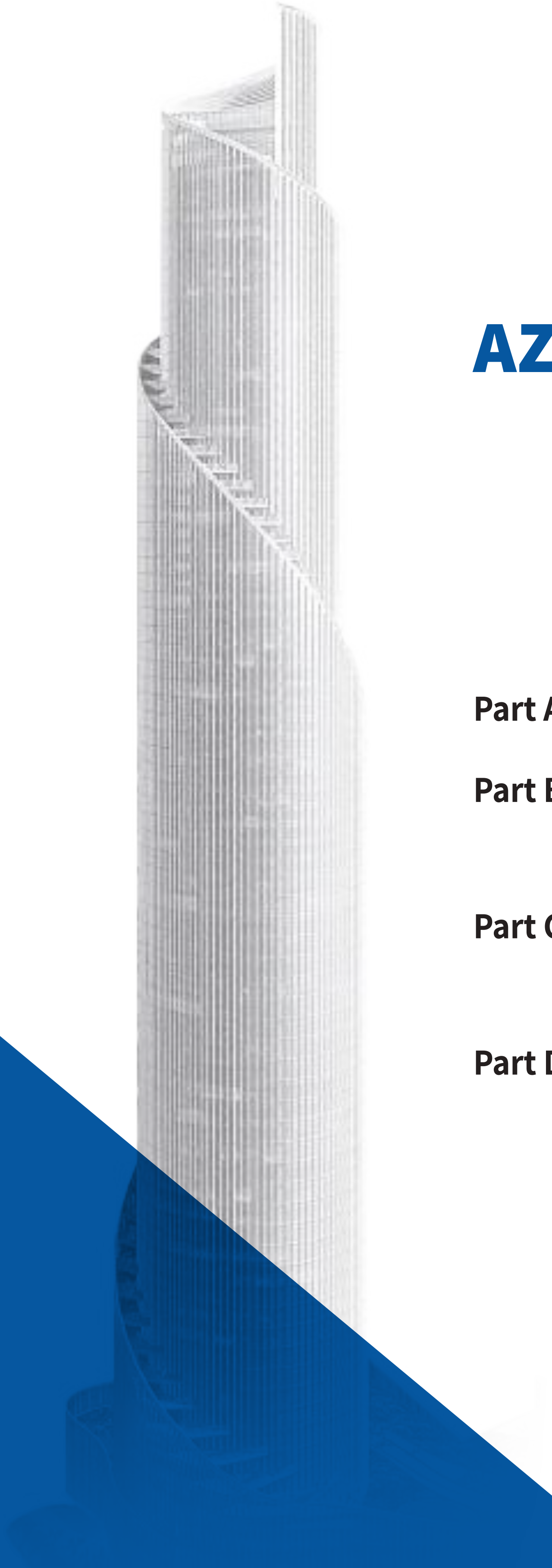
AZRIELIGROUP

AZRIELI GROUP LTD.

Quarterly Report Q1/2020

Dated 31 March 2020



AZRIELI GROUP LTD.

Quarterly Report Q1/2020
Dated 31 March 2020

Part A | Board Report

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

Part C | Consolidated Financial Statements Dated 31 March 2020

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

PART A

Board Report

Azrieli Group

BUSINESS CARD

Azrieli Group is focused on the income-producing real estate sector and is Israel's largest real estate company.
In the shopping mall sector, the Group holds several leading malls, including Azrieli Jerusalem mall, Azrieli Ayalon mall and Azrieli Tel Aviv mall. The Company also holds and manages office properties, including some of the most prominent in Israel, such as the Azrieli Tel Aviv Center and Azrieli Sarona tower. The Company also operates in the senior housing sector, and with the opening of the senior home in Lehavim in May 2020, manages four active senior homes. In the United States, the Company holds several office buildings, mainly in Houston and Austin, Texas. Furthermore, the Company holds 20.7% in a company operating mainly in the Data Centers industry in North America, and in February 2020 the Company closed its acquisition of the Mount Zion Hotel in Jerusalem.
Azrieli Group has an extraordinary pipeline of hundreds of thousands of square meters of office, retail and senior housing space in projects under development or in planning stages, which will contribute significantly to the Group's future growth. In addition, we constantly invest in the preservation of the quality and value of our current property portfolio.
In addition to its real estate business, the Group has other holdings and activities: The Azrieli.com e-commerce platform. Until recently the Group held GES, a water and wastewater treatment and chemicals company (for details with respect to the closing of the sale of the entire holdings in GES, see Section 1.2.3.3 below). The Company also has a financial holding of Bank Leumi stock (approx. 3.1%).
Azrieli Group's financial strength puts it in a class of its own among real estate companies. The Company has low leverage, with a net debt to assets ratio of just 26%. We target the best locations for our properties, to provide good transportation access over time and form a significant part of their urban environment. The location and quality of the properties are planned to serve as the best platform for our malls' tenants and visitors. As Israel's leading and strongest real estate group, Azrieli Group intends to continue its work in the real estate sector, and lead the development and management of high-quality, modern and innovative income-producing properties in Israel and overseas.
The Group will continue to focus on its core business, while investing in new growth engines and applying advanced technologies.

Established in 1983

NIS 3.6 billion distributed in dividends since the IPO

Over 1.2 million sqm of leasable areas and more than 0.7 million sqm under development

Israel's largest real estate company with total assets of NIS 34.5 billion

99% occupancy rate* on average in Israel

* Net of properties under lease-up for the first time

18 MALLS

349 thousand sqm | 98% Occupancy*

14 OFFICE BUILDINGS

548 thousand sqm | 99% Occupancy

3 SENIOR HOMES

76 thousand sqm | 99% Occupancy*

8 OFFICE BUILDINGS OVERSEAS

246 thousand sqm | 78% Occupancy

DEVELOPMENT PIPELINE

12 properties | 757 thousand sqm

PERFORMANCE SUMMARY AND FINANCIAL HIGHLIGHTS FOR Q1 2020

Rise of approx. 3% in NOI (approx. NIS 410 million), compared with Q1 2019 (approx. NIS 399 million)

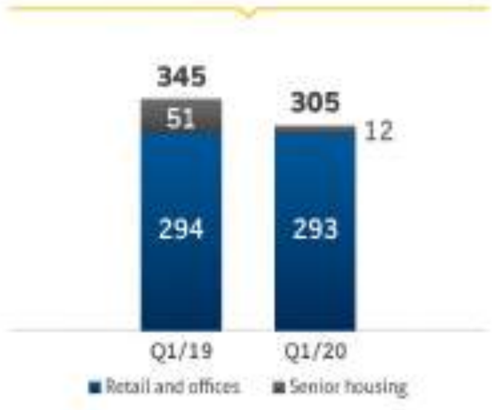
NOI

Rise of approx. 1% in Same Property NOI (approx. NIS 404 million), compared with Q1 2019 (approx. NIS 399 million)

Same Property NOI

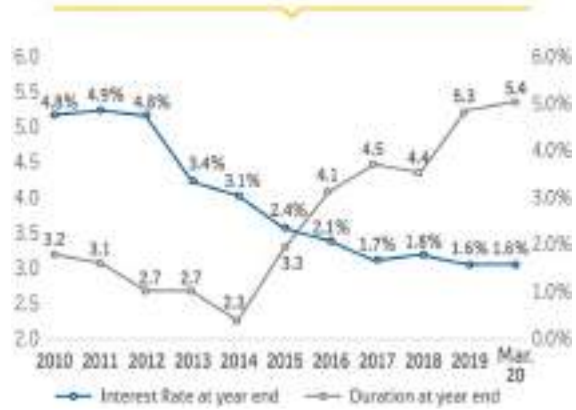
NIS 305 million in FFO attributed to the income-producing real estate business

FFO from income-producing real estate business



Average debt duration extended while decreasing the interest rate

Average interest vs. average duration



In May 2020 the company distributed NIS 300 million in dividends

This is a translation of Azrieli Group's Hebrew-language Quarterly Report and Financial Statements as of March 31, 2020. It is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in any event of discrepancy, the Hebrew version shall prevail.

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

1.1. General

The board of directors of Azrieli Group Ltd. (the "**Company**"; the Company jointly with all corporations directly and/or indirectly held thereby shall be referred to as the "**Group**" or the "**Azrieli Group**") is proud to present this board of directors' report for the three months ended March 31, 2020 (the "**Report Period**" and/or the "**Quarter**"), in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Regulations**").

The review presented below is limited in scope and refers to events and changes in the state of the Company's affairs that occurred during the Report Period and have a material effect (for details on the ramifications of the spread of COVID-19, see Section 2.2 below). The review should be read in conjunction with the Description of the Corporation's Business chapter in the periodic report for December 31, 2019, the financial statements and the board of directors' report on the state of the Company's affairs for the year ended on the same date[1] (the "**Periodic Report for 2019**"), the update to the Corporation's Business chapter and the financial statements as of March 31, 2020.

Unless otherwise stated herein, the terms defined in Chapter A of the Periodic Report for 2019, which is included herein by way of reference, shall have the meanings set forth alongside them.

The information in the board of directors' report is based on the consolidated financial statements as of March 31, 2020.[2] The Company's financials and results of operations are affected by the financials and results of operations of the companies held thereby. In some cases, we present details of events that occurred subsequently to the date of the financial statements as of March 31, 2020 and until the date of release of the report (the "Report Release Date"), while indicating the same, or additional figures and details that are strictly at Company-level. The materiality of the information included in this report has been examined from the Company's perspective. In some cases, an additional and detailed description is provided in order to provide a comprehensive picture of the described issue, which the Company believes to be material for the purposes of this report.

[1] See the Company's report of March 25, 2020 (Ref.: 2020-01-025963), which is included herein by way of reference.

[2] The attached financial statements are prepared according to the International Financial Reporting Standards ("**IFRS**"). For further details, see Note 2 to the financial statements as of March 31, 2020.

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

1.2.1. Summary of Operating Segments for the Three Months Ended March 31, 2020

During the Report Period and as of the Report Release Date, Azrieli Group continued to focus its business operations on various real estate sectors, primarily on the retail centers and malls in Israel segment, the leasable office (and other) space in Israel segment, as well as on the income-producing property overseas segment (mostly in the U.S.). The Company has also been active in the senior housing segment. In addition, the Company (indirectly) holds 20.7% in Compass, operating mainly in the data centers industry in North America. Furthermore, in February 2020 the Company closed the purchase of the Mount Zion Hotel in Jerusalem. The Company is also active in the e-commerce business and has holdings of minority interests in Bank Leumi LeIsrael Ltd. On January 23, 2020, Canit Hashalom engaged in an agreement for the sale of its holdings in GES[3] the business of which is water, wastewater, air, waste and industrial chemicals treatment, and presented in the financial statements as a discontinued operations. On May 7, 2020 such sale was closed.

The Group's primary growth engine is the development of income-producing real estate projects: malls, offices and senior housing. As of the report date, the Company has twelve projects in Israel in various development stages, the planned area of which is approx. 757 thousand sqm, as well as land for development. A brief description of the Group's four reported operating segments, as well as its additional activities ("**Others**") follows:

1. **Retail centers and malls in Israel –** The Group has 18 malls and retail centers in Israel;
2. **Leasable office and other space in Israel** – The Group has 14 income-producing office properties in Israel;
3. **Income-producing properties in the U.S.** – The Group has 8 office properties overseas, mainly in the U.S.;
4. **Senior housing** – The Group has 3 active senior homes in Israel.

Assets and additional activities – For details on the Company (indirect) investment in Compass, operating in the data centers industry, see Section 1.2.3.2 below. For details on assets and other activities that are not included in the operating segments described above, including activities in the e-Commerce business, activities in the hospitality segment, holdings of approx. 3.1% of the shares of Bank Leumi Le-Israel Ltd.[4], see Sections 2.13 and 3 below.

[3] For further details, see the Company's immediate reports as of January 26, 2020, April 30, 2020 and May 10, 2020 (Ref. 2020-01-009789, 2020-01-042639 and 2020-01-0425465, respectively), included herein by way of reference.
[4] The Company has also made negligible investments in investment funds, as specified in Section 14.2.3 of Chapter A of the Periodic Report for 2019, which is included herein by way of reference.

1.2.2. Breakdown of Asset Value by Operating Segment

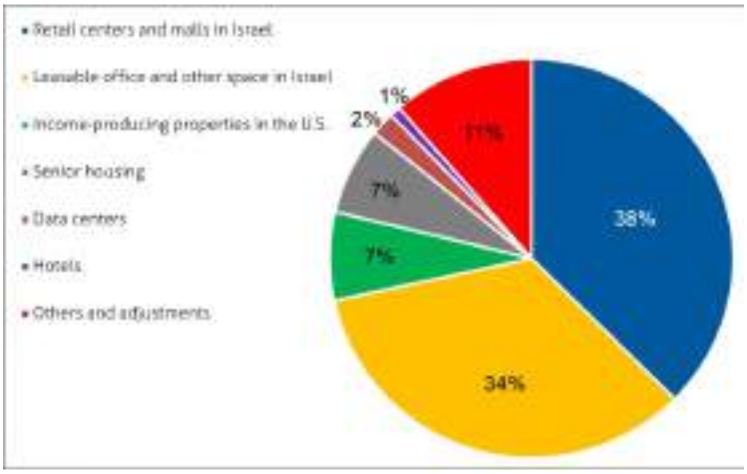
The following chart presents a breakdown of the total balance sheet assets by operating segment:[5]

Breakdown of Total Balance Sheet Assets by Operating Segment

As of	31.3.2020	31.12.2019
Retail centers and malls in Israel	**12,917**	13,018
Leasable office and other space in Israel	**11,784**	11,655
Income-producing properties in the U.S.	**2,468**	2,421
Senior housing	**2,437**	2,410
Data centers	**668**	582
Hospitality	**291**	-
Others and adjustments	**3,931**	5,153
Total	**34,496**	35,239

Percentage of Segment Assets out of Total Assets

31.3.2020



Figures are presented in millions of NIS.

The retail centers and malls segment constitutes approx. 38% of the total balance sheet assets. The other income-producing real estate segments, in the aggregate, constitute approx. 51% of the total balance sheet assets. In the Company's estimation, the relative share of retail centers and malls is expected to decrease over time, in view of the Group predominantly focusing its development efforts in the coming years on the office and senior housing segments.

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

1.2.3.1. Assets under Development

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

1.2.3.2. Investment in Compass

In July 2019, Azrieli Data Centers LLC, an (indirectly) wholly-owned subsidiary of the Company (in this section: the "**Buyer**") entered into an investment agreement (in this section: the "**Agreement**") with Compass, and in an

[5] The Company applied IFRS 8 – Operating Segments in its financial statements.

operating agreement with the unit holders in Compass. The main business of Compass is data centers in North America. Compass owns active sites and additional sites under construction and development. The said transaction, in which the Buyer made an investment in the unit capital of Compass, was closed and the consideration therefor was paid by the Buyer to Compass. The Buyer has invested in Compass' equity and holds approx. 20% of the unit capital of Compass (in this section: the "**Initial Investment**"). The Buyer has an option to make additional investments and increase its holdings in Compass up to approx. 33% according to the price per unit in the Initial Investment. At the closing of the transaction, the Buyer paid Compass approx. U.S. $135 million in respect of the Initial Investment. For further details, see the Company's immediate report of July 18, 2019 (Ref.: 2019-01-073885), and the presentation released by the Company regarding the data centers market and regarding Compass and its operation from the same date (Ref.: 2019-01-073897), which are included herein by way of reference. In February 2020, another investment round was made in Compass such that as of the Report Release Date the Company (indirectly) holds approx. 20.7% of the unit capital of Compass.

1.2.3.3. The Sale of GES

Further to the Company's reports, whereby it intends to focus on the core real estate business, on September 12, 2019, a non-binding MOU was signed with Generation Capital Ltd. (in this section: the "**Buyer**") for the sale of the entire holdings (100%) in GES,

On January 23, 2020, Canit Hashalom Investment Ltd., a subsidiary wholly owned by the Company (in this section: the "**Seller**") together with GES, engaged in an agreement (in this section: the "**Agreement**") with the Buyer for the sale of the Seller's entire holdings (100%) in GES to the Buyer, in consideration for NIS 110 million, subject to adjustments, *inter alia*, for changes in working capital and net financial debt of GES, if any, up to the closing date, (in this section: the "**Transaction**"). On January 30, 2020, an approval of the Competition Commissioner for the Transaction was received.

On April 28, 2020, all of the closing conditions for the Transaction were fulfilled, and on May 7, 2020, the Transaction was closed. In accordance with the addendum to the Agreement, which was signed on the Transaction closing date, the consideration in the Transaction is NIS 105 million, while on the Transaction closing date, the Buyer paid the Seller approx. NIS 50 million. The balance of the consideration in the sum of approx. NIS 55 million, subject to adjustments, will be paid by the Buyer in two installments – one half 24 months after the Transaction closing date and one half 36 months after the Transaction closing date.

For further details, see the Company's immediate reports of September 12, 2019, January 26, 2020, April 30, 2020 an May 10, 2020 (Ref.: 2019-01-095770, 2020-01-009789, 2020-01-042639 and 2020-01-045465, respectively), which are included herein by way of reference.

1.2.3.4. Financing Transactions

In April 2020, the Company issued Series E and F Bonds of the Company[6], by way of expansion of such series of bonds, such that approx. NIS 811 million par value of Series E Bonds were allocated in consideration for approx. NIS 847 million (approx. NIS 842 million after attribution of the issue expenses) and approx. NIS 762 million par value of Series F Bonds in consideration for approx. NIS 850 million (approx. NIS 841 million after attribution of the issue expenses).

[6] According to a shelf offering report released on April 20, 2020 (Ref.: 2020-01-035128) released under the 2019 shelf prospectus. Such reports are included herein by way of reference.

1.2.3.5. The Purchase of the Mount Zion Hotel in Jerusalem

Following the Company's reports, whereby it examines from time to time entry to operating segments related to its income-producing property operating segment, on December 8, 2019, the Company engaged in an agreement with a third party, who is not affiliated with the Company and/or its controlling shareholders, for the purchase of the Mount Zion Hotel in Jerusalem (in this section: the "**Transaction**") in consideration for NIS 275 million plus VAT. On February 9, 2020 the Transaction was closed.

For further details, see the Company's immediate reports of December 9, 2019 (Ref. 2019-01-107367, 2019-01-107397), of December 18, 2019 (Ref.: 2019-01-111237) and of February 9, 2020 (Ref.: 2020-01-014439), which are included herein by way of reference.

1.2.3.6. Outbreak of COVID-19

For further details in connection with the impact of the spread of COVID-19 on the Company's business, see Section 2.2 below.

1.2.4. Dividends distributed by the Company

	Date of Approval	Date of Payment	Sum of Dividend
Azrieli Group	March 24, 2020	May 14, 2020	NIS 300 million[7]

1.2.5. Dividends distributed to the Company

	Date of Approval	Date of Payment	Sum of Dividend	Company's Share out of the total Dividend Distributed
Bank Leumi	February 2, 2020	March 23, 2020	Approx. NIS 297 million	Approx. NIS 9 million

[7] As of March 31, 2020, the Company has retained earnings in the sum of approx. NIS 15 billion.
Considering previous distributions made by the Company, and the Company's financial results, on March 24, 2020, the Company's Board examined the distribution of a NIS 600 million dividend, and reached the conclusion that such distribution meets all of the distribution tests. However, for the sake of caution and, *inter alia*, in view of the uncertainty surrounding the impact of the spread of COVID-19 affecting the world, the Company's Board decided to approve, at this time, a dividend distribution of NIS 300 million only, and to re-discuss another distribution of up to NIS 300 million more, during the course of 2020.

2 | INCOME-PRODUCING REAL ESTATE

2.1. Business Environment

The business environment in which the Company operates is described in Section 6 of Chapter A of the Periodic Report for 2019 and included herein by way of reference. In this context, see Section 2.2 below for updates in connection with the ramifications of the spread of COVID-19.

*The Group's aforesaid estimations with regards to the changes in the income-producing real estate sector in Israel and their effect on the Group's results are merely subjective estimations and constitute forward-looking information as defined in the Securities Law, 5728-1968 (the "**Securities Law**"). Actual results and effects may materially differ from the aforesaid estimations and what they imply, for various reasons, including the further intensification of competition, a decline in demand, a deterioration of the Israeli economy and the ramifications of the spread of COVID-19.*

2.2. Outbreak of COVID-19

The beginning of 2020 saw the outbreak of COVID-19 in China which continued to spread across the world. The outbreak of the virus is affecting various business sectors in many countries. According to assessments published by the Bank of Israel until the Report Release Date in connection with the effects of COVID-19 on the Israeli economy, a decrease of approx. 4.5% of GDP in 2020 is expected, followed by an expected increase of the GDP to 6.8% in 2021[8]. Furthermore, according to the estimations of the Bank of Israel, in H2/2020 the unemployment rate is expected to rise to 8.5%, following by a decrease in 2021, such that by the end of 2021 the unemployment rate will be 5.5%.

On March 11, 2020 the WHO declared a pandemic and steps were taken to mitigate the spread of COVID-19.

2.2.1. The Company's preparations in dealing with the COVID-19 crisis

Upon the outbreak of COVID-19 in Israel, the Company began taking action to handle the outbreak of the virus, inter alia, as specified below:

- Appointment of a COVID-19 officer to coordinate the information, treatment and implementation of the Ministry of Health's guidelines with respect to the Company's dealing with the spread of the virus, in each of the Company's business areas.
- Appointment of a senior medical consultant, the deputy director general of one of the largest hospitals in Israel, to provide advice on and solutions to various issues dealing with the spread of the virus.
- Establishment of think tanks for each of the Company's segments and activities, for the purpose of forming work plans during the crisis period, exiting the crisis and preparing for a "second wave", mid to long-term think tanks have been established to analyze consumer and business behavior in various areas which relate to / overlap with the Company's business, as well as establishment of teams to examine business opportunities on the one hand and manage financial risks on the other hand.
- Strict management of the Company's expenses to save on costs and "keep the cash reserves", including operating expenses of security, cleaning, electricity etc., in order to adjust the amount of expenses in the properties to the scope of activity.

[8] https://www.boi.org.il/he/NewsAndPublications/PressReleases/Pages/25-05-20.aspx.

- Efficient management of manpower, including having employees take unpaid leave as well as finding telecommuting solutions to maintain business continuity.
- Strengthening the Company's liquidity, through expansion of bond series.
- Conducting a dialogue with the regulators for formulation of a plan for return to normalcy which ensures the health and safety of the workers and visitors to the Company's properties, alongside a resumption of business activity.

2.2.2. Effect of the COVID-19 crisis on the segment of retail centers and malls in Israel

The retail centers and malls in Israel segment constitute approx. 37% of the total assets of the Company.

On March 15, 2020, the Israeli Government issued a directive to shut down cultural and recreational venues, a directive that also applied to the Company's malls (other than to essential businesses such as supermarkets, drugstores, food businesses for deliveries only, clinics and banks). In this context it is noted that the rent revenues from such essential businesses constitute 10% of the total rent revenues in the segment of retail centers and malls in Israel.

Establishment of a special financial aid fund for the Group's mall tenants

In view of the impact of the Government's directive on the tenants in the Group's malls, the Company set up a NIS 100 million special financial aid fund for tenants in the Group's malls. As of the Report Release Date, dozens of applications from tenants in the Group's malls to receive loans from the fund are being processed, and the Company is working to grant loans from the fund in order to aid tenants in its malls in the return to normalcy, through the fund, in addition to the relief in rent and management fee payments as specified below.

Relief plan for tenants of the Company's malls

On March 17, 2020, the Company reported granting an exemption from payment of rent for the second half of March 2020 to tenants who were closed following the Israeli Government's directive of March 15, 2020 (other than essential businesses such as supermarkets, drugstores, food businesses for deliveries only, clinics and banks) (in this section: the "**Tenants**"), as well as suspension of rent and management fee payments for the period from April 1, 2020 until the Tenants resume normal operations[9].

Prior to the resumption of operations of the Group's malls, the Company formulated a relief plan for the Tenants of its malls regarding the period of the restrictions in which the majority of the businesses in the malls were closed, as well as the period after their reopening (the "**Relief Plan**" or the "**Plan**")[10], whose highlights are as follows: for the period from March 15, 2020 until May 4, 2020, the Company will grant a full exemption to Tenants from payment of rent and management fees; from May 5, 2020 until May 14, 2020 (in this section: the "**Preparation Period**"), the Company will grant a full exemption to Tenants from rent[11] and a 75% discount on management fee payments; for the period from the end of the Preparation Period until May 31, 2020, the Company will grant a 75% discount on rent[12] and a 50% discount on management fees; and for June 2020, a 50% discount on rent[12] will be granted, with no discount on the management fees.

In the event that (all or some) of the Tenants are paid grants under a government aid program, the Plan will be adjusted and the amounts of the aforesaid discounts will be reduced accordingly.

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[9] For further details, see the Company's Immediate Report of March 17, 2020 (Ref. No. 2020-01-025770).
[10] See the Company's Immediate Report of May 5, 2020 (Ref. No. 2020-01-044070).
[11] Other than payment according to rent-to-sales ratio for the same period as set forth in the contract.
[12] Or payment according to rent-to-sales ratio for the same period as set forth in the contract, whichever is higher.

In accordance with the Company's assessments, insofar as the relief specified will be granted to Tenants in full[13], the total relief specified in the said Plan is approx. NIS 200 million (on a one-time basis).

It is emphasized that the effect of the crisis and the Relief Plan is expected to be reflected in the Company's NOI results, especially starting from Q2/2020.

Plan for exiting the crisis and a return to normalcy

As part of the strategy for the return to normalcy in the Israeli economy, the Israeli Government released a directive whereby, from May 7, 2020, the malls will also resume operations, subject to the definitions and rules determined (the Purple Badge), including the appointment of a COVID-19 officer in each mall who will be responsible for compliance with the rules, the requirement to wear face masks, the restriction on the number of people per sqm, the marking of places to stand in order to comply with the 2 meter distance requirement, the maintenance of a high standard of hygiene, and more.

As of the Report Release Date, the activity of movie theaters is banned, as are public events on the mall's premises. The activity of movie theaters is expected to be resumed on June 14, 2020. In addition to these restrictions, each store in the mall premises is required to operate in accordance with the guidelines relevant thereto, including restaurants, cafes and gyms. As of the Report Release Date, restrictions still apply to dining in malls' fast food court.

Other restrictions which have an effect on the visitor traffic in the malls are the restrictions placed by the Israeli Government on public transportation, including buses (mainly in limiting the number of passengers on a bus) and the activity of Israel Railways, which is expected to resume operations beginning on June 8, 2020. The removal of the restrictions specified above may support an increase of the number of visitors to the malls.

As of the Report Release Date, a positive trend in visitor traffic in the Company's malls is apparent, and approx. 99% of all the tenants of the Company's malls (whose businesses were allowed to open) have resumed business.

2.2.3. Impact of the COVID-19 crisis on the leasable office and other space in Israel segment

On March 17, 2020, the Ministry of Health announced directives on "reducing people's need to get out of the house". These directives led to a switch to telecommuting by a large percentage of workers, in consequence of which the number of workers coming into the Company's office properties decreased.

On April 28, 2020, the Ministry of Health released more lenient directives, which make it possible to return to normalcy in workplaces, inter alia, by adopting the "Purple Badge" rules.

As of the Report Release Date, there has been an increase in the traffic of workers and visitors to the office properties owned by the Company.

The Company is continuing to take various measures to reduce the spread of the virus in its properties, inter alia, carrying out cleaning and disinfection of the public areas of its properties, taking visitors' temperatures, limiting the number of elevator users, requiring use of face masks, etc.

The Company's revenues from the segment of office space for lease in Israel have not been materially affected since the outbreak of the COVID-19 crisis, other than due to a response to specific requests of tenants in the Company's office properties for relief (mainly tenants whose opening was banned or significantly restricted such as: gyms, dental clinics, colleges, etc.) as well as the spreading out of rent payments due to the COVID-19 crisis.

[13] I.e., insofar as with respect to all of the tenants, the payment according to the rent-to-sales ratio will be lower than the rent after the discount in each period, and in the event that no grants are paid under a government aid program.

As of the Report Release Date, rent collection for April has been approx. 95%, mainly in view of relief which was provided by the Company through the spreading out and deferral of payments as aforesaid.

Furthermore, in view of the reduced use of the Company's parking lots which serve both the retail centers and malls segment and the offices segment, during the months of April-May 2020, the Company estimates that its revenues from operation of the parking lots in Q2/2020 will decrease. Concurrently, the Company took cost-saving measures and was also entitled to an exemption for payment of municipal property taxes, such that the adverse effect on the results of operation of the parking lots is negligible.

2.2.4. Further impact of the COVID-19 crisis on other activities of the Company

The Company's income-producing properties in the U.S. – Similarly to the office properties in Israel, the Company's office properties in U.S. have also seen less employee and visitor traffic due to COVID-19. There has been a negligible effect on the Company's revenues from the segment of income-producing properties in the U.S. since the outbreak of the COVID-19 crisis, due to the granting of specific requests from tenants to spread out rent payments. As of the Report Release Date, rent collection for April has been about 99%.

The Mount Zion Hotel – On March 17, 2020, the Company closed down the activity of the Mount Zion Hotel, in view of the encumbering directives imposed on operations of hotels due to the COVID-19 crisis.

With respect to the senior housing properties – The Company formulated strict procedures with respect to the entrance of visitors to the Group's senior homes, since the residents are an at-risk population. At the end of February 2020, the Palace Chain Medical manager, who is a certified nurse with vast experience in prevention of infectious diseases, was appointed to manage all of the chain's COVID-19-related operations, *inter alia* vis-à-vis the regulator. The measures taken, *inter alia*, include the preparation of medical departments in each home in case Palace residents are found to have contracted the virus, implementation of social distancing measures to protect the health of the residents, designated and concentrated procurement of the required protective equipment, carrying out of self-initiated COVID-19 testing of the residents and staff at the homes on an ongoing basis, banning entrance of walk-in visitors (such as subscribers to the classes, pool and gym) who are not Palace residents, and cancellation of activities which involve gathering, use of means of communication by the residents following the reduction of visiting possibilities by family members, holding of daily HQ meetings to monitor the developments and directives of the Ministry of Health, and keeping the residents' families informed on a regular basis, and more.

With respect to the Azrieli e-commerce business – the COVID-19 crisis accelerated the shift in Israeli consumers' shopping habits, which was reflected by a significant increase in the online shopping and expansion of the populations who buy online. Accordingly, since March 2020 there has been a significant increase in the sales volume on Azrieli.com, which continued also in April and May 2020. The COVID-19 crisis also had an effect on online shopping from international websites. During the crisis, according to restrictions on aviation and shipping of goods, online shopping from international websites decreased, including due to the discontinuation of shipping to Israel of some of the international websites. At the beginning of May 2020, international websites resumed shipping to Israel, but at a smaller scope. In addition, such and other benefits of free shipping to Israel were discontinued.

At this stage it is impossible to assess the long-term effect of the COVID-19 crisis on the volume of activity of Azrieli.com and on the volume of online purchases from international websites.

2.2.5. Impact on the value of the Company's properties

The loss from fair value adjustment of investment property totaled approx. NIS 224 million during the Report Period. The Company used appraisers to examine the value of the Company's properties as of the report date. As of the report date, there are no indications in comparable transactions to estimate the change, if any, in the cap rate. Changes in the theoretical parameters which comprise the cap rate (such as: the interest rate on long-term bonds, the Prime interest rate, the uncertainty factor and the rent payment risk) in the short-term have a minor effect on the cap rate, if any. In view of the aforesaid, there is no material change to the basic premises of the valuations as of December 31, 2019 (other than as stated below), including no change in the cap rates. During the Report Period, the Company's assets were impaired due to the one-time Relief Plan declared by the Company. Some of the income-producing real estate properties in the U.S. were also impaired due to the long period of time expected to be required to lease up vacant space in some of the Company's assets as aforesaid.

It is noted that the value of the Company's properties in the offices and senior housing segments was not affected by the crisis.

2.2.6. Effect of the COVID-19 crisis on property development

During the crisis, the construction industry was defined as essential, and excluded from the list of industries on which restrictions were imposed due to the spread of COVID-19. Therefore, this industry was allowed to work at full capacity. During the period, the Group continued investing in the development and construction of new properties, as well as expansion and renovation of existing properties. Accordingly, the properties whose completion is planned for 2020 and which have been fully leased-up, such as Azrieli Town and HaManor, will be completed according to the original time table set before the COVID-19 crisis. In addition, in May 2020 a Form 4 (occupancy permit) was received for Stage A of the Lehavim senior home, and residents have started moving in.

It is emphasized that the Company has significant flexibility in making changes and adjustments to the pace of progress of the development projects whose completion is planned for the medium term, and it regularly evaluates the construction and development plans according to its needs. For further details see Section 4.1 below.

2.2.7. Effect of the COVID-19 crisis on liquidity, financial position and sources of financing

The Company has exceptional financial strength, as demonstrated by the following parameters:

- As of the report date, the Company has low leverage with a net debt to assets ratio of approx. 26%. The leverage ratio is low relative to competitors in the market and provides flexibility also in times of crisis. For further details see Section 5.1 below.

- As of the report date, the Company has approx. NIS 24 billion in unencumbered assets, in addition to mortgaged assets with a low LTV. For further details see Section 5.8 below.

- The cash balance available to the Company, as of the Report Release Date, is above NIS 3 billion, in addition to which the Company holds marketable shares of Bank Leumi worth more than NIS 800 million. The loan balance (principal + interest) due by the end of 2020 is approx. NIS 716 million only. For details on the dates of payment of financial liabilities, see Section 5.7 below.

- In April 2020, at the height of the COVID-19 crisis, the Company raised debt through the issue of Series E and F bonds, by way of expansion of such series, in the sum of approx. NIS 1.7 billion, at an interest rate lower than the nominal interest rate of the bonds (premium). For further details see Section 5.3 below.

- The Company's credit rating is the highest given to real estate companies, AA+ by Maalot and Aa1 by Midroog. For further details, see Section 5.4 below.

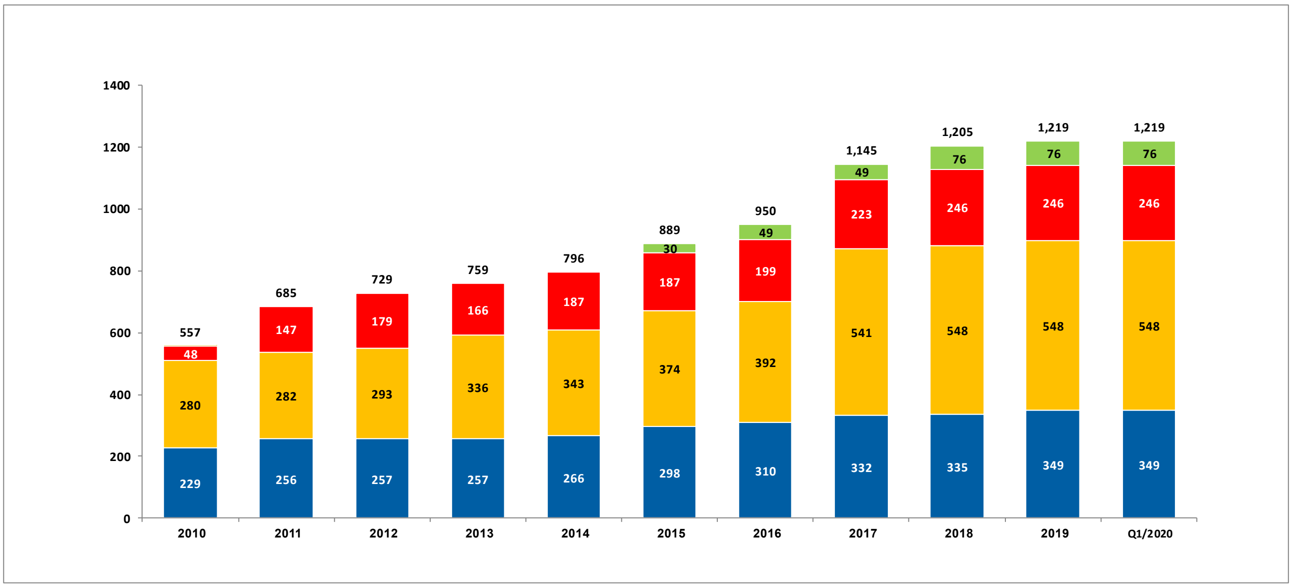
As of the date of release of this report, and in view of the fact that this is a dynamic event that is characterized by considerable uncertainty, *inter alia* in connection with the continued spread of the virus and the steps to be taken by various countries as well as the amount of time it will take before returning to full normalcy, the Company is unable to assess such effects on its future activity (beyond the estimation with respect to the total amount of such tenant Relief Plan), since the extent of the impact is dependent on the degree and scope of materialization thereof. In the Company's estimation, in the event of another COVID-19 outbreak or in the event of a slow return to normalcy, there may be material adverse effects on the global economy, including on some of the markets and sectors in which the Company operates, as well as on some of the tenants in the Group's properties.

The Company's management estimates that in view of its financial strength, which is demonstrated by the total cash and cash equivalents held thereby, low leverage ratio and a significant amount of unencumbered assets, long loan durations and its ability to raise capital on convenient terms, and in view of the broad dispersion of the Company's portfolio of properties, the diversity of tenants and operating segments, the impact of the exposure of the Group's business to the crisis and/or significant instability due to the spread of COVID-19, decreases.

The Company's assessments in this section regarding the potential implications of the spread of COVID-19 constitute forward-looking information as defined in the Securities Law. This information is based, inter alia, on assessments and estimates of the Company as of the date of this Report, based on publications in Israel and worldwide on this matter and the directives of the relevant authorities, the materialization of which is uncertain and is beyond the Company's control. Non-materialization of the Company's assessments may result from developments or a different materialization of the factors mentioned above.

2.3. Consolidated GLA Data

As of March 31, 2020



▪ Retail centers and malls in Israel ▪ Offices and others in Israel ▪ Income-producing real estate overseas (mainly the U.S.) ▪ Senior housing

Figures represent thousands of sqm.

2.4. Average Occupancy Rates in the Income-Producing Properties

Following are the average occupancy rates in the Group's income-producing properties by operating segments as of March 31, 2020:

- Retail centers and malls in Israel – approx. 98%[14];
- Leasable office and other space in Israel – approx. 99%;
- Income-producing properties in the U.S. – approx. 78%;
- Senior housing in Israel – approx. 99%[14].

2.5. NOI of the Properties

Net Operating Income (NOI) is a measure that presents the net operating income of the properties: income after the deduction of the property's operating expenses and prior to the deduction of taxes and interest. It serves as one of the important parameters in the valuation of income-producing real estate companies, as its division by the appropriate cap rate for the properties provides an indication for the determination of the value of income-producing properties[15]. In addition, after deduction of the current maintenance expenses incurred to preserve the property's condition, NOI is used to measure the free and available cash flow for the service of financial debt undertaken for the purpose of funding the purchase of the property.

We wish to emphasize that these parameters do not present cash flows from current operations according to generally accepted accounting principles, nor do they reflect cash available for the funding of all of the Group's

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

[15] Additional indications are, for example: The market value of similar properties in the same area and the sale prices of similar properties in recent transactions.

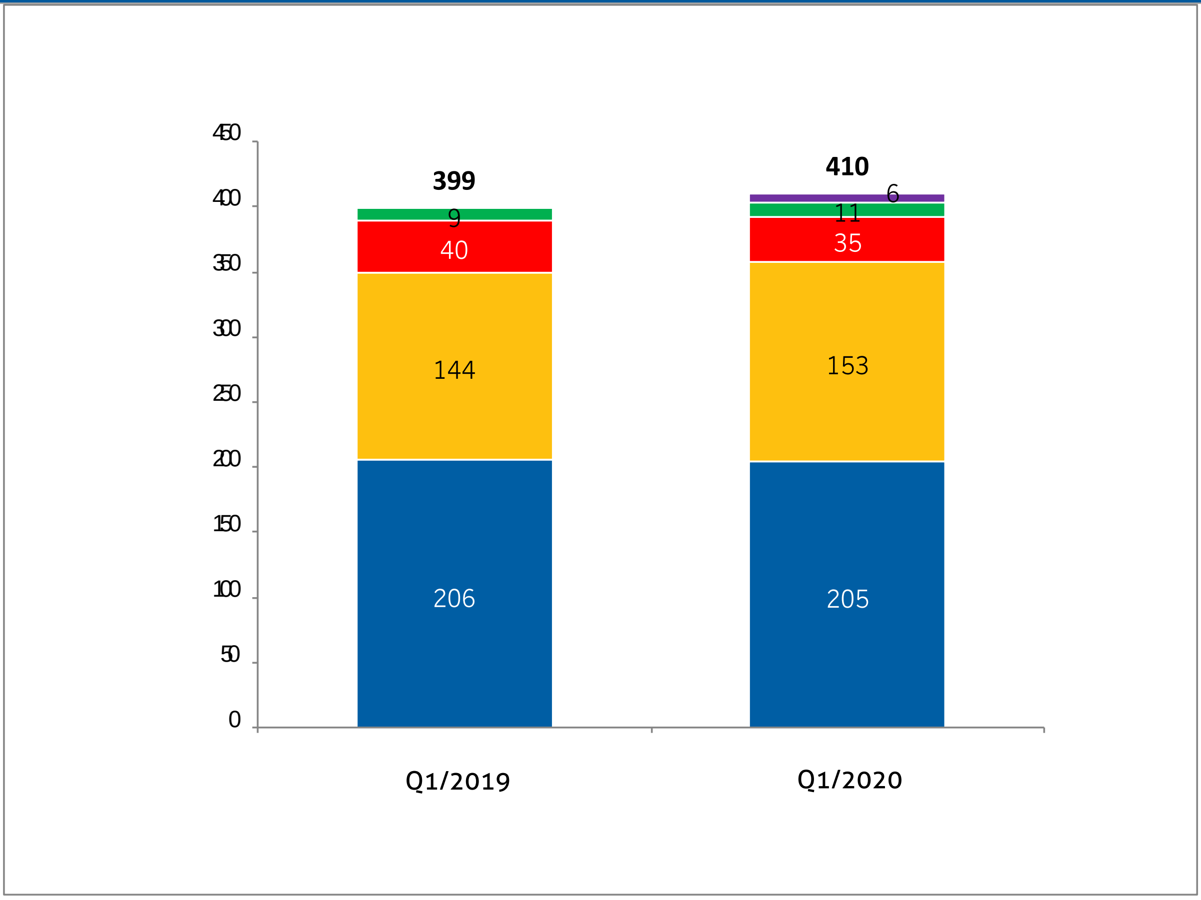
cash flows (including its ability to make distributions), and they are not meant to be deemed as a substitute for net profit in the evaluation of the results of the Group's operations.

2.5.1. NOI Data

For the purpose of calculating the NOI, on the revenues side – all proceeds from tenants are taken into account (including rent, management fees and other payments), and for the purpose of calculating the costs – all operating expenses in respect of the properties are taken into account (including management, maintenance and other costs).[16]

The NOI figures for the income-producing real estate portfolio are as follows:[17]

NOI



▪ Retail centers and malls in Israel ▪ Leasable office and other space in Israel
▪ Income-producing properties in the U.S. ▪ Senior housing ▪ Data centers

Figures are presented in millions of NIS.

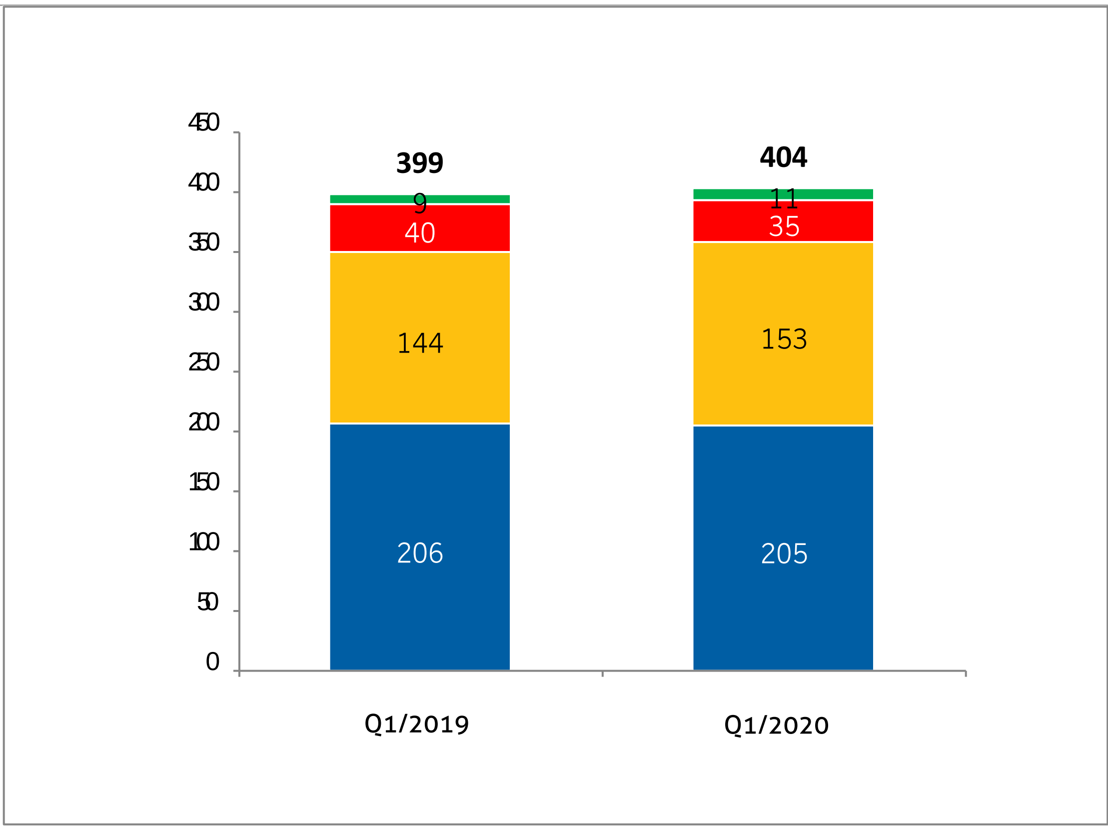
For explanations with respect to the change in NOI, see Sections 2.9, 2.10, 2.11 and 2.12 below.

[16] The Group prepares its financial statements based on international standardization, and consequently, in the calculation of the cost of leasing and operating the properties classified as investment properties, depreciation was not taken into account. Furthermore, for the purpose of calculating the aforesaid parameters, profit from the revaluation of properties was not taken into account.
[17] Including properties from the segments: retail centers and malls in Israel; leasable office and other space in Israel; income-producing properties in the U.S.; senior housing and data centers.

2.5.2. Same-Property NOI Data

The NOI index is affected by changes in the portfolio. That is to say, the sale of a property or the addition of a new property to the Company's portfolio is reflected in a change in the NOI. Contrarily, the Same-Property NOI index discounts such changes and allows for an examination of changes in the profitability of the same portfolio of the Group over time. For the purpose of calculation thereof, only properties that were part of the Group's portfolio throughout the analysis period are taken into account. In the Report Period and the same period last year, this measure was as follows:

Same-Property NOI



▪ Retail centers and malls in Israel ▪ Leasable office and other space in Israel ▪ Income-producing properties in the U.S. ▪ Senior housing

Figures are presented in millions of NIS.

The increase in the Same Property NOI was affected mainly by the continuation of tenant move-ins to the office building in Sarona, net of decreases in the segment of retail centers and malls in Israel and in the segment of income-producing property in the U.S. The decrease in the segment of retail centers and malls in Israel is due to the closure of malls according to the Government's decision in the second half of March 2020, although the majority of the impact of the closure is expected to be expressed in Q2/2020.

2.6. Weighted Cap Rate

The following table shows the calculation of the weighted cap rate derived from all of the Group's income-producing real estate, excluding senior housing[18], excluding the data centers[19] and excluding the Mount Zion Hotel[20] of the Group as of March 31, 2020:

Calculation of the Weighted Cap Rate for the Report Period	
Total investment properties in the statement	**29,384**
Net of value attributed to investment properties under construction	**(3,019)**
Net of value attributed to land reserves	**(470)**
Net of value attributed to income-producing senior housing	**(1,808)**
Total value of income-producing investment properties (including the fair value of vacant space)	**24,087**
Actual NOI in the quarter ended March 31, 2020 (excluding senior housing, data centers and Mount Zion Hotel)	**393**
Additional future quarterly NOI (1)	**32**
Total standardized NOI	**425**
Proforma annual NOI based on the standardized NOI (excluding senior housing, data centers and Mount Zion Hotel)	**1,700**
Weighted cap rate derived from income-producing investment properties (including vacant space) (2)	**7.06%**

Financials are presented in millions of NIS.

(1) The figure mainly includes estimates of additional NOI for vacant space not yet occupied, space occupied and to be occupied during 2020 under a whole-year lease in respect of which value was recorded in the update of the valuations as of December 31, 2019.
(2) Standardized annual NOI rate out of total income-producing investment properties (including vacant space).

This figure does not constitute the Company's NOI forecast for 2020 and its entire purpose is to reflect the NOI assuming full occupancy for a whole year of all income-producing properties.

The Company's estimations referred to in this section include forward-looking information as defined in the Securities Law. This information is uncertain and is based, inter alia, on information pertaining to contractual engagement with tenants as of the report date, parameters in the calculation of fair value and the Company's estimations regarding space occupancy. The actual results may vary materially from the foregoing estimations and the implications thereof, for various reasons, including immediate cancelation of lease agreements or a business crisis of any one of the tenants, or a change in the fair value parameters or non-meeting of the development or occupancy targets or the ramifications of COVID-19.

[18] Since the value of senior housing properties is derived from the FFO indicator, rather than the NOI indicator, such properties were not included in this calculation. The weighted senior housing cap rate as of the Report Release Date is 8.5%.
[19] Which is included in investments in companies accounted for by the equity method and therefore excluded from income-producing real estate.
[20] Presented as fixed assets and is not measured at fair value since it is not included in the definition of investment property.

2.7. Real Estate Business FFO

Funds from Operations (FFO) is a measure that presents the cash flow from the real estate business. It is commonly used worldwide and provides a proper basis for the comparison of income-producing real estate companies. This indicator reflects income from net profit, discounting revenues and expenses of a capital nature and adding the Company's share in real estate depreciation and other amortizations.

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

It should be stressed that the FFO indicator does not reflect cash flow from current operations according to generally accepted accounting principles, nor does it reflect cash held by the Company and its ability to distribute the same, and it is not a substitute for the reported net profit. It is further clarified that this indicator is not a figure audited by the Company's auditors.

FFO from the Income-Producing Real Estate Business

	For the three months ended		For the year ended
	Mar. 31, 2020	**Mar. 31, 2019**	**Dec. 31, 2019**
Net profit for the period attributable to shareholders	**93**	369	2,099
Discounting the net loss (profit) from GES (in comparison figures Granite Hacarmel) and Azrieli E-Commerce attributable to the shareholders (including a deduction of excess cost)	**20**	(18)	23
Profit adjustments:(1)			
Decrease (increase) in the value of investment properties and fixed assets, net	**228**	2	(898)
Depreciation and amortizations	**3**	3	13
Net non-cash flow financing and other expenses (revenues)	**(53)**	(53)	(380)
Tax expenses	**4**	43	335
Net of a dividend received from financial assets available for sale	**(9)**	(80)	(123)
Effect of profits of an associate	**-**	-	(18)
One-time expenses due to prepayment of bonds	**-**	-	77
Cash flow from the receipt of residents' deposits net of deposits returned to residents(2)	**15**	56	169
Net of revenues from the forfeiture of residents' deposits	**(8)**	(7)	(29)
Total profit adjustments	**180**	(14)	(854)
Plus interest paid for real investments(3)	**1**	2	5
Total FFO attributed to the income-producing real estate business(4)(5)	**294**	339	1,273
Total cash flow of financing of development pipeline(6)	**11**	6	40
Total FFO attributed to the income-producing real estate business, excluding the cash flow of financing of development pipeline	**305**	345	1,313

Financials are presented in millions of NIS.

(1) The below profit adjustments do not include adjustments in respect of GES (in comparison figures Granite Hacarmel) and Azrieli E-Commerce, as their results have been fully discounted.

(2) Senior housing residents' deposits are deemed received or returned on the date on which the agreement is signed or terminated, as applicable.

(3) Calculated according to the Group's weighted interest for the real investments, which include: Granite Hacarmel (until the sale thereof), Azrieli E-Commerce, Bank Leumi (net of dividends and proceeds from sales) and the remaining consideration for Leumi Card, for 65% of the cost of the investments.

(4) Attributable to shareholders only.

(5) Including FFO from the senior housing segment in the sum of approx. NIS 12 million in the three months ended March 31, 2020 (in the sum of approx. NIS 51 million in the three months ended March 31, 2019) and in the sum of approx. NIS 153 million in 2019.

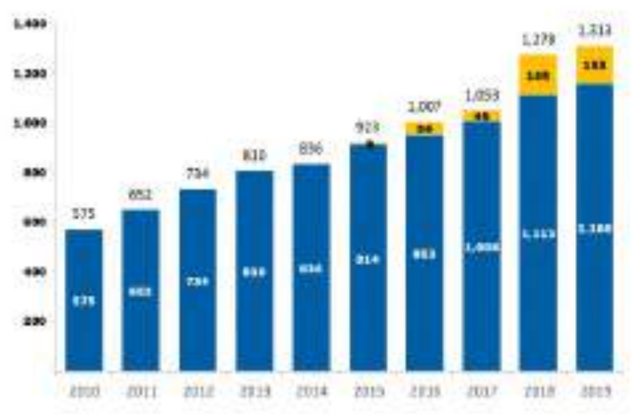
(6) Calculated based on real credit costs due to development pipeline (comparison figures were amended accordingly).

In the Report Period, the figure was adversely affected by the bringing forward of a debt raising that will also be used for ongoing repayments of loans and bonds in the coming year.

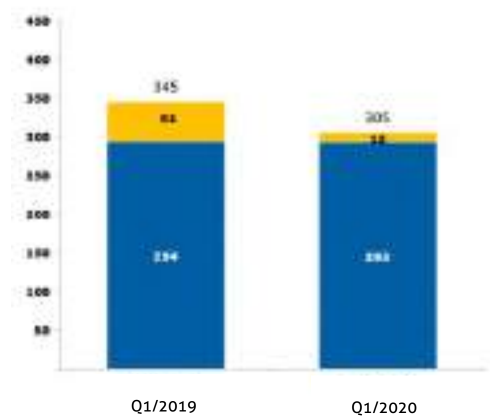
The following chart depicts the development of the FFO of the Group's income-producing real estate business in recent years:

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

Annual Data



Quarterly Data



Figures are presented in millions of NIS. Income-producing real estate, excluding senior housing. Senior Housing.

2.8. The EPRA (European Public Real Estate Association) Measures

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

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

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

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

2.8.1. EPRA NRV

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

EPRA NRV	31.3.2020	31.3.2019
Equity attributable to the Company's shareholders in the financial statements	18,162	16,817
Goodwill created against a reserve for deferred taxes	(64)	(64)
Plus a tax reserve in respect of the revaluation of investment properties to fair value (net of minority interests)	3,594	3,275
EPRA NRV	**21,692**	**20,028**
EPRA NRV per share (NIS)	**179**	**165**

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

2.8.2. EPRA NTA

The EPRA NTA (Net Tangible Assets) index is a measure that reflects the Company's net tangible asset value. The assumption underlying the index is that entities buy and sell assets, leading to adjustment of only part of the deferred taxes resulting from the revaluation of investment property.

EPRA NTA	31.3.2020	31.3.2019
Equity attributable to the Company's shareholders in the financial statements	18,162	16,817
Goodwill created against a reserve for deferred taxes	(64)	(64)
The balance of goodwill which is not against a reserve for deferred taxes as stated in the Company's balance sheet	(39)	(102)
Other intangible assets	(21)	(125)
Plus 50% of the tax reserve in respect of the revaluation of investment properties to fair value (net of minority interests)	1,797	1,638
EPRA NTA	**19,835**	**18,164**
EPRA NTA per share (NIS)	**164**	**150**

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

2.8.3. EPRA NDV

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

EPRA NDV		
	31.3.2020	**31.3.2019**
Equity attributable to the Company's shareholders in the financial statements	18,162	16,817
Goodwill created against reserve for deferred tax	(64)	64
Balance of goodwill that is not against a reserve for deferred tax as appearing in the Company's balance sheet	(39)	(102)
Adjustment of the value of financial liabilities to fair value	141	(478)
EPRA NDV	**18,200**	**16,173**
EPRA NDV per share (NIS)	**150**	**133**

Figures are in NIS in millions, unless stated otherwise.

AZRIELI GROUP'S INCOME PRODUCING REAL ESTATE*

MALLS & SHOPPING CENTERS

Ayalon Mall
Azrieli Hod Hasharon Mall
Azrieli Herzliya Outlet
Azrieli Givatayim Mall
Azrieli Jerusalem Mall
Azrieli Modi'in Mall
Azrieli Mall
Azrieli Holon Center
Azrieli Holon Mall
Azrieli Ramla Mall
Azrieli Ra'anana
Azrieli Haifa Mall
Azrieli Akko Mall
Azrieli Kiryat Ata Mall
Azrieli Or Yehuda Outlet
Azrieli Hanegev Mall
Azrieli Rishonim Mall
Azrieli Sarona Mall

OFFICES & OTHERS in Israel

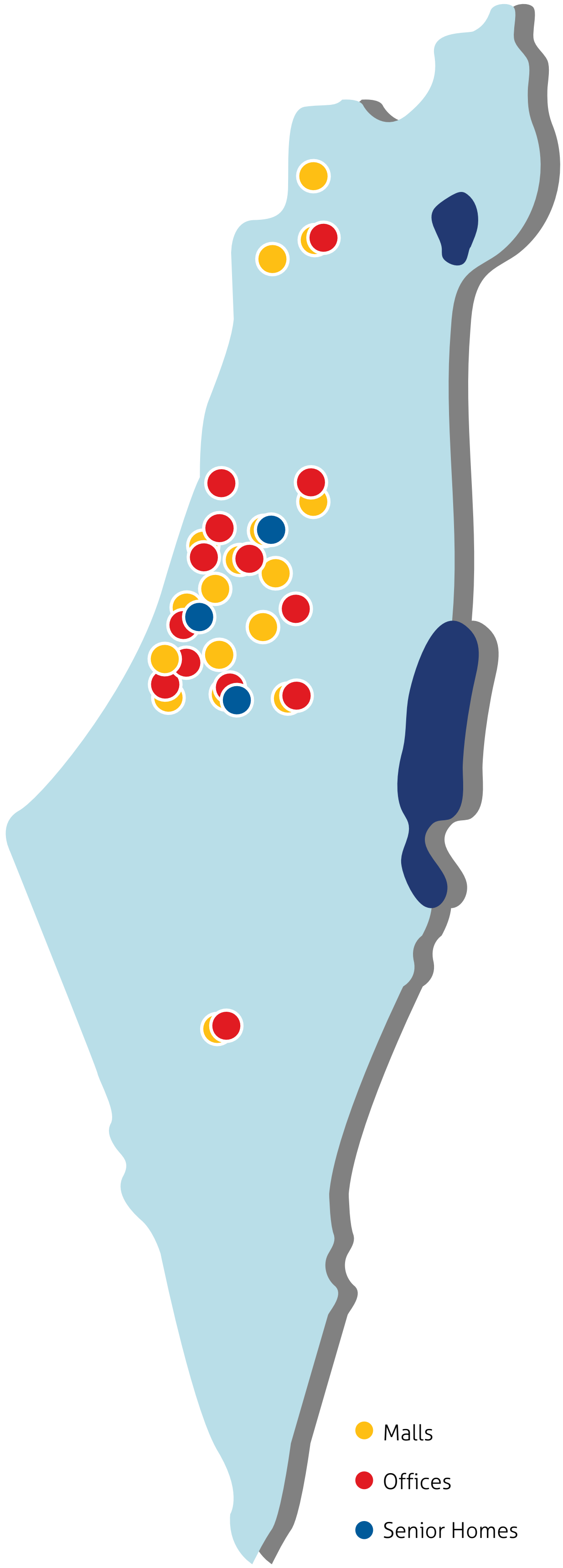
Azrieli Towers
Azrieli Sarona
Azrieli Holon Business Center
Azrieli Caesarea
Azrieli Herzliya Center
Azrieli Modi'in
Azrieli Modi'in Residential
Azrieli Petach Tikva
Azrieli Jerusalem
Azrieli Givatayim
Azrieli Kiryat Ata
Azrieli Hanegev
Azrieli Rishonim Center
Azrieli TOWN Building E

OVERSEAS

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

SENIOR HOMES

Palace Tel Aviv
Palace Ra'anana
Palace Modiin



18 malls	349,100 sqm
14 office buildings	547,500 sqm
3 senior homes 76,000 sqm	794 residential units
8 office buildings overseas	246,400 sqm
Total	**1,219,000 sqm**

* As of March 31, 2020

2.9. Retail Centers and Malls in Israel Segment

The Azrieli Group owns and manages a portfolio of high-quality malls and retail centers throughout the country, which are located in city centers, with convenient access to transportation and often in proximity to train stations. The Company takes a long-term view with respect to its properties, from the stage of locating the land, through the stage of development and construction of properties, to the holding, management and betterment of the properties over years.

For details about the effects of the COVID-19 outbreak on the Company's operating segments, including the retail centers and malls in Israel segment, see Section 2.2 above.

The Group's malls are mostly characterized by the following:

- **Diverse and changing mix** – the malls segment has a dynamic retail mix that is renewed according to the market needs and public preferences. For example, malls were once characterized by significant presence of supermarkets or electronics stores, whereas today the tenant mix in malls has changed. In fashion it is evident that new brands periodically take the place of those which have become less relevant, with international fashion chains becoming more dominant in the market than local brands. The high-quality property portfolio, and the management thereof, grant the Company an advantage which enables it to get leading international fashion brands and to open their flag stores in the Group's malls.
- **A trend of increased store space** – increased retail space is recently demanded by international brands, followed by domestic ones, which seek to combine complementing brands in one store in order to expand the product mix and create an improved customer experience, while increasing the sales.
- **Malls as entertainment venues** – the Company acts to improve the entertainment and dining experience in the malls, through a selection of restaurants and cafés and renovation of the fast food courts, modern design and added crowd-attracting entertainment options such as the "Zappa" club and cinemas. The Group further acts to create family entertainment and service spaces in its malls, including play areas, diaper changing and nursing rooms.
- **Innovation** – in recent years the Company has been implementing technological improvements into the shopping experience and striving for leadership and innovation in the mall segment, including by way of creating a unique application which grant exclusive discounts to mall attendants and enables direct marketing based on customer preferences. The goal of technological innovation is to enhance customer experience in the mall while combining both digital and physical worlds.

The retail areas in Azrieli Group's malls and retail centers are leased to some 1,900 tenants.

E-Commerce activity – An additional layer of the Group's activity in the digital world is the Azrieli.com website. The website provides an e-commerce platform that integrates into and strengthens the activity of the malls and retail centers through online activity by way of an integrated sale, such as giving the option to order online and collect the product at the Group's malls ("Click & Collect").

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

The Azrieli Group has 18 malls and retail centers in Israel with a total GLA of approx. 349 thousand sqm.

Balance of the properties of the retail centers and malls in Israel segment – The balance totaled approx. NIS 12.9 billion as of March 31, 2020, compared with approx. NIS 13.0 billion on December 31, 2019. The change mainly derives from revaluation losses due to the COVID-19 crisis offset by investments in the segment's properties.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – The loss from such adjustment in the Report Period totaled approx. NIS 185 million, compared with no change in the fair value in the same period last year. The Company examined the value of the segment properties as of the report date using an independent appraiser. As of the report date, there are no indications in comparable transactions to assess the change, if any, in the cap rate. Changes in the theoretical parameters that make up the cap rate (such as: the interest rate on long-term bonds, the Prime interest rate, the uncertainty factor and the rent payment risk) in the short term have a minor effect, if any, on the cap rate. Therefore, there is no material change in the working hypotheses of the valuations as of December 31, 2019 (other than the deduction of the one-time discounts as stated below), in which context there is also no change in the cap rates. In the Report Period, the Company decreased the segment assets due to a one-time tiered rent and management fee plan announced by the Company.

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

Summary of the Business Results of the Retail Centers and Malls in Israel Segment

		For the Three Months Ended		For the Year Ended
	Rate of Change	31.3.2020	31.3.2019	31.12.2019
Revenues	**(5%)**	**245**	**258**	**1,050**
NOI	**-**	**205**	**206**	**831**

Figures are presented in millions of NIS.

As aforesaid, the Company announced a tenant relief plan in preparation for the return to routine (the "**Plan**")[21]. In the Company's estimation, insofar as the specified relief is given to tenants in full[22], then the total relief set forth in the said Plan amounts to approx. NIS 200 million (on a one-time basis). For further details, see Section 2.2 above.

The Company's estimations regarding the total amount of the relief as a result of the Plan constitute forward-looking information, as defined in the Securities Law. Such information is based, inter alia, *on the Company's assessments specified above, the materialization of which is uncertain and is beyond the Company's control. Non-materialization of the Company's assessments may result from developments or different materialization of the factors mentioned above.*

The table below presents the segment's NOI development:

Development of the NOI of the Retail Centers and Malls in Israel Segment

	For the Three Months Ended	
	31.3.2020	31.3.2019
NOI from segment properties owned by the Company as of the beginning of the period	**205**	**206**
NOI from properties purchased or construction of which was finished in 2020	-	**-**
Total NOI from all properties	205	**206**

Figures are presented in millions of NIS.

Same-Property NOI in the retail centers and malls in Israel segment has been chiefly affected by the closing of malls to visitors according to the Government's decision in the second half of March 2020, although the main effect of the closedown is expected to be reflected in Q2/2020.

[21] See the Company's immediate report of May 5, 2020 (Ref. No.: 2020-01-044070).

[22] I.e., insofar as the payment as a percentage of store revenues will be lower than the post-discount rent in each period for all the tenants, and insofar as no grants are paid under a government aid program.

2.10. Office Segment

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

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

- **Positioning** – among the Company's properties are projects which are considered to be leading and very significant in the field of leasable office spaces in Israel, and are an icon in Israeli landscape in general, and in Tel Aviv in particular, such as the Azrieli Tel Aviv Center and the Azrieli Sarona Tower.
- **Location** – the Company engages in the development of leasable office spaces and acts to locate and build its properties in this segment in areas which enjoy a high demand for offices. The Company's projects are mostly located in the heart of Israel's CBDs and in proximity to city centers and are characterized by convenient access by both private and public transportation. For example, the Company has several projects in Tel Aviv's northern CBD with both income-producing projects and projects under development and construction.
- **Large floors** – the Company's property portfolio includes a number of projects that can offer large floor spaces. These projects can meet the growing demand by large companies that are interested in creating one central site for employees, and their spread over a smaller number of floors. The planning of the Azrieli Sarona project and the Azrieli Holon center, for example, enables tenant to unite several sites which were previously spread across the country.
- **Building standard** – the Group persistently applies high building standards to all of its properties, as expressed in the architectural design, the properties' functionality and the meticulous attention to high building qualities as well as to details such as new and fast elevators, advanced lighting and more. This is rooted in the long-term vision of properties that will be owned and managed by the Group for many years to come.
- **Operational efficiency** - The size of the Company's properties leads to operational efficiency which is expressed, *inter alia*, in the ability to implement technological and infrastructural improvements including the installation of complex communication networks and Leed Certificate which enable large multinational which require compliance with strict standardization to lease spaces at the Company's properties.
- **Management** – all of the Group's leasable office spaces are managed by management companies which are subsidiaries of the Company and are committed to high service standard.

Azrieli's office areas in Israel are leased to some 670 different tenants. In each one of the Group's properties, there is a mix of tenants coming from various sectors. Some of the Company's office tenants are domestic or international mega-companies.

For details about the effects of the COVID-19 outbreak on the Company's operating segments, including the office segment, see Section 2.2 above.

2.10.1. Performance of the Leasable Office and Other Space in Israel Segment and Changes in Value

The Azrieli Group has 14 income-producing properties in this segment in Israel, with a total GLA of approx. 548 thousand sqm.

Balance of the Group's investment properties in the leasable office and other space in Israel Segment – The balance totaled approx. NIS 11.8 billion as of March 31, 2020, compared with approx. NIS 11.7 billion as of December 31, 2019. The change derives from investments in the segment's properties.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – The profit from such adjustment in the Report Period totaled approx. NIS 1 million, similarly to the profit in the same period last year. The Company examined the value of the segment properties as of the report date using an independent appraiser. As of the report date, there are no indications in comparable transactions to assess the change, if any, in the cap rate. Changes in the theoretical parameters that make up the cap rate (such as: the interest rate on long-term bonds, the Prime interest rate, the uncertainty factor and the rent payment risk) in the short term have a minor effect, if any, on the cap rate. Therefore, there is no material change in the working hypotheses of the valuations as of December 31, 2019, in which context there is also no change in the cap rates and in the value of the segment assets in the Report Period.

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

Summary of the Business Results of the Leasable Office and Other Space in Israel Segment

		For the Three Months Ended		For the Year Ended
	Rate of Change	31.3.2020	31.3.2019	31.12.2019
Revenues	3%	180	174	716
NOI	6%	153	144	594

Figures are presented in millions of NIS.

The increase in revenues and in NOI chiefly results from the continued lease-up of the offices at Sarona and Azrieli Holon Center.

The following table presents the segment's NOI development:

Development of the NOI of the Leasable Office and Other Space in Israel Segment

	For the Three Months Ended	
	31.3.2020	31.3.2019
NOI from segment properties owned by the Company as of the beginning of the period	153	144
NOI from properties purchased in 2020	-	-
Total NOI from all properties	153	144

Figures are presented in millions of NIS.

During the Report Period, same-property NOI in the leasable office and other space in Israel segment was primarily positively affected by the continued lease-up of the offices at Sarona and Azrieli Holon center and by a real increase in rent when renewing contracts for the various properties (due to the exercise of options by tenants and/or the execution of new contracts), and was adversely affected by interim periods of tenant replacement and by changes in operating expenses.

2.11. Senior Housing Segment

The acquisition of land in Modi'in in 2014 marked the Group's entry into the senior housing segment, which was followed in 2015 by the purchase of an existing senior home – Palace Tel Aviv, one of the most luxurious homes in Israel. Since the purchase of Palace Tel Aviv, the Group has been operating under the brand "Palace" for the continued successful operation and betterment of the three active senior homes, Palace Tel Aviv, Palace Ra'anana and Palace Modi'in (construction of which was completed in Q3/2018). Construction of Phase A of the Lehavim senior home was completed in March 2020, and in May 2020 a Form 4 (occupancy permit) was received and residents started moving in to the home. The Group is also working to develop another project in Rishon LeZion, which is in the planning stages.

For details about the effects of the COVID-19 outbreak on the Company's operating segments, including the senior housing segment, see Section 2.2 above.

2.11.1. Performance of the Senior Housing Segment and Changes in Value

As of the Report Release Date, Azrieli Group has four active senior homes with aboveground built-up areas of approx. 105 thousand sqm (excluding areas which are attributed to the LTC unit and to retail areas), which include approx. 1,035 senior housing units, and is planning the construction of Phase B of the senior home in Lehavim and has another project under planning in Rishon LeZion, in which approx. 384 residential units in a total area of approx. 41 thousand sqm (excluding areas which are attributed to the LTC unit and to retail areas) will be built. The Company is also promoting a zoning plan for additional rights, including for senior housing, in the Azrieli Jerusalem mall. For further details, see Section 4.1.2 of the board of directors' report in the periodic report for 2019, which is included herein by way of reference.

Balance of the Group's segment properties in the senior housing segment – This balance totaled approx. NIS 2.4 billion as of March 31, 2020, which is similar to the balance as of December 31, 2019.

Change due to adjustment of the fair value of the segment's investment properties and investment properties under construction – There has been no change in the fair value of the segment's investment properties and investment properties under construction in the Report Period and in the same period last year. The properties are presented according to an update to the valuations prepared by an independent appraiser as of December 31, 2019.

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

Summary of the Business Results of the Senior Housing Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	31.3.2020	31.3.2019	31.12.2019
Revenues	14%	41	36	156
NOI	22%	11	9	37

Figures are presented in millions of NIS.

The increase in revenues and in NOI chiefly results from the continued process of occupying the senior home in Modi'in. Conversely, there is a slowdown in the activity of the LTC and recuperation units at the end of the quarter, following the COVID-19 crisis.

The following table presents the senior housing segment's NOI Development:

Development of the NOI of the Senior Housing Segment		
	For the Three Months Ended	
	31.3.2020	**31.3.2019**
NOI from segment properties owned by the Company as of the beginning of the period	**11**	9
NOI from properties construction of which was finished in 2020	**-**	-
Total NOI from all properties	**11**	9

Figures are presented in millions of NIS.

2.12. Income-Producing Properties in the U.S. Segment

2001 marked the beginning of the Azrieli Group's diversification of its investments in income-producing real estate overseas. In recent years the Group has expanded its activity significantly through the acquisition of office buildings in Houston and in Austin, Texas.

As part of the global events surrounding the outbreak of COVID-19, the commodities and raw materials market experienced significant volatility. Accordingly, since the end of 2019 the price of an oil barrel has significantly declined, which may have an adverse effect on companies from the energy industry, which is one of the major drivers of the Houston economy, and whose effect on the office market was felt during the Report Period.

For details about the effects of the COVID-19 outbreak on the Company's operating segments, including the tenants in its properties, see Section 2.2 above.

2.12.1. Performance of the Income-Producing Properties in the U.S. Segment and changes in Value

As of the report date, Azrieli Group has 8 income-producing properties in this segment, mostly in the U.S. with a total GLA of approx. 246 thousand sqm (on a consolidated basis) and approx. 237 thousand sqm (the Company's share) leased to some 220 tenants.[23]

Balance of the Group's investment properties in the segment – This balance totaled approx. NIS 2.5 billion as of March 31, 2020, compared with approx. NIS 2.4 billion on December 31, 2019. The change mainly derives from the increase in the dollar exchange rate as of March 31, 2020 versus December 31, 2019, net of revaluation losses.

Change due to adjustment of the fair value of the segment's investment properties – The loss from such adjustment in the Report Period totaled approx. NIS 40 million and resulted mainly from the effect of the decline in the oil prices on the office rental market in the U.S., compared with a loss of approx. NIS 3 million recorded in the same period last year. The properties are presented according to an update to the valuations carried out by independent appraisers for some of the segment's properties as of March 31, 2020.

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

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

Summary of the Business Results of the Income-Producing Properties in the U.S. Segment				
		For the Three Months Ended		For the Year Ended
	Rate of Change	31.3.2020	31.3.2019	31.12.2019
Revenues	**(8%)**	**66**	**72**	268
NOI	**(13%)**	**35**	**40**	139

Figures are presented in millions of NIS.

The decrease in NOI derives from the effect of occupancy changes in some of the properties and from changes in the average exchange rate of the U.S. dollar.

The following table presents the segment's NOI Development:

Development of the NOI of the Income-Producing Properties in the U.S. Segment		
	For the Three Months Ended	
	31.3.2020	31.3.2019
NOI from segment properties owned by the Company as of the beginning of the period	**35**	**40**
NOI for properties purchased in 2020	-	-
Total NOI from all properties	**35**	**40**

Figures are presented in millions of NIS.

Same-property NOI in the income-producing properties in the U.S. segment was affected by changes in occupancy in some of the properties and by changes in the average exchange rate of the U.S. dollar.

2.13. Income-Producing Real Estate – Additional Operations

2.13.1.Data centers

Further to the Company's reports, whereby it periodically examines entry into operating segments tangent to its income-producing real estate operations, the Company examined the data centers market. After studying the market and the key players in the sector, the Company made the decision to invest in a company engaged in this sector, while noting the growth potential that exists in the sector and with the intention that it would serve as another growth engine for the Group's business.

The Company decided that its entry into the data centers market would be made through equity investment in a company operating in North America, with an option to increase the holding rate in this company, which has significant development and entrepreneurial potential in the sector. For further details, see Section 1.2.3.2 above.

The Company estimates that the data centers operating segment is expected to grow at a significant rate and could constitute a significant growth engine for the Group's business.

The Company's estimates in this section are forward-looking information, as this term is defined in the Securities Law, based on subjective estimates of the Company as of the Report Release Date and sources of information external to the Company, and there is no certainty as to their realization, in whole or in part, or they may be realized in a materially different way, inter alia, due to changes in project schedules, their actual scope and marketing and due to factors beyond its control, including changes in the global data centers market.

2.13.2.Hospitality

As aforesaid, as part of the Company's business strategy, the Company periodically examines entry into operating segments tangent to its income-producing real estate operations. The Company examined the expansion of its operations into the hospitality industry and, in this context, recruited for the Company's headquarters a person with extensive experience in the hospitality industry. After a long and in-depth examination process conducted by the Company, the Company concluded that entering the hospitality industry would be an opportunity to expand the Group's operations mix, using the existing entrepreneurial capabilities of the Company and its real estate properties and the operational experience accumulated in the Company in the senior housing segment. The expansion of such activities is to be carried out, *inter alia*, through the development, planning and purchase of hotels in Israel, as well as the operation of hotels in Israel.

On February 9, 2020, the Company completed the first major step in its entry into the hospitality industry through the acquisition of the Mount Zion Hotel in Jerusalem (in this section: the "**Hotel**"). For further details on the hotel acquisition transaction, see Section 1.2.3.5 above.

Starting from the date of closing the purchase and until March 17, 2020, the Company operated the Hotel through a wholly-owned management company. The Hotel's operation included ongoing management and operations, including the provision of accommodations, food and beverage, leisure services and other hospitality services. The Company intends to renovate and expand the Hotel in accordance with the zoning plan that applies to the lot on which the Hotel is built.

On March 17, 2020 the Company closed down the Mount Zion Hotel, in view of the encumbering directives imposed on the operation of hotels due to the COVID-19 crisis.

For details about the effects of the COVID-19 outbreak on the Company's operations, including the Hotel, see Section 2.2 above.

3 | NON-REAL ESTATE BUSINESS

3.1. Granite Segment – Discontinued Operations

On May 7, 2020, the transaction for the sale of the Group's holdings in GES, which engages in water, wastewater, air and waste treatment and industrial chemicals, was closed. For further details about the sale of GES, see Section 1.2.3.3 above, as well as Note 4 to the financial statements.

In view of the aforesaid, and according to IFRS 5, the results of GES are presented in the income statement comparison figures as discontinued operations.

3.2. Additional Activities

3.2.1. Investments in Financial Corporations

The Group has holdings in the financial sector by means of an investment in Bank Leumi[24]. A summary of changes in the investments in the Report Period follows:

Changes in Investments in Financial Companies

	Bank Leumi (1)
Investment value in the financial statements as of December 31, 2019	**1,162**
Sale proceeds	**(15)**
Investment	**-**
Total investment as of March 31, 2020(2)	**1,147**
Fair value of the investment as presented in the financial statements as of March 31, 2020	**894**
Change in fair value during the Report Period	**(253)**
Dividend received in the Report Period	**9**

Figures are presented in millions of NIS.

(1) The fair value of the investment in Bank Leumi was determined according to the value of the share at the Tel Aviv Stock Exchange (TASE) as of March 31, 2020.
(2) Before adjustment to changes in fair value during the Report Period.

3.2.2. E-Commerce Platform Activity – Azrieli.com

For details about the Group's e-commerce activity, see Section 4.1.3 below.

[24] The Company has also made negligible investments in investment funds, as specified in Section 14.2.3 of Chapter A of the Periodic Report for 2019, which is included herein by way of reference.

4 | BUSINESS DEVELOPMENT – GROWTH ENGINES

4.1. Review of the Business Development Operations

4.1.1. Development of Income-Producing Properties

The Group's primary growth engine is expertise in development and unique architectural design of income-producing property project: malls, offices and senior housing. As of the report date, the Group has 12 projects at various development stages in Israel.

Summary of Information about Development Pipeline

Name of Property	Use	Marketable Sqm[1]	Estimated Completion	Book Value of Project [2]	Cost Invested [3]	Estimated Construction Cost including Land[3]
			Development Projects under Construction in the Short-Term			
Palace Lehavim Senior Home	Senior housing	Phase A: 32,000 Phase B:12,000	Phase A: Complete Phase B: TBD	**353**	**355**	**400-410**
Azrieli Town Tel Aviv [4]	Retail, offices and residence	Offices 50,000 Retail 4,000 Residence 21,000 (210 residential units)	Offices: Q4/2020 Retail and Residence: 2022	**980**	**702**	**1,100-1,150**
HaManor Holon	offices	28,000	Q3/2020	**161**	**166**	**220-240**
Akko	Offices	8,000	2020	**10**	**27**	**70-75**
Total		**155,000**		**1,504**	**1,250**	**1,790-1,875**
			Development Projects in the Medium-Term			
Expansion of Azrieli Tel Aviv Center (Spiral Tower)	Retail, offices, hotel and residence	150,000[5]	2025	**859**	**532**	**2,300-2,500**
Modi'in land (Lot 21)	Retail, offices, residence and hotel	20,000[6]	2023	**135**	**137**	**340-370**
Senior housing land Rishon LeZion	Senior housing and retail	37,300	2024	**67**	**65**	**490-510**
Total		**207,300**		**1,061**	**734**	**3,130-3,380**
Total		**362,300**		**2,565**	**1,984**	**4,920-5,255**
			Development Projects in Planning Stages			
Azrieli Town Building E	Offices	21,000	TBD	**107**[7]	**116** [7]	**TBD**
Holon 3 – Holon Industrial Zone [8]	Retail and offices	250,000	TBD	**534**	**477**	**TBD**
Petach Tikva land	Offices and retail	53,000[11]	TBD	**94**	**98**	**TBD**
Modi'in land (Lot 10)	Offices and retail	37,000	TBD	**88**	**93**	**TBD**
Mount Zion Hotel	Hospitality	34,000[10]	TBD	**291**	**291**	**TBD**
Total		**395,000**		**1,114**	**1,075**	
Total		**757,300**				

Cost and value figures are presented in millions of NIS.

Holding rate is 100% for all properties (other than Azrieli Town Building E which does not include offices in an area of approx. 450 sqm and does not include a gas station and a convenience store next to it).

1. With respect to uses of the senior housing and/or leasable apartments, the figure represents building rights in sqm.
2. As of March 31, 2020.
3. Without capitalizations and tenant fit-outs, as of March 31, 2020.
4. The data presented relate to the existing zoning plan on the land.
5. In April 2018, a zoning plan was validated which increases the construction rights of the fourth tower and the expansion of the mall, in approx. 80,000 sqm, to a total building rights of approx. 150 thousand sqm.
6. The Group is in the process of increasing the building rights in the project to 28,000 sqm.
7. The building rights were purchased in the context of acquisition of the income-producing property in May 2018.
8. Includes additional land (approx. 27,000 sqm of marketable space) originally purchased in the framework of an ILA tender, which was part of the Holon HaManor land. In the context of a consolidation of plots, the building rights in the lot were increased by approx. 30,000 sqm (such that the building rights in the consolidated lot total approx. 250,000 sqm).
9. The data presented relate to the existing zoning plan on the land. The Group is in the process of increasing the building rights in the project to 150,000 sqm.
10. Includes both the existing area and the additional rights, as the Company intends to renovate the entire Hotel and expand it.

During the Report Period, the Group proceeded with the work of development of its aforesaid properties and with its efforts to obtain the approvals required for the purpose of their continued development on schedule and without significant delays. Furthermore, the Group is conducting negotiations and engages in agreements for the lease of areas under construction. For further details, see below.

Description of Properties under Construction and Land Reserves

Palace Lehavim Senior Home – The land, area of which is approx. 28,300 sqm, was purchased in December 2014 and construction commenced in August 2016. The project is built as a retirement village and will demonstrate high and innovative standards. The project, in a built-up area of approx. 44,000 sqm (main and service) is expected to comprise approx. 350 residential units (240 of which were built in Phase A, which has been completed as noted below) and an LTC unit, with related facilities, such as a swimming pool, sports center and retail areas of up to approx. 1,500 sqm. In October 2018, a changes permit for the project was received, for the addition of another LTC unit. In May 2020, a Form 4 (occupancy permit) was received in relation to the construction of Phase A of the project, and the occupancy process began. Form 4 for the retail and LTC areas (approx. 5 thousand sqm) is expected to be received in Q3/2020.

Azrieli Town, Tel Aviv – The land, area of which is approx. 10,000 sqm, was purchased in October 2012 and construction commenced in September 2016. The project is expected to consist of retail areas of approx. 4,000 sqm and two towers: an office tower with a GLA of approx. 50,000 sqm and a residential tower consisting of approx. 210 apartments for lease. The project is located in proximity to the train stations in central Tel Aviv and to the light rail station in the future, and the Emek Bracha Bridge, which is planned to be built in the area, will connect the eastern side of the city with the city center through the project. In May 2018, an aboveground permit was received for the project. The Group is promoting a change of the zoning plan to increase the building rights in the complex. In May 2019, a hearing was held in the Local Committee on objections to the zoning plan for the addition of office and hotel areas at a total scope of approx. 24,000 sqm (gross). The Committee discussed the objections and decided to approve the publication of the plan for validation. An administrative appeal against the plan was submitted in July 2019. A hearing was held on the administrative appeal in January 2020; as of the Report Release Date, a decision thereon has not yet been issued. As of the Report Release Date, the Group has signed lease contracts for nearly 100% of the project's office space.

HaManor, Holon – Land, which is situated near the Azrieli Holon Center and is around 6,200 sqm, was purchased in February 2015. Construction of the project began in August 2017. The plan is to build approx. 28,000 sqm of office and retail. Completion of the project is scheduled for 2020. In September 2018, an above-ground permit was received for the project. The project is estimated to be completed in 2020. An agreement was signed with Bezeq The Israel Telecommunication Corp., Limited with respect to approx. 70% of the project's leasable space.

Azrieli Akko Offices – In June 2019, a permit was received to add two office floors above the mall and add parking spaces and work is in progress.

Expansion of Azrieli Tel Aviv Center (Spiral Tower) – The land, area of which is approx. 8,400 sqm, was purchased in May 2013 and construction commenced in September 2016. The land, which is adjacent to the Azrieli Tel Aviv Center will enable the construction of the fourth tower and the expansion of Azrieli Tel Aviv mall. In April 2018, a zoning plan was validated with an urban-mixed designation, which allows uses of retail, offices, hotels, residence and senior housing with aboveground building rights of approx. 147,260 sqm (gross), and, in addition, approx. 3,000 sqm of underground main retail space. As part of the zoning plan, the Company was required to approve an architectural design and development plan for the project, as a condition for an above-ground building permit. The Company also undertook to allocate from the said rights in the project a public floor for the Tel Aviv-Jaffa Municipality, as well as undertook to pay and perform various tasks in the vicinity of the project, including in Azrieli Center. The Company intends to construct retail space that will serve to expand the existing mall and a multi-story tower, the Spiral Tower. The design plan in connection with the project was discussed by the Local Committee in November 2019. Another hearing was held by the Local Committee in January 2020 and it was decided to approve the design plan conditionally; the Company is acting to obtain final approval of the design plan. In January 2020 a basement permit was received for the project. As of the report date, the Company is carrying out excavation and shoring work on the land.

Land in Modi'in (Lot 21) – On January 11, 2018, the Group won a tender held by the Israel Land Authority for the purchase of long-term lease rights in a lot located in the CBD of Modi'in-Maccabim-Re'ut (close to the Azrieli Modi'in Mall), in an area of approx. 5,300 sqm, designated for the construction of 80 residential units, 50 hotel rooms, offices and retail space, in consideration for approx. NIS 101.5 million. For further details see the Company's immediate report of January 11, 2018 (Ref.: 2018-01-004960), which is included herein by way of reference. An excavation and shoring permit was received in July 2019 and the Company commenced work at the site. An application for a basement permit was submitted in August 2019 and approved by the Local Committee subject to conditions.

In September 2019 the Company submitted for deposit with the District Committee the documents of the plan for increase of the aboveground building rights in the lot to 28,000 sqm and connection thereof to the existing project, after the Local Committee stated that it sees the promotion of such plan favorably. In November 2019 the District Committee discussed the plan and decided that it would be conditionally deposited. The Company is presently acting to fulfill the conditions for deposit.

Palace Rishon LeZion Senior Home – The land, area of which is approx. 3,400 sqm, located at HaRakafot Neighborhood in East Rishon LeZion, was purchased in March 2016 in a tender held by the ILA for the purchase of the leasehold on the land. The project is in planning stages. The Company intends to build on the land a senior home which is planned to consist of up to 275 residential units, an LTC unit and approx. 3,000 sqm of retail space. In April 2018, the recommendation of the Local Committee was received for the deposit of a zoning plan for additional rights and was referred for a discussion at the District Committee. In November 2018 the decision of the District Committee was received, on the deposit of the zoning plan on conditions. In April 2019, the zoning plan was published for objections, and in September 2019, a hearing was held in the District Committee on the objections that were submitted and it was decided to validate the plan. In February 2020 the plan was published for validation, and as of the Report Release Date the plan is valid.

In March 2020 the Company submitted an application for an excavation and shoring permit for the project and the Local Committee issued a decision that granted the permit subject to conditions.

Azrieli Town E Building – On May 14, 2018, the Company closed a transaction for acquisition of land rights located on Menachem Begin Road in Tel Aviv, on which a four-story building is built above a retail ground floor, on a total area of approx. 5,500 sqm and basement floors, which are leased entirely for office purposes. The property includes unutilized building rights according to the zoning plan that applies to the land at a total scope of approx. 21,000 sqm, above-ground, and additional rights.

Holon 3 - Holon Industrial Zone – The land, in an area of approx. 57,500 sqm, was purchased in April 2016. Construction in the project commenced in March 2018 and excavation and shoring work in the project commenced in June 2018. In October 2018, a building permit was received for the project's underground parking levels, and in July 2019 a permit for additional underground parking levels was received. In May 2019, works have commenced for the construction of the underground parking levels in the eastern part of the project. The land is located in proximity to the Azrieli Holon Center, on which it is planned to build a very large employment and commerce project, which will consist of approx. 250,000 sqm of leasable office space and a family-friendly entertainment and shopping complex. The project is in proximity to central traffic arteries.

Land in Petach Tikva – The land, which was purchased in November 2017, of an area of 19,000 sqm, is situated in the eastern part of the Kiryat Aryeh Industrial Zone in Petach Tikva, near an existing office project owned by the Group. The land includes building rights for around 53,000 sqm as well as parking basements. For further details, see the Company's immediate reports of September 18, 2017 and November 9, 2017 (Ref.: 2017-01-093630 and 2017-01-098386, respectively) which are included herein by way of reference. In July 2019 an application was filed for shoring, excavation and basement permits. In January 2020 the Local Committee decided to conditionally approve the shoring, excavation and basement permit application. In addition, in January 2020 a zoning plan under Local Committee jurisdiction was submitted to the Local Committee, which plan seeks additional height and additional rights of 500 sqm. At the same time, In January 2020, a zoning plan was submitted to the District Committee for approval of the building rights to include 280 thousand sqm, which will mainly be used for offices and are planned to be built both on the vacant land and on the land on which the office project is located.

Land in Modi'in (Lot 10) – On October 6, 2019, the Company was informed that it had won a tender held by the Israel Land Authority ("**ILA**") for the purchase of a leasehold in a lot situated in the Modi'in-Maccabim-Re'ut CBD, with an area of approx. 17,000 sqm, designated for the construction of a retail and office project, with rights for approx. 37,000 sqm above ground, in consideration for approx. NIS 51 million. According to the conditions of the tender, the Company paid, in addition to the cost of land, approx. NIS 37 million for development costs. For further details, see the Company's immediate report of October 7, 2019 (Ref.: 2019-01-086697), which is included herein by way of reference.

Mount Zion Hotel – For details about the purchase of Mount Zion Hotel, see Section 1.2.3.5 above. The Company intends to continue working on the plans for renovation of the hotel and execution of the building rights for expansion of the hotel to include up to 400 rooms and an underground car park with approx. 380 parking spaces. The renovation and expansion of the hotel are subject to receipt of a building permit.

The Company's estimations in this Section 4.1.1 above, with regard to, inter alia, the expected costs of and investments in properties under construction, manner of financing of the projects, construction completion dates, receipt of various regulatory approvals required for the promotion of projects under construction or the results of administrative and legal proceedings, are forward-looking information, within the definition of this term in the Securities Law, which is based on the Company's subjective estimations as of the date of the report, and their materialization, in whole or in part, is uncertain, or they may materialize in materially different ways, inter alia for reasons which are beyond the Company's control, including changes in market conditions, changes in the Company's plan, the time required for the approval of construction plans for execution, changes in construction input prices and the effects of COVID-19.

The Company's management is acting to continue leading the income-producing real estate market, *inter alia* through the purchase of land reserves, the expansion of existing properties and the purchase of additional similar properties as aforesaid, in order to bring to a further increase in the Company's future operating cash flow, insofar as the Company's board of directors shall so deem fit, and to further consider the development of related and/or synergistic segments.

DEVELOPMENT PIPELINE*

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

EXPANSION OF AZRIELI TEL AVIV CENTER (SPIRAL TOWER)

Use	Retail, offices, hotel and residence	**Estimated completion**	2025
GLA	150,000 sqm	**Status**	Under Construction

AZRIELI HOLON HAMANOR

Use	Offices
GLA	28,000 sqm
Estimated completion	Q3/2020
Status	Under Construction

PALACE LEHAVIM SENIOR HOME

Building rights	44,000 sqm
No. of residential units	350
Estimated completion	Phase A: Completed | Phase B: TBD
Status	Under Construction

AZRIELI HOLON 3

Use	Retail and offices
GLA	250,000 sqm
Estimated completion	TBD
Status	Under Construction

AZRIELI TOWN BUILDING E

Use	Offices
GLA	21,000 sqm
Estimated completion	TBD
Status	In planning

DEVELOPMENT PIPELINE*

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

AZRIELI TOWN

Use	Retail, offices and residence	**Estimated completion**	Offices : Q4/2020
GLA	75,000 sqm		Residence and retail: 2022
		Status	Under Construction

MODI'IN LAND (LOT 21)

Use	Retail, offices, hotel and residence
GLA	20,000 sqm
Estimated completion	2023
Status	Under construction

PALACE RISHON LEZION SENIOR HOME

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

MODI'IN LAND (LOT 10)

Use	Retail and offices
GLA	37,000 sqm
Estimated completion	TBD
Status	In planning

PETACH TIKVA LAND

Use	Offices and retail
GLA	53,000 sqm
Estimated completion	TBD
Status	In planning

Betterment of income-producing properties

Another growth engine of the Company is the betterment of its existing properties. The Company also examines, from time to time, options to promote zoning plans for additional building rights in its properties. For details with respect to the Company's activities for the betterment of its existing properties, see Section 4.1.2 of the board of directors' report for the Periodic Report for 2019, which is included herein by way of reference.

4.1.2. Identification and Acquisition of Properties in the Company's Operating Segments

For details with respect to the Company's activities for the identification of properties in the Company's operating segments, see Section 4.1.3 of the board of directors' report for the Periodic Report for 2019, which is included herein by way of reference.

4.1.3. E-Commerce Business

Further to the Company's reports, whereby it continues to examine business opportunities related to the expansion of its operations to additional segments that coincide with its business strategy, while creating an additional growth engine, the Company owns and operates the Azrieli.com website. The website provides an e-commerce platform, aiming to integrate into and boost the malls and retail centers business through online activity and by way of combined sales and creation of consumption experience, alongside the development of its core business in traditional retail. For details about the effects of the COVID-19 outbreak on the Company's operations, including the e-commerce operations, see Section 2.2 above.

4.1.4. Investment in Compass

Azrieli Group made a decision to enter the global Data Centers industry, which is at the core of the Group's income-producing real estate business, seeing this industry as a growth engine with significant potential. For further details, see Section 1.2.3.2 above.

4.1.5. Acquisition of the Mount Zion Hotel in Jerusalem

In December 2019 the Company announced its entry into the hospitality industry and in February 2020 it closed the acquisition of the Mount Zion Hotel in Jerusalem. For further details, see Section 1.2.3.5 above.

5 | FUNDING OF THE BUSINESS

5.1. Leverage Ratio of the Group

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

Summary of Balance Sheet Figures out of the Consolidated Statements

	31.3.2020	31.3.2019	31.12.2019
Current assets	**2,725**	3,195	3,427
Non-current assets	**31,771**	30,212	31,812
Current liabilities	**3,157**	3,786	2,788
Non-current liabilities	**13,137**	12,756	13,877
Equity attributable to the Company's shareholders	**18,162**	16,817	18,534
Equity attributable to the Company's shareholders out of total assets (in %)	**53%**	50%	53%
Net debt to assets (in %)	**26%**	26%	24%

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

The Group funds its business operations primarily out of its equity, cash and cash equivalents and by means of non-bank credit (mainly bonds and loans from institutional bodies), bank credit (short-term and long-term) and commercial paper. After the date of the report, in April 2020, the Company issued bonds (Series E and F) by way of expanding such bond series. For further details, see Section 1.2.3.4 above.

The Group's financial soundness, which is characterized by a low leverage ratio and considerable unencumbered assets, affords the Group available sources for the obtainment of financing on convenient terms[25]. The Group's leverage ratio is low, compared to many of its major competitors. The Group's low leverage ratio, coupled with the Company's extensive initiatives in the real estate sector, provides flexibility also at times of crisis, which is illustrated by the Company's aforesaid last issue in April 2020, in the midst of the COVID-19 crisis.

[25] For further details, see Section 19 of Chapter A of the Periodic Report for 2019, which is included herein by way of reference.

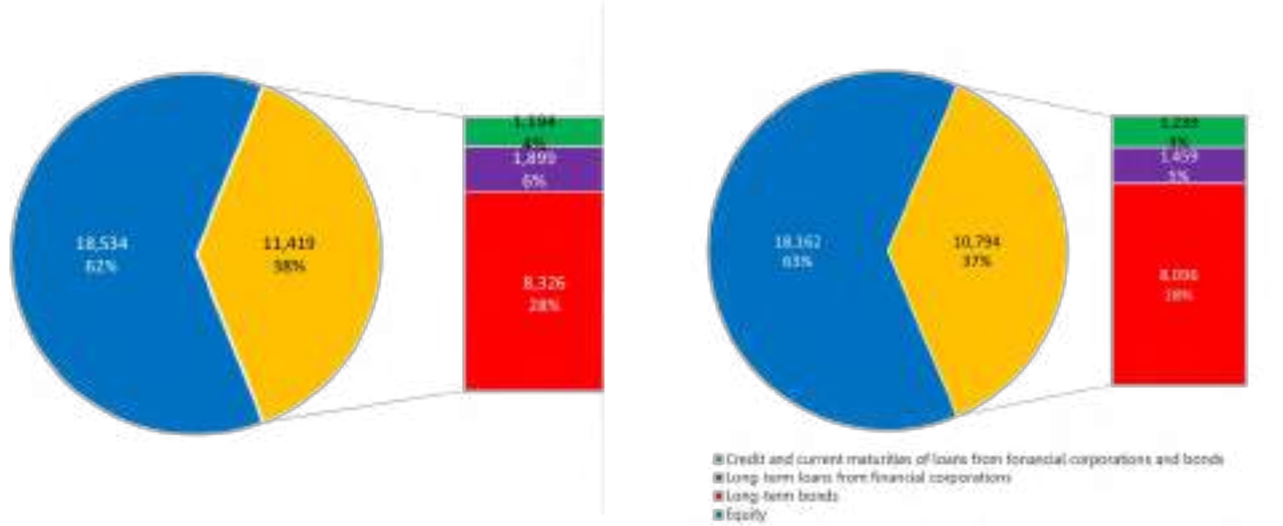
5.2. Composition of Financing Sources

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

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

Composition of Capital and Breakdown of Debt of the Group

31.12.2019	31.3.2020



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

As of the report date, the Group has a working capital deficit of approx. NIS 0.4 billion on a consolidated basis (there is no working capital deficit in the separate statement).

In view of recent indications, the Group estimates that if it decides to raise debt at any time, it will be able to do so in view of its financial soundness and/or the scope of its unencumbered assets. Therefore, in its meeting of May 31, 2020, the Company's board of directors, having examined the Company's cash flow and financing sources, determined that such working capital deficit does not affect its ability to timely repay its liabilities.

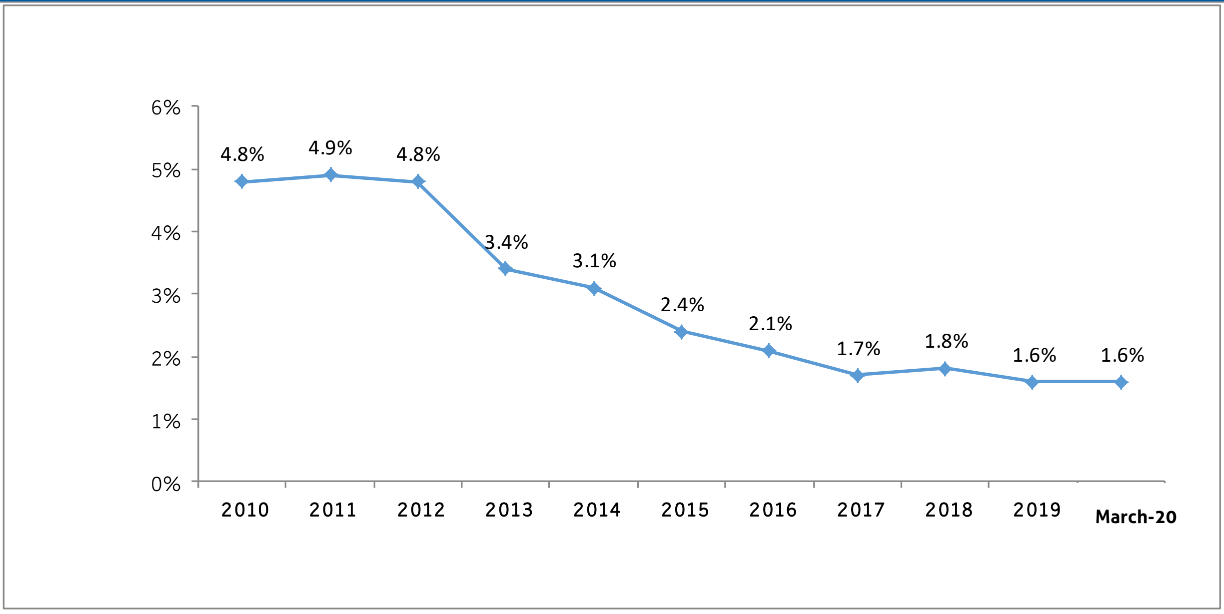
The Group's estimations mentioned in this Section 5.2 above in relation to its liquidity and the availability of its financing sources are forward-looking information as defined in the Securities Law, which is based on the Company's assessments as to market developments, inflation levels and projected cash flows and on the conditions and possibilities of obtaining credit on the date of the Report. Such estimations may not materialize, in whole or in part, or may materialize in a manner that materially differs from the Company's estimations. The primary factors that may affect the above are: changes in the capital market affecting the conditions and possibilities of obtaining credit, changes in the Company's plans, including the use of future available liquid balances in order to seize business opportunities, changes in the advantageousness of the holding of various investment channels or the advantageousness of use of various financing channels, deterioration of the Israeli or U.S. economy and decline into severe recession, and the Company or any of the Group's companies encountering financing or other difficulties, in a manner affecting the Company's cash flow.

5.3. Financing Transactions during the Report Period and up to the Report Release Date

Up to the Report Release Date, the Company raised debt at low interest rates, which are typical in the present market conditions, whilst maintaining the Company's high credit rating and extending the duration of the loans' debt.

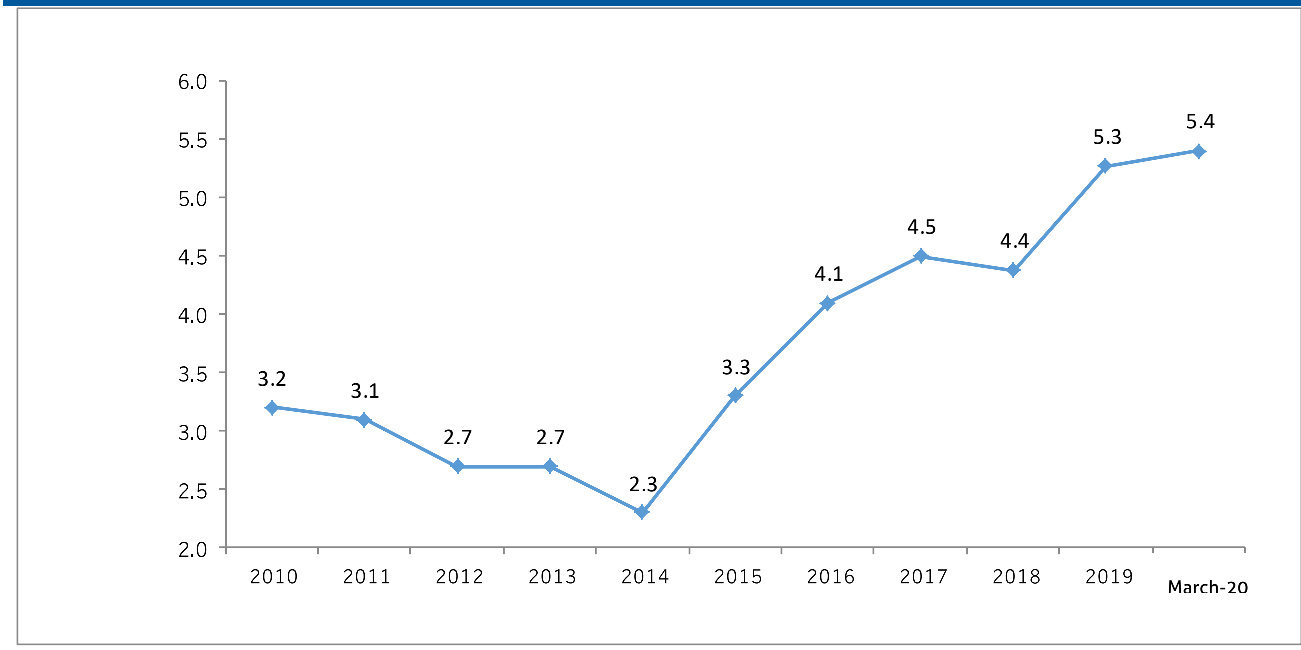
Between the Report Period and the Report Release Date, the Company acted to raise debt through the issuance of bonds (Series E and F), by way of expanding such bond series, in the amount of approx. NIS 1.7 billion, with an average duration of approx. 7 years and a weighted index-linked interest rate of approx. 1.3%. For details regarding the debt raising see Section 1.2.3.4 above.

Reduction of Average Interest over the Years



♦ Interest rate as of the end of the period

Extension of the Average Duration of Debt



♦ Duration as of the end of the period

5.4. Rating

The Company has a high credit rating that reflects its financial strength, the quality of its assets and its low leverage ratio. As of the report date, the Company's credit rating is ilAA+/Stable/ilA-1+ by Ma'alot and Aa1 by Midroog. For details with respect to the rating of bonds, commercial paper and private loans of the Company, see Section 19.12 of Chapter A of the Periodic Report for 2019, which is included herein by way of reference, as well as Section 7 of Chapter B hereof.

5.5. Liabilities and Financing

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

Breakdown of Financial Liabilities

	Fixed Interest			Variable Interest		Total		Total
	Index-linked	USD-linked	Unlinked	GBP-linked	Unlinked	Fixed Interest	Variable Interest	
Short-term loans	-	-	-	**19**	**59**	**-**	**78**	**78**
Long-term loans	**9,344**	**1,354**	-	-	**18**	**10,698**	**18**	**10,716**
Total	**9,344**	**1,354**	-	**19**	**77**	**10,698**	**96**	**10,794**

Figures are presented in millions of NIS, as of March 31, 2020.

As of March 31, 2020, short-term loans represented less than 1% of the Group's total financial liabilities. The Company's management estimates that this rate is low and conservative in view of the low leverage ratio and the total unencumbered assets as specified below.

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

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

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

5.7. Maturities of the Group's Financial Liabilities

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

Forecast of Maturities of Financial Liabilities			
Year	**Principal**	**Interest**	**Total**
1	**1,239**	**203**	**1,442**
2	**811**	**164**	**975**
3	**836**	**153**	**989**
4	**869**	**140**	**1,009**
5 forth	**7,039**	**599**	**7,638**
Total	**10,794**	**1,259**	**12,053**

Figures are presented in millions of NIS, as of March 31, 2020.

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

- Positive cash flow from current operations, which totaled approx. NIS 309 million in the three months ended March 31, 2020.
- Liquid assets and unencumbered assets.
- The Group has mortgaged income-producing properties, the fair value of which significantly exceeds the loan undertaken therefor.
- Refinancing of debts in the capital market and/or institutional bodies and/or banking institutions.

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

As of March 31, 2020, the aggregate amount of liquid assets (cash and cash equivalents) held by the Group amounted to NIS 2,000 million. The Company deems its liquid assets, the considerable cash flow from its current operations and its unencumbered assets (in the total value of approx. NIS 24 billion, in addition to the aforesaid amount of approx. NIS 2 billion in liquid assets) essential to its financial soundness, its high financial flexibility due to its lack of dependence on the availability of external sources both in terms of debt repayment and in terms of the ability to seize investment opportunities at various times.[26] As pertains to additional possible liquid sources, the Group estimates that it has the ability to obtain financing on convenient terms in the prevailing economic conditions.

Unencumbered Assets Available to Serve as Collateral against the Receipt of Credit	
Assets	**Value of Assets as of March 31, 2020**
Real estate of the retail centers and malls in Israel segment	**11,421**
Real estate of the leasable office and other space in Israel segment	**10,138**
Other real estate (mainly hospitality)	**411**
The Company's holdings in GES and Azrieli E-Commerce	**136**
The Company's holdings in Compass	**598**
The Company's holdings in Bank Leumi	**894**
Total	**23,598**

[26] For details with respect to additional matters related to the Group's financing activities, see Section 19 of Chapter A of the Periodic Report for2019, which is included herein by way of reference.

Figures are as presented in the financial statements and in millions of NIS.
In addition, the Group holds mortgaged income-producing properties, the fair value of which exceeds the amount of the loan undertaken therefor.

The Group's estimations mentioned in this Section 5.8 above in connection with the Company's ability to obtain financing on convenient terms in the currently prevailing economic conditions, are forward-looking information as defined in the Securities Law, which is based on the Company's estimations as to the economic conditions and the liquidity level as of the Report Release Date. Such estimations may not materialize, in whole or in part, or may materialize in a manner that materially differs from the Company's estimations. The primary factors that may affect the above are: changes in the capital market affecting the conditions and possibilities of obtaining financing, changes in the Company's plans, including use of future available liquid balances in order to seize business opportunities, changes in the advantageousness of the holding of various investment channels or the advantageousness of use of various financing channels, deterioration of the Israeli or U.S. economy and decline into severe recession, as well as the effects the COVID-19 pandemic, in a manner which affects the Company's ability to obtain financing on convenient terms.

5.9. Financial Position

Financial Position, Liquidity and Financing Sources

Item	31.3.2020	31.12.2019
Total assets (1)	**34,496**	35,239
Current assets (2)	**2,725**	3,427
Investment properties (3)	**29,224**	29,145
Short-term credit(4)	**1,239**	1,194
Loans from banking corporations and other credit providers (5)	**1,459**	1,899
Net bonds (6)	**8,096**	8,326
Equity (7)	**18,162**	18,574

Figures are presented in millions of NIS.

(1) The decrease mainly results from a decrease in the cash balance mainly due to debt repayment and a decrease in the value of the holding of Bank Leumi stock.
(2) The decrease mainly results from a decrease in the cash balance due to debt repayment and investments in real estate and the acquisition of the Mount Zion Hotel.
(3) The increase results from the progress of investments in projects under construction and in income-producing properties and from an increase in the value of the U.S. properties as a result of the increase in the dollar exchange rate in the Report Period, offset by the decrease in the fair value of the properties, primarily due to the COVID-19 crisis.
(4) The increase results mainly from a balance of loans previously classified as long-term and carried to current maturities, offset by the repayment of maturities and the repayment of commercial paper.
(5) The decrease results mainly from a balance of loans previously classified as long-term and carried to current maturities.
(6) The decrease chiefly results from current maturities.
(7) The decrease chiefly results from a dividend distribution.

6 | BUSINESS RESULTS AT A GLANCE

6.1. Summary of Business Results

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

Analysis of the Consolidated Net Profit			
	For the Three Months Ended		For the Year Ended
	31.3.2020	**31.3.2019**	**31.12.2019**
Net profit for the period attributable to the shareholders	**93**	**369**	2,099
Net profit attributable to the shareholders and to non-controlling interests	**92**	**369**	2,097
Basic earnings per share (NIS)	**0.77**	**3.04**	17.31
Basic earnings per share from continued operations (NIS)	**0.82**	**3.04**	14.08
Comprehensive income (loss) to shareholders and to non-controlling interests	**(74)**	**301**	1,997

Figures are presented in millions of NIS.

Net profit in the Report Period totaled NIS 92 million, compared with NIS 369 million in the same period last year. The profit in the Report Period was affected mostly by an increase in the loss due to the adjustment of the fair value of investment properties compared with the same period last year in the amount of NIS 222 million, , a decrease in net other revenues in the amount of NIS 80 million and a shift to loss from discontinued operations offset by a decrease in tax expenses mainly due to the increase in the loss due to the fair value adjustment in the sum of NIS 41 million.

6.2. Comprehensive Income

The Group's capital and comprehensive income are also affected by various capital reserves, chiefly by capital reserves in respect of changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income and by reserves for translation differences from foreign operations. The difference between the comprehensive income and the net profit as presented in Section 6.1 above, for the three-month period ended March 31, 2020, mostly derives from a decrease in the fair value of financial assets net of tax in the sum of NIS 195 million, offset by profit from translation differences from foreign operations in the sum of NIS 57 million.

6.3. Results of Operations

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

Results of Operations		
	For the Three Months Ended	
	31.3.2020	31.3.2019
Marketing, general and administrative expenses (1)	44	37
Net other revenues (2)	3	83
Net financing revenues (expenses) (3)	6	(17)
Income taxes expenses (4)	40	81

Figures are presented in millions of NIS.

(1) The increase in expenses in the Report Period compared with the same period last year mainly derives from an increase in payroll expenses due to the expansion of the Company's management echelon consequently to its entry into new business sectors, an increase in consulting and legal expenses and an increase in marketing expenses.

(2) Net other revenues in the Report Period mainly derive from a dividend from Bank Leumi (in the same quarter last year, mainly from dividends from Leumi Card and Bank Leumi).

(3) The decrease in net financing expenses in the current quarter compared with the same quarter last year, mainly derives from a decrease in linkage expenses on loans, bonds and senior housing residents' deposits, due to a 0.5% decrease in the CPI in the current quarter compared with a 0.3% decrease in the CPI in the same quarter last year.

(4) The decrease in tax expenses in the Report Period compared with the same period last year is primarily attributed to a change in deferred tax expenses due to the increase in loss from fair value adjustments of investment properties in the present period compared with the same period last year.

6.4. Cash Flows

The following table shows the cash flows generated by the Group for Q1/2020, compared with the same quarter in 2019:

Quarterly Cash Flows		
Quarter	Q1/2020	Q1/2019
Net cash flows generated by the Group from current operations (1)	309	383
Net cash flows (used by the Group) for investment activities (2)	(510)	149
Net cash flows used by the Group for financing activities (3)	(660)	1,176

Figures are presented in millions of NIS.

(1) The cash flow in Q1/2020 and in the same quarter last year chiefly resulted from the operating profit of the income-producing real estate in the sum of approx. NIS 404 million (approx. NIS 399 million in the corresponding period), plus net senior housing deposits net of paid income taxes.

(2) Most of the cash flow in Q1/2020was used for acquisition of the Mount Zion Hotel and acquisition of and investment in investment properties and investment properties under construction in the sum of NIS 219 million. Most of the cash flow in the same quarter last year derived from net proceeds from the disposition of financial assets and from interest and dividend received offset by amounts used for the acquisition of and investment in investment properties and investment properties under construction in the sum of approx. NIS 180 million.

(3) Most of the decrease relative to the same quarter last year derives from a bond issue in such quarter last year and from the repayment of short-term credit in the Report Period.

7 | CORPORATE GOVERNANCE ASPECTS

In the Report Period no material changes have occurred in the Company's corporate governance aspects, as specified in chapters D-E of the Periodic Report for 2019, which is included herein by way of reference.

7.1. Approval of Extension of the Term of Letters of Indemnification and Exemption from Liability granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli, who are Controlling Shareholders of the Company and serve as Directors thereof

On April 30, 2020, the general meeting of the Company's shareholders approved the extension of the term of the letters of indemnification and exemption from liability granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli as directors of the Company, who are controlling shareholders of the Company, for an additional three-year period commencing on the date of such approval. For further details, see the immediate notice of meeting report of March 25, 2020 (Ref.: 2020-01-029445) and the immediate report of May 3, 2020 on the results of the meeting (Ref.: 2020-01-043230), which are included herein by way of reference.

7.2. Internal Enforcement Plan

On May 27, 2020 the Company's board committee on internal enforcement discussed the 2019 report and enforcement plan for 2020. For further details on the Company's internal enforcement plan, see Section 10 in Chapter E of the Periodic Report for 2019.

7.3. Changes in the Service of Company Officers

On March 25, 2020, Ms. Irit Sekler-Pilosof was appointed as Deputy CEO, in addition to her office as the Company's CFO[27].

7.4. Contributions

On May 31, 2020, the contributions arrangement between the Company and the Azrieli Foundation (Israel), R.A., expired. The Company intends to continue donating to non-profit organizations, whose objectives fit the donation and corporate social responsibly policy the Company shall adopt, and as being from time to time. It is clarified that the Azrieli Foundation still holds Company shares, constituting approx. 5.69% of the Company's issued capital.

[27] See the Company's immediate report of March 25, 2020 (Ref.: 2020-01-029454), which is included herein by way of reference.

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

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

For events and developments during the Report Period, see Chapter B hereof – Updates to the Description of the Corporation's Business chapter as of March 31, 2020 and Note 3 to the financial statements as of March 31, 2020.

8.2. Report on the Group's Liabilities

A report on the Group's liabilities, in accordance with Sections 39E and 9D of the Regulations is attached in a separate report form concurrently with the release of this Report.

8.3. Disclosure of Highly Material Valuations

As of the date of the report, there has been no change in the parameters for disclosure and attachment of valuations, as published in the Periodic Report for 2019. The Company has updated the valuations of its properties as of March 31, 2020.

As specified in Section 9.3 of the board of directors' report included in the Periodic Report for 2019, which is included herein by way of reference, and after an examination of the relevant parameters according to ISA Staff Legal Position 105-23 on the parameters for examination of the materiality of valuations, it transpires that the Company has no highly material valuation that is required to be attached to the report.

8.4. Subsequent Events

See Note 7 to the financial statements as of March 31, 2020.

8.5. Financials attributable to the Company as a Parent Company

In accordance with Sections 9C and 38D of the Regulations, financials out of the consolidated financial statements attributable to the Company as a parent company are attached with the auditor's opinion, in Chapter C.

8.6. Note on Forward-Looking Information

The Company's intentions mentioned in the introduction to the board of directors' report and the highlights to the board of directors' report, inter alia, in relation to the use of business opportunities and expansion of the operations, liquidity, financing sources and net financing expenses, the pace of progress of projects under construction, the projected costs of their construction, the effects of the economic situation on the Company's operating segments and with respect to possible debt raising, are forward-looking information as defined in the Securities Law, which is based on the Company's plans as of the report date, the Company's estimations with respect to developments in the markets, inflation levels and projected cash flows and on the conditions and possibilities of obtaining credit on the date of the Report.

Such estimations may not materialize, in whole or in part, or materialize in a manner that materially differs from the Company's estimations. The principal factors that may affect the above are: changes in the capital market that will affect the conditions and possibilities of obtaining credit, changes in the Company's plans, including use of future available liquid balances for the purpose of seizing business opportunities, changes in the advantageousness *of holding various investment channels or the advantageousness of use of various financing channels, delays in the obtainment of permits or approvals required for the progress of projects under construction, changes in the regulation related to the Company's business, including planning and building regulation, an increase in the prices of construction materials, changes in the CPI, deterioration of the Israeli or U.S. economy and decline into severe recession, and the Company or any of the Group's companies encountering financing or other difficulties, in a manner affecting the Company's cash flow, and the effects of the persistence of the COVID-19 pandemic.*

The Company's board of directors and management wish to express their high regard for the Company's officers, the managements of the various companies of the Group and their employees, for their welcome contribution to the Group's achievements in the quarter ended March 31, 2020.

Danna Azrieli, Chairman of the Board	**Eyal Henkin, CEO**

Date: May 31, 2020

Annex A

Designated Disclosure to the Bondholders

Annex A - Designated Disclosure to the Bondholders

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

Series	Date of the Issue	Par Value on the Date of the Issue	Par Value on the Report Date	Par Value on the Report Date, including Linkage	Amount of Interest Accrued by the Report Date	Value in the Financial Statements	Market Cap	Type of Interest	Annual Interest Rate	Principal Payment Dates	Interest Payment Dates	Linkage Terms	Details regarding the Trustee
		NIS in Millions											
Series B	Feb. 10, 2015	623.3	905.8	906.6	2.9	896.2	893.8	Fixed	0.65	April 1 in the years 2016 through 2025	From October 1, 2015 and subsequently April 1st and October 1st in the years 2016 through 2025	Linkage (principal and interest) to the rise in the CPI for December 2014*	Name of the trust company: Hermetic Trust (1975) Ltd.; Address: Champion Tower, 13th floor, 30 Sheshet Ha-Yamim Road, Bnei Brak. Tel: 03-5274867; Fax: 03-5271039; E-mail address: hermetic@hermetic.co.il Contact person at the trustee: Dan Avnon or Meirav Ofer
	June 23, 2015	600.3											
	Mar. 30, 2017	228.8											
Series D	July 7, 2016	2,194.1	3,817.6	3,871.2	12.2	3,851.6	3,855.8	Fixed	1.34	From July 5, 2018 twice a year on January 5 and July 5 of each of the years 2018 through 2030	From January 2017, twice a year on January 5 and July 5 of each of the years 2017 through 2030	Linkage (principal and interest) to the rise in the CPI for May 2016*	
	March 30, 2017	983.6											
	Feb. 1, 2018	1,367											
Series E	Jan. 22, 2019	1,215.9	2,432.7	2,435.1	10.7	2,535.6	2,481.3	Fixed	1.77	On June 30 of each of the years 2022 through 2028	From June 30, 2019, twice a year on June 30 of each of the years 2019	Linkage (principal and interest) to the rise in the CPI for	
	Dec. 19, 2019	1,216.7											

Series	Date of the Issue	Par Value on the Date of the Issue	Par Value on the Report Date	Par Value on the Report Date, including Linkage	Amount of Interest Accrued by the Report Date	Value in the Financial Statements	Market Cap	Type of Interest	Annual Interest Rate	Principal Payment Dates	Interest Payment Dates	Linkage Terms	Details regarding the Trustee
	April 20, 2020	810.7									through 2028 and December 31 of each of the years 2019 through 2027	December 2018*	
Series F	Jan. 22, 2019	263.4	1,196.1	1,197.3	7.4	1,353.0	1,307.3	Fixed	2.48	On December 31 of each of the years 2025 through 2032	From June 30, 2019, twice a year on June 30 and December 31 of each of the years 2019 through 2032	Linkage (principal and interest) to the rise in the CPI for December 2018*	
	Dec. 19, 2019	932.6											
	April 20, 2020	761.9											
Total		11,198.3	8,352.2	8,410.2	33.2	8,636.4	8,538.2						

* The Series B, Series D, Series E, Series F Bonds (jointly, the "**Company's Bond Series**") are protected, such that if the known index on the relevant payment due date is lower than the base index (stated in the table), the payment index will be the base index.

Further details regarding the bonds of the Company held by the public:

1. The Company's Bond Series are material to the Company and are not secured by any collateral.

2. The Company will be entitled, at its sole discretion, to perform (partial or full) early redemption of the Company's Bond Series. For details, see Section 9.2 of the terms and conditions overleaf in the indentures of each of the Company's Bond Series, and as follows:

    2.1. With respect to the Series B Bond indenture which was attached to the shelf offering report that was published by the Company, see the Company's report dated March 29, 2017 (Ref.: 2017-01-032703).

    2.2. With respect to the Series D Bond indenture which was attached to the shelf offering report that was published by the Company, see the Company's report dated January 31, 2018 (Ref.: 2018-01-010993).

    2.3. With respect to the Series E Bond indenture and the Series F Bond indenture, both of which were attached to the shelf offering report that was published by the Company, see the Company's report dated April 20, 2020 (Ref.: 2020-01-035128).

3. The reports mentioned in Sections 2.1-2.3 above (the "**Indentures**") are included herein by way of reference.

4. At the end of and during the report period, the Company has fulfilled all of the terms and conditions and undertakings according to the Indentures, and no conditions establishing grounds for acceleration of the Company's Bond Series have been fulfilled.

5. For details regarding an undertaking that the Company assumed in the framework of the Company's Bond Series, see Sections 5.2-5.6 of the Indentures.

<u>Rating of the bonds of the Company held by the public</u>:

Series	Name of Rating Company	Rating Set on the Date of the Issue	Rating Set as of the Report Release Date	Date of Issuance of the Current Rating	Additional Ratings Set between the Date of the Issue and the Report Date	
					Rating	Date of Rating
Series B	Ma'alot	AA+ stable	AA+ stable	February 2, 2020(*)	AA+ stable	June 21, 2015 March 28, 2017 February 2, 2020
Series D	Midroog	Aa1/stable outlook	Aa1/stable outlook	Dec. 31, 2019(**)	Aa1/stable outlook	July 20, 2016 March 27, 2017 March 28, 2017 December 31, 2017 January 28, 2018 January 31, 2018 December 31, 2019
Series E	Midroog	Aa1/stable outlook	Aa1/stable outlook	Dec. 31, 2019(**)	Aa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019
Series F	Midroog	Aa1/stable outlook	Aa1/stable outlook	Dec. 31, 2019(**)	Aa1/stable outlook	January 20, 2019 December 17, 2019 December 31, 2019

* For Ma'alot's rating report on the Company's Series B, see the Company's immediate report of February 2, 2020 (Ref.: 2020-01-012273), which is included herein by way of reference.
** For Midroog's rating report on the Company's Series D-F Bonds, see the Company's immediate report of December 31, 2019 (Ref.: 2019-01-116598), which is included herein by way of reference.

PART B

Update of the Description of the Corporation's Business

AZRIELI GROUP LTD.

Update of the Description of the Corporation's Business Chapter in the Company's Periodic Report as of December 31, 2019 (the "**Periodic Report**")[1]

In accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, following is a description of material developments that have occurred in the Company's business during the three months ended March 31, 2020 and until the Report Release Date, with respect to which disclosure has not yet been made in the Periodic Report, according to the order of the sections in the Description of the Corporation's Business chapter in the Periodic Report. It shall be noted that the terms in this chapter shall have the meaning ascribed thereto in the Periodic Report, unless otherwise expressly provided.

In this chapter: the "**Report Release Date**" – May 31, 2020; the "**Date of the Statement of Financial Position**" and the "**Report Date**" – March 31, 2020; the "**Board of Directors' Report**" – the Board of Directors' Report on the State of the Company's Affairs for the three months ended March 31, 2020.

1. Developments that occurred in the Group's structure and business until the Report Release Date

Update to Section 1.3 of the Description of the Corporation's Business chapter:

For details with respect to: (1) the development pipeline; (2) investment in Compass; (3) the sale of GES; (4) financing transactions; (5) the purchase of Mount Zion Hotel in Jerusalem; and (6) the spread of COVID-19; see Section 1.2.3 of Chapter A hereof.

2. Dividends

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

On May 14, 2020, the Company paid a dividend to its shareholders in the total amount of NIS 300 million. For details, see Section 1.2.4 of Chapter A hereof.

3. Development Pipeline

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

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

[1] As reported by the Company on March 25, 2020 (Ref.: 2020-01-025963) which is incorporated herein by reference.

"Palace Lehavim" senior home – In May 2020, a Form 4 (occupancy permit) was received in connection with the construction of Phase A of the project, and residents have started moving in. A Form 4 for the retail and LTC space (approx. 5 thousand sqm) is expected in Q3/2020.

4. Land Reserves (Additional Details)

Update to Section 7.8 of the Description of the Corporation's Business chapter:

Updates in relation to land designated for construction as of the Report Date in the operating segments of investment properties and in the senior housing segment are specified below (for further details, see Section 4 of Chapter A hereof):

"Palace Rishon LeZion" senior home – In March 2020, the Company filed an application for an excavation and shoring permit for the project, and a decision was made by the local committee approving the permit under conditions.

5. Granite Segment – Discontinued Operations

Update to Section 13 of the Description of the Corporation's Business chapter – Granite Segment – Discontinued Operations:

On January 23, 2020, Canit Hashalom Investments Ltd. entered into an agreement for the sale of its entire holdings in GES, which engages in water, wastewater, air and waste treatment, and industrial chemicals. On April 28, 2020 all of the closing conditions for the transaction were fulfilled as aforesaid, and the transaction was closed on May 7, 2020. For further details about the sale of GES see Section 1.2.3.3 of Chapter A hereof, as well as Note 4 to the financial statements.

6. Financing

Non-Bank Financing for the Company

Update to Section 19.5 of the Description of the Corporation's Business Chapter:

- **Series D Bonds of the Company**

  In the report period, principal and interest payments were made in accordance with the payment schedule thereof. As of the Report Date, the par value balance of the Company's Series D Bonds in circulation is approx. NIS 3,818 million.

- **Series E Bonds of the Company**

  On April 20, 2020, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 904 million par value of the Company's Bond Series E, by virtue of the 2019 Shelf Prospectus. On April 21, 2019, the Company announced that according to the issue results, approx. NIS 811 million par value of Series E Bonds have been allotted in consideration for approx. NIS 847 million (approx. NIS 842 million net of issue expenses).

As of the Report Release Date, the par value balance of the Company's Series E Bonds in circulation is approx. NIS 3,243 million.

- **Series F Bonds of the Company**

  On April 20, 2020, the Company released a shelf offering report for the issue and listing on TASE of up to approx. NIS 849 million par value of the Company's Bond Series F, by virtue of the 2019 Shelf Prospectus. On April 21, 2020, the Company announced that according to the issue results, approx. NIS 762 million par value of Series F Bonds have been allotted in consideration for approx. NIS 850 million (approx. NIS 841 million net of issue expenses).

  As of the Report Release Date, the par value balance of the Company's Series F Bonds in circulation is approx. NIS 1,958 million.

- **Commercial Paper**

  As of the Report Date, the Company has two series of CP – one rated series of approx. NIS 53 million (after having repaid approx. NIS 200 million during the report period), and one unrated series of approx. NIS 5 million (after having repaid approx. NIS 149 million during the report period). For details on the Company's CP see Note 17A to the 2019 annual financial statements.

7. Credit rating

On February 2, 2020, Ma'alot confirmed the Company's ilAA+/Stable/ilA-1+ rating. To inspect the full report by Ma'alot, see the Company's immediate report of February 2, 2020 (Ref.: 2020-01-012273), which is included herein by way of reference.

On April 20, 2020, Midroog confirmed the rating of the Series E-F bonds issued by the Company by way of expansion of the said series, Aa1.il with a stable outlook. To inspect the full report by Midroog dated April 20, 2020, see the Company's immediate report of April 20, 2020 (Ref.: 2020-01-035086), which is included herein by way of reference.

AZRIELI GROUP

PART C

Consolidated Financial Statements

Dated 31 March 2020

Azrieli Group Ltd.

Condensed Consolidated Financial Statements
as of March 31, 2020

(Unaudited)

Azrieli Group Ltd.

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Deloitte.

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

Introduction
We have reviewed the accompanying financial information of **Azrieli Group Ltd.**, the company and subsidiaries (the "**Group**") which includes the Condensed Consolidated Statement of Financial Position as of March 31, 2020 and the Condensed Consolidated Statements of Profit or Loss and other Comprehensive Income, Changes in Capital and Cash Flows for the three-month period then ended. The board of directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on this interim financial information, based on our review.

We have not reviewed the condensed interim financial information of a consolidated company whose consolidated assets constitute approx. 1% of all the consolidated assets as of March 31, 2020, the Company's share in whose losses, in the sum of NIS 5 million, is presented under 'loss from discontinued operations' for the three-month period then ended. The condensed interim financial information of such company was reviewed by other accountants whose review reports were furnished to us and our conclusion, insofar as it relates to the financial information for such company, is based on the review reports of the other accountants.

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

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

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

Tel Aviv, May 31, 2020

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

	As of March 31		As of Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
ASSETS			
Current Assets			
Cash and cash equivalents	1,981	2,421	2,842
Short-term investments and deposits	19	60	19
Trade accounts receivable	67	336	54
Other receivables	407	237	228
Inventory	10	60	7
Current tax assets	36	81	70
	2,520	3,195	3,220
Assets of a disposal group held for sale	205	-	207
Total Current Assets	2,725	3,195	3,427
Non-current Assets			
Investments and loans in companies accounted for on the equity method	598	99	505
Investments, loans and receivables	412	592	614
Financial assets	899	1,116	1,167
Long-term receivables in respect of franchise arrangements	-	45	-
Investment property and investment property under construction	29,224	27,524	29,145
Fixed assets	513	529	253
Intangible assets	124	291	127
Deferred tax assets	1	16	1
Total Non-current Assets	31,771	30,212	31,812
Total Assets	34,496	33,407	35,239

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Financial Position

(Continued)

	As of March 31		As of Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
LIABILITIES AND CAPITAL			
Current liabilities			
Credit and current maturities from financial corporations and bonds	1,239	1,724	1,194
Trade payables	342	280	372
Payables and other current liabilities	189	225	151
Deposits from customers	968	979	957
Provisions	-	11	-
Current tax liabilities	3	7	2
Declared dividend	300	560	-
	3,041	3,786	2,676
Liabilities of a disposal group held for sale	116	-	112
Total Current liabilities	3,157	3,786	2,788
Non-current liabilities			
Loans from financial corporations	1,459	1,997	1,899
Bonds	8,096	7,420	8,326
Other liabilities	65	81	67
Deferred tax liabilities	3,517	3,258	3,585
Total Non-current liabilities	13,137	12,756	13,877
Capital			
Ordinary share capital	18	18	18
Share premium	2,518	2,518	2,518
Capital reserves	252	565	424
Retained earnings	15,374	13,716	15,574
Total equity attributable to the shareholders of the Company	18,162	16,817	18,534
Non-controlling interests	40	48	40
Total Capital	18,202	16,865	18,574
Total Liabilities and Capital	34,496	33,407	35,239

May 31, 2020			
Date of approval of the financial statements	**Danna Azrieli** **Chairman of the Board**	**Eyal Henkin** **CEO**	**Irit Sekler-Pilosof** **CFO and Deputy CEO**

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the three-month period ended March 31		For the year ended December 31
	2020	2019(*)	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Revenues:			
From rent, management, maintenance and sales fees	550	550	2,235
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(224)	(2)	901
Share in results of company accounted for on the equity method, net of tax	(1)	-	19
Financing	26	10	20
Other	9	89	124
Total Revenues	360	647	3,299
Costs and Expenses:			
Cost of revenues from rent, management, maintenance and sales fees	152	159	658
Sales and marketing	18	16	77
G&A	26	21	97
Financing	20	27	266
Other	6	6	25
Total Costs and Expenses	222	229	1,123
Income before income taxes	138	418	2,176
Taxes on income	(40)	(81)	(471)
Income from continuing operations for the period	98	337	1,705
Income (loss) from discontinued operations (net of tax)	(6)	32	392
Net profit for the period	92	369	2,097
Other comprehensive income (loss):			
Amounts that will not be carried in the future to the income statement, net of tax:			
Change in fair value of financial assets, net of tax	(195)	(28)	20
Actuarial loss due to defined benefit plan, net of tax	-	-	(1)
	(195)	(28)	19
Amounts that were carried or will be carried in the future to the income statement, net of tax:			
Share in the other comprehensive income of investments accounted for on the equity method	(28)	-	4
Translation differences from foreign operations	57	(40)	(123)
	29	(40)	(119)
Other comprehensive loss for the period, net of tax	(166)	(68)	(100)
Total Comprehensive Income (Loss) for the Period	(74)	301	1,997

(*) Restated due to discontinued operations, see Note 4.

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
(Continued)

	For the three-month period ended March 31		For the year ended December 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Net income for the year attributable to:			
Shareholders of the Company	93	369	2,099
Non-controlling interests	(1)	-	(2)
	92	369	2,097
Total comprehensive income (loss) for the year attributable to:			
Shareholders of the Company	(74)	302	2,003
Non-controlling interests	-	(1)	(6)
	(74)	301	1,997
	NIS	**NIS**	**NIS**
Basic and diluted earnings (loss) (in NIS) per ordinary share of par value NIS 0.1 attributable to shareholders of the Company:			
Continuing operations	0.82	2.78	14.08
Discontinued operations	(0.05)	0.26	3.23
	0.77	3.04	17.31
Average weighted number of shares used for calculating the basic and diluted earnings per share	121,272,760	121,272,760	121,272,760

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

	For the three-month period ended March 31, 2020								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2020	18	2,518	531	(99)	(8)	15,574	18,534	40	18,574
Net profit for the period	-	-	-	-	-	93	93	(1)	92
Change in fair value of financial assets, net of tax	-	-	(195)	-	-	-	(195)	-	(195)
Share in comprehensive income of an investment accounted for on the equity method	-	-	-	(19)	(9)	-	(28)	-	(28)
Translation differences from foreign operations	-	-	-	56	-	-	56	1	57
Total comprehensive income for the period	-	-	(195)	37	(9)	93	(74)	-	(74)
Declared dividend to shareholders of the Company	-	-	-	-	-	(300)	(300)	-	(300)
Funds from investee companies	-	-	-	-	2	-	2	-	2
Total transactions with shareholders of the Company	-	-	-	-	2	(300)	(298)	-	(298)
Carried to retained earnings as a result of disposition of financial assets	-	-	(7)	-	-	7	-	-	-
Balance as of March 31, 2020	18	2,518	329	(62)	(15)	15,374	18,162	40	18,202

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

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

	For the three-month period ended March 31, 2019								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2019	18	2,518	640	1	(7)	13,907	17,077	44	17,121
Net profit for the period	-	-	-	-	-	369	369	-	369
Change in fair value of financial assets, net of tax	-	-	(28)	-	-	-	(28)	-	(28)
Translation differences from foreign operations	-	-	-	(39)	-	-	(39)	(1)	(40)
Total comprehensive income for the period	-	-	(28)	(39)	-	369	302	(1)	301
Declared dividend to shareholders of the Company	-	-	-	-	-	(560)	(560)	-	(560)
Investment of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	4	4
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	(2)	-	(2)	1	(1)
Total transactions with shareholders of the Company	-	-	-	-	(2)	(560)	(562)	5	(557)
Balance as of March 31, 2019	18	2,518	612	(38)	(9)	13,716	16,817	48	16,865

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Changes in Capital

(Continued)

	For the year ended December 31, 2019								
	Share capital	Share premium	Capital reserve for changes in the fair value of investments in equity instruments designated at fair value through other comprehensive income	Capital reserve for translation differences from foreign operations	Other capital reserves	Retained earnings	Total attributed to shareholders of the Company	Non-controlling interests	Total
	NIS in millions								
Balance as of January 1, 2019	18	2,518	640	1	(7)	13,907	17,077	44	17,121
Net profit for the year	-	-	-	-	-	2,099	2,099	(2)	2,097
Change in fair value of financial assets, net of tax	-	-	20	-	-	-	20	-	20
Actuarial loss due to defined benefit plan, net of tax	-	-	-	-	-	(1)	(1)	-	(1)
Translation differences from an investment accounted for on the equity method	-	-	-	4	-	-	4	-	4
Translation differences from foreign operations	-	-	-	(119)	-	-	(119)	(4)	(123)
Total comprehensive income for the year	-	-	20	(115)	-	2,098	2,003	(6)	1,997
Dividend to shareholders of the Company	-	-	-	-	-	(560)	(560)	-	(560)
Investment of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	4	4
Sale of shares in consolidated company	-	-	(36)	15	-	36	15	(3)	12
Funds from investee companies	-	-	-	-	1	-	1	-	1
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	(2)	-	(2)	1	(1)
Total transactions with shareholders of the Company	-	-	(36)	15	(1)	(524)	(546)	2	(544)
Carried to retained earnings as a result of disposition of financial assets	-	-	(93)	-	-	93	-	-	-
Balance as of December 31, 2019	18	2,518	531	(99)	(8)	15,574	18,534	40	18,574

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

	For the three-month period ended March 31		For the year ended December 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash Flows - Current Operations			
Net profit for the period	92	369	2,097
Depreciation and amortization	9	20	73
Impairment of fixed assets	6	-	10
Forfeiture of senior housing residents' deposits	(8)	(7)	(29)
Net loss (profit) from fair value adjustment of investment property and investment property under construction	224	2	(901)
Net financing and other expenses (income)	(19)	(71)	163
Share in losses (profits) of associates accounted for on the equity method	-	2	(14)
Tax expenses recognized in the income statement	41	88	490
Income from disposition of investment in an investee company (Annex A)	-	-	(383)
Income taxes paid, net	(18)	(44)	(108)
Erosion of financial assets designated at fair value through profit and loss	-	-	1
Change in inventory	-	6	10
Change in trade and other receivables	(28)	(31)	54
Change in receivables in respect of franchise arrangement	-	1	2
Change in trade and other payables	(17)	(27)	(60)
Receipt of deposits from senior housing residents	38	96	236
Return of deposits from senior housing residents	(11)	(21)	(55)
Change in employee provisions and benefits	-	-	(1)
Net cash - current operations	309	383	1,585
Cash flows - Investment Activity			
Proceeds from liquidation of fixed assets	-	-	2
Purchase of and investment in investment property and investment property under construction	(219)	(180)	(899)
Purchase of and investment in fixed and intangible assets	(271)	(15)	(60)
Down-payments for purchase of fixed assets	-	-	(28)
Investment in and granting of loans to companies accounted for on the equity method	(100)	(2)	(503)
Change in short-term deposits	-	(11)	(27)
Indemnification from insurance	13	-	-
Proceeds from disposition of financial assets designated at fair value through profit and loss	-	-	3
Collection of long-term loans	-	-	15
Interest and dividend received	12	89	142
Investment in financial assets	-	(10)	(10)
Net proceeds from disposition of financial assets	84	278	279
Proceeds from disposition of an investment in an investee company, net (Annex A)	-	-	673
Taxes paid for financial assets	-	-	(16)
Payments to institutions for purchase of real estate, net	(29)	-	(9)
Net cash – investment activity	(510)	149	(438)

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

Azrieli Group Ltd.

Condensed Consolidated Statements of Cash Flows

(Continued)

	For the three-month period ended March 31		For the year ended December 31
	2020	**2019**	**2019**
	NIS in millions	**NIS in millions**	**NIS in millions**
	(Unaudited)		
Cash flows - Financing Activity			
Acquisition of non-controlling interests in a subsidiary	-	-	(1)
Dividend distribution to shareholders	-	-	(560)
Repayment of bonds	(185)	(196)	(1,628)
Bond offering net of issue expenses	-	1,467	3,904
Receipt of long-term loans from financial corporations	-	18	169
Repayment of long-term loans from financial corporations	(79)	(81)	(516)
Short-term credit from financial corporations, net	(350)	37	(55)
Repayment of other long-term liabilities	(2)	(2)	(17)
Repayment of deposits from customers	(1)	(1)	(5)
Received deposits from customers	2	2	10
Investment of non-controlling interests in a subsidiary	-	(1)	-
Interest paid	(45)	(67)	(295)
Net cash - financing activity	(660)	1,176	1,006
Increase (decrease) in cash and cash equivalents	(861)	1,708	2,153
Cash and cash equivalents at beginning of period	2,842	716	716
Change in net cash classified for a disposal group held for sale	(2)	-	(7)
Effect of exchange rate changes on cash balances held in foreign currency	2	(3)	(20)
Cash and cash equivalents at end of period	1,981	2,421	2,842

(*) For the three-month periods ended March 31, 2020 and March 31, 2019, non-cash transactions include a change in other payables in respect of a dividend in the sum of NIS 300 million and NIS 560 million, respectively.

For the three-month period ended March 31, 2020, non-cash transactions included a change in other payables in respect of acquisitions on credit of non-current assets in the sum of NIS 17 million, and for 2019 the sum of NIS 50 million.

For the three-month period ended March 31, 2019, the non-cash transactions included an increase in receivables due to the sale of investments in financial assets in the sum of approx. NIS 282 million. In addition, for the three-month period ended March 31, 2019, the non-cash transactions included a dividend receivable from financial assets in the sum of approx. NIS 9 million.

In addition, in 2019, non-cash transactions included an increase in receivables due to the sale of investments in financial assets in the sum of approx. NIS 282 million, and an increase in receivables due to the sale of consolidated companies in the sum of NIS 116 million.

(**) With respect to cash flows from discontinued operations, see Note 4.

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

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

	For the three-month period ended March 31		For the year ended Dec. 31
	2 0 2 0	2 0 1 9	2 0 1 9
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Annex A -			
Proceeds from disposition of an investment in an investee company:			
Working capital (excluding cash and cash equivalents)	-	-	42
Investments and loans	-	-	142
Fixed and intangible assets, net	-	-	455
Deferred tax assets	-	-	10
Other long-term liabilities	-	-	(6)
Long-term financial liabilities including current maturities	-	-	(249)
Receivables due to sale of the investment	-	-	(116)
Write-off of non-controlling interests	-	-	(3)
Write-off of capital reserves for translation differences from foreign operations	-	-	15
Profit from disposition of an investment in an investee company before tax	-	-	383
	-	-	673

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

Note 1 – General

A. Azrieli Group Ltd. (the "**Company**") is a company domiciled and incorporated in Israel and whose registered address is 1 Azrieli Center, Tel Aviv. The Company is listed on TASE and is included, *inter alia*, in the "Tel Aviv 35" Index and in the "Tel Aviv Real Estate" Index. The Company has series of bonds (Series B and D-F) that have been issued to the public. The Group's Consolidated Financial Statements as of March 31, 2020 include those of the Company and of its subsidiaries (jointly, the "**Group**"), as well as the Group's rights in associates and in jointly-controlled entities.

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

As the Company has been informed, on April 13, 2015, shares of Mr. David Azrieli OBM in Azrieli Holdings and in a Canadian holding corporation controlled by him ("**David Holding Corporation**") were distributed from his estate. Following such distribution, each one of Sharon Azrieli, Naomi Azrieli and Danna Azrieli, holds, directly and through David Holding Corporation, approx. 27.24% of the capital rights in Azrieli Holdings and approx. 33.13% of the voting rights in Azrieli Holdings, and they jointly hold approx. 81.73% of the capital rights in Azrieli Holdings and approx. 99.39% of the voting rights therein. The remainder of Azrieli Holdings' shares are mainly held by the Azrieli Foundation of Canada (an interested party of the Company), which following the distribution of the estate holds (indirectly, through a holding of shares of David Holding Corporation) approx. 15.93% of Azrieli Holdings' shares, with no voting rights (which constitutes, indirectly, a holding of approx. 8.86% of the capital rights of the Company), in addition to and separately from its direct holding of approx. 8.55% of the capital and voting rights in the Company.

As of the report date, Sharon Azrieli, Naomi Azrieli and Danna Azrieli are the Company's controlling shareholders.

B. These Condensed Consolidated Statements should be reviewed in the context of the Group's annual financial statements as of December 31, 2019, and for the year then ended, and the notes attached thereto.

Note 2 – Significant Accounting Policies

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

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

In the preparation of these Interim Financial Statements the Group has applied the accounting policy, rules of presentation and methods of calculation identical to those used in the preparation of its financial statements as of December 31, 2019 and for the year then ended, except as stated in Note 2B.

The condensed consolidated financial statements were prepared in accordance with the disclosure provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

B. Changes in accounting policy:

- **Amendment IFRS 3 "Business Combinations" (regarding the definition of a "business")**

  The amendment prescribes that in order to be deemed a "business", the acquired assets and activities must include, at the very least, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment removes the need to assess whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, and removes from the definition of a "business" and "outputs" reduced costs or other economic benefits, and focuses on goods and services provided to customers.

  In addition, the amendment adds a 'fair value concentration' test whereby it is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

  The amendment will be applied with respect to business combinations and asset acquisitions, the date of whose acquisition is from January 1, 2020.
  The application of the standard has no material effect on the Company's financial statements.

Note 2 – Significant Accounting Policies (Cont.)

C. Use of estimates and discretion:

In the preparation of the condensed financial statements in accordance with IFRS, the Group's managements are required to use discretion, evaluations, estimates and assumptions which affect the application of the policy and the amounts of assets and liabilities, revenues and expenses. It is clarified that the actual results may differ from such estimates.

The evaluations and discretion used by management to apply the accounting policy and prepare the Consolidated Interim Financial Statements were identical to those used in the preparation of the Financial Statements as of December 31, 2019.

For an examination of the value of the Company's assets following the ramifications of COVID-19, see Note 3C.

D. Rates of exchange and linkage basis:

(1) Balances that are stated in foreign currency or linked thereto are recorded in the Financial Statements according to the representative exchange rates published by the Bank of Israel and which were effective as of the end of the report period.

(2) Balances that are linked to the Consumer Price Index (CPI) are presented according to the last known CPI at the end of the report period (the CPI for the month preceding the month of the date of the financial statement) or according to the CPI for the last month of the report period (the CPI of the month of the financial statement), according to the terms and conditions of the transaction.

Note 2 – Significant Accounting Policies (Cont.)

D. Rates of exchange and linkage basis: (Cont.)

(3) The following is data on the significant exchange rates and the CPI:

	Representative Exchange Rate of the $	CPI in Israel	
	(NIS to $1)	"For" Base 1993	"Known" Base 1993
As of the date of the Financial Statements:			
March 31, 2020	3.565	224.45	223.56
March 31, 2019	3.632	224.45	223.34
December 31, 2019	3.456	224.67	224.67
	%	%	%
Change rates:			
for the three-month period ended:			
March 31, 2020	3.15	(0.10)	(0.50)
March 31, 2019	(3.09)	0.50	(0.30)
for the year ended:			
December 31, 2019	(7.79)	0.60	0.30

Note 3 – Material Events during the Report Period

A. On March 24, 2020, the Company's board of directors decided upon the distribution of a dividend to the shareholders of the Company in the sum of NIS 300 million (reflecting an amount of NIS 2.43 per share), which was paid on May 14, 2020.

B. Following Note 12D to the annual financial statements, on February 9, 2020, the transaction for the purchase of the Mount Zion Hotel in Jerusalem was closed.

C. At the beginning of 2020, there was an outbreak of COVID-19 in China, which proceeded to spread around the world. The outbreak of the virus effects various areas of business in many countries. On March 11, 2020, the WHO declared a pandemic and took measures intended to slow the spread of COVID-19.

Effect of the COVID-19 crisis on the segment of retail centers and malls in Israel – On March 15, 2020, the Israeli Government issued an order to shut down cultural and recreational venues, an order that also applied to the Company's malls (other than to essential businesses such as supermarkets, drugstores, food businesses for deliveries only, clinics and banks) (in this section: "**Essential Businesses**").

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

C. (Cont.)

In view of the impact of the Government's order on the tenants in the Group's malls, the Company set up a NIS 100 million special financial aid fund for tenants in the Group's malls.

On March 17, 2020, the Company reported granting an exemption from payment of rent for the second half of the month of March 2020 to tenants who were closed following the Israeli Government's order of March 15, 2020 (other than Essential Businesses) (in this section: the "**Tenants**"), as well as suspension of rent and management fee payments for the period from April 1, 2020 until the Tenants resume normal operations.

After the date of the Statement of Financial Position, and prior to the resumption of operations of the Group's malls, on May 5, 2020, the Company formulated a relief plan for the Tenants of its malls regarding the period of the restrictions in which the majority of the businesses in the malls were closed as well as the period after their reopening (in this section: the "**Relief Plan**" or the "**Plan**"), whose highlights are as follows: for the period from March 15, 2020 until May 4, 2020, the Company will grant a full exemption to Tenants from payment of rent and management fees; from May 5, 2020 until May 14, 2020 (in this section: the "**Preparation Period**") the Company will grant a full exemption to Tenants from rent and a 75% discount on management fee payments; for the period from the end of the Preparation Period until May 31, 2020, the Company will grant a 75% discount on rent and a 50% discount on management fees; and for June 2020, a 50% discount on rent will be granted with no discount on management fees, subject to payments according to rent-to-sales ratio for such periods as set forth in the contract. Furthermore, in the event that (all or some) of the Tenants are paid grants under a government aid program, the Plan will be adjusted and the amounts of the aforesaid discounts will be reduced accordingly

As part of the strategy for the return to normalcy in the Israeli economy, the Israeli Government released an order whereby, from May 7, 2020, the malls will also resume operations, subject to the definitions and rules determined (the Purple Badge), including the appointment of a COVID-19 officer who will be responsible for compliance with the rules in each mall, a requirement to wear face masks, the restriction on the number of people per sqm, the marking of places to stand in order to comply with the 2 meters distance of requirement, the maintenance of a high standard of hygiene, and more.

As of the report release date, the activity of movie theaters is banned, as are public events on the mall's premises. In addition to these restrictions, each store in the mall premises is required to operate in accordance with the guidelines relevant thereto, including restaurants, cafes and gyms. As of the report release date, restrictions still apply to dining in malls' fast food court.

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

C. (Cont.)

Impact of COVID-19 on the Mount Zion Hotel – On March 17, 2020, the Company closed down the activity of the hotel, in view of the encumbering directives imposed on the operation of hotels due to the COVID-19 crisis.

Effect of COVID-19 on the value of the Company's properties – The loss from fair value adjustment of investment property totaled approx. NIS 224 million during the report period. The Company used appraisers to examine the value of the Company's properties as of the date hereof. As of the date hereof, there are no indications in comparable transactions to estimate the change, if any, in the cap rate. Changes in the theoretical parameters which comprise the cap rate (such as: the interest rate on long-term bonds, the Prime interest rate, the uncertainty factor and the rent payment risk) in the short-term have a minor effect on the cap rate, if any. In view of the aforesaid, there is no material change to the basic premises of the valuations as of December 31, 2019 (other than as stated below), including no change in the cap rates. During the report period, the Company's assets were impaired due to the one-time Relief Plan announced by the Company and due to the long period of time expected to be required to lease up vacant space in some of the U.S. properties.

As of the date of release of this report, and in view of the fact that this is a dynamic event that is characterized by considerable uncertainty, *inter alia* in connection with the continued spread of the virus and the steps to be taken by various countries as well as the amount of time it will take before returning to full normalcy, the Company is unable to assess such effects on its future activity (beyond the estimation with respect to the total amount of such tenant Relief Plan), since the extent of the impact is dependent on the degree and scope of materialization thereof. In the Company's estimation, in the event of another COVID-19 outbreak or in the event of a slow return to normalcy, there may be material adverse effects on the global economy, including on some of the markets and sectors in which the Company operates, as well as on some of the tenants in the Group's properties.

The Company's management estimates that in view of its financial strength, which is expressed in the total cash and cash equivalents held thereby, low leverage and a significant volume of unmortgaged properties, long loan duration, and its ability to raise capital at convenient terms, and in view of the broad dispersion of the portfolio of properties owned by the Company, the diversity of the tenants and operating segments, the impact of the exposure of the Group's business to the crisis and/or significant instability due to the spread of COVID-19, decreases.

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

C. (Cont.)

In addition, following the aforesaid COVID-19 outbreak, and given the slumps on TASE, as of the date of the Financial Statements, the Company's investment in Bank Leumi stock, which is included under the "financial assets" item, totaled approx. NIS 894 million (as a result, a decrease in the fair value, net of tax, in the sum of NIS 195 million, was recorded in the report period under 'other comprehensive income').

Note 4 – Discontinued Operations

A. On January 23, 2020, Canit Hashalom (in this section: the "Seller"), together with GES, engaged in an agreement (in this section: the "Agreement") with Generation Capital Ltd. (in this section: the "Buyer") for the sale of all of the Seller's holdings (100%) in GES to the Buyer (in this section: the "Transaction"), after engagement in a non-binding MOU on September 12, 2019.

On April 28, 2020, all of the closing conditions for the Transaction were fulfilled, and on May 7, 2020, the Transaction was closed. In accordance with an addendum to the Agreement, which was signed on the Transaction closing date, the consideration in the Transaction is NIS 105 million, while on the Transaction closing date, the Buyer paid the Seller approx. NIS 50 million. The balance of the consideration in the sum of approx. NIS 55 million, subject to adjustments, will be paid by the Buyer in two installments – one half 24 months after the Transaction closing date and one half 36 months after the Transaction closing date.

To secure payment of the balance of the consideration as aforesaid, the entire issued and paid-up share capital of GES and any right deriving therefrom shall be pledged in a first-ranking fixed charge in favor of the Seller, including a pledge of GES's uncalled and/or unpaid capital, and the Buyer shall assign to the Seller, by way of a pledge, its right to receive any payment from GES.

The closing of the Transaction is not expected to have a material effect on the Company's results.

Note 4 – Discontinued Operations (cont.)

B. Set forth below are the results attributed to the disposition of discontinued operations of Granite and discontinued operations of GES:

	For the three-month period ended March 31		For the year ended Dec. 31
	2 0 2 0	2 0 1 9(*)	2 0 1 9(*)
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Results of the discontinued operations:			
Revenues	38	221	594
Expenses	43	182	550
Income (loss) before income taxes	(5)	39	44
Income taxes	-	7	13
Income (loss) after income taxes	(5)	32	31
Other costs	(1)	-	(12)
Profit (loss) from the sale of discontinued operations, net of tax	-	-	373
Income (loss) for the period	(6)	32	392
Cash flows from discontinued operations:			
Net cash which derived from operating activities	4	25	88
Net cash (used for activities) which derived from investment activity	-	(18)	637
Net cash used for financing activity	(2)	(4)	(73)
Net cash which derived from discontinued operations	2	3	652

(*) Including the results of discontinued operations and profit from the disposition of Granite's operations, which was closed in 2019 (for further details, see Note 7 to the annual financial statements).

Note 4 – Discontinued Operations (cont.)

C. Effect on the Group's statements of financial position resulting from the classification of the discontinued operations of GES as a disposal group designated for sale:

	As of March 31 2020 NIS in millions (Unaudited)	As of December 31 2019 NIS in millions
Cash and cash equivalents	9	7
Short-term deposits and investments	5	5
Trade accounts receivable	53	57
Other receivables	14	8
Inventory	13	15
Investments and loans in associated companies	19	18
Investments, loans and receivables	7	7
Long-term receivables in respect of franchise arrangements	45	46
Fixed assets	9	9
Intangible assets	28	32
Deferred tax assets	3	3
Credit and current maturities from financial corporations	(10)	(9)
Trade payables	(17)	(17)
Payables and other current liabilities	(16)	(15)
Provisions	(4)	(4)
Loans from financial corporations	(46)	(47)
Other liabilities	(23)	(20)
Assets and liabilities classified for a disposal group held for sale, net	89	95

(*) Inter-company transactions (between the Group and GES) were written off from the results of the selling/service-providing company, as the case may be. In addition, an asset or a liability referring to an inter-company transaction was written off from the assets or liabilities of the discontinued operations, as the case may be.

Note 5 – Fair Value of Financial Instruments

A. Fair value vs. Book value:

Other than as specified in the following table, the Group believes that the book value of the financial assets and liabilities that are presented in depreciated cost in the financial statements is almost identical to their fair value.

	As of March 31, 2020		As of March 31, 2019		As of Dec. 31, 2019(*)	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	NIS in millions (unaudited)		NIS in millions (unaudited)		NIS in millions	
Non-current assets:						
Receivables in respect of a franchise arrangement (1)	-	-	50	66	49	68
Non-current liabilities:						
Loans from financial corporations (1)	2,088	2,078	2,525	2,636	2,177	2,238
Bonds (1)(2)	8,669	8,538	8,128	8,497	8,897	9,422
	10,757	10,616	10,653	11,133	11,074	11,660

(*) Includes assets and liabilities of a disposal group held for sale.

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

Note 5 – Fair Value of Financial Instruments (Cont.)

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

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

	As of March 31		As of December 31
	2020	2019	2019(*)
	%	%	%
Non-current assets:			
Receivables in respect of a franchise arrangement	-	0.75-2.23	0.44-1.43
Non-current liabilities:			
Loans from financial corporations	1.99-4.53	(0.80)-3.66	0.19-4.18

(*) Includes assets and liabilities of a disposal group held for sale.

C. Fair value hierarchy:

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

The various levels were defined as follows:

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

Level 2 – Inputs other than the quoted market prices included within Level 1 which are directly or indirectly observable (for investments in financial assets designated at fair value through profit and loss, use is made of recent market transactions between a willing buyer and a willing seller).

Note 5 – Fair Value of Financial Instruments (Cont.)

C. Fair value hierarchy (Cont.)

	As of March 31, 2020		
	Level 1	Level 2	Total
	NIS in millions (Unaudited)		
Financial assets at fair value through profit and loss:			
Non-marketable investments	-	5	5
Financial assets at fair value through other comprehensive income:			
Marketable shares	894	-	894
Total fair value of financial assets	894	5	899

	As of March 31, 2019		
	Level 1	Level 2	Total
	NIS in millions (Unaudited)		
Financial assets at fair value through profit and loss:			
Securities	1	-	1
Non-marketable investments	-	9	9
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,106	-	1,106
Total fair value of financial assets	1,107	9	1,116

	As of December 31, 2019		
	Level 1	Level 2	Total
	NIS in millions		
Financial assets designated at fair value through profit and loss:			
Securities	1	-	1
Non-marketable investments	-	5	5
Financial assets at fair value through other comprehensive income:			
Marketable shares	1,162	-	1,162
Total fair value of financial assets	1,163	5	1,168

Note 6 – Segment Reporting

A. General:

For a description of the Company's operating segments, see Note 34 to the annual financial statements.

B. Operating segments:

	For the three-month period ended March 31, 2020						
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing property in the U.S.	Senior housing	Other	Adjustments	Consolidated
	NIS in millions (Unaudited)						
Revenues:							
Total external income	245	180	66	41	25	(7)	550
Total segment expenses	40	27	31	30	32	(1)	159
Segment profit (loss) (NOI)	205	153	35	11	(7)	(6)	391
Net profit (loss) from fair value adjustment of investment property and investment property under construction	(185)	1	(40)	-		-	(224)
Unallocated costs							(37)
Net financing revenues							6
Other income, net							3
The Company's share in the results of a company accounted for on the equity method, net of tax							(1)
Income before income taxes							138
Additional information:							
Segment assets	12,917	11,784	2,468	2,437	959	(70)	30,495
Unallocated assets (*)							4,001
Total consolidated assets							34,496

(*) Mainly financial assets in the sum of approx. NIS 0.9 billion and cash and short-term deposits in the sum of approx. NIS 2 billion.

Note 6 – Segment Reporting (Cont.)

B. Operating segments: (Cont.)

	For the three-month period ended March 31, 2019					
	Retail centers and malls in Israel	**Leasable office and other space in Israel**	**Income-producing property in the U.S.**	**Senior housing**	**Other**	**Consolidated**
	NIS in millions					
	(Unaudited)					
Revenues:						
Total external income	258	174	72	36	10	550
Total segment expenses	52	30	32	27	25	166
Segment profit (loss) (NOI)	206	144	40	9	(15)	384
Net profit (loss) from fair value adjustment of investment property and investment property under construction	-	1	(3)	-	-	(2)
Unallocated costs						(30)
Net financing expenses						(17)
Other income, net						83
Income before income taxes						418
Additional information:						
Segment assets	12,704	10,524	2,525	2,116		27,869
Unallocated assets (*)						5,538
Total consolidated assets						33,407

(*) Mainly financial assets in the sum of approx. NIS 1.1 billion, cash and short-term deposits in the sum of approx. NIS 2.4 billion, and assets of discontinued operations in the sum of approx. NIS 1.2 billion.

Note 6 – Segment Reporting (Cont.)

B. Operating segments: (Cont.)

	For the year ended December 31, 2019						
	Retail centers and malls in Israel	Leasable office and other space in Israel	Income-producing property in the U.S.	Senior housing	Other	Adjustments	Consolidated
				NIS in millions			
Revenues:							
Total external income	1,050	716	268	156	58	(13)	2,235
Total segment expenses	219	122	129	119	98	(3)	684
Segment profit (loss) (NOI)	831	594	139	37	(40)	(10)	1,551
Net profit (loss) from fair value adjustment of investment property and investment property under construction	123	690	(12)	100	20	(20)	901
Unallocated costs							(148)
Net financing expenses							(246)
Other income, net							99
The Company's share in the results of a company accounted for on the equity method, net of tax							19
Income before income taxes							2,176
Additional information as of December 31, 2019:							
Segment assets	13,018	11,655	2,421	2,410	582	(77)	30,009
Unallocated assets (*)							5,230
Total consolidated assets							35,239
Capital investments	219	532	34	238			

(*) Mainly financial assets in the sum of approx. NIS 1.2 billion and cash and short-term deposits in the sum of NIS 2.9 billion.

Note 7 – Subsequent Events

A. See Note 3C with respect to the repercussions of the outbreak of COVID-19 and a tenant relief plan which the Company released after the date of the Statement of Financial Position.

B. After the date of the Statement of Financial Position, in April 2020, the Company made another public offering of NIS 810.7 million par value of Series E bonds at a price of 104.5 Agorot per NIS 1 par value (an approx. 3.4% premium relative to their adjusted value) with an effective interest rate of approx. 1.2%, and another NIS 761.9 million par value of Series F bonds at a price of 111.5 Agorot per NIS 1 par value (an approx. 10.2% premium relative to their adjusted value) with an effective interest rate of approx. 1.4%,, by way of expansion of the bond series, based on a shelf prospectus of the Company. The gross issue proceeds totaled approx. NIS 1,697 million and the net proceeds, after attribution of the issue expenses, totaled approx. NIS 1,683 million.

C. See Note 4A with respect to the closing of the transaction for the sale of GES after the date of the Statement of Financial Position.

D. On May 31, 2020, the contribution arrangement signed between the Company and Azrieli Foundation (Israel) (R.A.) expired. For further details, see Note 33C(5)a to the annual financial statements.

E. Further to Note 33D of the annual financial statements, following the date of the Statement of Financial Position, on April 30, 2020, the general meeting of the Company’s shareholders approved the extension of the letters of indemnification and exemption from liability granted to Ms. Sharon Azrieli and Ms. Naomi Azrieli as directors of the Company, who are among the controlling shareholders of the Company, for an additional three-year period commencing on the date of such approval.

Annex to Consolidated Financial Statement

Separate Interim Financial Statement

as of March 31, 2020

(Unaudited)

Azrieli Group Ltd.

Separate Interim Financial Statement

as of March 31, 2020

(Unaudited)

Prepared according to the provisions of Section 38D

of the Securities Regulations

(Periodic and Immediate Reports), 5730-1970

Azrieli Group Ltd.

Separate Interim Financial Statement
as of March 31, 2020

(Unaudited)

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Deloitte.

To
The Shareholders of
the Azrieli Group Ltd.
1 Azrieli Center
Tel Aviv

Dear Sir/Madam,

Re: Special report for review of the separate interim financial statement pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

We have reviewed the separate interim financial statement, which is presented according to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, of **Azrieli Group Ltd.** (the "**Company**") as of March 31, 2020 and for the three-month period then ended. The separate interim financial statement is the responsibility of the Company's board of directors and management. Our responsibility is to express a conclusion on the separate interim financial statement, based on our review.

We have not reviewed the separate interim financial information from the financial statements of an Investee Company, the total investment in which amounted to approx. NIS 109 million as of March 31, 2020 and from which Investee Company the loss amounted to approx. NIS 5 million for the three-month period then ended. The financial statements of such company were reviewed by other accountants whose reports were furnished to us and our conclusion, in so far as it relates to the financial statements for such company, is based upon the review reports of the other accountants.

Scope of Review

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

Conclusion

Based on our review and on the review reports of the other accountants, nothing had come to our attention that causes us to believe that the accompanying separate interim financial statement has not been prepared, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

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

Tel Aviv, May 31, 2020

Azrieli Group Ltd.
Statement of Financial Position

	As of March 31		As of Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Assets			
Current assets			
Cash and cash equivalents	1,733	2,027	2,582
Short-term investments	-	1	1
Trade accounts receivable	11	6	5
Other receivables	406	219	209
Current tax assets	26	45	43
Total current assets	2,176	2,298	2,840
Non-current assets			
Financial assets	899	1,115	1,167
Investment property and investment property under construction	12,409	11,477	12,375
Investments in Investee Companies	11,217	9,483	11,065
Loans to Investee Companies	2,568	3,662	2,679
Fixed assets	302	9	39
Other receivables	47	249	251
Total non-current assets	27,442	25,995	27,576
Total assets	29,618	28,293	30,416
Liabilities and capital			
Current liabilities			
Credit and current maturities from financial corporations and bonds	800	1,451	1,157
Trade payables	97	94	118
Payables and other current liabilities	99	63	80
Declared dividend	300	560	-
Total current liabilities	1,296	2,168	1,355
Non-current liabilities			
Loans from financial corporations	525	707	595
Bonds	8,096	7,154	8,326
Other liabilities	28	26	28
Deferred tax liabilities	1,511	1,421	1,578
Total non-current liabilities	10,160	9,308	10,527
Capital			
Ordinary share capital	18	18	18
Premium on shares	2,478	2,478	2,478
Capital reserves	292	605	464
Retained earnings	15,374	13,716	15,574
Total capital attributable to shareholders of the Company	18,162	16,817	18,534
Total liabilities and capital	29,618	28,293	30,416

May 31, 2020			
Date of Approval of Separate Financial Statement	**Danna Azrieli Chairman of the Board**	**Eyal Henkin CEO**	**Irit Sekler-Pilosof Chief Financial Officer and Deputy CEO**

The additional figures supplementing the financial information constitute an integral part of the separate condensed financial statements.

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

	For the three-month period ended March 31		For the year ended Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Revenues			
From rent and management and maintenance fees	172	169	688
Net profit (loss) from adjustment to fair value of investment property and investment property under construction	(103)	1	389
Financing	40	38	141
Other	9	89	123
Total Revenues	118	297	1,341
Costs and Expenses			
Cost of revenues from rent and management and maintenance fees	5	7	26
Sales and marketing	7	7	38
G&A	20	16	69
Financing	4	10	211
Other	-	5	6
Total Costs and Expenses	36	45	350
Income before the Company's share in the profits of Investee Companies	82	252	991
Share in profits of Investee Companies, net of tax	35	(*) 125	908
Income before income taxes	117	377	1,899
Taxes on income	(18)	(40)	(192)
Profit for the period from continued operations	99	337	1,707
Profit (loss) from discontinued operations (after tax)	(6)	(*) 32	392
Net profit for the period	93	369	2,099
Other comprehensive income:			
Amounts that will not be carried in the future to the income statement, net of tax:			
Change in the fair value of financial assets, net of tax	(195)	(28)	20
Amounts that were carried or will be carried in the future to the income statement, net of tax:			
Translation differences from foreign operations	49	(28)	(89)
Share in the other comprehensive loss of Investee Companies, net of tax	(21)	(11)	(27)
Total	28	(39)	(116)
Other comprehensive loss for the period, net of tax	(167)	(67)	(96)
Total comprehensive income (loss) for the period	(74)	302	2,003

(*) Restated due to discontinued operations, see Note 4 to the condensed consolidated financial statements.

The additional figures supplementing the financial information constitute an integral part of the separate condensed financial statements

Azrieli Group Ltd.
Statement of Cash Flows

	For the three-month period ended March 31 2020	For the three-month period ended March 31 2019	For the year ended December 31 2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)	(Unaudited)	
Cash flows - current operations			
Net profit for the period	93	369	2,099
Depreciation and amortization	1	-	2
Net loss (profit) from adjustment to fair value of investment property and investment property under construction	103	(1)	(389)
Financing and other income, net	(48)	(116)	(49)
Share in profits of Investee Companies, net of tax	(29)	(157)	(1,300)
Tax expenses recognized in the income statement	18	40	192
Income tax paid, net	(10)	(23)	(16)
Change in trade and other receivables	(72)	(9)	(88)
Change in trade and other payables	(13)	(5)	31
Erosion of financial assets designated at fair value through profit and loss	-	-	1
Net cash – current operations	43	98	483
Cash flows - investment activities			
Purchase and investment in investment property and investment property under construction	(132)	(97)	(572)
Purchase of fixed assets	(264)	(1)	(4)
Prepayments in respect of the purchase of fixed assets	-	-	(28)
Investments in investee companies	(100)	(33)	(528)
Proceeds from financial assets designated at fair value through profit and loss	-	-	3
Receipt of long-term loans from Investee Companies, net	174	127	1,263
Interest and dividend received	10	87	154
Recovery of investment in Investee Company	-	-	11
Proceeds from the disposition of financial assets, net	84	278	279
Taxes paid for financial assets	-	-	(16)
Payments to institutions for the acquisition of real estate, net	(29)	-	(9)
Investment in financial assets	-	(10)	(10)
Net cash - investment activities	(257)	351	543

The additional figures supplementing the financial information constitute an integral part of the separate condensed financial statements.

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

	For the three-month period ended March 31		For the year ended Dec. 31
	2020	2019	2019
	NIS in millions	NIS in millions	NIS in millions
	(Unaudited)		
Cash flows - financing activities			
Bond offering net of offering expenses	-	1,467	3,904
Dividend distribution to shareholders	-	-	(560)
Repayment of bonds	(185)	(185)	(1,595)
Repayment of long-term loans from financial corporations	(69)	(72)	(326)
Short-term credit from financial corporations, net	(350)	42	(28)
Deposits from customers, net	-	-	3
Interest paid	(31)	(45)	(211)
Net cash - financing activities	(635)	1,207	1,187
Increase (decrease) in cash and cash equivalents	(849)	1,656	2,213
Cash and cash equivalents at beginning of period	2,582	372	372
Effect of exchange rate changes on cash balances held in foreign currency	-	(1)	(3)
Cash and cash equivalents at end of period	1,733	2,027	2,582

(*) For the three-month period ended March 31, 2020, non-cash transactions include a change in dividend payables in the sum of NIS 300 million (for the three-month period ended March 31, 2019 – NIS 560 million) and an increase in other payables in respect of acquisitions on credit of non-current assets in the sum of NIS 6 million.

For the three-month period ended March 31, 2019, non-cash transactions included an increase in other receivables due to the sale of investments in financial assets in the sum of approx. NIS 282 million (for 2019 – approx. NIS 282 million) and a dividend receivable from financial assets in the sum of approx. NIS 9 million.

The additional figures supplementing the financial information constitute an integral part of the separate condensed financial statements.

Azrieli Group Ltd.

Notes to the Separate Interim Financial Statement

As of March 31, 2020

A. General:

The Company’s separate financial statement is prepared in accordance with the provisions of Regulation 38D of the Securities Regulations (Immediate and Periodic Reports), 5730-1970.

This separate financial statement is to be inspected with respect to the Company’s separate financial statement as of December 31, 2019, and for the year then ended, and the additional figures that were attached thereto.

B. Definitions:

The Company	-	Azrieli Group Ltd.
Investee Company	-	Consolidated company, consolidated company under proportionate consolidation and an associate.

C. Accounting Policy:

The separate financial statement is prepared in accordance with the accounting policy specified in Note B to the Company's separate financial statement as of December 31, 2019 and the year then ended, with the exception of the provisions of Note 2B to the condensed consolidated financial statements which are published with this separate financial statement.

D. Material Events during the Reporting Period:

See Note 3 to the condensed consolidated financial statements published with this separate financial statement.

E. Subsequent Events

See Note 7 to the consolidated condensed financial statements released with this separate financial statement.

Deloitte.

Date: May 31, 2020

To:
The Board of Directors of Azrieli Group Ltd.
Azrieli 1,
Tel Aviv

Dear Sir/Madam,

Re: Consent given in connection with the shelf prospectus of Azrieli Group of May 2019

We hereby notify you that we agree to the inclusion (including by way of reference) of our reports which are specified below in connection with the shelf prospectus of May 2019:

(1) Review report of May 31, 2020 on condensed consolidated financial information of the Company as of March 31, 2020 and for the three-month period then ended.

(2) Special Auditors' report of May 31, 2020 on condensed separate financial information of the Company as of March 31, 2020 and for the three-month period then ended according to Section 38D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Sincerely,

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

PART D

Effectiveness of Internal Control over the Financial Reporting and Disclosure

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

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

For this purpose, the members of management are:

1 | **Eyal Henkin**, CEO

2 | **Irit Sekler-Pilosof**, Deputy CEO and CFO

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

4 | **Yair Horesh**, Chief Comptroller for Accounting and Financial Statements

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

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

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

In the quarterly report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the quarterly report for the period ended March 31, 2020 (the "**Most Recent Quarterly Report on Internal Control**"), the internal control was found to be effective.

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

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

STATEMENT OF MANAGERS:

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

I, Eyal Henkin, represent that:

1. I have reviewed the quarterly report of Azrieli Group Ltd. (the "**Corporation**") for Q1/2020 (the "**Reports**").
2. To my knowledge, the Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Financial Statements and other financial information included in the Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports.
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
   a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and –
   b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation:
   a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and –
   b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP.
   c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent quarterly report and the report date herein, which may change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 31, 2020

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Eyal Henkin | CEO

STATEMENT OF MANAGERS:

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

I, Irit Sekler-Pilosof, represent that:

1. I have reviewed the Interim Financial Statements and other financial information included in the interim reports of Azrieli Group Ltd. (the "**Corporation**") for Q1/2020 (the "**Reports**" or the "**Interim Reports**");
2. To my knowledge, the Interim Financial Statements and the other financial information included in the Interim Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports.
3. To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Corporation for the periods and as of the dates covered by the Reports;
4. I have disclosed to the Corporation's auditor and to the Corporation's Board of Directors and the Audit Committee and Financial Statement Committee, based on my most current evaluation of internal control over financial reporting and disclosure:
   a. Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure, insofar as it relates to the Interim Financial Statements and the other information included in the Interim Reports, which may reasonably adversely affect the Corporation's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law; and -
   b. Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;
5. I, myself or jointly with others at the Corporation-
   a. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to ensure that material information in reference to the Corporation, including consolidated companies thereof as defined in the Securities Regulations (Annual Financial Statements), 5770-2010, is brought to my knowledge by others at the Corporation and the consolidated companies, particularly during the preparation of the Reports; and -
   b. Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures which are designed to reasonably ensure reliability of financial reporting and preparation of the Financial Statements in conformity with the provisions of the law, including in conformity with GAAP;
   c. No occurrence or issue have been brought to my attention, that occurred during the period between the date of the most recent quarterly report and the report date herein, pertaining to the Interim Financial Statements and any other information included in the Interim Reports, which could, in my opinion, change the conclusion of the Board of Directors and management with regard to the effectiveness of internal control over the Corporation's financial reporting and disclosure.

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

Date: May 31, 2020

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Irit Sekler-Pilosof | Deputy CEO and CFO