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GAZIT GLOBE
GROUP

QUARTERLY REPORT as of June 30, 2020:

GAZIT-GLOBE LTD.

Directors' Report to the Shareholders
For the period ended June 30, 2020

The Board of Directors of Gazit-Globe Ltd. (the "Company") is pleased to present the Directors' Report of the Company for the period ended June 30, 2020 (the "Reporting Date):

1. The Company and its Operations

1.1. Overview

The Company, through its public and private investees[1] (collectively: the "**Group**"), engages mainly in acquisition, improvement, development and operating of income-producing properties for mixed-use, including retail, office and residential located in North America, Israel, Brazil, Northern, Central and Eastern Europe with focus on densely populated urban cities. In addition, the Company evaluates opportunities within its core business and similar fields, in other regions.

The Company's shares are listed on the Tel Aviv Stock Exchange Ltd. ("**TASE**" or " Tel Aviv Stock Exchange") under the "**GZT**" ticker.

Currently, the Company operates generally through two investment categories:

- Wholly-owned private subsidiaries that are consolidated in its financial statements and in which the Company outlines the strategy, is responsible for their financing activities, and oversees their operations. These operations are conducted through G Israel Commercial Centers Ltd. ("**G Israel**"), through the Company's subsidiaries in Brazil ("**Gazit Brasil**"), through Gazit Horizons Inc. ("**Gazit Horizons**") in the U.S.A and a subsidiary operating in Canada ("**Gazit Canada**"). Including through partnership "Gazit Tripllle".
- Public entities under the Company's control with a similar strategy that are consolidated in its financial statements, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. ("**CTY**") and through Atrium European Real Estate Limited. ("**ATR**").

The Group's strategy is to focus on the acquisition of income-producing properties (including with partners) mainly in densely-populated urban areas that meet the needs of the population which have a potential for value appreciation and cash flows growth by proactive management, improvement, addition of uses, development and redevelopment. The Group also takes measures to sell non-core properties which it believes have a limited growth potential and/or are in regions in which the Company wishes to reduce its activity.

As part of its strategy, the Company operates to increase the share of private real estate activity, which in the opinion of Company's management is likely to grow and improve the Company's cash flows and to create added value. Moreover, the Company believes that increasing the number of its directly owned properties will strengthen its financial ratios and result in receiving an international investment rating and, consequently, a reduction in financing costs and to diversification of the Company's financing sources to international financial institutions and new capital markets.

In addition, after discussing the effects of the Covid-19 crisis, the Company is working on strengthening its capital structure (financial stability), while maintaining the high credit rating, by taking the following actions, among other things:

1. Realization of properties held by the private subsidiaries that are non-core properties or that the Company has concluded their improvement, amounting up to NIS 1 billion over the next 12 months.
2. Updating the quarterly dividend policy per share from NIS 0.43 per share to NIS 0.30 per share, for the period beginning with the dividend declared on the approval date of the financial statements for the third quarter of 2020 and until (including) the announced dividend on the approval date of the financial statements for the third quarter of 2021 (total of 5 consecutive quarterly dividend distributions). The update of the dividend policy, as mentioned, is expected to result in savings on dividend payments of NIS 100 million by the end of 2021.

[1] Reference to investees includes, unless stated otherwise, companies that are fully consolidated by the Company and companies that are presented according to the equity method.

3. The completion of G Israel merger to and into the Company, in accordance with the final approval of the Tax Authority to carry out the merger received in July 2020. The completion of the operational merger will enable the continued expansion of the merged company's operations in Israel and the expansion of the Company's financing options.

The Company's estimated regarding the sale of properties, as mentioned in section 1 above, as well as the expected savings from the reduction of dividend payments, as mentioned in section 2 above, are forward-looking information as defined in the Securities Law, 1968. Its assessments regarding the sale of properties are based on the Company's and Group companies assumptions and estimates, but they are uncertain, may not materialize and are largely uncontrolled by the Company. As the global economic crisis continues and worsens, and as the Covid-19 Pandemic continues and there is a stagnation in the income-producing real estate sector, there may be delays in realization of assets until the end of 2021. In addition, the Company's estimates regarding the savings from the dividend policy update are based on assumptions regarding the actual approval of dividend distribution in each of the aforesaid quarters, including the amounts specified in the updated policy and may not materialize as the Covid-19 Pandemic crisis worsens and will have a negative effect over the Company's financial position.

1.2. Corona virus effects on the Group's activity

General

At the beginning of the report period, the Covid-19 virus spread rapidly from China to many countries across the globe, including those where the Company holds commercial assets, until the World Health Organization declared it a pandemic (“the Covid-19 Pandemic”). The Covid-19 virus is unknown, and its rapid spread was explained, among other things, by uncertainty as to how it is transmitted, how to treat it and how the population can be vaccinated against it. Hence, the Covid-19 Pandemic is characterized firstly by extreme uncertainty and fear.

Many countries dealt with the rapid outbreak of the virus in various ways, mainly by imposing a partial or complete lockdown on the population, closing businesses, social distancing and significantly reducing movement between countries. The directive of the governments in those countries, together with the response of the capital, oil, interest and foreign currency markets to such extreme uncertainty led to extreme uncertainty that brought about a global economic crisis on one hand and a massive flow of funds from governments on the other.

As of June 30, 2020, most countries in which the Company operates report a moderation in the morbidity effects of Covid-19 virus and significant facilitations of the lockdown directives. As at the approval date of the report, August 19, 2020, all countries in which the Company operates, other than specific states in the USA and Brazil, are in various stages of opening up the economy, subject to specific restrictions and return of public transport activities and businesses.

In March, there were sharp fluctuations in foreign currency exchange rates, in particular the rate of the Euro and the BRL against the NIS, which is attributed to the extreme uncertainty and fear that gripped the markets. There was also volatility in the capital markets worldwide during that period, leading to a sharp decline in shares prices, increase of returns on corporate bonds, a drastic drop in interest on government bonds and a dramatic decrease in the VIS index (the “fear” index), which as at March 31, 2020 was 53.5, peaked at 57.1, and as at the approval date of the report was 21.6. For information about the effects of the financial markets on the Company see below.

Effects of the investment property activities

The gradual closure of some of the Group companies compounds started in the second half of March 2020. However, essential enterprises, including supermarkets, pharmacies, banks, clinics and food stores that provided deliveries continued to operate, even in closed compounds, and these constitute 55% of the total GLA. At the end of April 2020, the Group's open properties gradually started to open in Israel and at the beginning of May, there was also a gradual opening of the Group companies closed properties in Israel and Europe, until their full opening, except for businesses of recreation and leisure such as cinemas in Israel (properties in Northern Europe were not closed all along, other than in Estonia). As at the approval date of the report, all of the Group’s assets are fully open, other than those in Brazil, where up until June only essential enterprises and services are operating and as of this date all assets have been subjected to limited opening hours. Since opening of the Company's assets, the number of visitors has been rising steadily and the "conversion ratio" (ratio of proceeds to the number of visitors) has risen significantly compared to the conversion ratio in the same period last year.

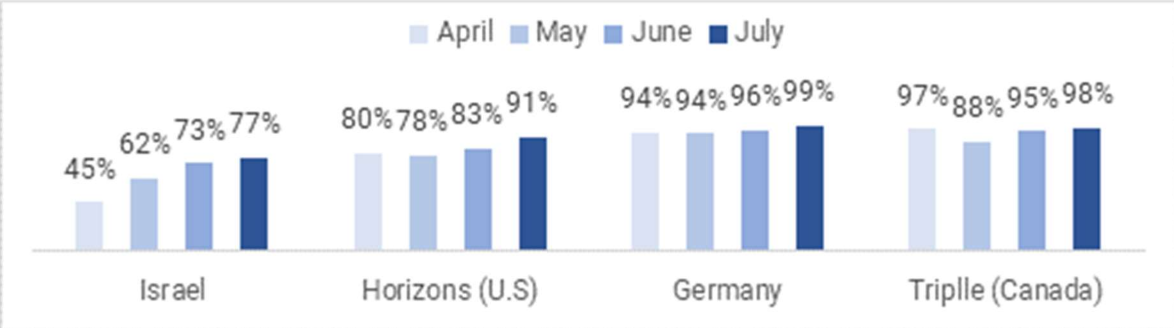
During July, after the Reporting date, the level of morbidity in Israel deteriorated, which led to a decrease in the number of visitors in the Company's closed compounds in Israel, to closing closed compounds on weekends and postponing the opening of cinemas, which affected the number of visitors and the revenues of businesses within the cinemas complex. As of August 19, 2020, the lockdown was removed on weekends.

In the short-term following the opening of businesses, the government directives regarding dilution of the number of visitors in the Company's and Group Companies' properties as well as those regarding the dilution of the movement of public transport that connects many of the Group companies' properties, still continued to apply. The restriction on air traffic between countries and a decrease in the frequency of passengers traveling abroad may lead to an increase in the number of visitors to its commercial properties and a growth in the consumption of products and services that normally would have been purchased during the travels. As at the approval date of the report, the Company is unable to estimate or assess the cumulative effect of the different trends, and whether and to what extent they will impact its operations and financial results in the future.

During the period when businesses were closed under government directives, the Company and some of the Group companies deferred the collection of rent and management fees in some of the assets, but notified the tenants of their policy that the obligation to pay remains in place and any deviation from the amount and payment date requires its consent, if and as granted, specifically and based on the circumstances. The Company and Group companies allowed specific tenants to defer and split rent and management fee payments to a date to be agreed after opening of the businesses, including into 2021, as well as determining rental fees as a rate from the business income. In addition, the governments in many countries provided aid programs to tenants, among other things, by grants for payment of part of the rent, and the Company and Group companies are working to ensure that the aid programs are utilized by the tenants. In Poland, the Government passed a law, according to which tenants of shopping centers across the country may not pay rent for the period during which they remained closed, provided that its lease term will be extended in six months plus the period in which they remained close.

Collection rates in the public companies CTY and ATR in the second quarter were high and amounted to 88% and 53% respectively, ATR collection rates do not include facilitation for tenants, legislated by the Polish government;

Period collection rates in private companies:



Brazil closed at the end of March and opened for operations in mid-June, local staff are in negotiations with tenants, therefore it is early to determine the collection data. It should be noted that all essential businesses were open even during the crisis (supermarket, pharmacies, etc.) and continued to pay.

As of the date of this report there is no certainty regarding the ability of specific tenants to continue to operate their businesses and pay all of their liabilities under the existing agreements, including according to the payment schedule arrangements, as aforesaid, and therefore the Company is unable, at this stage, to estimate the impact of the events on its financial results for 2020. In addition to the foregoing, as at the approval date of the report, and despite the time that has passed since the report period, there is still extreme uncertainty regarding the long term effect of the global Covid-19 crisis is still characterized as being an unfolding event that has not yet ended (see also reference to the devaluation of investment property).

The Company and group companies are preparing also for the possibility that specific tenants will vacate their businesses due to financial difficulties. However, in view of the fact that some leases are long-term and at historically lower prices than the standard in the market, the Company and subsidiaries estimate that, due to the quality and unique location of their properties, they will be able to sign new leases in the short and medium term at rent that does not fall below that collected from the outgoing tenants and may even be higher than historical rents. For example, during the reporting period, the subsidiary Gazit Horizon entered into a lease agreement with a leading retailer with an A credit rating of S&P for the lease of 9,300 square meters in New York (Manhattan) for a period of 20 years and with rent fees that are higher by 90% than the outgoing tenant (subject to the renovation of the leased property with the participation of the subsidiary). The Company and Group companies believe that in the short and medium term, the occupancy rate in their properties is not expected to decrease materially due to the effect of the Covid-19 Pandemic[1].

The Company and Group companies operate the properties according to the provisions of the authorities in each country. The main adjustments are related to increased protection of visitors and employees health in the properties by ensuring disinfection and hygiene, monitoring the number of visitors entering the properties, monitoring areas of crowding, measuring temperature, special signs, etc. The expenses for adjustment to the new regulation are not material.

During the period of restriction on opening of businesses and lockdown of the population (in countries where there was a lockdown), the Company and Group companies acted to reduce the management and operating expenses of the properties, mainly by closing shops, and reducing electricity, lighting, security, cleaning, commercial signage, marketing expenses, etc. In countries in which the option was granted to provide discounts or exemption from payment of rates and taxes, the Company and group companies are acting to exercise such discounts or exemptions.

As at June 30, 2020, the Company is in the throes of investing in development and construction plans. As at the approval date of the report, the development and construction works of projects in Israel and Finland are continuing without any material cost expected in 2020, and with regard to the construction works in the USA and Brazil, the Company expects to delay material investments until 2021.

Fair value adjustment of investment property

In the Reporting period, the Company recognized a loss from revaluation of its commercial properties in the amount of NIS 728 million, which is attributable to the impact of the Covid-19 Pandemic (the revaluation loss is presented after deduction of a revaluation gain of NIS 196 million, which is attributed to the assets in Norway and the USA), based on valuations made by external appraisers as well the examination made by the group companies of the impact of the Covid-19 crisis on the assumptions underlying the appraisals of the investment property and the investment property under development as of December 31, 2019, including the collection rate of rental and management fees by the end of 2020 and management estimations with respect thereto, as well as indications from external appraisals for the lack of change in cap rates in the various territories in which the group operates.

Impact on financial position, cash flows and liquidity

As part of its multi-year policy, the Company has made preparations with a high liquidity balance (as at the report date, the Company and its consolidated subsidiaries have approved unutilized long-term credit lines available for immediate withdrawal and liquid balances in the amount of NIS 5.6 billion (including a deposit in the amount of approx. NIS 346 billion, which was used for a tender offer of the Company's shares, refer to Note 3b7 to the financial statements), while spreading repayments and maintaining long-term duration. In addition, the Company has excellent access to the banking systems, high access to the capital markets and a high debt rating (after the reporting period, S&P Maalot announced the Company's rating level of AA- with negative outlook and Midroog announced the Company's rating level of Aa3 with negative outlook). Based on these parameters, the Company estimates that it has the financial strength that will enable it to continue to comply with all of its short and long-term liabilities.

The Covid-19 Pandemic and the measures taken by many countries have lateral macroeconomic effects that could also affect the Company and its subsidiaries, including sharp decreases in the stock exchanges worldwide, including the share prices of the subsidiaries ATR and CTY, which are used in part as collateral for the Company’s credit facilities. Such decrease in stock price affects the value of the shares used as collateral, and in extreme scenario might affect the volume of credit that the Company will be entitled to utilize from

1 The estimates of the Company and Group companies regarding the effect of the departure of tenants and the expected occupancy rate in the short and medium term is forward-looking information, as defined in the Israel Securities Law, 1968. These estimates are based on assumptions and assessments of the Company and Group companies, which are uncertain and may not materialize or may materialize in a substantially different manner, due to various factors beyond the Company’s control, continuation of the economic crisis and the recovery rate of specific tenants.

those credit facilities[2]. In addition, the decline in the finance markets affects the value of the Company's marketable securities portfolio. During Reporting period and as of the approval date of the report, the Company meets all the financial covenants set in its credit facilities, as aforesaid, as well as in any other financial obligations. Furthermore, as at June 30, 2020, the Company has non-pledged real estate assets to a value of approx. NIS 4.8 billion and non-pledged cash and tradable securities amounting to approx. NIS 1.7 billion (including a deposit in the amount of approx. NIS 346 billion, which was used for a tender offer of the Company's shares, refer to note 37b to the financial statements).

The Covid-19 Pandemic and the accompanying economic crisis are characterized as being an unfolding event

The Company and the Group companies are closely tracking regulatory developments in the different countries in which they it operates and the effect of the pandemic and crisis on its business, the tenants of the properties and the visitors to its compounds, including changes in their consumption patterns. The Company is also tracking developments in the capital, interest and currency markets daily and taking a long series of actions to adjust its financial position, liquidity level and the available credit balances at its disposal.

Continuation of the economic crisis due to the Covid-19 Pandemic could have a material negative impact on the retail real estate sector and the Group's activities, inter alia, because of the risk of partial or full closure of the Company's commercial compounds, a decrease in the number of visitors to the properties, a decline or change in demand and the volume of specific products consumed, and impairment of the economic robustness of the tenants, which will lead to a decrease in the Company's revenue, current cash flow, occupancy rate and the value of its assets. In addition, the Company's projects under development might not be completed at the expected costs and within the expected timetables.
In view of the extreme uncertainty accompanying the Covid-19 crisis and being an unfolding event, as at the approval date of the report, the Company is unable to estimate the impact of the Covid-19 Pandemic and global economic crisis on all of the Group's activities. Furthermore, the Company is unable to estimate the impact of the volatility in the capital, interest and foreign currency markets on its equity and financial results. For the risk factors concerning the Company's activity see also the Risk Factors chapter in the Company's periodic report for 2019.

Nevertheless, the Company believes that due to the nature and quality of its properties and their geographic distribution in central cities across the globe, which are characterized by high-density populations with a high socioeconomic level that yield a stable cash flow for the Group from a diverse mix of tenants (when the Group's largest tenant constitutes less than 1.7% of its revenue on a proportionate consolidation basis), with emphasis on chains that provide essential needs and services that are purchased even at times of crisis, as well as tenants with an international investment rating, and taking into consideration the Company's high liquidity level, the long-term duration of its financial liabilities, which are not backed by liens, and the various available sources of finance at its disposal also in this period, the Company has the financial strength that will allow it to deal with the economic crisis, both in the short and long-term, during which the threat of the economic crisis is expected to be realized.

The Company's estimates regarding the impact of the Covid-19 Pandemic and global economic crisis on its business, revenue, profits and financial position are forward-looking information, as defined in the Israel Securities Law, 1968. These estimates are based on assumptions and assessments of the Company and the Group companies, but they are uncertain, may not materialize and are largely beyond the Company's control. If the global economic crisis continues and even worsens, and if there is another outbreak of the Covid-19 Pandemic, there is could be a significant deterioration in the Group's actual business and financial results.

2 The impairment of the collateral can usually also be remedied by means of depositing of further collateral or cash, subject to the restrictions set out in the credit agreements.

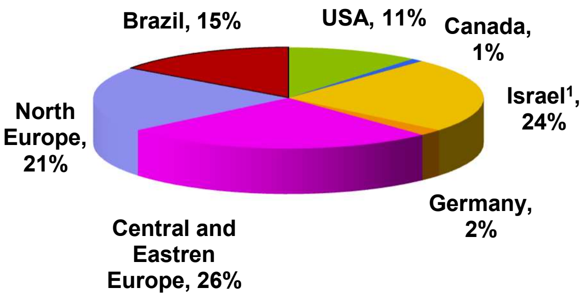
1.3. Group Properties as of June 30, 2020

	Country of operation	Holding interest	Income-producing properties	Properties under development	Other properties	GLA (square meters in thousands)	Carrying value of investment property (NIS in millions)
CTY	Finland, Norway, Sweden, Estonia and Denmark	48.9%	40	1	-	1,136	16,193
ATR	Poland, Czech Republic, Slovakia and Russia	67.1%	30	-	-	820	10,373
Gazit Brasil	Brazil (Sao Paulo)	100%	7	-	1	176	2,502
G Israel	Israel	100%	12	-	-	168	3,678
	Bulgaria and Macedonia	100%	1	-	-	6	167
Gazit Horizons	USA	100%	9	-	1	40	1,467
Gazit Canada	Canada	100%	1	-	-	18	203
Gazit Germany	Germany	100%	1	-	-	24	355
Total carrying value			**101**	**1**	**2**	**2,388**	**34,938**
Jointly controlled properties (proportionate consolidation)			7	-	-	109	2,161
Total			**108**	**1**	**2**	**2,497**	**37, 099**

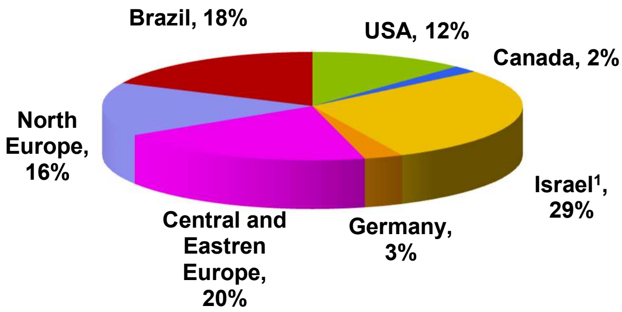
Other information about the Group, including updated presentations, supplemental information packages regarding assets, liabilities and additional information (which does not constitute part of this report and is not hereby incorporated by reference), can be found on the Company's website – www.gazit-globe.com and on the websites of the Group's companies.

1.4. Breakdown of the Company's Investments by Region (on an expanded solo basis) as of June 30, 2020:

Carry amount



Market Value



[1] Including investments in Bulgaria and Macedonia through G Israel.

1.5. Highlights – Second Quarter of 2020 (the "Quarter")

(NIS in millions, other than per share data)	June 30, 2020	December 31, 2019	
Net debt to total assets (Expanded Solo)	58.9%	49.2%	-
Net debt to total assets (Consolidated)[1]	56.5%	50.0%	-
Equity attributable to equity holders of the Company [2]	6,186	8,191	-
Equity per share attributable to equity holders of the Company (NIS)	36.1	44.4	-
Net asset value per share (EPRA NAV) (NIS) [3]	41.7	48.2	-
EPRA NNNAV per share (NIS) [3]	40.1	38.7	-

	3 months ended June 30,		
	2020	2019	Change
Rental income and others	561	702	(20.1%)
NOI [4]	403	514	(21.6%)
NOI adjusted for exchange rates	403	482	(16.4%)
Proportionately consolidated NOI [5]	272	338	(19.5%)
Proportionately consolidated NOI adjusted for exchange rates	272	312	(12.8%)
Cash flow from operating activities per share- Expanded Solo (NIS) [6]	0.51	0.48	6.3%
Economic FFO [7]	124	147	(15.6%)
Economic FFO per share (NIS) [7]	0.69	0.80	(13.8%)
Economic FFO, excluding FCR adjusted for exchange rates	124	109	13.8%
Economic FFO per share excluding FCR adjusted for exchange rates (NIS)	0.69	0.59	16.9%
Number of shares used in calculating the Economic FFO per share (in thousands)	178,604	184,753	(3.3%)

Acquisition, construction and development of investment property [8]	247	685	-
Disposition of investment property [8]	-	251	-
Fair value loss from investment property and investment property under development, net	(485)	(90)	-
Net income (loss) attributable to equity holders of the Company	105	(83)	-
Diluted net earnings (loss) per share (NIS)	0.59	(0.45)	-
Cash flows provided by (used in) operating activities	13	142	-

1 For details regarding the net debt to total assets (consolidated), which includes the accrued interest, refer to section 7 below.

2 The decrease in shareholders' equity attributed to the Company's shareholders is mainly due to the devaluation of the Group's operating currencies against the NIS.

3 Refer to section 2.5 below.

4 NOI ("Net Operating Income") – Rental income and others, net of property operating expenses and others.

5 The Company's proportionate share in the NOI of the Group's companies in accordance with its interest in the equity of each of the Group companies, refer to section 2.4 below.

6 Refer to section 2.2 below.

7 The Economic FFO is presented according to the management approach and in accordance with the EPRA rules. For the Economic FFO calculation, refer to section 2.3 below. The decrease in the Economic FFO and Economic FFO per share is due to the restrictions imposed by the governments in countries where the company operates following the Corona epidemic outbreak.

8 The Company and its subsidiaries (excluding associates and joint ventures presented according to the equity method), net of specifically attributed debt.

1.5. Highlights – Second Quarter of 2020 (the "Quarter") (Cont.)

- As of June 30, 2020, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 5.6[1] billion (of which NIS 2.2[1] billion in the Company and its wholly-owned subsidiaries including cash and cash equivalents, traded securities and short-term deposits in the amount of NIS 1.7[1] billion). After the Reporting date, the Company received approval for an additional credit facility in the amount of NIS 180 million which is secured by a pledge of a property in Israel.
- In the quarter, the Group's companies raised debentures in the amount of NIS 1.9 billion (NIS 337 million by the Company).
- As a result of fluctuations in currency exchange rates of the US dollar, the Euro, the Brazilian real and the Canadian dollar against the NIS, the equity attributable to the Company's equity holders decreased in the Quarter by NIS 191 million (net of the effect of cross-currency swap transactions). For further details, refer to section 4.4 below and Appendix A to the Directors' Report.
- In general, fluctuations in the exchange rates of the US dollar, the Euro, the Brazilian real and the Canadian dollar against the shekel have the following effect:
  - The appreciation of these currencies against the shekel has a positive effect on the Company's assets, shareholders' equity, NOI and economic FFO due to the translation of the foreign currency into shekels at higher rates. On the other hand, the appreciation will result in a negative impact on the Company's net income through the increase in financing expenses due to the revaluation loss on the hedging instruments (the financial derivatives).
  - A devaluation of these currencies against the shekel has a negative effect on the on the Company's assets, shareholders' equity, NOI and Economic FFO and, on the other hand, a positive effect on the Company's net income through the decrease in financing expenses due to the revaluation gain on the hedging instruments.

1 Including a deposit in the amount of NIS 346 million which was used for the tender offer of the Company's shares, refer to Note 3b7 to the financial statements.

1.6. Highlights- First Six months of 2020 (the "Reporting Period")

(NIS in millions, other than per share data)	6 months ended June 30,		
	2020	2019	Change
Rental income	1,192	1,422	(16.2%)
NOI	848	1,023	(17.1%)
NOI adjusted for exchange rates	848	947	(10.5%)
Proportionately consolidated NOI[1]	570	669	(14.8%)
Proportionately consolidated NOI adjusted for exchange rates	570	615	(7.3%)
Cash flow from operating activities per share-Expanded Solo (NIS) [2]	1.45	1.06	36.8%
Economic FFO[3]	302	318	(5.0%)
Economic FFO per share (NIS)[3]	1.67	1.71	(2.3%)
Economic FFO excluding FCR adjusted for exchange rates	298	230	29.6%
Economic FFO per share excluding FCR adjusted for exchange rates (NIS)	1.67	1.23	33.3%
Number of shares used in calculating the FFO per share (in thousands)	181,655	186,314	(2.5%)

Acquisition, construction and development of investment property [4]	514	1,231	-
Disposition of investment property [4]	263	417	-
Fair value loss from investment property and investment property under development, net	(728)	(173)	-
Net income (loss) attributable to equity holders of the Company	(513)	(41)	-
Diluted net income (loss) per share (NIS)	(2.84)	(0.22)	-
Cash flows from operating activities	229	336	-

1 The Company's proportionate share in the NOI of group companies in accordance with its interest in the equity of each of the Group companies, refer to section 2.4 below.

2 Refer to section 2.2 below.

3 The Economic FFO is presented according to the management approach and in accordance with the EPRA guidance. For the Economic FFO calculation, refer to section 2.2 below. The decrease in Economic FFO and Economic FFO per share is due to the restrictions imposed by the governments in countries where the Company operates following the Corona epidemic outbreak.

4 The Company and its subsidiaries (excluding associates and joint ventures presented according to the equity method), net of specifically attributed debt.

- During the Reporting Period the Group's companies raised debentures in the amount of NIS 2.7 billion (NIS 1.2 billion by the Company).
- As a result of fluctuations in currency exchange rates of the U.S. dollar, the Euro and the Brazilian real against the NIS, the equity attributable to the Company's equity holders decreased in the Reporting Period by NIS 1,071 million (net of the effect of cross-currency swap transactions).

1.7. The Company's Major Holdings Are Set Forth Below (Ownership Structure and Interests as of June 30, 2020):

2. Additional Information Concerning the Company's Assets and

2.1. Summary of the Company's Holdings as of June 30, 2020:

Name of company	Type of security/ property	Amount (millions)	Holding interest (%)	Book value (NIS in millions)	Market value as of 30.6.2020 (NIS in millions)
ATR	Shares (VSX, Euronext)	253.5	67.1	4,163	2,707
CTY	Shares (OMX)	87.0	48.9	3,432	2,092
Israel	Income-producing property	-	-	3,435	-
Israel	Property under development and land	-	-	43	-
Brazil	Income-producing property and land	-	-	2,511	-
USA[1]	Income-producing property and land	-	-	1,656	-
Canada[1]	Income-producing property			241	
Europe	Income-producing property	-	-	29	-
Europe	Land for future development	-	-	138	-
Total assets		-	-	**15,648**	-

Set forth below are the Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded solo basis") as of June 30, 2020:

	NIS in millions
Debentures	7,455
Debts to financial institutions	4,518
Total debentures and debts to financial institutions (*)	11,973
Other monetary liabilities	363
Total monetary liabilities	12,336
Less - monetary assets[2]	2,858
Less - other investments[3]	263
Monetary liabilities, net[4]	**9,215**

(*) Maturity profile of the Company's debentures and debts to financial institutions (NIS in millions):

Year	Debentures	Financial Institutions	Total	%
2020	242	240[5]	482	4
2021	366	638[6]	1,004	8
2022	745	576	1,321	11
2023	932	1,148	2,080	17
2024	992	706	1,698	14
2025	992	50	1,042	9
2026	1,082	50	1,132	10
2027	901	224	1,125	10
2028 onwards	1,203	886	2,089	17
Total	**7,455**	**4,518**	**11,973**	**100**

1 Includes investment in properties through a joint venture presented in the financial statements using the equity method.

2 Including cash and cash equivalents, traded securities and deposits in the amount of NIS 1.7 million (including deposits used for tender offer for the Company's shares, refer to Note 3b7 to the financial statements) and financial derivatives in the amount of NIS 305 million.

3 Comprises primarily the investment in participation units in private equity funds and other investments.

4 Excludes primarily deferred tax liability in the amount of NIS 72 million with respect to investment property and other investments and NIS199 million in non-controlling interestsin part of the company's properties.

5 Includes commercial paper in the amount of NIS 208 million.

2.2 Cash flows from operating activities - expanded Solo:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2019	2018	2019
	NIS in millions (except for per share data)				
Dividends from public investees (*)	225	298	106	131	542
EBITDA from private companies, net of Capex and other income (**)	259	176	98	91	398
Total income	**484**	**474**	**204**	**222**	**940**
General and administrative expenses	(31)	(40)	(18)	(18)	(76)
Interest expenses, net	(176)	(223)	(94)	(107)	(411)
Taxes	(15)	(14)	(1)	(8)	(34)
Total expenses	**(222)**	**(277)**	**(113)**	**(133)**	**(521)**
Cash flows from operating activity	**262**	**197**	**91**	**89**	**419**
Cash flows from operating activity per share	**1.45**	**1.06**	**0.51**	**0.48**	**2.26**

(*) The decrease in the dividend from public investees in the quarter and in the Reporting period compared to the corresponding period last year is due to the sale of FCR shares during 2019 and during the Reporting period.

(**) Including capital expenditures (CAPEX) in the amount of NIS 7 million for each of the quarters and NIS 28 million for the year 2019.

2.2. FFO (EPRA Earnings)

As is the practice in the real estate industry, the Company customarily publishes information regarding the results of its operating activities in addition to, and without detracting from, the income statement prepared according to accounting principles. In European countries where the financial statements are prepared in accordance with International Financial Reporting Standards (**"IFRS"**), it is customary for income-producing property companies to publish a measure for presenting the operating results of a company that are attributable to its equity holders, in line with the position paper of the European Public Real Estate Association (**"EPRA"**), the objective of which is to promote greater transparency, uniformity and comparability of the financial information reported by property companies (**"EPRA Earnings"**). This measure is not based on generally accepted accounting principles. Furthermore, pursuant to the draft securities regulations for anchoring the disclosure provisions for investment property activity, issued by the Israel Securities Authority in December 2013, FFO (Funds from Operations) is to be presented in the "Description of the Company's Business" section of the annual report of investment property companies, similar to the manner of calculating FFO under EPRA rules.

EPRA Earnings (or **"Nominal FFO"**) are calculated as the net income (loss) attributable to the equity holders of a company after excluding non-recurring income and expenses (including gains or losses from revaluations of properties to their fair value), changes in the fair value of financial instruments through profit and loss, gains or losses on the disposition of properties, and other types of gains and losses.

The Economic Adjusted EPRA Earnings (or **"Economic FFO according to the management approach"**) is calculated as EPRA Earnings with such additional adjustments being made as a company considers necessary in order to present an operating income measure that is comparable with previous periods and with the results of similar companies This measure is customarily used to review the performance of income-producing property companies. The required adjustments to the accounting net income (loss) are presented in the table below.

The Company believes that the Economic Adjusted EPRA Earnings measure fairly reflects the operating results of the Company, since it provides a better basis for the comparison of the Company's operating results in a particular period with those of previous periods and provides a uniform financial measure for comparing the Company's operating results with those published by other European property companies.

As clarified in the EPRA position papers, the EPRA Earnings and the Economic Adjusted EPRA Earnings measures do not represent cash flows from operating activities according to accepted accounting principles, nor do they reflect the cash held by a company or its ability to distribute that cash, and they are not a substitute for the reported net income (loss). Furthermore, it is clarified that these measures are not audited by the Company's independent auditors.

The table below presents the calculation of the Company's Economic FFO and its Economic FFO per share, calculated according to the recommendations of EPRA and the draft securities regulations for investment property activity, for the stated periods:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	NIS in millions (other than per share data)				
Net income (loss) for the period attributable to equity holders of the Company	**(513)**	**(41)**	**105**	**(83)**	**655**
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	728	173	485	90	(164)
Capital loss on disposition of investment property	12	8	16	6	(31)
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	487	(130)	(88)	65	(808)
Adjustments with respect to equity-accounted investees	39	32	18	11	49
Loss (gain) from decrease in holding interest in investees	-	2	-	-	345
Deferred taxes and current taxes with respect to disposition of properties	(168)	240	(205)	(68)	408
Acquisition costs recognized in profit or loss	2	1	2	-	1
Loss from early redemption of interest-bearing liabilities and financial derivatives	35	4	20	3	236
Non-controlling interests' share in above adjustments	(304)	(104)	(222)	(50)	(279)
Nominal FFO (EPRA Earnings)	**318**	**185**	**131**	**(26)**	**412**
Additional adjustments:					
CPI linkage and exchange rate differences	(42)	85	(20)	132	45
Depreciation and amortization	8	8	4	4	17
Company's share in FCR's Economic FFO (REG in 2018)	6	27	-	27	61
Other adjustments[2]	12	13	9	10	65
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	**302**	**318**	**124**	**147**	**600**
Economic FFO per share according to the management approach (in NIS)	**1.67**	**1.71**	**0.69**	**0.80**	**3.24**
Economic FFO excluding FCR adjusted for exchange rates according to the management approach	**298**	**230**	**124**	**109**	
Economic FFO per share excluding FCR adjusted for exchange rates according to the management approach (NIS)	**1.64**	**1.23**	**0.69**	**0.59**	
Number of shares used in the Economic FFO per share calculation (in thousands)[3]	**181,655**	**186,314**	**178,604**	**184,753**	**185,714**

The decrease in the Economic FFO and the Economic FFO per share in the Quarter and in the Reporting Period, compared with the comparable periods in the prior year is due to the restrictions imposed by the governments in countries where the company operates following the Covid-19 epidemic outbreak.

1 Income and expenses adjusted against the net income (loss) for the purpose of calculating FFO, which include non-recurring expenses including expenses arising from the termination of engagements with senior Group officers, expenses from reorganization of the Group's companies, share-based compensation expenses and the adjustment of expenses and income from extraordinary legal proceedings not related to the Reporting Periods (including a provision for legal proceedings).

2 Weighted average for the period.

Economic FFO guidance

The Company presents its FFO guidance based on public information and management view, including FFO forecasts of publicly held companies. Due to the development of the effects of the Covid-19 epidemic and its accompanying economic and financial crisis, and as a rolling event under extreme uncertainty that could lead to many scenarios (as described in Section 1.2 above), at this time, the Company is unable to reliably assess the impact of the Corona epidemic on the FFO, therefore it is unable to update the FFO guidance for 2020 published on March 15, 2020, as part of the preliminary reporting of financial data from the (unaudited) financial statements for the year ended December 31, 2019, which was based on the assumptions, budgets and agreements before the breach Covid-19 epidemic and does not reflect the company's FFO guidance of 2020 following the Covid-19 crisis.

2.4. Additional information is presented below regarding the Company’s pro rata share in the value of income-producing properties owned by the Group as of March 31, 2020, based on capitalization of net operating income (“NOI”). The information below is based on a methodology that is generally accepted in the markets in which the Group operates and is intended to provide an additional method of analyzing the value of the Company’s properties on the basis of the Company’s financial results for the quarter. This information is not intended to represent the Company’s estimate of the present or future value of its assets or shares.

	3 months ended June 30,		Year ended December 31,
	2020	**2019**	**2019**
	NIS in millions		
Rental income	561	702	2,752
Property operating expenses	158	188	777
NOI for the period	403	514	1,975
Less - minority's share in NOI	(141)	(186)	(720)
Add - Company's share in NOI of associate and jointly controlled companies [1]	10	10	46
NOI for the period - the Group's proportionate share[1]	**272**	**338**	**1,301**
Effect of the Covid-19 epidemic on NOI[2]	41	-	-
NOI for the period - the Group's proportionate share including the effect of the Covid-19 epidemic	**313**	**338**	**1,301**
Annual NOI - the Group's proportionate share[3]	**1,252[3]**	**1,352[3]**	**1,301**

1 Excluding the Company's share in FCR's NOI.

2 According to management estimations.

3 Calculated by multiplying the NOI for the quarter by four. For clarification, the data is not an annual NOI forecast. For details on the effect of the Covid-19 epidemic on the NOI, refer to sections 1.2 and 3.5b to the report.

The sensitivity analysis shown in the table below describes the implied value of the Group’s income-producing properties using the aforesaid methodology according to the range of different capitalization rates (“cap rates”) generally accepted in the regions in which the Group operates, as of the date of the financial statements. This analysis does not take into account income from premises that have not been leased and additional building rights that exist with respect to the Group’s income-producing properties.

Value of proportionately consolidated income-producing property in accordance with the NOI for the third quarter of 2020 (excluding the effects of the Corona epidemic):

				Equity per share as of June 30, 2020		Share price as of June 30, 2020
Cap Rate:	**5.75%**	**6.00%**	**6.25%**	**6.34%**	**6.50%**	**7.66%**
Value of income-producing property (NIS in millions) (*)	21,757	20,850	20,016	19,728	19,247	16,346
Share price derived from the above Cap Rate (NIS) (**)	47.9	42.7	37.8	36.1	33.3	16.3

(*) Calculated as the result of dividing the NOI by the cap rate.

(**) Excluding the tax effect.

New properties, properties under development and land, which are not yet income-producing and which are presented at their fair values in the Group's books (according to the proportionate consolidation method) as of June 30, 2020, amounted to NIS 2,531 million.

The Group's monetary liabilities, net of monetary assets (according to the proportionate consolidation method) as of June 30, 2020, amounted to NIS 16,072 million.

2.5. Net Asset Value (EPRA NAV and EPRA NNNAV)

As is customary in the European countries in which the Group operates, and in line with the EPRA position paper, the objective of which is to promote greater transparency, uniformity and comparability of the financial information reported by real estate companies, the Company publishes net asset value data (EPRA NAV), which is a measure that reflects the net asset value of the Company, as reflected by the Company's statement of financial position with certain adjustments, e.g., the exclusion of deferred taxes with respect to the revaluation of investment properties and investment properties under development to their fair value and the exclusion of the fair value of financial derivatives (with the exception of financial derivatives used for currency hedging with respect to which the difference between the fair value and intrinsic value is excluded); the Company also publishes EPRA NNNAV data, which is another measure reflecting net asset value (EPRA NAV), adjusted for the fair value of financial liabilities, as well as certain adjustments to the provision for deferred taxes with respect to the revaluation of investment properties and investment properties under development to their fair value, and certain additional adjustments to the fair value of the above-referenced financial derivatives.

The Company considers that the presentation of the EPRA NAV and the EPRA NNNAV data enables the Company's net asset value data to be compared to those of other European real estate companies. At the same time, such data does not constitute a valuation of the Company and does not replace the data presented in the financial statements; rather, such data provides an additional mechanism for evaluating the Company's net asset value (NAV) in accordance with the EPRA recommendations. Such data is not audited by the Company's independent auditors.

Presented below is the calculation of the EPRA NAV and EPRA NNNAV:

	June 30,		December 31,
	2020	2019	2019
	NIS in millions		
EPRA NAV			
Equity attributable to the equity holders of the Company, per the financial statements	6,186	8,344	8,191
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	966	980	941
Fair value asset adjustment for derivatives, net[2]	23	(56)	(213)
Net asset value - EPRA NAV	**7,175**	**9,268**	**8,919**
EPRA NAV per share (in NIS)	**41.7**	**50.1**	**48.2**
EPRA NNNAV			
EPRA NAV	7,175	9,268	8,919
Adjustment of financial liabilities to their fair value	712	(1,032)	(1,040)
Other adjustments to provision for deferred taxes	(966)	(980)	(941)
Fair value asset adjustment for financial derivatives, net	(23)	56	213
Adjusted net asset value - EPRA NNNAV	**6,898**	**7,312**	**7,151**
EPRA NNNAV per share (in NIS)	**40.1**	**39.5**	**38.7**
Issued share capital of the Company used in the calculation (in thousands of shares)[3]	**171,988**	**185,054**	**184,914**

1 Net of goodwill generated in business combinations against deferred tax liability.

2 Represents the fair value less the intrinsic value of currency hedging transactions.

3 Represents the diluted number of issued shares (in thousands), excluding treasury shares held by the Company.

3. Discussion by the Board of Directors of the Company's Business Position, Results of Operations, Equity and Cash Flows

3.1. During the reporting period, the investments of the Company and its subsidiaries in the acquisition and development of new properties and in the redevelopment, expansion and construction of various properties totaled NIS 1,033 million. The effect of these investments on the operating results of the Group will be reflected in full during the remainder of 2020 and thereafter.

Activities in Properties

1) During the reporting period, the Company and its subsidiaries acquired 6 income-producing properties, with a total GLA of 88 thousand square meters and land for future development, at a total cost of NIS 654 million. In addition, the Company and its subsidiaries have developed new properties and redeveloped existing properties at a total cost of NIS 379 million. Additionally, during the reporting period, the Company and its subsidiaries disposed of non-core properties in the amount of NIS 263 million.

2) **Highlights of operational data:**

	Income producing properties[1]	GLA (in thousands of square meters)	Average basic monthly rent per square meter		Change in same property NOI [2]	NOI (million)		Occupancy rate in core properties		Ratio of net debt to total assets
			30.6.2020	30.6.2019		Q2. 2020	Q2. 2019	30.6.2020	30.6.2019	
G Israel	12	160	NIS 107.7	NIS 110	(1.1%)	NIS 41.7	NIS 42.7	97.6%	98.6%	N/A
Gazit Brasil	7	176	R$ 62	R$ 79	(15.9%)[3]	R$ 33.0	R$ 57.3	96.7%	95.6%	N/A
Gazit Horizons	10	54	$47.6	$47.8	(1.7%)	$3.8	$3.5	89.3%	84.0%	N/A
CTY	41	1,183	€ 21.7	€ 23.3	(4.1%)	€ 50.2	€ 56.1	93.5%	95.6%	46.2%
ATR	31	849	€ 12.6	€ 14.7	(14.2%)[4]	€32.7	€ 44.0	95.4%	95.2%	36.1%

1 Includes jointly-controlled properties.

2 Change in same property NOI during the reporting period compared with the corresponding period in the prior year.

3 The decrease in NOI from properties in Brazil is mainly due to the opening of shopping centers in Brazil in mid-June.

4 The decrease in NOI from properties in ATR is mainly due to the effect of the facilitation for tenants legislated by the Polish government during the lockdown period and which extended the duration of the lease by an additional six months after the end of the lockdown.

3) **Data for Properties under Development, Redevelopment, and Expansion.**

	Properties under Development			
Company	**No. of properties**	**Total investment as of June 30, 2020 (NIS in millions)**	**Estimated cost to complete (NIS in millions)**	**Area (square meters in thousands)**
CTY	1	720	-[1]	44
	1	**720**	**-**	**44**

1 The Project's expenses will be determined subsequent to CTY's residential rights decision.

	Properties under Redevelopment and Expansion			
Company	**No. of properties**	**Total investment as of June 30, 2020 (NIS in millions)**	**Estimated cost to complete (NIS in millions)**	**Area (square meters in thousands)**
ATR	1	408	35	21
G Israel	2	179	38	17
	3	**587**	**73**	**38**

4) Effect of the Macro-Economic Environment on the Group's Activity

The Group’s activity is also affected by the macro-economic environment (inter alia, an increase/decrease in population, private consumption volumes, the unemployment rate and the level of demand) in the various countries in which it operates. These parameters to a certain degree impact the occupancy rates at properties, the level of rents, the Group’s ability to increase its revenues over time, and the scope and potential of the investments and development. For details regarding the Covid-19 epidemic, refer to section 1.2 below.

Presented below are macro-economic data for the countries where the Group operates[1]:

	Growth (GDP)				
	2020 forecast	2019	Rate of unemployment	Yield on government debentures (10 years)	Debt rating (S&P)
Norway	(4.40%)	1.20%	4.90%	0.574%	AAA
Sweden	(5.00%)	1.30%	9.80%	(0.010%)	AAAu
Canada	(7.00%)	1.60%	10.90%	0.475%	AAA
Finland	(6.00%)	1.00%	7.90%	(0.302%)	AA+
USA	(5.50%)	2.30%	10.20%	0.564%	AA+u
Czech Republic	(6.80%)	2.60%	8.00%	0.823%	AA-
Israel	(5.00%)	3.40%	5.40%	0.650%	AA-
Poland	(3.80%)	4.10%	6.10%	1.269%	A-
Russia	(4.90%)	1.30%	6.20%	5.910%	BBB-
Brazil	(6.00%)	1.10%	8.20%	6.737%	BB-

International debt rating of Group companies:

Rating Agency	**Gazit-Globe[2]**	**CTY**	**ATR**
Moody's	ilAa3/ Negative	Baa3/ Negative	Baa3/ Negative
S&P	ilAA-/ Negative	BBB-/ Negative	-
Fitch	-	BBB-/ Stable	BBB/Stable

1. Data source: Bloomberg – August 2020.

2. The Company has a short-term issuer rating of 'ilA-1+' and 'P-1.il' by S&P Maalot and Midroog, respectively.

3.2. Material Events at the Group During the quarter

A. For details regarding the Covid-19 epidemic outbreak and its effects on the Company's activity, refer to section 1.2 above.

B. During the Reporting period, the Company sold the balance of its investment in FCR in consideration of NIS 771 million.

C. For details regarding debt raising, by the Company, through issuance of new debentures and expansion (Series N) in the amount of NIS 930 million, refer to Notes 3a1 and 3a3 to the financial statements.

D. During the Reporting period, the Company repurchased approximately 13.2 million shares in consideration of NIS 286 million.

E. For details regarding debt raising, by the Company, through an expansion of a debentures (series K), in the amount of NIS 262 million refer to Note 3a2 to the financial statements.

F. For details regarding buyback of debentures, by the Company in the amount of NIS 252 million, refer to Note 3a4 to the financial statements.

G. For details regarding debt raising, by CTY, through an expansion of debentures in the amount of EUR 200 million, refer to Note 3a5 to the financial statements.

H. On May 26, 2020, Fitch rating agency rated CTY at a rating level of BBB- with a stable outlook.

I. For details regarding debt raising, by ATR, through an expansion of a debentures, in the amount of EUR 200 million refer to Note 3a6 to the financial statements.

J. For details regarding buyback of debentures, by ATR, in the amount of EUR 218 million, refer to Note 3a7 to the financial statements.

K. For details regarding purchase of ATR shares, by the Company, in the amount of NIS 283 million, refer to Note 3b5 to the financial statements.

L. For details regarding the approval of the Tax Authority for the merger of the Company with G Israel, refer to Note 3b6 to the financial statements.

M. Mr. Oren Hod joined as Company's senior management as Executive Vice President and Chief Operating Officer of the Company, in his role, Mr. Hod will manage the Group's operational activities with emphasis on Europe and Israel, as well as contributing to his experience in the development, improvement and development of income producing real estate, including residential, office and retails. For the past decade, Mr. Hod served as CEO of Africa Israel Residential Ltd., and prior to that he served as Vice President of Engineering at Neve from IDB Group. Mr. Hod is a Civil Engineer, BSc. Graduate of the Technion.

3.3. Dividend Distribution Policy

Pursuant to the Company’s policy, the Company announces every year the anticipated annual dividend. In November 2019, the Company announced that the quarterly dividend for 2019 would be NIS 43.0 per share (the total dividend to be declared for 2020 will be NIS 1.72 per share, compared with the dividend of NIS 1.62 per share in 2019).
On August 2020 the Company updated of the quarterly dividend policy per share from NIS 0.43 per share to NIS 0.30 per share, for the period beginning with the dividend declared on the approval date of the financial statements for the third quarter of 2020 and until (including) the announced dividend on the approval date of the financial statements for the third quarter of 2021 (total of 5 consecutive quarterly dividend distributions).

The above is subject to the existence of sufficient distributable income at the relevant dates and is subject to the provisions of any law relating to dividend distributions and to decisions that the Company is permitted to take. This includes the appropriation of its income for other purposes and the revision of this policy.

3.4. Financial Position

Current assets

Current assets, as of June 30, 2020, total NIS 4.8 billion, compared with NIS 3.4 billion as of December 31, 2019. The increase in current assets derives mainly from increase in cash and cash equivalents arising from the proceeds from debentures issuance by the Company as well as cash withdrawals against revolving credit facilities.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 1.5 billion as of June 30, 2020, compared to NIS 1.6 billion as of December 31, 2019. The balance of this item is primarily comprised of investments in property through joint ventures as recorded in the books of CTY, ATR, Gazit Horizons and Gazit Canada.

Long term financial assets

The balance of long-term financial assets amounted to NIS 236 million as of June 30, 2020, compared to NIS 853 million as of December 31, 2019. The decrease in long term financial assets is primarily due to the sale of the remain FCR shares in the first quarter.

Non- current Financial derivatives

The balance of financial derivatives primarily arises from cross-currency swap transactions, entered into as part of the Group's policy to correlate as closely as possible the currency in which properties are acquired and the currency in which the liabilities are undertaken to finance the respective acquisitions of such properties are incurred (on a proportionately consolidated basis), and are presented at fair value. The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements entered into with certain financial institutions that establish settlement mechanisms between the Company and the banking institution with which the swap transaction is being carried out with respect to the fair value of the financial derivatives. As of June 30, 2020, the aforesaid balance of financial derivatives amounted to NIS 281 million, compared to NIS 318 million as of December 31, 2019. For details regarding the adjustment of financial derivatives (currency transactions) due to the sharp fluctuation in foreign exchange rates following the Corona epidemic, refer to section 4.4 below.

Investment property and investment property under development

Investment property and investment property under development (including assets held for sale that are presented under current assets), as of June 30, 2020, amounted to NIS 34.9 billion, compared to NIS 36.1 billion as of December 31, 2019.

The decrease in these balances during the Reporting Period is primarily due to the change in foreign currency exchange rates (primarily the Brazilian real against the New Israeli Shekel) in the net amount of NIS 0.7 billion, by the sale of none core investment property in consideration of NIS 0.3 billion and the fair value changes of investment property and investment property under development in the amount of NIS 728 million following the effects of the Covid-19 epidemic (as described in section 1.2 above). The decrease was offset by the acquisition of rental properties, the development of new properties and the renovation of existing properties at a total cost of NIS 0.5 billion.

Intangible assets, net

Intangible assets, net, as of June 30, 2020, totaled NIS 582 million, compared to NIS 622 million as of December 31, 2019. The intangible assets primarily consist of goodwill in an amount of NIS 534 million relates to properties in Norway own by CTY.

Current liabilities

Current liabilities, as of June 30, 2020, totalled NIS 4.3 billion, compared to NIS 3.6 billion as of December 31, 2019. The balance mainly includes short-term credit from banks and others and current maturities of long-term liabilities, in the amount of NIS 3.1 billion, compared to NIS 2.1 billion as of December 31, 2019.

Non-current liabilities

Non-current liabilities, as of June 30, 2020, totaled NIS 24.2 billion, compared to NIS 22.7 billion as of December 31, 2019. The increase in non-current liabilities is primarily due to interest-bearing loans from banks and others, and from the issuance of debentures by the Group's companies, which increased the cash and cash equivalents balance, refer to current assets above.

Equity attributable to the equity holders of the Company

Equity attributable to the equity holders of the Company, as of June 30, 2020, amounted to NIS 6,186 million, compared to NIS 8,191 million as of December 31, 2019. The decrease is due to a decrease in capital reserves in the amount of NIS 1,053 million (mainly from foreign currency translation reserve), from loss attributed to the Company's shareholders in the amount of NIS 513 million, from buyback of Company's shares in the amount of NIS 286 million and to the declared dividend of NIS 153 million.

The equity per share attributable to the equity holders of the Company as of June 30, 2020 totaled NIS 36.1 per share, compared to NIS 44.4 per share as of December 31, 2019, after a dividend distribution of NIS 0.86 per share during the Reporting Period.

Non-controlling interests

Non-controlling interests, as of June 30, 2020, amounted to NIS 7.2 billion, compared to NIS 8.1 billion as of December 31, 2019. The balance primarily comprised of the interests of CTY's other shareholders at a rate of 51.1% of CTY's equity as well as the interests of ATR's other shareholders comprising 32.9% of ATR's equity.

The decrease in non-controlling interests in the Reporting Period is primarily due to the portion of the non-controlling interests in the dividends distributed by the subsidiaries in an amount of NIS 0.2 billion, by the portion of non-controlling interests in the comprehensive loss of the subsidiaries in an amount of NIS 0.3 billion and by acquisition of the group's shares from non-controlling interests in the amount of NIS 0.5 billion.

Ratio of debt to total assets

The ratio of the Group's net interest-bearing debt to its total assets is 56.5% as of June 30, 2020, compared to 50.0% as of December 31, 2019.

3.5 Results of Operations and their analysis

A. Results of operations are as follows:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions (except for net earnings (loss) per share data)				
Rental and other income	1,192	1,422	561	702	2,752
Property operating and other expenses	344	399	158	188	777
Net operating income	848	1,023	403	514	1,975
Fair value gain (loss) from investment property and investment property under development, net	(728)	(173)	(485)	(90)	164
General and administrative expenses	(157)	(182)	(77)	(90)	(360)
Other income	9	7	2	4	35
Other expenses	(29)	(364)	(21)	(131)	(413)
Company's share in earnings of equity- accounted investees, net	(48)	49	(18)	(8)	37
Operating income	(105)	360	(196)	199	1,438
Finance expenses	(744)	(535)	(207)	(358)	(1,118)
Finance income	62	533	168	89	963
Profit (loss) before taxes on income	(787)	358	(235)	(70)	1,283
Taxes on income (tax benefit)	(158)	261	(216)	(52)	467
Net income (loss)	(629)	97	(19)	(18)	816
Attributable to:					
Equity holders of the Company	(513)	(41)	105	(83)	655
Non-controlling interests	(116)	138	(124)	65	161
	(629)	97	(19)	(18)	816
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):					
Total basic net earnings (loss)	(2.83)	(0.22)	0.59	(0.44)	3.52
Total diluted net earnings (loss)	(2.84)	(0.22)	0.59	(0.45)	3.50

The statement of comprehensive income is as follows:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	**2019**	**2020**	**2019**	**2019**
	Unaudited				**Audited**
	NIS in millions				
Net income (loss)	(629)	97	(19)	(18)	816
Other comprehensive income (loss) (net of tax effect):					
Amounts that will not be reclassified subsequently to profit or loss					
Net gains (losses) on cash flow hedges	(63)	57	(5)	54	(39)
Amounts that will not be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(1,286)	(1,110)	(19)	(126)	(2,055)
Net gains (losses) on cash flow hedges	(51)	(52)	(11)	(23)	(45)
Realization of capital reserves on sale of an associate	-	73	-	73	73
Total other comprehensive loss	(1,400)	(1,032)	(35)	(22)	(2,066)
Total comprehensive loss	(2,029)	(935)	(54)	(40)	(1,250)
Attributable to:					
Equity holders of the Company	(1,740)	(656)	(3)	(44)	(653)
Non-controlling interests	(289)	(279)	(51)	4	(597)
	(2,029)	(935)	(54)	(40)	(1,250)

B. Analysis of Results of Operations for the Reporting Period

Rental and other income

Excluding the change in the average exchange the rate rental and other income in the Reporting Period decreased by 10.4% as compared to the corresponding period last year. The decrease is due to the restrictions imposed by governments in countries which the company operates following the Covid-19 epidemic (refer to section 1.2 above) and from the sale of non-core properties during the past 12 months.

Rental and other income decreased by 16.2% to NIS 1,192 million in the Reporting Period, compared to NIS 1,422 million in the comparable period in the prior year.

Property operating and other expenses

Property operating and other expenses totalled NIS 344 million in the Reporting Period, representing 28.9% of total rental and other income, compared to NIS 399 million, representing 28.1% of total rental and other income, in the comparable period in the prior year. The decrease in property operating and other expenses is due to the reduction management expenses and the reason described in section rental income and others.

Net operating income (NOI)

Excluding the change in the average exchange rates the net operating income in the Reporting Period decreased by 10.5%, compared with the same period in the prior year.

The decrease in net operating income is due to the restrictions imposed by governments in countries where the company operates following the Covid-19 epidemic (see section 1.2 above) and from the sale of non-core assets during the past 12 months.

Net operating income increased by 17.1% to NIS 848 million in the Reporting Period (71.1% of rental income), compared to NIS 1,023 million (71.9% of rental income) in the comparable period in the prior year.

Fair value gain (loss) from investment property and investment property under development, net

The Group applies the fair value model, as prescribed in IAS 40 (Revised), Investment Property. As a result of implementing this standard, the Group recognized, in the Reporting Period, a fair value loss on its properties in a gross amount of NIS 728 million, compared to a loss of NIS (173) million, in the corresponding period in the prior year. The fair value loss mainly relates to the effects of Covid-19 epidemic on the Group's assets.

The valuations/appraisals as of June 30, 2020 are mainly based on valuations/appraisals performed by external appraisers as well as by examination by the Group companies following the Corona crisis on the assumptions underlying the investment property and investment property under development as of December 31, 2019, including the rate of rental and management fees collection until the end of 2020, as well as receiving indications from external appraisers for the absence of change in cap-rates in the territories in which the Group operates.

General and administrative expenses

General and administrative expenses totaled NIS 157 million (13.2% of total revenues), in the Reporting Period, compared to NIS 182 million (12.8% of total revenues) in the comparable period in the prior year. The decrease in general and administrative expenses in the Reporting Period compared to the corresponding period last year is due to efficiency in the Group's companies.

Company’s share in earnings of equity-accounted investees, net

In the Reporting Period, the Company’s share in loss of equity-accounted investees amounted to NIS (48) million (compared to earnings of NIS 49 million recorded in the comparable period in the prior year) and is primarily comprised of the Group’s share in the net loss of CTY, Gazit Horizons, ATR and

Gazit Canada (Gazit Tripllle) mainly due to the loss from revaluation of investment property (due to the reasons described above).

Finance expenses

Finance expenses amounted to NIS 744 million in the Reporting Period, compared to NIS 535 million in the comparable period in the prior year. The increase in the finance expenses during the Reporting Period, compared to the corresponding period in the prior year, is primarily due to the revaluation loss of financial derivatives (mainly currency swap) in the Reporting Period in the amount of NIS 208 million compared to revaluation gain of financial derivatives in the corresponding period the prior year in the amount of NIS 166 million. The aforesaid increase was offset by a decrease in interest expenses in the amount of NIS 86 million as a result of the refinancing of debt at a lower interest rate than the debt that was repaid during the reporting period, a decrease in the linkage differences expenses in the amount of NIS 141 million, in respect of a debt linked to the CPI, which decreased by approximately 0.7% in the reporting period, compared with an increase of approximately 1.2% in the corresponding period last year.

The average interest on the Company's interest bearing liabilities (on expanded solo basis) is 3.70% compared to 3.97% in the corresponding quarter in the prior year.

Finance income

Finance income totaled NIS 62 million in the Reporting Period, compared to NIS 533 million in the corresponding period in the prior year. Finance income in the Reporting Period primarily comprises an income from the gain on realization and revaluation of securities and dividend in the Reporting Period of NIS 30 million, (compared to income of NIS 48 million in the comparable period in the prior year) and interest income of NIS 25 million (compared to interest income of NIS 31 million in the comparable period in the prior year). In addition, the corresponding period in the prior year comprises a gain of NIS 450 million on the revaluation of financial derivatives compared to a revaluation loss recorded in finance expenses in the Reporting period in the prior year.

Taxes on income (tax benefit)

Taxes income totaled NIS 158 million in the Reporting Period, compared to tax expenses of NIS 261 million in the same period in the prior year. Tax income in the Reporting Period consists primarily of deferred tax income in the amount of NIS 205 million relating primarily to the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposal of properties as well as structural change in the Group and carry forward losses (in the comparable period in the prior year – net deferred tax expenses of NIS 60 million relating primarily to the sale of FCR shares and the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposal of properties). In the Reporting Period, Group companies recorded current tax expenses of NIS 48 million), compared to current tax expenses of NIS 219 million (due mainly to the sale of shares in FCR) in the corresponding period in prior year. In addition, in the Reporting Period, tax income of NIS 1 million were recognized with respect to prior years, as compared to tax income of NIS 18 million with respect to prior years recognized in the comparable period last year.

C. Analysis of results of operations for the first quarter of 2020

Rental and other income

Excluding the average exchange rates the rental and other income in the quarter decreased by 15.6% compared with the corresponding quarter last year. The decrease is due to the restrictions imposed by governments in countries which the company operates following the Covid-19 epidemic (refer to section 1.2 above) and from the sale of non-core assets during the past 12 months.

Rental and other income decreased by 20.1% to NIS 561 million in the Quarter, compared with NIS 702 million in the corresponding quarter last year.

Property operating expenses and others

Property operating and other expenses totaled NIS 158 million in the Quarter, representing 28.2% of total rental and other income, compared with NIS 188 million, representing 26.8% of total rental and other income, in the corresponding quarter last year. The decrease in property operating and other expenses is due to the reduction management expenses and the reason described in section rental and other income.

Net operating income (NOI)

Excluding the change in the average exchange rates, the net operating rental income in the Quarter decreased by 16.4% compared with the corresponding quarter last year. The decrease in net operating income is due to the restrictions imposed by governments in countries where the company operates following the Corona epidemic (see section 1.2 above) and from the sale of non-core assets during the past 12 months.

Net operating rental income decreased by 21.6% to NIS 403 million in the Quarter (71.8% of total rental income), compared with NIS 514 million (73.2% of rental income) in the corresponding quarter last year.

Fair value gain (loss) from investment property and investment property under development, net

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Company and its subsidiaries recognized in the Quarter a fair value loss on its properties in a gross amount of NIS 485 million, compared to fair value loss of NIS 90 million in the corresponding quarter in the prior year. The fair value loss mainly relates to the effects of the Corona epidemic on the group's assets

The valuations/appraisals as of June 30, 2020 are mainly based on valuations/appraisals performed by external appraisers as well as by an examination by the Group companies following the Corona crisis on the assumptions underlying the investment property and investment property under development as of December 31, 2019, including the rate of rental and management fees collection until the end of 2020, as well as receiving indications from external appraisers for the absence of change in cap-rates in the territories in which the group operates.

General and administrative expenses

General and administrative expenses totaled NIS 77 million (13.7% of total revenues) in the quarter, compared to NIS 90 million (12.8% of total revenues) in the corresponding quarter in the prior year. The decrease in general and administrative expenses in the quarter compared to the corresponding quarter last year is due to efficiency in the Group's companies.

Company’s share in earnings of equity-accounted investees, net

In the quarter, the Company’s share in loss of equity-accounted investees amounted to NIS 18 million (compared to loss of NIS 8 million recorded in the corresponding quarter in the prior year) and is primarily comprised of the Group’s share in the net loss of CTY, Gazit Horizons, ATR and Gazit Canada (Gazit Tripllle) mainly due to the loss from revaluation of investment property (due to the reasons described above).

Finance expenses

Finance expenses amounted to NIS 207 million in the quarter, compared to NIS 358 million in the corresponding quarter in the prior year. The decrease in in the quarter compared to the corresponding quarter in the prior year is primarily due to a decrease in the linkage differences expenses in the amount of NIS 133 million, in respect of a debt linked to the CPI, which decreased by approximately 0.2% in the quarter, compared with an increase of approximately 1.5% in the corresponding quarter last year and a decrease in interest expenses in the amount of NIS 46 million, as a result of the refinancing of debt at a lower interest rate than the debt that was repaid and the decrease in the net interest bearing debt.

Finance income

Finance income totaled NIS 168 million in the quarter, compared to NIS 89 million in the corresponding quarter in the prior year. Finance income in the quarter primarily comprises a gain from revaluation of financial derivatives in the amount of NIS 46 million (income of NIS 60 million in the corresponding quarter in the prior year), a gain of NIS 100 million on the realization and revaluation of securities and dividend (income of NIS 9 million in the corresponding quarter in the prior year) and interest income of NIS 15 million (income of NIS 20 million in the corresponding quarter in the prior year).

Taxes on income (tax benefit)

Tax income totaled NIS 216 million in the quarter, compared with tax income of NIS 52 million in the corresponding quarter last year. Tax income in the quarter comprises primarily of deferred tax income of NIS 281 million, arising mainly from net changes in the temporary differences between the tax base and fair value of investment property and investment property under development, including disposition of properties as well as restructuring in the Group and carry forward losses (in the corresponding quarter last year, net deferred tax income of NIS 223 million arising primarily from the sale of FCR shares and as the net changes in the temporary differences between the tax base and the fair value of investment property and investment property under development, including disposition of properties). In the quarter, the Group companies recorded current tax expenses in an amount of NIS 67 million, compared with current tax expenses of NIS 177 million arising primarily from the sale of FCR shares in the corresponding Quarter in the prior year. In addition, tax income of NIS 2 million was recognized in respect to prior years compared to NIS 6 million in the corresponding quarter in the prior year.

3.6. Liquidity and Capital Resources

The Company and its subsidiaries have a policy of maintaining an adequate level of liquidity that enables the pursuit of business opportunities in its activities, as well as flexibility in accessibility to sources of finance.

The sources of liquidity of the Company and its subsidiaries are the cash generated from its income-producing properties, issuing of debentures, hybrid debentures, capital raising, credit facilities and long-term loans (including loans secured property), which is used primarily for the acquisition, development and redevelopment of income-producing properties, the settlement of liabilities, investments in investees and other investments.

As of June 30, 2020, the liquid assets available to the Company and its subsidiaries, including short-term investments, totaled NIS 3.3[1] billion as of June 30, 2020. In addition, as of June 30, 2020, the Company and its subsidiaries have binding undrawn long-term credit facilities[2] available for immediate drawdown of NIS 2.3 billion.

As of June 30, 2020, the Company and its subsidiaries have liquidity, including undrawn long term credit facilities[2] available for immediate drawdown and liquid balances totaling NIS 5.6[1] billion (of which NIS 2.2 billion at the Company and its wholly-owned subsidiaries, including cash and cash equivalents, tradable securities and short-term deposits in the amount of NIS 1.7[1] billion.

Furthermore, as of June 30, 2020, the Company and its subsidiaries have unencumbered investment property and investment property under development, which is carried on the financial statements at a fair value of NIS 27.4 billion (78.5% of the total investment property and investment property under development).

As of June 30, 2020, the Company and its wholly owned subsidiaries have unencumbered investment property and investment property under development which is carried in the books at a value of NIS 4.8 billion (57% of total investment property and investment property under development).

For details regarding the effects of the Covid-19 epidemic, refer to section 1.2 above.

1 Including a deposit in the amount of NIS 346 million which was used for the tender offer of the Company's shares, refer to Note 3b7 to the financial statements.

2 Signed credit lines with financial institutions pursuant to which these institutions are obligated to provide the Group with the aforesaid credit, subject to complying with the terms prescribed in the agreements, and with respect to which the Group companies pay various commissions, including commitment fees.

3.7. Cash flows

Cash flows generate from operating activities in the Reporting period and in the quarter totalled NIS 229 million and NIS 13 million, respectively compared to NIS 336 million and NIS 142 million, respectively, in the corresponding periods in the prior year.

During the Reporting period the activities of the Company and its subsidiaries were funded through the receipt of loans and credit lines in the net amount of NIS 1,270 million, through the sale of investee company in the amount of NIS 302 million and through the issuance of debentures in the net amount of NIS 1,140 million. These cash flows were mainly used for the acquisition of investment property and the development of new properties in a net amount of NIS 251 million, for investment in financial assets in the amount of NIS 334 million, for dividend payments by the Group's companies in the amount of NIS 368 million, to purchase shares of the Group's companies in the amount of NIS 300 million and the buyback of the Company's shares in an amount of NIS 286 million.

In the quarter, the Company and its subsidiaries financed their activities by issuance of debentures in a net amount of NIS 684 million and through the sale of an investee company in the amount of NIS 256 million. These cash flows were mainly used to repay loans and lines of credit in the net amount of NIS 690 million, for investments in financial assets in the net amount of NIS 429 million, for dividend payments by the Group companies in the amount of NIS 198 million , to purchase of shares of the Group's companies in the amount of NIS 260 million and for the buyback of the Company's shares in the amount of NIS 209 million.

3.8. Repurchase Program

A. On March 15 2020, the Company’s Board of Directors resolved to adopt a new buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 750 million, in relation to all the outstanding series of debentures, the program is in effect until March 31, 2021. Purchases will be made under the program from time to time and at the discretion of the Company’s Management. In addition, until publication of this report, the Company purchased debentures in the amount of NIS 194 million par value in consideration of NIS 206 million under the plan.

B. On May 26, 2020, the Company’s Board of Directors resolved to adopt new buyback program for the Company's shares (in place of the previous program) in an amount of up to NIS 400 million, the program is in effect until December 31, 2020. Purchases will be made from time to time, at the discretion of the Company’s management, so long as the stock exchange price of the share reflects a significant discount on the Company’s NAV, as shall be from time to time. Until publication of this report, the Company purchased 8.7 million shares, in consideration of NIS 174 million, under the aforesaid program (excluding purchase of shares through a tender offer in the amount of NIS 20 million shares for consideration of NIS 346 million, refer to Note 3b7 to the financial statements.

4. Exposure to Market Risks and their Management

4.1. The individuals responsible for managing and reporting the Company's market risks are the Company's CEO and Executive Vice President and CFO. The Group operates globally and is consequently exposed to currency risks resulting from fluctuations in exchange rates of various currencies (primarily the U.S. dollar, the euro and the Brazilian real). Since April 7, 2020, the approval date of the Company's annual report for 2019, there has not been any material changes in the management or nature of the market risks to which the Company is exposed.

4.2. During the period from January 1, 2020 through the date of the approval of the financial statements, the CEO and Executive Vice President and CFO have held and continue to hold regular discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. Furthermore, during such period, the Company's Board of Directors discussed the foregoing risks and the Company's policy regarding them at meetings in which the financial statements as of December 31, 2019 and March 31, 2020 were approved.

4.3. Changes in foreign currency exchange rates – during the period from January 1, 2020 through June 30, 2020, the NIS appreciated against the Brazilian real and the Canadian dollar by 26.3%, and 4.6%, respectively and the NIS depreciated against the Euro and the U.S. dollar by 0.1% and by 0.3%, respectively. With regard to the impact of exchange rate changes on the Company's equity, as of June 30, 2020, refer to Appendix A of the Directors' Report. In addition, as of June 30, 2020 until immediately prior to the date of approval of this report, the NIS depreciated against the Euro and the Canadian dollar by 4.6% and by 2.2%, respectively, and the NIS appreciated against the U.S. dollar and the Brazilian real by 1.9% and by 2.4%, respectively.

In addition, some of the Company's liabilities (primarily with respect to operations in Israel) are linked to changes in the Israeli consumer price index. During the period from January 1, 2020 through June 30, 2020, the Israeli consumer price index (known index) fell by 0.7%. In addition, as of March 31, 2020 until immediately prior to the date of approval of this report, the Israeli consumer price index (known index) rose by 0.1%.

4.4. The Company maintains a correlation between the mix of its properties in the various functional currencies and the exposure of its equity to those currencies, by conducting hedging transactions to manage the currency exposure. However, in view of a change in the group's asset mix and an increase in exposure to the euro, during 2019, the company's board of Directors decided to make additional hedges to the euro exposure in such a way that the exposed equity ratio to the euro will be up to 50% of the assets exposed to the euro. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations.

Due to the Corona epidemic outbreak, there were extreme fluctuations in the Group's currencies, following this fluctuations the Company's management acted immediately to decrease the cash flow exposure that is affected by the fair value of the aforementioned financial derivatives (resulting from the CSA agreements to which the Company is engaged, as detailed in section 3.4 above). As a result of these actions, the Company increased the exposure of equity to the euro and the dollar (as detailed in Appendix A to the Directors Report).

For details regarding the scope of the Company's exposure to each of the functional currencies (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real), with respect to which linkage basis and cross-currency swaps have been transacted and loans taken in the various currencies, and regarding the scope of the remaining exposure after transacting cross-currency swaps, as of June 30, 2020, refer to the table attached as Appendix A of the Directors' Report.

5. **Corporate Governance Aspects**

Donations

The Group has undertaken to assist the communities in which it operates in accordance with the donation policy approved by the Company's Management. During the Reporting Period, the Group made donations to a variety of projects in the areas of education, culture, welfare, and health in the various countries in which the Company operates.

A. The majority of the Group's donations in the Reporting Period was directed to the field of education for the benefit of the "Supporting the South" initiative, which was established by the Company eight years ago. Within the framework of the initiative, the Company supports the educational systems of periphery towns in the Negev, including providing support to elementary and high schools, as well as to several nursery schools and preschool centers.

B. Communal involvement – the Group supports a variety of volunteer organizations in the fields of welfare, health and culture.

During the Reporting Period, the Group's donations amounted to NIS 2.5 million.

6. **Disclosure Regarding the Financial Reporting of the Company**

Subsequent events

A. After the Reporting Period, the Company repurchased 20 million Company shares through tender offer in consideration of NIS 346 million, refer to Note 3b7 to the financial statements.

B. After the Reporting Period, the Company purchased its debentures in the amount of NIS 91 million, refer to Note 5b to the financial statements.

7. **Details Concerning the Company's Publicly-Held Debt Certificates**

A. For details regarding the issuance of new debentures (Series N) in the amount of NIS 593 million and the expansion in the amount of NIS 337 million, refer to Notes 3a1 and 3a3 to the financial statements.

B. For details regarding the Company's debentures buyback during the Reporting Period under its purchase plan, refer to Section 3.8 and Notes 3a4 and 5c to the financial statements.

C. On July 19, 2020, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of 'ilAA-', with a negative outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating at a rating level of 'ilA-1+'.

D. On July 27, 2020, Midroog rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of 'Aa3.il', with a negative outlook. In addition, Midroog rating agency reaffirmed the short term issuer rating at a rating level of 'P-1.il.

E. The principal covenants attaching to the debentures (Series K, L, M and N) of the Company are as follows:

Financial ratio	Covenants	As of June 30, 2020
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Series K-Higher than 500, during 4 consecutive quarters Series L-Higher than 650, during 3 consecutive quarters Series M-Higher than 800, during 3 consecutive quarters Series N-Higher than 850, during 3 consecutive quarters	1,785
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M and N- Higher than 400	1,785
Ratio of net interest-bearing debt to total consolidated assets And Minimum rating of the debentures	Series K and L-lower than 80%, during 4 consecutive quarters Series M-lower than 75% 'ilBaa3'/'ilBBB-'	57.1%[1] 'ilAa3'/ 'ilAA'-
Ratio of net interest-bearing debt to total consolidated assets	Series N-lower than 75%	56.5%
Minimum rating of the debentures	Series N-'ilBaa3'/'ilBBB-'	'ilAa3'/ 'ilAA'-

As of June 30, 2020 and subsequent to the statements' approval, the Company complied with the covenants in respect of its debentures.

August 19, 2020		
Date of Approval of Directors' Report	Ehud Arnon Chairman of the Board of Directors	Chaim Katzman Vice Chairman of the Board of Directors and CEO

[1] The ratio of net interest bearing debt to balance sheet, the net interest bearing debt includes the accrued interest as presented in the financial statements.

Appendix A of the Directors' Report
Additional Information regarding Currency Exposure
As of June 30, 2020

The information below sets forth the scope of the Company's currency exposure (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real) in connection with the cross-currency swaps which have been transacted, and the scope of the exposure remaining after taking into account the cross-currency swaps, as of June 30, 2020. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS[1]) and the percentages they represent out of the total assets and liabilities, respectively, on a proportionately consolidated basis[2], and the total financial adjustments made by the Company by means of cross-currency swap transactions, in order to correlate, to the extent possible, the Company's equity to the Company's assets (from a currency perspective). As illustrated by the table, the assets and liabilities for each currency do not fully correlate, and the exposure reduction to each such currency is reflected in the differences, as presented in the table. For details regarding cash exposure that is affected by the fair value change of swap transactions as a result of the sharp fluctuations from the Corona virus outbreak, refer to section 4.4 below.

Data presented in millions	NIS	U.S.$	EUR	C$	BRL	Total in NIS
Assets in original currency	4,070	762	4,337	148	4,167	-
Assets in NIS	4,070	2,643	16,841	374	2,637	26,565
% of total assets	**15**	**10**	**63**	**2**	**10**	**100**
Liabilities in original currency	9,109	313	2,399	110	-	-
Cross-currency swap transactions in original currency	(2,284)	(126)	394	10	782	-
Liabilities in original currency	6,825	187	2,793	120	782	-
Liabilities in NIS adjusted for swaps	6,825	648	10,845	304	495	19,117
% of total liabilities	**36**	**3**	**57**	**2**	**2**	**100**
Total equity in original currency	(2,755)	575	1,544	28	3,385	-
Total economic equity[3] in NIS	(2,755)	1,995	5,996	70	2,142	7,448
% of total equity	**(37)**	**27**	**80**	**1**	**29**	**100**

1 According to currency exchange rates as of June 30, 2020.

2 The Company's statement of financial position presented on a proportionately consolidated basis has not been prepared in conformance with generally accepted accounting principles, but rather according to the Company's interest in each of the investees at the stated date.

3 Represents the equity attributable to the equity holders of the Company after excluding the provision for deferred taxes with respect to revaluation of investment property.

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS FOR THE 2019 PERIODIC REPORT OF GAZIT-GLOBE LTD. (the "Company")

Pursuant to Regulation 39A of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, details are presented below concerning material changes and developments that have taken place in the Company's business since the publication of the Company's Periodic Report for 2019 (the "Periodic Report"), for each matter required to be described in the Periodic Report.

Update to Section 1 – The Company's operations and its business development

A. For details regarding the Covid-19 epidemic, refer to section 1.2 to the Directors's report on the Company's business.

B. For details regarding the approval of the Tax Authority for the merger of the Company with G Israel, refer to Note 3b6 to the financial statements.

C. For details regarding the strengthening of the Company's capital structure, see Section 1.1 to the Board of Directors' Report.

Update to Section 2 – Investment in the company's capital and transactions in its shares in the last two year

A. As of January 1, 2020 and up to the publication date of this report, the Company issued 59,130 shares to officers of the Company, employees of the Company and employees of its wholly owned subsidiaries, as a result of the vesting of convertible securities allocated to them as part of their employment conditions.

B. For details regarding the repurchase of 33.2 million shares of the Company, in consideration of NIS 632 million (including through a tender offer of NIS 20 million Company shares), refer to Notes 3b3 and 5b to the financial statements.

Update to Section 3 – Dividend distributions in the last two years

A. On April 13, 2020, the Company distributed a dividend to its shareholders in an amount of NIS 78 million (NIS 0.43 per share).

B. On June 15 2020, the Company distributed dividend for its shareholders in the amount of NIS 78 million (NIS 0.43 per share).

C. For details regarding a dividend declared by the Company after the Reporting Date, refer to Note 5a to the financial statements.

D. For details regarding the dividend policy update, refer to Section 3.3 of the Board to the Directors' Report.

Update to Section 6 – Acquisition, development and operation of shopping centers in Northern Europe

A. On May 26, 2020, Fitch rating agency rated CTY at a rating level of BBB- with a stable outlook.

B. For details regarding debt raising, by CTY, through an expansion of debenture series in the amount of EUR 200 million, refer to Note 3a5 to the financial statements.

Update to Section 7 – Acquisition, development and operation of shopping centers in Central and Eastern Europe

A. For details regarding debt raising by ATR, through an expansion of debenture series in the amount of EUR 200 million, refer to Note 3a6 to the financial statements.

B. For details regarding buyback of debentures, by ATR, in the amount of EUR 218 million, refer to Note 3a7 to the financial statements.

Update to Section 17 – Human Capital

On May 2020 Mr. Oren Hod appointed as Executive Vice President and Chief Operating Officer, for further information, refer to Section 3.2m to the Director's report on the Company's business.

Update to Section 18 – Financing

A. For details regarding the issuance of the Company's debentures (Series N) in the amount of NIS 930 million, refer to Notes 3a1and 3a3 to the financial statements.

B. For details regarding the issuance of the Company's debentures (Series K) by way of an expansion of listed series. By the Company, in the amount of NIS 262 million, refer to Note 3a2 to the financial statements.

C. For details regarding buyback of debentures, by the Company, in the amount of NIS 343 million, refer to Notes 3a4 and 5c to the financial statements.

D. On July 19, 2020, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of 'ílAA-', with a negative outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating at a rating level of 'ílA-1+'.

E. On July 27, 2020, Midroog rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of 'Aa3.il', with a negative outlook. In addition, Midroog rating agency reaffirmed the short term issuer rating at a rating level of 'P-1.il'

GAZIT-GLOBE LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As of June 30, 2020

Unaudited

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AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF GAZIT-GLOBE LTD.

Introduction

We have reviewed the accompanying financial information of Gazit-Globe Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of June 30, 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a certain subsidiary, whose assets constitute approximately 30% of total consolidated assets as of June 30, 2020, and whose revenues constitute approximately 32% and 32% of total consolidated revenues for the periods of six and three months then ended, respectively. The condensed interim financial information of this company was reviewed by other auditors, whose review report has been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of this company, is based on the review report of the other auditors.

Scope of review

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

Conclusion

Based on our review and the review report of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review report of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
August 19, 2020

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2020	2019	2019
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2,334	1,468	1,063
Short-term investments and loans	376	172	31
Financial assets	632	502	791
Financial derivatives	94	208	64
Trade receivables	301	157	143
Other accounts receivable	301	728	758
Current taxes receivable	3	10	11
	4,041	3,245	2,861
Assets classified as held for sale	709	2,043	494
	4,750	5,288	3,355
NON-CURRENT ASSETS			
Equity-accounted investees	1,455	1,661	1,560
Other investments, loans and receivables	122	56	101
Financial assets	236	1,496	853
Financial derivatives	281	205	318
Investment property	31,974	33,870	33,545
Investment property under development	2,207	1,849	2,031
Fixed assets, net	180	209	195
Intangible assets, net	582	691	622
Deferred taxes	63	46	45
	37,100	40,083	39,270
	41,850	45,371	42,625

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	1,668	1,250	754
Current maturities of non-current liabilities	1,472	2,286	1,324
Financial derivatives	49	91	70
Trade payables	63	75	93
Other accounts payable	825	817	816
Current taxes payable	154	304	501
	4,231	4,823	3,558
Liabilities attributable to assets held for sale	24	80	21
	4,255	4,903	3,579
NON-CURRENT LIABILITIES			
Debentures	16,035	18,073	15,117
Interest-bearing loans from banks and others	6,020	4,268	5,064
Financial derivatives	108	82	81
Other liabilities	420	552	573
Deferred taxes	1,637	1,979	1,885
	24,220	24,954	22,720
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	237	242	237
Share premium	4,659	4,794	4,656
Retained earnings	5,012	5,197	5,740
Foreign currency translation reserve	(4,216)	(2,474)	(3,077)
Other reserves	780	730	635
Treasury shares	(286)	(145)	-
	6,186	8,344	8,191
Non-controlling interests	7,189	7,170	8,135
Total equity	13,375	15,514	16,326
	41,850	45,371	42,625

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

August 19, 2020			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions (except for per share data)				
Rental and other income	1,192	1,422	561	702	2,752
Property operating and other expenses	344	399	158	188	777
Net operating income	848	1,023	403	514	1,975
Fair value gain (loss) from investment property and investment property under development, net	(728)	(173)	(485)	(90)	164
General and administrative expenses	(157)	(182)	(77)	(90)	(360)
Other income	9	7	2	4	35
Other expenses	(29)	(364)	(21)	(131)	(413)
Company's share in earnings (loss) of equity-accounted investees, net	(48)	49	(18)	(8)	37
Operating income (loss)	(105)	360	(196)	199	1,438
Finance expenses	(744)	(535)	(207)	(358)	(1,118)
Finance income	62	533	168	89	963
Income (loss) before taxes on income	(787)	358	(235)	(70)	1,283
Taxes on income (tax benefit)	(158)	261	(216)	(52)	467
Net income (loss)	(629)	97	(19)	(18)	816
Attributable to:					
Equity holders of the Company	(513)	(41)	105	(83)	655
Non-controlling interests	(116)	138	(124)	65	161
	(629)	97	(19)	(18)	816
Net earnings (loss) per share attributable to equity holders of the Company (NIS):					
Total basic net earnings (loss)	(2.83)	(0.22)	0.59	(0.44)	3.52
Total diluted net earnings (loss)	(2.84)	(0.22)	0.59	(0.45)	3.50

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
Net income (loss)	(629)	97	(19)	(18)	816
Other comprehensive income (loss) (net of tax effect):					
Amounts that will not be reclassified subsequently to profit or loss:					
Net gains (losses) on financial assets at fair value through other comprehensive income	(63)	57	(5)	54	(39)
Amounts that will be or that have been reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(1,286)	(1,110)	(19)	(126)	(2,055)
Net losses on cash flow hedges	(51)	(52)	(11)	(23)	(45)
Realization of capital reserves on sale of an associate	-	73	-	73	73
Total other comprehensive loss	(1,400)	(1,032)	(35)	(22)	(2,066)
Total comprehensive loss	(2,029)	(935)	(54)	(40)	(1,250)
Attributable to:					
Equity holders of the Company (1)	(1,740)	(656)	(3)	(44)	(653)
Non-controlling interests	(289)	(279)	(51)	4	(597)
	(2,029)	(935)	(54)	(40)	(1,250)
(1) Breakdown of total comprehensive loss attributable to equity holders of the Company:					
Net income (loss)	(513)	(41)	105	(83)	655
Exchange differences on translation of foreign operations	(1,133)	(713)	(93)	(76)	(1,313)
Net losses on cash flow hedges	(40)	(33)	(8)	(14)	(27)
Net gains (losses) on financial assets at fair value through other comprehensive income	(54)	58	(7)	56	(41)
Realization of capital reserves on sale of an associate	-	73	-	73	73
	(1,740)	(656)	(3)	(44)	(653)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of December 31, 2019 (audited)	237	4,656	5,740	(3,077)	635	-	8,191	8,135	16,326
Loss	-	-	(513)	-	-	-	(513)	(116)	(629)
Other comprehensive loss	-	-	-	(1,133)	(94)	-	(1,227)	(173)	(1,400)
Total comprehensive loss	-	-	(513)	(1,133)	(94)	-	(1,740)	(289)	(2,029)
Exercise and expiration of Company's share options into Company shares	*) -	3	-	-	(3)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(286)	(286)	-	(286)
Cost of share-based payment	-	-	-	-	3	-	3	3	6
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(16)	(16)
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earnings	-	-	(62)	-	62	-	-	-	-
Dividend paid **)	-	-	(153)	-	-	-	(153)	-	(153)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	5	3
Acquisition of non-controlling interests	-	-	-	(6)	179	-	173	(473)	(300)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(176)	(176)
Balance as of June 30, 2020	237	4,659	5,012	(4,216)	780	(286)	6,186	7,189	13,375

*) Represents an amount of less than NIS 1 million.

**) In the six months ended in June 30, 2020, the Company declared a dividend in the amount of NIS 0.86 per share (in a total amount of NIS 153 million), out of which NIS 78 million (NIS 0.43 per share) was paid on April 13, 2020 and NIS 75 million (NIS 0.43 per share) was paid on June 15, 2020.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of December 31, 2018 (audited)	244	4,860	5,387	(1,827)	694	(57)	9,301	7,656	16,957
Net income (loss)	-	-	(41)	-	-	-	(41)	138	97
Other comprehensive income (loss)	-	-	-	(645)	30	-	(615)	(417)	(1,032)
Total comprehensive income (loss)	-	-	(41)	(645)	30	-	(656)	(279)	(935)
Exercise and expiration of Company's share options into Company shares	*) -	2	-	-	(2)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(158)	(158)	-	(158)
Cancellation of treasury shares	(2)	(68)	-	-	-	70	-	-	-
Cost of share-based payment	-	-	-	-	4	-	4	2	6
Dividend declared	-	-	(149)	-	-	-	(149)	-	(149)
Capital issuance to non-controlling interests	-	-	-	-	(1)	-	(1)	2	1
Acquisition of non-controlling interests	-	-	-	(2)	5	-	3	(8)	(5)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(203)	(203)
Balance as of June 30, 2019	242	4,794	5,197	(2,474)	730	(145)	8,344	7,170	15,514

*) Represents an amount of less than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of April 1, 2020	237	4,657	4,982	(4,120)	656	(77)	6,335	7,716	14,051
Net income (loss)	-	-	105	-	-	-	105	(124)	(19)
Other comprehensive income (loss)	-	-	-	(93)	(15)	-	(108)	73	(35)
Total comprehensive income (loss)	-	-	105	(93)	(15)	-	(3)	(51)	(54)
Exercise and forfeiture of Company's share option into Company shares	*) -	2	-	-	(2)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(209)	(209)	-	(209)
Cost of share-based payment	-	-	-	-	2	-	2	1	3
Dividend paid **)	-	-	(75)	-	-	-	(75)	-	(75)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	2	*) -
Acquisition of non-controlling interests	-	-	-	(3)	141	-	138	(398)	(260)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(81)	(81)
Balance as of June 30, 2020	237	4,659	5,012	(4,216)	780	(286)	6,186	7,189	13,375

*) Represents an amount of less than NIS 1 million.
**) On May 26, 2020, the Company declared a dividend of NIS 0.43 per share that was paid on June 15, 2020.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of April 1, 2019	244	4,861	5,354	(2,466)	683	(136)	8,540	7,265	15,805
Net income (loss)	-	-	(83)	-	-	-	(83)	65	(18)
Other comprehensive income (loss)	-	-	-	(8)	47	-	39	(61)	(22)
Total comprehensive income (loss)	-	-	(83)	(8)	47	-	(44)	4	(40)
Exercise and expiration of Company's share options into Company shares	*) -	1	-	-	(1)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(79)	(79)	-	(79)
Cancellation of treasury shares	(2)	(68)	-	-	-	70	-	-	-
Cost of share-based payment	-	-	-	-	2	-	2	-	2
Dividend declared	-	-	(74)	-	-	-	(74)	-	(74)
Capital issuance to non-controlling interests	-	-	-	-	(1)	-	(1)	-	(1)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(99)	(99)
Balance as of June 30, 2019	242	4,794	5,197	(2,474)	730	(145)	8,344	7,170	15,514

*) Represents an amount of less than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Audited								
	NIS in millions								
Balance as of December 31, 2018 (audited)	244	4,860	5,387	(1,827)	694	(57)	9,301	7,656	16,957
Net income	-	-	655	-	-	-	655	161	816
Other comprehensive loss	-	-	-	(1,245)	(63)	-	(1,308)	(758)	(2,066)
Total comprehensive income (loss)	-	-	655	(1,245)	(63)	-	(653)	(597)	(1,250)
Exercise and expiration of Company's share options into Company shares	*) -	4	-	-	(4)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(158)	(158)	-	(158)
Cancellation of treasury shares	(7)	(208)	-	-	-	215	-	-	-
Cost of share-based payment	-	-	-	-	7	-	7	4	11
Issuance of hybrid debentures to non-controlling interests	-	-	-	-	-	-	-	1,346	1,346
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earnings	-	-	(3)	-	3	-	-	-	-
Dividend declared	-	-	(299)	-	-	-	(299)	-	(299)
Capital issuance and share sales to non-controlling interests	-	-	-	-	(2)	-	(2)	177	175
Acquisition of non-controlling interests	-	-	-	(5)	-	-	(5)	(48)	(53)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(403)	(403)
Balance as of December 31, 2019 (audited)	237	4,656	5,740	(3,077)	635	-	8,191	8,135	16,326

*) Represents an amount of less than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
Cash flows from operating activities:					
Net income (loss)	(629)	97	(19)	(18)	816
Adjustments required to present cash flows from operating activities:					
Adjustments to the profit or loss items:					
Finance expenses, net	682	2	39	269	155
Company's share in earnings (losses) of equity-accounted investees, net	48	(49)	18	8	(37)
Fair value gain (loss) from investment property and investment property under development, net	728	173	485	90	(164)
Depreciation and amortization	14	16	4	7	31
Taxes on income (tax benefit)	(158)	261	(216)	(52)	467
Capital (gain) loss, net	(7)	10	(2)	5	(16)
Loss from decrease in holding interest and sale of an associate	-	345	-	122	345
Change in provision for legal claims, net	-	1	-	2	(2)
Cost of share-based payment	6	6	3	2	11
	1,313	765	331	453	790
Changes in assets and liabilities items:					
Increase in trade receivables and other accounts receivable	(171)	(93)	(95)	(28)	(48)
Increase (decrease) in trade and other accounts payable	(10)	(80)	(23)	(76)	11
	(181)	(173)	(118)	(104)	(37)
Net cash provided by operating activities before interest, dividend and taxes	503	689	194	331	1,569
Cash received and paid during the period for:					
Interest paid	(344)	(449)	(230)	(223)	(963)
Interest received	51	14	43	10	90
Dividend received	37	102	9	36	250
Taxes paid	(18)	(29)	(3)	(21)	(45)
Taxes received	-	9	-	9	9
	(274)	(353)	(181)	(189)	(659)
Net cash provided by operating activities	229	336	13	142	910

*) Represent an amount of less than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
Cash flows from investing activities:					
Proceeds from sale of an associate	302	2,839	256	2,839	2,839
Investment and loans to investees	(41)	-	(15)	-	(100)
Acquisition, construction and development of investment property	(514)	(1,231)	(247)	(685)	(2,052)
Investments in fixed assets and other assets	(4)	(33)	-	(11)	(61)
Proceeds from sale of investment property, net of tax paid	263	417	-	251	1,479
Proceeds from sale of fixed assets	2	-	-	-	13
Collection of long-term loans	1	1	-	-	19
Short-term investments, net	(337)	(131)	(341)	159	(53)
Investment in financial assets	(985)	(370)	(332)	(240)	(496)
Proceeds from sale of financial assets and deposits withdrawal, net of tax paid	988	(217)	244	82	112
Net cash provided by (used in) investing activities	(325)	1,275	(435)	2,395	1,700
Cash flows from financing activities:					
Exercise of share options into Company's shares	*) -	*) -	*) -	*) -	*) -
Purchase of treasury shares	(286)	(158)	(209)	(79)	(158)
Capital issuance to non-controlling interests, net	3	1	-	1	175
Acquisition of non-controlling interests	(300)	(5)	(260)	-	(53)
Dividend paid to equity holders of the Company	(228)	(223)	(153)	(150)	(298)
Dividend paid to non-controlling interests	(140)	(203)	(45)	(99)	(403)
Receipt of long-term loans	1,561	49	149	-	705
Repayment of long-term loans	(814)	(11)	(720)	(5)	(128)
Receipt (repayment) of long-term credit facilities from banks and others, net	(136)	(284)	379	(1,143)	153
Receipt (repayment) of Short-term credit from banks and others, net	659	(188)	(498)	(183)	(247)
Repayment and early redemption of debentures and convertible debentures	(1,586)	(651)	(1,187)	(46)	(4,133)
Issuance of debentures	2,726	-	1,871	-	-
Issuance of hybrid bonds to non-controlling interests	-	-	-	-	1,346
Interest paid on hybrid debentures for non-controlling interests	(16)	-	-	-	-
Net cash provided by (used in) financing activities	1,443	(1,673)	(673)	(1,704)	(3,041)
Exchange differences on balances of cash and cash equivalents	(76)	(53)	(48)	(14)	(89)
Increase (decrease) in cash and cash equivalents	1,271	(115)	(1,143)	819	(520)
Cash and cash equivalents at the beginning of the period	1,063	1,583	3,477	649	1,583
Cash and cash equivalents at the end of the period	2,334	1,468	2,334	1,468	1,063

*) Represent an amount of less than NIS 1 million.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Six months ended June 30,		Three months ended June 30,		Year ended December 31,
		2020	2019	2020	2019	2019
		Unaudited				Audited
		NIS in millions				
(a)	Significant non-cash transactions:					
	Acquisition of investment property under lease	-	301	-	-	301
	Sale of investment property against receivables	-	-	-	-	155
	Sale of an investee against receivables		335	-	335	335
	Dividend payable to equity holders of the Company	-	-	-	-	75
	Dividend payable to non-controlling interests	36	-	36	-	-
(b)	Additional information:					
	Tax paid included under investing activities	357	344	2	-	344

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NOTE 1:- GENERAL

A. These consolidated financial statements have been prepared in a condensed format as of March 31, 2020 and for the three months then ended (the "Reporting Period") (collectively: "Interim consolidated financial statements"). These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2019 and for the year then ended and accompanying notes, that were authorized by the Board of Directors on April 7, 2020 ("annual financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim condensed consolidated financial statements

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies and methods of computation adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, other than the following:

1. Amendment IFRS 3 – Business Combinations

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment").

The Amendment contains a clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output. In addition, the Amendment clarifies that a business can exist even without all the inputs and processes required to create output. The Amendment includes an optional test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Amendment is to be applied to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

2. Amendment to IFRS 9, IFRS 7 and IAS 39

In September 2019, the IASB published an amendment to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures" and IAS 39, "Financial Instruments: Recognition and Measurement" ("the Amendment").

The Amendment permits certain reliefs for entities that apply hedge accounting based on the IBORs interest rates and are faced with the uncertainty because of the expected benchmark interest reform. This reform is leading to uncertainties concerning dates and amounts relevant to future cash flows related to both hedging instruments and hedged items.

The amendments did not have any effect on the Company's financial statements since it allows the Company to continue accounting for the existing relevant hedges as accounting hedges.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Amendment to IFRS 16

In light of the COVID-19 pandemic, the IASB published in May 2020, an amendment to IFRS 16, "Leases" (the "Amendment"). The purpose of the Amendment is to allow lessees to implement a practical expedient according to which changes in lease payments as a direct consequence of the covid-19 pandemic will not be treated as lease modification, but as variable lease payments. The Amendment applies to lessees only.

The Amendment applies only to changes in lease payments only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Amendment applies for annual reporting periods beginning on or after 1 June 2020, retroactively. Earlier application is permitted.

The Company is examining the possible effect of the Amendment on the financial statements.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. Debt raising and redemption by the group

1. On January 2020, the Company issued, by way of a shelf offer, NIS 600 million par value of unsecured debentures (Series N), for a net consideration of NIS 593 million, representing effective interest rate of 1.46%.
   The debentures are linked to the increase in the consumer price index, bear fixed annual interest at the rate of 1.29% that is payable twice a year on March 31 and September 30 in each of the years 2020 to 2031 (inclusive) and mature as follows: the first installment (17.5% of the principal) is payable on September 30, 2022, the second installment (15% of the principal) is payable on September 30, 2023, the third installment (15% of the principal) is payable on September 30, 2024, the fourth installment (27.5% of the principal) is payable on September 30, 2029, and the fifth installment (25% of the principal) is payable on September 30, 2031.
   As part of the issuance of the debentures (Series N), the Company has undertaken, inter alia, to comply with the following covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.
   Nevertheless, in the event of non-compliance with any of the aforesaid covenants, the Company may provide collateral in favor of the holders of the debentures (Series N) in lieu of such covenants.
   The Company has also made other undertakings to the holders of the debentures (Series N), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. I addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company's equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements.
   Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.

2. On March 2020, the Company issued to the public NIS 243 million par value unsecured debentures (series K), by a way of an expansion of a listed series for net consideration of NIS 262 million, representing effective interest rate of 3.94% (linked).

3. On April 2020, the Company issued to the public NIS 400 million par value unsecured debentures (series N), by a way of an expansion of a listed series for net consideration of NIS 337 million, representing effective interest rate of 3.97% (linked).

4. During the reporting period, the Company repurchased debentures with a par value of NIS 220 million (Series D, K, L, M and N) for a consideration of NIS 252 million. As a result, the Company recorded a loss from early redemption of approximately NIS 11 million. The repurchased debentures were cancelled and delisted.

5. On June 2020, CTY issued EUR 200 million par value debentures (NIS 776million), by a way of an expansion of a series carting an annual interest rate of 2.5%, with maturity date on October 2024. The effective interest rate for this expansion is of 4.5%.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

6. On June 2020, ATR issued EUR 200 million par value debentures (NIS 776million), by a way of an expansion of a series carting an annual interest rate of 3%, with maturity date on September 2025.

7. During the reporting period, ATR repurchased debentures with a par value of NIS 218 million (NIS 846 million) with maturity date in 2022. As a result, ATR recorded a loss from early redemption of approximately EUR 6 million (NIS 24 million).

b. Other events

1. Corona virus effects on the Group's activity:

General

At the beginning of the report period, the Covid-19 virus spread rapidly from China to many countries across the globe, including those where the Company holds commercial assets, until the World Health Organization declared it a pandemic (“the Covid-19 Pandemic”). The Covid-19 virus is unknown and its rapid spread was explained, among other things, by uncertainty as to how it is transmitted, how to treat it and how the population can be vaccinated against it. Hence, the Covid-19 Pandemic is characterized firstly by extreme uncertainty and fear.

Many countries dealt with the rapid outbreak of the virus in various ways, mainly by imposing a partial or complete lockdown on the population, closing businesses, social distancing and significantly reducing movement between countries. The directive of the governments in those countries, together with the response of the capital, oil, interest and foreign currency markets to such extreme uncertainty led to extreme uncertainty that brought about a global economic crisis on one hand and a massive flow of funds from governments on the other.

As of June 30, 2020, most countries in which the Company operates reported a moderation in the morbidity effects of Covid-19 virus and significant facilitations of the lockdown directives. As at the approval date of the report, August 19, 2020, all countries in which the Company operates, other than Brazil and specific states in the USA, are in various stages of opening up the economy, subject to specific restrictions and return of public transport activities and businesses.

In March, there were sharp fluctuations in foreign currency exchange rates, in particular the rate of the Euro and the BRL against the NIS, which is attributed to the extreme uncertainty and fear that gripped the markets. There was also volatility in the capital markets worldwide during that period, leading to a sharp decline in shares prices, increase of returns on corporate bonds and a drastic drop in interest on government bonds.

Effects of the investment property activities

There was a gradual closure of some of the compounds of the Company and group companies in the second half of March 2020. However, essential enterprises, including supermarkets, pharmacies, banks, clinics and food stores that provided deliveries continued to operate, even in closed compounds, and these constitute 55% of the total GLA.

At the end of April 2020, the Company’s open assets gradually started to open in Israel and at the beginning of May, there was also a gradual opening of the closed assets of the Company and group companies in Israel and Europe, until full opening, except cinemas in Israel (the assets in Northerner Europe were not closed all along, other than in Estonia). As at the approval date of the report, all of the Group’s assets are fully open, other than those in Brazil, where up until the middle of June only essential enterprises and services are operating and as of this date all assets have been subjected to limited opening hours. Since opening of the Company’s assets, the number of visitors has been rising steadily and the “conversion ratio” (ratio of proceeds to the number of visitors) has risen significantly compared to the conversion ratio in the same period last year.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

During July, after the balance date, the level of morbidity in Israel deteriorated, which led to a decrease in the number of visitors in the Company's closed compounds in Israel, to closing closed compounds on weekends and postponing the opening of cinemas, which affected the number of visitors. As of the approval date of this report, the lockdown was removed on weekends.
In the short-term following the opening of businesses, the government directives regarding dilution of the number of visitors simultaneously in the Company's assets and the Group companies as well as those regarding dilution of the movement of public transport that connects many of the Group companies' assets still continue to apply. The restriction on air traffic between countries and a decrease in the frequency of passengers traveling abroad may lead to an increase in the number of visitors to its commercial assets and a growth in the consumption of products and services that would have been purchased during the travels.
During the period when businesses were closed under government directives, the Company and some of the group companies deferred the collection of rent and management fees in part of the assets, but notified the tenants of their policy that the obligation to pay remains in place and any deviation from the amount and payment date requires its consent, if granted specifically and based on the circumstances. The Company and group companies allowed specific tenants to defer and split rent fee payments and some or all of the management fee payments to a date to be agreed after opening of the businesses, including into 2021 as well as determining rental fees which are now paid as a rate from the business income. In addition, the governments in many countries provided aid programs to tenants, among other things, by grants for payment of part of the rent, and the Company and Group companies are working to ensure that the aid programs are utilized by the tenants. In Poland, the Government passed a law, according to which the tenants in the shopping centers across the country may not pay rents for the period during which they remained close, provided that its lease term will be extended in six months plus the period in which they remained close.
According to accounting standards, lease concessions related to the COVID-19 provided to tenants by Group companies, that are based on the original lease agreements are treated as variable lease payments and are recognized fully in the period they are incurred. However, lease concessions which are not based on the original lease agreement are considered to form a new lease agreement and a recognized on a straight-line basis over the remaining lease term.
Based on contract analysis of lease agreements performed by Group companies, such concessions provided as a result of negotiations with tenants or enforced by new legislation in the different countries, like Poland as stated above, a total of NIS 106 million during the reporting period, are not based on the original lease terms, and as such are recognized over the remaining lease term. Out of the total amount, an amount of NIS 30 million were recognized as reduction of revenues in the second quarter of 2020, the rest were deferred and will be recognized over the remaining lease term.

The Company and group companies are preparing also for the possibility that specific tenants will vacate their businesses due to financial difficulties. However, in view of the fact that some leases are long-term and at historically lower prices than the standard in the market, the Company and subsidiaries estimate that, due to the quality and unique location of their properties, they will be able to sign new leases in the short and medium term at rent that does not fall below that collected from the outgoing tenants and may even be higher than historical rents.
The Company and group companies operate the assets according to the provisions of the competent authorities in each country. The main adjustments are related to increased protection of the health of visitors and employees in the assets by ensuring disinfection and hygiene, monitoring the number of visitors entering them, monitoring areas of crowding, measuring temperature, special signs, etc. The expenses for adjustment to the new regulation are not material.
During the period of restriction on opening of businesses and lockdown of the population (in countries where there was a lockdown), the Company and group companies acted to reduce the management and operating expenses of the properties, mainly by closing shops, and reducing electricity, lighting, security, cleaning, commercial signage, marketing expenses, etc. In countries in which the option was granted to provide discounts or exemption from payment of rates and taxes, the Company and group companies are acting to exercise such discounts or exemptions.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

Fair value adjustment of investment property

In the Reporting period, the Company recognized a lost from revaluation of its commercial properties in the amount of NIS 728 million, which is attributable to the impact of the Covid-19 Pandemic (the revaluation loss is presented after deduction of a revaluation gain of NIS 196 million, which is attributed to the assets in Norway and in the USA), based on valuations made by external appraisers as well the examination made by the group companies of the impact of the Covid-19 crises on the assumptions underlying the appraisals of the investment property and the investment property under development as of December 31, 2019, including the collection rate of rental and management fees by the end of 2020 and management estimations with respect thereto, as well as indications from external appraisals for the lack of change in cap rates in the various territories in which the group operates.

Impact on financial position, cash flows and liquidity

The Covid-19 Pandemic and the measures taken by many countries have lateral macroeconomic effects that could also affect the Company and its subsidiaries, including sharp decreases in the stock exchanges worldwide, including the share prices of the subsidiaries ATR and CTY, which are used in part as collateral for the Company's credit facilities. Such decrease in stock price affects the value of the shares used as collateral, and in extreme scenario might affect the volume of credit that the Company will be entitled to utilize from those credit facilities. In addition, the decline in the finance markets affects the value of the Company's marketable securities portfolio. During Reporting period and as of the approval date of the report, the Company meets all the financial covenants set in its credit facilities, as aforesaid, as well as in any other financial obligations.

The Covid-19 Pandemic and the accompanying economic crisis are characterized as being an unfolding event

The Company and the Group companies are closely tracking regulatory developments in the different countries in which they it operates and the effect of the pandemic and crisis on its business, the tenants of the properties and the visitors to its compounds, including changes in their consumption patterns. The Company is also tracking developments in the capital, interest and currency markets daily and taking a long series of actions to adjust its financial position, liquidity level and the available credit balances at its disposal.

Continuation of the economic crisis due to the Covid-19 Pandemic could have a material negative impact on the retail real estate sector and the Group's activities, inter alia, because of the risk of partial or full closure of the Company's commercial compounds, a decrease in the number of visitors to the properties, a decline or change in demand and the volume of specific products consumed, and impairment of the economic robustness of the tenants, which will lead to a decrease in the Company's revenue, current cash flow, occupancy rate and the value of its assets. In addition, the Company's projects under development might not be completed at the expected costs and within the expected timetables.

In view of the extreme uncertainty accompanying the Covid-19 crisis and being an unfolding event, as at the approval date of the report, the Company is unable to estimate the impact of the Covid-19 Pandemic and global economic crisis on all of the Group's activities. Furthermore, the Company is unable to estimate the impact of the volatility in the capital, interest and foreign currency markets on its equity and financial results.

Nevertheless, the Company believes that due to the nature and quality of its properties and their geographic distribution in central cities across the globe, which are characterized by high-density populations with a high socioeconomic level that yield a stable cash flow for the Group from a diverse mix of tenants (when the Group's largest tenant constitutes less than 1.7% of its revenue on a proportionate consolidation basis), with emphasis on chains that provide essential needs and services that are purchased even at times of crisis, as well as tenants with an international investment rating, and taking into consideration the Company's high liquidity level, the long-term duration of its financial liabilities, which are not backed by liens, and the various available sources of finance at its disposal also in this period, the Company has the financial strength that will allow it to deal with the economic crisis, both in the short and long-term, during which the threat of the economic crisis is expected to be realized.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

2. In March 2020, the compensation policy for the Company's officers has been approved, which superseded a previous compensation policy from November 2019 (the "Compensation Policy"). The Compensation Policy applies to the Company’s officers and to its directors, including directors who serve in another role in the Company (with the exception of the Company’s controlling shareholder and his relatives). Under the Compensation Policy, the compensation package to the Company's officers will include three principal components: (a) salary and related components; (b) annual bonuses; and (c) long-term equity-based compensation, while determining the ratio between them, as set out in the Compensation Policy. In addition, the Compensation policy sets a ceiling on the total compensation package for each officer and director in the Company (not including retirement conditions).

3. During the reporting period, the Company repurchased approximately 13.2 million shares for consideration of NIS 286 million.

4. During the reporting period, the Company sold all remaining FCR shares for a total consideration of approximately NIS 771 million.

5. During the reporting period, a wholly-owned subsidiary of the Company purchased 26 million ATR shares in consideration of EUR 73 million (NIS 283 million). Consequently, the interest of the Company in ATR rose from to 67.1% and the Group recognized an increase of NIS 166 million in equity attributable to equity holders of the Company, which was carried to capital reserves.

6. On July 2020, the Israeli taxes authority approved the merger of G Israel, a wholly owned subsidiary of the Company into the Company (as the surviving company) (the "Tax Ruling"). Therefore, all the conditions for the merger, according to the Company's Board of Directors approval in December 2018, were met. According to the Tax Ruling, the merger is effective retroactively from December 31, 2018. As a result of the merger, the Company recognized during the reporting period tax income of NIS 180 million.

7. On June 30, 2020, the Company published a tender offer, for up to 20 million of its shares (constituting 11.67% of the Company's share capital) at a price of NIS 17.29 per share. The tender was fully accepted and on July 15, 2020, the Company purchased its shares in the total amount of NIS 346 million.

NOTE 4:- FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

The carrying amount of certain financial assets and liabilities including cash, trade receivables, other receivables, investments in marketable securities, short-term credit and loans, trade payables and other payables approximate their fair value.

The carrying amount and fair value of other financial liabilities (including current maturities), all of which are measured at amortized cost, are disclosed in the table below:

	June 30, 2020		June 30, 2019		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures	16,768	15,942	20,321	21,407	16,405	17,462
Interest bearing loans from banks and others	6,759	6,698	4,306	4,368	5,100	5,196
	23,527	22,640	24,627	25,775	21,505	22,658

b. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, as compared with their classification as of December 31, 2019. In addition, there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to the fair value measurement of financial instruments.

NOTE 5:- EVENTS AFTER THE REPORTING DATE

a. On August 19, 2020, the Company declared a dividend in the amount of NIS 0.43 per share (a total of NIS 65 million), payable on September 8, 2020 to the shareholders of the Company as of August 31, 2020.

b. Subsequent to the reporting date, The Company repurchased 20 million shares with a tender offer for consideration of NIS 346 million (see also note 3b7).

c. Subsequent to the reporting date, the Company repurchased debentures with a par value of NIS 86 million (Series D, K, L, M and N) for a consideration of NIS 91 million. As a result, the Company recorded a gain from early redemption of approximately NIS 2.5 million. The repurchased debentures were cancelled and delisted.

d. On July 19, 2020, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, at a rating level of 'ilAA-', and updated the outlook from stable to negative.

e. On July 27, 2020, the Midroog rating agency reaffirmed the credit rating of all the outstanding series of debentures of the Company, at a rating level of 'Aa3.il', and updated the outlook from stable to negative.

NOTE 6:- OPERATING SEGMENTS

The Company reports five reportable segments according to the management approach of IFRS 8.

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the Six months ended June 30, 2020								
Segment revenues	595	398	114	77	49	24	(65)	1,192
Segment net operating rental income	413	277	86	68	31	16	(43)	848
Segment operating profit	371	233	74	62	20	14	(879)	(105)
Finance expenses, net								(682)
Loss before taxes on income								(787)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the Six months ended June 30, 2019								
Segment revenues	674	531	116	111	40	13	(63)	1,422
Segment net operating rental income	469	378	85	100	27	7	(43)	1,023
Segment operating profit	417	327	75	90	14	4	(567)	360
Finance expenses net								(2)
Income before taxes on income								358

NOTE 6:- OPERATING SEGMENT (Cont.)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the three months ended June 30, 2020								
Segment revenues	287	192	53	26	23	11	(31)	561
Segment net operating rental income	202	137	42	21	15	7	(21)	403
Segment operating profit	180	117	36	21	12	6	(568)	(196)
Finance expenses, net								(39)
Loss before taxes on income								(235)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
For the three months ended June 30, 2019								
Segments of revenue	331	260	59	58	20	5	(31)	702
Segment net operating rental income	244	187	43	52	15	3	(30)	514
Segment operating profit	218	162	37	46	8	1	(273)	199
Finance expenses, net								(269)
Loss before taxes on income								(70)

NOTE 6: OPERATING SEGMENTS (Cont.)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Audited							
	NIS in millions							
Year ended December 31, 2019								
Segment revenues	1,299	1,009	234	218	90	26	(124)	2,752
Segment net operating rental income	907	705	171	199	61	16	(84)	1,975
Segment operating profit	806	580	147	177	34	14	(320)	1,438
Finance expenses, net								(155)
Income before taxes on income								1,283

Segment assets

	Public subsidiaries over which the Company has control		wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
June 30, 2020	18,075	11,237	3,822	2,577	1,800	740	3,599	41,850
June 30, 2019	19,186	13,381	3,607	3,169	1,639	375	4,014	45,371
December 31, 2019 (Audited)	18,190	11,755	3,782	3,515	1,725	743	2,915	42,625

GAZIT-GLOBE LTD.

Financial Data from the Condensed Consolidated Interim Financial Statements Attributable to the Company

As of June 30, 2020

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Building a better working world

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To
The Shareholders of Gazit Globe Ltd.

Dear Sirs/Mmes.,

Re: **Special review report of the separate interim financial information in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970**

Introduction

We have reviewed the separate interim financial information presented pursuant to Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970 of Gazit-Globe Ltd. ("the Company") as of June 30, 2020 and for the period of three months then ended. The Company's Board of Directors and management are responsible for the separate interim financial information. We are responsible for expressing our conclusion with regard to the separate interim financial information for these interim periods, based on our review.

We did not review the separate interim financial information of a certain investee whose assets less attributable liabilities amounted to NIS 4,279 million as of June 30, 2020, and for which the Company's share of its losses amounted to NIS 154 million and NIS 115 million in the periods of six and three months then ended, respectively. The separate interim financial information of this company was reviewed by other auditors, whose report has been furnished to us, and our conclusion, insofar as it relates to the separate interim financial information with respect to this company, is based on the review report of the other auditors.

Scope of review

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

Conclusion

Based on our review and the review report of other auditors, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information is not prepared, in all material respects, pursuant to the provisions of Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
August 19, 2020

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

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Financial data and financial information from the consolidated interim financial statements attributable to the Company

Below are separate financial data and financial information from the Group's condensed consolidated interim financial statements as of June 30, 2020 published as part of the interim reports ("consolidated financial statements") attributable to the Company, presented in accordance with the Israeli Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied for presentation of these financial data were set forth in Note 2 to the annual consolidated financial statements.

Subsidiaries - as defined in Note 1 to the annual consolidated financial statements.

Financial information from the Condensed Consolidated Statements of Financial Position attributed to the Company

	June 30,		December 31,
	2020	2019	2019
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	467	886	71
Short-term investments	346	144	-
Short term loans and current maturities of long-term loans to subsidiaries	109	61	42
Financial assets	187	11	14
Financial derivatives	93	206	64
Other accounts receivable	12	9	10
Total current assets	1,214	1,317	201
NON-CURRENT ASSETS			
Financial derivatives	226	125	240
Investment property	74	-	-
Other accounts receivable	25	17	23
Loans to subsidiaries	4,022	5,572	5,275
Investments in subsidiaries	14,383	17,784	15,855
Fixed assets and other assets, net	3	33	20
Deferred taxes	182	-	-
Total non-current assets	18,915	23,531	21,413
Total assets	20,129	24,848	21,614

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

Financial information from the Condensed Consolidated Statements of Financial Position attributed to the Company

	June 30, 2020	June 30, 2019	December 31, 2019
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from financial institutions	250	250	250
Current maturities of non-current liabilities	630	843	500
Short-term loans from subsidiaries	83	1,085	1,374
Financial derivatives	40	89	51
Trade payables	2	1	3
Other accounts payable	72	72	54
Current taxes payable	93	78	89
Dividend payable	-	-	75
Total current liabilities	1,170	2,418	2,396
NON-CURRENT LIABILITIES			
Loans from banks and others	2,263	1,403	1,936
Long-term loans from subsidiaries	3,619	4,403	2,678
Debentures	6,847	8,278	6,316
Other liabilities	12	-	61
Deferred taxes	32	2	36
Total non-current liabilities	12,773	14,086	11,027
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	237	242	237
Share premium	4,659	4,794	4,656
Reserves	(3,722)	(1,889)	(2,442)
Retained earnings	5,012	5,197	5,740
Total equity	6,186	8,344	8,191
Total liabilities and equity	20,129	24,848	21,614

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

August 19, 2020			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

Financial information from the Condensed Consolidated Statements of Income attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
Management fees from related companies	1	1	-	-	3
Rental income	1	-	1	-	-
Finance income from subsidiaries	-	34	-	26	47
Other finance income	9	455	50	64	815
Other income	-	8	-	-	8
Total income	11	498	51	90	873
Fair value loss from investment property, net	4	-	1	-	-
General and administrative expenses	19	23	10	12	44
Financing expenses from subsidiaries	19	-	13	-	-
Finance expenses	448	343	98	280	605
Other expenses	17	68	17	68	68
Total expenses	507	434	139	360	717
Income (Loss) before income from subsidiaries, net	(496)	64	(88)	(270)	156
Income (loss) from subsidiaries, net	(203)	(113)	10	155	607
Income (loss) before taxes on income	(699)	(49)	(78)	(115)	763
Taxes on income (tax benefit)	(186)	(8)	(183)	(32)	108
Net income (loss) attributable to the Company	(513)	(41)	105	(83)	655

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

Financial Information from the Consolidated Statements of Comprehensive Income attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
Net income (loss) attributable to the Company	(513)	(41)	105	(83)	655
Other comprehensive income (loss) attributable to the Company (net of tax effect):					
Amounts that will be or that have been reclassified subsequently to profit or loss:					
Exchange differences on foreign currency translation	30	23	45	28	56
Realization of capital reserve from foreign currency exchange differences	-	68	-	68	68
Other comprehensive income attributable to the Company	30	91	45	96	124
Other comprehensive loss attributable to subsidiaries (net of tax effect)	(1,257)	(706)	(153)	(57)	(1,432)
Total other comprehensive income (loss) attributable to the Company	(1,227)	(615)	(108)	39	(1,308)
Total comprehensive loss attributable to the Company	(1,740)	(656)	(3)	(44)	(653)

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

Financial information from the Condensed Consolidated Statements of Cash Flows attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	NIS in millions				
Cash flows from operating activities of the Company					
Net income (loss) attributable to the Company	(513)	(41)	105	(83)	655
Adjustments required to present cash flows from operating activities of the Company:					
Adjustments to profit or loss items of the Company:					
Depreciation expenses	(* -	(* -	(* -	(* -	1
Finance expense (income), net	458	(146)	61	190	(257)
Fair value loss from investment property and investment property under development, net	4	-	1	-	-
Loss (income) from subsidiaries, net	203	113	(10)	(155)	(607)
Realization of capital reserve from foreign currency exchange differences	-	68	-	68	68
Cost of share-based payment	1	2	-	1	4
Taxes on income (tax benefit)	(186)	(8)	(183)	(32)	108
	480	29	(131)	72	(683)
Changes in assets and liabilities of the Company:					
increase in other accounts receivable	(54)	(13)	(51)	(11)	(10)
Increase (decrease) in trade payables and other accounts payable	58	(9)	18	11	(17)
	4	(22)	(33)	-	(27)
Cash paid and received during the year by the Company for:					
Interest paid	(167)	(310)	(112)	(128)	(476)
Interest received from (paid to) subsidiaries, net	(86)	43	(11)	21	88
Taxes paid	(3)	(2)	-	(2)	(5)
Tax refund received	-	9	-	9	9
Dividend received	9	-	(* -	-	-
Dividend received from subsidiary	97	114	42	57	223
	(150)	(146)	(81)	(43)	(161)
Net cash used in operating activities of the Company	(179)	(180)	(140)	(54)	(216)

*) Represents an amount of less than NIS 1 million.

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

Financial information from the Condensed Consolidated Statements of Cash Flows attributed to the Company

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS in millions				
Cash flows from investing activities of the Company					
Investments in fixed and other assets	-	(22)	-	(5)	(37)
Acquisition, construction and development of investment property	(78)	-	(12)	-	-
Short-term investments, net	(346)	(131)	(346)	159	(53)
Investments in subsidiaries	85	21	(3)	-	21
Loans repaid by (granted to) subsidiaries, net	946	2,220	(267)	1,932	2,852
Investment in financial assets, net	(269)	(4)	(1)	(17)	(8)
Net cash provided by (used in) investing activities of the Company	338	2,084	(629)	2,069	2,775
Cash flows from financing activities of the Company:					
Exercise of share options into shares	(*-	(* -	(* -	(* -	(* -
Purchase of treasury shares	(286)	(158)	(209)	(79)	(158)
Dividend paid to equity holders of the Company	(228)	(223)	(153)	(150)	(298)
Issuance of debentures less issuance expenses	1,192	-	337	-	-
Repayment and early redemption of debentures	(451)	(651)	(52)	(46)	(3,095)
Receipt (repayment) of long-term credit facilities from banks, net	41	(731)	260	(1,207)	353
Repayment of long-term loans	-	-	-	-	(21)
Net cash provided by (used in) financing activities of the Company	268	(1,763)	183	(1,482)	(3,219)
Exchange differences on balance of cash and cash equivalents	(31)	7	(25)	13	(7)
Increase (decrease) in cash and cash equivalents	396	148	(611)	546	(667)
Cash and cash equivalents at the beginning of period	71	738	1,078	340	738
Cash and cash equivalents at the end of period	467	886	467	886	71
Significant non-cash activities of the Company:					
Dividend payable to equity holders of the Company	-	-	-	-	75
Dividend received from a subsidiary against repayment of loans From a subsidiary	-	-	-	-	1,719

*) Represents an amount of less than NIS 1 million.

The accompanying additional information constitutes an integral part of the separate financial data and financial information.

a. General

This separate financial information as of June 30, 2020 and for the six and three-month periods then ended have been prepared in a condensed format in accordance with the provisions of Regulation 38d of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the financial information in the annual financial statements as of December 31, 2019 and for the year then ended and the accompanying notes thereto, that were authorized by the Board of Directors on April 7, 2020 and with the financial information in the interim condensed consolidated financial statements as of as of June 30, 2020.

b. Material events during the period

1. On January 2020, the Company issued, by way of a shelf offer, NIS 600 million par value of unsecured debentures (Series N), for a net consideration of NIS 593 million, representing effective interest rate of 1.46%.
   The debentures are linked to the increase in the consumer price index, bear fixed annual interest at the rate of 1.29% that is payable twice a year on March 31 and September 30 in each of the years 2020 to 2031 (inclusive) and mature as follows: the first installment (17.5% of the principal) is payable on September 30, 2022, the second installment (15% of the principal) is payable on September 30, 2023, the third installment (15% of the principal) is payable on September 30, 2024, the fourth installment (27.5% of the principal) is payable on September 30, 2029, and the fifth installment (25% of the principal) is payable on September 30, 2031.
   As part of the issuance of the debentures (Series N), the Company has undertaken, inter alia, to comply with the following covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.
   Nevertheless, in the event of non-compliance with any of the aforesaid covenants, the Company may provide collateral in favor of the holders of the debentures (Series N) in lieu of such covenants.
   The Company has also made other undertakings to the holders of the debentures (Series N), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. I addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company's equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements.
   Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.

2. On March 2020, the Company issued to the public NIS 243 million par value unsecured debentures (series K), by a way of an expansion of a listed series for net consideration of NIS 262 million, representing effective interest rate of 3.94% (linked).

3. During the reporting period, the Company repurchased debentures with a par value of NIS 220 million (Series D, K, L, M and N) for a consideration of NIS 252 million. As a result, the Company recorded a loss from early redemption of approximately NIS 11 million. The repurchased debentures were cancelled and delisted.

4. During the reporting period, the Company repurchased approximately 13.2 million shares for consideration of NIS 286 million.

5. On April 2020, the Company issued to the public NIS 400 million par value unsecured debentures (series N), by a way of an expansion of a listed series for net consideration of NIS 337 million, representing effective interest rate of .397% (linked).

6. During the reporting period, through its subsidiary, the Company sold all remaining FCR shares for a total consideration of approximately NIS 771 million.

7. For details regarding the effects of the Coronavirus on the Company, refer to note 3b1 to the consolidated interim financial statements.

8. On July 2020, the Israeli taxes authority approved the merger of G Israel, a wholly owned subsidiary of the Company into the Company (as the surviving company) (the "Tax Ruling"). Therefore, all the conditions for the merger, according to the Company's Board of Directors approval in December 2018, were met. According to the Tax Ruling, the merger is effective retroactively from December 31, 2018. As a result of the merger, the Company recognized during the reporting period tax income of NIS 180 million.

9. On June 30, 2020, the Company published a tender offer, for up to 20 million of its shares (constituting 11.67% of the Company's share capital) at a price of NIS 17.29 per share. The tender was fully accepted and on July 15, 2020, the Company purchased its shares in the total amount of NIS 346 million.

c. IFRS 7 - Financial Instruments

1. Fair value of financial instruments

The carrying amount of certain financial assets and liabilities including cash, trade receivables, other receivables, investments in marketable securities, short-term credit and loans, trade payables and other payables approximate their fair value.

The carrying amount and fair value of other financial liabilities (including current maturities), all of which are measured at amortized cost, are disclosed in the table below:

	June 30, 2020		June 30, 2019		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures	7,455	6,509	9,099	9,894	6,795	7,605
Loans from banks and others	2,285	2,247	1,425	1,468	1,957	2,008
	9,740	8,756	10,524	11,362	8,752	9,613

2. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, compared to their classification as of December 31, 2019. In addition, there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of financial instruments.

d. Events after the reporting date

1. Subsequent to the reporting date, The Company repurchased 20 million shares with a tender offer for consideration of NIS 346 million (see also note 3b7).

2. Subsequent to the reporting date, the Company repurchased debentures with a par value of NIS 86 million (Series D, K, L, M and N) for a consideration of NIS 91 million. As a result, the Company recorded a gain from early redemption of approximately NIS 2.5 million. The repurchased debentures were cancelled and delisted.

3. On July 19, 2020, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, at a rating level of 'ilAA-', and updated the outlook from stable to negative.

4. On July 27, 2020, the Midroog rating agency reaffirmed the credit rating of all the outstanding series of debentures of the Company, at a rating level of 'Aa3.il', and updated the outlook from stable to negative.

e. Dividend declared

On August 19, 2020, the Company declared a dividend in the amount of NIS 0.43 per share (a total of NIS 65 million), payable on September 8, 2020 to the shareholders of the Company as of August 31, 2020.

Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure

In accordance with Israeli Securities' Regulation 38C(a)

Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Israeli Securities' Regulation 38C(a)

Management, under the supervision of the Board of Directors of Gazit-Globe Ltd. (the "Corporation"), is responsible for determining and maintaining proper internal control over the Corporation's financial reporting and disclosure.

For the purposes of this matter, the members of management are:

1. Chaim Katzman, CEO and Vice Chairman of the Board of Directors;
2. Adi Jemini, Executive Vice President and Chief Financial Officer;
3. Rami Vaisenberger, Vice President and Controller;
4. Lisa Haimovitz, vice president and global general counsel;

Internal control over financial reporting and disclosure includes the Corporation's existing controls and procedures, which were designed by the President and the most senior officer in the finance area or under their supervision, or by a party actually executing the said functions, under the supervision of the Corporation's Board of Directors, which aims to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, and to ensure that information the Corporation is required to disclose in the statements it publishes under the provisions of the law is gathered, processed, summarized and reported on the date and in the format prescribed by the law.

Internal control includes, among other things, controls and procedures that were designed to ensure that information the Corporation is required to disclose, as stated, was accumulated and transferred to the Corporation's management, including to the CEO and to the most senior officer in the finance area or to a party actually executing the said functions, in order to enable decisions to be made at the appropriate time, with respect to disclosure requirements.

Due to its inherent limitations, internal control over the financial reporting and disclosure does not aim to provide complete assurance that a misrepresentation or omission of information in the statements will be avoided or discovered.

In the Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure, which was attached to the Quarterly Report for the period ended March 31, 2020 (the "Last Quarterly Report regarding Internal Control"), the internal control was found to be effective.

Through the date of the report, no event or matter had been brought to the attention of the Board of Directors and the management that would be enough to change the evaluation of the effectiveness of the internal control, as found in the Last Quarterly Report regarding Internal Control.

As of the date of the report, based on that stated in the Last Quarterly Report regarding Internal Control and based on information brought to the attention of the management and the Board of Directors, as referred to above, the internal control is effective.

Officers' Declarations

A) Declaration of the Chief Executive Officer in accordance with Israeli Securities' Regulation 38C(d)(1):

Officers' Declaration

Declaration of the Chief Executive Officer

I, Chaim Katzman, declare that:

(1) I have examined the quarterly report of Gazit-Globe Ltd. (the "**Corporation**") for the second quarter of 2020 (the "**Statements**");

(2) As far as I am aware, the Statements do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

(3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;

(4) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:

  (A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

  (B) Any fraud, whether or not significant, wherein the Chief Executive Officer is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

  (A) Have determined controls and procedures, or have verified the determination and existence under my supervision of controls and procedures, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and -

  (B) Have determined controls and procedures, or have verified the determination and existence under my supervision of controls and procedures, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.

  (C) No event or matter has been brought to my attention that occurred during the period between the date of the last quarterly report and the date of this report, which would be enough to change the conclusion of the Board of Directors and the management with regard to the effectiveness of the internal control over the financial reporting and the disclosure of the Corporation.

Nothing stated above detracts from my responsibility or the responsibility of any other person under any law.

August 19, 2020

Chaim Katzman, CEO and Vice Chairman of the Board of Directors

A) Declaration of the most senior officer in the finance area in accordance with Israeli Securities Regulation 38C(d)(2):

Officers' Declaration

Declaration of the most senior officer in the finance area

I, Adi Jemini, declare that:

(1) I have examined the interim financial statements and other financial information included in the interim period statements of Gazit-Globe Ltd. (the **"Corporation"**) for the second quarter of 2020 (the **"Statements"** or the **"Statements for the Interim Period"**);

(2) As far as I am aware, the financial statements and the other financial information included in the Statements for the Interim Period do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;

(3) As far as I am aware, the interim financial statements and the other financial information included in the Statements for the Interim Period properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;

(4) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:

(A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent it relates to the interim financial statements and the other financial information included in the Statements for the Interim Period, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and-

(B) Any fraud, whether or not significant, wherein the CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation:

(A) Have determined controls and procedures, or have verified the determination and existence under our supervision of controls and procedures, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, to the extent it is relevant to the financial statements and to other financial information included in the Statements, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and-

(B) Have determined controls and procedures, or have verified the determination and existence under my supervision of controls and procedures, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

(C) No event or matter has been brought to my attention that occurred during the period between the date of the last quarterly report and the date of this report, with respect to the Statements for the Interim Period and any other financial information included therein, which would be enough to change the conclusion of the Board of Directors and the management with regard to the effectiveness of the internal control over the financial reporting and the disclosure of the Corporation.

Nothing stated above detracts from my responsibility or the responsibility of any other person under any law.

August 19, 2020

Adi Jemini, Executive Vice President and Chief Financial Officer