professional mentoring, financial grants, marketing assistance and participation in fairs held in Azrieli malls, which were the culminating event of the project. The fairs were held in seven malls: Tel Aviv, Ayalon, Modi'in, Holon, Beer Sheva, Haifa and Jerusalem. The project provided business owners with tools and opportunities to navigate the economic challenges of the period.

- T-Share project, for collection of school shirts at Azrieli malls to be donated or recycled. In collaboration with Wizo organization's "Bigudit" (second-hand store), the Company established the "Social Closet" project to collect school shirts and transfer them to the Bigudit stores. Shirts in good condition were sold at nominal prices, with all proceeds donated to mothers and children who have escaped domestic violence, as well as to support community development activities. Shirts that were unsuitable for reuse were sent for recycling, promoting both sustainability and community support values. Approx. 50,000 second-hand shirts were collected in the project.

- "Protecting the Sea" project – in this project, which took place in Eilat, the Company worked towards the preservation of the Gulf of Eilat, considered one of the city's key natural resources. In collaboration with the "Gulf Rangers" organization and the city's community centers, cleaning dive activities were held for the beaches and surrounding shores, along with the establishment of information booths at Azrieli's "Mall HaYam." The project involves about 70 children and teenagers on a weekly basis, creating broader circles of influence as more youth are exposed to the initiative. To launch the project, the mall hosted an exposure event attended by approximately 1,500 residents of the city. Visitors enjoyed second-hand booths, educational activities for children, and inspiring content on sustainability. The project not only helped preserve the Gulf, but also strengthened environmental awareness within the local community.

- "Take the Garbage with You" project – This project focused on waste reduction and environmental education at the Azrieli Holon Mall. Around 90 students from local schools created environmental message signs, which were displayed in the local mall. Tours and workshops were held to introduce innovative recycling solutions. The highlight of the event was an urban race where families from around the city worked to solve tasks related to waste reduction. Simultaneously, an exhibition of images edited with AI was displayed, showcasing a vision of a clean city as presented by the students. Expansion of the project to additional schools in the city, in collaboration with the municipality, is planned for 2025.

<u>Female and male employees and work environment</u>

Our employees are the key factor in the Group's business success. Their dedication, professional quality and commitment make our company better. The Group is committed to encouraging, promoting and developing employees both professionally and personally and improving their wellbeing in their work environment. The Group's management conducts an ongoing, open and continuous dialogue with employees through feedback and roundtables, with the aim of conducting learning processes, maintaining good working relationships and encouraging values of shared purpose, commitment and mutual respect. The Group invests extensive resources in employee wellbeing and development activities, which include the scholarship program for employees and their families with millions of shekels awarded in scholarships every year, training and instruction sessions amounting to thousands of hours per year and sharing the important moments in our employees' lives.

<u>Safety</u>

The Company has a risk identification policy and does the utmost to avoid accidents preemptively. The Group has adopted detailed and thorough procedures on the safety issues it manages. The procedures specify, among other things, objectives, working rules, responsibilities, briefings, equipment handling, instructions for preventive activities and emergency activities and reporting. In the event of a safety incident or work accident, the Company works for the conduct of investigations to identify the causes of the incident, for the immediate taking of corrective action to prevent the recurrence of the incident or accident.

<u>Accessibility</u>

The Group is committed to making 100% of its properties accessible to people with disabilities. The Group works constantly to improve and upgrade accessibility systems and implement additional accessibility technologies, including the Hear-Right app that provides audio direction and orientation for people with blindness or impaired eyesight and the placement of signage with directions to accessible service in all payment stands and entry/exit checkpoints in the car parks. In addition, in 2024 the Company launched a unique accessibility project in collaboration with the Etgarim association, against the background of the dramatic increase in the number of injured and disabled individuals in Israel since the Swords of Iron war. The project focuses on two key objectives: enhancing the understanding and empathy of the Group's teams towards people with disabilities, and developing practical solutions to improve customer experience at the Company's properties.

In this project, managers and employees across the Group's ranks participate in specialty workshops, in which they experience malls from the perspective of people with disabilities. In the workplace, they experience navigating the property using the elevators, parking areas, points of sale and food courts, moving around in wheelchairs in an attempt to understand whether adequate solutions are indeed offered to persons with disabilities. The project will be expanded in 2025, and the Company will offer all its employees to have this experience. The Company will also partner with retail chains to enable their employees to take part in the workshops, in order to encourage conceptional and practical change also among the Company's tenants.

<u>Targeted donations in the Group's areas of interest and emergency aid during the 'Swords of Iron' War</u>

Following the events of the 'Swords of Iron' War, and as part of Azrieli Group's view of its corporate responsibility, the Group joined the effort to help the Israeli society through one of the hardest times the State of Israel has ever known, and expedited its social activities, focusing its efforts and aid on the needs as arising from the field on an ongoing basis.

Since the War broke out and to date, the Group has initiated aid and donations in money and money equivalents amounting to some NIS 19.1 million, via the following projects, among others:

Giving Azrieli Mall gift cards to evacuees, donating inventory from Azrieli.com, hosting 27 businesses from conflict zones in the Group's malls to support their continued operation during the War, support for small businesses, converting vacant areas in the Group's properties for a logistics center for aid to evacuated families and soldiers, promoting the mental health awareness campaign of the 'Eran' NPO in the Group's properties, and lighting up the Azrieli Tel Aviv towers with messages such as "Together We Will Prevail", the hostages' symbol and count of days in which the hostages are held in captivity, to express solidarity and preserver public awareness of the matter, hosting various art exhibitions, including the 'Otef Libi' Exhibition, at Azrieli Sarona Center. In addition, the Group's employees mobilized to help residents of the Gaza Envelope and the northern region of Israel and volunteered for what amounted to thousands of hours in various activities such as assistance to farmers, collection and distribution of food packages, assistance to the industry in the Gaza Envelope, and more.

Over the course of 2024 the Company made donations and/or incurred expenses in connection with the CRS Plan, itself and through consolidated companies, in the sum of approx. NIS 16 million[11].

10. Internal Enforcement Plan

In 2012, the Company has adopted an internal enforcement plan. Within the framework of the internal enforcement plan, the Company's Board appointed a board committee designated for the issue of internal enforcement in the Company (the "**Enforcement Committee**") which held a series of discussions regarding required adjustments for an enforcement outline and an enforcement system procedure for the needs of the Company, the unique structure of the Company and its field of business. The supervisor of internal enforcement in the Company is Adv. Nirit Zeevi, VP, General Counsel and Corporate Secretary.

In the context of the enforcement plan, the Company updated and adopted several procedures regarding corporate governance in the Company, which constitute part of the overall enforcement system in the Company, including: (a) Procedure for the work of the Board and its committees; (b) Procedure for identifying transactions with related parties (which also addresses the identification of transactions with interested parties, the classification of irregular and negligible transactions and criteria for types of transactions and acts as being irregular); (c) Immediate reports procedure (for examination of the materiality and the need for submitting an immediate report upon the occurrence of various events); (d) Insider information procedure; (e) Whistleblower employees procedure; (f) Ethical code; (g) Officer holdings procedure; (h) Cluster of companies procedure; (j) Definition of business for directors and controlling shareholders of the Company procedure, and other procedures designated to support and regulate the work of the different organs in the Company and its management.

In 2024 and up to the Report Release Date, the Company implemented the enforcement plan and acted in accordance therewith, in the context of which it also held an annual training day, which compiles the relevant updates for the managers and employees of the Group.

In addition, in 2022 the Company adopted a competition law enforcement program, under which several work procedures were adopted, which are derived from the provisions of the Economic Competition Law, 5748-1988, such as: (a) a communication and treatment of group documents procedure; (b) an interaction with competitors procedure; (c) a legal advice procedure, according to the Group's operating segments; (d) an enforcement program implementation procedure.

[11] The amount includes also the donations made by the Group in 2024 and the expenses for the remaining components of the Group's ESG program.

PART B | CORPORATE GOVERNANCE QUESTIONNAIRE[12]

To clarify, for the avoidance of doubt, the questionnaire is not intended to exhaust all corporate governance aspects relevant to the Company, but only addresses several aspects; for receipt of further information, please inspect the Company's reports, including in this periodic report.

Independence of the Board of Directors

		Correct	Incorrect
1.	Throughout the entire report year, two or more outside directors held office in the corporation. In this question you may reply "Correct" if the period of time in which two outside directors did not hold office does not exceed 90 days, as provided in Section 363A(b)(10) of the Companies Law. However, any reply which is (Correct/Incorrect) shall state the period (in days) in which two or more outside directors did not hold office in the corporation in the report year (including also a term of office which was retroactively approved, while distinguishing between the different outside directors): Number of outside directors holding office in the corporation as of the date of release of this questionnaire: 2.	✓	
2.	The rate[13] of independent directors[14] holding office in the corporation as of the date of release of this questionnaire: 4/10 The rate of independent directors determined in the articles of association[15] of the corporation[16]: ______. ☒ Irrelevant (no provision set in the articles of association).		
3.	In the report year, an examination was held with the outside directors (and the independent directors) and it was found that in the report year they complied with the provision of Section 240(b) and (f) of the Companies Law regarding the absence of a link of the outside (and independent) directors holding office in the corporation, and that they also fulfill the conditions required for holding office as an outside (or independent) director.	✓	
4.	All of the directors who held office in the corporation during the report year do not, directly or indirectly, report[17] to the CEO (excluding a director who is a workers' representative, if there is a workers' representative body in the corporation).If your answer is "Incorrect", (i.e., the director reports to the CEO as aforesaid) – state the number of directors not complying with the aforesaid restriction: ______.	✓	
5.	All of the directors who notified of the existence of a personal interest they have in the approval of a transaction on the meeting's agenda, neither attended the deliberation nor participated in a vote as aforesaid (other than a deliberation and/or vote in circumstances as stated in Section 278(b) of the Companies Law): If your answer is "Incorrect" – Was it for the purpose of presentation of a specific issue by him pursuant to the provisions of the last part of Section 278(a): ☐ Yes ☐ No (check the appropriate box).	✓	

[12] According to the language included in the document on proposed legislative amendments regarding improvement of the reports which was published by the Israel Securities Authority on 16 March 2014.
[13] In this questionnaire, "rate" – a specific number out of the total. For example 3/8.
[14] Including "outside directors" as defined in the Companies Law.
[15] In the context of this question – "articles of association" including pursuant to a specific legal provision that applies to the corporation (for example, in a banking corporation – the guidelines of the Supervisor of Banks).
[16] A bond company is not required to answer this section.
[17] For purposes of this question – the mere holding of office as a director in a held corporation which is controlled by the corporation, is not deemed as "reporting". Conversely, a director's office in a corporation acting as an officer (other than a director) and/or employee in the held corporation which is controlled by the corporation, shall be deemed as "reporting" for purposes of this question.

		State the number of meetings in which such directors were present at the deliberation and/or participated in the vote, other than in circumstances as provided in Subsection a.: ____________.		
6.		The controlling shareholder (including his relative and/or anyone on his behalf), who is not a director or another senior officer of the corporation, did not attend the board meetings held in the report year. If your answer is "Incorrect" (i.e., the controlling shareholder and/or his relative and/or anyone on his behalf who is not a board member and/or a senior officer of the corporation attended such board meetings) - the following details regarding the attendance of any additional person in such board meetings shall be stated: Identity: Ms. Stephanie Azrieli; Holds no position at the Corporation; the wife of Mr. David Azrieli OBM and the mother of Danna Azrieli, Chairwoman of the Board, Naomi and Sharon Azrieli, directors. Was it for the purpose of presentation of a certain issue by him: □ Yes ☒ **No** (check the appropriate box) The rate of his attendance[18] at board meetings held in the report year for the purpose of presentation of a specific issue by him: ___________. Other presence: Ms. Stephanie Azrieli, accompanies her daughters, Danna Azrieli, Chairwoman of the Board, Naomi and Sharon Azrieli, directors; however, she does not take an active part in the discussions and resolutions.		✓

Directors' qualifications and skills

			Correct	Incorrect
7.		In the corporation's articles of association there is no provision limiting the possibility to immediately terminate the office of all of the directors of the corporation who are not outside directors (in this context - a determination by a regular majority is not deemed a limitation)[19]. If your answer is "Incorrect" (i.e., such limitation exists), state -	✓	
	a.	The period prescribed in the articles of association for the office of a director: ______.		
	b.	The required majority prescribed in the articles of association for the termination of office of the directors: ______.		
	c.	The legal quorum at the general meeting prescribed in the articles of association for the termination of office of the directors: ______.		
	d.	The majority required for amending these provisions in the articles of association: ______.		
8.		The corporation has a training plan for new directors, in the field of the corporation's business and in the field of the law applicable to the corporation and the directors, as well as a continuing plan for the training of incumbent directors, which is adjusted, *inter alia*, to the position held by the director in the corporation. If your answer is "Correct" - state whether the plan was implemented in the report year:☒**Yes** ☐ No (check the appropriate box)	✓	
9.	a.	The corporation determined a required minimum number of directors on the board who must have accounting and financial expertise. If your answer is 'Correct' - *state the minimum number which was determined: 1 (apart from the outside director having accounting expertise).*	✓	
	b.	Number of directors holding office in the corporation during the report year - Having accounting and financial expertise[20]: 5. Having professional qualifications: 4.	✓	

[18] While separating the controlling shareholder, his relative and/or another on his behalf.
[19] A bond company is not required to answer this section.
[20] After the Board's estimation, in accordance with the provisions of the Companies Regulations (Conditions and Tests for Directors Having Accounting and Financial Expertise and Directors with Professional Qualifications), 5766-2005.

		If there were changes in the number of directors as aforesaid in the report year, provide the figure of the lowest number (other than in the 60-day period from the change) of directors of any kind who held office in the report year.		
10.	a.	Throughout the report year, the composition of the board included members of both genders. If your answer is "Incorrect" – state the period (in days) in which the aforesaid was not met: ______. In this question, you may answer "Correct" if the period in which directors of both genders did not hold office does not exceed 60 days. However, in any answer (Correct/Incorrect), state the period (in days) in which directors of both genders did not hold office in the corporation: 0.	✓	
	b.	Number of directors of each gender holding office on the board of the corporation as of the date of publication of this questionnaire: Men: 5, Women: 5.		

Board Meetings

			Correct	Incorrect
11.	a.	Number of board meetings held during each quarter in the report year: Q1: 5. Q2: 1. Q3: 5. Q4: 6.		
	b.	Alongside each of the names of the directors holding office in the corporation during the report year, state their participation rate[21] in the board meetings (in this subsection - including meetings of the board committees of which they are members, and as stated below) held during the report year (in reference to his term of office): (Add extra lines according to number of directors)		

Name of Director	Rate of Participation in the Board Meetings (17 meetings)	Rate of Participation in the Meetings of the Audit Committee[25] (5 meetings)	Rate of Participation in the Meetings of the Financial Statements Review Committee[23] (5 meetings[24])	Rate of Participation in Meetings of Compensation Committee[22] (6 meetings)	Rate of Participation in Meetings of Additional Board Committees of which he is a Member (state the committee's name)	
Danna Azrieli	17/17				Investment Committee 5/5	
Naomi Azrieli	17/17				--	
Sharon Azrieli	16/17				--	
Nehemia (Hemi)	15/16	4/4	5/5		Enforcement Committee – 1/1	Note: Mr. Peres commenced office as a director of the

[21] See footnote 9.
[22] With regard to a director who is a member of this committee.
[23] With regard to a director who is a member of this committee.
[24] Of which one meeting where the committee members convened only with the auditor.
[25] With regard to a director who is a member of this committee.

Yaakov Peres						Company starting from 16 January 2024. The data in respect of him is from such date.
Irit Sekler-Pilosof	16/16	4/4	5/5		Enforcement Committee – 1/1 Investment Committee – 4/4	Note: Ms. Sekler-Pilosof commenced office as a director of the Company starting from 16 January 2024. The data in respect of her is from such date.
Menachem Einan	17/17	5/5	5/5		Enforcement Committee – 1/1	
Dan Isaac Gillerman	17/17	5/5	5/5	6/6	Enforcement Committee – 1/1	
Yossef Shachak	17/17	5/5	5/5	6/6	Enforcement Committee – 1/1	
Varda Levy	17/17	5/5	5/5	6/6	Enforcement Committee – 1/1 Investment Committee – 5/5	
Ariel Kor	17/17	4/4	4/4		Enforcement Committee – 1/1 Investment Committee – 5/5	Note: As of September 2024, due to his appointment as Chairman of the Board of GMG, Mr. Kor has ceased to serve as a member of the Financial Statements Review Committee, the Audit Committee, and the Enforcement Committee. The data in respect of him is up to such date.

12.	In the report year, the board held at least one deliberation on the management of the corporation's business by the CEO and the officers reporting to him, in their absence, and they were afforded the opportunity to express their position.	✓	

Separation between the Positions of the CEO and the Chairman of the Board

		Correct	Incorrect
13.	Throughout the entire report year, a chairman of the board held office in the corporation. In this question, you may answer "Correct" if the period in which a chairman of the board did not hold office in the corporation does not exceed 60 days, as provided in Section 363A(2) of the Companies Law). However, in any (Correct/Incorrect) answer, state – The period (in days) during which there was no chairman of the board holding office in the corporation as aforesaid: ______.	✓	
14.	Throughout the entire report year, a CEO held office in the corporation.	✓	

	In this question, you may answer "Correct" if the period during which there was no acting CEO in the corporation does not exceed 90 days as provided in Section 363A.(6) of the Companies Law, however, in any (Correct/Incorrect) answer, state the period (in days) during which there was no CEO holding office in the corporation as aforesaid: ______.		
15.	In a corporation in which the chairman of the board also serves as the CEO of the corporation and/or exercises his powers, the dual office was approved in accordance with Section 121(c) of the Companies Law[26]. ☒Irrelevant (insofar as such dual office does not exist in the corporation).		
16.	The CEO is not a relative of the chairman of the board.	✓	
17.	A controlling shareholder or his relative do not serve as the CEO or as a senior officer in the corporation, other than as a director.	✓	

The Audit Committee

		Correct	Incorrect
18.	The following did not hold office in the audit committee during the report year -		
	a. The controlling shareholder or his relative.	✓	
	b. The chairman of the board.	✓	
	c. A director who is employed by the corporation or by the controlling shareholder of the corporation or by a corporation controlled by him.	✓	
	d. A director who regularly provides services to the corporation or to the controlling shareholder of the corporation or a corporation controlled by him.	✓	
	e. A director whose primary livelihood depends on the controlling shareholder.	✓	
19.	No one who is not entitled to be a member of the audit committee, including a controlling shareholder or his relative, was present, in the report year, in the audit committee meetings, other than pursuant to the provisions of Section 115 (e) of the Companies Law.	✓	
20.	The Legal quorum for deliberation and adoption of resolutions in all of the audit committee's meetings held during the report year was a majority of the committee members, where the majority of the attendees were independent directors and at least one of them was an outside director. If your answer is "Incorrect" - state the rate of the meetings in which the said requirement was not met: ______.	✓	
21.	In the report year, the audit committee held at least one meeting in the presence of the internal auditor and the outside auditor, and in the absence of officers of the corporation who are not members of the committee, regarding deficiencies in the business management of the corporation.	✓	
22.	In all of the audit committee's meetings in which a person who is not entitled to be a committee member was present, it was with the approval of the chairman of the committee and/or at the request of the committee (regarding the general counsel and secretary of the corporation who is not a controlling shareholder or his relative).	✓	
23.	In the report year, there were valid arrangements which were set forth by the audit committee regarding the manner of handling complaints of employees of the corporation in relation to flaws in the management of its business and with regard to the protection that will be provided to employees who complained as aforesaid.	✓	

[26] In a bond company – an approval pursuant to Section 121(d) of the Companies Law.

24.	The audit committee and/or the Financial Statements Review Committee is satisfied that the scope of work of the auditor and his fee with respect to the financial statements in the report year were appropriate for the performance of proper audit and review work.	✓	

The Duties of the Financial Statements Review Committee (hereinafter - FSRC) in its Preliminary Work for the Approval of the Financial Statements

			Correct	Incorrect
25.	a.	State the period (in days) prescribed by the board of directors as reasonable time for delivery of the FSRC's recommendations in contemplation of the board's deliberation for the approval of the financial statements: 2 business days apart from cases in which it is otherwise determined under the circumstances.		
	b.	The number of days actually elapsed between the date of delivery of the recommendations to the board and the date of the board's deliberation for the approval of the financial statements: Q1 statements (for 2024): 2. Q2 statements: 3. Q3 statements: 2. Annual statements: 2.		
	c.	The number of days elapsed between the date of delivery of the draft financial statements to the directors and the date of the board's deliberation for the approval of the financial statements: Q1 statements (2024): 6 days. Q2 statements: 3 days. Q3 statements: 6 days. Annual statement: 6 days.		
26.		The Corporation's outside auditor was invited to all of the FSRC and board meetings, in which the financial statements of the corporation referring to periods included in the report year were deliberated.	✓	
27.		All of the conditions specified below were fulfilled at the FSRC throughout the entire report year and until the release of the annual statement:		
	a.	The number of the members was not less than three (on the date of the deliberation by the FSRC and approval of the statements as aforesaid).	✓	
	b.	All of the conditions specified in Section 115 (b) and (c) of the Companies Law (in respect of the office of audit committee members) were met thereby.	✓	
	c.	The chairman of the FSRC is an outside director.	✓	
	d.	All of its members are directors and most of its members are independent directors.	✓	
	e.	All of its members have the ability to read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	✓	
	f.	The members of the FSRC provided a statement prior to their appointment.	✓	
	g.	The legal quorum for discussion and decision making on the FSRC was the majority of its members provided that most of those present were independent directors including at least one outside director.	✓	

Compensation Committee

		Correct	Incorrect
28.	In the report year, the committee consisted of at least three members and the outside directors constituted a majority therein (on the date of the deliberation by the committee).	✓	
29.	The terms of office and employment of all of the members of the remuneration committee in the report year are in accordance with the Companies Regulations (Rules on Remuneration and Expenses for an Outside Director), 5760-2000.	✓	

30.	The following did not hold office in the compensation committee during the report year -	✓	
	a. The controlling shareholder or his relative.	✓	
	b. The chairman of the board.	✓	
	c. A director who is employed by the corporation or by the controlling shareholder of the corporation or by a corporation controlled by him	✓	
	d. A director who regularly provides services to the corporation or to the controlling shareholder of the corporation or a corporation controlled by him.	✓	
31.	In the report year, a controlling shareholder or his relative did not attend meetings of the compensation committee, unless the chairman of the committee determined that any one of them is required in order to present a specific issue.	✓	
32.	The compensation committee and the board did not exercise their power pursuant to Sections 267A(c), 272(c)(3) and 272(C1)(1)(c) to approve a transaction or compensation policy, despite the objection of the general meeting.	✓	

Internal Auditor

		Correct	Incorrect
33.	The chairman of the board or the CEO of the corporation is the organizational supervisor of the internal auditor in the corporation.	✓	
34.	The chairman of the board or the audit committee approved the work plan in the report year. In addition, specify the audit issues addressed by the internal auditor in the report year: In the year of the report, as in every year, the audit plan was preapproved by the audit committee and the board of directors of the Company.	✓	
35.	Scope of employment of the internal auditor in the corporation in the report year (in hours[27]): According to the specification in Section 6 of Chapter E of the annual report above. In the report year a deliberation was held (by the audit committee or the board) on the internal auditor's findings.	✓	
36.	The internal auditor is neither an interested party in the corporation, nor its relative, auditor or another on its behalf, nor maintains material business ties with the corporation, its controlling shareholder, relative or corporations controlled thereby.	✓	

Transactions with Interested Parties

		Correct	Incorrect
37.	The controlling shareholder or his relative (including a company controlled by him) is neither employed by the corporation nor provides management services thereto. If you answer is "Incorrect" (i.e. the controlling shareholder or his relative is employed by the corporation or provides management services thereto) state - – The number of relatives (including the controlling shareholder) employed by the corporation (including companies controlled by them and/or through management companies): 1 (Ms. Danna Azrieli). – Have the agreements for such employment and/or management services been approved by the organs specified in the law: ☒ Yes (the management agreement with Ms. Danna Azrieli, who serves as the Company's Active Chairman of the Board, was approved by the compensation committee, the board of directors and the general meeting of the Company held in August 2022). ☐ No		✓
38.	To the best knowledge of the corporation, the controlling shareholder does not have other businesses in the operating segment of the corporation (in one or more segments). If your answer is "Incorrect" - state whether an arrangement was prescribed to define activities between the corporation and the controlling shareholder thereof: ☒Yes, see specification on the arrangement to define activity in Section 3.2 of this chapter above. ☐ No		✓

[27] Including work hours invested in investee corporations and in auditing overseas, and as the case may be.

Chairwoman of the Board:	Ms. Danna Azrieli	**Chairman of the Audit Committee:**	Varda Levy, CPA	**Chairman of the FSRC:**	Yossef Shachak, CPA

PART F

Effectiveness of Internal Control over the Financial Reporting and Disclosure

ATTACHED HERETO IS AN ANNUAL REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE PURSUANT TO REGULATION 9B(A) FOR Y2024:

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

For this purpose, the members of management are:

1 | **Eyal Henkin**, CEO

2 | **Ariel Goldstein**, CFO

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

4 | **Yaacov Danino**, Chief Controller of Accounts 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, which are designed to provide a reasonable degree of 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 requirement.

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.

The management, under the supervision of the Board, performed a review and assessment of the internal control over financial reporting and disclosure at the corporation and the effectiveness thereof. The assessment of the effectiveness of internal control over financial reporting and disclosure, which was performed by the management, under the supervision of the Board, included:

- Mapping and documentation of the controls and identification of the extremely essential processes in the Company and the main consolidated companies according to the reporting risks, with respect to each one of the Company or main consolidated companies, as the case may be.
- The processes in the Company that were determined as extremely essential are: revenues from rent from investment real estate and investment real estate.
- Examination of the actual performance and documentation of the controls defined in the control processes at the organization level (ELC), in the information systems (ITGC), in the process of preparation of the financial statements and in the processes identified as extremely essential for financial reporting and disclosure.
- Overall assessment of the effectiveness of internal control.

- Based on the evaluation of the effectiveness performed by the management under the supervision of the Board as specified above, the Board and the corporation's management reached a conclusion that the internal control over financial reporting and disclosure in the corporation as of December 31, 2024 is effective.

Attached are the statements of the CEO and CFO, who is responsible for the financial reporting in the Company.

Date: 19 March 2025

STATEMENT OF MANAGERS:

STATEMENT OF CEO PURSUANT TO REGULATION 9B(D)(1):

I, Eyal Henkin, represent that:

1. I have reviewed the periodic report of Azrieli Group Ltd. (the "**Corporation**") for year 2024 (the "**Reports**").
2. To my knowledge, the Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports.
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
   a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and –
   b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
   a. Have set controls and procedures, or confirmed the setting and maintaining of controls and procedures under my supervision, 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 the setting and maintaining of controls and procedures under my supervision, 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. Have assessed the effectiveness of internal control over the financial reporting and disclosure, and presented in this report, the conclusions of the Board and management regarding the effectiveness of such internal control as of the Reports date.

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

Date: 19 March 2025

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Eyal Henkin | CEO

STATEMENT OF MANAGERS:

STATEMENT OF THE MOST SENIOR FINANCIAL OFFICER PURSUANT TO REGULATION 9B(D)(2):

I, Ariel Goldstein, represent that:

1. I have reviewed the Financial Statements and other financial information included in the reports of Azrieli Group Ltd. (the "**Corporation**") for year 2024 (the "**Reports**");
2. To my knowledge, the Financial Statements and the other financial information included in 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, insofar as it relates to the Financial Statements and the other information included in the 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 the setting and maintaining of controls and procedures under my supervision, 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, insofar as it is relevant to the Financial Statements and other financial information included in the Reports, 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 the setting and maintaining of controls and procedures under my supervision, 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. Have assessed the effectiveness of the internal control over the financial reporting and disclosure, insofar as it pertains to the Financial Statements and other financial information included in the Reports, as of the date of the Reports. My conclusions regarding my above assessment were presented to the Board and management and are integrated herein.

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

Date: 19 March 2025

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Ariel Goldstein | CFO