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GAZIT GLOBE
GROUP

# QUARTERLY REPORT as of September 30, 2020:

# GAZIT-GLOBE LTD.

## Directors' Report to the Shareholders
## For the period ended September 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 September 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**")[2], 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 examining the effects of the Covid-19 crisis (see section 1.2 below), the Company is working on strengthening its capital structure, 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 until the end of the third quarter of 2021.
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.
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

[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.

[2] On July 2020, the Israeli taxes authority approved the merger of G Israel 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.

the continued expansion of the merged company's operations in Israel and the expansion of the Company's financing options.

**The Company's estimations regarding execution of the strategic plan as well as the sale of properties, are forward-looking information as defined in the Securities Law, 1968. Its assessments regarding the execution of strategy and 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 sale of assets.**

## 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.

During the Reporting Period, 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. Close to the end of the reporting period and even more so after the reporting period, those countries reported a gradual increase in morbidity indices and imposed new restrictions on the population. As of the report November 23, 2020, all countries in which the Company operates in various stages of tightening restrictions and reducing the activity of public transport and businesses.

However, after the reporting period, there were scientific breakthroughs in the discovery of vaccines for the corona virus, the most notable of which is the announcement by a leading pharmaceutical company about the effectiveness of the vaccine it is developing and the significant probability that the vaccine will be commercially due in 2021.

During March this year, 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). For information about the effects of the financial markets on the Company see below.

### Effects of the investment property activities

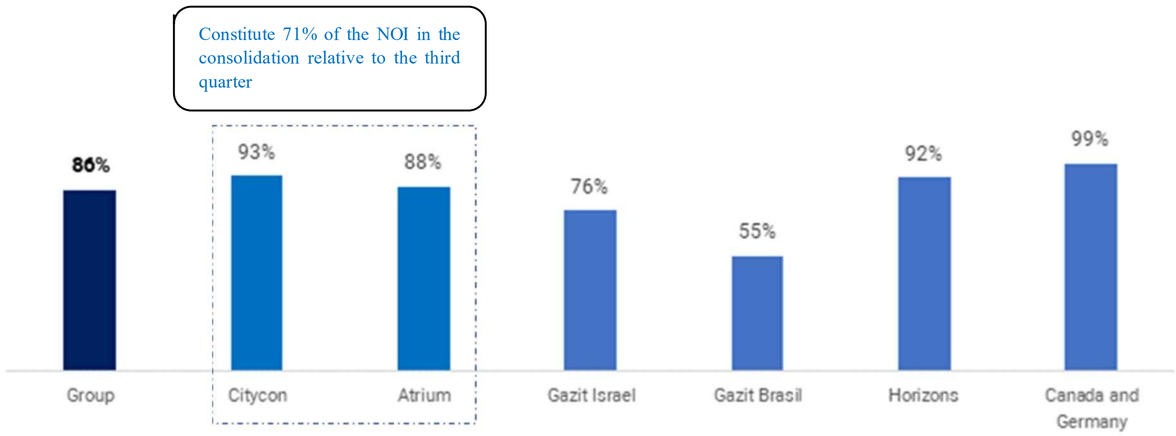
The gradual closure of some of the Group companies compounds started in the second half of March 2020. However, essential enterprises, including supermarkets, pharmacies, banks, clinics and food stores that provided deliveries continued to operate, even in closed compounds, and these constitute 55% of 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). Since June, all of the Group’s assets were opened and 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, 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.
In mid-September, a full lockdown was announced in Israel and by November 23, 2020, the businesses located in closed shopping centers had not yet opened with the exception of essential businesses. In the other countries, additional restrictions were gradually imposed, which worsened after the reporting period, and as of November 23, 2020, there are differences between the restrictions that were applied in each of the countries, as stated. In countries such as Poland and the Czech Republic, company complexes are closed by government directive, with the exception of essential businesses. In the Nordic countries, no instructions were imposed for closing the shopping centers, however restrictions were imposed on the gathering and on the opening hours of restaurants and places of entertainment.
During periods in which businesses operate, 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 during periods when opened, 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.

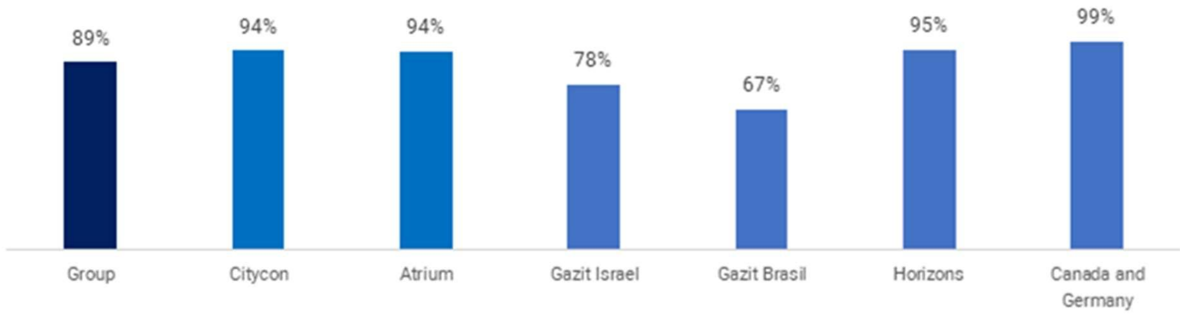
During the period when businesses were closed under government directives, the Company and some of the Group companies deferred the collection of rent and management fees in some of the assets, but notified the tenants of their policy that the obligation to pay remains in place and any deviation from 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 Such as the US and the Czech Republic, provided aid programs to tenants, among other things, by grants for payment of part of the rent. 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 of the Group in the quarter amounted to 86% compared with 84% in the second quarter of 2020:




■ As reported in the companies Public Interim Financial Statements.
■ Wholly owned Subsidiaries, Collection rate out of unadjusted basic rental fee.

The Group's weighted collection rate in the reporting period amounted to 89%:




As reported in the companied Public Interim Financial Statements
Wholly owned Subsidiaries, Collection rate out of unadjusted basic rental fee.

ATR collection rates do not include the exemptions from rent, legislated by the Polish government.

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 the fourth quarter of 2020 and 2021. 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 though in some cases the rent may be lower relatively to the rental prices prevailed in 2020. For example, during the reporting period, the subsidiary Gazit Horizon entered into a lease agreement with a leading retailer Home Depot, with an A credit rating level 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 may decrease insignificantly 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 of September 30, 2020, the Company is continues 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.

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.

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 870 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), partly based on valuations made by external appraisers as of September 30 2020, and partly based on valuations made by external appraisers as of June 30 2020 and as of December 31, 2019,as well as the examination made of the impact of the Covid-19 crisis on the assumptions underlying the appraisals of the investment property and the investment property under development, including the collection rate of rental and management fees for a years period 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 4.8 billion 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 (during 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 those credit facilities[1]. In addition, the decline in the finance markets affects the value of the Company's marketable securities portfolio. During Reporting period and as of November 23 2020, the Company meets all the financial covenants set in its credit facilities, as aforesaid, as well as in any other financial obligations. Furthermore, as of September 30, 2020, the Company has non-pledged real estate assets to a value of NIS 4.8 billion (NIS 4.0 billion after a lien of NIS 800 million as collateral for Series O debentures issued and engagement for additional credit facilities after the reporting date) and liquidity amounting to NIS 1.3 billion (NIS 1.8 billion after the issuance of the debentures and the credit facility, as stated above).

**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 has a material negative continuous and cumulative 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 a long lasting and unfolding event, as at the approval date of the report, the Company is unable to estimate the continuous and cumulative impact of the Covid-19 Pandemic and global economic crisis on all of the Group's activities over medium and long term. Furthermore, the Company is unable to estimate the impact of the volatility in the capital, interest and foreign currency markets on its equity and future 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.

[1] 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.

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 over the years 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, there could be a significant deterioration in the Group's actual business and financial results.**

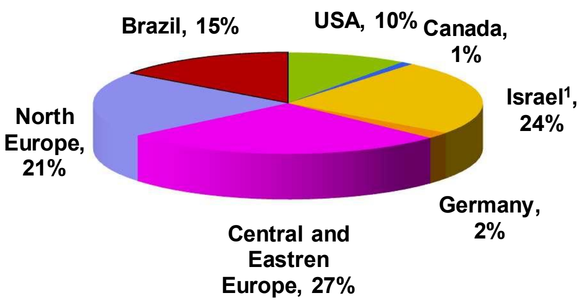
## 1.3. Group Properties as of September 30, 2020

| | 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 | - | 1,172 | 16,728 |
| ATR | Poland, Czech Republic, Slovakia and Russia | 68.7% | 25 | - | - | 779 | 10,622 |
| Gazit Brasil | Brazil (Sao Paulo) | 100% | 7 | - | 1 | 176 | 2,422 |
| G Israel | Israel | 100% | 12 | - | - | 168 | 3,682 |
| | Bulgaria and Macedonia | 100% | 1 | - | - | 6 | 173 |
| Gazit Horizons | USA | 100% | 9 | - | 1 | 40 | 1,464 |
| Gazit Canada | Canada | 100% | 1 | - | - | 18 | 206 |
| Gazit Germany | Germany | 100% | 1 | - | - | 24 | 368 |
| Total carrying value | | | **96** | **1** | **2** | **2,383** | **35,665** |
| Jointly controlled properties (proportionate consolidation) | | | 8 | - | - | 108 | 2,201 |
| Total | | | **104** | **1** | **2** | **2,491** | **37,866** |

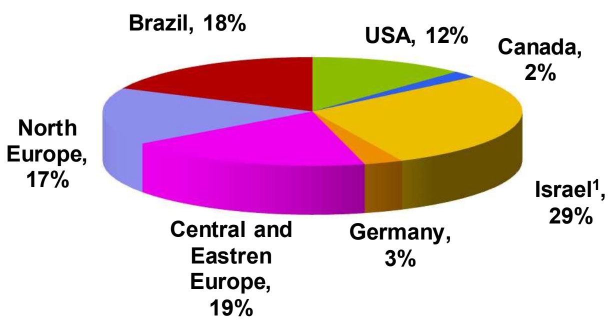
Other information about the Group, including updated presentations, supplemental information packages regarding assets, liabilities and additional information (which does not constitute part of this report and is not hereby incorporated by reference), can be found on the Company's website – www.gazitglobe.com 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 September 30, 2020:

**Carry amount**




**Market Value**




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

## 1.5. Highlights – Third Quarter of 2020 (the "Quarter")

| (NIS in millions, other than per share data) | September 30, 2020 | December 31, 2019 | |
|---|---|---|---|
| Net debt to total assets (Expanded Solo) | 62.6% | 49.2% | - |
| Net debt to total assets (Consolidated)[1] | 58.2% | 50.0% | - |
| Equity attributable to equity holders of the Company [2] | 5,727 | 8,191 | - |
| Equity per share attributable to equity holders of the Company (NIS) | 37.8 | 44.4 | - |
| Net asset value per share (EPRA NAV) (NIS) [3] | 45.0 | 48.2 | - |
| EPRA NNNAV per share (NIS) [3] | 41.1 | 38.7 | - |

| | 3 months ended September 30, | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| Rental income and others | 611 | 660 | (7.4%) |
| NOI [4] | 426 | 479 | (11.1%) |
| NOI adjusted for exchange rates | 426 | 471 | (9.6%) |
| Proportionately consolidated NOI [5] | 285 | 318 | (10.4%) |
| Proportionately consolidated NOI adjusted for exchange rates | 285 | 307 | (7.2%) |
| Cash flow from operating activities per share- Expanded Solo (NIS) [6] | 0.28 | 0.28 | - |
| Economic FFO [7] | 62 | 138 | (55.1%) |
| Economic FFO per share (NIS) [7] | 0.40 | 0.75 | (46.7%) |
| Economic FFO, excluding FCR adjusted for exchange rates | 62 | 113 | (45.1%) |
| Economic FFO per share excluding FCR adjusted for exchange rates (NIS) | 0.40 | 0.61 | (34.4%) |
| Number of shares used in calculating the Economic FFO per share (in thousands) | 154,656 | 184,715 | (16.3%) |

| | | | |
|---|---|---|---|
| Acquisition, construction and development of investment property [8] | 196 | 336 | - |
| Disposition of investment property [8] | 148 | 1,038 | - |
| Fair value loss from investment property and investment property under development, net | (142) | (26) | - |
| Net income (loss) attributable to equity holders of the Company | 23 | 474 | - |
| Diluted net earnings (loss) per share (NIS) | 0.15 | 2.57 | - |
| Cash flows provided by (used in) operating activities | 11 | 359 | - |

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 and from the buyback of the Company's shares.

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 September 30, 2020, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 4.8 billion (of which NIS 1.3 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 0.9 billion). After the Reporting date, the Company completed an issuance of a new series of debentures (Series O) in the amount of NIS 324 million which is secured by a pledge of properties in Israel and entered into credit facility agreement in the amount of NIS 180 million which is secured by pledge of a properties in Israel.
- 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 increased in the Quarter by NIS 89 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.

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

| (NIS in millions, other than per share data) | 9 months ended September 30, | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| Rental income | 1,803 | 2,082 | (13.4%) |
| NOI | 1,274 | 1,502 | (15.2%) |
| NOI adjusted for exchange rates | 1,274 | 1,418 | (10.2%) |
| Proportionately consolidated NOI[1] | 856 | 987 | (13.3%) |
| Proportionately consolidated NOI adjusted for exchange rates | 856 | 922 | (7.2%) |
| Cash flow from operating activities per share-Expanded Solo (NIS) [2] | 1.82 | 1.36 | 33.8% |
| Economic FFO[3] | 364 | 456 | (20.2%) |
| Economic FFO per share (NIS)[3] | 2.11 | 2.46 | (14.2%) |
| Economic FFO excluding FCR adjusted for exchange rates | 360 | 336 | 7.1% |
| Economic FFO per share excluding FCR adjusted for exchange rates (NIS) | 2.08 | 1.81 | 14.9% |
| Number of shares used in calculating the FFO per share (in thousands) | 172,662 | 185,783 | (7.1%) |

| | | | |
|---|---|---|---|
| Acquisition, construction and development of investment property [4] | 710 | 1,567 | - |
| Disposition of investment property [4] | 411 | 1,455 | - |
| Fair value loss from investment property and investment property under development, net | (870) | (199) | - |
| Net income (loss) attributable to equity holders of the Company | (490) | 433 | - |
| Diluted net income (loss) per share (NIS) | (2.86) | 2.33 | - |
| Cash flows from operating activities | 240 | 695 | - |

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 982 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 September 30, 2020):**


1 On July 2020, the Israeli taxes authority approved the merger of G Israel 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.

## 2. Additional Information Concerning the Company's Assets and

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

| Name of company | Type of security/ property | Amount (millions) | Holding interest (%) | Book value (NIS in millions) | Market value as of 30.9.2020 (NIS in millions) |
|---|---|---|---|---|---|
| ATR | Shares (VSX, Euronext) | 265.3 | 68.7 | 4,414 | 2,542 |
| CTY | Shares (OMX) | 87.0 | 48.9 | 3,482 | 2,354 |
| Israel | Income-producing property | - | - | 3,438 | - |
| Israel | Property under development and land | - | - | 246 | - |
| Brazil | Income-producing property and land | - | - | 2,298 | - |
| USA[1] | Income-producing property and land | - | - | 1,650 | - |
| Canada[1] | Income-producing property | | | 246 | |
| Europe | Income-producing property | - | - | 30 | - |
| Europe | Land for future development | - | - | 143 | - |
| **Total assets** | | - | - | **15,947** | - |

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

| | NIS in millions |
|---|---|
| Debentures | 7,111 |
| Debts to financial institutions | 4,517 |
| Total debentures and debts to financial institutions (*) | 11,628 |
| Other monetary liabilities | 454 |
| Total monetary liabilities | 12,082 |
| Less - monetary assets[2] | 1,847 |
| Less - other investments[3] | 247 |
| Monetary liabilities, net[4] | **9,988** |

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

| Year | Debentures | Financial Institutions | Total | % |
|---|---|---|---|---|
| **2020** | - | 194[5] | 194 | 1 |
| **2021** | 346 | 379[6] | 725 | 6 |
| **2022** | 724 | 580 | 1,304 | 11 |
| **2023** | 910 | 1,409 | 2,319 | 20 |
| **2024** | 969 | 747 | 1,716 | 15 |
| **2025** | 988 | 49 | 1,037 | 9 |
| **2026** | 1,077 | 49 | 1,126 | 10 |
| **2027** | 897 | 222 | 1,119 | 10 |
| **2028 and forward** | 1,200 | 888 | 2,088 | 18 |
| **Total** | **7,111** | **4,517** | **11,628** | **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 868 million, properties held for sale in the amount of NIS 501 million and financial derivatives in the amount of NIS 237 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 55 million with respect to investment property and other investments and NIS 200 million in non-controlling interestsin part of the company's properties.

5 Includes commercial paper in the amount of NIS 168 million.

6 Including a loan in the amount of NIS 250 million, which has been extended after the Reporting period.

### 2.2 Cash flows from operating activities - expanded Solo:

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 | 2019 |
| | NIS in millions (except for per share data) | | | | |
| Dividends from public investees * | 346 | 366 | 114 | 68 | 542 |
| EBITDA from private companies, net of Capex and other income ** | 328 | 284 | 66 | 108 | 398 |
| Total income | **674** | **650** | **180** | **176** | **940** |
| General and administrative expenses | (51) | (56) | (19) | (16) | (76) |
| Interest expenses, net | (291) | (315) | (115) | (95) | (411) |
| Taxes | (18) | (27) | (3) | (13) | (34) |
| Total expenses | **(360)** | **(398)** | **(137)** | **(124)** | **(521)** |
| Cash flows from operating activity | **314** | **252** | **43** | **52** | **419** |
| Cash flows from operating activity per share | **1.82** | **1.36** | **0.28** | **0.28** | **2.26** |

* In the corresponding period last year, excludes a dividend in the amount of NIS 60 million ( NIS 0.32 per share) from ATR, which wasn't distributed to the shareholders for the third quarter of 2019 in accordance with the ATR share purchase agreements which was canceled and ATR distributed the aforesaid dividend during the fourth quarter of 2019.

** 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:

| | Nine months ended September 30, | | Three months ended September 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** | **(490)** | **433** | **23** | **474** | **655** |
| **Adjustments:** | | | | | |
| Fair value loss (gain) from investment property and investment property under development, net | 870 | 199 | 142 | 26 | (164) |
| Capital loss on disposition of investment property | 26 | (32) | 14 | (40) | (31) |
| Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss | 359 | (606) | (128) | (475) | (808) |
| Adjustments with respect to equity-accounted investees | 48 | 36 | 9 | 4 | 49 |
| Loss (gain) from decrease in holding interest in investees | - | 2 | - | - | 345 |
| Deferred taxes and current taxes with respect to disposition of properties | (112) | 392 | 56 | 152 | 408 |
| Acquisition costs recognized in profit or loss | 4 | 1 | 2 | - | 1 |
| Loss from early redemption of interest-bearing liabilities and financial derivatives | 31 | 52 | (4) | 48 | 236 |
| Non-controlling interests' share in above adjustments | (377) | (157) | (72) | (54) | (279) |
| **Nominal FFO (EPRA Earnings)** | **359** | **320** | **42** | **135** | **412** |
| **Additional adjustments:** | | | | | |
| CPI linkage and exchange rate differences | (38) | 46 | 4 | (39) | 45 |
| Depreciation and amortization | 13 | 12 | 5 | 4 | 17 |
| Company's share in FCR's Economic FFO (REG in 2018) | 6 | 45 | - | 19 | 61 |
| Other adjustments[2] | 24 | 33 | 11 | 19 | 65 |
| **Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)** | **364** | **456** | **62** | **138** | **600** |
| **Economic FFO per share according to the management approach (in NIS)** | **2.11** | **2.46** | **0.40** | **0.75** | **3.24** |
| **Economic FFO excluding FCR adjusted for exchange rates according to the management approach** | **360** | **336** | **62** | **113** | |
| **Economic FFO per share excluding FCR adjusted for exchange rates according to the management approach (NIS)** | **2.08** | **1.81** | **40.00** | **0.61** | |
| **Number of shares used in the Economic FFO per share calculation (in thousands)[3]** | **172,662** | **185,783** | **154,656** | **184,715** | **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. For more details refer to Section 1.2 above.

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.

**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 September 30, 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 September 30, | | Year ended December 31, |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| | NIS in millions | | |
| Rental income | 611 | 660 | 2,752 |
| Property operating expenses | 185 | 181 | 777 |
| NOI for the period | 426 | 479 | 1,975 |
| Less - minority's share in NOI | (151) | (171) | (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]** | **285** | **318** | **1,301** |
| Effect of the Covid-19 epidemic on the NOI[2] | **41** | **-** | **-** |
| **NOI for the period - the Group's proportionate share including the effect of Covid-19 epidemic[1]** | **326** | **318** | **1,301** |
| **Annual NOI - the Group's proportionate share[1]** | **1,304[3]** | **1,272[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 Covid-19 epidemic):**

| | | | | Equity per share as of September 30, 2020 | | Share price as of September 30, 2020 |
|---|---|---|---|---|---|---|
| Cap Rate: | 5.75% | 6.00% | 6.25% | 6.34% | 6.50% | 7.82% |
| Value of income-producing property (NIS in millions) (*) | 22,682 | 21,737 | 20,868 | 20,283 | 20,065 | 16,678 |
| Share price derived from the above Cap Rate (NIS) (**) | 53.2 | 46.9 | 41.2 | 37.8 | 35.9 | 13.9 |

(*) 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 September 30, 2020, amounted to NIS 2,648 million.

The Group's monetary liabilities, net of monetary assets (according to the proportionate consolidation method) as of September 30, 2020, amounted to NIS 17,008 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:

| | September 30, | | December 31, |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| | NIS in millions | | |
| **EPRA NAV** | | | |
| Equity attributable to the equity holders of the Company, per the financial statements | 5,727 | 7,862 | 8,191 |
| Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1] | 1,019 | 934 | 941 |
| Fair value asset adjustment for derivatives, net[2] | 91 | (205) | (213) |
| **Net asset value - EPRA NAV** | **6,837** | **8,591** | **8,919** |
| **EPRA NAV per share (in NIS)** | **45.0** | **46.5** | **48.2** |
| **EPRA NNNAV** | | | |
| EPRA NAV | 6,837 | 8,591 | 8,919 |
| Adjustment of financial liabilities to their fair value | 511 | (1,172) | (1,040) |
| Other adjustments to provision for deferred taxes | (1,019) | (934) | (941) |
| Fair value asset adjustment for financial derivatives, net | (91) | 205 | 213 |
| **Adjusted net asset value - EPRA NNNAV** | **6,238** | **6,690** | **7,151** |
| **EPRA NNNAV per share (in NIS)** | **41.1** | **36.2** | **38.7** |
| **Issued share capital of the Company used in the calculation (in thousands of shares)[3]** | **151,910** | **184,796** | **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 NIS1,229 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 7 income-producing properties, with a total GLA of 89 thousand square meters and land for future development, at a total cost of NIS 664 million. In addition, the Company and its subsidiaries have developed new properties and redeveloped existing properties at a total cost of NIS 565 million. Additionally, during the reporting period, the Company and its subsidiaries disposed of non-core properties in the amount of NIS 411 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 30.9.2020 | 30.9.2019 | | Q3. 2020 | Q3. 2019 | 30.9.2020 | 30.9.2019 | |
| **G Israel** | 12 | 168 | NIS 108.2 | NIS 109.5 | (5.1%) | NIS 40.8 | NIS 44.8 | 97.6% | 98.8% | N/A |
| **Gazit Brasil** | 7 | 176 | R$ 56 | R$ 77 | (24.5%)[3] | R$ 36.0 | R$ 59.1 | 94.5% | 95.2% | N/A |
| **Gazit Horizons** | 10 | 54 | $46.0 | $48.1 | (1.7%) | $3.3 | $3.7 | 91.1% | 91.8% | N/A |
| **CTY** | 41 | 1,218 | € 22.3 | € 23.1 | (4.7%) | € 52.9 | € 54.2 | 93.5% | 95.3% | 46.8% |
| **ATR** | 26 | 808 | € 12.6 | € 15.1 | (13.1%)[4] | €33.2 | € 38.9 | 92.9% | 95.9% | 37.5% |

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 the NOI in Brazil is mainly due to the opening of shopping centers in Brazil in mid-June.

4 The decrease in the NOI 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.

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

| | Properties under Development | | | |
|---|---|---|---|---|
| Company | No. of properties | Total investment as of September 30, 2020 (NIS in millions) | Estimated cost to complete (NIS in millions) | Area (square meters in thousands) |
| CTY | 1 | 851 | -[1] | 44 |
| | **1** | **851** | **-** | **44** |

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

| | Properties under Redevelopment and Expansion | | | |
|---|---|---|---|---|
| Company | No. of properties | Total investment as of September 30, 2020 (NIS in millions) | Estimated cost to complete (NIS in millions) | Area (square meters in thousands) |
| ATR | 1 | 427 | 28 | 21 |
| G Israel | 2 | 179 | 38 | 17 |
| | **3** | **606** | **66** | **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 | (3.60%) | 1.20% | 3.50% | 0.684% | AAA |
| Sweden | (4.00%) | 1.30% | 8.30% | (0.062%) | AAAu |
| Canada | (5.70%) | 1.60% | 10.03% | 0.641% | AAA |
| Finland | (3.80%) | 1.00% | 7.60% | (0.448%) | AA+ |
| USA | (3.90%) | 2.30% | 8.83% | 0.818% | AA+u |
| Czech Republic | (6.50%) | 2.60% | 3.70% | 0.961% | AA- |
| Israel | (5.50%) | 3.40% | 4.70% | 0.840% | AA- |
| Poland | (3.50%) | 4.10% | 6.10% | 1.147% | A- |
| Russia | (4.00%) | 1.30% | 6.30% | 5.880% | BBB- |
| Brazil | (5.20%) | 1.10% | 14.10% | 7.510% | BB- |

International debt rating of Group companies:

| **Rating Agency** | **Gazit-Globe[2]** | **CTY** | **ATR** |
|---|---|---|---|
| Moody's | ilAa3[3]/ Negative | Baa3/ Negative | Baa3/ Negative |
| S&P | ilAA-[3]/ Negative | BBB-/ Negative | - |
| Fitch | - | BBB-/ Stable | BBB/Stable |

1. Data source: Bloomberg – November 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. The Company's secured debentures (Series O), rated by S&P Maalot and Midroog at a rating level of 'ilAA' and 'Aa2.il', 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 33.2 million of its shares in consideration of NIS 633 million (including a repurchase of 20 million of the Company's shares through tender offer in consideration of NIS 346 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 the Company's debentures in the amount of NIS 372 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 320 million, refer to Note 3b5 to the financial statements.

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

**M.** 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+'. In addition, S&P Maalot confirmed the issuer's short-term rating at 'ilA-1 +'. Furthermore, on October 2020, S&P Maalot rating agency rated the debentures (Series O) of the Company secured by property lien in Israel, at a rating level of 'ilAA'.

**N.** 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'. Furthermore, on October 2020, Midroog rating agency rated the debentures (Series O) of the Company secured by property lien in Israel, at a rating level of 'Aa2.il'.

**O.** 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 September 30, 2020, total NIS 2.3 billion, compared with NIS 3.4 billion as of December 31, 2019. The decrease in current assets derives mainly from a decrease in cash and cash equivalents which were used for debt repayment.

#### Equity-accounted investees

The balance of equity-accounted investees amounted to NIS1.5 billion as of September 30, 2020, compared to NIS 1.6billion 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 160 million as of September 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 value of the financial derivatives (CSA agreement). As of September 30, 2020, the aforesaid balance of financial derivatives amounted to NIS 240 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 September 30, 2020, amounted to NIS 35.6 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 fair value changes of investment property and investment property under development in the amount of NIS 870 million following the effects of the Covid-19 epidemic (as described in section 1.2 above) and the sale of none core investment property in consideration of NIS 0.4 billion and 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 0.7 billion.

**Intangible assets, net**

Intangible assets, net, as of September 30, 2020, totaled NIS 596 million, compared to NIS 622 million as of December 31, 2019. The intangible assets primarily consist of goodwill in an amount of NIS 548 million relates to properties in Norway own by CTY.

**Current liabilities**

Current liabilities, as of September 30, 2020, totalled NIS 3.4 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 2.3 billion, compared to NIS 2.1 billion as of December 31, 2019.

As of September 30, 2020, the Group had a negative working capital of NIS 1.0 billion. The Company and its subsidiaries have approved long-term credit facilities available for immediate drawdown in the amount of approximately NIS 3.6 billion, and the cash flows from operating activities significantly exceed total current liabilities. Accordingly, management of the Company believes that these can be used to repay the balance of current liabilities as of September 30, 2019 (refer also to section 3.6 below).

**Non-current liabilities**

Non-current liabilities, as of September 30, 2020, totaled NIS 24.1 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 for its operations (including investment in assets and purchases of the Group's companies' shares).

**Equity attributable to the equity holders of the Company**

Equity attributable to the equity holders of the Company, as of September 30, 2020, amounted to NIS 5,727 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 1,123 million (mainly from foreign currency translation reserve), from loss attributed to the Company's shareholders in the amount of NIS 490 million, from buyback of Company's shares in the amount of NIS 633 million and to the declared dividend of NIS 218 million.

The equity per share attributable to the equity holders of the Company as of September 30, 2020 totaled NIS 37.8 per share, compared to NIS 44.4 per share as of December 31, 2019, after a dividend distribution of NIS 1.29 per share during the Reporting Period.

**Non-controlling interests**

Non-controlling interests, as of September 30, 2020, amounted to NIS 7.3 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 31.3% 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 0.3 billion and by acquisition of the group's shares from non-controlling interests in the amount of NIS 0.6 billion.

### 3.5 Results of Operations and their analysis

#### A. Results of operations are as follows:

| | Nine months ended September 30, 2020 | Nine months ended September 30, 2019 | Three months ended September 30, 2020 | Three months ended September 30, 2019 | Year ended December 31, 2019 |
|---|---|---|---|---|---|
| | Unaudited | | | | Audited |
| | NIS in millions (except for net earnings (loss) per share data) | | | | |
| Rental and other income | 1,803 | 2,082 | 611 | 660 | 2,752 |
| Property operating and other expenses | 529 | 580 | 185 | 181 | 777 |
| Net operating income | 1,274 | 1,502 | 426 | 479 | 1,975 |
| Fair value gain (loss) from investment property and investment property under development, net | (870) | (199) | (142) | (26) | 164 |
| General and administrative expenses | (242) | (266) | (85) | (84) | (360) |
| Other income | 12 | 41 | 3 | 34 | 35 |
| Other expenses | (34) | (379) | (5) | (15) | (413) |
| Company's share in earnings of equity- accounted investees, net | (60) | 53 | (12) | 4 | 37 |
| Operating income | 80 | 752 | 185 | 392 | 1,438 |
| Finance expenses | (817) | (756) | (271) | (221) | (1,118) |
| Finance income | 65 | 1,057 | 201 | 524 | 963 |
| Profit (loss) before taxes on income | (672) | 1,053 | 115 | 695 | 1,283 |
| Taxes on income (tax benefit) | (91) | 434 | 67 | 173 | 467 |
| Net income (loss) | (581) | 619 | 48 | 522 | 816 |
| Attributable to: | | | | | |
| Equity holders of the Company | (490) | 433 | 23 | 474 | 655 |
| Non-controlling interests | (91) | 186 | 25 | 48 | 161 |
| | (581) | 619 | 48 | 522 | 816 |
| Net earnings (loss) per share attributable to equity holders of the Company (in NIS): | | | | | |
| Total basic net earnings (loss) | (2.84) | 2.34 | 0.15 | 2.57 | 3.52 |
| Total diluted net earnings (loss) | (2.86) | 2.33 | 0.15 | 2.57 | 3.50 |

**The statement of comprehensive income is as follows:**

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| | Unaudited | | | | Audited |
| | NIS in millions | | | | |
| Net income (loss) | (581) | 619 | 48 | 522 | 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 | (75) | 21 | (12) | (36) | (39) |
| Amounts that will not be reclassified subsequently to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | (1,170) | (2,433) | 116 | (1,323) | (2,055) |
| Net gains (losses) on cash flow hedges | (52) | (68) | (1) | (16) | (45) |
| Realization of capital reserves on sale of an associate | - | 73 | - | - | 73 |
| Total other comprehensive loss | (1,297) | (2,407) | 103 | (1,375) | (2,066) |
| Total comprehensive loss | (1,878) | (1,788) | 151 | (853) | (1,250) |
| Attributable to: | | | | | |
| Equity holders of the Company | (1,834) | (1,059) | (94) | (403) | (653) |
| Non-controlling interests | (44) | (729) | 245 | (450) | (597) |
| | (1,878) | (1,788) | 151 | (853) | (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 9.1% 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 13.4% to NIS 1,803 million in the Reporting Period, compared to NIS 2,082 million in the comparable period in the prior year.

**Property operating and other expenses**

Property operating and other expenses and others totalled NIS 529 million in the Reporting Period, representing 29.3% of total rental and other income, compared to NIS 580 million, representing 27.9% of total rental and other income, in the comparable period in the prior year. The decrease in property and other operating 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 10.2%, 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 15.2% to NIS 1,274 million in the Reporting Period (70.7% of rental income), compared to NIS 1,502 million (72.1% 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 870 million, compared to a loss of NIS (199) million, in the corresponding period in the prior year. The fair value loss mainly relates to the effects of the Covid-19 epidemic on the Group's assets.

The balance of investment property is presented at fair value, based partly on external valuation made as of September 30 2020 and partly on valuations made as of June 30, 2020 and December 2019, as well as an examination of the assumptions underlying valuations, as stated above, including a cash flow forecast from the assets and receiving external appraisal indications of no change in capitalization rates in the Group.

**General and administrative expenses**

General and administrative expenses totaled NIS 242 million (13.4% of total revenues), in the Reporting Period, compared to NIS 266 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 (60) million (compared to earnings of NIS 53 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 817 million in the Reporting Period, compared to NIS 756 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 loss of revaluation of securities in the reporting period in the amount of NIS 233 million. The aforesaid increase was offset by a decrease in interest expenses in the amount of NIS 93 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 78 million, in respect of a debt linked to the CPI, which decreased by approximately 0.6% in the reporting period, compared with an increase of approximately 0.5% in the corresponding period last year.

The average interest on the Company's interest bearing liabilities (on expanded solo basis) is 3.61% compared to 3.89% in the corresponding quarter in the prior year.

**Finance income**

Finance income totaled NIS 65 million in the Reporting Period, compared to NIS 1,057 million in the corresponding period in the prior year. Finance income in the Reporting Period primarily comprises from dividend income of NIS 34 million, (compared to income of NIS 69 million in the comparable period in the prior year) and interest income of NIS 25 million (compared to interest income of NIS 44 million in the comparable period in the prior year). In addition, the corresponding period in the prior year comprises a gain of NIS 932 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 91 million in the Reporting Period, compared to tax expenses of NIS 434 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 178 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 137 million relating primarily to 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, the Group companies recorded current tax expenses of NIS 88 million, compared to current tax expenses of NIS 315 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 third quarter of 2020

**Rental income and others**

Excluding the average exchange rates the rental income and others in the Quarter decreased by 6.4% 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 Corona epidemic (refer to section 1.2 above) and from the sale of non-core assets during the past 12 months.

Rental income and others decreased by 7.4% to NIS 611 million in the Quarter, compared with NIS 660 million in the corresponding quarter last year.

**Property operating expenses and others**

Property operating expenses and others totaled NIS 185 million in the Quarter, representing 30.3% of total rental income, compared with NIS 181 million, representing 27.4% of total rental income, in the corresponding quarter last year. The decrease in property operating expenses and others 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 rental income in the Quarter decreased by 9.5% 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 11.1% to NIS 426 million in the Quarter (69.7% of total rental income), compared with NIS 479 million (72.6% 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 142 million, compared to fair value loss of NIS 26 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 balance of investment property is presented at fair value, based partly on external valuation made as of September 30 2020 and partly on valuations made as of June 30, 2020 and December 31 2019, as well as an examination of the assumptions underlying valuations, as stated above, including a cash flow forecast from the assets and receiving external appraisal indications of no change in capitalization rates in the Group.

**General and administrative expenses**

General and administrative expenses totaled NIS 85 million (13.9% of total revenues) in the Quarter, compared to NIS 84 million (12.7% of total revenues) in the corresponding quarter in the prior year.

**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 12 million (compared to a gain of NIS 4 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 271 million in the Quarter, compared to NIS 221 million in the corresponding quarter in the prior year. The increase in the quarter compared to the corresponding quarter in the prior year is primarily due to an increase in the linkage differences expenses in the amount of NIS 68 million, in respect of a debt linked to the CPI, which increased by approximately 0.1% in the quarter, compared to a decrease of approximately 0.7% in the corresponding quarter last year and from a loss from the revaluation of tradable securities in the quarter in the amount of NIS 46 million. The aforesaid increase was offset by a decrease in interest expenses in the amount of NIS 7 million, as a result of the refinancing of debt at a lower interest rate than the debt that was repaid and an early repayment loss of interest-bearing debt which was recorded in the corresponding quarter last year in the amount of NIS 48 million.

**Finance income**

Finance income totaled NIS 201 million in the Quarter, compared to NIS 524 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 187 million (income of NIS 482 million in the corresponding quarter in the prior year) and a gain of NIS 4 million from expenses of dividend (income of NIS 21 million in the corresponding quarter in the prior year).

**Taxes on income (tax benefit)**

Tax expenses totaled NIS 67 million in the Quarter, compared with tax expenses of NIS 173 million in the corresponding quarter last year. Tax expenses in the Quarter comprises primarily of deferred tax expenses of NIS 27 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 structural change in the Group and carry forward losses (in the corresponding quarter last year, net deferred tax expenses of NIS 77 million arising primarily 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 38 million, compared with current tax expenses of NIS 96 million in the corresponding Quarter in the prior year. In addition, in the Quarter tax expenses were recorded with respect to prior years in the amount of NIS 2 million.

### 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 September 30, 2020, the liquid assets available to the Company and its subsidiaries, including short-term investments, totaled NIS 1.3 billion as of September 30, 2020. In addition, as of September 30, 2020, the Company and its subsidiaries have binding undrawn long-term credit facilities[1] available for immediate drawdown of NIS 3.6 billion.

**As of September 30, 2020, the Company and its subsidiaries have liquidity, including undrawn long term credit facilities[1] available for immediate drawdown and liquid balances totaling NIS 4.8 billion (of which NIS 1.3 billion at the Company and it's wholly-owned subsidiaries, including cash and cash equivalents, tradable securities and short-term deposits in the amount of NIS 0.9 billion. After the Reporting date, the Company issued a new series of debentures (Series O) in the amount of NIS 324 million which is secured by a pledge of properties in Israel and entered into credit facility agreement in the amount of NIS 180 million which is secured by properties in Israel.**

Furthermore, as of September 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 28.0 billion (78.6% of the total investment property and investment property under development).

**As of September 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 4.7 billion (57% of total investment property and investment property under development).**

**For details regarding the effects of the Corona virus epidemic, refer to section 1.2 above.**

As of September 30, 2020, the Company had a positive working capital balance of NIS 1.0 billion under its consolidated financial statements, and according to the Company's separate reports (solo) a negative working capital of approximately NIS 0.2 billion and negative cash flow from operating activities, in addition, the Company's (expanded solo) has a positive cash flow from operating activities, refer to Section 2.2 above. On the other hand, the Company has approved long-term credit facilities[1], available for immediate drawdown on a consolidation basis and on an expanded solo basis (including in companies that are fully owned by the Company), in the amount of NIS 3.6 billion and NIS 0.4 billion, respectively. The policy of the Company is to finance its operations with revolving credit facilities and by raising long-term debt from time to time, depending on market conditions. The Board of Directors examined the existence of negative working capital, as above, and has concluded that, in view of the resources that are available to the Group and to the Company , including non-pledged assets, as described above, and considering the positive cash flow from operating activities on consolidation and on expanded solo, including forecast cash flow, its existence is not indicative of a liquidity problem in the Company or in the Group.

1 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 240 million and NIS 32 million, respectively compared to NIS 695 million and NIS 359 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 647 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 227 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 299 million, for dividend payments by the Group's companies in the amount of NIS 543 million, to purchase shares of the Group's companies in the amount of NIS 337 million and the buyback of the Company's shares in an amount of NIS 633 million.

In the Quarter, the Company and its subsidiaries financed their activities by realizing investments in financial assets in the net amount of NIS 352 million. These cash flows were mainly used to repay debentures in a net amount of NIS 893 million, to repay loans and lines of credit in the net amount of NIS 623 million, for dividend payments by the Group companies in the amount of NIS 175 million, the purchase of the Group Companies' shares in the amount of NIS 40 million and for the buyback of the Company's shares in the amount of NIS 347 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 223 million par value in consideration of NIS 236 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 3b3 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 September 30, 2020, the NIS depreciated against the Euro, by 3.8%, and the NIS appreciated against the Brazilian real, the Canadian dollar and the U.S. dollar by 29.0%, by 3.2% and by 0.4%, respectively. With regard to the impact of exchange rate changes on the Company's equity, as of September 30, 2020, refer to Appendix A of the Directors' Report. In addition, as of September 30, 2020 until immediately prior to the date of approval of this report, the NIS appreciated against the Euro, the U.S. dollar and the Canadian dollar by 1.3%, by 3.0% and by 0.4%, respectively, and the NIS depreciated against the Brazilian real by 1.6%.

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 September 30, 2020, the Israeli consumer price index (known index) fell by 0.6%. In addition, as of September 30, 2020, until immediately prior to the date of approval of this report, the Israeli consumer price index (known index) rose by 0.2%.

**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 September 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 3.4 million.**

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

**Subsequent events**

**A.** For Details regarding issuance of debentures (Series O)' by the Company, in the amount of NIS 324 million, refer to Note 5b to the financial statements.

**B.** For details regarding debt raising, by CTY, in the amount of NIS 293 million, refer to Note 5c 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 3a1and 3a3 to the financial statements.

**B.** For details regarding the issuance of a new series of debentures (Series O), backed by properties in Israel, amounting NIS 324 million, refer to Note 5b to the financial statements.

**C.** For details regarding the Company's debentures buyback during the Reporting Period under its purchase plan, refer to Section 3.8.

**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+', 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+'.
In addition, S&P Maalot confirmed the issuer's short-term rating at 'ilA-1 +'. Furthermore, on October 2020, S&P Maalot rating agency rated the debentures (Series O) of the Company secured by property lien in Israel, at a rating level of 'ilAA'.

**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'. Furthermore, on October 2020, Midroog rating agency rated the debentures (Series O) of the Company secured by property lien in Israel, at a rating level of 'Aa2.il'.

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

| **Financial ratio** | **Covenants** | **As of September 30, 2020** |
|---|---|---|
| Minimum shareholders' equity (less non-controlling interests) (dollars in millions) | Series K-Higher than 500, during 4 consecutive quarters<br>Series L-Higher than 650, during 3 consecutive quarters<br>Series M-Higher than 800, during 3 consecutive quarters<br>Series N,O-Higher than 850, during 3 consecutive quarters | 1,664 |
| Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions) | Series M,N and O- Higher than 400 | 1,664 |
| Ratio of net interest-bearing debt to total consolidated assets<br>And<br>Minimum rating of the debentures | Series K and L-lower than 80%, during 4 consecutive quarters<br>Series M-lower than 75%<br><br>Series K,L and M-'ilBaa3'/'ilBBB-' | [1]58.6%<br><br>'ilAa3'/ 'ilAA'- |
| Ratio of net interest-bearing debt to total consolidated assets | Series N, O-lower than 75% | 58.2% |
| Minimum rating of the debentures | Series N, O-'ilBaa3'/'ilBBB-' | 'ilAa3'/ 'ilAA'- |

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

| November 23, 2020 | | |
|---|---|---|
| Date of Approval of Directors' Report | Ehud Arnon<br>Chairman of the Board of Directors | Chaim Katzman<br>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 September 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 September 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 | 4,029 | 635 | 4,264 | 148 | 4,110 | - |
| Assets in NIS | 4,029 | 2,187 | 17,166 | 380 | 2,521 | 26,283 |
| **% of total assets** | **15** | **8** | **65** | **2** | **10** | **100** |
| Liabilities in original currency | 9,047 | 320 | 2,317 | 86 | - | - |
| Cross-currency swap transactions in original currency | (2,126) | (346) | 378 | 10 | 1,978 | - |
| Liabilities in original currency | 6,921 | (26) | 2,695 | 96 | 1,978 | - |
| Liabilities in NIS adjusted for swaps | 6,921 | (89) | 10,850 | 247 | 1,214 | 19,143 |
| **% of total liabilities** | **36** | **-** | **57** | **1** | **6** | **100** |
| Total equity in original currency | (2,892) | 661 | 1,569 | 52 | 2,132 | - |
| Total economic equity[3] in NIS | (2,892) | 2,276 | 6,316 | 133 | 1,307 | 7,140 |
| **% of total equity** | **(40)** | **32** | **88** | **2** | **18** | **100** |

1 According to currency exchange rates as of September 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 corona virus epidemic, refer to section 1.2 to the Directors' 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 Company's plan to strengthening the 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 99,584 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 buyback of 33.2 million shares of the Company, in consideration of NIS 633 million (including through a tender offer of 20 million Company shares), refer to Notes 3b3 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 75 million (NIS 0.43 per share).

**C.** On September 8 2020 the Company distributed a dividend to its shareholders in the amount of NIS 65 million (NIS 0.43 per share).

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

**E.** 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 NIS 1.1 Billion, refer to Notes 3a5 and 5c 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.

**C.** For details regarding the purchase of ATR shares by the Company's wholly-owned subsidiary in consideration of NIS 320 million, refer to Note 3b5to 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 debentures (Series O) secured by pledge on properties in Israel in the amount of NIS 324 million, refer to note5b to the financial statements.

**C.** 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.

**D.** For details regarding buyback of debentures, by the Company, in the amount of NIS 372 million, refer to Notes 3a4 and 5c to the financial statements.

**E.** 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+'. Furthermore, on August 19, 2020 S&P Maalot issued a credit rating for the debentures (Series O) of the Company secured by a pledge of properties in Israel at a rating level of 'ilAA'.

**F.** 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'. Furthermore, on August 19, 2020 Midroog issued a credit rating for the debentures (Series O) of the Company secured by a pledge of properties in Israel at a rating level of 'Aa2il'.

**Disclosure Concerning Highly Material Properties Pursuant to Chapter F of the Disclosure Guideline Regarding Investment Property Activity**

| | **G Rothschild** | **G Kochav Hatzafon** | **G Savion** | **Horev** |
|---|---|---|---|---|
| Value of property (NIS in 000’s) | 114,994 | 103,627 | 119,666 | 98,874 |
| NOI in the period (NIS in 000’s) | 3,714 | 2,499 | 3,174 | 3,552 |
| Revaluation gains (losses) in the period (NIS in 000’s) | (10,211) | (4,121) | (2,500) | (2,798) |
| Average occupancy rate in the period | 97.17% | 90.37% | 100.00% | 93.70% |
| Actual rate of return (%) | 4.31% | 3.22% | 5.46% | 5.48% |
| Average annual rental per sq. meter (NIS) | 98.2 | 239.7 | 132.1 | 107.7 |
| Average annual rental per sq. meter in leases signed in the period (NIS) | 85 | 246 | 105 | 108.4 |

# GAZIT-GLOBE LTD.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## As of September 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 September 30, 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of nine 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 September 30, 2020, and whose revenues constitute approximately 32% and 33% of total consolidated revenues for the periods of nine 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
November 23, 2020

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

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | September 30, 2020 | September 30, 2019 | December 31, 2019 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | NIS in millions | | |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 592 | 1,471 | 1,063 |
| Short-term investments and loans | 60 | 81 | 31 |
| Financial assets | 604 | 481 | 791 |
| Financial derivatives | 79 | 208 | 64 |
| Trade receivables | 215 | 144 | 143 |
| Other accounts receivable | 276 | 799 | 758 |
| Current taxes receivable | 20 | 9 | 11 |
| | 1,846 | 3,193 | 2,861 |
| Assets classified as held for sale | 501 | 533 | 494 |
| | 2,347 | 3,726 | 3,355 |
| **NON-CURRENT ASSETS** | | | |
| Equity-accounted investees | 1,483 | 1,556 | 1,560 |
| Other investments, loans and receivables | 292 | 105 | 101 |
| Financial assets | 160 | 1,449 | 853 |
| Financial derivatives | 240 | 329 | 318 |
| Investment property | 32,539 | 31,918 | 33,545 |
| Investment property under development | 2,578 | 2,074 | 2,031 |
| Fixed assets, net | 176 | 195 | 195 |
| Intangible assets, net | 596 | 643 | 622 |
| Deferred taxes | 69 | 46 | 45 |
| | 38,133 | 38,315 | 39,270 |
| | 40,480 | 42,041 | 42,625 |

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

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | September 30, 2020 | September 30, 2019 | December 31, 2019 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | NIS in millions | | |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Credit from banks and others | 1,134 | 844 | 754 |
| Current maturities of non-current liabilities | 1,211 | 2,258 | 1,324 |
| Financial derivatives | 45 | 71 | 70 |
| Trade payables | 79 | 117 | 93 |
| Other accounts payable | 711 | 809 | 816 |
| Current taxes payable | 152 | 404 | 501 |
| | 3,332 | 4,503 | 3,558 |
| Liabilities attributable to assets held for sale | 20 | 16 | 21 |
| | 3,352 | 4,519 | 3,579 |
| **NON-CURRENT LIABILITIES** | | | |
| Debentures | 16,283 | 16,457 | 15,117 |
| Interest-bearing loans from banks and others | 5,540 | 4,066 | 5,064 |
| Financial derivatives | 105 | 97 | 81 |
| Other liabilities | 476 | 510 | 573 |
| Deferred taxes | 1,719 | 1,908 | 1,885 |
| | 24,123 | 23,038 | 22,720 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | | | |
| Share capital | 204 | 237 | 237 |
| Share premium | 4,062 | 4,656 | 4,656 |
| Retained earnings | 4,970 | 5,596 | 5,740 |
| Foreign currency translation reserve | (4,325) | (3,304) | (3,077) |
| Other reserves | 817 | 677 | 635 |
| Treasury shares | (1) | - | - |
| | 5,727 | 7,862 | 8,191 |
| Non-controlling interests | 7,278 | 6,622 | 8,135 |
| Total equity | 13,005 | 14,484 | 16,326 |
| | 40,480 | 42,041 | 42,625 |

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

| November 23, 2020 | | | |
|---|---|---|---|
| Date of approval of the financial statements | Ehud Arnon<br>Chairman of the Board | Chaim Katzman CEO and Vice Chairman of the Board | Adi Jemini<br>Executive Vice President and CFO |

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| | Unaudited | | | | Audited |
| | NIS in millions (except for per share data) | | | | |
| Rental and other income | 1,803 | 2,082 | 611 | 660 | 2,752 |
| Property operating expenses | 529 | 580 | 185 | 181 | 777 |
| Net operating income | 1,274 | 1,502 | 426 | 479 | 1,975 |
| Fair value gain (loss) from investment property and investment property under development, net | (870) | (199) | (142) | (26) | 164 |
| General and administrative expenses | (242) | (266) | (85) | (84) | (360) |
| Other income | 12 | 41 | 3 | 34 | 35 |
| Other expenses | (34) | (379) | (5) | (15) | (413) |
| Company's share in earnings (loss) of equity-accounted investees, net | (60) | 53 | (12) | 4 | 37 |
| Operating income | 80 | 752 | 185 | 392 | 1,438 |
| Finance expenses | (817) | (756) | (271) | (221) | (1,118) |
| Finance income | 65 | 1,057 | 201 | 524 | 963 |
| Income (loss) before taxes on income | (672) | 1,053 | 115 | 695 | 1,283 |
| Taxes on income (tax benefit) | (91) | 434 | 67 | 173 | 467 |
| Net income (loss) | (581) | 619 | 48 | 522 | 816 |
| Attributable to: | | | | | |
| Equity holders of the Company | (490) | 433 | 23 | 474 | 655 |
| Non-controlling interests | (91) | 186 | 25 | 48 | 161 |
| | (581) | 619 | 48 | 522 | 816 |
| Net earnings (loss) per share attributable to equity holders of the Company (NIS): | | | | | |
| Total basic net earnings (loss) | (2.84) | 2.34 | 0.15 | 2.57 | 3.52 |
| Total diluted net earnings (loss) | (2.86) | 2.33 | 0.15 | 2.57 | 3.50 |

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

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| | Unaudited | | | | Audited |
| | NIS in millions | | | | |
| Net income (loss) | (581) | 619 | 48 | 522 | 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 | (75) | 21 | (12) | (36) | (39) |
| Amounts that will be or that have been reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | (1,170) | (2,433) | 116 | (1,323) | (2,055) |
| Net losses on cash flow hedges | (52) | (68) | (1) | (16) | (45) |
| Realization of capital reserves on sale of an associate | - | 73 | - | - | 73 |
| Total other comprehensive loss | (1,297) | (2,407) | 103 | (1,375) | (2,066) |
| Total comprehensive loss | (1,878) | (1,788) | 151 | (853) | (1,250) |
| Attributable to: | | | | | |
| Equity holders of the Company (1) | (1,834) | (1,059) | (94) | (403) | (653) |
| Non-controlling interests | (44) | (729) | 245 | (450) | (597) |
| | (1,878) | (1,788) | 151 | (853) | (1,250) |
| (1) Breakdown of total comprehensive loss attributable to equity holders of the Company: | | | | | |
| Net income (loss) | (490) | 433 | 23 | 474 | 655 |
| Exchange differences on translation of foreign operations | (1,241) | (1,543) | (108) | (830) | (1,313) |
| Net losses on cash flow hedges | (40) | (42) | - | (9) | (27) |
| Net gains (losses) on financial assets at fair value through other comprehensive income | (63) | 20 | (9) | (38) | (41) |
| Realization of capital reserves on sale of an associate | - | 73 | - | - | 73 |
| | (1,834) | (1,059) | (94) | (403) | (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 | - | - | (490) | - | - | - | (490) | (91) | (581) |
| Other comprehensive loss | - | - | - | (1,241) | (103) | - | (1,344) | 47 | (1,297) |
| Total comprehensive loss | - | - | (490) | (1,241) | (103) | - | (1,834) | (44) | (1,878) |
| Exercise and expiration of Company's share options into Company shares | *) - | 5 | - | - | (5) | - | *) - | - | *) - |
| Purchase of treasury shares | - | - | - | - | - | (633) | (633) | - | (633) |
| Cancellation of treasury shares | (33) | (599) | - | - | - | 632 | - | - | - |
| Cost of share-based payment | - | - | - | - | 7 | - | 7 | 4 | 11 |
| 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 **) | - | - | (218) | - | - | - | (218) | - | (218) |
| Acquisition of non-controlling interests | - | - | - | (7) | 221 | - | 214 | (551) | (337) |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | (250) | (250) |
| Balance as of September 30, 2020 | 204 | 4,062 | 4,970 | (4,325) | 817 | (1) | 5,727 | 7,278 | 13,005 |

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

**) In the nine months ended in September 30, 2020, the Company declared a dividend in the amount of NIS 1.29 per share (in a total amount of NIS 218 million), out of which NIS 78 million (NIS 0.43 per share) was paid on April 13, 2020, NIS 75 million (NIS 0.43 per share) was paid on June 15, 2020 and NIS 65 million (NIS 0.43 per share) was paid on September 8, 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 | - | - | 433 | - | - | - | 433 | 186 | 619 |
| Other comprehensive loss | - | - | - | (1,475) | (17) | - | (1,492) | (915) | (2,407) |
| Total comprehensive income (loss) | - | - | 433 | (1,475) | (17) | - | (1,059) | (729) | (1,788) |
| 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 | - | - | - | - | 6 | - | 6 | 2 | 8 |
| Dividend declared | - | - | (224) | - | - | - | (224) | - | (224) |
| Capital issuance to non-controlling interests | - | - | - | - | (2) | - | (2) | 5 | 3 |
| Acquisition of non-controlling interests | - | - | - | (2) | - | - | (2) | (51) | (53) |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | (261) | (261) |
| Balance as of September 30, 2019 | 237 | 4,656 | 5,596 | (3,304) | 677 | - | 7,862 | 6,622 | 14,484 |

*) 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 | 4,659 | 5,012 | (4,216) | 780 | (286) | 6,186 | 7,189 | 13,375 |
| Net income (loss) | - | - | 23 | - | - | - | 23 | 25 | 48 |
| Other comprehensive income (loss) | - | - | - | (108) | (9) | - | (117) | 220 | 103 |
| Total comprehensive income (loss) | - | - | 23 | (108) | (9) | - | (94) | 245 | 151 |
| Exercise and forfeiture of Company's share option into Company shares | *) - | 2 | - | - | (2) | - | *) - | - | *) - |
| Purchase of treasury shares | - | - | - | - | - | (347) | (347) | - | (347) |
| Cancellation of treasury shares | (33) | (599) | - | - | - | 632 | - | - | - |
| Cost of share-based payment | - | - | - | - | 4 | - | 4 | 1 | 5 |
| Dividend paid **) | - | - | (65) | - | - | - | (65) | - | (65) |
| Acquisition of non-controlling interests | - | - | - | (1) | 44 | - | 43 | (83) | (40) |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | (74) | (74) |
| Balance as of September 30, 2020 | 204 | 4,062 | 4,970 | (4,325) | 817 | (1) | 5,727 | 7,278 | 13,005 |

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

**) On August 19, 2020, the Company declared a dividend of NIS 0.43 per share that was paid on September 8, 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 | 242 | 4,794 | 5,197 | (2,474) | 730 | (145) | 8,344 | 7,170 | 15,514 |
| Net income (loss) | - | - | 474 | - | - | - | 474 | 48 | 522 |
| Other comprehensive income (loss) | - | - | - | (830) | (47) | - | (877) | (498) | (1,375) |
| Total comprehensive income (loss) | - | - | 474 | (830) | (47) | - | (403) | (450) | (853) |
| Exercise and expiration of Company's share options into Company shares | *) - | 2 | - | - | (2) | - | *) - | - | *) - |
| Cancellation of treasury shares | (5) | (140) | - | - | - | 145 | - | - | - |
| Cost of share-based payment | - | - | - | - | 2 | - | 2 | - | 2 |
| Dividend declared | - | - | (75) | - | - | - | (75) | - | (75) |
| Capital issuance to non-controlling interests | - | - | - | - | (1) | - | (1) | 3 | 2 |
| Acquisition of non-controlling interests | - | - | - | - | (5) | - | (5) | (43) | (48) |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | (58) | (58) |
| Balance as of September 30, 2019 | 237 | 4,656 | 5,596 | (3,304) | 677 | - | 7,862 | 6,622 | 14,484 |

*) 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 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

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| | Unaudited | | | | Audited |
| | NIS in millions | | | | |
| Cash flows from operating activities: | | | | | |
| Net income (loss) | (581) | 619 | 48 | 522 | 816 |
| Adjustments required to present cash flows from operating activities: | | | | | |
| Adjustments to the profit or loss items: | | | | | |
| Finance expenses, net | 752 | (301) | 70 | (303) | 155 |
| Company's share in earnings (losses) of equity-accounted investees, net | 60 | (53) | 12 | (4) | (37) |
| Fair value gain (loss) from investment property and investment property under development, net | 870 | 199 | 142 | 26 | (164) |
| Depreciation and amortization | 21 | 23 | 7 | 7 | 31 |
| Taxes on income (tax benefit) | (91) | 434 | 67 | 173 | 467 |
| Capital (gain) loss, net | (2) | (24) | 5 | (34) | (16) |
| Loss from decrease in holding interest and sale of an associate | - | 345 | - | - | 345 |
| Change in provision for legal claims, net | (1) | 1 | (1) | - | (2) |
| Cost of share-based payment | 11 | 8 | 5 | 2 | 11 |
| | 1,620 | 632 | 307 | (133) | 790 |
| Changes in assets and liabilities items: | | | | | |
| Decrease (increase) in trade receivables and other accounts receivable | (178) | (60) | (7) | 33 | (48) |
| Increase (decrease) in trade and other accounts payable | (100) | (45) | (90) | 35 | 11 |
| | (278) | (105) | (97) | 68 | (37) |
| Net cash provided by operating activities before interest, dividend and taxes | 761 | 1,146 | 258 | 457 | 1,569 |
| Cash received and paid during the period for: | | | | | |
| Interest paid | (584) | (608) | (240) | (159) | (963) |
| Interest received | 53 | 60 | 2 | 46 | 90 |
| Dividend received | 42 | 127 | 5 | 25 | 250 |
| Taxes paid | (32) | (39) | (14) | (10) | (45) |
| Taxes received | - | 9 | - | - | 9 |
| | (521) | (451) | (247) | (98) | (659) |
| Net cash provided by operating activities | 240 | 695 | 11 | 359 | 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

| | Nine ended September 30, | | Three months ended September 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 | - | - | 2,839 |
| Investment and loans to investees | (41) | - | - | - | (100) |
| Acquisition, construction and development of investment property | (710) | (1,567) | (196) | (336) | (2,052) |
| Investments in fixed assets and other assets | (9) | (40) | (5) | (7) | (61) |
| Proceeds from sale of investment property, net of tax paid | 411 | 1,455 | 148 | 1,038 | 1,479 |
| Proceeds from sale of fixed assets | 2 | 12 | - | 12 | 13 |
| Collection of long-term loans | 2 | 2 | 1 | 1 | 19 |
| Short-term investments, net | 9 | (54) | 346 | 77 | (53) |
| Investment in financial assets | (1,170) | (481) | (185) | (111) | (496) |
| Proceeds from sale of financial assets and deposits withdrawal, net of tax paid | 1,179 | (145) | 191 | 72 | 112 |
| Net cash provided by (used in) investing activities | (25) | 2,021 | 300 | 746 | 1,700 |
| Cash flows from financing activities: | | | | | |
| Exercise of share options into Company's shares | *) - | *) - | *) - | *) - | *) - |
| Purchase of treasury shares | (633) | (158) | (347) | - | (158) |
| Acquisition of non-controlling interests | (337) | (50) | (40) | (46) | 122 |
| Dividend paid to equity holders of the Company | (293) | (298) | (65) | (75) | (298) |
| Dividend paid to non-controlling interests | (250) | (263) | (110) | (60) | (403) |
| Receipt of long-term loans | 1,613 | 138 | 52 | 89 | 705 |
| Repayment of long-term loans | (821) | (103) | (7) | (92) | (128) |
| Receipt (repayment) of long-term credit facilities from banks and others, net | (78) | (329) | 58 | (45) | 153 |
| Receipt (repayment) of Short-term credit from banks and others, net | (67) | (96) | (726) | 92 | (247) |
| Repayment and early redemption of debentures and convertible debentures | (2,479) | (1,551) | (893) | (900) | (4,133) |
| Issuance of debentures | 2,726 | - | - | - | - |
| Issuance of hybrid bonds to non-controlling interests | - | - | - | - | 1,346 |
| Interest paid on hybrid debentures for non-controlling interests | (16) | - | - | - | - |
| Net cash used in financing activities | (635) | (2,710) | (2,078) | (1,037) | (3,041) |
| Exchange differences on balances of cash and cash equivalents | (51) | (118) | 25 | (65) | (89) |
| Increase (decrease) in cash and cash equivalents | (471) | (112) | (1,742) | 3 | (520) |
| Cash and cash equivalents at the beginning of the period | 1,063 | 1,583 | 2,334 | 1,468 | 1,583 |
| Cash and cash equivalents at the end of the period | 592 | 1,471 | 592 | 1,471 | 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

| | | Nine months ended September 30, | | Three months ended September 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 |
| | Dividend payable to equity holders of the Company | - | - | - | - | 75 |
| (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 September 30, 2020 and for the nine months then ended (the "Reporting Period") and for the three months then ended (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").

B. As of September 30, 2020 (the "Reporting Period") the Company has a working capital deficiency of NIS 1.0 billion. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 3.6 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.

## 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 333 million (Series D, K, L, M and N) for a consideration of NIS 372 million. As a result, the Company recorded a loss from early redemption of approximately NIS 8 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.
During the Reporting Period, 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. Close to the end of the reporting period and even more so after the reporting period, those countries reported a gradual increase in morbidity indices and imposed new restrictions on the population. As of the report November 23, 2020, all countries in which the Company operates in various stages of tightening restrictions and reducing the activity of public transport and businesses.
However, after the reporting period, there were scientific breakthroughs in the discovery of vaccines for the corona virus, the most notable of which is the announcement by a leading pharmaceutical company about the effectiveness of the vaccine it is developing and the significant probability that the vaccine will be commercially due in 2021.

During March this year, 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**
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). Since June, all of the Group’s assets were opened and 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, 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.

In mid-September, a full lockdown was announced in Israel and by November 23, 2020, the businesses located in closed shopping centers had not yet opened with the exception of essential businesses. In the other countries, additional restrictions were gradually imposed, which worsened after the reporting period, and as of November 23, 2020, there are differences between the restrictions that were applied in each of the countries, as stated. In countries such as Poland and the Czech Republic, company complexes are closed by government directive, with the exception of essential businesses. In the Nordic countries, no instructions were imposed for closing the shopping centers, however restrictions were imposed on the gathering and on the opening hours of restaurants and places of entertainment.

During periods in which businesses operate, 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 during periods when opened, and a growth in the consumption of products and services that normally 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 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 Such as the US and the Czech Republic, provided aid programs to tenants, among other things, by grants for payment of part of the rent. 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.

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 160 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 55 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 though in some cases the rent may be lower relatively to the rental prices prevailed in 2020.

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.

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

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.

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 870 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), partly based on valuations made by external appraisers as of September 30 2020, and partly based on valuations made by external appraisers as of June 30 2020 and as of December 31, 2019,as well as the examination made of the impact of the Covid-19 crisis on the assumptions underlying the appraisals of the investment property and the investment property under development, including the collection rate of rental and management fees for a years period 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 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 November 23 2020, 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 has a material negative continuous and cumulative 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.

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

In view of the extreme uncertainty accompanying the Covid-19 crisis and being a long lasting and unfolding event, as at the approval date of the report, the Company is unable to estimate the continuous and cumulative impact of the Covid-19 Pandemic and global economic crisis on all of the Group's activities over medium and long term. Furthermore, the Company is unable to estimate the impact of the volatility in the capital, interest and foreign currency markets on its equity and future 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 over the years 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.

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 33.2 million shares for consideration of NIS 633 million, out of which 20 million shares for consideration of NIS 346 were purchased on July 15, 2020 with a tender offer published by the Company on June 30, 2020 which was fully accepted.

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 30 million ATR shares in consideration of EUR 82 million (NIS 320 million). In addition, ATR offered its shareholders the choice to receive scrip dividend in shares instead of cash dividend for the second and third quarters. Consequently, ATR issued 8.4 million shares alternatively to cash dividend of EUR 20.6 out of the total declared dividend, out of which 7.8 million shares were issued to the subsidiary, instead of EUR 19.2 million cash dividend. As a result of the described purchases and issuance, the interest of the Company in ATR rose from to 68.7% and the Group recognized an increase of NIS 203 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 178 million.

7. 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.

8. 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 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:

| | September 30, 2020 | | September 30, 2019 | | December 31, 2019 | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| | NIS in million | | | | | |
| Debentures | 16,756 | 16,516 | 18,680 | 19,948 | 16,405 | 17,462 |
| Interest bearing loans from banks and others | 6,278 | 6,063 | 4,101 | 4,188 | 5,100 | 5,196 |
| | 23,034 | 22,579 | 22,781 | 24,136 | 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 November 23, 2020, the Company declared a dividend in the amount of NIS 0.3 per share (a total of NIS 45 million), payable on January 4, 2021 to the shareholders of the Company as of December 21, 2020.

b. On October 2020, the Company issued, by way of a shelf offer, NIS 328 million par value debentures (Series O), for a net consideration of NIS 324 million, representing effective interest rate of 1.28%.
The debentures are linked to the increase in the consumer price index, bear fixed annual interest at the rate of 1.08% that is payable twice a year on March 31 and September 30 in each of the years 2021 to 2028 (inclusive) and mature as follows: the first installment (8% of the principal) is payable on March 31, 2024, the second installment (15% of the principal) is payable on March 31, 2025, the third installment (30% of the principal) is payable on March 31, 2027, and the fourth installment (47% of the principal) is payable on March 31, 2028.
To secure the debentures (series O), a fixed charge was placed on four real estate properties which are owned by G Israel and whose combined value at the issuance date (Company's share) was approximately NIS 446 million.
As part of the issuance of the debentures (Series O), 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 BBB- by S&P Maalot and less than Baa3 by Midroog.

**NOTE 5:- EVENTS AFTER THE REPORTING DATE (Cont.)**

The Company has also made other undertakings to the holders of the debentures (Series O), 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.
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 audited or reviewed.
Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot, or an equivalent rating of another rating agency, 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.

c. On November 2020, CTY issued NOK 800 million par value debentures (NIS 293 million), carrying an interest of NIBOR + 2.8%, with maturity date on November 2023.

d. On October 19, 2020, as part of the issuance of debentures (series O), the S&P Maalot rating agency reaffirmed the credit rating of all of the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ilAA-', with a negative outlook.
In addition, the rating agency has set the credit rating of the Company’s debentures (Series O), which are secured by a pledge, at a rating of 'ilAA', with a negative outlook.

e. On October 12, 2020, as part of the issuance of debentures (series O), the Midroog rating agency reaffirmed the credit rating of all of the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'Aa3.il', with a negative outlook.
In addition, the rating agency has set the credit rating of the Company’s debentures (Series O), which are secured by a pledge, at a rating of 'Aa2.il', with a negative outlook.

## 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 Nine months ended September 30, 2020 | | | | | | | | |
| Segment revenues | 902 | 606 | 175 | 105 | 71 | 38 | (94) | 1,803 |
| Segment net operating income | 631 | 416 | 127 | 91 | 45 | 26 | (62) | 1,274 |
| Segment operating profit | 566 | 351 | 108 | 81 | 30 | 23 | (1,079) | 80 |
| Finance expenses, net | | | | | | | | (752) |
| Loss before taxes on income | | | | | | | | (672) |

| | 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 Nine months ended September 30, 2019 | | | | | | | | |
| Segment revenues | 983 | 764 | 175 | 168 | 65 | 18 | (91) | 2,082 |
| Segment net operating income | 690 | 539 | 130 | 153 | 42 | 10 | (62) | 1,502 |
| Segment operating profit | 625 | 468 | 116 | 136 | 25 | 7 | (625) | 752 |
| Finance expenses net | | | | | | | | 301 |
| Income before taxes on income | | | | | | | | 1,053 |

**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 September 30, 2020 | | | | | | | | |
| Segment revenues | 307 | 208 | 61 | 28 | 22 | 14 | (29) | 611 |
| Segment net operating income | 218 | 139 | 41 | 23 | 14 | 10 | (19) | 426 |
| Segment operating profit | 195 | 118 | 34 | 19 | 10 | 9 | (200) | 185 |
| Finance expenses, net | | | | | | | | (70) |
| Income before taxes on income | | | | | | | | 115 |

| | 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 September 30, 2019 | | | | | | | | |
| Segments of revenue | 309 | 233 | 59 | 57 | 25 | 5 | (28) | 660 |
| Segment net operating income | 221 | 161 | 45 | 53 | 15 | 3 | (19) | 479 |
| Segment operating profit | 208 | 141 | 41 | 46 | 11 | 3 | (58) | 392 |
| Finance expenses, net | | | | | | | | 303 |
| Income before taxes on income | | | | | | | | 695 |

## 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 |
| | 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 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 | | | | | | | |
| September 30, 2020 | 18,613 | 11,562 | 3,812 | 2,487 | 1,786 | 756 | 1,464 | 40,480 |
| September 30, 2019 | 17,824 | 11,539 | 3,694 | 2,862 | 1,712 | 351 | 4,059 | 42,041 |
| 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 September 30, 2020

INDEX

**Kost Forer Gabbay & Kasierer**
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**To**
**The Shareholders of Gazit Globe Ltd.**

**Dear Sirs/Mmes.,**

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

**Introduction**

**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 September 30, 2020 and for the periods of six and 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 4,541 million as of September 30, 2020, and for which the Company's share of its gains (losses) amounted to NIS (132) million and NIS 22 million in the periods of nine 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
November 23, 2020

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

**GAZIT-GLOBE LTD.**

**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 September 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**

| | September 30, | | December 31, |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| | Unaudited | | Audited |
| | NIS in millions | | |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 162 | 512 | 71 |
| Short-term investments | - | 55 | - |
| Short term loans and current maturities of long-term loans to subsidiaries | 141 | - | 42 |
| Financial assets | 204 | 18 | 14 |
| Financial derivatives | 64 | 205 | 64 |
| Other accounts receivable | 12 | 13 | 10 |
| Total current assets | 583 | 803 | 201 |
| **NON-CURRENT ASSETS** | | | |
| Financial derivatives | 186 | 237 | 240 |
| Investment property | 83 | - | - |
| Other accounts receivable | 23 | 20 | 23 |
| Loans to subsidiaries | 3,994 | 5,578 | 5,275 |
| Investments in subsidiaries | 14,439 | 16,916 | 15,855 |
| Fixed assets and other assets, net | 2 | 37 | 20 |
| Deferred taxes | 178 | - | - |
| Total non-current assets | 18,905 | 22,788 | 21,413 |
| Total assets | 19,488 | 23,591 | 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**

| | September 30, | | December 31, |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| | Unaudited | | Audited |
| | NIS in millions | | |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Credit from financial institutions | 208 | 250 | 250 |
| Current maturities of non-current liabilities | 367 | 907 | 500 |
| Short-term loans from subsidiaries | 5 | 1,223 | 1,374 |
| Financial derivatives | 40 | 67 | 51 |
| Trade payables | 6 | 2 | 3 |
| Other accounts payable | 54 | 150 | 54 |
| Current taxes payable | 78 | 179 | 89 |
| Dividend payable | - | - | 75 |
| Total current liabilities | 758 | 2,778 | 2,396 |
| **NON-CURRENT LIABILITIES** | | | |
| Loans from banks and others | 2,318 | 1,346 | 1,936 |
| Long-term loans from subsidiaries | 3,819 | 4,294 | 2,678 |
| Debentures | 6,765 | 7,309 | 6,316 |
| Other liabilities | 69 | - | 61 |
| Deferred taxes | 32 | 2 | 36 |
| Total non-current liabilities | 13,003 | 12,951 | 11,027 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | | | |
| Share capital | 204 | 237 | 237 |
| Share premium | 4,062 | 4,656 | 4,656 |
| Reserves | (3,509) | (2,627) | (2,442) |
| Retained earnings | 4,970 | 5,596 | 5,740 |
| Total equity | 5,727 | 7,862 | 8,191 |
| Total liabilities and equity | 19,488 | 23,591 | 21,614 |

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

| November 23, 2020 | | | |
|---|---|---|---|
| Date of approval of the financial statements | Ehud Arnon<br>Chairman of the Board | Chaim Katzman<br>CEO and Vice Chairman of the Board | Adi Jemini<br>Executive Vice President and CFO |

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

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| | Unaudited | | | | Audited |
| | NIS in millions | | | | |
| Management fees from related companies | 2 | 2 | 1 | 1 | 3 |
| Rental income | 1 | - | - | - | - |
| Finance income from subsidiaries | - | 20 | 2 | - | 47 |
| Other finance income | 9 | 990 | 208 | 535 | 815 |
| Other income | - | 8 | - | - | 8 |
| Total income | 12 | 1,020 | 211 | 536 | 873 |
| Fair value loss from investment property, net | 4 | - | - | - | - |
| General and administrative expenses | 32 | 33 | 13 | 10 | 44 |
| Financing expenses from subsidiaries | 17 | - | - | 14 | - |
| Finance expenses | 338 | 368 | 98 | 25 | 605 |
| Other expenses | 17 | 68 | - | - | 68 |
| Total expenses | 408 | 469 | 111 | 49 | 717 |
| Income (Loss) before income from subsidiaries, net | (396) | 551 | 100 | 487 | 156 |
| Income (loss) from subsidiaries, net | (264) | (42) | (61) | 71 | 607 |
| Income (loss) before taxes on income | (660) | 509 | 39 | 558 | 763 |
| Taxes on income (tax benefit) | (170) | 76 | 16 | 84 | 108 |
| Net income (loss) attributable to the Company | (490) | 433 | 23 | 474 | 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**

| | Nine months ended September 30, | | Three months ended September 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** | **2019** |
| | **Unaudited** | | | | **Audited** |
| | **NIS in millions** | | | | |
| Net income (loss) attributable to the Company | (490) | 433 | 23 | 474 | 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 | (225) | 27 | (255) | 4 | 56 |
| Realization of capital reserve from foreign currency exchange differences | - | 68 | - | - | 68 |
| Other comprehensive income (loss) attributable to the Company | (225) | 95 | (255) | 4 | 124 |
| Other comprehensive income (loss) attributable to subsidiaries (net of tax effect) | (1,119) | (1,587) | 138 | (881) | (1,432) |
| Total other comprehensive loss attributable to the Company | (1,344) | (1,492) | (117) | (877) | (1,308) |
| Total comprehensive loss attributable to the Company | (1,834) | (1,059) | (94) | (403) | (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**

| | Nine months ended September 30, | | Three months ended September 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 | (490) | 433 | 23 | 474 | 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 | (* - | 1 | 1 |
| Finance expense (income), net | 346 | (642) | (112) | (496) | (257) |
| Fair value loss from investment property and investment property under development, net | 4 | - | - | - | - |
| Loss (income) from subsidiaries, net | 264 | 42 | 61 | (71) | (607) |
| Realization of capital reserve from foreign currency exchange differences | - | 68 | - | - | 68 |
| Cost of share-based payment | 3 | 3 | 2 | 1 | 4 |
| Taxes on income (tax benefit) | (170) | 76 | 16 | 84 | 108 |
| | 447 | (452) | (33) | (481) | (683) |
| Changes in assets and liabilities of the Company: | | | | | |
| Decrease (increase) in other accounts receivable | 17 | (14) | 71 | (1) | (10) |
| Increase (decrease) in trade payables and other accounts payable | 5 | (9) | (53) | (* - | (17) |
| | 22 | (23) | 18 | (1) | (27) |
| Cash paid and received during the year by the Company for: | | | | | |
| Interest paid | (234) | (282) | (67) | 28 | (476) |
| Interest received from (paid to) subsidiaries, net | (132) | (7) | (46) | (50) | 88 |
| Taxes paid | (3) | (4) | - | (2) | (5) |
| Tax refund received | - | 9 | - | - | 9 |
| Dividend received | 9 | - | (* - | - | - |
| Dividend received from subsidiary | 141 | 168 | 44 | 54 | 223 |
| | (219) | (116) | (69) | 30 | (161) |
| Net cash provided by (used in) operating activities of the Company | (240) | (158) | (61) | 22 | (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

| | Nine months ended September 30, | | Three months ended September 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 | (* - | (26) | (* - | (4) | (37) |
| Acquisition, construction and development of investment property | (87) | - | (9) | - | - |
| Short-term investments, net | - | (51) | 346 | 80 | (53) |
| Investments in subsidiaries | 85 | 21 | - | - | 21 |
| Loans repaid by (granted to) subsidiaries, net | 1,146 | 2,349 | 200 | 129 | 2,852 |
| Investment in financial assets, net | (268) | (6) | 1 | (2) | (8) |
| Net cash provided by investing activities of the Company | 876 | 2,287 | 538 | 203 | 2,775 |
| Cash flows from financing activities of the Company: | | | | | |
| Exercise of share options into shares | (*- | (* - | (* - | (* - | (* - |
| Receipt of short-term credit facilities from financial institutions, net | (42) | - | (42) | - | - |
| Purchase of treasury shares | (633) | (158) | (347) | - | (158) |
| Dividend paid to equity holders of the Company | (293) | (298) | (65) | (75) | (298) |
| Issuance of debentures less issuance expenses | 1,192 | - | - | - | - |
| Repayment and early redemption of debentures | (843) | (1,550) | (392) | (899) | (3,095) |
| Receipt (repayment) of long-term credit facilities from banks, net | 113 | (338) | 72 | 393 | 353 |
| Repayment of long-term loans | - | - | - | - | (21) |
| Net cash used in financing activities of the Company | (506) | (2,344) | (774) | (581) | (3,219) |
| Exchange differences on balance of cash and cash equivalents | (39) | (11) | (8) | (18) | (7) |
| Increase (decrease) in cash and cash equivalents | 91 | (226) | (305) | (374) | (667) |
| Cash and cash equivalents at the beginning of period | 71 | 738 | 467 | 886 | 738 |
| Cash and cash equivalents at the end of period | 162 | 512 | 162 | 512 | 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 September 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 September 30, 2020.

b. As of September 30, 2020 (the "Reporting Date"), the Company has a working capital deficiency of NIS 0.2 billion, mainly as a result from short terms loans from wholly owned subsidiaries of NIS 5 millions. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 0.4 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.

c. 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 333 million (Series D, K, L, M and N) for a consideration of NIS 372 million. As a result, the Company recorded a loss from early redemption of approximately NIS 8 million. The repurchased debentures were cancelled and delisted.

c. Material events during the period (cont.)

4. During the reporting period, the Company repurchased approximately 33.2 million shares for consideration of NIS 633 million, out of which 20 million shares for consideration of NIS 346 were purchased on July 15, 2020 with a tender offer published by the Company on June 30, 2020 which was fully accepted.

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 178 million.

9. 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.

10. 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.

d. 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:

| | **September 30, 2020** | | **September 30, 2019** | | **December 31, 2019** | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| | **NIS in million** | | | | | |
| Debentures | 7,110 | 6,737 | 8,195 | 9,188 | 6,795 | 7,605 |
| Loans from banks and others | 2,340 | 2,343 | 1,367 | 1,429 | 1,957 | 2,008 |
| | 9,450 | 9,080 | 9,562 | 10,617 | 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.

e. Events after the reporting date

1. On October 2020, the Company issued, by way of a shelf offer, NIS 328 million par value debentures (Series O), for a net consideration of NIS 324 million, representing effective interest rate of 1.28%.
   The debentures are linked to the increase in the consumer price index, bear fixed annual interest at the rate of 1.08% that is payable twice a year on March 31 and September 30 in each of the years 2021 to 2028 (inclusive) and mature as follows: the first installment (8% of the principal) is payable on March 31, 2024, the second installment (15% of the principal) is payable on March 31, 2025, the third installment (30% of the principal) is payable on March 31, 2027, and the fourth installment (47% of the principal) is payable on March 31, 2028.
   To secure the debentures (series O), a fixed charge was placed on four real estate properties which are owned by G Israel and whose combined value at the issuance date (Company's share) was approximately NIS 446 million.
   As part of the issuance of the debentures (Series O), 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 BBB- by S&P Maalot and less than Baa3 by Midroog.
   The Company has also made other undertakings to the holders of the debentures (Series O), 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.
   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 audited or reviewed.
   Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot, or an equivalent rating of another rating agency, 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 October 19, 2020, as part of the issuance of debentures (series O), the S&P Maalot rating agency reaffirmed the credit rating of all of the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ilAA-', with a negative outlook.
   In addition, the rating agency has set the credit rating of the Company’s debentures (Series O), which are secured by a pledge, at a rating of 'ilAA', with a negative outlook.

3. On October 12, 2020, as part of the issuance of debentures (series O), the Midroog rating agency reaffirmed the credit rating of all of the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'Aa3.il', with a negative outlook.
   In addition, the rating agency has set the credit rating of the Company’s debentures (Series O), which are secured by a pledge, at a rating of 'Aa2.il', with a negative outlook.

f. Dividend declared

On November 23, 2020, the Company declared a dividend in the amount of NIS 0.3 per share (a total of NIS 45 million), payable on January 4, 2021 to the shareholders of the Company as of December 21, 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 June 30, 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 third 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.

November 23, 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 third 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.

November 23, 2020

Adi Jemini, Executive Vice President and Chief Financial Officer