GAZIT GLOBE GROUP

CHAIM KATZMAN | Founder & CEO

When drafting this letter slightly over a month ago, our lives were in the routine we grew accustomed to for over a decade, with the typical "ups and downs". Covid-19 sounded more like a new car model than a virus capable of changing our way of life overnight, making life as we knew it unrecognizable, rendering certainty unattainable and the obvious subject to proof (if there is any such proof). However, I have no doubt that with joint effort, discipline and cohesion, we can all overcome this cursed virus, and if history is a guide, our previous daily routine that we all miss so much will be restored.

At Gazit, our strategy has always been to be ready for any crisis, whenever or wherever it emerges, anticipating a temporary dislocation of the capital markets in Israel and worldwide. Even with calls for why "it is different this time", we always, without exception, maintain a high liquidity level. Such liquidity enables us to continue to operate regularly even when the capital markets close for an extended period of time, for instance, with ample runway for three years. Thanks to the strategic measures that we recently completed we entered the current crisis well prepared to meet our financial obligations. These measures include a drastic reduction in leverage, a dramatic improvement in the quality of our assets, the spreading out and extending of our liability maturity schedules and maintaining an extremely high-level of liquidity.

The letter I intended to write a month ago has clearly lost much of its relevance in-light of the current circumstances. Nevertheless, I will review the Group's results in 2019, which I admit seem like an eternity ago. Please read my summary as if the current date is January 1, 2020, for context.

We concluded 2019 with impressive results. In 2019, same property NOI in NIS increased by 4.5%, led by our private platforms, including Brazil which increased by 18.2% and Israel by 2.8%. Our occupancy rate remained high and was 96.6% at the end of year. Our FFO per share was within the upper range of the forecast for the year, amounting to NIS 3.24 per share. The growth in FFO is due to an increase in same property NOI, property acquisitions in our private real estate portfolio and projects under development that were completed and started producing income. In addition, we implemented several debt redemptions and restructuring measures on a significant scale. In 2019, we redeemed "expensive" debenture series which reached maturity or which we redeemed early, in a total amount of NIS 3.1 billion, at an average interest rate of 5.3%. We used part of the proceeds from the sale of our share of our Canadian corporate investment in First Capital to reduce our leverage and issued new debt in the amount of NIS 1 billion at an average cost of 1.27%. In aggregate, this equates to an annual saving of NIS 150 million in our financing expenses.

In the last quarter of the year, the fair value of our private property portfolio increased by NIS 635 million. This growth is due to a decline in capitalization rates in Brazil and Israel, and primarily asset management and other value improvement activities that generated value in our private subsidiaries. The Company's share price did not remain indifferent to the positive and accelerated developments either, and in 2019 Gazit's share price increased by 54.6%.

Strategy

During the year, we continued to implement the strategy announced three years ago to increase the share of our private investments by acquiring irreplaceable properties while actively realizing our mature investments in public companies and reducing the Company's leverage.

In April 2019, we finalized the sale of most of our interest in First Capital for NIS 3.3 billion in cash. The sale was another significant milestone in realizing the strategy, and subsequently the Group's private real estate portfolio grew to over 50% of the Company's total investments while at the same time leverage was reduced to 49.2%. Following the announcement of the First Capital sale, the spreads of our long-term debentures to corresponding duration government bonds decreased by 130 basis points. The cost of our debt dropped significantly, as reflected in the Company's results and cash flows, which will lead to substantial savings in the coming years as well.

During the year, we tried to privatize our Central European subsidiary Atrium, but were unsuccessful due to a demand by some Atrium shareholders to raise the offer to a higher price, a demand to which we did not agree. The property portfolio in Atrium is highly urban, and fits Gazit's investment parameters while possessing growth opportunities including the possibility to expand its areas of activity. We will continue to support the management of Atrium in implementing its strategic plan and creating value for all shareholders.

As of the publication date of this letter, we invested NIS 1.5 billion in acquisitions and development in our private companies. We are continuing to expand our urban property portfolio in North America, where last year we acquired assets in the amount of NIS 660 million, together with promotion of the development plan in Israel and North America for a total of NIS 1.5 billion. Our development plans will progress with particular attention and consideration given to the impact of the Coronavirus outbreak.

The share of our private holdings as a percentage of our total investments reached 56% compared to 38% in 2018. The Company implemented a substantial part of our outlined strategic plan, as reflected among other ways, in our free cash flow.

Key Developments in our Wholly-Owned Subsidiaries

Israel

Our property portfolio in Israel demonstrated a growth in NOI of 6.9%, amounting to NIS 171 million. The same property NOI grew by 2.8% and the occupancy is at a peak of 98.8%.

In 2019, the construction of the 2,200 sq.m property in the Kochav Hatzafon neighborhood of Tel Aviv was completed at a total investment of NIS 107 million (applications were submitted to increase the property building rights by another 1,500 sq.m), as well as the expansion of G City in Rishon Lezion by 13,000 sq.m for a total investment of NIS 160 million. Both properties are in the advanced stages of handover to tenants and full occupancy. These properties are expected to increase Gazit Israel's NOI by NIS 22 million.

In parallel, we are currently working on utilizing the land on which our urban properties are located. By exercising rights and increasing density, we are expanding the use of properties that also strengthen the existing assets and convert them into "Live, Work, Play" complexes. We are planning a 50,000 sq.m office building on the G City property in Rishon Lezion and development is expected to start in the third quarter of 2020, subject to relevant considerations with regards to the Coronavirus pandemic. The property, which stretches 1 km along Moshe Dayan Boulevard, is expected to be connected to two light rail stations, the office building being connected to the western station. At G Kfar Saba, we are in the midst of constructing a Decathlon retail branch and headquarters and are in the planning stages of a 27,000 sq.m office building on the property. The addition of the office component to the property is expected to increase the daily number of visitors to the center and the consumption from dining, supermarkets, fitness club members, etc. Naturally, such expansion and additional construction will be reviewed after and in view of the then current climate once the Coronavirus pandemic subsides, based on the circumstances at such time.

Kochav Hatzafon | TEL AVIV

Key Developments in our Wholly-Owned Subsidiaries (Cont.)

We believe that the value of the land in Rishon Lezion and Kfar Saba, which offer quick access to roads and railway stations, will continue to increase with their connection to the planned light rail stations and subway. We are preparing urban construction plans with the regional municipal authority to add rights and increase the floor area ratio (FAR) in both assets, which will enable turning them into commercial, business and even residential centers in the future.

In Israel, we are engaged in additional projects, including expansion of the Savyon property, and the renovation of the Chen Cinema in Tel Aviv and the Rothschild Mall in Rishon Lezion.

The expansion and development investment plan is expected to increase the volume of investment in Israel by NIS 1 billion and the annual NOI rate from NIS 200 million to NIS 300 million. Given the changing circumstances, we are investing most of our efforts in the extensive development activities in Israel and in increasing investments there, which currently constitutes 24% of the Group’s total assets, and all will naturally be reviewed with attention to the Coronavirus effect once we understand it and its impact on the financial profile and anticipated success of the project become clearer.

North America

At the reporting date, our property portfolio in the USA and Canada was USD 600 million and focused on super urban areas in leading East Coast cities, in real mixed-use properties in which we believe we will generate a significant surplus yield. During the year and through to the reporting date, we invested USD 300 million in North America.

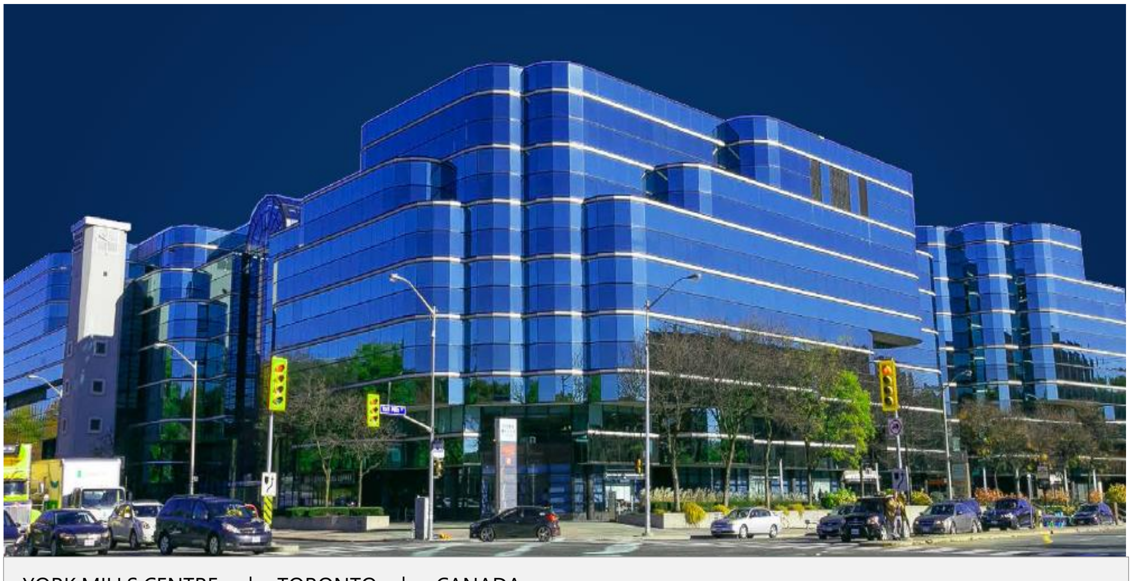
Prior to year-end, we reported the establishment of a partnership in Canada with Dori Segal, which intends to invest mainly in mixed-use properties in Toronto where unique opportunities to create value can be found and realized. The Toronto metropolitan area is the seventh largest in North America and Toronto is the fourth largest city in North America with a population of over six million residents, cutting-edge transport, universities and is a center of innovation and technology. Gazit Globe in general and Dori Segal in particular, have extensive experience in the Canadian market and in Toronto, and have amassed over more than 20 years of successful activity in the real estate markets there. This experience and our past success in Canada further strengthen our confidence in the anticipated success of the partnership.

Key Developments in our Wholly-Owned Subsidiaries (Cont.)

In December, the partnership announced the acquisition of the York Mills Center in Toronto for CAD 166 million (our share). The property is an office complex with a total gross leasable area of 52,950 sq.m on 27 hectares of land. It houses a subway station, bus terminals and is a central transport hub in Midtown Toronto. We believe we shall be able to create further expansion and investment opportunities in this property and investment in it corresponds with our strategy to invest in mixed-use properties in densely populated urban areas.

At the same time, we are continuing our re-development activities of acquired properties, expansion of the Marketplace property in Boston, conversion of our Newbury property in Boston and property in Philadelphia into modern creative office space, etc. We are also working intensively on planning the residential and commercial tower in Brickell, Miami, a project with an anticipated investment of NIS 0.5 billion that will include some commercial floors, with plans including a fitness club, office space, and leasable residential floors that will also include micro apartments. The timeline of the implementation of this development project will also be reassessed once we understand the implications of the Coronavirus pandemic and any potential impact on the anticipated success of the project.

In 2019, the NOI in North America amounted to USD 14 million, an increase of 130% compared to the same period last year. We hope to soon generate a significant increase in value for the unique portfolio of high-quality real estate we have assembled.



YORK MILLS CENTRE | TORONTO | CANADA

Key Developments in our Wholly-Owned Subsidiaries (Cont.)

Brazil

Our property portfolio in Brazil demonstrated growth in NOI of 29%, amounting to NIS 199 million. The primary growth is due to an 18.2% increase in same property NOI. The occupancy rate was 98.7%.

In February 2019, we increased our stake in the largest property in our portfolio in Sao Paulo, Internacional, by acquiring a further 10% stake for BRL 160 million. In 2019, the property's rent increased by 11%, and thanks to our dedicated team of managers, more than 100 new contracts were signed, dozens of kiosks were opened and the sales of the tenants in the property increased by 20%. The rise in rent was expressed in the value of the property, which increased by BRL 330 million during the year.

In February, we completed the expansion of the Mais property and opening of the government authority leased offices. Tenant sales in the property increased by 27.5%, the number of visitors to the property increased by 24%, leading to SS NOI growth of 28.4% compared to the same period last year.

In 2019, the team in Brazil focused on the management and improvement of the properties, transfer of rights for further construction of the properties, and the sale of some of these rights. These actions continued to add value to the Company. The Brazilian economy underwent several reforms in 2019, including the pension reform. The government interest rate decreased to levels of 5% from levels of 16% several years ago, which also led to weakening of the currency, but on the other hand, helped revive income-producing real estate market. We witnessed increased demand by local and foreign investors who entered the Brazilian real estate market, and we believe that once the Coronavirus crisis is over, we will be able to add more value to the properties that we recently improved. The current investment in Brazil constitutes 20% of the value of the Group's property portfolio.

INTERNACIONAL I SAO PAULO

Key Developments in our European Subsidiaries

Central Europe - Atrium

In 2019, Atrium maintained the strategy of focusing on growing urban areas in key cities. Consequently, as of this publication date Atrium sold properties in secondary cities in Poland and Slovakia in the amount of EUR 350 million, at a higher consideration than the properties' appraised values. Atrium also acquired a property in Warsaw and continued to invest in the development of properties in Warsaw and Prague. Currently, 85% of our property portfolio in Central Europe is concentrated in Poland and the Czech Republic, 54% of which in Warsaw and Prague. Atrium's results are stable and indicate the success of the strategy. Atrium demonstrated consistent growth of 2%-3% in the core countries, Poland and the Czech Republic, and occupancy rates higher than 95% in all countries of activity.

In the coming years, Atrium will continue to improve its portfolio by selling properties in secondary markets and investing the proceeds to expand dominant properties in Warsaw and Prague, while adding uses that will increase the number of visitors to them and enhance the existing uses at the property.

Atrium recently announced the expansion of its investment focus and entry into the residential for rent segment with an emphasis on Warsaw. Warsaw has become the business service center of Europe. It is undergoing an urbanization process, entry of many international companies, and growth in population, wages and the number of universities and students. The residential for rent market in Warsaw is emerging and the yields are attractive compared to cities of that size in Europe, creating opportunities for real estate players operating in the market. Atrium set a goal of amassing a portfolio of 5,000 units by 2024 and holds a backlog of acquisitions for over 1,000 units

Northern Europe - Citycon

Citycon's operating results are stable in all countries of operation, while Sweden stood out favorably with significant growth in the number of visitors and sales. During the year, Citycon management focused on property management, improving the tenant-mix and adding sales points. In addition, Citycon is currently developing the Lippulaiva shopping center in west Helsinki and recently received a permit to construct 420 leasable housing units above it. These units are only part of Citycon's pipeline of targeted rights to build 5,000 housing units on its properties, predominantly in the central cities Stockholm, Helsinki and Oslo.

In December 2019, Citycon completed an initial issuance of hybrid bonds in the amount of EUR 350 million, a measure that reduced the company's leverage levels to 42% while extending the duration of the debt. Reducing leverage enables Citycon to pursue its strategic goals, including developing the Lippulaiva shopping center and capitalizing on residential development rights at its properties.

Retail Real Estate and Importance of Location

The retail real estate sector is dealing with changes in consumption habits, penetration of e-commerce firms at various rates in all countries and bankruptcy of retailers that failed to adapt or respond in time to changes. In contrast, we are witnessing retailers that were able to combine the physical and online worlds and operate in both platforms. Successful retailers emphasize their brick and mortar flagship stores. Stores in prime locations in the central metropolitan areas where the demographic data is strong, purchasing power is growing and exposure and advertising are maximized, continued to enjoy strong demand and an increase in rent. Gazit's property portfolio in all areas of operation is in line with the demands of the leading retailers, resilient and even benefits from the manifestations and changes.

Urbanization greatly affects the lifestyle and the nature of consumption. The population in the metropolitan areas in all countries where we operate is growing, the cities are becoming more crowded, the use of mass transportation is increasing, and more people are working and living near their workplaces. Our centers, which are located in the heart of the urban areas, receive additional building rights and increased volume of land coverage, with renewed support from the local authorities. In each of our areas of operation, we add uses above the properties, such as offices and residential for rent, which increase the number of visitors and sales and vice versa. In this way, we make the properties more dominant and stronger in the cities where we operate, thereby providing added value to the land on which our real estate is located.

The Gazit of 2023

We are determined to continue to implement our strategy to increase the private real estate portfolio as a percentage of our total investments even more in strategic locations of central cities worldwide, while maintaining our level of leverage. In North America, we expect to increase the investment in the USA and Canada such that it will constitute 25%-30% of the Group's property portfolio. We shall continue to act to improve and increase our real estate portfolio in Israel, as described above, and shall act to increase the value of the property portfolio in Brazil possibly by means of disposals. In Europe, we will continue to focus on supporting the improvement of the companies under our control and increasing their value by improving their property portfolios and utilizing value enhancing development rights, including diversifying the sources of income and adding new uses to the portfolios with an emphasis on residential for rent investments.

We intend to maintain our net debt to total assets (expanded solo) level below 50%. Our financing expenses have decreased by hundreds of millions of NIS and are expected to continue to decrease by dozens more in the coming years, while extending the debt duration and increasing the Company's financial flexibility.

The Company is implementing the strategy of becoming a "best in class" operational real estate company, as it originally started out, and is on the track to continued progress.

The Coronavirus crisis

As noted in my introduction, we are in the middle of a global economic and medical crisis. Gazit Globe is acting carefully and keeping up with what is happening and will further review all activities. In particular, development plans will be adjusted as or if necessary to succeed once the pandemic ends. Unfortunately, none of us know how the Coronavirus crisis will continue to develop, how it will end, and what its lasting results will be on all possible levels beyond our control; from the possibility of collecting rent from tenants who may encounter difficulties through to a shortage in building materials that may develop, a freeze of future development plans, full or partial closing of the capital market, and new legislation in some countries and any resultant consequences. On the other hand, we are also aware that crises produce opportunities and we are keeping a close eye for those that may present themselves. We are reviewing offers that would not have reached us in the ordinary course of business prior to the current Coronavirus crisis. We are carefully tracking the developments and are adapting to the changes that are occurring at a tremendous speed as usually happens in severe crises.

Gazit relative advantage in times of crisis, for four primary reasons

Gazit has and always had a relative advantage in times of crisis, for four primary reasons:

The First is our mix of tenants and the nature of the Group's properties - urban properties in densely populated demand areas and a high socio-economic level, supermarket and pharmacy-anchored properties that provide necessity-driven daily consumer goods and services, such as medical clinics, municipal institutions, etc. 50% of our cash flows are directly and indirectly from tenants with a high credit rating. Almost all properties in the portfolio have one, if not two, supermarkets and a pharmacy. Over 15% of the Group's rent is from supermarkets and pharmacies. Service providers, clinics and others constitute 13% of the Group's rent. The tenant mix is highly decentralized - there are 9,300 leases, none of which constitute over 1.7% of the Group's rent.

The Second reason is geographical diversification. Our rent comes from 11 countries, each of which is dealing with the crisis differently. Moreover, more than 75% of our assets are concentrated in 15 of the world's largest metropolitan areas, and all of which where the socioeconomic level is much higher than the national average, the density and economic scarcity of the assets make these assets "fortress assets".

Thirdly, we have a skilled and dedicated managers and staff with decades of "seasoning", including past experience in managing large-scale crises, who are able to adapt rapidly in the face of managing in times of crisis and who also know how to identify opportunities in environments such as the present one that present opportunities for companies that have adequate liquidity.

Fourth is the Company's liquidity. This crisis ensued at a time when Gazit is at a peak in term of its financial strength. As of the date of publication the Company has high liquidity and available credit lines of over NIS 3 billion, and after the balance sheet date, we completed raising debt in the amount of NIS 864 million and the sale of the remaining FCR shares in the amount of NIS 770 million. We can repay our maturing debt obligations and our dividends with our current liquidity for at least the next three years, and as with every crisis, we expect there will be business opportunities we can take advantage of.

In conclusion, I am convinced that, as in previous periods of uncertainty, with our property mix, responsible and level-headed conduct, responsible management with decades of experience in previous crises, and wealth of cash, we will emerge even stronger than we entered this period. In the end, I believe that we will beat the virus together, and as always this crisis will come to an end and the sun will continue to rise in the east.

Thank you

Two years have gone by since I took over the management of the Company as CEO in order to continue to implement our strategy and to lead Gazit to its appropriate position as one of the world's leading urban commercial real estate companies. Without a doubt, 2019 was a turning point, significant strategic measures were taken, as reflected in all operational parameters, in strengthening of the balance sheet, the cash flows and ultimately also the trust of the shareholders, the debt and the capital markets in the Company and its management. Thank you to the Chairman and Board members, all Company staff in the different countries and in Israel for their dedicated work throughout the year and especially at the moment and the devotion to the successful implementation of the strategic changes which the Company is undergoing. Thank you to the shareholders and all other interested parties for expressing trust in the Company and the staff and their ability to maximize value for the shareholders and interested parties responsibly over time.

Wishing you all the best of health.

Sincerely,
Chaim Katzman

THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2019 (THE "REPORTS"). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY. THE APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION. THE ENGLISH TRANSLATION WAS NOT PUBLISHED AND HAS NOT BEEN SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY FOR ITS REVIEW.

GAZIT GLOBE
GROUP

PERIODIC REPORT FOR 2019

<u>**CHAPTER A – DESCRIPTION OF THE COMPANY'S BUSINESS – TABLE OF CONTENTS**</u>

GAZIT-GLOBE LTD

PERIODIC REPORT DESCRIBING THE COMPANY'S BUSINESS

The Company's operations are described on a consolidated basis, unless explicitly stated otherwise.

A. Description of the general development of the Company's business and summary of its operating segments

1. The Company's operations and its business development

1.1. Gazit-Globe Group - General

Gazit-Globe Ltd. ("the Company"), through its public and private investees[1] (collectively: "the Group"), operates mainly in purchasing, improvement, developing and managing of an income-producing real estate for mixed-use, including retail, office and residential properties in North America, Israel, Brazil, Northern, Central and Eastern Europe, with the focus on densely populated urban cities. In addition, the Company evaluates opportunities within its core business and similar fields, in other regions.

The Group's strategy is focusing on acquisition of income-producing real estate (including with partners) mainly in densely populated urban areas that provide the needs of the population that have the potential to increase value and cash flows through proactive management, improvement, the addition of uses, development and redevelopment. Furthermore, the Group operates to sell properties that are not its core properties, including those which the Group believes have limited growth potential and/or are in areas where the Group wishes to cut back its operations.

As part of its strategy, the Company operates to increase the share of private real estate activity (operations that are not owned through public companies), which, in the opinion of Company management, is likely to grow and improve the Company's cash flows and to create added value. Moreover, the Company believes that increasing the number of its directly owned properties will strengthen its financial ratios and result in receiving an international investment rating and, consequently, a reduction in financing costs and to diversification of the Company's financing sources to international financial institutions and new capital marketers.

As part of this strategy, beginning in 2017 and up to immediately prior to the publication of this report, the Company exercised most of its holdings in public companies in North America in the amount of NIS 9.6 billion (as detailed in Section 1.6), and at the same time, in 2017 it established Gazit Horizons Inc., in 2019 it established new partnership in Canada which is held 60% by the Company, focusing on the city of Toronto at this point of time (as detailed in Section 11.2). Also, In the Reporting Period, the Company's private companies made investments and acquisitions of NIS approximately 1.5 billion. For additional information about the Company's strategy and long-term goals, see Section 24 below. The Company's operations currently centered principally on two key types of investment:

- Wholly owned private companies, in which the Company implements its strategy exclusively, is responsible for financing their operations and is supervise their management. This activity takes place through G Israel Commercial Centers Ltd. ("G Israel"), subsidiaries in Brazil ("Gazit Brasil"), Gazit Horizons Inc. in the USA ("Gazit Horizons") and a subsidiary operating in Canada, including through Partnership "Gazit Tripllle". G Israel, Gazit Brasil and Gazit Horizons that are consolidated in the Company's financial statements and constitute a separate operating segment of the Company.
- Public companies controlled by the Company which have a similar strategy, and in which the Company is the largest shareholder. This activity takes place through Citycon Oyj ("CTY") and through Atrium European Real Estate Limited ("ATR"). Both CTY and ATR are consolidated in the Company's financial statements and constitute separate operating segments of the Company.

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

Until April 2019 the Company operated in Canada through First Capital Realty Inc. ("FCR"), a public company whose shares are traded on the Toronto Stock Exchange and which is the owner, manager and developer of income-producing real estate in Canada, and in which the Company held approximately 31.3% of its share capital and was considered an affiliate of the Company.

In February 2019, the Company and its wholly owned subsidiary entered into contingent agreements for the sale of 58 million FCR shares (which comprised approximately 22.9% of the share capital of FCR), in total consideration of approximately CAD 1,195 million (approximately NIS 3.2 billion). Upon completion of the transaction in April 2019, the Company held (through its subsidiary) approximately 21.6 million FCR shares, which at that date comprised approximately 9.9% of the share capital and voting rights of FCR. From the completion date and until the publication date of the Report, the Company sold its holdings in FCR's shares, in total consideration of approximately NIS 1.2 billion.

The description of the Group is presented below according to the operating segments specified above, unless the information provided is relevant to all operating segments, in which case it will be presented in a consolidated manner, and unless the information pertains to certain issues that concern the description of the Company itself, in which case it will be stated separately. The data included in the description of each of the investment-property-related operating segments will be presented according to the principal geographic regions in which the activity in each segment is centered.

1.2. The Company was incorporated in May 1982 and it is listed for trade on the Tel Aviv Stock Exchange Ltd. (since 1983) under the ticket GZT. As of 2011 and until March 2019, the Company was listed for trade on the New York Stock Exchange (NYSE) (from 2011) and as of 2013 and until September 2018 it was listed for trade on the Toronto Stock Exchange (TSX).

1.3. The Company assets as of December 31, 2019:

	Country of operation	Holding interest	Income-producing properties	Properties under development	Other properties	GLA (thousands of square meters)	Carrying value of investment property and investment property under development (NIS millions)
CTY	Finland, Norway, Sweden, Estonia and Denmark	48.6%	38	1	-	1,075	16,134
ATR	Poland, Czech Republic, Slovakia and Russia	60.1%	31	-	-	842	10,807
Gazit Brasil	Brazil (Sao Paulo)	100%	7	-	1	176	3,447
G Israel	Israel	100%	11	-	-	139	3,592
	Bulgaria and Macedonia	100%	1	-	-	6	167
Gazit Horizons	USA	100%	9	-	1	40	1,405
Gazit Canada	Canada	100%	1	-	-	18	212
Gazit Germany	Germany	100%	2	-	-	23	354
Total carrying value			**99**	**1**	**2**	**2,319**	**36,118**
Jointly controlled properties (proportionate consolidation)			6	-	-	110	2,252
Total			**105**	**1**	**2**	**2,429**	**38,370**

1.4. The majority of the Company's properties are assets located in densely populated urban areas in central cities, which are leased mainly to retail chains that provide essential services and needs for the population. Additionally, the Company and its subsidiaries own land for future development as well as unutilized construction rights for different uses in income-producing existing properties.

1.5. As of December 31, 2019, the Company does not have a principal tenant[2], and as of that date, the tenant that generates the highest revenue for the Company and its subsidiaries, out of all its tenants, is Kesko, a leading supermarket chain in the Nordic countries, the income from which represented 2.2% of the Group's rental income in 2019.

[2] As this term is defined in the Draft Securities Regulations (Details, Structure and Form of a Prospectus), 1969, published in December 2013, which anchor the disclosure guideline on investment property activity (as published by the Israel Securities Authority in January 2011).

1.6. Description of the Company's business and business development in the different territories in which it operates:

Private holdings:

Israel – In Israel, the Group operates through G Israel, which owns 11 G Centers in Israel worth NIS 3,592 million, focusing in Gush Dan area. In the Reporting Period, G Israel continued to invest in and improve its property portfolio, and in this context, it acquired and invested in the development of properties in Israel in the amount of approximately NIS 260 million. The Company is working to merge G Israel with and into the Company. The Company and G Israel intend to invest between NIS 1 and NIS 2 billion in 2020-2021 in acquisition of additional properties, their development and/or in their improvement (as detailed in Section 24.2 below). The above is subject to economic and other developments in Israel.

USA - In 2017, the Company established Gazit Horizons, a private real-estate arm which operates in densely populated urban areas in large cities in the US, mainly in New York, Boston, Philadelphia and Miami. In the reporting period, Gazit Horizons continued its investments activities and purchased 3 additional assets totaling investments of approximately NIS 600 million. As of the Report Date, it owns 9 income-producing properties worth approximately NIS 1,405 million (as detailed in section 10 below) and in 2020-2021 the Company and Gazit Horizons intend to invest between NIS 0.5 and NIS 1.5 billion in the acquisition, development and/or improvement of additional properties (as detailed in Section 24.2 below). The above is subject to economic and other developments in USA.

Brazil - Gazit Brasil holds 7 income-producing properties in São Paulo worth NIS 3,447 million. In the Reporting Period, Gazit Brasil completed the acquisition of additional 10.1% of the rights in International Shopping in consideration of BRL 155 million. The Company and Gazit Brasil intend to invest between NIS 100 and 200 million in 2020-2021 in development and/or in improvement of its properties (as detailed in Section 24.2 below). The above is subject to economic and other developments in USA.

Canada - As of the last quarter of 2019, the Company operates in Toronto, Canada through Gazit Canada, including through Partnership "Gazit Tripllle" (60%), as detailed on section 11.2 below. The Company intends to invest between NIS 300 and 700 million in 2020-2021 in acquisition, development and/or improvement of additional properties through Gazit Canada and Gazit Tripllle (as detailed in Section 24.2 below).

Public Holdings:

Northern Europe - In Northern Europe, the Group operates through CTY, a public company whose shares are traded on the Helsinki Stock Exchange (OMX) in Finland. CTY operates principally in Finland, Norway, Sweden, Estonia and Denmark. In the Reporting Period, CTY continued to upgrade its property portfolio and enhance its balance sheet, and in this context it invested approximately EUR 100 million in the development of shopping centers in city centers and after the reporting date it purchased 3 commercial properties in Norway (in which it previously held 20% of the properties) for approximately EUR 145 million, while at the same time it sold properties that are not part of its core business in the amount of EUR 86.4 million. For information about the shareholders' agreement between the Company and CPP Investment Board European Holdings S.àr, a wholly-owned subsidiary of Canada Pension Plan Investment Board ("CPPIBEH"), see Section 22.3 below.

Central and Eastern Europe - In Central and Eastern Europe the Group operates through ATR, which is traded on Austria's Vienna Stock Exchange (VSE) and on the NYSE Euronext in Amsterdam, the Netherlands. ATR operates mainly in Warsaw, Poland and in Prague, Czech Republic. In the Reporting Period, ATR continued to apply its strategy of improving its property portfolio, and in this context it acquired one property in Warsaw, in consideration of approximately EUR 43 million, while at the same time selling off properties that are not its core properties in the reporting period and thereafter, in the amount of approximately EUR 371 million. For information about the agreement between the Company and ATR, see Section 22.2 below.

On July 2019, the Company's wholly owned subsidiary has entered to an agreement with ATR, to acquire all of ATR's minority shares, which constitute approximately 40% of ATR's share capital. The acquisition of ATR's minority shares was, inter alia, subject to the approval of a special majority of ATR's shareholders, which was not accepted. Therefore, the acquisition of ATR's minority shares was canceled.

USA - Until March 2017, the Group operated through Equity One Inc. (EQY), a public company traded on the NYSE. On March 1, 2017, EQY completed a merger with REG, a real-estate investment trust (REIT) in the United States, in which EQY merged with and into REG and upon completion of the merger, the shareholders in EQY (including the Company) received shares in REG, in lieu of their shares in EQY. For additional information about the merger, refer to Note 8d1 to the financial statements.

In accordance with the Company’s strategy, between the date of the merger and July 2018, the Company exercised all its holdings in REG in the amount of USD 1.4 billion (NIS 4.7 billion).

Canada – Until April 2019 the Group operated In Canada through FCR, a public company whose shares are traded on the Toronto Stock Exchange. In February 2019, the Company and a wholly owned subsidiary entered into contingent agreements for the sale of 58 million FCR shares (comprised approximately 22.9% of the share capital of FCR), in consideration of approximately CAD 1,195 million (approximately NIS 3.2 billion), which will partly be paid one year after the date of the transaction's closing. Upon completion of the transaction, the Company held approximately 21.6 million FCR shares, which at that date comprised approximately 9.9% of the share capital and voting rights of FCR. In April 2019, the Company completed the sale of the FCR shares as described above. Following the completion of the transaction and until the date of publication of the report, the Company sold its remaining holdings in FCR shares in consideration of approximately CAD 437 million,. For additional information in accordance with the transaction, including its accounting effects, refer to Note 8e to the financial statements.

These sales are in addition to the disposal of the Company’s holdings in FCR in March 2017, in the amount of NIS 500 million, as a result of which, the Company is no longer consolidating the reports of FCR from the financial reports for Q1 2017.

In the beginning of 2020 the Corona Virus has burst in China and spread all over the world, including in the Company’s operating areas. Consequently, governments imposed various restrictions to prevent peoples crowding and keeping social distancing, including the closing of shopping centers. In addition, the Corona epidemic caused an economic crises in many countries as well as sharp drop in the stock exchanges and sharp changes in currencies. For additional details regarding the implications of the Corona epidemic on the Group’s activity see Section 3.1(4) to the Directors Report

Group structure

For a description of the structure of the principal companies in the Group as of December 31, 2019, see Section 1.6 of the Directors’ Report.

.2. **Investments in the Company's capital and transactions in its shares in the last two years**

2.1 For information about a plan to buy back shares and debentures of the Company, refer to Section 3.8 of the Directors Report.

2.2 For information about the vesting of Restricted Stock Units (RSUs), allotted to employees and officers of the Company and its subsidiaries, refer to Note 26 to the financial statements.

2.3. For information about self-purchase of the Company's shares, including by way of a tender offer, refer to section 29 in Chapter D of the Periodic Report.

3. **Dividend distributions in the last two years**

3.1 The Company has a long-term policy to share its profits with the Company's shareholders by means of ongoing quarterly dividend distributions, subject to the Company's cash flows, business plans and legal restrictions.

For information about the dividend distribution policy adopted by the Company's Board of Directors, see Section 3.3 of the Directors' Report.

3.2 The following table presents a summary of the dividends distributed by the Company to its shareholders from January 1, 2018 until immediately prior to the publication date of this report:

Date of distribution	Amount
April 24, 2017	68,443 (NIS 0.35 per share)
July 3, 2017	68,443 (NIS 0.35 per share)
October 3, 2017	68,205 (NIS 0.35 per share)
January 2, 2018	67,711 (NIS 0.35 per share)
April 24, 2018	73,523 (NIS 0.38 per share)
July 3, 2018	73,182 (NIS 0.38 per share)
October 2, 2018	72,899 (NIS 0.38 per share)
January 2, 2019	72,589 (NIS 0.38 per share)
April 16, 2019	74,776 (NIS 0.40 per share)
June 13, 2019	74,702 (NIS 0.40 per share)
September 18, 2019	74,694 (NIS 0.40 per share)
January 2, 2020	74,705 (NIS 0.40 per share)

Moreover, on March 24, 2020, the Company's Board of Directors approved the distribution of dividend in the amount of NIS 0.43 per share and a total amount of approximately NIS 79 million.

The outstanding distributable profits (in accordance with the profit test as defined in the Companies Law, 1999) as of December 31, 2019, amounted to approximately NIS 5,740 million.

3.3 The Company has no restrictions to distribute dividends within the framework of its financial undertakings to financial institutions and to its debenture holders, except for statutory restrictions and except in accordance with the restrictions of the trust deeds for Debentures (Series M and Series N), as specified below.

Under the provisions of the trust deed for Debentures (Series M), the Company undertook not to distribute a dividend (according to its definition in the Companies Law, 1999), in each of the following instances, including if one of the following instances should occur as a result of such distribution: if the Company's equity[3] falls below the shekel equivalent of USD 850 million; if there are grounds for demanding immediate repayment of the Debentures (Series M); if the Company is in a breach of any of its material undertakings towards the holders of the Debentures (Series M).

Under the provisions of the trust deed for Debentures (Series N), the Company undertook not to distribute a dividend (according to its definition in the Companies Law, 1999), in each of the following instances, including if one of the following instances should occur as a result of such distribution: if the Company's equity falls below the shekel equivalent of USD 1 billion; if there are grounds for demanding immediate repayment of the Debentures (Series N); if the Company does not comply with the distribution terms according to the Companies Law, 1999, including the ability to meet liabilities criteria; if the Company is in a breach of any of its material undertakings towards the holders of the Debentures (Series N).

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[3] On this matter: "**the Company's equity**" means - the Company's equity in accordance with its consolidated financial statements (net of minority interests). All the parameters in this section will be determined in accordance with the Company's consolidated financial statements (based on the US dollar representative exchange rate as published by the Bank of Israel, on the date of the relevant financial statements), audited or reviewed as applicable, as they are known on the date of making the decision.

B. Other information

4. **Financial information concerning the Company’s operating segments**

Below is a summary of the financial data for each of the Company's operating segments (in NIS million), based on Note 36 to the financial statements – Operating Segments.

Following the sale of most FCR's shares, the Company's management ceased to analyze FCR's operations separately, therefore the investment in FCR's shares ceased to be a reportable segment and the comparative data were adjusted retrospectively. In addition, in line with management's approach, the operating segments of G Israel, Gazit Brazil and Gazit Horizons, which have been included under the "other segments" category, have begun to be reportable segments and the comparative data have been adjusted retrospectively.

For the year ended December 31, 2019

	Northern Europe	Central and Eastern Europe	Israel	Brasil	United States	Other segments	Consolidation adjustments (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,299	1,009	234	218	90	26	(124)	2,752
Percentage operating segment revenues	47%	37%	9%	8%	3%	1%	(5%)	100%
Operating segment costs	493	429	87	41	56	12	196	1,314
Operating profit attributable to the Company's shareholders	392	349	147	177	31	14	(21)	1,089
Operating profit attributable to non-controlling interests	414	231	-	-	3	- **)	(299)	349
Total assets attributable to the operating segment	18,190	11,755	3,782	3,515	1,725	743	2,915	42,625
Total liabilities attributable to the operating segment	426	507	94	21	20	39	25,192	26,299

*) For information about adjustments made to amounts in the consolidated financial statements, refer to Note 36 to the financial statements.

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

For the year ended December 31, 2018

	Northern Europe	Central and Eastern Europe	Israel	Brasil	United States	Other segments	Consolidation adjustments (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,416	1,073	224	183	44	29	(129)	2,840
Percentage operating segment revenues	50%	38%	8%	6%	2%	1%	(5%)	100%
Operating segment costs	636	458	126	31	40	29	(491)	829
Operating profit(loss) attributable to the Company's shareholders	354	369	98	152	3	-**)	(234)	742
Operating profit attributable to non-controlling interests	426	246	-	-	1	-**)	596	1,269
Total assets attributable to the operating segment	20,348	13,886	3,442	3,081	1,207	451	6,799	49,214
Total liabilities attributable to the operating segment	276	579	87	26	9	32	31,248	32,257

*) For information about adjustments made to amounts in the consolidated financial statements, refer to Note 36 to the financial statements.
**) Represents an amount of less than NIS 1 million.

For the year ended December 31, 2017

	Northern Europe	Central and Eastern Europe	Israel	Brasil	United States	Other segments	Consolidation adjustments (*)	Consolidated
	NIS millions							
Operating semnet revenues from external sources	1,454	1,060	211	151	6	30	(81)	2,831
Percentage operating segment revenues	51%	38%	7%	5%	0%	1%	(2%)	100%
Operating segment costs	613	486	101	(93)	5	15	(270)	857
Operating profit attributable to the Company's shareholders	371	342	110	244	1	15	(1,367)	(284)
Operating profit attributable to non-controlling interest	470	232	-	-	-	-**)	1,556	2,258

*) For information about adjustments made to amounts in the consolidated financial statements, refer to Note 36 to the financial statements.
**) Represents an amount of less than NIS 1 million

The Company reports several operating segments, as specified in Section 1.1 above.
For information about the changes in each of the aforesaid parameters in 2019 and 2018, see the Directors Report.

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

.5.1. The income-producing properties sector is also inherently exposed to developments in the business-economic environment. Accordingly, factors such as changes in consumer preferences (including the strengthening of alternative consumer platforms, such as e-trade platforms), changes in consumer spending power and habits, decline in the volume of economic activity, whether in general or in a specific region, changes in interest rates, changes in currency exchange rates, fluctuating inflation rates, as well as other factors, can affect the ability of property tenants to meet their commitments to the Group and, consequently, the Group's ability to continue renting out its properties at the same rent levels and occupancy rates. For information about risk factors that affect the Group's operations, refer to Section 27 below and Section 4 in the Directors' Report.

In light of the fact that the Group operates in geographical regions having different market characteristics and different macroeconomic environments, the market characteristics and the macroeconomic environment that may be relevant to the Group's operations in each of the main countries in which it operates and with respect to each of its operating segments, will be specified in the description of each operating segment (see Sections 6.3, 7.3, 8.1.3, 9.3, and 10.2 below). The Company believes, in view of the profile of the properties in which it invests and taking note of its investment strategy which focuses principally on the acquisition of properties in densely populated urban-growth areas, that the Company's performance faces less exposure to the macro economic environment in those countries.

In the first quarter of 2020, the Corona virus epidemic broke out in China, and has spread to many other countries around the globe, including countries in which the Group is operating, and the World Health Organization declared that the Coronavirus is a global epidemic.

The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the epidemic, have led to a global economic crisis, which is expressed, inter alia, in a sharp decline in stock exchanges around the world, changes in interest rates in certain countries, changes in currencies and in an increase in yield margin as required under corporate debentures issuers, including the Company.

For additional information regarding to the Corona crisis and its impact on the Group's activities, see section 4 of the Board of Directors' report.

It should be noted that, unlike previous crisis that were fundamentally financial crisis, this crisis is due to a health epidemic that the time which will take for it to pass is unknown and could breakout again in the future. This crisis may cause significant changes in different populations' behaviors, including habits of consumption, entertainment and leisure time, which can cause negative effects, including material effects, on the Company's business and its financial results.

The Company's evaluations on the impact of future macroeconomic events and of the impact of the Coronavirus and the global economic crisis derived from it or a specific crisis in certain country and/or certain countries in which the Company is operating, on its revenues, on its profits and on its financial condition, are forward-looking information as defined in the Securities Law, 1968.

These evaluations provided herein are based on assumptions and estimations of the Company and the Group's companies, but are uncertain, may not materialize, and mainly are not in the Company's control. In the event that global economic crisis continues and grows there might be a significant deterioration in the Group's business and financial results.

.5.2. Entry barriers

The Company believes that the entry barriers in its operating segments are as specified below:

- The Company's operations focus mainly on densely populated areas in main cities in which the supply of properties and space for rent is naturally limited, thus placing the owners of existing properties in the area at an advantage.
- Commencing operations in urban areas, either by constructing of income-producing properties and acquiring existing properties or by the acquisition of existing operations in urban areas, requires financial robustness and financing capability which, for the most part, necessitate having sizeable equity and the ability to bear general and administrative expenses without a foreseeable source of income for several years.

- Entry into these operating segments demands expertise and experience, primarily in income-producing real estate sector, including commerce, offices and residential, and also in the realm of financing. Additionally, property management and operating costs are influenced by the quantity of the properties managed. The management and operation of single properties constitutes a relative drawback when compared with asset management on the scale of the Group's operations.
- The Group's operating segments are also characterized by its lease agreements with large tenants that has an 'investment' international credit rating, such as major retail chains or chains that sell food and beverages such as coffee shops. Usually, the owner of a large number of properties in desirable locations has an advantage when it comes to entering into leases and in relationships with such tenants.

5.3. Exit barriers

Considering the nature of the Group's properties and operations, exiting its operating segments would not be immediate and would depend on the sale of properties, which could take a substantial amount of time, and is a function of the requested consideration against the backdrop of the macroeconomic condition of the relevant market. Nevertheless, the Company's holdings in publicly traded companies are generally more liquid and can be disposed of more quickly, although they are dependent on the state of the markets in general, on the specific capital market in which the share is traded and on the investment amount that is intended to be realized.

5.4. Property acquisition criteria

The principal criteria guiding the Company and its consolidated companies when assessing the investment opportunities facing it are as follows:

- Location of the property in key growth areas with strong demographic characteristics and high entry barriers, including the population density, per capita income and dominance of the property in the area (catchment area), as well as the economic characteristics of the population, including the projected population growth and/or increase in the number of work places in the area, as well as the urban infrastructure, such as transport infrastructure, schools, universities, hospitals, government institutions and etc.
- Geographic location of the property, including access roads, its visibility and the availability of parking spaces on and around the property (if there are any), as well as proximity to main roads and public transportation, such as bus stops or train stations, walkability index.
- Economic, demographic, and regulatory aspects, together with other conditions, at both a local and regional level.
- The rare economic condition of the property, i.e. aspects of competition from similar properties, including the likelihood of future competition and/or entry barriers for competitors, as well as the expectation that the demand in the area of the property will increase or decrease.
- Projected cash flow from the property and the potential for its growth, expansion or redevelopment over time, including the terms of the lease contracts and the present rental income compared with market conditions and the potential to increase rental income through re-leasing.
- Tenant mix in the property and in the area, their financial sturdiness and their position as market leaders.
- Level of demand and supply of properties of a similar class in the area as well as an assessment of the existing and anticipated supply of income-producing real estate in the region of operation, in relation to growth of the local population and its purchasing power.
- Proximity of the property to other properties owned by the Group, in a sense that is expected to reduce or streamline management costs for a group of properties as against a single property.
- Ratio of the expected yield from the property to the cost of capital, and an assessment of the risks that are likely to be encountered in achieving this yield and the potential for increasing the yield.
- Whether the property is a mixed-use property, combining shops with areas designated as office and/or residential space as well as the possibility of enlarging / renovating the property to achieve such extended use.
- Value of the land, environmental conditions and the existing potential to increase their value as well as the possibility of expanding/renovating the property or bringing in new tenants in a manner that increases the potential earning capacity of the property.

5.5. Criteria for disposing of properties

The principal criteria guiding the Company and its consolidated companies when assessing the disposal of properties are as follows:

- Failure to meet the Group's criteria for the acquisition of properties, as specified in Section 5.4 above, including that these properties are incompatible with the Company's core activity, in terms of their character and location ("non-core assets"), as well as in terms of their location in cities with limited growth potential.
- Properties located outside densely populated urban areas or outside cities in which the Company's operations are centered.
- Exhaustion of the improvement potential of the property or of the activity.
- Realization of real estate opportunities in a specific region.
- Sale of holdings in public companies mature for sale.

5.6. Legislative restrictions and structure of completion

For information about legislative restrictions applying to the Group, see Section 22 below; for information about the structure of the competition in the operating segments, see Section 14 below.

C. Description of the Company's operating segments

.6. Acquisition, development and operation of shopping centers in Northern Europe

6.1. General

In Northern Europe, the Company operates mainly through CTY, whose shares are listed on the Helsinki Stock Exchange (OMX), in Finland. CTY is the owner, developer and operator of supermarket-anchored urban shopping centers in Finland, Norway, Sweden, Estonia and Denmark.

As of December 31, 2019, CTY owns 39[4] income-producing properties with a GLA of 1.1 million square meters and a shopping center under development.

As part of its strategy, CTY intends to become an investor and owner of mixed-use urban real estate, including residential for rent.

As of December 31, 2019, the Company directly holds 48.6% of CTY's issued share capital and voting rights[5].

For further information about a governance agreement between the Company and CPPIBEH, a shareholder of CTY, see Section 23.3 below.

In the reporting period, CTY continued focusing on improving its asset portfolio, and in this context CTY sold two non-core assets and entered into a transaction to sell two more lands, in the amount of EUR 86.4 million. Concurrently, CTY invested in developing the Lippulavia project in Helsinki, Finland, which is a mixed-use urban project of commerce and residence, that will include a subway. In addition, after the reporting period, CTY purchased three commercial centrals in Norway (which it previously held in 20%), in consideration of approximately EUR 145 million.

CTY has opportunities to grow in line with its existing portfolio of assets, including construction rights for residence in the amount of 320,000 square meters, of which approximately 60,000 square meters are construction rights that have been approved, approximately 130,000 square meters are in under a process of approvals and approximately 130,000 square meters are under preliminary examination.

CTY has a diverse rental mix, relatively low exposure to tenants in the fashion field. CTY's principal customers are supermarkets, retail stores (local and international), banks and local authorities. One of CTY's tenants is Kesko, a leading Nordic supermarket chain, with stores all over Finland, Sweden, Norway, Estonia and Denmark, and 5% of CTY's rental income in 2019 is from its engagements with various chains owned by Kesko (5.2% in 2018).

4 Including Kista Galleria, 50% of which is held by CTY and jointly controlled with a third party.

5 During the reporting period, CTY carried out reserves share split, in which all 5 shares were consolidated into 1 share.

The duration of CTY's rental agreements depends on the type of property being rented and the type of tenant. As a rule, CTY enters into long-term agreements for periods of 10-15 years (occasionally even 20 years) with large anchor tenants. Engagements with tenants renting smaller areas are generally for periods of 3 to 5 years.

According to most of the agreements signed between CTY and its tenants, the tenants undertake to pay, in addition to rent (which is linked to the Cost of Living Index or updated annually at a minimum rate), the operating costs which CTY incurs in maintaining the property. In addition, CTY has lease agreements in which the rent is also determined based on a certain percentage of the tenant's revenue turnover, this in addition to the fixed rent (however, this component is immaterial to CTY's total rental income).

In most of the CTY's leases, the rent is linked to the relevant country applicable CPI under certain provisions.

6.2. Summary results of operation

Following is the summary results in the operating segment for the years ended December 31, 2019, 2018 and 2017 (NIS thousands and EUR thousands):

	For the year ended December 31					
	2019	2018	2017	2019	2018	2017
	In NIS thousands			In EUR thousands		
Total rental income (consolidated)	1,234,642	1,342,181	1,373,004	309,162	316,158	338,182
Gains (losses) from revaluations (consolidated)	(482,461)	(307,689)	(176,787)	(121,947)	(72,482)	(42,884)
Operating profit (consolidated)(*)	713,194	698,896	782,200	178,385	164,603	193,097
Same property NOI (consolidated)	678,379	717,469	-	169,926	169,007	-
Same property NOI (Company's share)	329,653	325,464	-	82,574	76,666	-
Total NOI (consolidated)	868,141	912,195	927,626	217,432	214,869	228,467
Total NOI (Company's share)	421,867	413,797	408,877	105,660	97,471	100,703

(*) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

6.3. Economic data regarding geographic regions

The table below provides the macroeconomic characteristics[6] of CTY's main operating regions:

Macro-economic parameters	Finland			Sweden			Norway		
	As of December 31			As of December 31			As of December 31		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Gross domestic product (PPP)	USD 265 billion	USD 257 billion	USD 247 billion	USD 564 billion	USD 549 billion	USD 524 billion	USD 411 billion	USD 396 billion	USD 382 billion
GDP per capita (PPP)	USD 47,975	USD 46,596	USD 44,826	USD 54,628	USD 53,652	USD 51,742	USD 76,684	USD 74,357	USD 72,120
GDP growth rate (PPP)	3.05%	4.13%	4.98%	2.74%	4.82%	4.34%	3.75%	3.76%	4.25%
GDP growth rate per capita (PPP)	2.96%	3.95%	4.68%	1.82%	3.69%	3.05%	3.13%	3.10%	3.5%
Inflation rate	1.13%	1.32%	0.51%	1.63%	2.22%	1.78%	2.30%	1.80%	1.63%
Yield on long-term government debt[7]	0.45%	0.55%	0.54%	0.44%	0.73%	0.74%	1.77%	1.57%	1.71%
Rating of long-term government debt[8]	AA+/Aa1	AA+/Aa1	AA+/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa
Consumer confidence index[9]	(4.2)	16.1	24	94.1	96.8	108.2	-	-	-
Unemployment rate[10]	6.54%	7.42%	8.58%	6.47%	6.28%	6.68%	3.60%	3.85%	4.22%
Change in the volume of retail sales [11]	3.90%	3.60%	2.70%	1.30%	1.40%	3.80%	-	-	-
USD exchange rate as of December 31[12]	USD / Euro 1.120	USD / Euro 1.144	USD / Euro 1.198	USD / SEK 0.107	USD / SEK 0.111	USD / SEK 0.122	EUR / USD USD / NOK 0.114	EUR / USD USD /NOK 0.115	EUR / USD USD / NOK 0.122

6 Unless stated otherwise, the data provided in the table are based on publications of the IMF World Economic Outlook Database, October 2019. International Monetary Fund (IMF) data for 2019 are based on IMF projections as of October 2019. In addition, GDP data presented for the years 2017-2019, which are taken from the IMF publication for 2019, are in terms of 2019 prices.

7 Based on a Trading Economics publication (www.tradingeconomics.com), with respect to the yield on 10-year government bonds.

8 According to a S&P or Moody's rating (www.standardandpoors.com / www.moodys.com).

9 According to Trading Economics data (www.Tradingeconomics.com).

10 According to IMF publications (www.imf.org).

11 According to Trading Economics data (www.Tradingeconomics.com).

12 According to OandA data (www.oanda.com). Representative exchange rate as of December 31, 2017, December 31, 2018 and December 31, 2019.

Additional macroeconomic data

The volume of retail sales in Finland continued to grow during the reporting period. Rentals in the higher-quality shopping centers remained relatively stable with a certain increase. In addition, rentals in shopping centers in secondary areas and areas with extensive competition, slightly decrease.

The volume of retail sales in Norway grew during the reporting period. There is a certain pressure in relation to the rents, particularly in secondary centers.

The volume of retail sales in Sweden grew during the reporting period and there was no significant change regarding rentals. The gap between yield regard to properties in the center area and properties in secondary centers continued to grow.

The volume of retail sales in Denmark grew, and there were no significant changes in rent levels.

The volume of retail sales In Estonia, continued to grow during the reporting period and rents remained stable.

The description above is based on CTY reports for 2019, as published by CTY with respect to the Reporting period. Due to the spread of the Corona epidemic in the world and the uncertainty regarding the period during which it will last, the time that will take to get life to normal, the manner and scope of its influence and the economic crises caused by it, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results.

Regarding the effect of the Corona epidemic on the group's activities, see section 4 of the Board of Directors' report.

6.4. Aggregate data for the operating segment

Information about CTY's income-producing properties. The data in sections 6.4 below do not include data for Kista Galeria[13], which is jointly-controlled and is presented according to the equity method.

The data in Sections 6.4 and 6.5 below regarding Sweden and Denmark are presented in Swedish krona (SEK), which is the commercial currency for most of the properties in this region. These data also include properties in this region with a different commercial currency, and that were converted to SEK according to the known exchange rate at the end of the period with respect to balance sheet data and according to the average exchange rate with respect to performance data.

The data in Section 6.4 below regarding Norway are presented in Norwegian krona (NOK), which is the commercial currency in Norway.

6.4.1. **GLA of income-producing properties**

The following table provides details regarding the GLA of CTY's income-producing properties as of December 31, 2019 and 2018 (in square meter thousands):

Region		As of December 31			
		2019		2018	
			As a percentage of total property GLA		As a percentage of total property GLA
Finland	Consolidated	302	28.2%	329	29.8%
	Company's share	147		160	
Sweden and Denmark	Consolidated	269	25.0%	270	24.4%
	Company's share	131		131	
Norway	Consolidated	402	37.4%	405	36.6%
	Company's share	195		197	
Estonia	Consolidated	102	9.4%	102	9.2%
	Company's share	49		49	
Total	**Consolidated**	**1,075**	**100%**	**1,106**	**100%**
	Company's share	**522**		**537**	

[13] Kista Galeria is held by CTY at 50%, located in Stockholm, Sweden, is in the area of 92.5 thousand sq.m as of December 2019 the property's fair value is approximately EUR 550 million.

6.4.2. **Segmentation of the fair value of income-producing properties**

The table below provides data about the value of CTY's income-producing properties as of December 31, 2019 and December 31, 2018:

Region		**As of December 31**			
		2019		**2018**	
			As a percentage of total property value		**As a percentage of total property value**
Finland (in EUR thousands)	Consolidated	1,364,099	34.2%	1,456,086	35.9%
	Company's share	662,874		706,201	
Sweden and Denmark (in SEK thousands)	Consolidated	9,814,321	23.5%	9,894,976	23.8%
	Company's share	4,769,200		4,799,054	
Norway (in NOK thousands)	Consolidated	13,527,554	34.4%	13,217,737	32.7%
	Company's share	6,573,619		6,410,591	
Estonia (in EUR thousands)	Consolidated	316,199	7.9%	310,106	7.6%
	Company's share	153,654		150,401	
Total (in NIS thousands)	**Consolidated**	**15,478,629**	**100%**	**17,422,806**	**100%**
	Company's share	**7,521,406**		**8,449,721**	

6.4.3. **NOI**

The table below provides data about CTY's NOI for 2019 - 2017:

Region		**2019**		**2018**		**2017**	
			As a percentage of the total property NOI		**As a percentage of the total property NOI**		**As a percentage of the total property NOI**
Finland (in EUR thousands)	Consolidated	72,155	33.2%	75,041	34.9%	84,708	37.1%
	Company's share	35,063		34,040		37,337	
Sweden and Denmark (in SEK thousands)	Consolidated	501,241	21.8%	446,589	20.3%	398,104	18.1%
	Company's share	243,576		202,581		175,477	
Norway (in NOK thousands)	Consolidated	743,130	34.7%	713,224	34.6%	742,201	34.8%
	Company's share	361,115		323,543		327,144	
Estonia (in EUR thousands)	Consolidated	22,479	10.3%	22,020	10.2%	22,841	10.0%
	Company's share	10,923		9,987		9,776	
Total (in NIS thousands)	**Consolidated**	**868,141**	**100.0%**	**912,195**	**100.0%**	**927,626**	**100.0%**
	Company's share	**421,867**		**413,797**		**408,877**	

6.4.4. **Revaluation gains (losses)**

The table below provides data about CTY's revaluation gains (losses) for the years 2017-2019:

Region		**2019**		**2018**		**2017**	
			As a percentage of the total revaluation gains (losses)		**As a percentage of the total revaluation gains (losses)**		**As a percentage of the total revaluation gains (losses)**
Finland (in EUR thousands)	Consolidated	(51,034)	42.0%	(51,142)	70.6%	(44,712)	104.3%
	Company's share	(24,800)		(23,199)		(19,708)	
Sweden and Denmark (in SEK thousands)	Consolidated	(342,905)	26.7%	87,247	(11.7%)	294,623	(71.3%)
	Company's share	(166,632)		39,578		129,863	
Norway (in NOK thousands)	Consolidated	(329,213)	27.5%	(212,907)	30.6%	(207,118)	51.8%
	Company's share	(159,979)		(96,581)		(91,293)	
Estonia (in EUR thousands)	Consolidated	(4,663)	3.8%	(7,672)	10.5%	(6,541)	15.2%
	Company's share	(2,266)		(3,480)		(2,883)	
Total (in NIS thousands)	**Consolidated**	**(482,461)**	**100.0%**	**(307,689)**	**100.0%**	**(176,787)**	**100.0%**
	Company's share	**(234,448)**		**(139,576)**		**(77,924)**	

6.4.5. **Average rent per square meter**

The table below provides data about CTY's average monthly rent per square meter for 2019 and 2018:

Region	For the year ended December 31	
	2019	2018
Finland (in EUR)	27.2	26.9
Sweden and Denmark (in SEK)	221.6	223.1
Norway (in NOK)	213.8	196.2
Estonia (in EUR)	21.6	21.6

6.4.6. **Average occupancy rates**

The table below provides data about the occupancy rates of CTY's properties as of December 31, 2019, and average occupancy rates for the years 2019 and 2018:

Region	As of December 31, 2019	For the year ended December 31, 2019(*)	For the year ended December 31, 2018(*)
Finland	94.6%	94.7%	94.0%
Sweden and Denmark	94.8%	95.0%	96.3%
Norway	96.1%	96.8%	98.0%
Estonia	99.4%	99.5%	98.6%

(*) The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of every calendar quarter in the relevant year.

6.4.7. **Number of income-producing properties**

The table below provides data about the number of CTY's income-producing properties as of December 31, 2019 and 2018:

Region	For the year ended December 31	
	2019	2018
Finland	10	12
Sweden and Denmark	10	10
Norway	16	17
Estonia	2	2
Total	**38**	**41**

6.4.8. **Average yields**

The table below provides data about CTY's actual average yields as of December 31, 2019 and 2018 (based on property value at the end of the year):

Region	For the year ended December 31	
	2019	2018
Finland	5.1%	5.3%
Sweden and Denmark	5.4%	5.2%
Norway	5.5%	5.4%
Estonia	6.5%	6.6%

6.5. Expected rental income from signed lease agreements entered into(*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (estimate) (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in square meter thousands)
2020	Quarter 1	75,232	4,210	779	78
	Quarter 2	44,176	2,472	406	49
	Quarter 3	40,874	2,288	171	34
	Quarter 4	73,763	4,128	316	81
2021		197,641	11,061	670	172
2022		179,195	10,029	560	178
2023		126,507	7,080	417	119
2024 and thereafter		253,721	14,200	436	263
Total		**991,109**	**55,468**	**3,755**	**974**

(*) The Company's management does not review on ongoing basis the expected rental income assuming exercise of the extension options given to the tenants. The data therefore assume non-exercise of tenant option periods.

The information provided above contained in this section is a Forward-Looking Information as defined in section 32A of the Securities Law, and there is no assurance that in its occurrence, due to factors that are beyond the Company's sole control, including the effect of the Corona epidemic on the group's activities, see section 6.3 and Section (4)3.1of the Board of Directors' report.

6.6. Aggregate data about investment properties under construction in the field of operation

The table below provides aggregate data about CTY's properties that were classified as investment properties under construction in the Company's financial statements:

Region	Parameters	For the year ended December 31		
		2019	2018	2017
Finland	Number of properties under construction at the end of the period	1	1	1
	Total GLA under construction (planned) at the end of the period (in square meter thousands)	44.3	44.3	44.3
	Total costs invested in the current period (consolidated) (in EUR thousands)	41,227	31,300	44,000
	The amount at which the properties are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	169,000	149,628	120,961
	Construction budget during the subsequent period (estimate) (consolidated) (in EUR thousands)	[1] -	35,000	48,000
	Total balance of estimated construction budget for completion of the construction works (estimate for the end of the period) (consolidated) (in EUR thousands)	[1] -	139,700	171,000
	Percentage of the GLA under construction with respect to which lease agreements have been signed	55%	55%	55%

[1] The costs of the project will be determined after CTY's decision regarding to exercising of the residential rights.

6.7. Aggregate data about plots of land in the field of operation

As of December 31, 2019 and 2018, CTY did not own plots of land that are listed in the Company's books as land for investment.

6.8. Acquisition and sale of properties (aggregate)

The table below provides data about properties sold and acquired by CTY in 2019 - 2017:

			For the year ended December 31,		
Region			**2019**	**2018**	**2017**
Finland	**Properties sold**	Number of properties were sold during the period	2	2	9
		Proceeds from the realization of properties sold in the period (consolidated) (in EUR thousands)	76,776	38,000	235,050
		Area of properties sold in the period (consolidated) (in square meter thousands)	28.9	24.8	108.5
		NOI of properties sold (consolidated) (in EUR thousands)	2,467	1,666	11,124
		Loss recorded from the sale of properties (consolidated) (in EUR thousands)	(976)	(3,051)	(3,980)
Sweden and Denmark	**Properties sold**	Number of properties sold in the period	-	1	2
		Proceeds from the realization of properties sold in the period (consolidated) (in SEK thousands)	-	307,749	346,831
		Area of properties sold in the period (consolidated) (in square meter thousands)	-	10.3	11.6
		NOI of properties sold (consolidated) (in SEK thousands)	-	3,498	1,301
		Profit recorded from the sale of properties (consolidated) (in SEK thousands)	-	51,333	101,284
	Properties acquired	Number of properties acquired in the period	-	2	1
		Cost of properties acquired in the period (consolidated) (in SEK thousands)	-	687,306	698,480
		NOI of properties acquired (consolidated) (in SEK thousands)	-	52,247	2,707
		Area of properties acquired in the period (consolidated) (in square meter thousands)	-	16.6	15.3
Norway	**Properties sold**	Number of properties sold in the period	-	2	3
		Proceeds from the realization of properties sold in the period (consolidated) (in NOK thousands)	-	268,859	503,528
		Area of properties sold in the period (consolidated) (in square meter thousands)	-	26.2	26.1
		NOI of properties sold (consolidated) (in NOK thousands)	-	9,541	17,847
		Profit (loss) recorded from the sale of properties (consolidated) (in NOK thousands)	-	17,236	(4,810)
	Properties acquired	Number of properties acquired in the period	-	-	1
		Cost of properties acquired in the period (consolidated) (in NOK thousands)	-	-	727,319
		NOI of properties acquired (consolidated) (in NOK thousands)	-	-	39,741
		Area of properties acquired in the period (consolidated) (in square meter thousands)	-	-	19

6.9. The table below presents data regarding Iso Omena, a material property of the Group as of December 31, 2019

Iso Imena -material income-producing property

<table>
<tr><th colspan="2" rowspan="2">Iso Omena (*)</th><th colspan="13">Please note- EUR million unless stated otherwise</th><th colspan="4">Appraiser additional information</th></tr>
<tr><th>Year</th><th>Carrying value at the end of the period</th><th>fait value at the end of the period (NIS millions)</th><th>Rental revenues</th><th>Actual NOI</th><th>Actual yield rate (%)</th><th>Adjusted yield rate (%)</th><th>Yield rate on cost (%)</th><th>Loan to value (LTV) (%)</th><th>Valuation profit (loss)</th><th>Occupnacy rate at the end of the period (%)</th><th>Average rent per sq.m. /month (EUR)</th><th>Average sales per sq.m./year (EUR)(**)</th><th>Valuation date</th><th>Name and experience of the appraiser</th><th>Valuation methodology</th><th>Valuation's main assumption
Cap rate</th></tr>
<tr><td>Location</td><td>Espoo, Finland</td><td rowspan="2">2019</td><td rowspan="2">2,940</td><td rowspan="2">757.2</td><td rowspan="2">34.8</td><td rowspan="2">32.2</td><td rowspan="2">4.4 %</td><td rowspan="2">4.5 %</td><td rowspan="2">5.1 %</td><td rowspan="2">0%</td><td rowspan="2">-3.8</td><td rowspan="2">97.2 %</td><td rowspan="2">35.6</td><td rowspan="2">3,802.8</td><td rowspan="2">12/31/2019</td><td rowspan="2">JLL The appraiser from JLL has an experience of over 10 years</td><td rowspan="2">DCF</td><td rowspan="2">4.5%</td></tr>
<tr><td>Functional Currency</td><td>EUR</td></tr>
<tr><td>Primary use</td><td>Retail (Shopping Centre)</td><td rowspan="3">2018</td><td rowspan="3">3,250</td><td rowspan="3">758.2</td><td rowspan="3">33.9</td><td rowspan="3">32.2</td><td rowspan="3">4.2 %</td><td rowspan="3">4.3 %</td><td rowspan="3">5.0 %</td><td rowspan="3">0%</td><td rowspan="3">3.2</td><td rowspan="3">97.4 %</td><td rowspan="3">35.2</td><td rowspan="3">3,723.0</td><td rowspan="3">12/31/2018</td><td rowspan="5">CBRE The appraiser from CBRE has an experience of over 10 years</td><td rowspan="3">DCF</td><td rowspan="3">4.5%</td></tr>
<tr><td>Construction on cost (EUR million)</td><td>411</td></tr>
<tr><td>Company's share in the property (%) (capital rights)</td><td>fully owned through subsidiary held at 48.6%</td></tr>
<tr><td>Gross area (sq.m.)</td><td>101,000</td><td rowspan="2">2017</td><td rowspan="2">3,110</td><td rowspan="2">750.0</td><td rowspan="2">30.0</td><td rowspan="2">26.2</td><td rowspan="2">3.5 %</td><td rowspan="2">4.2 %</td><td rowspan="2">4.1 %</td><td rowspan="2">0%</td><td rowspan="2">33.9</td><td rowspan="2">96.9%</td><td rowspan="2">34.3</td><td rowspan="2">3178.5</td><td rowspan="2">12/31/2017</td><td rowspan="2">DCF</td><td rowspan="2">4.5%</td></tr>
<tr><td>Retail GLA, sq.m. commerce</td><td>84,400</td></tr>
</table>

(*) Iso Omena was purchased in 2007, in 2013 works for expansion of the property began, the expansion works were divided into two stages. The first phase (Phase I) ended in August 2016 and included an additional 27,000 square meters of gross leasable space. The second phase (Phase II) ended in April 2017 and included an additional 13,000 square meters of rentable space, the cost of expanding Iso Omena (phase I and II) which includes overhaul of existing parts totaled EURO 269.5 million.

(**)The data is to the best of the Company's knowledge and provided on the basis of information received from the tenants. The Company is therefore unable to confirm that the information is in fact correct.

.6.10. **Human capital**

.6.10.1. As of December 31, 2019, CTY (and its wholly-owned subsidiaries) has 234 employees (254 employees in 2018), as follows: Norway – 95; Finland and Estonia – 50; Sweden and Denmark – 52; and 37 employees in various positions in the Group.

These employees are employed under personal contracts according to which they receive a basic monthly salary and various benefits and annual bonuses, according to their seniority. Additionally, CTY's key employees and executives are entitled to long-term compensation in the form of CTY securities, *inter alia* as set out below.

CTY has several compensations plans for employees and managers, by virtue of which convertible stock options can be granted or Restricted Share Units (RSUs) of CTY, in total volume of 1,260 thousand shares. Some of the compensations plans are designated for the CEO of CTY and other specific senior officers. The other compensations plans are contingent on achieving certain goals.

For additional information about CTY's compensation plans, refer to Note 8f.3 to the financial statements.

.6.11. Credit and financing

In the reporting period, CTY continued implementation of its strategy of strengthening its balance sheet and financial position. In this context, on November 2019, CTY issued EUR 350 million capital securities which are non-guaranteed hybrid debentures ('green debentures'). The debentures are senior to equity and inferior to other debts. CTY used the consideration from the issuance to repay its existing debt. For additional information regarding the non-guaranteed hybrid debentures, refer to Note 8f.4 to the financial statements.

.6.11.1. **Credit rating** – In the reporting period,the debentures of CTY were rated on a lower rate than prior by S&P and Moody's and they are currently rated as BBB- (negative outlook) by S&P and BAA3 (stable outlook) by Moody's.

.6.11.2. **Additional financing from financial institutions** - As of December 31, 2018, CTY and its wholly owned subsidiaries have long-term loans (including current maturities) in a total amount of approximately EUR 101 million approximately (NIS 392 million), as well as an unsecured revolving credit facility in the amount of EUR 530 million (approximately NIS 2.1 billion, which is unutilized as of the date of the report).

In addition, CTY has commercial securities from financial institutions in the amount of EUR 129.7 million, which are repayable within a year.

.6.11.3. **Debentures** - As of December 31, 2019, CTY has unsecured debentures in the amount of EUR 1,588 million. The debentures bear fixed interest at an annual rate ranging 1.26% to 3.9% and are due for repayment between 2020 and 2027. For the debenture ratings, see Section 6.11.1 above.

For additional information about the debentures of CTY, and about a buyback of debentures by CTY in the amount of approximately EUR 188 million, refer to Note 19c to the financial statements.

.6.11.4. **Summary of balances:**

The following table presents long-term credit and loans (including current maturities), which are not intended for specific use, which were received by CTY from financial institutions to finance its operations, as of December 31, 2019:

	Balance (EUR in millions)	**Weighted interest rate (*)**	**Average repayment period (years) (**)**
Loans at variable interest – NOK secured	101.0	2.85%	2.5
Debentures at fixed interest – EUR	1,320.6	2.19%	5.1
Debentures at variable interest - NOK	35.4	3.10%	1.2
Debentures at fixed interest - NOK	231.8	3.40%	5.7
Total	**1,688.8**		

(*) The effective interest rate is not materially different from the weighted interest rate.
(**) Calculated only according to the repayment dates of the credit principal.

.6.11.5. **Financial covenants**

Some of the unsecured loans, debentures and credit facilities granted to CTY and its wholly-owned subsidiaries in the ordinary course of business require compliance with financial and other covenants. For details regarding the financial covenants, refer to Notes 21d(2) and 19c to the financial statements.
As of December 31, 2019 and immediately prior to the approval date of this report, CTY and its subsidiaries are in compliance with all the specified covenants.

7. Acquisition, development and management of shopping centers in Central and Eastern Europe

7.1. General

The Group operates in Central and Eastern Europe through ATR, which is incorporated in Jersey Island and traded on the Vienna stock exchange (VSE) in Austria and on the NYSE Euronext stock exchange in Amsterdam, The Netherlands. ATR is the owner and operator of retail shopping centers in leading Eastern European cities - primarily in Warsaw - Poland, and Prague - Czech Republic and as of December 31, 2019, it owns 32 income-producing buildings[14] with a GLA of 0.8 million square meters as well as plots of land.

As of December 31, 2019, the Company held approximately 60.1% of ATR's issued share capital and voting rights approximately 59.9% fully diluted).

On July 23 2019, the Company's wholly owned subsidiary has entered to an agreement with the public subsidiary ATR. According to the agreement, the Company offered to acquire all of ATR's issued shares it does not currently own, approximately 40% of ATR's share capital at a price of EUR 3.75 per share (which reflects a premium of 18.3% over the ATR's share price on the date of the transaction) for total consideration of EUR 565 million (approximately NIS 2.2 billion), to be paid in cash.

In parallel, the Company has entered into agreements with Menora Mivtachim Insurance Ltd. and Menora Mivtachim pension and provident funds, and also with The Phoenix Insurance Company Ltd and The Phoenix, excellence nessuah gemel, and pension Ltd pursuant to which, upon closing, the Company will sell to them approximately 12% and 6%, respectively of ATR's outstanding shares at an identical price to the price at which the Company is acquiring those shares. The suggested price may be adjusted for a special dividend of EUR 0.60 per share which ATR intends to distribute before closing the transaction.

The acquisition was planned to be carried out by an arrangement according to Jersey island laws and it was dependent in certain conditions among them it has to be approved by 75% of ATR's minority shareholders and by the courts in Jersey island (where ATR is incorporated).

On October 25 2019, ATR's minority shareholders voted, and less than 75% voted to approve the transaction, therefore the conditions for the transaction were not met and the transaction was cancelled.

In the reporting period, ATR continued to implement its strategy of emphasis on larger and more dominant shopping centers in the principal cities in Poland and Czech Republic in which it operates, by upgrading, redeveloping and expanding existing key properties, while at the same time pursuing opportunities for the acquisition of substantial investment properties in ATR's core markets and disposing of properties that do not meet the aforesaid criteria.

In this context, in the Reporting Period, ATR sold two assets and a land in Poland for approximately EUR 326 million, entered into an agreement to sell secondary assets in Poland in the amount of approximately EUR 36 million, which expects to take place in the first half of 2020, and after the reporting date sold assets in Slovakia in the amount of approximately EUR 37.2 million, and on the other hand acquired a shopping center in Warsaw for EUR 43 million, and an additional asset located near and existing asset of the Company in the Czech Republic, for approximately EUR 6.5 million.

As a result of implementation ATR's strategy, as of the reporting date, approximately 85% of the market value of ATR's assets located in Poland and Czech Republic, when 38% of the market value located in Warsaw and approximately 16% of the market value located in Prague.

Almost all of the ATR's assets are anchored by supermarkets and retail assets that provide the consumer's daily needs and a key component in ATR's property management strategy is the integration of anchor tenants, with a financial strength, specializing in food, fashion, leisure and entertainment, which correspond with the character and needs of consumers in property's environment. Accordingly, a significant portion of ATR's lease agreements are with international fashion brands and/or reputable supermarkets, combined with options to leisure and food. In 2019, ATR's largest tenant was LPP, which has several stores and fashion brands the revenue from which was approximately 3.5% of all ATR's rental revenues and occupy approximately 5.4% of ATR's commercial space. ATR manages almost all of its properties.

[14] Including one jointly controlled property in which ATR holds 75% of the rights and other properties that are held for sale.

7.2. Results of operations

Following is a summary of the results of operations in the operating segment for the years ended December 31, 2019, 2018 and 2017 (NIS thousands and in EUR thousands):

	For the year ended December 31					
	2019	2018	2017	2019	2018	2017
	In NIS thousands			In EUR thousands		
Total rental income (consolidated)	968,987	1,028,928	1,059,583	242,553	242,358	260,876
Gains (losses) from revaluations (consolidated)	(52,046)	(8,404)	346	(13,495)	(2,020)	221
Operating profit (consolidated) (*)	604,344	615,120	574,444	151,210	144,816	141,461
Same property NOI (consolidated)	326,169	342,936	-	81,701	80,782	-
Same property NOI (Company's share)	196,071	205,664	-	49,113	48,446	-
Total NOI (consolidated)	671,529	718,800	733,189	168,010	169,297	180,543
Total NOI (Company's share)	403,678	431,075	436,626	100,997	101,533	107,516

(*) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

7.3. Economic data about geographic regions

The table below provides the macroeconomic characteristics (*) of ATR's main operating regions:

Macro-economic parameters	Poland			Czech Republic			Russia		
	For the year ended December 31								
	2019	2018	2017	2019	2018	2017	2019	2018	2017
GDP (PPP)	USD 1,287 billion	USD 1,215 billion	USD 1,128 billion	USD 413 billion	USD 396 billion	USD 376 billion	USD 4,349 billion	USD 4,227 billion	USD 4,036 billion
GDP per capita (PPP)	USD 33,891	USD 32,005	USD 29,717	USD 38,834	USD 37,340	USD 35,509	USD 29,642	USD 28,797	USD 27,474
GDP growth rate (PPP)	5.88%	7.71%	6.91%	4.28%	5.47%	6.32%	2.89%	3.75%	3.54%
GDP growth rate per capita (PPP)	5.89%	7.70%	6.90%	4.00%	5.16%	6.07%	2.94%	4.82%	3.47%
Inflation rate	3.26%	1.10%	2.10%	2.30%	2.02%	2.37%	3.79%	4.27%	2.52%
Yield on long-term government debt(**)	2.11%	2.81%	3.29%	1.63%	1.84%	1.51%	6.14%	8.31%	7.59%
Rating of long-term government debt(***)	A-/A2	A-/A2	BBB+/A2	AA-/Aa3	AA-/A1	AA-/A1	BBB-/Baa3	BBB-/Ba1	BB+/Ba1
USD / local currency exchange rate as of December 31 (****)	PLN / USD 0.263	PLN / USD 0.266	PLN / USD 0.287	CZK / USD 0.044	CZK / USD 0.044	CZK / USD 0.047	RUB / USD 0.016	RUB / USD 0.014	RUB / USD 0.0.017
Unemployment rate	3.77%	3.85%	4.89%	2.20%	2.24%	2.89%	4.62%	4.80%	5.20%

(*) Unless stated otherwise, the data in the table below are based on publications of the IMF World Economic Outlook Database, October 2019. Notably, IMF data for 2019 are based on projections by the IMF as of October 2019. Additionally, GDP data presented for 2017-2019, which were taken from an IMF publication from 2019, are in terms of 2019 prices.

(**) According to a publication by Trading Economics (www.Tradingeconomics.com) in relation to the yield on 10-year government bonds.

(***) According to a rating by S&P or Moody's (www.moodys.com / www.standardandpoors.com / www.standardandpoors.com).

(****) According to OandA data (www.oanda.com), the representative rate of exchange as of December 31, 2017, December 31, 2018 and December 31, 2019.

Additional macroeconomic data

In 2019 the positive trends in GDP growth continued in ATR's key markets (in Poland the GDP was 4% and in Czech Republic the GDP was 2.5%), alongside low unemployment rates and strong retail sales. The effect of low growth rates in central European markets and the net trade with central European markets is already reflected in the growth forecast in Poland's GDP, which decreased from 4% in 2019 to 3.1% in 2020.

Warsaw is the richest city in Poland. The level of salaries in Warsaw is 31% higher than the national average of salaries in Poland. While, the level of unemployment rate in Warsaw is 1.5% comparing to the national unemployment rate which stands on 3.6%.

The Polish retail market is growing at a steady growth and presents an average annual growth of 4% over the past five years. Internet sales rate in Poland amounted to approximately 7.7% from total retail sales and amounted to approximately 2.3% from Poland's GDP.

In the Czech Republic, over 25% of the GDP derived from Prague, which also has the lowest unemployment rates in the Czech Republic in particular (2.2%) and in Europe in general. During the first nine months of 2019, retail sales in Czech Republic grew in the amount of 5.1%, while online sales grew in the amount of 16%.

In Russia, growth rate in 2019 was 1.1%, while the ruble rate strengthened by 12% in 2019 (after the reporting period the ruble was less strengthened significantly). The growth at the volume of retail sales is limited due to the decline in consumer confidence and the income levels. Online sales increased in the amount of 26% in the first half of 2019 but given the country's geographical size and the population distribution, it comprises approximately 2% of total retail sales.

In summary, in relation to the reporting period, ATR reports that given the tensions in the Eurozone and the Brexit, ATR expresses good and sustained growth in its markets. Additionally, ATR activity markets present better results than the Western Europe results, with an increase of more than double at retail expenses.

The description above is based on CTY reports for 2019, as published by CTY with respect to the Reporting period. Due to the spread of the Corona epidemic in the world and the uncertainty regarding the period during which it will last, the time that will take to get life to normal, the manner and scope of its influence and the economic crises caused by it, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results.

For additional information regarding the impact of the Corona epidemic on the Group's activities, see section 4 of the Board of Directors' report.

7.4. Aggregate data for the operating segment

The tables below provide data about ATR's income-producing properties:

The data presented in Sections 7.4 and 7.5 below do not include jointly controlled properties.

The reference to "other" in Section 7.4 below includes in 2018 ATR's properties in Slovakia, and in 2016-2017 includes ATR's properties in Slovakia, Hungary, Romania.

7.4.1. **GLA of income-producing properties**

The following table provides details regarding the GLA of ATR's income-producing properties as of December 31, 2019 and 2018 (in square meter thousands):

Region		As of December 31			
		2019		2018	
			As a percentage of total property GLA		As a percentage of total property GLA
Poland	Total GLA owned by ATR	475	56.4%	581	61.1%
	Company's share	285		350	
Czech Republic	Total GLA owned by ATR	61	7.2%	61	6.4%
	Company's share	36		37	
Russia	Total GLA owned by ATR	238	28.3%	241	25.3%
	Company's share	143		144	
Other	Total GLA owned by ATR	68	8.1%	68	7.2%
	Company's share	41		41	
Total	**Total GLA owned by ATR**	**842**	**100.0%**	**951**	**100.0%**
	Company's share	**505**		**572**	

7.4.2. **Segmentation of the fair value of income-producing properties**

The table below provides data about the value of ATR's income-producing properties as of December 31, 2019 - 2018:

Region		2019		2018	
			As a percentage of total property value		As a percentage of total property value
Poland (in EUR thousands)	Consolidated	1,814,597	69.8%	2,029,414	72.3%
	Company's share	1,090,283		1,220,570	
Czech Republic (in EUR thousands)	Consolidated	341,703	13.1%	336,563	12.0%
	Company's share	205,309		202,422	
Russia (in EUR thousands)	Consolidated	287,326	11.0%	278,771	9.9%
	Company's share	172,637		167,664	
Other (in EUR thousands)	Consolidated	157,704	6.1%	160,510	5.8%
	Company's share	94,755		96,537	
Total (in NIS thousands)	**Consolidated**	**10,088,477**	**100.0%**	**12,039,046**	**100.0%**
	Company's share	**6,061,566**		**7,240,758**	

7.4.3. **NOI**

The table below provides data about ATR's NOI for 2019, - 2017:

Region		2019		2018		2017	
			As a percentage of the total property NOI		As a percentage of the total property NOI		As a percentage of the total property NOI
Poland (in EUR thousands)	Consolidated	102,002	60.7%	96,004	56.7%	98,017	54.3%
	Company's share	61,317		57,575		58,371	
Czech Republic (in EUR thousands)	Consolidated	19,335	11.5%	18,888	11.2%	19,513	10.8%
	Company's share	11,623		11,327		11,620	
Russia (in EUR thousands)	Consolidated	35,563	21.2%	39,142	23.1%	38,656	21.4%
	Company's share	21,378		23,474		23,020	
Other (in EUR thousands)	Consolidated	11,110	6.6%	15,268	9.0%	24,357	13.5%
	Company's share	6,679		9,156		14,505	
Total (in NIS thousands)	**Consolidated**	**671,529**	**100.0%**	**718,800**	**100.0%**	**733,189**	**100.0%**
	Company's share	**403,678**		**431,075**		**436,626**	

7.4.4. **Revaluation gains (losses)**

The table below provides data about ATR's revaluation gains (losses) for the years 2017-2019:

Region		2019		2018		2017	
			As a percentage of the total revaluation gains (losses)		As a percentage of the total revaluation gains (losses)		As a percentage of the total revaluation gains (losses)
Poland (in EUR thousands)	Consolidated	(3,750)	64.5%	20,659	120.4%	5,303	29.8%
	Company's share	(2,254)		12,390		3,158	
Czech Republic (in EUR thousands)	Consolidated	1,585	(27.3%)	2,244	13.1%	4,152	23.3%
	Company's share	953		1,346		2,473	
Russia (in EUR thousands)	Consolidated	(45)	0.8%	(14,255)	(83.1%)	3,126	17.5%
	Company's share	(27)		(8,549)		1,862	
Other (in EUR thousands)	Consolidated	(3,600)	62.0%	(8,506)	49.6%	5,237	29.4%
	Company's share	(2,164)		(5,101)		3,119	
Total (in NIS thousands)	**Consolidated**	**(23,197)**	**100.0%**	**72,822**	**100.0%**	**72,364**	**100.0%**
	Company's share	**(13,945)**		**43,673**		**43,094**	

7.4.5. **Average rent per square meter**

The table below provides data about ATR's average monthly rent for 2019 and 2018 :

Region	For the year ended December 31	
	2019	2018
Poland (in EUR)	22.0	19.1
Czech Republic (in EUR)	38.0	34.4
Russia (in EUR)	19.0	21.3
Other (in EUR)	21.0	16.9

7.4.6. **Average occupancy rates**

The table below provides data about the occupancy rates in ATR's properties as of December 31, 2019 and the average occupancy rates in each of the years 2019 and 2018:

Region	As of December 31, 2019	For the year ended December 31, 2019(*)	For the year ended December 31, 2018(*)
Poland	96.8%	95.9%	96.2%
Czech Republic	95.4%	98.6%	97.9%
Russia	96.6%	93.3%	96.0%
Other	100.0%	99.3%	96.2%

(*) The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of each calendar quarter in the relevant year.

7.4.7. **Number of income-producing properties**

The table below provides data about the number of ATR's income-producing properties as of December 31, 2019 and 2018:

Region	For the year ended December 31	
	2019	2018
Poland	20	22
Czech Republic	2	2
Russia	7	7
Other	2	2
Total	**31**	**33**

7.4.8. **Average yields**

The table below provides data about ATR's actual average yields as of December 31, 2019 and 2018 (based on property value at the end of the year):

Region	As of December 31	
	2019	2018
Poland	5.3%	5.4%
Czech Republic	5.3%	5.4%
Russia	12.3%	11.9%
Other	6.9%	6.8%

7.5. Expected rental income from signed lease agreements (*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (estimate) (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in square meter thousands)
2020	Quarter 1	148,898	5,786	278	34
	Quarter 2	144,097	5,716	183	20
	Quarter 3	140,214	1,819	130	23
	Quarter 4	134,661	1,819	199	27
2021		476,140	6,135	351	79
2022		401,223	5,201	310	75
2023		316,059	3,909	397	106
2024 and thereafter		1,215,892	3,983	761	441
Total		**2,977,184**	**34,368**	**2,609**	**805**

(*) The Company's management does not review on a current basis the expected rental income assuming exercise of the extension options given to the tenants. These data therefore assume non-exercise of tenant option periods.

The information provided above is a Forward-Looking Information as defined in section 32A of the Securities Law, and there is no assurance in its occurrence, due to factors that are beyond the Company's sole control, including the effect of the Corona epidemic on the group's activities, see section 7.3 and (4)3.1of the Board of Directors' report.

7.6. Aggregate data about income-producing properties under construction in the field of operation

In the years 2017-2019, ATR did not have any income-producing properties under construction.

7.7. Aggregate data about land for investment in the operating segment

Presented below are aggregate data about the plots of land of ATR (that are classified in ATR's financial statements as investment property under construction) in the years 2018-2019(*):

Region	Parameters	As of December 31	
		2019	2018
Poland	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	62,780	93,488
	The total area of plots of land at the end of the period (in square meter thousands)	399	477
	Total construction rights on land, according to approved plans (in square meter thousands) (*)	925	241
Czech Republic	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	8,181	-
	The total area of plots of land at the end of the period (in square meter thousands)	-	-
Russia	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	26,589	26,620
	The total area of plots of land at the end of the period (in square meter thousands)	598	569
Other (**)	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	87,759	91,165
	The total area of plots of land at the end of the period (in square meter thousands)	411	411

(*) The construction rights for the land, specified in this section, reflect construction rights in respect of which actual permits were obtained, in line with customary practice in ATR's countries of activity.

(**) In this section, "other" also includes lands in Turkey.

7.8. Acquisition and sale of properties

The table below provides data about properties sold and acquired by ATR in each of the years 2017 - in 2019(*):

			For the year ended December 31,		
Region			**2019**	**2018**	**2017**
Poland	**Properties acquired**	Number of properties acquired during the period	1	1	-
		Cost of properties acquired during the period (consolidated) (in EUR thousands)	43,501	301,500	-
		NOI of properties acquired (consolidated) (in EUR thousands)	1,469	2,000	-
		Area of properties acquired during the period (consolidated) (in square meter thousands)	7,136	37,000	-
	Properties sold	Number of properties sold during the period	2	-	-
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	298,700	-	-
		Area of properties sold during the period (consolidated) (in square meter thousands)	111	-	-
		NOI of properties sold (consolidated) (in EUR thousands)	10,284	-	-
		Loss recorded from the sale of properties (consolidated) (in EUR thousands)	6,208	-	-
Czech Republic	**Properties sold**	Number of properties sold during the period	-	2	1
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	-	14,100	10,090
		Area of properties sold during the period (consolidated) (in square meter thousands)	-	20,095	1,719
		NOI of properties sold (consolidated) (in EUR thousands)	-	120	150
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	-	(414)	3,920
Other	**Properties sold**	Number of properties sold during the period	-	11	13
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	-	161,700	11,140
		Area of properties sold during the period (consolidated) (in square meter thousands)	-	149,742	12,175
		NOI of properties sold (consolidated) (in EUR thousands)	-	5,261	914
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	-	(2,201)	1,557

7.9. Human capital

7.9.1. As of December 31, 2019, ATR (and its wholly owned subsidiaries) has 383 employees (368 in 2018).

ATR employees are employed under personal contracts and are entitled to a base salary, various benefits and annual bonuses, according to their seniority. ATR's officers are also entitled to long-term share-based compensation, as detailed below.

7.9.2. **ATR's share-based compensation plans**

ATR has several share-based compensation plans for employees and managers, by virtue of which they will be assigned securities, convertible options, or restricted stock units of ATR's shares, total amounting of up to approximately 1.7 million shares. Some of the compensation plans are designed for ATR's CEO and specific officers of ATR and some of the compensation plans are contingent on achieving certain goals. In addition, one of the compensation plans allows managers and senior officers to convert part of their annual bonus into the right to purchase shares of ATR, as of three years after the date of grant.

Furthermore, ATR has a compensation plan for directors which entitles them to an annual allotment of shares worth EUR 50,000, which vest over two years and are subject to sale restrictions. In addition, ATR has another compensation plan for directors, which entitles them to convert their directors' remuneration into shares of ATR .

For information about the allotment of shares under the compensation plans specified above, refer to Note 8c to the financial statements.

7.10. Credit and financing

7.10.1. **Credit rating** – ATR and its debentures are rated BBB (Stable Outlook) by Fitch, BBB- (stable outlook) and Baa3 (positive outlook) by Moodys.

7.10.2. **Additional financing from financial institutions** – In November 2017, ATR made voluntary early repayment of a bank loan in the amount of EUR 108 million and it entered into a new agreement whereby a loan of EUR 136 million was provided to ATR for a period of 10 years. In November 2018, ATR took a secured loan on the property 'Wars Sawa Junior' in the amount of EUR 170 million for a period of 8 years, which replaced a bridging loan from October 2018 that was used to finance the acquisition of this property. In May 2018, ATR increased its revolving credit facility by EUR 75 million (the total revolving credit facility as of December 31, 2019 was EUR 300 million) and it extended the repayment date until 2023. As of December 31, 2019, ATR has not utilized this credit facility.

Debentures – As of December 31, 2019, ATR has unsecured debentures of EUR 887 million par value. The debentures bear fixed and variable interest at an annual rate ranging from 3.0% to 4.0% and they will mature between 2020 and 2025. The debentures were rated as noted in Section 7.10.1 above.

7.10.3. The following table presents the long-term credit and loans received by ATR to finance its operations, as of December 31, 2019:

	Balance (EUR in thousands)	**Weighted interest rate (*) (EUR in thousands)**	**Average repayment period (years)(**)**
Secured loans at variable interest	299,779	2.13%	7.4
Unsecured debentures at fixed interest	886,978	3.47%	3.4
Total	**1,186,757**		

(*) The effective interest rate is not significantly different from the weighted interest rate.

(**) Calculated only according to the repayment dates of the credit principal.

7.10.4. **Financial covenants**

Some of the debentures, credit facilities and mortgages received by ATR and its subsidiaries in the ordinary course of business, require compliance with financial and other covenants. As of December 31, 2019 and immediately prior to the approval date of this report, ATR is in compliance with all the specified covenants.

.8. **G Israel**

.8.1. The Company is engaged in the field of shopping centers anchored by supermarkets in Israel through its subsidiary, G Israel (100%) which is active in rental, management, development and improvement of commercial centers, which include, inter alia, malls and open shopping centers. The shopping centers owned by G Israel serves as shopping, leisure and entertainment centers for their customers.

As of December 31, 2019, G Israel owns 11 income-producing properties and plot of land in Israel, mainly in the Gush Dan area. In addition, G Israel owns one income-producing property in Bulgaria and a number of plots of land in Bulgaria and in Macedonia[15].

In December 2008, the Company's Board of Directors approved a merger between the Company (as the surviving company) and G Israel, which would merge into the Company. Completion of the merger is subject to conditions precedent, and upon its completion, all assets and liabilities of G Israel will be transferred to the Company, without consideration.

Completion of the above merger constitutes forward-looking information, as defined in the Securities Law, which depends, inter alia, on the approval of the tax authority, and the Company cannot be certain that the merger will be completed.

Most of G Israel's properties are neighborhood centers in main cities, in areas with high entry barriers, high socioeconomic status and high accessibility based on existing and expected public transport as well as many parking spaces.

The asset mix is adapted to the needs of the population in each area and includes service centers such as supermarkets, pharm stores, fashion stores, home and leisure, fitness, electronics, food, coffee shops, restaurants, health centers, banks, post offices and etc. Among its properties, G Israel has two properties which includes big commercial centers that provides a response to a wide radius of the residents in the area and around it, including also movie theaters and restaurants.

As part of its activities, G Israel examines properties in urban areas, and its decisions regarding the purchase of properties are examined according to the characteristics of each property. In addition, G Israel is considering realization of assets that are not based on the nature of G Israel's activities and which are not included in its strategy definition, with the aim of optimizing its capital.

As part of its strategy, G Israel is active for maximizing its rights in the properties it owns, as well as developing and expanding of the properties in accordance with the existing rights, inter alia, developing office towers in G Israel's assets. The activities are made to response to the needs of the market and for improvement of G Israel assets. As of the report date, G Israel has main construction rights of existing assets of a total volume of approximately 75.5 thousand square meters (the Company's share) that have been approved, for commercial, residential and office use, valued at approximately NIS 176.2 million (the Company's share).

In addition, G Israel holds 18% of the share capital and voting rights in Amos Luzon Development and Energy Group Ltd., a public company whose shares are registered for trade on the Tel-Aviv Stock Exchange ("Luzon Group"; formerly U. Dori Group Ltd.) and convertible warrants for Luzon Group shares, in convertible debentures and a convertible capital note.

For information regarding the Company's investment plan in G Israel see Section 25.2 below.

[15] G Israel's properties in Bulgaria and Macedonia are owned through wholly-owned subsidiaries with the exception of a property in Bulgaria, which is held by G Israel through an associate, one at the rate of 75% and the remainder by a third party.

.8.2. **Summary of activity results**

Following is a summary of the results of operations in the operating segment for the years ended December 31, 2019, 2018 and 2017 (in NIS thousands):

	For the year ended December 31		
	31.12.2019	**31.12.2018**	**31.12.2017**
	In NIS thousands		
Total income from operation	234,403	224,033	211,358
Gains from revaluations	113,312	43,708	20,745
Profit from operation (*)	147,457	98,401	109,593
NOI from same assets	169,031	164,446	-
Total NOI	171,349	160,421	152,501

(*) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

.8.3. Economic data regarding geographic regions

The table below provides the macro-economic characteristics (1) of Israel, where G Israel conducts most of its operations:

Macro-economic parameters	Israel		
	As of December 31,		
	2019	**2018**	**2017**
Gross domestic product (PPP)	USD 354 million	USD 337 million	USD 318 million
GDP per capita (PPP)	USD 39,121	USD 37,994	USD 36,562
GDP growth rate (PPP)	4.97%	5.96%	5.53%
GDP growth rate per capita (PPP)	2.97%	3.92%	3.51%
Inflation rate	1.09%	0.80%	0.40%
Yield on long-term government debt(2)	0.79%	1.95%	1.74%
Rating of long-term government debt(3)	AA-/A1	AA-/A1	A+/A1
Exchange rate of local currency to USD as of December 31(4)	NIS - USD 0.288	NIS - USD 0.265	NIS - USD 0.288
Unemployment rate (******)(5)	3.99%	4.00%	4.23%

(1) Unless stated otherwise, the data provided in the table are based on the IMF - World Economic Outlook Database, October 2019. Note that the International Monetary Fund data for 2019 are based on projections of the IMF as of October 2019. In addition, the product data presented for 2017-2019, which are taken from a 2019 publication of the International Monetary Fund, are in terms of 2019 prices.

(2) According to Bank of Israel publications with respect to long-term government debentures (www.bankisrael.gov.il).

(3) According to S&P or Moody's (www.moodys.com /www.standardandpoors.com).

(4) According to OandA data (www.oanda.com), representative exchange rate as of December 31, 2017, December 31, 2018 and December 31, 2019.

(5) According to the publication of the IMF - World Economic Outlook Database, October 2019.

Regarding the effect of the Corona epidemic on the group's activities, see section 4 of the Board of Directors' report.

The description refers to 2019. Due to the spread of the Corona epidemic in the world and the uncertainty regarding the period during which it will last, the time that will take to get life to normal, the manner and scope of its influence and the economic crises caused by it, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results.

8.4.. **Principal aggregate data about G Israel properties**

The table below provides principal data about G Israel's income-producing property:

	As of December 31	
	2019	**2018**
Total GLA of income-producing properties (consolidated) (in square meter thousands)	145	139
Fair value of income-producing properties (consolidated) (in NIS thousands)	3,333,186	2,894,425
Average monthly rent per square meter (in NIS)	109.3	107.4
Actual average occupancy rate(**)	For 2019: 98.7%	For 2018: 98.2%
	As of December 31, 2019: 98.8%	As of December 31, 2018: 98.6%
Number of income-producing properties	12	10
Actual average yields according to value at the end of the year	5.8%	6.0%

(*) The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of every calendar quarter in the relevant year.

.8.5. **Expected rental income from signed lease agreements** (*)

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (estimate) (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in square meter thousands)
2020	Quarter 1	43,050	1,207	24	4
	Quarter 2	40,596	1,193	10	1
	Quarter 3	39,713	1,193	12	1
	Quarter 4	35,664	1,193	38	4
2021		160,419	7,620	68	6
2022		154,181	7,357	80	8
2023		140,256	7,000	70	6
2024 and thereafter		973,075	74,407	432	108
Total		**1,586,955**	**101,170**	**734**	**138**

(*) Assuming exercise of the lease agreement extension options by the tenants.

The information provided above contained in this section is a Forward-Looking Information as defined in section 32A of the Securities Law, and there is no assurance that in its occurrence, due to factors that are beyond the Company's sole control, including the effect of the Corona epidemic on the group's activities, see section (4)3.1of the Board of Directors' report.

.8.6. **Aggregate data about investment properties under construction of G Israel**

The table below provides aggregate data about G Israel's investment properties in Israel that were classified as investment properties under construction in the Company's financial statements:

	For the year ended December 31		
	2019	**2018**	**2017**
Number of properties under construction at the end of the period	2	2	1
Total GLA under construction (planned) at the end of the period (in square meter thousands)	17	15	13
Total costs invested in the current period (consolidated) (in NIS thousands)	54,709	133,762	16,107
The amount at which the properties are stated in the financial statements at the end of the period (in NIS thousands) (*)	190,240	197,000	61,650
Construction budget during the subsequent period (estimate) (consolidated) (in NIS thousands)	49,048	75,200	49,682
Total balance of estimated construction budget for completion of the construction works (estimate as of the end of the period) (consolidated) (in NIS thousands)	67,945	85,200	95,359
Percentage of the GLA under construction with respect to which lease agreements have been signed	79%	58%	64%
Expected annual revenue from projects that will be completed in the next year and signed contracts for fifty percent or more of their area (consolidated) (estimated) (NIS thousands)	15,000	-	-

(*) Including property under construction constitutes real estate in expansion and included in the balance of investment property in the consolidated report.

.8.7. **Aggregate data about G Israel's plots of land for investment**

The table below provides aggregate data about G Israel's plots of land for investment (that are classified in the Company's financial statements as investment property under construction):

	For the year ended December 31	
	2019	**2018**
The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in NIS thousands)	Israel –245,337 Bulgaria and Macedonia – 138,085	Israel –190,650 Bulgaria and Macedonia – 185,557
The total area of plots of land at the end of the period (in square meter thousands)	Israel –9*) Bulgaria and Macedonia – 228	Israel –9*) Bulgaria and Macedonia – 228
Total construction rights on land according to approved plans (in square meter thousands)	Israel –38 Bulgaria and Macedonia – 221	Israel –49 Bulgaria and Macedonia – 221

*) Including 1.5 thousand sq. m. of land, the value of which was included as part of the income-producing real estate.

.8.8. **Acquisition and sale of properties**

The table below provides data about properties sold and acquired by G Israel in each of the years 2019, 2018 and 2017:

		For the year ended December 31		
		2019	**2018**	**2017**
Properties sold (*)	Number of properties sold during the period	-	-	2
	Proceeds from properties sold during the period (consolidated) (in NIS thousands)	-	-	108,000
Properties acquired (**)	Number of properties acquired during the period	2	4	-
	Cost of properties acquired during the period (in NIS thousands)	108,091	279,209	-

*) In 2017, the details includes the shares sale of Lev HaMifratz Ltd. which holds the Cinemall in Haifa.

.8.9. **Human capital**

As of December 31, 2019, G Israel has 79 full-time employees (75 employees in 2018), as follows: headquarters – 34 employees; property management – 45 employees.

The said employees are employed under personal contracts, and are usually entitled to a base salary, customary social benefits and bonuses, at management's discretion.

.8.10. **Credit and financing**

G Israel finances its investments in properties through the Company financing and from financial institutions.

Mortgages - The total of G Israel's mortgage-secured liabilities was approximately NIS 734 million as of December 31, 2019 (as of December 31, 2018– approximately NIS 349 million). Said debt is at fixed interest at a weighted rate of 1.86% with an average repayment period of 6.8 years. These liabilities include a loan of NIS 1 billion from an institutional entity in Israel (when at the date of the report, NIS 400 million were applied and after the date of the report, additional NIS 480 million were applied). The loan is guaranteed with a first lien on the rights of the Company in G-City, valid until December 2029.

Financial covenants

Some of the loans and mortgages granted to G Israel in the ordinary course of business, require compliance with financial and other covenants (including in relation to specific properties). For details regarding the financial covenants, refer to Note 20d4 to the financial statements.

As of December 31, 2019 and immediately prior to the approval date of this report, G Israel is in compliance with all the prescribed covenants.

.9. **Gazit Brasil**

.9.1. Since 2007, the Company has operated in Brazil through private subsidiaries in Brazil (100%). Gazit Brasil is engaged in maintenance, management, operation and development of commercial real estate in São Paulo, the business capital of Latin America.

As of December 31, 2019, focuses its activities in São Paulo county, where it owns six dominant assets. another asset which it holds approximately 33%, two lands for future development, a commercial building near one of the commercial centers and holding of 4.3% of a corporation that holds shopping centers in Brazil (the data provided below do not include data is respect of such).

During the reporting period, Gazit Brasil completed the acquisition of another 10.1% of the International Shopping property in São Paulo in consideration of approximately BRL 160 million. These rights are additional to Gazit Brazil's current holdings that include 70.1% of ownership and all management rights in the property, as purchased by Gazit Brazil in 2018 valued at BRL 1.1 billion. International Shopping is a shopping center with GLA of 76,000 square meters 2,500 parking spaces and 200,000 square meters of additional construction rights. The shopping center is located in the northern section of the São Paulo metropolis, and considered the most dominant property in the county. Its occupancy rate as of December 31, 2019 is 99.7%.

For information on the investment plans of the Company in relation to Gazit Brasil, see Section 25.2 below.

.9.2. **Summary of activity results**

The following is a summary of the results of operations for the years ending December 31, 2019, 2018 and 2017 (in NIS thousands and in BRL):

	For the year ended December 31					
	2019	2018	2017	2019	2018	2017
	In NIS thousands			In BRL thousands		
Total rental income	217,937	182,864	151,001	241,052	186,996	134,054
Gains (losses) from revaluations	586,900	277,531	95,337	690,223	285,181	84,977
Operating profit (*)	177,346	152,061	243,921	196,215	155,759	221,198
Same property NOI	166,635	152,356	-	184,373	156,005	-
Total NOI	198,778	166,095	132,160	219,938	170,072	117,433

* Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

.9.3. **Macro- economic characteristics (1)**:

Macro-economic parameters-Brazil	Year ended		
	2019	2018	2017
Gross domestic product (PPP)	USD 3,456 billion	USD 3,366 billion	USD 3,250 billion
GDP per capita (PPP)	USD 16,462	USD 16,146	USD 15,716
GDP growth rate (PPP)	2.67%	3.58%	2.96%
GDP growth rate per capita (PPP)	1.96%	2.74%	2.14%
Inflation rate	1.90%	3.49%	1.63%
Yield on long-term government debt (2)	6.80%	9.14%	10.32%
Rating of long-term government debt(3)	BB-/Ba2	BB-/Ba2	BB/Ba2
Exchange rate of BRL to U.S.$ as of December 31(4)	0.248	0.258	0.302
Unemployment rate (5)	11.80%	12.26%	12.77%

(1) Unless stated otherwise, the data provided in the table are based on the IMF Economic Outlook Database, October 2019. Note that the International Monetary Fund data for 2019 are based on projections of the IMF as of October 2019. In addition, the product data presented for 2017-2019, which are taken from a 2019 publication of the International Monetary Fund, are in terms of 2019 prices.
(2) According to Trading Economics (www.Tradingeconomics.com(, with respect to the yield on 10-year government debentures.
(3) According to S&P or Moody's (www.moodys.com / www.standardandpoors.com).
(4) According to OandA data (www.oanda.com)), representative exchange rate as of December 31, 2017, December 31, 2018 and December 31, 2019.
(5) According to the publications of the IMF - World Economic Outlook Database, October 2019.

The description refers to 2019. Due to the spread of the Corona epidemic in the world and the uncertainty regarding the period during which it will last, the time that will take to get life to normal, the manner and scope of its influence and the economic crises caused by it, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results.

Regarding the effect of the Corona epidemic on the group's activities, see section (4)3.1of the Board of Directors' report.

.9.4. **Principal aggregate data about Gazit Brasil's properties**

The table below provides principal data about Gazit Brasil's income-producing properties (*):

	As of December 31	
	2019	**2018**
Total GLA of income-producing properties (in square meter thousands)	176.0	167.9
Fair value of income-producing properties (in BRL thousands)	3,909,883	3,037,783
Average monthly rent per square meter (in BRL)	75.0	70.5
Actual average occupancy rate(**)	For 2019: 97.1%	For 2018: 96.3%
	As of December 31 2019: 98.7%	As of December 31 2018: 96.8%
Number of income-producing properties	7	7
Actual average yields according to value at the end of the year (***)	5.7%	6.4%

(*) As the Company owns 100% of the share capital of Gazit Brasil, Gazit Brasil's consolidated data and its data according to the Company's proportionate share therein are the same.

(**) The average occupancy rate for a specific year was calculated as the average of all occupancy rates at the end of every calendar quarter in the relevant year.

(***) Average yields December 31, 2019 and December 31, 2018 do not include an asset with an holding of 33% that is not managed by the Company. Average yields as of December 31, 2019 and 2018 include this two assets are 5.4% and 6.2%, respectively.

.9.5. **Expected rental income from signed leases**

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (estimated) (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in square meter thousands)
2020	Quarter 1	29,818	2,336	82	3
	Quarter 2	38,225	1,468	50	1
	Quarter 3	46,168	2,761	65	2
	Quarter 4	110,735	7,828	79	10
2021		181,604	10,519	181	17
2022		149,363	8,844	138	19
2023		122,068	7,025	133	14
2024 and thereafter		499,503	30,450	705	106
Total		**1,177,484**	**71,231**	**1,433**	**172**

The information provided above contained in this section is a Forward-Looking Information as defined in section 32a of the Securities Law, and there is no assurance that in its occurrence, due to factors that are beyond the Company's sole control, including the effect of the Corona epidemic on the group's activities, see section 3.1(4) of the Board of Directors' report.

.9.6. **Aggregate data about income-producing properties under construction**

During 2017-2019, Gazit Brasil did not had any income-producing properties under development.

.9.7. **Aggregate data about plots of land for investment in the field of operation**

As of December 31, 2019 Gazit Brasil has 3 plots of land for investment in the amount of BRL 87,446 thousands. As of December 31, 2018 Gazit Brasil had 2 plots of land for investment in the amount of BRL 82,714 thousands.

.9.8. **Acquisition and sale of properties (aggregate)**

The table below provides data about properties sold and acquired by Gazit Brasil in each of the years 2017, 2018 and 2019:

		For the year ended December 31		
		2019	**2018**	**2017**
Properties sold	Number of properties sold during the period	-	1	1
	Proceeds from properties sold during the period (consolidated) (in NIS thousands)	-	70,200	350,000
	Area of properties sold during the period (consolidated) (in square meter thousands)	-	17	18
	NOI of properties sold (consolidated) (in NIS thousands)	-	-	13,048
	Gain recorded from the sale of properties (consolidated) (in NIS thousands)	-	2,570	107,800
Properties acquired(*)	Number of properties acquired during the period	1	3	1
	Cost of properties acquired during the period (consolidated) (in BRL thousands)	159,646	1,030,480	93,164
	NOI of properties acquired (in BRL thousands) (**)	11,576	57,173	3,070
	Area of properties acquired during the period (in square meter thousands) (**)	8	56	5

*)For the year ended on December 31, 2019 including additional rights purchased in existing asset. For the year ended on December 31, 2018 including one plot of land. For the year ended on December 31, 2017, including additional rights acquired in an existing asset.

**) For income-producing properties only.

.9.9. The table below presents data regarding Internacional, a material property of the Group as of December 31, 2019

Internacional -material income-producing property

Internacional (*)	
Location	Sao Paulo mertropolitan, Brazil
Functional currency	BRL
Primary use	Retail (Shopping Centre)
Acquisition costs	1,124
Company’s share in the property	80.10%
Year of acquisition	2018
Gross area (sq.m.) (100%)	120,868
GLA (sq.m.) (100%)	76,353

BRL in millions, unless stated otherwise													**Additional information required under regulation 8B(I), if a material valuation or extremely significant valuation is used to determine the value of the data**			
Year	End of the period account balance	End of the period fair value (NIS millions)	Rental revenues	Actual NOI	Actual yield rate (%)	Adjusted yield rate (%)	Yield rate on cost (%)	Loan to value (LTV) (%)	Valuation profit (loss)	End of the period occupancy rate (%)	Average rent per sq.m. (BRL)	Average sales per sq.m. (BRL)	Valuation date	Appraiser's identity and experience	Valuation methodology	Valuation's main assumption Cap rate
2019 (**)	1,608	1,382	89	86	6.2%	6.3%	7.6%	0%	329.4	99.72%	78.6	1,129	12/31/2019	Cushman WakeField, over 10 years of experience	DCF	6.5%
2018 (*)	1,116	1,074	56	55	5.1%	6.9%	5.7%	0%	153.3	99.08%	78.4	1,076	12/31/2018			7.5%

(*) In April 2018, the Company, through its subsidiary, completed the acquisition of 70.1% of the property and management rights.
(**) In February 2019, the Company, through its subsidiary, completed the acquisition of additional 10% of the property and management rights.

.9.10. **Human capital**

As of December 31, 2019, in its headquarters, Gazit Brasil has 36 full time employees (27 employees in 2018), as follows: management and administration – 1 employee; accounting and finance department – 13 employees; operating and properties department – 11 employees, legal department – 5 employees and human resources department- 6 employees.

The aforementioned employees are employed by Gazit Brasil under personal contracts, and are entitled under them to a base salary, various benefits and bonuses, at the discretion of management.

.9.11. **Financing**

Gazit Brasil finances its operations from financial resources received from the Company.

10. **Gazit Horizons**

As of 2017, the company has had income-producing real estate operations in the US through its subsidiary, Gazit Horizons. Gazit Horizons is engaged in the acquisition of income-producing properties with potential for development or redevelopment, with an emphasis in densely populated areas in major cities across the US, particularly in New York, Boston, Philadelphia and Miami.

Gazit Horizons was founded as part of the Company's strategy to increase the private real estate scope of its activity. For more information about the Company's investment plan with respect to Gazit Horizons, see Section 24.2 below. Gazit Horizons.

Since the day it was founded at the year of 2017, Gazit Horizons acquired 9 commercial properties in the amount of USD 390 million (NIS 1.4 billion) and another property through a joint venture in amount of USD 61 million (of which 3 properties, totaling approximately USD 165 million were purchased during the reporting period).

The assets acquired by Gazit Horizons are high-quality properties in urban and central areas that are leased to single or number of tenants. Except of one residential building, all assets are leased or designated to be leased to commercial tenants, which most of the rent income derives from retail use. Gazit Horizons intends to continue investing in large-scale assets in urban areas, where it can identify value-added opportunities through both diversification of uses and through expansion, renovation, redevelopment and proactive management of the assets.

.10.1. **Summary of activity results**

The following is a summary of the results of operations for the years ending December 31, 2019, 2018 and 2017 (in NIS thousands and in USD thousands) (*):

	For the year ended December 31					
	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017
	In NIS thousands			In USD thousands		
Total rental income	70,503	32,990	6,036	19,823	9,150	1,719
Gains from revaluations	5,985	28,528	46	1,684	7,679	13
Operating profit (**)	41,565	118,157	573	11,765	31,889	167
Same property NOI	17,825	17,074	-	5,001	4,750	-
Total NOI	49,774	21,205	3,776	14,001	5,884	1,076

*) The data above does not refer to an affiliate investment presented in the financial statements as equity.

**) Operating profit refers to the accounting operating profit in accordance with IFRS, excluding revaluation gains.

.10.2. **Macro- economic characteristics [1]:**

Macro-economic parameters-USA	Year ended		
	2019	2018	2017
Gross domestic product (PPP)	21,439	20,580	19,519
GDP per capita (PPP)	65,112	62,869	60,000
GDP growth rate (PPP)	4.17%	5.43%	4.30%
GDP growth rate per capita (PPP)	3.57%	4.78%	3.62%
Inflation rate	2.18%	1.92%	22.17%
Yield on long-term government debt(2)	2.39%	2.87%	2.74%
Rating of long-term government debt(3)	AA+\Aaa	AA+\Aaa	AA+\Aaa
Exchange rate of NIS to USD as of Dec. 31(4)	0.288	0.265	0.288
Unemployment rate (5)	3.73%	3.89%	4.35%

(1) Unless stated otherwise, the data provided in the table are based on the IMF Economic Outlook Database, October 2018. Note that the International Monetary Fund data for 2019 are based on projections of the IMF as of October 2019. Additionally, the product data presented for 2017-2019 are in terms of 2019 prices.

(2) According to publications of the U.S. Department of Treasury and with respect to the yield on 30-year government debentures, as of December 31, 2019.

(3) According to Moody's or S&P www.moodys.com / (www.standardandpoors.com).

(4) According to OandA data (www.oanda.com)), representative exchange rate as of December 31, 2017, December 31, 2018 and December 31, 2019.

(5) According to the publication of the IMF World Economic Outlook Database, October 2018.

The description refers to 2019. Due to the spread of the Corona epidemic in the world and the uncertainty regarding the period during which it will last, the time that will take to get life to normal, the manner and scope of its influence and the economic crises caused by it, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results.

10.2.1. **Principal aggregate data about Gazit Horizon's properties** (*)

	As of 31.12.2019	As of 31.12.2018
Total GLA of income-producing properties (in thousands of sq. m.)	39.7	23.2
Fair value of income-producing properties (in USD thousands)	292,081	208,724
Average monthly rent per square meter (USD)	47.2	41.4
Actual average occupancy rate	For 2019: 89.9%	For 2018: 88.0%
	As of December 31, 2019: 86.4%	As of December 31, 2018: 86.3%
Number of income-producing properties	10	8
Average yields according to value at year end	4.76%	4.70%

*) As the Company owns 100% of the share capital of Gazit Horizons, Gazit Horizons' consolidated data and its data according to the Company's proportionate share therein are the same.

Additionally, the data above does not refer to an affiliate investment presented in the financial statements as equity.

10.2.2. **Expected rental income from signed leases(*)**

Period of recognition of income		Income from fixed components (in NIS thousands)(**)	Number of terminating lease agreements	Area in the terminating agreements (in thousands of sq. m.)
2020	Quarter 1	13,521	-	-
	Quarter 2	13,544	2	(***-
	Quarter 3	13,527	2	1
	Quarter 4	13,477	4	1
2021		34,762	5	11
2022		32,349	2	1
2023		30,051	4	2
2024 and therafter		221,390	16	13
Total		**372,621**	**35**	**29**

*) The expected income does not relate to equity income in respect of investment in an associate.

**) Income from variable components is negligible.

***) Represents an amount of less than 1,000 sq. m.

The information provided above is a Forward-Looking Information as defined in section 32A of the Securities Law, and there is no assurance in its occurrence, due to factors that are beyond the Company's sole control, including the effect of the Corona epidemic on the group's activities, see section (4)3.1of the Board of Directors' report.

10.2.3. In 2017-2019, Gazit Horizons did not have any income-producing properties under construction**.** During the year of 2019, Gazit Horizons purchased two assets in a total investment of approximately USD 84 million, which constitute as redeveloping of real estate.

10.2.4. Aggregate data regarding lands for investment in Gazit Horizons field of activity:

area	**Parameters**	**date**	
		31.12.2019	**31.12.2018**
United States	Amount of lands in the financial statements at the end of the period (consolidated) (in USD thousands)	31.3	26.9
	Total lands area at end of period (in thousands of square meters)	2	2
	Total building rights in lands, according to approved plans (in thousands of square meters) (*)	35	35

10.2.5. **Acquisition and sale of properties (aggregate)**

Below are data regarding properties acquired by Gazit Horizons in 2018-2019:

		For the year ended	
		31.12.2019	**31.12.2018 (*)**
Properties acquired	Number of properties acquired during the period	3	6
United States	Cost of properties acquired during the period (in USD thousands)	164,610	98,025
	NOI of properties acquired (in USD thousands)	4,727	1,177
	Area of properties acquired during the period (thousands of sq. m.)	17	12

*) The data do not relate to acquisition of an associate company that is accounted for using the equity method.

.10.3. **Human capital**

As of December 31, 2019, Gazit Horizons has 19 employees (11employees in 2018).

Said employees are employed under personal contracts, and are entitled under them to a base salary, various benefits and bonuses, at the discretion of management. For information about the terms of employment of the CEO of Gazit Horizons Inc., see Regulation 21, in Chapter D of the Periodic Report.

.10.4. **Financing**

Gazit Horizons finances its investments in properties through Company financing and from financial institutions.

Mortgages and credit lines - The total of Gazit Horizons' mortgage-secured liabilities was USD 91 million as of December 31, 2019. Out of the pledged debt, a total of USD 26 million is for credit lines at fixed interest at a weighted rate of 4.08%, with a duration of 1.7 years and the balance, and the amount of USD 65 million, is for mortgages at variable interest at a weighted rate of 2.26%, with an average repayment period of 1.9 years.

Financial covenants

Some of the loans and mortgages granted to Gazit Horizons in the ordinary course of business require compliance with financial and other covenants (including with respect to specific properties). As of December 31, 2019 and immediately prior to the approval date of this report, Gazit Horizons is in compliance with all the prescribed covenants

11. **Other activities of the Company that do not constitute a separate sector**

.11.1. **Gazit Germany**

Since 2006, the Company operates in Germany through subsidiaries which, for convenience, are referred to in this report as "Gazit Germany" (100%). As of December 31, 2019, Gazit Germany owns yielding property in Germany. During to the reporting period, Gazit Germany completed the sale of one of its properties for consideration of EUR 13.1 million (NIS 53 million), and the Company continues to act to sell the remaining assets.

.11.1.2. **Principal aggregate data about Gazit Germany properties**

The table below provides principal data regarding Gazit Germany's investment property as of December 31, 2019 and 2018(*):

	As of December 31	
	2019	**2018**
Total GLA of income-producing properties (in square meter thousands)	23	35
Fair value of income-producing properties (in EUR thousands)	91,400	103,211
NOI of the properties (per year, in EUR thousands) (**)	3,848	4,066
Revaluation gains (losses) (in EUR thousands)	199	19,034
Average monthly rent per square meter (in EUR)	18.1	15.8
Actual average occupancy rate	For 2019: 94.0%	For 2018: 78.9%
	As of December 31 2019: 94.0%	As of December 31 2018: 78.9%
Number of income-producing properties	1	2
Average yields according to the actual end-of-year value	4.50%	4.80%

(*) Since the Company owns 100% of the share capital of Gazit Germany, Gazit Germany's consolidated data and the data regarding to the Company's proportionate share in Gazit Germany, are the same.

(**) The total NOI of the properties of the field of operation in 2017 amounted to EUR 3,974 thousand.

.11.2. **Gazit Canada**

On November 2019, the Company established a new joint venture to locate, acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Toronto (hereinafter: "Canada Joint Venture " or " Joint Venture ").

The joint venture is owned by the Company (60%) which will invest, at this point, CAD 60 million, and by Mr. Dori Segal, who serves as a director of the Company (40%) which will invest, at this point, CAD 40 million thorough a company under his control. In addition, the Company thorough its Canadian Subsidiary will grant a loan to the Joint Venture in a total of up-to CAD 50 million, with market interest rate.

As of the date of publication of this report, the Joint Venture purchased 4 properties in Toronto amounting to approximately CAD 104 million (approximately NIS 270 million, including holding of 33% of an asset valued USA 250 million, in which a wholly owned subsidiary of the Company holds an additional 33% of the asset, and the remaining is held by a third party. In addition, the joint Venture holds additional property in Ottawa.

.11.3. **Securities portfolio and investment fund holdings**

From time to time, the Company owns securities of publicly listed companies and investment funds, diversifying its investments in many public companies that are publically traded in the Company's areas of activities.

The Company follows other public companies with similar activity as the Company in general (companies that invest in income-producing real estate, especially in the Group's areas of operation) in order to identify companies that, in the Company's estimation, are apparently undervalued. From time to time, the Company trades in the securities of such companies, or obtain material holdings in these companies (whose activity is similar to that of the Company) which provides the Company with influence or a certain level of control in the companies.

12. **Required adjustments at the Company level**

Reconciliation to the statement of financial position

		As of December 31	
		2019	2018
		(consolidated) (in NIS thousands)	
Presentation in the description of the Company's business	Total investment properties whose development was completed in Northern Europe (consolidated)	15,478,629	17,422,806
	Total investment properties whose development was completed in Central and Eastern Europe (consolidated)	10,088,477	12,039,046
	Total investment properties whose development was completed in G Israel (consolidated)	3,333,186	2,894,425
	Total investment properties whose development was completed in Gazit Brasil (consolidated)	3,359,763	2,925,383
	Total investment properties whose development was completed in Gazit Canada (consolidated)	212,482	-
	Total investment properties whose development was completed in Gazit Germany (consolidated)	354,467	442,940
	Total investment properties whose development was completed in Gazit Horizons (consolidated)	1,009,432	782,298
	Total investment properties under development in Northern Europe (consolidated)	655,416	642,153
	Total investment properties under development in Gazit Horizons (consolidated)	287,321	-
	Total investment properties under development in G Israel (consolidated)	-	88,000
	Total plots of land classified as investment properties under development in Central and Eastern Europe (consolidated)	718,665	781,973
	Total plots of land classified as investment properties under development in G Israel (consolidated)	180,899	272,207
	Total plots of land classified as investment properties under development in Gazit Brasil (consolidated)	80,131	79,653
	Total plots of land classified as investment properties under development in Gazit Horizons (consolidated)	108,297	101,001
	Total plots of land classified as property held for sale in Central and Eastern Europe (consolidated)	-	124,727
	Total plots of land classified as investment properties in G Israel (consolidated)	202,500	104,000
	Total (consolidated)	**36,069,665**	**38,700,612**
Presentation in the statement of financial position	"Investment property" item in the statement of financial position (consolidated)	33,544,540	35,672,447
	"Investment property" classified as property held for sale (consolidated)	291,904	834,452
	"Investment property under development" item in the statement of financial position (consolidated)	979,941	730,152
	Plots of lands	1,050,780	1,234,834
	Plots of land classified as property held for sale	202,500	228,727
	Total	**36,069,665**	**38,700,612**

Adjustment to FFO

For information about FFO for the years ended on December 31, 2019, 2018 and 2017, see Section 2.3. of the Directors' Report.

D. Issues relevant to all fields of operation of the Group

13. Marketing and distribution

As is customary in the industries and regions in which it operates, from time to time, the Company and its consolidated companies use several marketing channels, promotional and advertising. The Company operates through internal marketing staff, conducts activities in its complexes, including community and commercial activities. These activities are supported by local advertising while using the Company's digital assets and social networks. The goal is maintaining and promoting the complexes as an area of attraction for consumers in the region.

Marketing of commercial units is usually carried out through internal marketing and regular activity with brokerage offices.

14. Competition

14.1. In the Company's opinion, its fields of operation are characterized by a particularly high level of competition, due to the large number of firms active in these fields. The Group companies are exposed to competition from different types of real estate owners and developers, real estate companies (including public in the regions in which the Company has operations), pension funds and financial entities, real estate developers, private equity funds and retail chains (such as Walmart), as well as other owners and developers of different types of real estate in areas where the Group's properties are located or areas where the group is aiming to have presence. They include leading companies such as: Federal Realty, Kimco Realty, Unibail-Rodamco, Steen & Strøm, Wereldhave, Atrium Ljungberg, that compete with CTY; Unibail-Rodamco, Klepierre, ECE Projektmanagement, that compete with ATR; and Melisron, Big, amot, Shikun & Ninui and Azrieli in Israel; and Multiplan, Iguatami, BR Malls in Brazil and etc.

Furthermore, in recent years, the Group is exposed to increasing competition from online retailers (retailers that offer e-commerce platforms and conduct their business on the internet), whose market share of the sales sector is expected to continue growing in the future, and may be faster due to the Corona epidemic, thus hurting the business of the Group's tenants. For additional information, see also Section 27.2.1 below.

Some of said competitors have considerably greater financial resources at their disposal than those available to the Group. The competitive advantage of such competitors reduces the Group's bargaining power and could result in a reduction in the Group's profitability.

14.2. The Company and its consolidated companies believe they have a number of competitive advantages, which it believes help it deal with its competitors, and that in the Company's opinion constitute critical success factors for its fields of operation. Such advantages include the following: the Group's properties are located in attractive urban growth areas, having high rates of population growth and high density rates and per capita income, and characterized by high entry barriers; proactive management of the properties with emphasis on a mix of tenants (including the inclusion of tenants that are less vulnerable to online-sales competition) and on ensuring that properties are maintained to a high standard over time; senior management that is experienced and has proven achievements; local management that is experienced, knowledgeable and familiar with the Company's field of operation in each of the operating regions; mix of tenants including supermarket chains or other retail chains, having a high degree of essentiality to the day-to-day needs of the population. Such chains, by their very nature, have a high customer traffic and are more resilient to fluctuations in the economy; establishing and maintaining strong relationships with tenants, and a wide tenant base (as of the reporting date, the Company and its consolidated companies have more than 8,500 lease agreements, and the rental income from the largest tenant represents 2.2% of the total rental income in the report year (2.5% in 2018)); a sound reputation, a wealth of experience, strong familiarity with the industry and a proven performance record over almost three decades; geographic deployment mainly across central cities, regional dominance that facilitates a variety of investment opportunities and enhances the ability to contend with cyclical changes in the economic conditions in the different markets; substantial financial capabilities and access to various capital markets, including a high credit rating; holding an inventory of land in proximity to some of the Group's properties and having the ability to generate additional building rights for mixed uses of existing properties located in urban areas, where there is high demand for these properties, and experience in the improvement, development and redevelopment of properties; high liquidity that enables financial flexibility.

15. **Fixed assets**

For information regarding the fixed assets of the Company and its subsidiaries, refer to Note 13 to the financial statements.

16. **Tangible assets**

The Company owns several registered service marks in Israel, in the United States, in the European Union, Russia and Brazil, including: Gazit Globe, G, AAA, LOCATION LOCATION LOCATION, in a different designs.

As of the reporting date, intangible properties have not been recognized as an asset in the Company's financial statements.

17. **Human capital**

17.1. As of December 31, 2019, the Company and its wholly-owned subsidiaries (which are not separately presented in this report) have 36 full-time permanent employees, as follows: 27 employees in Israel (33 employees in 2018); and 9 employees in the United States (8 employees in 2018), who primarily work in the controllership, finance and legal departments, analysis and business development, as well as in administration and the headquarters.

Said employees are employed under personal contracts, and are usually entitled to a base salary, customary social benefits and bonuses, which are at the discretion of the specific employer's management. Some of these employees are entitled to various benefits depending on the seniority of the position they hold, and receive in addition long-term compensation in the form of mechanisms based on the Company's securities, including as set out in Section 15.7 below.

17.2. In March 2020, after receiving the approval of the Company's Board of Directors and its Compensation Committee, the general meeting of the Company's shareholders approved a compensation policy for the Company's officers, which superseded a previous compensation policy from November 2019 (the "Compensation Policy"). The Compensation Policy applies to the Company's officers and to its directors, including directors who serve in another role in the Company (with the exception of the Company's controlling shareholder and his relatives). Under the Compensation Policy, the compensation package to the Company's officers will include three principal components: (a) salary and related components; (b) annual bonuses; and (c) long-term equity-based compensation, while determining the ratio between them, as set out in the Compensation Policy. Also, the Compensation policy sets a ceiling on the total compensation package for each officer and director in the Company (not including retirement conditions). For additional information regarding the Compensation Policy, as approved, see report regarding convention of a meeting dated February 9, 2020 (reference no.: 2020-01-014232).

With respect to 2019, it was determined that payment of the annual bonus to the officers for this year will a minimum weighted score of 80 be based on the specific parameters and minimum value of each of the parameters as follows (in accordance with the formula set out in Section 7/6 of the Company's compensation policy):

Parameter	Weight in the grant formula for 2019	Minimum value for 2019
FFO per share (in NIS) (*)	7.5%	3.30
Share Flow from operating activities (solo) (in NIS)	10%	2.46
Leverage ratio – solo expanded	20%	56.1%
Performance of the Company's shares compared with relevant indices[16]	15%	0%
General and administrative expenses target, solo for calculation of the FFO (in NIS millions)	15%	80
NAV per share (in NIS)	7.5%	48.88
Discretion of the Board of Directors	25%	-

* In monitoring compliance with this target, the same currency rates that were used to determine them will be used.

[16] The comparison was made against Israeli real estate traded companies.

17.3. For information regarding the fee to which the Company's directors and senior officers are entitled, see Regulation 21 in Chapter D of the Periodic Report.

17.4. The directors and officers of the Company are entitled to insurance, indemnification and exemption (for information, see Regulation 29A in Chapter D of the Periodic Report).

17.5. The Company is dependent on the continued activities of the Company's CEO and controlling shareholder, Mr. Chaim Katzman.

17.6. As of February 1, 2018, Mr. Katzman serves as CEO of the Company and Vice Chairman of the Board of Directors. Prior to that, Mr. Katzman served as active Chairman of the Company's Board of Directors without compensation from the Company, although in the course of fulfilling his duties Mr. Katzman was entitled to continue using the resources at the disposal of the Company's management to fulfill his duties). For information about Mr. Katzman's compensation terms, see Regulation 21 in Chapter D of the Periodic Report.

17.7. The Company's share-based compensation

From time to time, the Company grants shares and securities that are convertible into shares to Company officers and to its employees and those of its wholly-owned subsidiaries.

(a) 2011 Plan

In December 2011, the Company adopted a securities compensation plan (as amended in May 2017), according to which the Company may allot to managers, employees, directors, consultants and service providers of the Company and related companies up to 8 million shares or securities that are convertible into shares of the Company, valid through 2025. The plan is managed by the Compensation Committee, which will set the terms of the securities allotted under the plan. According to the plan, those entitled may be allotted share warrants, restricted shares, restricted share units or any other compensation based on the value of the Company's shares, at the discretion of the Compensation Committee and the Board of Directors. Share warrants allotted by virtue of the 2011 plan may be exercised in different ways, as decided by the Committee, including by way of net exercise, namely receiving the number of shares that reflects the value of the financial benefit embodied in the option warrants (cashless exercise). Share options allotted under the 2011 plan will be subject to the different customary adjustments. In addition, provisions were set for various events involving termination of the allottee's employment in the Company, where for some of the officers a mechanism is in place for accelerated vesting of the instruments they will be granted under the plan, in the event that the Company decides to terminate their employment other than in circumstances in which they will not be entitled to severance pay and under certain circumstances of change of control in the Company. For information regarding the allocation of securities to directors, officers and employees of the Company under the 2011 plan, refer to Note 26 to the financial statements and Regulation 21 in Chapter D below.

(b) Allotment of share options and restricted shares with a cash benefit (phantom)

From time to time, wholly-owned subsidiaries of the Company enter into compensation agreements with their officers and employees (who are not officers of the Company), imitating the grant of share warrants with a cash benefit or restricted shares (a phantom agreement). For information regarding the allocation of option warrants with a cash benefit, refer to Note 26g to the financial statements.

(c) Commitment to allotment of share

The Company undertook to grant the CEO of Gazit Horizons, as part of his employment agreement, shares of the Company.

(d) Undertaking of officers of the Company to hold shares of the Company

In accordance with the Company's remuneration policy, the Company's Board of Directors has adopted binding guidelines whereby officers of the Company shall hold shares of the Company, in a minimum number to be determined by the Compensation Committee and the Company's Board of Directors, during their employment period in the Company.

In this respect, it was determined that on the date of grant to an officer of restricted stock units, that are conditioned upon performance, the officer undertakes to hold all such restricted stock units granted to him for a minimum holding period, and to purchase, upon the date of allotment (and/or to maintain holding shares of the Company held by him) shares of the Company in an amount equals to 25% of the total amount of restricted stock units granted to such officer - in the event of a grant to the CEO of the Company, or in an amount equals to 15% of total amount of restricted stock units granted to such officer - in the event of a grant to officers subordinate to the CEO of the Company, and in addition to hold such shares for a period of three years as of the date of grant.

18. **Working capital**

The Company and its controlled private subsidiaries finance their operations, inter alia, from dividends received from its affiliates and from its affiliates' flow of ongoing activities.. For additional details refer to section 2.2 of the Board of Directors' Report.

For additional information regarding the Company's policy with respect to working capital as well as the current assets and current liabilities balances of the Company and its subsidiaries, refer to Section 3.4 of the Directors' Report. For information regarding the Company's credit policy, refer to Section 3.6 of the Directors' Report.

Summary composition of the working capital – As of December 31, 2019, the working capital of the Company and its consolidated companies comprises on the assets side mainly cash and cash equivalents, deposits, short-term loans, including marketable securities in the amount of approximately NIS 1.9 billion, trade and other receivables in the amount of NIS 0.9 billion and held-for-sale assets in the amount of approximately NIS 0.5 billion. On the liabilities side, the working capital of the Company and its subsidiaries comprises mainly short-term credit and current maturities of liabilities in the total amount of approximately NIS 2.1 billion, and trade and other payables in the amount of approximately NIS 1.4 billion.

As of December 31, 2019, the Company and its consolidated companies have approved, unutilized, long-term credit facilities that are available for immediate withdrawal and liquid balances in the amount of NIS 7.3 billion (of which NIS 3.4 billion in the Company and its wholly-owned subsidiaries which include cash and cash equivalents and short-term deposits and investments of approximately NIS 1.3 million).

19. **Financing**

19.1. The Company generally finances its operations primarily through its equity, issuance of tradable and private debentures, from bank credit, and capital issuances. The Company usually takes credit in average duration in various currencies depending on the specific investment (currently particularly: Israeli shekel, US dollar, Euro and Canadian dollar), bearing fixed or variable interest. In the event that the Company takes loans in a different currency from the investment currency, the Company conducts hedging transactions, mostly, on the currency and/or on the interest. For more information, see Section 19.8 below.

Below are summary data about the financing activity at the Company and consolidated companies level as well as data on the Company and its wholly-owned subsidiaries. For data on financing activity at the Company's consolidated companies level, in the various areas of operation, see Sections 6.11, 7.10, 8.10, 9.10 and 10.4 above.

For information about the potential influence of the Corona Epidemic, the economic crises resulted by it, the fluctuations in the interest rates and foreign currencies see Section 3.1(4) to the Directors Report.

19.2. Summary of the Company and its subsidiaries overall liabilities and credit lines

As of December 31, 2019, the interest-bearing liabilities of the Company and its subsidiaries to banks and others totaled NIS 22.3 billion (as of December 31, 2018– NIS 28.1 billion; as of December 31, 2017– NIS 26.6 billion).

As of December 31, 2019, the Company and its subsidiaries have revolving credit facilities in the total amount of approximately NIS 7.1 billion, of which it had utilized a total of approximately NIS 1.6 billion at that date.

19.3. Credit facilities of the Company and its wholly-owned subsidiaries:

As of December 31, 2019, the Company and its wholly-owned subsidiaries have revolving credit facilities from several local and international banks and Financial Institutions, in a total amount of approximately NIS 3.8, of which approximately NIS 1.6 billion have been utilized as of the said date. To the date of publication of the report, the Company has credit facilities that are secured with tradable shares of the Group companies, (as detailed below) with income producing properties, and credit facilities that are not secured. Credit facilities are valid for periods of three to four years and end in the years 2021-2023. The credit facilities bear an annual margin at a weighted rate as of December 31, 2019 of approximately 2.14%. As of December 31, 2019, the Company has pledged in favor of the aforesaid credit facilities approximately 14.5 million shares of FCR (representing approximately 6.6% of its share capital), approximately 82.9 million shares of CTY (representing approximately 46.6% of its share capital) and approximately 150.5 million shares of ATR (representing approximately 40% of its share capital).

For additional details, refer to Note 20 to the financial statements.

As of the date of the report publication, the above credit facilities amounted to approximately NIS 2.6 billion, out of which approximately NIS 2 has been utilized for said date and deposited in bank deposits, and the Company has pledged in favor of the aforesaid credit facilities approximately 86.1 million shares of CTY (representing approximately 48.4% of its share capital), and approximately 172.3 million shares of ATR (representing approximately 45.5% of its share capital).

For details regarding the expected regulatory changes for replacing the benchmark IBORs interest rates by the end of 2021 and their impact on the Company, see Note 2 to the Company's Financial Statements.

19.4. Debentures of the Company and its wholly-owned subsidiaries

As of December 31, 2019, the Company has debentures in the amount of approximately NIS 6.8 billion which are unsecures. In addition, after the reporting date, the Company issued debentures (Series N) in the amount of NIS 600 million for a gross consideration of NIS 600 million and approximately NIS 243 million par value of debentures (Series K) for a gross consideration of approximately NIS 264 million. The debentures of the Company (Series D and K-N) are rated by S&P as ilAA- (Stable Outlook) according to a rating reports from July 2019 and January 2020 and have also received a rating of Aa3 (Stable Outlook) from Midroog in its rating report pf December 2019 and of January 2020.

During the reporting period and afterwards, the Company made repurchases of its debentures, including by a self-tender offers issued by the Company during the reporting period, as detailed in section 29 of Chapter D of the Periodic Report. The debentures (Series L) constitute essential credit of the Company.

For information regarding the Company's debentures, see Section 7 of the Directors' Report and Note 19 to the financial statements in Chapter B to the report.

For information about the financial covenants for the debentures (Series K, L, M and N), refer to Note 19 to the attached financial statements and to section 7 to the Directors’ Report.

19.5. In addition, the Company has commercial securities in the amount of NIS 250 million, which are rated ilA-1+ by S&P Maalot and P-1.il by Midroog.

19.6. **Cross-default mechanism in the credit agreements of the Company**

The credit agreements of the Company include a cross-default mechanism that does not create a link between the specific loans, with the minimum amount that activates the mechanism in the credit agreements of the Company is U.S. $ 40-50 million.

Furthermore, certain series of marketable debentures of the Company include a cross-default mechanism in the event of calling for the immediate redemption of another series of debentures, and in Debenture (Series M and N), in the event of calling for the immediate repayment of essential bank financing.

19.7. Some of the credit documents of the Company and its subsidiaries contain financial covenants and other customary conditions for calling for the immediate repayment of the credit, including: a change of control in the Company, its subsidiaries or in companies whose securities have been pledged to secure the credit, restructuring, certain material legal proceedings (including in relation to liquidation, receivership and property disposal and execution proceedings), termination of activities, delisting of the securities pledged against the credit or of securities of the Company, pause or set a lower rating, etc.

As of December 31, 2019 and shortly before the date of approval of this report, the Company and its wholly owned subsidiaries are in compliance with all of the covenants that apply to them. Additionally, as of December 31, 2019, all the subsidiaries of the Company are in compliance with all of the covenants that apply to them and, to the best of the Company's knowledge, this status has not changed to the date of this report.

19.8. Summary of the outstanding loans of the Company and its wholly-owned subsidiaries:

The following table presents the credit and long-term loans (including current maturities) received by the Company and wholly-owned subsidiaries to finance their operations, that are not intended for specific use, as of December 31, 2019:

	Balance (NIS in millions)	Weighted interest rate	Effective interest rate	Average repayment period (years)(*)
Secured loans from financial institutions at variable interest	2,173	3.06%	3.06%	2.43
Secured loans from financial institutions at fixed interest	824	2.10%	2.10%	6.25
Unsecured loan from financial institutions at fixed interest	547	5.82%	5.82%	5.26
Unsecured debentures at fixed interest	6,795	4.04%	3.71%	4.67
Total	**10,339**	**3.77%**	**3.56%**	4.36

(*) The average repayment period refers to the repayment of the principal and interest payments.

19.9. Summary of the outstanding credit of the Company and its wholly-owned subsidiaries:

The table below provides details regarding the outstanding credit of the Company(*) and its wholly-owned subsidiaries (in NIS millions), as of December 31, 2019:

	The Company (*)	CTY	ATR (**)	Total
Outstanding debentures (tradable and non-tradable)	6,795	6,159	3,451	**16,405**
Outstanding bank credit(***)	3,794	897	1,163	**5,854**
Total liabilities	10,589	7,056	4,614	**22,259**
Approved revolving credit facilities	3,756	2,153	1,163	**7,072**
Utilized credit facilities	1,627	2	-	**1,629**
Balance for utilization	2,129	2,151	1,163	**5,443**
Guarantees in the ordinary course of business	319	192	-	**511**

(*) The Company and its wholly-owned subsidiaries.
(**) Includes excess cost accounted for at the time of its acquisition.
(***) Including the utilization of approved credit facilities.

19.10. Swap transactions

At present, Debt issues of the Company on the local capital market are denominated in Israel shekels and linked to the Israeli CPI, while most of the Companies assets are denominated in foreign currency, in accordance with the Group's active currencies. To mitigate the currency exposure of the equity to changes in the exchange rates, the Company conducts, inter alia, short-term and long-term swap transactions, as necessary, and it replaces shekel liability with foreign currency liability, in accordance with ISDA (International Swap and Derivatives Association) agreements between the Company and various banking institutions. The long-term swap transactions are mainly fully reconciled with the debenture repayment schedules (principal and interest). In addition, in relation to most of the swap transactions, the Company has entered into CSA (credit support annexes) that provide for mechanisms for the current settling of accounts between the Company and the banking institution that is the counterparty to the swap transaction, in connection with the fair values of such transactions. For information regarding settlement of swap transactions, refer to Note 34c to the financial statement and section 4 to the Board of Directors' report.

20. **Taxation**

For information regarding the tax laws applying to the Group in Israel, the Company's tax assessments, assessments in dispute, and the implications of tax laws for Group companies abroad, refer to Note 23 to the financial statements.

21. **Environmental protection**

21.1. The Company and its consolidated companies, due to its ownership of real estate, are subject to legislation, and federal, state and local environmental regulation. In this regard, they can be held responsible for, and have to bear, the clearance and reclamation costs with respect to various environmental hazards, pollution, and toxic materials that are found at, or are emitted from, its properties (and could also have to pay fines and compensation with respect to such hazards). The costs of the above could be high and could even exceed the value of the relevant properties. Failure to remove these hazards could have a detrimental effect on the ability of the Company and its consolidated companies to sell, rent or pledge the properties at which such hazards are found, and could even result in a lawsuit. As of December 31, 2019, the Company and its consolidated companies are working to remedy deficiencies or environmental hazards they have identified, but there is no certainty that additional environmental deficiencies or hazards will not be discovered in the future, including some that developed when the properties were owned by third parties, from whom the properties were acquired, and that have still not been discovered. Furthermore, future amendments to environmental laws (that have become more stringent in recent years) could have a negative material effect on the Company's position, from both the operational and the financial respects. As of December 31, 2019, the Company believes that the costs expected to be incurred with respect to its liability for environment-related damages are not material to the Company and its consolidated companies.

21.2. The Company and its subsidiaries strive to conduct its business in an environmentally-friendly manner and in accordance with the sustainability principles. As part of this, ATR and CTY operate according to long-term goal-based plans and gain high recognition and rating for their operations in the field on behalf of leading organizations. The Company adopted a social responsibility code, which, inter alia, presents the Company's policy with regard to environmental and community issues. Social responsibility was and will continue to be an issue that reflects the Company's positive and active approach to environmental and community issues.

22. **Restrictions on and supervision over the Company's operations**

22.1. The Group's activity is subjected to the various laws and regulations of the different areas of operation, from a variety of aspects, as is customary for the development and operation of commercial real estate properties in said regions, including with respect to the following: planning and construction laws, regulations pertaining to construction and development of real estate properties, municipal laws with respect to licensing the use and operation of the properties, laws with respect to the adaptation of properties to people with disabilities, environmental protection and restrictive trade practice laws.. In addition, as part of their ongoing activities, the Group's companies are subject to regulation in other aspects, including labor law, privacy protection, taxation, intellectual property etc. since the break of the Corona epidemic and the economic crises caused by it, the Group is exposed to legislation, regulations and emergency orders which were enacted in the countries in which the Group operates and which influence the foot fall in its assets and the possibility of the tenants and offices to operate in whole or in part.

22.2. In addition, the Company, CTY and ATR being public companies, are subject to regulations pertaining to the securities laws and the stock exchange rules (including corporate governance rules) applying to each of these companies according to the country they are incorporated in and where their shares are traded. Compliance with these requirements entails substantial costs for the Company as well as for the aforesaid Group companies, and, their breach could lead to the companies being fined and even to the perception of an administrative breach or a criminal offense.

Pursuant to the Efficiency of Enforcement Procedures in the Securities Authority (Legislation Amendments) Law, 2011, and with the aim of identifying and preventing breach of securities laws, the Company has adopted an internal securities law enforcement plan.

22.3. The Company is subject to the Law for Promotion of Competition and Reduction of Concentration, 2013 ("Concentration Law"), the purpose of which is to reduce the level of concentration in the Israeli economy, inter alia, by imposing structural restrictions and rules of corporate governance on interests held in the form of a pyramid structure and by prohibiting holdings of more than two layers of a reported corporation in Israel, and separation between interests in a significant real (non-financial) corporation and interests in a significant financial activity, where the company is defined as a "significant real corporation" and accordingly, inter alia, restrictions on interests in significant financial corporations above a specific threshold apply to it and to its interested parties.

In addition, within the framework of the Law, the Minister of Finance and the Governor of the Bank of Israel were tasked with setting forth provisions for limitations on the accumulated credit extended to a corporation or a business group in Israel (a controlling shareholder and the companies under his control) by financial entities in Israel, taking into account, inter alia, the liability of each corporation or all companies of the business group. The Minister of Finance and the Governor of the Bank of Israel may prescribe that such provisions will also apply to borrower groups and to related companies in circumstances as will be determined.

The Supervisor of Banks determined restrictions on the volume of loans that may be extended by a bank to a "single borrower," a single "group of borrowers," and to the bank's largest "groups of borrowers," as the terms are defined in said directive, as well as restrictions on the debt of a borrower and a group of borrowers. The Company and its controlling shareholder obtain loans and credit from Israeli banks, and therefore, such restrictions could affect the volumes of credit that may be attained by the Company. For additional information, see also section 27.1.1 below.

For additional details, refer to section 27.2.4 of the report and to Note 2a to the Financial Statements.

23. **Material agreements and strategic partnership agreements**

23.1. Reorganization agreement with Norstar Group

On February 1, 2012, the Company entered into an agreement with Norstar Holdings and Norstar Israel Ltd. ("Norstar Israel"), which is wholly-owned by Norstar Holdings (Norstar Holdings and Norstar Israel are the Company's controlling shareholders and will be jointly referred to hereinafter as: the "Norstar Group"), contains three following arrangements ("Gazit-Norstar Agreement") as amended from time to time: (a) update to the terms of the service agreement entered into between the Company and Norstar Israel in July 1998, in effect since November 16, 2011; (b) amendment of the existing non-competition provisions in place between the Company and Norstar Group, in effect since November 16, 2011; and (c) grant of registration rights to Norstar with respect to Company securities held by it (through its wholly-owned subsidiaries), as set out below. Inter alia, this agreement replaced and updated a previous agreement between the parties dated 1998. In accordance with the Companies Law, in September 2014 and October 2017, the Company's general meeting re-approved (after the approval of the Company's Audit Committee and its Board of Directors) the agreement, while updating the service fees and the non-competition stipulation and it is valid through November 16, 2020.

Following are the principals of the Gazit-Norstar agreement, as in effect on the reporting date:

a. Amendment of the non-competition provision

Pursuant to the current version of the Gazit-Norstar agreement, Norstar Holdings has undertaken that, so long as Norstar Group continues to be the Company's sole controlling shareholder and so long as the Company is engaged, as its principal business, in the field of owning, operating and developing shopping centers and/or properties with retail-based mixed use properties (hereinafter in this section: ("Shopping Centers") and/or controls and holds, as its principal activity, companies that are engaged, as their principal activity, in the aforementioned fields, Norstar Group will not engage in the field of owning, operating and developing Shopping Centers and will not own shares in companies that are engaged in this field as their principal activity (other than its interests in the Company), and proposals it receives to engage in and/or to hold the aforementioned will be passed on by it to the Company. The aforesaid will not apply to financial investments in the shares of companies listed on a stock exchange in Israel or abroad, which are engaged in the field of owning, operating and developing Shopping Centers as their principal activity, provided that Norstar Group does not own 5% or more of the issued share capital of any individual company. For the avoidance of doubt, it is clarified that there will be nothing preventing the Norstar Group from engaging in the field of owning, operating and developing real estate that are not Shopping Centers, as defined above, and nothing will prevent the Norstar Group from holding shares of companies that are engaged in the field of owning, operating and developing real estate assets that are not Shopping Centers as their main area of activity.

b. Services agreement

Under the current service agreement between the parties, the Company provides the Norstar Group with various services for a monthly payment of NIS 139,000 linked to an increase in the Israeli Consumer Price Index, plus VAT (“management fee”). Pursuant to the agreement, the Company provides Norstar with the following services: secretarial services, finance (including reporting to the authorities), treasurer services, computer and IT services, communications, legal services, handling of bank financing, capital market and the investments of Norstar Israel and companies in its group (which include Norstar and companies controlled by it). As of the reporting date, the service agreement is in effect for three years, commencing on November 16, 2017 (after having been extended several times following its initial approval), at the end of which it will be automatically renewed, from time to time, for three-year periods, where each of the parties may choose not to renew by informing the other party by written notice, no later than 90 days before the end of the term of the agreement (all subject to the provisions of the Companies Law).

23.2. Agreements with regard to ATR

Pursuant to an agreement signed between the Company (through a wholly-owned subsidiary of the Company, through which the Company's investments in ATR were made) and ATR in September 2009, the Company was granted the following rights[17]:

(a) A list of issues was set with respect which the Company was granted veto rights, stipulating that as long as it owns at least 20 million shares (immediately before the reporting date, the Company owns 227.2 million shares in ATR,), its consent is required to conduct certain material actions with respect to ATR, for which materiality thresholds were stipulated in the agreement, including: sale of properties of ATR; acquisitions or entering into transactions; entering into a material agreement; change of the tax regime applying to ATR; appointment of ATR CEO. It was also decided that any decision regarding a material change in the business of one of the companies in the ATR Group, and regarding the issue of securities by ATR or any company in the ATR Group (with exceptions stipulated in the agreement) will require the consent of a special 2/3 majority of ATR’s general meeting. In addition, rights to receive information were set for the Company.

(b) The Company will be entitled to appoint four directors (out of a Board of Directors that does not exceed 10 members), as long as it owns 80 million shares; three directors, as long as it owns 60 million shares; two directors, as long as it owns 40 million shares; and one director, as long as it owns 20 million shares.

(c) The Company will maintain its rights to appoint the majority of the members of the Board of Directors’ Nominations Committee, which recommends the appointment of the remaining members of the Board of Directors, and to appoint the Chairman of the Board of Directors, as long as it owns at least 55 million shares.

23.3. Shareholders' agreement with CPPIBEH with respect to CTY

In May 2014, the Company entered into a governance agreement with CPPIBEH with respect to their holdings in CTY, which sets forth, inter alia arrangements for the appointment of directors to CTY's Board of Directors, pursuant to which the Company has undertaken to support the appointment of up to two directors to be recommended by CPPIBEH, at least one of whom will be independent of both CTY and CPPIBEH, and CPPIBEH has undertaken to support the appointment of up to three directors to be recommended by the Company . In addition, the Company has undertaken to grant CPPIBEH the tag along right with respect to a sale of CTY shares at a volume exceeding 5% of CTY's share capital during a period of twelve months. The agreement shall terminate at the earlier of the following: (1) after ten years have elapsed from its signing; (2) until such a time as CPPIBEH shall own less than 10% of CTY's share capital, or (3) until such a time as the Company shall own less than 20% of CTY's share capital.

[17] On the date of signing of the agreement, the rights were granted to the Company and a third party that had held shares in ATR. Following the acquisition of the third party's holdings in January 2015, his rights in regard to ATR, as prescribed in the aforesaid agreement, were transferred to the Company.

24. **Legal proceedings**

For information regarding the legal proceedings to which the Company and its consolidated companies are party, refer to Note 24d to the financial statements.

25. **Goals and business strategy**

25.1. The Company and its consolidated companies has a policy of examining its business strategy and its goals, from time to time, against the background of developments in its business and macroeconomic environment. Core points in the strategy of the Company and its consolidated companies, both as regarding real estate operations and as regarding the structure and financial operations of the Company, are summarized below:

- Focusing the investment in few high value income-producing properties ('fortified assets') in main cities, in areas with high population , through direct or indirect holding in properties, and the Company is aiming to increase its direct holdings in such properties.
- The sale of properties with a limited growth potential and/or low operational effectiveness, including based on an examination of the type of the property and its geographic location, and while designating the consideration to enhancing its growth in urban areas and improving its operational efficiency and capital costs.
- Selective and rational activity with respect to leasing, development and redevelopment of income-producing properties, in the field of commerce, offices, residential or mixed-use properties in order to expand its property portfolio, spread the risks, increase the yield and upgrade the existing properties portfolio. The Company and its consolidated companies strive to ensure that development and redevelopment activity does not become a material proportion of its properties.
- Self proactive management – operations in the various countries are conducted through experienced local management. Expertise, knowledge, experience, contacts and familiarity with the business environment enable the Company to pursue a pro-active and dynamic strategy that is intended to advance internal growth, inter alia, by adjusting the Company's properties to market developments, hedging and high positioning of the existing properties portfolio, and leveraging opportunities to purchase and develop properties in areas with high population density.
- Assessing M&A opportunities with real estate companies (including public companies), while making focused acquisitions, entering into agreements for strategic relations with other companies.
- Continuing the creation of cooperation with institutional bodies in Israel and worldwide, and managing the properties owned by such partnerships in a manner that reflects its experience and expertise in management of these properties.
- Maintaining a high level of liquidity that enables the pursuit of business opportunities in the fields of operation of the Company and its consolidated companies, and the management of its debts, which are spread over many years. Maintaining as close an economic correlation as possible between the currency in which its assets are acquired and the currency in which the liabilities to finance the acquisition of those assets are taken out, in order to maintain its equity in the currencies of the various markets it operates in, and in similar proportions to the proportion of the assets in the various currencies to the total assets, and while entering, from time to time, into hedging transactions to reduce exposure to fluctuations in the exchange rates of foreign currencies.
- Utilizing international capital markets to increase financial flexibility and to gain greater exposure to local and international institutional investors, including the improvement of the credit rating of the Company, with an eye to reduce the debt costs of the Company.
- Attributing significant importance to transparency and reliability vis-à-vis investors (shareholders and debenture holders) and acting accordingly.
- The Company and its consolidated companies believe that the human capital it employs is one of its most important resources. Retaining human capital over time provides a stable basis for growth of the operations of the Company and its consolidated companies, and for the creation of value for their shareholders.

25.2. Keeping with the strategic plan, the Company is expected to continue to invest in some of its existing platforms, with an emphasis on expanding the activity of the Company's private companies. Under this provision, the company estimates that it will invest between NIS 100-200 million in properties in Brazil during the years of 2020-2021, focusing in Sao Paolo, through Gazit Brazil; between NIS 0.5-1.5 billion in properties in major cities in the United States through Gazit Horizons; between NIS 1-2 billion in Israel through G Israel and between NIS 300-700 in properties in Canada (through the Canadian joint venture and Gazit Canada). The above is subject to economic and other developments in the relevant areas, including the influence of the Corona epidemic as further detailed in Section 3.1(4) to the Board of Directors Report.

The Company intends to finance its expected investments, to the extent they are exercises, from its equity, from private and/or public capital raisings and bank credit, and from realizing other investments of the Company, in accordance with its strategy.

The aforesaid goals are forward-looking. They constitute a vision and goals, which are based to a significant extent on expectations and assessments with respect to economic and other (industry-related and general) developments, and their interrelationships. Additionally, the Company's investment plans, which are set out above, are subject to the Company's free cash flow and its financial abilities, as well as the investment opportunities in the relevant markets and the economic and financial condition of said markets and the world in general. The Company cannot be certain that its expectations and assessments will indeed be realized, including with respect to its ability to realize its vision and to achieve the goals it has set for itself, including its investment plans, which to a significant extent are also based on factors that are inherently beyond its control, such as the Corona epidemic and the economic crisis that resulted therefrom, which occurrence have already begun, and as of the date of the report, their impact on the Company's operations results cannot be estimated, inter alia, due to the fact that it is a dynamic situation. It is further clarified that the Company's management will, from time to time, examine its plans and revised them in accordance with these and other changes. It is hereby clarified that the Company's operating results, including its investment targets, may differ materially from the plans and results estimated or implied by this information.

26. **<u>Material events subsequent to the reporting date</u>**

For information regarding material events that occurred subsequent to the date of the statement of financial position, refer to Note 37 to the financial statements.

27. **<u>Financial information concerning geographical segments</u>**

Refer to Note 36 to the financial statements.

28. **<u>The risk factors applicable to the Company</u>**

28.1. <u>Macro risks</u>

28.1.1. **Financing** – The operations of the Company and its consolidated companies in acquiring properties and marketable securities of the Group companies are financed by capital issuances and debt issuances in the various stock exchanges as well as by financial institutions. Should the financing ability of the Company and its consolidated companies be impaired, their operations could be significantly limited.

The business results of the Company and its consolidated companies are dependent on their ability to raise loans or capital in the future and on the terms thereof, in order to repay loans and attain the cash flows required for their operation. The financing ability of the Company and its consolidated companies could be affected by an unavailability or a shortage of external financing sources, changes in existing financing terms, changes in the their results of operation, legislative changes (including regulatory limitations on the Group's credit balances, as detailed in section 23.3 above) and deterioration of the economic situation in their operating regions. Furthermore, the operating results of the consolidated companies could be affected by changes in interest rates, although in light of the fact that most of their obligations are at fixed interest rates, changes in the rates of interest have only a limited impact. The debt balances of the Company and its consolidated companies could have a material impact them, including where the allocation of a material part of the cash flow to the repayment of loans is concerned, and it could also impair the ability to allocate resources to the operation, development and acquisition of properties, and the ability to distribute dividends and raise capital.

In addition, breach of the obligations in the financing agreements, including its undertaking to maintain financial ratios, which are affected also by extraneous market factors to the Company and/or its consolidated companies, and restrictions with respect to change of control, could have material implications, such as a demand for early repayment of loans, disposal of properties and refinancing under less favorable terms. Also, a change (or anticipated change) in the credit rating of any of the consolidated companies could affect their access to financial markets and increase their capital raising costs.

Market conditions or other factors could affect the ability of the Company and its consolidated companies to effectively diversify its financing sources by obtaining finance from other sources. In addition, changes in the credit rating of these companies might affect the market price of their debentures as well as the tradability thereof, and could have a negative effect on their raising debt or capital on stock exchanges and/or from financial institutions.

Furthermore, the Company has currency and interest swap transactions, with respect to some of which the Company has entered into agreements that provide for mechanisms for the current settling of accounts in connection with the fair value of the swap transactions. Consequently, the Company could be required, from time to time, to transfer material amounts to the banking institution based on the fair value of the aforesaid transactions.

28.1.2. **Changes in exchange rates** –A substantial part of the Company's assets comprises the securities of the public companies held by the Company. Accordingly, changes in the capital markets and volatility in share prices in the wake of changes in market conditions and other conditions which the Company cannot control, could affect the price of the Company's and Group companies' shares, and affect the Company's performance and its business results, which might, inter alia, expose the Company to the possibility of non-compliance with the financial covenants stipulated in its credit agreements and limit the ability to raise further capital.

28.1.3. **Changes in capital markets** – A substantial part of the Company's assets comprises the securities of the public companies held by the Company, and most of them are being used as guaranties for lines of credit of the Company. In addition, the Company has investment portfolio in tradable securities (as detailed in Section 11.3). Accordingly, changes in the capital markets and volatility in share prices in the wake of changes in market conditions and other conditions which the Company cannot control, could affect the price of the Company's and Group companies' shares, and affect the Company's performance and its business results, which might, inter alia, expose the Company to the possibility of non-compliance with the financial covenants stipulated in its credit agreements and limit the ability to raise further capital.

28.1.4. **Economic conditions that affect geographical regions** – The properties of the Group are widely distributed in various cities worldwide, and by nature are exposed to different macroeconomic conditions that affect the operations and value of the properties. In addition, a material proportion of the Group's leasable spaces are located mainly in Helsinki, Stockholm, São Paulo, Warsaw, Prague, Boston, New York, the metropolitan area of Tel Aviv, in a manner that increases risk that the Group could be adversely affected, to a significant degree, by a downturn in the economic conditions or a natural disaster in these regions.

28.1.5. **Risk of terror attacks, natural disasters, epidemics and uninsured risks** – Terror attacks could affect the Group's properties. In addition, some of the Group's properties are in regions exposed to risk from natural disasters and damage in respect of these and other risks, including the effect of climate changes on the group's tenants, are uninsurable or are not fully covered under the Group's insurance policy.

In the first quarter of 2020, the Corona virus epidemic broke out in China, and has spread to many other countries around the globe, including countries in which the Group is operating, and the World Health Organization declared that the Coronavirus is a global epidemic. Following the outbreak of the epidemic, many counties have imposed various restrictions as prevention measures, including closing non-essential shopping centers and businesses and the prevention or limitation on people movement.

The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the epidemic, have led to an economic crisis, which is expressed, inter alia, in a sharp decline in stock exchanges around the world, changes in interest rates in several countries and volatility in foreign currencies.

The continued outbreak of the epidemic and the measures that has been taken in order to curb the epidemic might have a significant negative effect on the retail real-estate industry and on the Group's operations, inter alia, due to a decrease in the number of visitors in the properties, a decrease in the demand and in the volume of consumption of certain products, a damage of the economic and cash flow status of tenants, which might cause a decrease in the Company's revenue, in its cash flow, in the occupancy rate of its assets and in the value of its assets. In addition, the Company's projects which are under development may not be completed according to the expected costs and time frame. In addition, the availability of insurance coverage for these and other risks could decrease and its premium cost could increase, in a manner that could lead to limited insurance coverage of Group companies.

28.1.6. **Investment in developing countries** – some of the Group's investments are in devolping markets, mainly in Central and Eastern Europe and in Russia (through ATR) and in Brazil. The Group's investments in emerging markets are exposed to higher risks compared with its investments in markets in North America and in Northern and Western Europe; this includes also legal, economic and political risks to which the Company's investments in these countries are exposed.

28.2. Sector risks

28.2.1. **Changes in consumer habits** – Most of the Group's properties are shopping centers, which are based on food, pharma, clothing and service stores including mostly medical services, gyms and movie theaters, therefore changes in the buying habits in the regions surrounding those shopping centers, such as a move toward buying in different types of centers or platforms or a move toward buying over the internet (e-commerce) or by phone, could reduce the ability of the tenants in the Group's properties, a material proportion of whom are retailers, to meet their obligations toward the Group, and could thus have a harmful effect on the Group's business results. Within the main consumption trends in recent years, Group companies are witnessing an increasing growth in the volumes of online purchases, and believe that this increase will continue to an extent that could reduce the sale volumes of some tenants and affect the demand for commercial areas by these tenants. In addition, such changes could reduce proceeds received by Group companies, which are based on the sales volume in the property.

28.2.2. **Financial strength of tenants, including anchor tenants** – Among the factors affecting the Group's revenues is the financial strength of the tenants of its properties, and particularly major tenants, including anchor tenants. Factors such as deterioration in the economic conditions in the Group's operating regions, changes in consumer buying habits, increased competition in the Group's operating regions and the return of financial recession in the Group's markets of activity, as well as the risk of disease outbreak, such as the Coronavirus, may impact the business activity and the financial strength of anchor tenants and other tenants in the Group's properties, which could in turn lead to non-renewal of lease agreements, delays in of the shopping center where the anchor tenant had rented premises and on the drawing power of the shopping center, and thus also on the Group's income from that shopping center. This is true even if the anchor tenant continues to pay the rent with respect to the closed premises. In addition, if an anchor tenant leaves, occupying the property again at attractive terms could be difficult, and probably the number of visitors in the property will decline, which could adversely affect other tenants of the property. In addition, as a result of the Corona epidemic, various limitations were imposed on people crowding, including the shut down of shopping centers. The Company cannot evaluate the impact of the Corona epidemic on the leisure and consumption habits in the future.

28.2.3. **Changes in the rental policy of retail chains and major tenants** – A large proportion of the major tenants of the Group are retail chains. The Group's business results could be adversely affected by a change in the retail chains' policy regarding the operating framework for their stores (such as the size of their stores) and the regions where they operate.

28.2.4. **Statutory and regulatory requirements with respect corporate law, securities laws and Centralization Law**–

The Company and some of the companies in the group (CTY, ATR) are traded on different stock exchanges worldwide and are subject to the relevant securities laws governing each stock exchange (including corporate governance rules). Compliance with these requirements entails substantial costs for the Company as well as for the aforesaid Group companies, and, in addition, their breach could lead to the companies being fined and even to expose them to a criminal offense, and could therefore adversely affect the Group. The Company has a plan for the enforcement of the securities laws, aimed at identifying and preventing violation of such laws.

Additionally, in December 2013, the Law to Promote Competition and Reduce Concentration, 2013, which includes, inter alia, reference to control issues in a pyramid holdings structure and separation between significant real corporations and significant financial corporations, was approved by the Knesset. For information, refer to Section 21 of the Report. Furthermore, within the provisions of the Law, the Minister of Finance and the Bank of Israel Governor were tasked with setting forth provisions for limitations on credit extended to a corporation or a business group by financial bodies, in accumulate, taking into consideration, inter alia, the liability of each corporation or all companies of the business group. Such limitation could impede the ability of the Group to obtain credit to repay loans and for the cash flow required for its activity, and harm its operating results. In addition, the Company is controlled by Norstar Holdings INC., which is a public company, and as such is considered a second-tier company. As a result thereof, the Company is prevented from controlling other Israeli public companies, in a way that could prevent the Company from exploiting business opportunities.

28.2.5. **Statutory and regulatory requirements, including with respect to environmental conservation –** Group companies, including those involved in construction, development and redevelopment activity, are subject to statutory and regulatory environmental protection requirements (environmental hazards, underground and above-ground pollution, toxic waste, etc.) and provisions requiring the adaptation of buildings to provide convenient access for the handicapped, and are responsible for bearing the costs involved in complying with such requirements, to the extent that this could adversely affect them as of December 31, 2019, the Company is not aware of any such instance that could have an adverse effect on its results. The Company's liability and its exposure to damages and costs (e.g., with regard to tax, environmental protection and regulatory aspects) could also result from actions or oversights related to the time in which the relevant property was owned by previous owners and held by other holders, including activity that is not in line with the provisions of the law (e.g., failure to comply with licensing requirements), as well as those resulting from tests that were conducted by the Company in preparation for the purchase of a property being incomplete or insufficient. For a description of the main risks involving breaches of the laws relating to environmental protection, refer also to Section 20 above.

28.2.6. **Property renovation and development activities** – The Group operates, inter alia, in the property development field, by way of initiation of development projects, by way of purchasing properties for development, and by way of expanding and developing existing properties. There is no certainty that the Group's forecasts with regard to the development of one or more of its properties will materialize. The Group's liabilities with regard to the development of its properties are subject to the risks that are generally involved in such activity and include, inter alia: delays in construction and time and expenses overruns (or complete failure to complete construction) and the ensuing costs; cost overruns, including the raw materials element, labor, financing (including an increase in interest rates), delays and costs related to regulatory approvals and other costs; natural and climatic disasters at the development sites; difficulties entailed in land conditions; technical risks related to the construction plans, the construction activity and environmental aspects; construction flaws (including as a result of the use of defective construction methods, raw materials or products that are acquired by the Company from third parties); failure to find suitable tenants or tenants who are supposed to take space in the property under the initial leases failing to move in or finding low-rent tenants than expected; properties occupied for lower than planned rental tariffs; and so on. The inability to complete the development or redevelopment of the properties, or failing to complete them on schedule, due to the reasons listed above or for other reasons, could have an adverse effect on the Company's business, its financial position and its operating results.

28.2.7. **Risks inherent in the management of the Company's properties** – The Group is exposed to risks entailed in the provision of management services by the Group to its tenants, including third party liability. Should the Company fail to efficiently manage a property or properties, increased costs could result with respect to the said maintenance and improvement of the properties, loss of opportunities to improve income and yield and a decline in the value of the properties. In addition, with respect to management services for the Group's properties, provided by third parties, the quality of services rendered by the said third parties (as well as the Group's ability to locate and enter into agreements with qualified third parties) could have a significant effect on the Group's relations with its tenants, as well as on the Group's yields from its investments.

28.2.8. **Competitive environment** – The Company is exposed to substantial competition in the acquisition of properties. Increased competition with respect to the acquisition of properties and attracting new tenants could reduce the number of properties available for acquisition, increase the acquisition prices of properties designated for acquisition, reduce the ability to attract tenants and decrease rental fees, decrease occupancy rates, increase operating costs and impair the yield obtained from the group's properties. In addition, the Group's competitors could hold an advantageous position compared with the Company derived, inter alia, from lower cost of credit, more efficient operations and higher risk robustness (refer to Section 13 above for a description of the competition in the Company's fields of operation.

28.2.9. **Increase in operating expenses and other expenses** – Increase in operating expenses and other expenses without an offsetting increase in revenues or payments made by tenants, could result, inter alia, from an increase in the costs of external service providers, an increase in the burden of real estate taxes and other levies, an unanticipated increase in maintenance costs (including due to unanticipated malfunctions and an increase in energy costs), changes in legislation, regulation or governing policy, and an increase in insurance costs.

28.2.10. **Risks inherent in the impact of external factors on the value of the Group's properties and its operations –** The Company is exposed to risks derived from the fact that the valuation of real estate properties is subjective and uncertain by nature, as well as risks derived from the fact that the value of the properties might be affected by external factors that are outside the Group's control, including overall market conditions – including in the real estate markets, commercial real estate in general and real estate in the Group's fields of operation in particular, the absence of liquidity in real estate investments, national, regional or local financial conditions, political conditions and events, surplus of areas for lease, demographic conditions, consumer behavior, unemployment rates, proximity and accessibility of competing properties, access to public transportation, changes in legislation (including retroactive changes), expropriation, transfer taxes, property taxes and other taxes and payments, and an increase in operational expenses (including energy expenses). These and other risks could lead to leasing at lower than planned rental rates and to expenses higher than planned. Lower occupancy rates, non-renewal of leases or their renewal at less advantageous terms from the lessor’s point of view (including with regard to anchor tenants), negative side effects resulting from the departure of small tenants, the possibility of having to bear the costs with respect to properties that the Group fails to lease, and bearing unplanned costs with respect to realty brokering operations and finding new tenants.

28.2.11. **Absence of liquidity in real estate investments** – Investment in real estate is usually an investment with no liquidity, compared with investment in securities. The absence of liquidity could lead to the Company selling real estate properties in response to changes in the economy, in the real estate market or due to other conditions, other than at the desired time or price. In addition, some of the anchor tenants in the Company's properties have the right of first refusal or right of first offer to acquire the properties, which could make it more difficult for the Company to sell the properties in response to a change in market conditions.

28.3. Risks specific to the Company

28.3.1. **Change in the tax burden with respect to the operations of the Company's subsidiaries** – the Group is exposed to possible changes in the tax burden with respect to the operations of the Company and the companies group, including due to changes in the governing tax law in the regions where Group companies operate, or due to non-realization of the assumptions of the Company with respect to the tax applicable to the Group's income.

28.3.2. **Dependence on management** – The Company is dependent on the continued activity of the Deputy Chairman of the Board of Directors and CEO, Mr. Chaim Katzman. In addition, the Company and its subsidiaries have a number of highly reputable executive officers, which may receive, from time to time, other employment offers from competitors of the Company.

28.3.3. **Control of the Company** – The controlling shareholder of the Company, Norstar Holdings Inc. and its controlling shareholder, Mr. Chaim Katzman, can pass binding resolutions at the general meeting of the shareholders of the Company, as their interests in the Company are sufficient for the purposes of adopting certain resolutions at the Company's general meeting without the need for the agreement of the other shareholders, including with regard to the appointment of directors of the Company (which are not external Directors). Nevertheless, under the provisions of the Companies Law, their ability to act as controlling shareholders is limited, both in view of their duties to the Company and to the minority interests as well as in view of the need to obtain the consent of the minority interests on certain issues in which the controlling shareholders have personal interest, all as set out in the provisions of the law.

Furthermore, the control of the company may deter third parties from attempting to take over the Company in a manner that could affect the price of the Company's shares.

Furthermore, some of the shares of the Company that are owned by Norstar, are mostly pledged to the bodies that finance its operations. Breach of the provisions of these financing agreements by Norstar in a manner that will entitle the lenders to exercise the pledges on the Company’s shares, could adversely affect the Company's investors, including in the event that the lenders wish to sell the Company's shares. In addition, in part of the Company’s financing agreements, including its traded debentures, a change of control (as defined in these agreements) may constitute a ground for an immediate repayment of the relevant credit.

28.3.4. **Commencement of operations in new fields and regions –** The Group's commencement of operations in new fields and regions where it does not have vast experience, entails costs and risks deriving, inter alia, from the need to learn and become familiar with the various aspects relating to operations in said fields and regions, including regulatory aspects, the business and macro-economic environment, a new currency exposure, etc., as well as the establishment of new systems and administrative headquarters at substantial costs and their integration in the Group. Moreover, many years may elapse before the results desired from entry to a new field and/or region of activity are attained, in light of the need to obtain regulatory approvals and construction permits, determining the correct mix of tenants, recruiting the appropriate management team, and the purchase of a sufficient number of properties to generate income that will cover the establishment and management costs.

28.3.5. **Acquisition strategy** – The Company and its consolidated companies have a strategy to acquire additional properties and companies. The implementation of this strategy may not be successful and might not generate the expected return; and is dependent upon the availability for purchase of suitable properties and the availability of convenient financing for the acquisition, development and redevelopment of the acquired properties. It also requires the assimilation of the businesses, systems and manpower, which could consume management resources and distract management from attending to current operations, as well as expose the Company and its consolidated companies to legal and regulatory risks with regard to the acquired properties.

28.3.6. **Structure of interests in the Group –** The Company operates, inter alia, through companies that are not wholly-owned by it, including CTYand ATR that a significant part of their share capital owned by the public, as well as by other significant shareholders. These companies are subject to legal and regulatory limitations that are customary for public companies. The Company, despite being the controlling shareholder in CTY and ATR, may find itself unable to take specific courses of action without the required approval from other shareholders in the consolidated companies, as aforementioned (whether by law or by virtue of shareholders' agreements or incorporation documents). The existence of other shareholders in said companies could limit the Company’s ability to increase the percentage of its interests in these companies, consolidate similar activities, produce synergies that may exist between the various companies or reorganize the Group's structure. In addition, the Company may not be able to determine the date and scope of dividends paid by some of its subsidiaries, which could reduce the Company's cash flows and impede its ability to repay its debt. The Group is also exposed to risks inherent in shared ownership in properties with third parties, including the need to obtain the agreement of the Group's partners in the said properties in order to make decisions, and the possibility of disagreements between the Group and said partners, as well as risks derived from the said partners becoming insolvent, exposure to financing the partner's investment in the shared properties, and the implications of these risks on the operation of the shared properties. The properties are consolidated in the financial statements in accordance with IFRS, based on the effective or legal extent of control. Changes in the Company's control of the subsidiaries could lead to change in the presentation of the investment in the subsidiaries in the Company’s financial statements, as well as affect the way in which investors perceive the Company. In addition, in order to comply with the reporting obligations as a public company, the company relays on the information it receives from its consolidated subsidiaries. The Company believes that it receives the material information it requires from the subsidiaries. Therefore, the public subsidiaries are listed for trade on various stock exchanges worldwide and are subject to reporting obligations that are not uniform. Therefore, it is possible that the Company might not be able to present certain information as is presented by other real estate companies in certain regions.

28.3.7. **Legal proceedings** – The Group companies are involved in several legal proceedings in their ordinary course of business, including proceedings vis-à-vis the tax authorities, with regard to legal proceedings initiated against the Company in connection with its investment in Luzon Group, as well as with regard to legal proceedings relating to ATR, as detailed in Note 24 to the financial statements. If such proceedings as specified in Note 24 to the financial statements (or any of the same) are decided against the Company, this could adversely affect the Company's operating results.

28.3.8. **Cyber and information security risks** – Penetration, disturbance, harm or collapse of the Group's IT and IS infrastructures by an internal or external hostile factor to access the Company's computer systems may adversely affect the Company's activity and business, including on its ongoing activity, theft of or damage to business information, harm to its reputation, leak of information from the Group's system or from the systems of external service suppliers supporting the group's activities, damage to the group's disclosure and financial reporting ability and collection activities and etc. The information in the Company's information systems, including information about transactions, financial information and other information regarding the operations and properties of the Group may be exposed to significant cyber and information security risks. The Group believes that its information systems have been and will continue to be the target of attacks by malware and other cyberattacks. To the best of the Group's knowledge, as of the reporting date, the Group has not experienced loss or disruption of information or other significant harm due to a cyberattack on its operations and systems.

28.3.9. The Company and its consolidated companies invest, from time to time, in security systems and updates and in backup mechanisms and recovery procedures, in order to reduce this risk. Based on the information provided to the Company by its information system suppliers, the level of protection of the Company's information systems is in line with the standard level of protection at similar companies. Additionally, the Company has backups of most of its information, designed to reduce the impact of potential harm from cyberattacks on its systems and to increase the Company's ability to recover from a disaster. Furthermore, from time to time, the Company examines new advanced protective measures required against these risks and acts to adapt them to the existing risks. Also, the Company acts to increase the awareness of its employees to this issue. However, the nature of cyberattacks and breaches of information systems by unauthorized parties is constantly changing and becoming ever-more sophisticated, and the ability of the Company to cope with a sophisticated cyberattacks reduces, prior to a data breach. Therefore, it may be that despite the security measures taken by the Company it will not be able to protect itself fully and prevent all of the damage that could be caused from a breach of its systems or the financial implications of such a breach.

The company is working to improve its response capability to cyberattacks by continually improving its defense system, raising awareness, allocating dedicated resources and IT to maintain the integrity of its information, its reliability and its availability and minimize business damages.

28.4. The following table presents the Group’s risk factors according to their nature and their effect (taking into account the measures taken by the Group to mitigate the exposure to them) on the Company’s business, in the opinion of Company management:

Risk factor	Major effect	Medium effect	Minor effect
Macro risks:			
Financing	+		
Changes in exchange rates		+	
Changes in capital markets	+		
Economic conditions that affect geographical regions		+	
Risk of terror attacks, natural disasters, epidemics and uninsured risks	+		
Investment in developing countries		+	
Sector risks:			
Changes in consumer buying habits		+	
Financial strength of tenants, including anchor tenants	+		
Changes in the rental policy of retail chains and major tenants		+	
Statutory and regulatory requirements with respect to corporate law and securities laws		+	
Statutory and regulatory requirements regarding environmental protection			+
Property renovation and development activities		+	
Risks inherent in the management of the Company's properties			+
Competitive environment		+	
Increase in operating expenses and other expenses			+
Risks inherent in the impact of external factors on the value of the Group's properties and its operations	+		
Absence of liquidity in real estate investments		+	
Risks specific to the Company			
Change in the tax burden with respect to the operations of the Company's subsidiaries		+	
Dependence on management	+		
Control of the Company			+
Commencement of operations in new fields and regions		+	
Acquisition strategy		+	
Structure of holdings in the Company's subsidiaries		+	
Legal proceedings			+
Cyber and data leak threats			+

CHAPTER B

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS

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GAZIT-GLOBE LTD.

Directors' Report to the Shareholders For the year ended December 31, 2019

The Board of Directors of Gazit-Globe Ltd. (the "Company") is pleased to present the Directors' Report of the Company for the year ended December 31, 2019 (the "Reporting Date"):

1. The Company and its Operations

1.1. Overview

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

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

Currently, the Company operates mainly through two investment categories:

- Wholly-owned private subsidiaries that are consolidated in its financial statements and in which the Company outlines the strategy, is responsible for their financing activities, and oversees their operations. These operations are conducted through G Israel Commercial Centers Ltd. ("**G Israel**"), through the Company's subsidiaries in Brazil ("**Gazit Brasil**"), through Gazit Horizons Inc. ("**Gazit Horizons**") in the U.S.A and a subsidiary operating in Canada ("**Gazit Canada**"), including thorough partnership "Gazit Tripllle".

- Public entities under the Company's control with a similar strategy that are consolidated in its financial statements, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. ("**CTY**") and through Atrium European Real Estate Limited. ("**ATR**").

In addition, until April 2019, the Company operated through a material holding that does not constitute control of First Capital Realty Inc. ("**FCR**"). In 2019, the Company sold the majority of its holdings in FCR shares in consideration of NIS 3.6 billion (refer to Note 8e to the financial statements), and after the reporting date, the Company sold its remaining FCR holding for total consideration of NIS 771 million.

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

The Company's strategy is to increase its direct ownership of real estate, which in Management's opinion may increase and improve its cash flows and value appreciation. Additionally, Management believes that increasing the directly owned real estate part of its portfolio will strengthen its financial ratios, which may lead to an international investment credit rating, and consequently, improve its cost and diversity of capital.

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

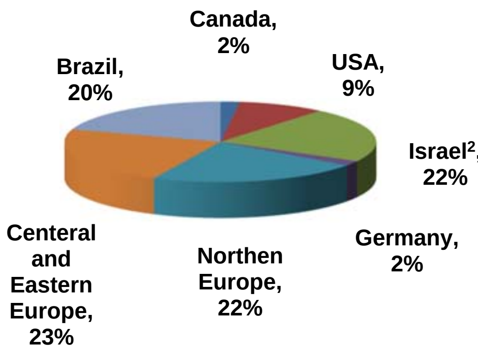
1.2. Group Properties as of December 31, 2019

	Country of operation	Holding interest	Income-producing properties	Properties under development	Other properties	GLA (square meters in thousands)	Carrying value of investment property and under development (NIS in millions)
CTY	Finland, Norway, Sweden, Estonia and Denmark	48.6%	38	1	-	1,075	16,134
ATR	Poland, Czech Republic, Slovakia and Russia	60.1%	31	-	-	842	10,807
Gazit Brasil	Brazil (primarily in Sao Paulo)	100%	7	-	1	176	3,447
G Israel	Israel	100%	11	-	-	139	3,592
	Bulgaria and Macedonia	100%	1	-	-	6	167
Gazit Horizons	USA	100%	9	-	1	40	1,405
Gazit Canada	Canada	100%	1	-	-	18	212
Gazit Germany	Germany	100%	1	-	-	23	354
Total carrying value			**99**	**1**	**2**	**2,319**	**36,118**
Jointly controlled properties (proportionate consolidation)			6	-	-	110	2,252
Total			**105**	**1**	**2**	**2,429**	**38,370**

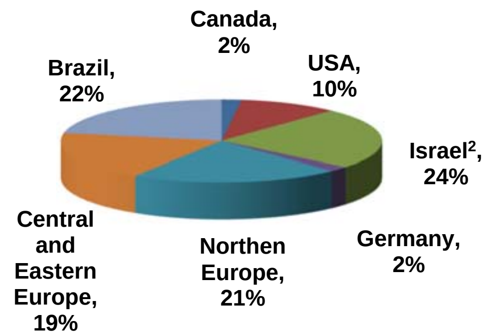
Other accessible data concerning the Group, including presentations, supplemental information packages regarding assets, liabilities and other information (such information does not constitute part of this report and is not included by way of reference), are available on the Company website – www.gazit-globe.com, and the websites of the Group’s investees.

1.3. **Breakdown of the Company's investments by regions (on an expanded Solo basis) as of December 31, 2019[1]:**

Carrying amount



Market value



[1] Excluding the investment in FCR shares, which were sold in 2019 and after the reporting date.

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

1.4. Highlights– 2019 (the "Reporting Period")

(NIS millions, other than per share data)	December 31		
	2019	2018	
Net debt to total assets (expanded Solo)	49.2%	53.9%	-
Net debt to total assets (consolidated)[1]	50.0%	55.3%	-
Equity attributable to the shareholders of the Company[2]	8,191	9,301	-
Equity per share attributable to the shareholders of the Company (NIS)	44.4	49.0	-
Net asset value per share (EPRA NAV) (NIS)[3]	48.2	58.3	-
EPRA NNNAV per share (NIS)[3]	38.7	47.5	-
	For the year ended December 31		
	2019	2018	Change
Rental income and others	2,752	2,840	(3.1%)
NOI[4]	1,975	1,996	(1.1%)
NOI adjusted for exchange rates changes	1,975	1,884	4.8%
Proportionately consolidated NOI[5]	1,301	1,274	2.1%
Proportionately consolidated NOI adjusted for exchange rates	1,301	1,205	8.0%
Cash flows from operating activities per share - expanded Solo (NIS)[6]	2.26	2.12	6.6%
Economic FFO[7]	600	692	(13.3%)
Diluted economic FFO per share (NIS)[7]	3.24	3.60	(10.0%)
Economic FFO, excluding FCR and REG adjusted for exchange rates	558	472	18.2%
Economic FFO per share, excluding FCR and REG, adjusted for exchange rates changes (NIS)	3.01	2.45	22.8%
Number of shares used in calculating the diluted FFO per share (in thousands)	185,714	192,583	(3.6%)
Acquisition, construction and development of investment property[8]	2,052	4,025	-
Disposal of investment property[8]	1,479	1,130	-
Fair value gain from investment property and investment property under development, net	164	114	-
Net income (loss) to shareholders of the Company	655	(253)	-
Diluted net earnings (loss) per share (NIS)	3.50	(1.32)	-
Cash flows from operating activities	910	498	-

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

2 The decrease in shareholders' equity attributed to the Company's shareholders is mainly due to the devaluation of the Group's operating currencies against the NIS, as well as the sale of most of the interests holdings in FCR (refer to Note 8e to the financial statements).

3 Refer to section 2.5 below.

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

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

6 Refer to section 2.2 below.

7 The Economic FFO is presented according to the management approach and in accordance with the EPRA rules. For the Economic FFO calculation, refer to section 2.3 below. The decrease in economic FFO and economic FFO per share is due to the sale of most of the holding in FCR in the reporting period (refer to Note 8e to the financial statements) and from the sale of REG shares in 2018.

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

1.4. Highlights– 2019 (the “Reporting Period”) (Cont.)

- As of December 31, 2019, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 7.3 billion (of which NIS 3.4 billion in the Company and wholly-owned subsidiaries which includes cash and cash equivalents, trade securities and short-term deposits of NIS 1.3 billion).
- As a result of the exchange rate changes of the US dollar, Canadian dollar, Euro and Brazilian real against the NIS, the equity attributable to Company shareholders decreased in 2019 by NIS 764 million (net of the effect of hedging transactions).
- In general, fluctuations in the exchange rates of the US dollar, the Canadian dollar, the Euro and the Brazilian real against the shekel have the following effect:
  - The appreciation of these currencies against the shekel has a positive effect on the Company's assets, shareholders' equity, NOI and economic FFO due to the translation of the foreign currency into shekels at higher rates. On the other hand, the appreciation will result in a negative impact on the Company's net income through the increase in financing expenses due to the revaluation loss on the hedging instruments (the financial derivatives) which is reflected in the income or loss statements through an increase in financing expenses.
  - A devaluation of these currencies against the shekel has a negative effect on the on the Company's assets, shareholders' equity, NOI and Economic FFO and, on the other hand, a positive effect on the Company's net income through the decrease in financing expenses due to the revaluation gain on the hedging instruments which is reflected in the income or loss statements through a decrease in financing expenses.

1.5. Highlights– Fourth Quarter of 2019 (the "Quarter")

(NIS millions, other than per share data)	For the 3 months ended December 31		
	2019	2018	Change
Rental income and others	670	734	(8.7%)
NOI	473	508	(6.9%)
NOI, adjusted for exchange rates changes	473	466	1.5%
Proportionately consolidated NOI[1]	314	332	(5.4%)
Proportionately consolidated NOI adjusted for exchange rates	314	305	3.0%
Cash flows from operating activities per share - expanded Solo (NIS)[2]	0.94	0.62	51.6%
Economic FFO[3]	144	177	(18.6%)
Economic FFO per share (NIS)[3]	0.78	0.92	(15.2%)
Economic FFO, excluding FCR and REG, adjusted for exchange rates changes	142	130	9.2%
Diluted Economic FFO per share, excluding FCR and REG, adjusted for exchange rates changes (NIS)	0.77	0.68	13.2%
Number of shares used in calculating the diluted FFO per share (in thousands)	184,883	191,288	(3.3%)

Acquisition, construction and development of investment property [4]	485	1,550	-
Disposal of investment property [4]	24	75	-
Fair value gain from investment property and investment property under development, net	363	296	-
Net income attributable to shareholders of the Company	222	160	-
Diluted net earnings per share (NIS)	1.18	0.84	-

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

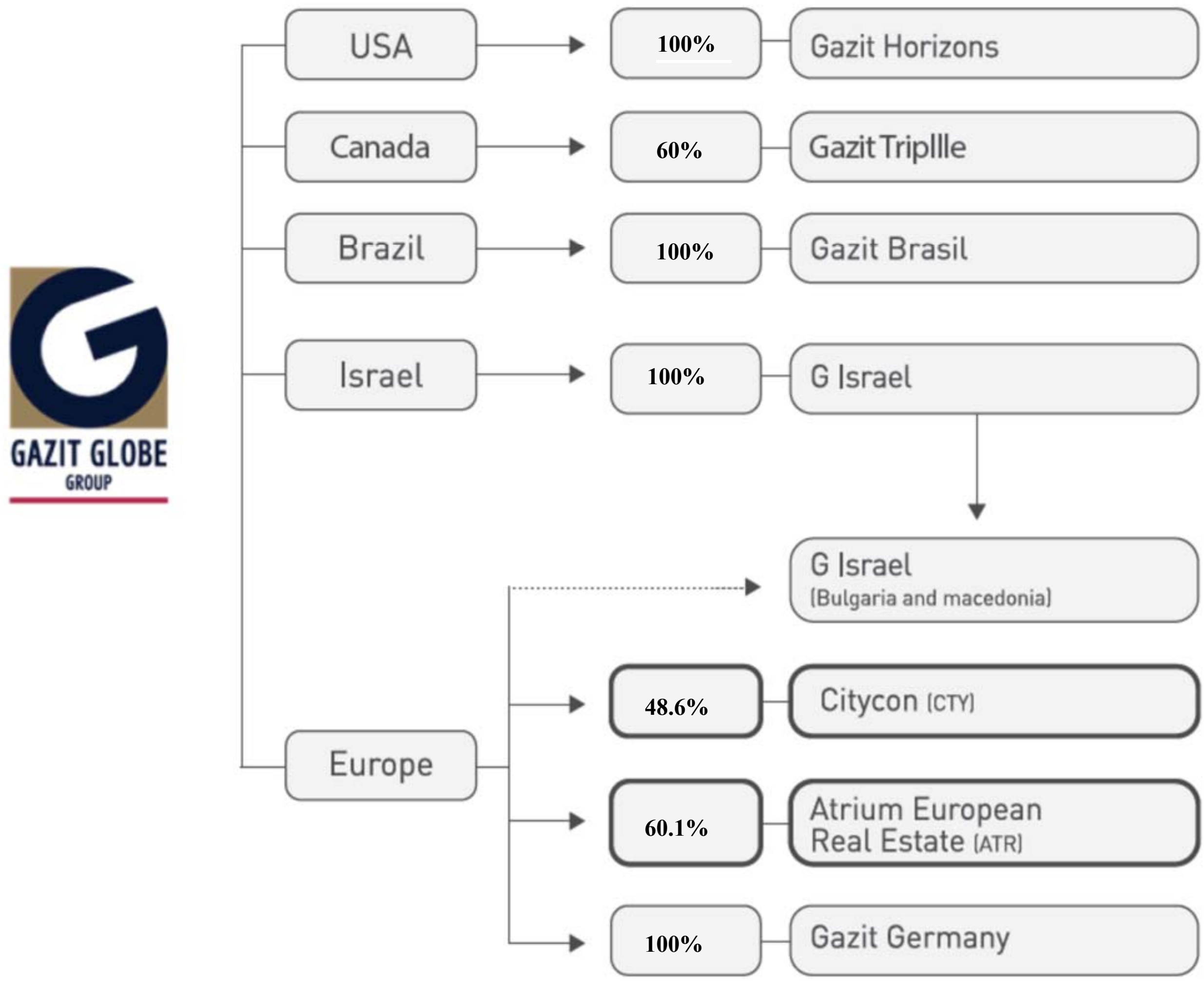
2 Refer to Section 2.2 below.

3 The Economic FFO (Funds from Operations) are presented according to the management approach and EPRA guidelines. For the Economic FFO calculation, refer to section 2.3 below. The decrease in Economic FFO and Economic FFO per share is mainly due to the sale of most of the holdings in FCR in the reporting period (refer to Note 8e to the financial statements) and from the sale of REG shares in 2018.

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

- As a result of the exchange rate changes of the USD, CAD, EUR and BRL against the NIS, the equity attributable to Company shareholders increased in the Quarter by NIS 116 million (net of the effect of hedging transactions).

1.6. <u>The Company's Major Holdings (holding structure and interests as of December 31, 2019):</u>



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

2.1. Summary of the Company's holdings as of December 31, 2019:

Name of company/Region	Type of security/ property	Quantity (millions)	Holding interest (%)	Carrying amount (NIS millions)	Market value as of 31.12.2019 (NIS in millions)
ATR	Shares (VSX, Euronext)	227.2	60.1	4,005	3,040
CTY	Shares (OMX)	86.5	48.6	3,718	3,142
Israel	Income-producing property	-	-	3,350	-
Israel	Property under development and land	-	-	43	-
Brazil	Income-producing property and land	-	-	3,460	-
Canada[1]	Income-producing property	-	-	249	-
USA[1]	Income-producing property and land	-	-	1,601	-
Europe	Income producing property	-	-	384	-
Europe	Property under development and land	-	-	138	-
Total assets		**-**	**-**	**16,948**	**-**

The Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded Solo") as of December 31, 2019 (NIS millions):

	NIS in millions
Debentures	6,795
Debts to financial institutions	3,794
Total debentures and debts to financial institutions (*)	10,589
Other monetary liabilities	936
Total monetary liabilities	11,525
Less - monetary assets[2]	2,864
Less - other invetments[3]	323
Total liabilities, net[4]	**8,338**

(*) Amortization schedule of debentures and debts to financial institutions (NIS millions):

Year	Debentures	Financial Institutions	Total	%
2020	479	279[5]	758	7
2021	430	1,362	1,792	17
2022	558	313	871	8
2023	769	956	1,725	15
2024	829	82	911	9
2025	1,002	37	1,039	10
2026	1,090	37	1,127	11
2027	908	211	1,119	11
2028 and after	730	517	1,247	12
Total	**6,795**	**3,794**	**10,589**	**100**

1 Including investment in properties through joint ventures presented in the financial statements using the equity method.

2 Including holding in FCR shares in the amount of NIS 802 million, cash and cash equivalents, traded securities and short term deposits in the amount of NIS 1,026 million and financial derivatives in the amount of NIS 304 million.

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

4 Excludes primarily deferred tax liability of NIS 263 million related to investment property and other investments and NIS 174 million non-controlling interests in part of the Company's properties.

5 Including commercial papers in the amount of NIS 250 million.

2.2. Cash flows from operating activities - expanded Solo:

	Year ended December 31		For the 3 months ended December 31	
	2019	2018	2019	2018
	NIS millions (other than per share data)			
Dividends from public investees	542	740	176*	170
EBITDA from private companies, net of Capex**	344	277	88	80
Total income	**886**	**1,017**	**264**	**250**
General and administrative expenses	(76)	(66)	(20)	(14)
Interest expenses, net	(357)	(522)	(63)	(117)
Taxes	(34)	(20)	(7)	-
Total expenses	**(467)**	**(608)**	**(90)**	**(131)**
Cash flows from operating activity before a special dividend from ATR	**419**	**409**	**174**	**119**
Cash flows from operating activity per share before a special dividend from ATR (NIS)	**2.26**	**2.12**	**0.94**	**0.62**
Special dividend from ATR	-	136	-	-
Cash flows from operating activity after a special dividend from ATR	**419**	**545**	**174**	**119**
Cash flows from operating activity per share after a special dividend from ATR (NIS)	**2.26**	**2.83**	**0.94**	**0.62**

* Including dividend in the amount of NIS 60 million (NIS 0.32 per share) from ATR for the third quarter of 2019 which was distributed in December 2019 together with the dividend for the fourth quarter of 2019.

** Including capital expenditures (CAPEX) in the amount of NIS 28 million for years 2018 and 2019 and NIS 7 million in the quarter and the corresponding quarter last year.

2.3. FFO (EPRA Earnings):

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

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

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

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

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

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

	For the year ended December 31			For the 3 months ended December 31	
	2019	2018	2017	2019	2018
	(NIS millions, other than per share data)				
Net income (loss) attributable to shareholders of the Company for the period	**655**	**(253)**	**493**	**222**	**160**
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	(164)	(114)	42	(363)	(296)
Capital loss (gain) on disposition of investment	(31)	51	(117)	1	16
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	(808)	921	(155)	143	238
Adjustments with respect to equity-accounted investees	49	(43)	(120)	13	-
Loss (income) from discontinued operations (1)	-	-	281	-	-
Loss (gain) from decrease in holding interest in investees	345	(3)	4	-	1
Deferred taxes and current taxes with respect to disposal of properties	408	(109)	(353)	16	42
Amortization of goodwill	-	-	53	-	-
Acquisition costs recognized in profit or loss	1	4	2	-	3
Loss from early redemption of interest-bearing liabilities and financial derivatives	236	222	2	184	-
Non-controlling interests' share in above adjustments	(279)	(320)	217	(124)	(59)
Nominal FFO (EPRA Earnings)	**412**	**356**	**349**	**92**	**105**
Additional adjustments:					
CPI Linkage and exchange rate differences	45	129	24	(1)	42
Amortization and depreciation	17	15	17	5	3
The Company's share in Economic FFO of FCR (2017-2018 REG)	61	101	262	16	-
Other adjustments(2)	65	91	46	32	27
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	**600**	**692**	**698**	**144**	**177**
Economic FFO per share according to the management approach (in NIS)	**3.24**	**3.60**	**3.58**	**0.78**	**0.92**
Economic FFO excluding FCR and REG adjusted for exchange rates according to the management approach	**558**	**472**		**142**	**130**
Economic FFO per share excluding FCR and REG adjusted for exchange rates according to the management approach (NIS)	**3.01**	**2.45**		**0.77**	**0.68**
Number of shares used in calculating the diluted Economic FFO per share (in thousands)(3)	**185,714**	**192,583**	**195,058**	**184,883**	**191,288**

The decrease in the Economic FFO and the Economic FFO per share in the Quarter and in the Reporting Period, compared with the comparable periods in the prior year is due to the sale of FCR shares in 2019 (refer to Note 8e to the financial statements) and from the sale of REG shares in 2018.

[1] The loss (net income) from discontinued operations comprises the operating results of EQY through the date of the merger with REG and the gain resulting from the loss of control in EQY, the operating results of FCR through the date of loss of control and the gain resulting from the said loss of control and the reclassification of capital reserves (primarily from exchange differences on translation of foreign operations) recognized in the past under other comprehensive loss with respect to EQY and FCR.

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

[3] Weighted Average for the period.

FFO Guidance

Following the FFO guidance published on March 15, 2020, as part of the preliminary reporting of financial data from the (unaudited) financial statements for the year ended December 31, 2019 which was based on the assumptions, budgets and agreements prior to the outbreak of the Corona epidemic, and in light of the development of the Corona epidemic impact and its accompanying economic and financial crisis (detailed in Section 3.1(4) below), the Company reviews the assumptions of which the FFO guidance was based. At this time, the Company is unable to assess the impact of the Corona epidemic on the FFO and will publish a FFO guidance based on the events and the change in assumptions.

2.4. Additional information is presented below regarding the Company's pro rata share in the value of income-producing properties owned by the Group as of December 31, 2019, based on capitalization of net operating income ("NOI"). The information below is based on a methodology that is generally accepted in the markets in which the Group operates and is intended to provide an additional method of analyzing the value of the Company's properties on the basis of the Company's financial results for the Reporting Period. This information is not intended to represent the Company's estimate of the present or future value of its assets or shares.

	For the 3 months ended December 31		For the year ended December 31	
	2019	**2018**	**2019**	**2018**
	NIS in millions			
Rental income	670	734	2,752	2,840
Property operating expenses	197	226	777	844
NOI for the period	473	508	1,975	1,996
Less - minority's share in NOI	(169)	(188)	(720)	(770)
Plus - Company's share in NOI of associated and jointly controlled companies	10	12	46	48
NOI for the period - the Group's proportionate share[1]	**314**	**332**	**1,301**	**1,274**
NOI for the year - the Group's proportionate share[1]	**1,256[2]**	**1,328[2]**	**1,301**	**1,274**

1) Excluding the Company's share of the NOI of FCR.

2) Calculated by multiplying the NOI for the Quarter by four.

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

Value of income-producing property presented on a proportionately consolidated basis according to the NOI for Q4, 2019:

				Equity per share		**Share price as of December 31 2019**
Cap Rate:	**5.75%**	**6.00%**	**6.25%**	**6.45%**	**6.50%**	**6.85%**
Value of income-producing property (NIS in millions) (*)	21,822	20,913	20,076	19,453	19,304	18,317
Share price derived from the above Cap Rate (NIS) (**)	57.3	52.4	47.8	44.4	43.6	38.22

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

(**) Excluding tax effect.

New properties, properties under development and land, which have not yet started producing income and which are presented at their fair value in the Group's books (according to the proportionate consolidation method) as of December 31, 2019, amounted to NIS 2,570 million.

The Group's financial liabilities, net of monetary assets (according to the proportionate consolidation method) as of December 31, 2019, amounted to NIS 13,788 million.

2.5. Net asset value (EPRA NAV and EPRA NNNAV)

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

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

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

	2019	2018
	NIS in millions (other than per share data)	
EPRA NAV		
Equity attributable to the shareholders of the Company, per the financial statements	8,191	9,301
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share)[1]	941	1,041
Adjustments with respect to equity-accounted investees	-	679
Fair value asset adjustment for financial derivatives, net[2]	(213)	83
Net asset value - EPRA NAV	**8,919**	**11,104**
EPRA NAV per share (in NIS)	**48.2**	**58.3**
EPRA NNNAV		
EPRA NAV	8,919	11,104
Adjustment of financial liabilities to fair value	(1,040)	(224)
Other adjustments to deferred tax liability[3]	(941)	(1,041)
Adjustments with respect to equity-accounted investees	-	(708)
Fair value asset adjustment for financial derivatives, net	213	(83)
Adjusted net asset value - EPRA NNNAV	**7,151**	**9,048**
EPRA NNNAV per share (in NIS)	**38.7**	**47.5**
Number of issued shares of the Company used in the calculation (in thousands)[3]	**184,914**	**190,354**

1. Net of goodwill generated in business combinations against deferred tax.
2. Represents the fair value less the intrinsic value of currency hedging transactions.
3. Represents the diluted number of issued shares (in thousands).

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

3.1. General

In 2019, the investments of the Company and its subsidiaries in the acquisition and development of new properties and in the redevelopment, expansion and construction of various properties totaled NIS 2,052 million. The effect of these investments on the operating results of the Group will be reflected in full in 2020 onwards.

Property activities

1) In 2019, the Company and its subsidiaries acquired 9 income-producing properties, with a total GLA of 58 thousand square meters and land for future development, at a total investment of NIS 1,270 million. In addition, the Company and its subsidiaries have developed new properties and redeveloped properties, at a total investment of NIS 782 million. In addition, in 2019, the Company and its subsidiaries also disposed of non-core properties in the amount of NIS 1.5 billion.

2) **Highlights of operational data:**

	income producing properties[1]	GLA (in thousands of square meters)	Average basic monthly rent per square meter		Change in same property NOI[2]		NOI (millions)		Occupancy rate		Net debt to total assets
			31.12.2019	31.12.2018			Q4, 2019	Q4, 2018	31.12.2019	31.12.2018	
G Israel	11	139	NIS 109.3	NIS 107.4	2.8%		NIS 41.8	NIS 41.4	98.8%	98.6%	N/A
Gazit Brasil	7	176	BRL 75	BRL 70.5	18.2%		BRL 54.1	BRL 53.2	98.7%	96.8%	N/A
Gazit Horizons	10	54	$47.2	$41.4	5.3%		$4.2	$2.0	89.9%	88.0%	N/A
CTY	39	1,122	23.3 €	23.2 €	0.5%		53.5 €	53.7 €	95.5%	96.4%	42.4%
ATR	32	872	15.3 €	14.8 €	1.8%		40.9 €	41.6 €	97.0%	96.6%	35.1%

[1] Includes jointly controlled properties.
[2] Change in same property NOI in 2019 compared with 2018.
[3] Excluding Russia. Including Russia, the change in same property NOI rose by 1.1% compared with 2018.

3) **Properties under Development, Redevelopment and Expansion**

Company	No. of properties	Total investment as of December 31, 2019 (NIS millions)	Cost to complete (NIS millions)	GLA(square meters in thousands)
	Properties under development			
CTY	1	477	-	44
	1	**477**	**-**	**44**

[1]The costs of the project will be determined after CTY's decision regarding the residential rights.

Company	No. of properties	Total investment as of December 31, 2019 (NIS millions)	Cost to complete (NIS millions)	GLA (square meters in thousands)
	Properties under Redevelopment and Expansion			
ATR	1	403	35	21
G Israel	2	163	68	17
	3	**566**	**103**	**38**

4) **Effect of the Macro-economic Environment on the Group's operations**

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

In the first quarter of 2020, the Corona virus epidemic broke out in China, and has spread to many other countries around the globe, including countries in which the Group is operating, and the World Health Organization declared that the Coronavirus is a global epidemic. The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the epidemic, have led to a global economic crisis, which is expressed, inter alia, in a sharp decline in stock exchanges around the world, changes in interest rates in certain countries, changes in currencies and in an increase in yield margin as required under corporate debentures issuers, including the Company.

In accordance with the directives of the Ministry of Health in regulations published from time to time, the number of businesses not operating has increased in the Company's complexes in Israel. At the same time, businesses in the fields of food, pharmacies, offices and all other vital services continue to operate, some of them on overtime. In respect of businesses that have been closed, the Company has allowed freezing of rent payments for the period these are closed.

In accordance with the instructions of the authorities in other countries in which the Company operates through its private subsidiaries and public companies, most of the commercial complexes have closed down on a gradual basis over recent days excepting businesses in the fields of food, pharmacies, banks, health services, and offices are working regularly with some having extended their working hours.

On account of the economic crisis and the uncertainty in the capital, interest rates and foreign currency markets around the world there has been a drop in the share prices of the public subsidiaries ATR and CTY, which serve as collateral for the Company's credit agreements. There have been changes in interest rates in certain countries and volatility in exchange rates of currencies in which the Company and Group companies operate, which impact the hedging transactions the Company makes.

The Corona epidemic and its accompanying economic crisis are a global event. The Company and the Group companies are closely monitoring regulatory developments in Israel and the other countries in which it operates, as well as the impacts on its businesses and its tenants. Furthermore, the Company is following

developments in the capital, interest rates and foreign currency markets and is taking a long list of steps to adjust its financial situation, level of liquidity and the credit balances available to it.
The continuation of the epidemic and the steps taken to halt it are likely to have a material adverse effect on the retail real estate sector and on the Group's operations, inter alia on account of the drop in footfall, the reduction in demand and the scale of consumption of certain products, as well as the impairment of the economic and liquidity strength of the tenants, which in turn will lead to a drop in the Company's revenues, in its current cash flow, in its occupancy rates and in the value of its properties. In addition, the Company's projects under development are likely not to be completed within the forecast costs and timetables.
In the light of the nature of the crisis and since it is a global event, as of the date of writing this report, the Company is unable to estimate the effects of the Coronavirus epidemic and the arising global economic crisis and/or of an economic crisis focused in a country and/or certain countries where it operates, on all the Group's operations. In addition, the Company cannot assess the impact of volatility in the capital, interest rates and foreign currency markets on its financial results.

At the same time, the Company believes that due to the nature and quality of its properties and their geographical spread, which produce for the Company a steady cash flow from the wide mix of tenants, with the emphasis on chains supplying vital services and goods that are purchased even in times of crisis, as well as tenants with an international investment rating, and taking into account the Company's high liquidity level, the long average lifespan of its financial liabilities that are not secured by mortgages, and the range of available sources of finance at its disposal even at this time, the Company has the financial strength that will allow it to weather the economic crisis in both the short- and medium-terms, during which the threat of the economic crisis is expected to take place.

The Company's assessments of the impact of the Coronavirus epidemic and the global economic crisis arising from it or an economic crisis focused in a country and/or certain countries where the Company operates on its businesses, revenues, profits and financial situation are forward looking information in its meaning in the Securities Law, 1968. These assessments are based on assumptions and estimates of the Company and the Group companies; however, they are not certain, are likely not to come about and mainly are not under the Company's control. If the global economic crisis continues and even becomes worse, there is likely to be a material adverse effect on the Group's actual commercial and financial results Group.

For details regarding the macro-economic data in the countries where the Group operates, see the Description of the Company's Business chapter. International debt rating of subsidiaries:

Rating Agency	Gazit-Globe[1]	CTY	ATR
Moody's	ilAa3/Stable	Baa3/Stable	Baa3/Positive
S&P	ilAA-/Stable	BBB-/Negative	-
Fitch	-	-	BBB/Stable

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

3.2 Material Events in the Group in the Reporting Period

A. For details regarding the sale of 58 million shares of FCR for a total consideration of NIS 3.2 billion, refer to Note 8e to the financial statements.
B. For details regarding the buyback of 5.6 million Company shares (including through tender offer) in the amount of NIS 158 million, refer to Note 25h to the financial statements.
C. For details regarding the buyback of debentures by the Company (including through tender offer) in the amount of NIS 2.3 billion, refer to Note 19b4 to the financial statements.
D. For details regarding the Company's decision to delist its shares from trading on the New York Stock Exchange (the "NYSE") and termination of its reporting obligations under the SEC, refer to Note 1a to the financial statements.
E. On July 2019, a wholly owned subsidiary of the company entered into an agreement with ATR to purchase all of ATR's minority shares, which constitute approximately 40% of ATR's share capital. The acquisition of ATR's minority shares was contingent, inter alia, on the approval of a special majority of ATR's shareholders, a majority which was not obtained and, therefore, the transaction to purchase the minority shares was canceled.
F. On July 25, 2019, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ilAA-', with a stable outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating and the Company's commercial papers rating at a rating level of 'ilA-1+'.
G. On December 29, 2019, Midroog rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of 'Aa3.il', with a stable outlook. In addition, Midroog rating agency reaffirmed the short term rating for the Company's commercial papers at a rating level of 'P-1.il'.
H. On November 18, 2019, the Company, through a wholly owned subsidiary (collectively. in this Section the "Subsidiary"), entered into agreements to establish a joint venture to acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Toronto (collectively: the "Canada Joint Venture"). The new joint venture is owned by the Company (60%) which will invest, at this point, C$ 60 million, and by Mr Dori Segal, whom up until December 2019, served as a director of the Company (40%) which will invest, at this point, C$ 40 million thorough a company under his control. In addition, the Subsidiary will grant a loan to the Joint Venture in a total of up-to C$ 50 million, with market interest rate. Mr Dori Segal will be the CEO of the Joint Venture for annual management fees, as approved by the Company's Shareholders Meeting in December 2019, (for details refer to regulation 21 in chapter D).
   Canada Joint Venture establishes continued implementation of the Company's Board of Directors strategy to expand the Group's private real estate component and focus on urban density areas in major cities and the partnership intends to invest over C$ 1 billion mixed use properties over the next five years. The properties financing will be among other things, through taking of local debt at an acceptable leverage for similar transaction.
I. For details regarding repurchase of debentures and issuance of hybrid debentures by CTY, refer to Notes 8f4 and 19c to the financial statements.

3.3 Dividend Distribution Policy

Pursuant to the Company's policy, the Company announces the anticipated annual dividend every year. In November 2019, the Company's Board of Directors approved that the Quarterly dividend for 2020 will be NIS 0.43 per share (total amount of dividend expected to be declared in 2020 will be NIS 1.72 per share, compared with the dividend per share of NIS 1.62 in 2019).
The above is subject to the existence of sufficient distributable income at the relevant dates and is subject to the provisions of any law relating to dividend distributions and to decisions that the Company is permitted to take, this includes the appropriation of its income for other purposes and the revision of this policy.

3.4 Financial Position

Current assets

Current assets, as of December 31, 2019, total NIS 3.4 billion, compared with NIS 3.8 billion as of December 31, 2018. The decrease in current assets derives mainly from the sale of the investment property which presented as assets held for sale. The aforesaid decrease was offset from the balance of the remain consideration from the sale of FCR shares in the amount of C$ 122 million, which will be accepted upon April 2020 according to the sale of FCR share agreement.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 1.6 billion as of December 31, 2019, compared to NIS 6.5 billion as of December 31, 2018. The balance of equity-accounted investees includes the investments in property through joint ventures as recorded in the books of CTY, ATR and Gazit Horizons and Gazit Canada. The decrease in equity-accounted investees is primarily due to the sale of FCR shares in the reporting period (refer to Note 8e to the financial statements).

Non-current financial assets

Non-current financial assets, as of December 31, 2019, amounted to NIS 853 million, compared with NIS 208 million as of December 31, 2018. The increase in non-current financial assets is primarily due to the balance of the remain FCR shares (refer to Note 8e to the financial statements).

Non-current financial derivatives

The balance of financial derivatives primarily arises from cross-currency swap transactions, entered into as part of the Group's policy to correlate the currency in which properties are acquired and the currency in which the liabilities are undertaken to finance the respective acquisitions of such properties are incurred (on a proportionately consolidated basis), and are presented at fair value. The balance of the financial derivatives is presented net of amounts received under agreements entered into with certain financial institutions in connection with the collateral with respect to the value of the financial derivatives (CSA agreement). As of December 31, 2019, the aforesaid balance of financial derivatives amounted to NIS 318 million, compared to NIS 83 million as of December 31, 2018. The increase is primarily due to the gain from the revaluation of the financial derivatives to their fair value in the reporting period, primarily from the strengthening of the NIS against the Euro, U.S. dollar and the Canadian dollar offset by proceeds due to CSA agreements.

Investment property and investment property under development

The balance of investment property and investment property under development (including properties held for sale presented in current assets), as of December 31, 2019, amounted to NIS 36.1 billion, compared with NIS 38.7 billion as of December 31, 2018.

The decrease in these balances during the Reporting Period is primarily due to the change in foreign currency exchange rates (primarily the Euro and the Brazilian real against the New Israeli Shekel) in the net amount of NIS 3.4 billion and by the sale of none core investment property in consideration of NIS 1.5 billion. The decrease was offset by the acquisition of rental properties, the development of new properties and the renovation of existing properties at a total cost of NIS 2.1 billion, the fair value changes of investment property and investment property under development in the amount of NIS 164 million and the effect of the first implementation of IFRS 16 International Financial Reporting Standard in the amount of NIS 249 million.

Presented below are the average Cap rates (%) implied in the investment property valuations in the main regions in which the Group operates:

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA
December 31, 2019	5.4	6.6	6.6	6.8	4.8
December 31, 2018	5.4	6.4	6.9	7.7	4.6

Intangible assets, net

Intangible assets, net, as of December 31, 2019, totaled NIS 622 million, compared with NIS 688 million as of December 31, 2018. The intangible assets mainly consist of goodwill generated in the acquisition of properties in Norway held by CTY in the amount of NIS 568 million.

Current liabilities

Current liabilities, as of December 31, 2019, totaled NIS 3.6 billion, compared with NIS 4.3 billion as of December 31, 2018. The balance primarily includes credit from banks and others, and current maturities for long-term liabilities amount of NIS 2.1 billion, compared with NIS 2.6 billion as of December 31, 2018.

As of December 31, 2019, the Group had a negative working capital of NIS 0.2 billion. The Company and its subsidiaries have approved long-term credit facilities available for immediate drawdown in the amount of approximately NIS 5.4 billion and the cash flows from operating activities significantly exceeds of total current liabilities, and accordingly management of the Company believes these can be used to repay the balance of current liabilities as of December 31, 2019 (also refer to section 3.6 below).

Non-current liabilities

Non-current liabilities, as of December 31, 2019, amounted to NIS 23 billion, compared with NIS 28 billion as of December 31, 2018. The decrease in non-current liabilities is primarily due to a decrease in debentures which have been repaid in the Reporting Period mainly through tender offer and early redemption (refer to Note 19 to the financial statements).

Equity attributable to equity holders of the Company

Equity attributable to the shareholders of the Company, as of December 31, 2019, amounted to NIS 8,191 million, compared with NIS 9,301 million as of December 31, 2018. The decrease arises from decrease in capital reserves in the amount of NIS 1,308 million (mainly from foreign currency translation reserve), from buyback of shares in the amount of NIS 158 million and to the declared dividend of NIS 299 million. This decrease was offset by net income attributed to the Company's shareholders in the amount of NIS 655 million.

The equity per share attributable to the shareholders of the Company as of December 31, 2019 totaled NIS 44.4 per share, compared with NIS 49.0 per share as of December 31, 2018, after a dividend distribution of NIS 1.62 per share in the Reporting Period.

Non-controlling interest

Non-controlling interests, as of December 31, 2019, amounted to NIS 8.1 billion, compared with NIS 7.7 billion as of December 31, 2018. The balance mainly comprises the interests of CTY's other shareholders at a rate of 51.4% of CTY's equity and the interests of ATR's other shareholders at a rate of 39.9% of ATR's equity

The increase in non-controlling interests in the Reporting Period is mainly due to the issuance of hybrid debentures by CTY in the amount of NIS 1.3 billion and by issuance of non-controlling interests in the amount of NIS 0.2 billion. This increase was offset from the portion of other shareholders in the comprehensive loss of the subsidiaries in an amount of NIS 0.6 billion, from the portion of other shareholders in the dividends distributed by the subsidiaries in an amount of NIS 0.4 billion and the acquisition of shares of the subsidiaries from non-controlling interests totaling NIS 48 million.

Debt to asset ratio

The ratio of the Group's net interest bearing debt to its total assets was 50.0% as of December 31, 2019 compared with 55.3% as of December 31, 2018.

3.5 Operating Results

A. Following are the summary results of operations for 2017-2019:

	For the year ended December 31		
	2019	2018	2017
	NIS in millions (except for per share data)		
Rental income and others	2,752	2,840	2,831
Property operating expenses and others	777	844	865
Net operating income	1,975	1,996	1,966
Fair value gain (loss) investment property and investment property under development, net	164	114	(42)
General and administrative expenses	(360)	(375)	(386)
Other income	35	13	168
Other expenses	(413)	(126)	(166)
Company's share in earnings of equity-accounted investees, net	37	389	434
Operating income	1,438	2,011	1,974
Finance expenses	(1,118)	(2,262)	(1,085)
Finance income	963	140	314
Profit (loss) before taxes on income	1,283	(111)	1,203
Taxes on income (tax benefit)	467	(64)	(327)
Net income (loss) from continuing operations	816	(47)	1,530
Loss from discontinued operations, net	-	-	(281)
Net income (loss)	816	(47)	1,249
Attributable to:			
Shareholders of the Company	655	(253)	493
Non-controlling interests	161	206	756
	816	(47)	1,249
Net earnings (loss) per share attributable to shareholders of the Company (NIS):			
Basic net earnings (loss) from continuing operations	3.52	(1.31)	5.98
Basic loss from discontinued operations	-	-	(3.46)
Total basic net earnings (loss)	3.52	(1.31)	2.52
Diluted net earnings (loss) from continuing operations	3.50	(1.32)	5.95
Diluted loss from discontinued operations	-	-	(3.46)
Total diluted net earnings (loss)	3.50	(1.32)	2.49

Statement of Comprehensive Income for 2017-2019:

	For the year ended December 31		
	2019	2018	2017
	NIS in millions		
Net income (loss)	816	(47)	1,249
Other comprehensive income (loss) (net of tax effect):			
Amounts that will not be reclassified subsequently to profit and loss:			
Losses on financial assets at fair value through other comprehensive income	(39)	(56)	-
Amounts that will bear that have been reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations	(2,055)	189	(58)
Net gain (losses) for cash flow hedges	(45)	(10)	(2)
Net gain on available-for-sale financial assets	-	-	40
Realization of capital reserves on sale of previously accounted for using the equity method	73	-	-
Other comprehensive income (loss) from continuing operations	(2,066)	123	(20)
Other comprehensive income from discontinued operations, net	-	-	774
Total other comprehensive income (loss)	(2,066)	123	754
Comprehensive income (loss)	(1,250)	76	2,003
Attributable to:			
Equity holders of the Company	(653)	(338)	2,095
Non-controlling interests	(597)	414	(92)
	(1,250)	76	2,003

B. Analysis of operating results for 2019

Rental income and others

Excluding the change in the average exchange rates, the rental income and others in 2019 increased by 2.6% compared with 2018. The increase is mainly due to development properties coming on line, new acquisitions during the prior 12-month period and the increase in same-property income. The aforesaid increase was offset due to the sale of non-core properties in the prior 12-month period.

Rental income decreased by 3.1% to NIS 2,752 million in 2019, compared with NIS 2,840 million in 2018.

Property operating expenses and others

Property operating expenses and others totaled NIS 777 million in 2019, representing 28.2% of total rental income and others, compared with NIS 844 million, representing 29.7% of total rental income and others in 2018.

Net operating income (NOI)

Excluding the change in the average exchange rates, the net operating income in 2019 increased by 4.8%, compared with 2018. The increase is due to development properties coming on line, new acquisitions during the prior 12-month period, and increase in NOI from same properties in the Reporting Period compared to the comparable period in the prior year. The aforesaid increase was offset by the disposition of non-core properties during the prior 12-month period

Net operating income decreased by 1.1% to NIS 1,975 million in 2019 (71.8% of rental income and others), compared to NIS 1,996 million (70.3% of rental income and others) in 2018.

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

The Company and its subsidiaries apply the fair value model, as prescribed in IAS 40 (Revised) - Investment Property. As a result of implementation of this standard, in 2019 the Company and its subsidiaries recognized fair value gain on its properties in a net amount of NIS 164 million, compared with fair value gain of NIS 114 million, in 2018. The main increase in fair value of the investment property and investment property under development in 2019 arises from the property in Brazil and Israel, mainly from a decrease in Cap Rate, which was offset by a fair value loss of properties in CTY.

General and administrative expenses

General and administrative expenses totaled NIS 360 million (13.1% of total revenues) in 2019, compared with NIS 375 million 13.2% of total revenues in 2018. The decrease in general and administrative expenses is mainly due to efficiency measures in the Group companies.

The aforementioned amounts include general and administrative expenses at the level of the Company and its wholly-owned private (corporate) companies that were included in its FFO calculation (excluding general and administrative expenses of the private operating subsidiaries), which amounted to NIS 76 million in 2019 compared with NIS 66 million in 2018.

Other expenses

Other expenses in 2019 amounted to NIS 413 million, compared with NIS 126 million in 2018. Other expenses in the Reporting period were mainly due to a capital loss of NIS 272 million in respect of the sale of FCR shares at a lower price than its shareholders' equity as well as the balance of the remaining FCR shares, which upon the sale completion was lower than its shareholders' equity, and the loss from realization of capital reserves (mainly currency translation reserve) in the amount of NIS 73 million.

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

In 2019, this item amounted to earnings of NIS 37 million (earnings of NIS 389 million were recorded in 2018) and primarily comprised of the Company's share in FCR's earnings until April 2019 (in which most of FCR shares were sold, refer to Note 8e to the financial statements) of NIS 47 million (compared with NIS 298 million in the corresponding period last year) and the Group's share loss, net of CTY's, ATR's, Gazit Horizons' and Gazit Canada equity-accounted investees. The decrease in the Company's share in the earnings of equity-accounted investees is mainly due to sale of most of FCR's holdings in April 2019.

Financing expenses

Financing expenses amounted to NIS 1,118 million in 2019, compared with NIS 2,262 million in 2018. The decrease in financing expenses in 2019 compared with 2018 is mainly due to the revaluation loss of investment in REG in the amount of NIS 613 million 2018, from the revaluation loss of financial derivatives in 2018 in the amount of NIS 269 million, compared to revaluation gain of financial derivatives in 2019 and a decrease in interest expenses in the amount of NIS 146 million, as a result of the refinancing of debt at a lower interest rate than the debt that was repaid.

The average interest rate on the interest-bearing liabilities of the Company level on expanded Solo basis is 3.41% compared with 3.96% as of December 31, 2018.

Financing income

Financing income totaled NIS 963 million in 2019, compared with NIS 140 million in 2018. The financing income in 2019 primarily comprises a gain of NIS 808 million on the revaluation of financial derivatives compared to a revaluation loss recorded in finance expenses in 2018, income from the gain on realization of securities and dividend of NIS 80 million (in 2018, income of NIS 70 million), and interest income of NIS 60 million (in 2018, income of NIS 58 million).

Taxes on income (tax benefit)

Tax income totaled NIS 467 million in 2019, compared with tax benefit of NIS 64 million in 2018. Tax expenses in 2019 mainly comprises of deferred tax expenses of NIS 72 million, arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development, including disposal of properties (in 2018 – net deferred tax income of NIS 590 million relating primarily to the sale of REG shares and the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposal of properties).

In 2019, the Group companies recorded current tax expenses of NIS 403 million (mainly from the sale of FCR shares) compared to current tax expenses of NIS 572 (primarily from the sale of REG shares) in 2018. In addition, tax income of NIS 8 million was recognized in 2019 regarding prior years, compared with tax income in respect of previous years of NIS 46 million in 2018.

C. **Operating results for 2019, on a quarterly basis:**

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total 2019
	NIS in millions					
Rental income and others	**734**	720	702	660	**670**	2,752
Property operating expenses and others	**226**	211	188	181	**197**	777
Net operating income	**508**	509	514	479	**473**	1,975
Fair value gain (loss) from investment property and investment property under development, net	**296**	(83)	(90)	(26)	**363**	164
General and administrative expenses	**(112)**	(92)	(90)	(84)	**(94)**	(360)
Other income	**3**	3	4	34	**1**	35
Other expenses	**(43)**	(233)	(131)	(15)	**(41)**	(413)
Company's share in earnings (losses) of equity-accounted investees, net	**113**	57	(8)	4	**(16)**	37
Operating income	**765**	161	199	392	**686**	1,438
Finance expenses	**(501)**	(177)	(358)	(221)	**(492)**	(1,118)
Finance income	**26**	444	89	524	**36**	963
Profit (loss) before taxes on income	**290**	428	(70)	695	**230**	1,283
Taxes on income (tax benefit)	**47**	313	(52)	173	**33**	467
Net income (loss)	**243**	115	(18)	522	**197**	816
Attributable to:						
Equity holders of the Company	**160**	42	(83)	474	**222**	655
Non-controlling interest	**83**	73	65	48	**(25)**	161
	243	115	(18)	522	**197**	816

Comprehensive income for 2019 on a quarterly basis:

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total 2019
	NIS in millions					
Net income (loss)	**243**	115	(18)	522	**197**	816
Other comprehensive income (loss) (net of tax effect):						
Amounts that will not be reclassified subsequently to profit or loss:						
Loss on financial assets at fair value through other comprehensive income	**(9)**	3	54	(36)	**(60)**	(39)
Amounts that will be or that have been reclassified to profit or loss:						
Exchange differences on translation of foreign operations	**277**	(984)	(126)	(1,323)	**378**	(2,055)
Net gain (loss) for cash flow hedges	**(23)**	(29)	(23)	(16)	**23**	(45)
Realization of capital reserves on sale of previously accounted for using the equity method	**-**	-	73	-	**-**	73
Total other comprehensive income (loss)	**245**	(1,010)	(22)	(1,375)	**341**	(2,066)
Total comprehensive income (loss)	**488**	(895)	(40)	(853)	**538**	(1,250)
Attributable to:						
Equity holders of the Company	**365**	(612)	(44)	(403)	**406**	(653)
Non-controlling interest	**123**	(283)	4	(450)	**132**	(597)
	488	(895)	(40)	(853)	**538**	(1,250)

D. Analysis of operating results for the fourth quarter of 2019

Rental income and others

Excluding the average exchange rates, the rental income and others in the Quarter decreased by 0.7% compared with the corresponding quarter last year. The decrease is primarily due to the sale of non- core properties in the prior 12 months, which was offset from development properties coming on line, by new acquisitions during the prior 12-month period and by growth in income from same properties

Rental income decreased by 8.7% to NIS 670 million in the Quarter, compared with NIS 734 million in the corresponding quarter last year.

Property operating expenses and others

Property operating expenses totaled NIS 197 million in the Quarter, representing 29.4% of total rental income and others, compared with NIS 226 million, representing 30.8% of total rental income and others, in the corresponding quarter last year.

Net operating income (NOI)

Excluding the average exchange rates, the net operating income in the Quarter increased by 1.5% compared with the corresponding quarter last year. The increase is primarily due to development properties coming on line, new acquisitions during the prior 12-month period and the increase in NOI from same properties, which was offset due to the sale of non-core properties in the prior 12-month period.

Net operating income decreased by 6.9% to NIS 473 million in the Quarter (70.6% of total rental income and others), compared with NIS 508 million (69.2% of rental income and others) in the corresponding quarter last year.

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

The Company and its subsidiaries apply the fair value model, as prescribed in IAS 40 (Revised) - Investment Property. As a result implementing of this standard, in the Quarter the Company and its subsidiaries recognized a gross fair value gain on its properties of NIS 363 million in the Quarter, compared with a gain of NIS 296 million, in the corresponding quarter last year. The main increase in fair value of the investment property and investment property under development in the Quarter arises from the property in Brazil and Israel, mainly from a decrease in Cap Rate, which was offset by a fair value loss of the properties in CTY and ATR.

General and administrative expenses

General and administrative expenses totaled NIS 94 million (14.0% of total revenues) in the Quarter, compared with NIS 112 million (15.3% of total revenues) in the corresponding quarter last year.

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

In the Quarter, this item amounted to a loss of NIS 16 million (earnings of NIS 113 million were recorded in the corresponding quarter last year) and comprises mainly the Group’s share net loss of CTY's, ATR's, Gazit Horizons' and Gazit Canada equity-accounted investees. The decrease of the Company’s share in earnings of equity-accounted investees arises mainly from an associate of Gazit Horizons that recorded a gain in the corresponding quarter last year from revaluation of an investment property in New York, as well as the Company's share of FCR's net income in the amount of NIS 33 million in the corresponding quarter last year

Financing expenses

Financing expenses in the Quarter amounted to NIS 492 million, compared with NIS 501 million in the corresponding quarter last year. The decrease in the financing expenses in the Quarter arises mainly from revaluation loss of financial derivatives in the amount of NIS 124 million compared to a loss of 182 million from revaluation of financial derivatives recorded in the corresponding quarter last year, a loss from revaluation of trade securities in the amount of NIS 54 million in the corresponding quarter last compared to a gain in the Quarter and by decrease in interest expenses in the amount of NIS 19 million, as a result of the refinancing of debt at a lower interest rate than the debt that was repaid. This decrease was offset by a loss from early redemption of interest-bearing debt and financial instruments in the quarter in the amount of NIS 182 million.

Financing income

Financing income in the Quarter totaled NIS 36 million, compared with NIS 26 million in the corresponding quarter last year. The financing income in the Quarter mainly comprises of income from disposal of securities and dividends of NIS 11 million (in the corresponding quarter last year, income of NIS 5 million) and interest income of NIS 16 million (in the corresponding quarter last year, income of NIS 13 million).

Taxes on income (tax benefit)

Tax expenses in the Quarter totaled NIS 33 million, compared with tax expenses of NIS 47 million in the corresponding quarter last year. Current tax expenses of NIS 88 million were recorded by Group companies in the Quarter compared with current tax expenses NIS 4 million in the corresponding quarter last year.

Tax expenses in the Quarter comprises of deferred tax income of NIS 65 million arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development and disposal of properties (in the corresponding quarter last year, deferred tax expenses of NIS 41 million). In addition, tax expenses of NIS 10 million were recorded in the Quarter regarding prior years, compared with NIS 2 million the corresponding quarter last year.

3.6 Liquidity and sources of finance

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

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

The liquid assets available to the Company and its subsidiaries, including short-term investments, totaled NIS 1.9 billion as of December 31, 2019. In addition, as of December 31, 2019, the Company and its subsidiaries have binding undrawn[1] long-term credit facilities available for immediate drawdown of NIS 5.4 billion.

As of December 31, 2019, the Company and its subsidiaries have liquidity, including undrawn[1] long-term credit facilities available for immediate drawdown and liquid balances totaling NIS 7.3 billion (of which NIS 3.4 billion at the Company and wholly-owned subsidiaries which includes cash and cash equivalents, tradable securities and short-term deposits of NIS 1.3 billion).

Furthermore, as of December 31, 2019, the Company and its subsidiaries have unencumbered investment property and investment property under development, which is carried on the financial statements at a fair value of NIS 29.4 billion (81.3% of the total investment property and investment property under development).

The Company and its wholly-owned subsidiaries had unencumbered property carried in its financial statements at a value of NIS 5.8 billion (63% of the total investment property and investment property under development).

As of December 31, 2019, the Company had a negative working capital balance of NIS 0.2 billion under its consolidated financial statements, and according to the Company's separate reports (solo) a negative working capital of approximately NIS 2.2 billion and negative cash flow from operating activities, in addition, the Company (expanded solo) has a positive cash flow from operating activities, refer to Section 2.2 above. On the other hand, the Company has approved long-term credit facilities[1], available for immediate drawdown on a consolidation basis and on an expanded solo basis (including in companies that are fully owned by the Company), in the amount of NIS 5.4 billion and NIS 2.1 billion, respectively. On the policy of the Company is to finance its operations with revolving credit facilities and by raising long-term debt from time to time, depending on market conditions. The Board of Directors examined the existence of negative working capital, as above, and has concluded that, in view of the volume of the resources that are available to the Group and to the Company, as described above, and considering the positive cash flow from operating activities on consolidation and on expanded solo, its existence is not indicative of a liquidity problem in the Company or in the Group.

3.7 Cash Flows

Cash flows from operating activities in 2019 totaled NIS 910 million, compared with NIS 498 million in 2018.

In 2019, the Company and its subsidiaries financed their operations thorough realization of FCR shares at a net amount of 2,839, through capital issuance in the Group's companies at a net amount of NIS 175 million, through the issuance of hybrid debentures at a net amount of NIS 1,346 million and thorough receiving loans and credit lines at a net amount of NIS 483 million. These cash flows were primarily used for redemption of debentures at a net amount of NIS 4,133 million, for the acquisition of investment property and development of new properties at a net amount of NIS 573 million, for investment in finance assets at a net amount of NIS 437 million, for dividend payments by the Company and its subsidiaries in the amount of NIS 701 million, for buyback of the Company's shares in the amount of NIS 158 million, for acquisition of shares of the Group's companies in the amount of NIS 53 million and investments and loans to investees in the amount of NIS 100 million.

3.8 Purchase plan

A. On March 15 2020, the Company’s Board of Directors resolved to adopt a new buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 750 million, in relation to all the outstanding series of debentures, the program is in effect until March 31, 2021. Purchases will be made under the program from time to time and at the discretion of the Company’s Management. The Company has repurchased debentures in consideration of NIS 282 million par value under the previous program (excluding debentures Series D and Series M in consideration of NIS 1.7 billion par value, acquired through tender offer, refer to Note 19b4 to the financial statements). In addition, until publication of this report, the Company purchased debentures in the amount of NIS 14 million par value in consideration of NIS 14 million under the new plan.

B. On November 18, 2019, the Company’s Board of Directors resolved to adopt a new buyback program for the Company’s shares (in place of the previous program) in an amount of up to NIS 250 million, the program is in effect until December 31, 2020. Purchases will be made under the program from time to time, at the discretion of the Company’s management, so long as the stock exchange price of the share reflects a significant discount on the Company’s NAV, as shall be from time to time. Until publication of this report, the Company purchased 3.9 million shares, in consideration of NIS 95 million, under the new program.

[1] Signed credit lines with financial institutions pursuant to which these institutions are obligated to provide the Group with the foregoing credit subject to complying with the terms prescribed in the agreements and regarding which the Group Companies pay various commissions, including a credit allocation fee.

4. Reporting of Exposure to Market Risks and their Management

4.1. The individuals responsible for managing and reporting the Company's market risks are the Company's CEO and Executive Vice President and CFO (for related details, refer to Regulations 26 and 26a in the Additional Details about the Company chapter).

4.2. For details regarding the market risks to which the Company is exposed, refer to Note 34a to the financial statements.

The Company defined the following risks material: Liquidity risks, currency risks, interest and inflation risks, fair value risk, credit risks and price risk. For details and further explanations, refer to this section and to Note 34a to the financial statements. The control and management of the financial and operational risks is based on a uniform methodology at the level of the Company and wholly-owned subsidiaries:

a. **Liquidity risks:** The Company has a policy of maintaining a level of liquidity at all times and in accordance with the Company's needs, so as to enable it to take advantage of business opportunities in its operating segments, also at times of crisis in the equity and debt markets, both in Israel and worldwide. The Company engages in cash flow management on an ongoing basis and also prepares cash flow forecasts and conducts stress testing to identify possible liquidity risks and the Company's sensitivity to such risks. The Company has a policy of maintaining a significant volume of signed and approved credit facilities with local and international financial institutions, while striving to diversify its sources of finance with emphasis on entering equity and debt markets across the globe, to reduce the risk of debt refinancing.

b. **Currency risks:** The Company maintains a correlation between the mix of its properties in the various functional currencies and the exposure of its equity to those currencies, also by conducting hedging transactions, from time to time, to manage the currency exposure. However, in view of a change in the group's asset mix and an increase in exposure to the euro, during the reporting period, the company's board of Directors decided to make additional hedges to reduce the exposure of the euro in such a way that the exposed equity ratio to the euro will be up to 50% of the assets exposed to the euro. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations. For details regarding the scope of the Company's exposure to each of the functional currencies (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real), with respect to which linkage basis and cross-currency swaps have been transacted and loans taken in the various currencies, and regarding the scope of the remaining exposure after transacting cross-currency swaps, as of December 31, 2019, refer to the table attached as Appendix A of the Directors' Report.

c. **Interest and inflation risks:** The Company has CPI-linked NIS-denominated liabilities and thus has an exposure to CPI changes. This exposure is more limited in economies where rent is usually linked to the CPI. The Company routinely conducts swap transactions for some of the CPI-linked liabilities, replacing the CPI linkage with fixed interest. So as to mitigate the risks arising as a result of interest rate changes, the Company usually elects to raise debt with a long-term maturity and balancing the spread of the repayments over the debt period.

d. **Fair value risk:** The Company has an exposure with respect to changes in the fair value of financial derivatives which affect the Company's profit or loss and equity. The Company's policy is to enter into financial derivatives solely for hedging purposes.

e. **Credit risks:** As of December 31, 2019, the overall fair value of the Company's portfolio of financial derivatives is positive in favor of the Company. It is thus exposed to the risk that the counterparty might not meet its obligations to the Company. The Company's policy is to perform transactions in financial derivatives with financial institutions with high financial strength (according to external credit ratings). In addition, most of the activity is executed under ISDA and CSA (Credit Support Annex) agreements, in which accounts are settled weekly over a certain threshold and cash is provided as collateral against the value of financial instruments derivatives, in order to reduce the exposure to credit risks. As of December 31, 2019, banks have deposited to the Company NIS 970 million (in U.S.$/Euro currencies) that constitutes collateral.

f. **Price risk:** As of December 31, 2019, the Company has investments in tradable financial instruments, in respect of which it is exposed to risk resulting from fluctuations in the security price, which is determined by market prices. As part of its risk management policy, the Company reviews hedging transactions from time to time to reduce the price risk exposure.

2019, there were no significant changes to the Company's market risks management policy.

4.3. As to the derivatives portfolio, refer to Note 34c to the financial statements.

4.4. Changes in foreign currency exchange rates – From January 1, 2019 through December 31, 2019, the NIS appreciated against the EUR, the U.S.$, the Brazilian Real and the Canadian Dollar by 9.6%, 7.8%, 10.8% and 3.6%, respectively. With regard to the effect of exchange rate changes on the Company's equity as of December 31, 2019, refer to Appendix A of the Directors' Report. In addition, from December 31, 2019 until immediately prior to the date of approval of this report, the NIS depreciated against the EUR and the U.S$, by 1.1% and 4.9% respectively and the NIS appreciated against the Brazilian Real and the Canadian Dollar by 20.9% and 3.3%, respectively.

In addition, some of the Company's liabilities are linked to changes in the Israeli consumer price index (primarily with respect to operations in Israel). From January 1, 2019 through December 31, 2019, the (known) consumer price index rose by 0.3%. In addition, from December 31, 2019 until immediately prior to the date of approval of this report, the (known) consumer price index fell by 0.5%.

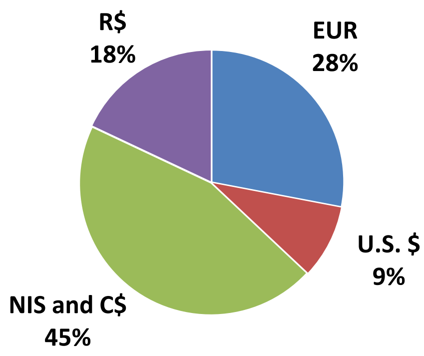
4.5. Inspection methods and policy implementation:

The persons responsible for risk management in the Company regularly examine all of the Company's exposures and risks. The Board of Directors approves major aspects of market risk management policy quarterly (and, in the same manner, future changes, if any, in the policy on this topic will require the approval of the Board of Directors). From time to time, the Board of Directors also holds separate meetings at which the Company's market risks as a whole and how to mitigate them are discussed.

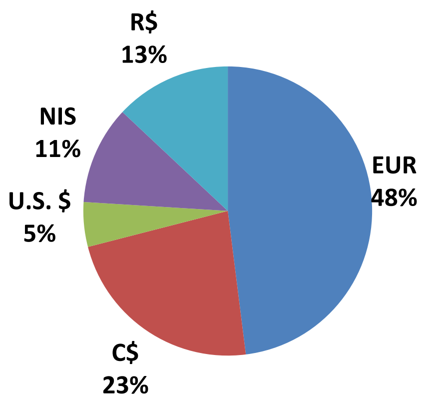
4.6. In the period from January 1, 2019 through the date of approval of the financial statements, the individuals responsible for reporting and managing the Company's market risks (the Company's CEO, Executive Vice President and CFO) held and continue to hold regular weekly discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. In the above period, the Company's Board of Directors also discussed the foregoing risks and the Company's policy regarding them at meetings in which the financial statements as of December 31, 2018, March 31, 2019, June 30, 2019, September 30, 2019 and December 31, 2019 were approved.

Breakdown of economic exposure of the equity attributable to the shareholders of the Company to the various currencies, as of December 31, 2019 [1] and December 31, 2018:

December 31, 2019



December 31, 2018



[1] Refer also to Appendix A of the Directors' Report.

5. Corporate Governance Aspects

5.1. Contributions

The Company considers itself committed to assisting the communities in which it operates, in accordance with the social investment policy approved by its management.

In 2019, the Group contributed to various educational, welfare, health and cultural entities in the different countries in which it operates. The majority of the social investment was directed to education, as follows:

A. Supporting the South initiative – 2019 was the eighth operating year of the initiative. During the year, the Company invested NIS 2.4 million in the education projects in the cities Kiryat Malakhi and Yeruham, as part of which the Company assisted in financing the operation of youth centers and provided support to elementary and high schools, kindergartens and day care centers.
The support is provided in cooperation with the Ministry of Health, the local authorities, other philanthropic parties and professional entities.

B. The Gazit-Globe Real Estate Institute – The Company has established and supports a real estate research institute at the Interdisciplinary Center (IDC) Herzliya, Israel.
In 2019, the second class specializing in real estate completed their MBA program, the third class completed their first year of studies and the fourth class started its studies. The institute also ran a real estate management and financing course.
This year, the institute held academic conferences and professional forums continued publishing a quarterly index of housing prices. Prof. Shmuel Hauser an external director of the Company, started to serves as a member of the Institute's advisory committee and replace Prof. Yair Ogler which his term terminated.
The Company undertook to contribute a total of U.S.$ 1.25 million in 2017 through 2021 to the Interdisciplinary Center for the Gazit-Globe Real Estate Institute.

C. Contribution to the community - The Company and its subsidiaries contribute to various welfare, health and culture organization. In the Reporting Period, it continued supporting social organizations, including Elem- Youth in distress, the Organization for the Promotion of Education in Tel Aviv-Jaffa and Larger than Life which Mr. Chaim Katzman, Vice Chairman of the Board and CEO of the Company, serves as Global President.

D. In addition to the contributions, in the Reporting Period, the Company employees take part in voluntary activities, through Etgarim, Larger than Life, the Organization for the Promotion of Education in Tel Aviv-Jaffa and other programs.

The total contributions of the Company and its private subsidiaries in 2019 amounted to NIS 4.1 million.

5.2. Disclosure regarding the Internal Auditor

The Company's internal auditor:

Mr. Doron Cohen has been serving as the internal auditor of the Company since July 22, 2019. Mr. Cohen is a Certified Accountant, a Certified Internal Auditor and is a partner of Fahn Kanne Control Management Ltd.

Mr. Cohen replaced Mr. Naftalin, a partner at Fahn Kanne Control Management Ltd., who served as the company's internal auditor until that time.

Is the internal auditor an employee of the Company or a person who provides internal audit services on behalf of an external party:

The internal auditor provides internal audit services in the format of an external service provider, through the company Fahn Kanne Control Management Ltd.

Legal requirements met by the internal auditors:

The internal auditor meets the requirements of Section 146(b) of the Companies Law and Section 8 of the Internal Audit Law.

Holding of securities of the Company or of a related party:

As of the date of this report, neither the internal auditor nor any of his employees held securities of the Company or of any related party.

The internal auditor's relationship with the Company or with a related party:

The internal auditor also serves as the internal auditor of Norstar Holdings, Inc., the controlling shareholder of the Company, although, in the opinion of the Company and the internal auditor, this does not give rise to a conflict of interests with his role as internal auditor of the Company.

Other duties of the internal auditor within the Company:

Apart from his duties as the internal auditor of the Company, the internal auditor is not otherwise engaged by the Company and does not provide any other services to the Company.

Other duties of the internal auditor outside the Company:

The internal auditor serves as a partner of Fahn Kanne Control Management Ltd., which provides internal audit services, internal control services, etc. to various companies and entities.

Method of the internal auditor's appointment:

Mr. Cohen was appointed as the Company's internal auditor pursuant to a resolution of the Company's Board of Directors dated July 22, 2019 (in accordance with the recommendation of the Company's Audit Committee dated May 19, 2019).

Identity of the person to whom the internal auditor reports within the organization:

Within the organization, the internal auditor reports to the Chairman of the Audit Committee.

The internal auditor's work plan:

The internal auditor's annual work plan for 2019 is based on a risk survey since December 2018. The plan took into account the subjects examined and expected to be examined over the years in accordance with a multiannual plan. The plan was established in coordination with the Audit Committee of the Board of Directors and the Company management. The work plan was discussed and approved by the Audit Committee.

The annual audit plan reflects the activities of the private companies owned by the Company in Israel and abroad and the order of priority of the subjects by important or urgency, as determined by the Audit Committee at the recommendation of the internal auditor. It is possible to deviate from the work plan with the approval of the Audit Committee.

Examination of the Company's material transactions in 2019 by the internal auditor:

In the reporting period, the internal auditor reviewed material transactions, including transactions with interested parties and controlling shareholders, as defined in the Companies Law.

Audit abroad and audit of investees:

Private subsidiaries – The internal audit reports also relate to the Company’s private subsidiaries, both in Israel and abroad. In 2019, the internal auditor conducted an internal audit of the activity of the private companies G. Israel, Gazit Horizons and Gazit Brasil, according to the work plan approved by the Company’s Audit Committee.

Public subsidiaries – With regard to the audit of the Company’s public subsidiaries listed abroad, such entities are subject to the restrictions of the law applicable to them. With regard to the internal audit at CTY and ATR, other internal auditors serves these companies in accordance with a work plan established for them by the relevant authorized organs of the companies and also work in conformity with professional international internal auditing standards. The auditor maintains a communication channel with the internal auditors of those companies, as part of a general oversight their work, including examining the existence and completion of an annual and multi-annual work plan, conducting a risk survey update, discussions on the audit reports submitted and implementation of recommendations.

Scope of the internal auditor’s engagement:

The scope of the internal auditor’s engagement varies in accordance with the annual audit plan. In 2019, 2050 hours were spent on internal audit activity, in accordance with the breakdown presented in the table below.

	Work hours
Internal audit in Israel	1,200 hours
Internal audit of the Company’s private subsidiaries abroad	850 hours
Total	**2,050 hours**

The number of the auditor’s work hours was set at 2,050 hours, based on the audit subjects that were determined for examination in 2019, compared with 1,800 internal audit hours in 2018. It should be noted that the scope of the internal auditor’s engagement is flexible, meaning that, as 2019 progressed and as the various audit reports were discussed, the Audit Committee was empowered to permit the internal auditor to increase the number of audit hours that had been decided upon at the outset in the annual audit program.

The professional standards in accordance with which the internal auditor performs his audit:

The audit is performed in conformity with professional international standards generally accepted for internal audit. To the best of the Company’s knowledge, based on information provided by the internal auditor, he complied with the requirements of the foregoing standards.

Freedom of access for the internal auditor:

With regard to the information and documents of the Company and its private subsidiaries in Israel and abroad, the internal auditor is given free access to all IT systems of those companies, including financial data.

Reports of the internal auditor:

a. In May 2019, the internal auditor submitted an audit report on "Engagements with tenants" at G Israel.

b. In August 2019, the internal auditor submitted an audit report on "Financing, debentures and loans" at the Company.

c. In August 2019, the internal auditor submitted an audit report on "Budget management in tenders" at G Israel.

d. In August 2019, the internal auditor submitted an audit report on "Engagement with tenants and tenants Fit-out" at Gazit Brasil.

e. In November 2019, the internal auditor submitted an audit report on "Safety and Security "at Gazit Brasil.

f. In November 2019, the internal auditor submitted an audit report on "Marketing and rental of commercial spaces" at G Israel.

g. In November 2019, the internal auditor submitted an audit report on "Transactions with interested parties and material transactions" at the Company.

h. In November 2019, the internal auditor submitted an audit report on "Use of the Company Plane" at the Company.

i. In January 2020, the internal auditor submitted an audit report on "Acquisition and Engagements" at G Israel.
j. In January 2020, the internal auditor submitted an audit report on "Monitoring the activity of internal auditors in the Group".
k. In January 2020, the internal auditor submitted an audit report on "Update on the Control Risk Survey" at the Company.
l. In January 2020, the internal auditor submitted an audit report on "Monitoring Implementation of Recommendations" in audit reports of the entire Group.
m. In April 2020, the internal auditor submitted an audit report on "Senior expenses" at Gazit Brasil.
n. In April 2020, the internal auditor submitted an audit report on "Contracts Management and Integration" at Gazit Brasil.
o. In April 2020, the internal auditor submitted an audit report on "Acquisition of assets, senior expenses and general survey" in Gazit Horizons.

The Audit Committee discussed the foregoing reports in its meetings on May 19 2019, August 18 2019, November 13 2019, January 15, 2020 and April 5, 2020.

Opinion of the Company's Board of Directors concerning the internal auditor's activities:

In the opinion of the Company's Board of Directors, the scope, nature, continuity of the internal auditor's activities and his work plan are reasonable under the circumstances and are sufficient to attain the internal audit objectives of the Company.

Compensation of the internal auditor:

The internal auditor's fees are determined based on the number of work hours actually invested in performing his assignments, within a budget approved in advance by the Company's Audit Committee. In the Company's opinion, the payment of such compensation does not influence the professional judgment of the internal auditor.

5.3. Auditor's fees

Independent auditors of the Company: Kost Forer Gabbay & Kasierer, Certified Public Accountants (member of Ernst & Young Global)

The fees of the independent auditors that audit the financial statements of the Company and its subsidiaries are as follows:

A. Ernst & Young Israel (the Company and its wholly-owned subsidiaries):

	For the year ended December 31			
	2019	2018	2019	2018
	NIS thousands		Hours	
Fees for audit and related services	3,037	4,207	11,294	13,841
Consulting fees and tax services	851	874	2,211	2,314
Other fees	324	135		
Total	4,212	5,216		

The data include the fees and hours for the Company's wholly-owned companies in Canada, USA and Germany.

B. Ernst & Young Finland (CTY):

	For the year ended December 31			
	2019	2018	2019	2018
	NIS thousands		Hours	
Fees for audit and related services	3,684	3,821	9,710	9,945
Total	**3,684**	**3,821**		

C. Ernst & Young Canada (Gazit Canada Inc. and Gazit America):

	For the year ended December 31			
	2019	2018	2019	2018
	NIS thousands		Hours	
Fees for audit and related services	304	172	108	98
Consulting fees and tax services	125	212	118	75
Total	**429**	**384**		

D. Ernst & Young Brazil:

	For the year ended December 31			
	2019	2018	2019	2018
	NIS thousands		Hours	
Fees for audit and related services	582	707	3,285	3,305
	97	143	546	668
Total	**679**	**850**		

E. PWC Poland (ATR):

	For the year ended December 31			
	2019	2018	2019	2018
	NIS thousands		Hours	
Fees for audit and related services	4,198	5,231	9,540	12,250
Consulting fees and tax services	130	509	460	1,050
Others	159	-		
Total	**4,487**	**5,740**		

The fees of the Company's independent auditors are determined on an hourly basis, according to tariffs and time-frames approved by the Board of Directors.

6. Disclosure Regarding the Financial Reporting of the Company

6.1. Additional information and events subsequent to the reporting date

A. For details regarding debt raising, by the Company, through issuance of new debentures (Series N) in the amount of NIS 593 million, refer to Note 37b to the financial statements.

B. After the reporting date, The Company repurchased approximately 3.9 million shares for consideration of NIS 95 million.

C. For details regarding debt raising, by the Company through an expansion of a debentures (series K), in the amount of NIS 264 million refer to Note 37g to the financial statements.

D. For details regarding buyback of debentures, by the Company in the amount of NIS 146 million, refer to Note 37c.

E. For details regarding the approval of the company's compensation policy to officers by the General Meeting, refer to section 17 to the Description of the Company's Business.

7. Details Concerning the Company's Publicly-Held Commitment Notes

A. As of December 31, 2019, there were four series of listed debentures issued by the Company as follows:

	Issue date	Par value Date of issue	Par value of debentures as of 31/12/19	Par value of debentures, plus linkage differences as of December 31, 2019	Total accumulated interest as of December 31, 2019	Presented in the financial statements as of December 31, 2019	Market value as of December 31, 2019	Interest type and rate	Principal payment date	Interest payment date	Basis linkage and linkage terms (Principal + interest)
		NIS in thousands		NIS in millions							
Debentures (Series D)	September 2006 (1)	2,069,048	495,020	591.3	22.7	592	637.1	Fixed 5.10%	3 annual installments starting from March 2019 (the first 2 at the rate of 30% and the last at the rate of 40%)	Paid annually on March 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series K)	September 2011 (2)	2,653,181	1,257,966	1,310.6	17.6	1,351	1,541.6	Fixed 5.35%	5 installments with the first installment in September 2018 at the rate of 10%, the second installment in September 2020 at the rate of 15%, the third, fourth and fifth installments in September of the years 2022-2024 each at the rate of 25%	Paid twice a year on March 31 and September 30 of each of the years from 2012 through 2024.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series L)	October 2013 (3)	2,957,801	2,957,801	2,969.4	-	3,026	3,466.2	Fixed 4.00%	5 installments with the first installment in June 2023 at the rate of 10%, the second and third installments in June 2024-2025 at the rate of 15% each, and the fourth and fifth installments in June of the years 2026-2027 at the rate of 30% each.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series M)	February 2018 (4)	1,801,110	1,801,110	1,835.5	-	1,826	2,000.1	Fixed 2.78%	6 installments with the first installment in June 2021 at the rate of 5%, the second installment in June 2022 at a rate of 10%, the third installment in June 2023 at a rate of 5%, the fourth installment in June 2025 at a rate of 30%, the fifth payment in June 2026 at a rate of 10% and the sixth installment in June 2028 at a rate of 40%.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index

(1) Debentures (Series D) were first issued in September 2006, when NIS 300 million par value were issued. Debentures (Series D) pursuant to a shelf offering published under the 2006 prospectus. In November 2006, April 2007 and September 2007, by extending the series, the Company issued NIS 750 million par value, NIS 100 million par value And NIS 300 million par value, respectively, of debentures (Series D), in accordance with the shelf offering published under the 2006 prospectus. In January 2010, the Company closed a private offering to institutional investors of NIS 178 million par value of debentures (Series D), by means of extending the series. Debentures (Series D) In January 2012, the Company closed a private offering to institutional investors of NIS 185 million par value of debentures (Series D), by means of extending the series. Debentures (Series D)

(2) Debentures (Series K) were first issued in September 2011, pursuant to a shelf offering, when NIS 451 million par value were issued in September 2011. As part of the issuance of debentures (Series D) in January 2012, 1.85 million options (Series J), which are exercisable through February 29, 2012, were issued. Through the expiration date, 1.84 million options had been exercised into NIS 221 million par value of debentures (Series K) As part of the issuance of debentures (Series J) in May 2012, 2.6 million options (Series J), which are exercisable through June 14, 2012, were issued. By the expiration date, 0.6 million options had been exercised into NIS 60 million par value of debentures (Series K) In December 2012, the Company closed an offering to institutional investors of NIS 883 million par value of debentures (Series K), by means of extending the series. In June and December 2013, the Company closed a public offering of NIS 731 million par value and NIS 308 million par value of debentures (series K), respectively, by means of extending the series.

(3) Debentures (Series L) were first issued in October 2013, pursuant to a shelf offering, when 451 million par value were issued. In April 2014, January 2015, April 2015 and August 2015, the Company issued NIS 414 million par value, NIS 752 million par value, NIS 621 million par value and NIS 720 million par value of debentures (Series L), respectively, pursuant to a shelf offering, by means of expansion of the series.

(4) Debentures (Series M) were first issued in February 2018, pursuant to a shelf offering, when NIS 860 million par value were issued. In September and October 2018, the Company issued, by means of extending the series, NIS 400 million par value And NIS 541 million par value, respectively pursuant to a shelf offering.

B. Details concerning the trustees of the Company's debentures (to the best of the Company's knowledge):

	Trustee	Contact person at the trustee	Trustee's address	Fax	Email
Debentures (Series D)	Hermetic Trust Services (1975) Ltd.	Dan Evnon	Champions Motor Tower- Derech Sheshet HaYamim 30, Bnei Brak	03-5271039	hermetic@hermetic.co.il
Debentures (Series K)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series L)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series M)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il

C. Rating of the debentures:

	Issue date	S&P Maalot's rating close to issue date	Midroog's rating close to issue date	S&P Maalot's rating at the periodic report approval date (*)	Midroog's rating at the period report approval date (*)	Date and reference of the immediate report about the latest S&P Maalot rating (**)	Date and reference of the immediate report about the latest Midroog rating (**)
Debentures (Series D)	September 2006	AA	Aa2	AA-/Stable	Aa3/Stable	7/25/2019 Ref: 2019-01-077230	12/29/2019 Ref: 2019-01-114726
Debentures (Series K)	September 2011	A+/ Positive	Aa3	AA-/Stable	Aa3/Stable	7/25/2019 Ref: 2019-01-077230	12/29/2019 Ref: 2019-01-114726
Debentures (Series L)	October 2013	AA-/Stable	Aa3	AA-/Stable	Aa3/Stable	7/25/2019 Ref: 2019-01-077230	12/29/2019 Ref: 2019-01-114726
Debentures (Series M)	February 2018	AA-/Stable	Aa3/Stable	AA-/Stable	Aa3/Stable	7/25/2019 Ref: 2019-01-077230	12/29/2019 Ref: 2019-01-114726

(*) Between the issue date of the debt series until immediately prior to approval of the periodic report, further ratings were determined for the above series at the dates stipulated in the following table (all foregoing interim ratings applied to all debentures series that were in circulation at the rating date).

(**) The information contained in the immediate reports listed in this column is hereby presented by means of this reference.

D. Details concerning the credit rating history:

S & P Maalot		Midroog	
Date	**Rating**	**Date**	**Rating**
29/04/03	A+	25/10/04	Aa3
21/01/04	AA-	06/02/05	Aa3
10/05/04	AA-	14/04/05	Aa3
14/12/04	AA-	19/05/05	Aa3
03/02/05	AA-	21/11/05	Aa2
15/05/05	AA	17/05/06	Aa2
31/05/06	AA	11/06/06	Aa2
10/09/06	AA	10/09/06	Aa2
29/10/06	AA	21/11/06	Aa2Developing
20/11/06	AA/Negative	13/12/06	Aa2Developing
07/12/06	AA/Negative	28/02/07	Aa2Stable
28/02/07	AA/Stable	10/07/07	Aa2Stable
18/06/07	AA/Stable	20/12/07	Aa2Stable
11/10/07	AA/Stable	7/01/08	Aa2Stable
23/03/08	AA/Stable	23/03/08	Aa2Stable
3/08/08	AA-/Stable	9/09/08	Aa3Stable
12/02/09	AA-/Negative	15/02/09	Aa3Stable
03/05/09	A+/Negative	09/07/09	A1 Negative
26/11/09	A+/Negative	29/11/09	A1 Negative
01/07/10	A+/Stable	12/04/10	A1 Stable
02/08/11	A+/Positive	19/05/11	Aa3 Stable
25/08/11	A+/Positive	25/08/11	Aa3 Stable
23/01/12	A+/Positive	23/01/12	Aa3 Stable
15/05/12	A+/Stable	06/05/12	Aa3 Stable
12/12/12	A+/Stable	13/12/12	Aa3 Stable
13/05/13	AA-/Stable	03/06/13	Aa3 Stable
03/06/13	AA-/Stable	24/10/13	Aa3 Stable
24/10/13	AA-/Stable	24/12/13	Aa3 Stable
24/12/13	AA-/Stable	24/04/14	Aa3 Stable
23/04/14	AA-/Stable	19/10/14	Aa3 Stable
14/08/14	AA-/Stable	26/01/15	Aa3 Stable
26/01/15	AA-/Stable	25/08/15	Aa3 Stable
20/08/15	AA-/Stable	22/11/16	Aa3 Stable
04/08/16	AA-/Stable	21/11/17	Aa3 Stable
02/08/17	AA-/Stable	14/2/18	Aa3 Stable
14/02/18	AA-/Stable	25/11/18	Aa3 Stable
07/03/18	AA-/Stable	29/12/19	Aa3 Stable
19/07/18	AA-/Stable		
25/7/19	AA-/Stable		

E. On December 31, 2019 and during 2019, the Company complied with all of the terms and commitments under the deeds of trust for each of the above debenture series of the Company. No conditions existed that required the Company to immediately redeem the above debenture series under the foregoing deeds of trust, and no notices were received from any of the trustees in this regard.

F. The trust deeds, by virtue of which the debentures were issued, do not impose any restrictions on the Company regarding the creation of further charges on the Company's assets or regarding the Company's powers to issue additional commitment certificates other than the negative charge undertaking in the deed of trust of debentures (Series M and N).

G. As of December 31, 2019, the total commitments of the Company, pursuant to each series: debentures (Series D), debentures (Series K), debentures (Series L) and debentures (Series M), separately (as presented in the separate financial statements of the Company), accounts for more than 5% of the Company's total liabilities, and may thus be considered material.

H. On October 2, 2019, the Company redeemed all debentures (Series J) in accordance with the maturity dates of these debentures and removed the lien on the property was used as collateral for the aforesaid debentures.

I. On July 25, 2019, S&P Maalot reaffirmed the credit rating of all of the Company's debentures at a rating level of 'ilAA-' with a stable outlook. Furthermore, the S&P Maalot rating agency reaffirmed the short term issuer rating and the Company's commercial papers rating at a rating level of 'ilA-1+'.

On December 29, 2019, the Midroog rating agency reaffirmed the credit rating of all of the outstanding series of debentures of the Company at a rating level of 'Aa3.il', with a stable outlook. Furthermore, Midroog rating agency reaffirmed the short term rating for the Company's commercial papers at a rating level of 'P-1.il'.

J. For details regarding the Company's purchase of debentures (Series D and Series M) through tender offer, refer to Note 19b4 to the financial statements.

K. For details regarding the issuance of new unsecured debentures (Series N) after the Reporting Date, in the amount of NIS 593 million, refer to Note 37b to the financial statements.

L. Following are the principal financial covenants of debentures (Series K, L, M and N) of the Company:

Financial ratio	Covenants	As of December 31, 2019
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Series K-Higher than 500, during 4 consecutive quarters Series L-Higher than 650, during 3 consecutive quarters Series M-Higher than 800, during 3 consecutive quarters Series N-Higher than 850, during 3 consecutive quarters	2,370
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M and N- Higher than 400	2,370
Ratio of net interest-bearing debt to total consolidated assets	Series K and L-lower than 80%, during 4 consecutive quarters Series M-lower than 75%	50.4%[1]
And Minimum rating of the debentures	'ilBaa3'/'ilBBB-'	'ilAa3'/ 'ilAA'-
Ratio of net interest-bearing debt to total consolidated assets	Series N-lower than 75%	50.0%
Minimum rating of the debentures	Series N-'ilBaa3'/'ilBBB-'	'ilAa3'/ 'ilAA'-

As of December 31, 2019 and as of the approval of the financial statement, the Company complied with the covenants in respect of all debentures.

April 7, 2020		
Date of Approval of Directors' Report	Ehud Arnon - Chairman of the Board of Directors	Chaim Katzman - Vice Chairman of the Board of Directors and CEO

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

Appendix A to the Directors' Report
Additional Information regarding Currency Exposure
as of December 31, 2019

Following are details with respect to the scope of the Company's exposure to each currency to which it is exposed (EUR, USD, CAD, NIS and BRL), in respect of which cross-currency swaps were transacted and regarding the scope of the remaining exposure after transacting the swaps, as of December 31, 2019. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS(1)) and the percentages that they represent of the total assets and liabilities, respectively, on a proportionate consolidation basis(2) and the total financial adjustments made by the Company by means of cross-currency swap transactions, to correlate, to the extent possible, the Company's equity to the Company's assets (from a currency perspective). As illustrated by the table, the assets and liabilities for each particular currency do not fully correlate, and the exposure to each such currency is reflected in the differences, as presented in the table.

Data presented in millions	NIS	U.S.$	EUR	C$	BRL	Total in NIS
Assets in original currency	3,599	610	4,146	491	3,482	-
Assets in NIS	3,599	2,109	16,079	1,303	2,996	26,086
% of total assets	**14**	**8**	**62**	**5**	**11**	**100**
Liabilities in original currency	7,940	418	2,043	41	-	-
Cross-currency swap transactions in original currency	(8,893)	(45)	1,400	553	1,466	-
Liabilities in original currency	(953)	373	3,443	594	1,466	-
Liabilities in NIS adjusted for swaps	(953)	1,289	13,353	1,576	1,261	16,526
% of total liabilities	**(6)**	**8**	**81**	**9**	**8**	**100**
Total equity in original currency	4,552	237	703	(103)	2,016	-
Total economic equity(3) in NIS	4,552	820	2,726	(273)	1,735	9,560
% of total equity	**48**	**9**	**28**	**(3)**	**18**	**100**

(1) According to currency exchange rates as of December 31, 2019.
(2) The Company's statement of financial position presented on a proportionately consolidated basis was not prepared according to generally accepted accounting principles, but according to the Company's interest in each of the subsidiaries at the stated date.
(3) Represents the equity attributable to the shareholders of the Company, excluding deferred taxes.

CHAPTER C

GAZIT-GLOBE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

INDEX

Building a better
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AUDITORS' REPORT

To the Shareholders of Gazit Globe LTD.

We have audited the accompanying consolidated statements of financial position of Gazit Globe, Ltd. (the "Company") and subsidiaries as of December 31, 2019 and 2018 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of a certain subsidiary whose assets constitute approximately 29% and 29% of total consolidated assets as of December 31, 2019 and 2018, respectively, and whose revenues constitute approximately 35%, 36% and 37% of total consolidated revenues for the years ended December 31, 2019, 2018 and 2017, respectively. The financial statements of this subsidiary were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this subsidiary, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2019 and 2018 and the consolidated results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2019 in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2019, and our report dated April 7, 2020 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
April 7, 2020

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AUDITORS' REPORT

To The Shareholders of Gazit-Globe LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Gazit-Globe Ltd. and subsidiaries (collectively, "the Company") as of December 31, 2019. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company and subsidiaries' components of internal control over financial reporting based on our audit.

We did not audit the effectiveness of the components of internal control over financial reporting of a certain subsidiary, whose assets and revenues constitute approximately 29% and 35% of the related totals in the consolidated financial statements as of December 31, 2019 and for the year then ended, respectively. The effectiveness of the components of internal control over financial reporting of this company were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the effectiveness of the components of internal control over financial reporting of this company, is based on the report of the other auditors

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over the Treasury process; (3) controls over the valuation of investment properties process; (4) controls over the rental revenues process; (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the report of other auditors, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2019.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2019, and 2018 and for each of the three years in the period ended December 31, 2019 and our report dated April 7, 2020 expressed an unqualified opinion thereon based on our audits and the reports of the other auditors.

Tel-Aviv, Israel
April 7, 2020

KOST FORER GABBAY & KASIERER
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	Note	December 31, 2019	December 31, 2018
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,063	1,583
Short-term investments and loans	4	31	241
Financial assets	10	791	210
Financial derivatives	34c	64	194
Trade receivables	5	143	149
Other accounts receivable	6	758	335
Income taxes receivable		11	13
		2,861	2,725
Assets classified as held for sale	7	494	1,067
		3,355	3,792
NON-CURRENT ASSETS			
Equity-accounted investees	8	1,560	6,498
Other investments, loans and receivables	9	101	97
Financial assets	10	853	208
Financial derivatives	34c	318	83
Investment property	11	33,545	35,672
Investment property under development	12	2,031	1,965
Fixed assets, net	13	195	169
Intangible assets, net	14	622	688
Deferred taxes	23q	45	42
		39,270	45,422
		42,625	49,214

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

	Note	December 31, 2019	December 31, 2018
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	15	754	1,273
Current maturities of non-current liabilities	16	1,324	1,295
Financial derivatives	34c	70	228
Trade payables	17	93	112
Other accounts payable	18	816	902
Income taxes payable		501	434
		3,558	4,244
Liabilities attributed to assets held for sale	7	21	32
		3,579	4,276
NON-CURRENT LIABILITIES			
Debentures	19	15,117	20,653
Interest-bearing loans from banks and others	20	5,064	4,885
Financial derivatives	34c	81	60
Other liabilities	21	573	311
Deferred taxes	23q	1,885	2,072
		22,720	27,981
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	25		
Share capital		237	244
Share premium		4,656	4,860
Retained earnings		5,740	5,387
Foreign currency translation reserve		(3,077)	(1,827)
Other reserves		635	694
Treasury shares		-	(57)
		8,191	9,301
Non-controlling interests	25e	8,135	7,656
Total equity		16,326	16,957
		42,625	49,214

April 7, 2020			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO And Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

CONSOLIDATED STATEMENTS OF INCOME

	Note	Year ended December 31, 2019	2018	2017
		NIS in millions (except for per share data)		
Rental and other income	28	2,752	2,840	2,831
Property operating and other expenses	29	777	844	865
Net operating rental income		1,975	1,996	1,966
Fair value gain (loss) from investment property and investment property under development, net	11,12	164	114	(42)
General and administrative expenses	30	(360)	(375)	(386)
Other income	31a	35	13	168
Other expenses	31b	(413)	(126)	(166)
Company's share in earnings of equity-accounted investees, net	8b	37	389	434
Operating income		1,438	2,011	1,974
Finance expenses	32a	(1,118)	(2,262)	(1,085)
Finance income	32b	963	140	314
Income (loss) before taxes on income		1,283	(111)	1,203
Taxes on income (tax benefit)	23r	467	(64)	(327)
Net income (loss) from continuing operations		816	(47)	1,530
Loss from discontinued operations	8d,8e	-	-	(281)
Net income (loss)		816	(47)	1,249
Attributable to:				
Equity holders of the Company		655	(253)	493
Non-controlling interests		161	206	756
		816	(47)	1,249
Net earnings (loss) per share attributable to equity holders of the Company (NIS):	33			
Basic earnings (loss) from continuing operations		3.52	(1.31)	5.98
Basic net earnings (loss) from discontinued operations		-	-	(3.46)
Total basic net earnings (loss)		3.52	(1.31)	2.52
Diluted earnings (loss) from continuing operations		3.50	(1.32)	5.95
Diluted loss from discontinued operations		-	-	(3.46)
Total diluted net earnings (loss)		3.50	(1.32)	2.49

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2019	**2018**	**2017**
	NIS in millions		
Net income (loss)	816	(47)	1,249
Other comprehensive income (loss) (net of tax effect) *):			
Amounts that will not be reclassified subsequently to profit or loss:			
losses on financial assets at fair value through other comprehensive income	(39)	(56)	-
Amounts that will be or that have been reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(2,055)	189	(58)
Net gains (losses) on cash flow hedges	(45)	(10)	(2)
Net gains on available-for-sale financial assets	-	-	40
Realization of capital reserves of company previously accounted for using the equity method	73	-	-
Other comprehensive income (loss) from the continuing operations	(2,066)	123	(20)
Other comprehensive income (loss) from discontinued operations, net	-	-	774
Total other comprehensive income (loss)	(2,066)	123	754
Comprehensive income (loss)	(1,250)	76	2,003
Attributable to:			
Equity holders of the Company (1)	(653)	(338)	2,095
Non-controlling interests	(597)	414	(92)
	(1,250)	76	2,003
(1) Breakdown of total comprehensive income (loss) attributable to equity holders of the Company:			
Net income (loss)	655	(253)	493
Exchange differences on translation of foreign operations	(1,313)	(31)	(490)
Losses on cash flow hedges	(27)	(9)	(3)
Net gains on available-for-sale financial assets	-	-	41
Losses on financial assets at fair value through OCI	(41)	(45)	-
Realization of capital reserves on sale of previously consolidated subsidiary	-	-	2,054
Realization of capital reserves of company previously accounted for using the equity method	73	-	-
	(653)	(338)	2,095

*) For further details regarding other comprehensive income (loss) and related tax impact, refer to Note 25d.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves **)	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2019	244	4,860	5,387	(1,827)	694	(57)	9,301	7,656	16,957
Net income	-	-	655	-	-	-	655	161	816
Other comprehensive loss	-	-	-	(1,245)	(63)	-	(1,308)	(758)	(2,066)
Total comprehensive income (loss)	-	-	655	(1,245)	(63)	-	(653)	(597)	(1,250)
Exercise and expiration of Company's share options into Company's shares	*) -	4	-	-	(4)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(158)	(158)	-	(158)
Cancellation of treasury shares	(7)	(208)	-	-	-	215	-	-	-
Cost of share-based payment	-	-	-	-	7	-	7	4	11
Issuance of hybrid debentures to non-controlling interests	-	-	-	-	-	-	-	1,346	1,346
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earnings	-	-	(3)	-	3	-	-	-	-
Dividend declared (Note 26g)***)	-	-	(299)	-	-	-	(299)	-	(299)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	177	175
Acquisition of non-controlling interests	-	-	-	(5)	-	-	(5)	(48)	(53)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(403)	(403)
Balance as of December 31, 2019	237	4,656	5,740	(3,077)	635	-	8,191	8,135	16,326

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

**) For additional details regarding other reserves, refer to Note 25c.

***) In the year ended in December 31, 2019 the Company declared a dividend in the amount of NIS 1.62 per share (in a total amount of NIS 299 million). NIS 74.7 million (NIS 0.405 per share) was paid on April 16, 2019, NIS 74.6 million (NIS 0.405 per share) was paid on June 13, 2019, NIS 74.7 million (NIS 0.405 per share) was paid on September 18, 2019 and NIS 74.7 million (NIS 0.405 per share) was paid on January 2, 2020.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves **)	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of December 31, 2017 (audited)	246	4,914	5,919	(1,722)	581	(2)	9,936	8,181	18,117
Cumulative effect of first time adoption of IFRS 9	-	-	13	-	(13)	-	-	-	-
Balance as of January 1, 2018	246	4,914	5,932	(1,722)	568	(2)	9,936	8,181	18,117
Net income (loss)	-	-	(253)	-	-	-	(253)	206	(47)
Other comprehensive income (loss)	-	-	-	(31)	(54)	-	(85)	208	123
Total comprehensive income (loss)	-	-	(253)	(31)	(54)	-	(338)	414	76
Exercise and expiration of Company's share options into Company's shares	*) -	2	-	-	(2)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(113)	(113)	-	(113)
Cancellation of treasury shares	(2)	(56)	-	-	-	58	-	-	-
Cost of share-based payment	-	-	-	-	15	-	15	6	21
Dividend declared	-	-	(292)	-	-	-	(292)	-	(292)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	3	1
Acquisition of non-controlling interests	-	-	-	(74)	169	-	95	(417)	(322)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(531)	(531)
Balance as of December 31, 2018	244	4,860	5,387	(1,827)	694	(57)	9,301	7,656	16,957

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

**) For additional details regarding other reserves, refer to Note 25c.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves **)	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2017	249	4,992	5,699	(3,257)	496	(21)	8,158	25,610	33,768
Net income	-	-	493	-	-	-	493	756	1,249
Other comprehensive income (loss)	-	-	-	1,549	53	-	1,602	(848)	754
Total comprehensive income (loss)	-	-	493	1,549	53	-	2,095	(92)	2,003
Exercise and forfeiture of share options into Company's shares	*) -	11	-	-	(11)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(73)	(73)	-	(73)
Cancellation of treasury shares	(3)	(89)	-	-	-	92	-	-	-
Cost of share-based payment	-	-	-	-	11	-	11	4	15
Dividend declared	-	-	(273)	-	-	-	(273)	-	(273)
Loss of control in previously consolidated subsidiaries	-	-	-	-	-	-	-	(16,630)	(16,630)
Capital issuance to non-controlling interests	-	-	-	-	6	-	6	35	41
Acquisition of non-controlling interests	-	-	-	(14)	26	-	12	(75)	(63)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(671)	(671)
Balance as of December 31, 2017	246	4,914	5,919	(1,722)	581	(2)	9,936	8,181	18,117

*) Represents an amount of less than NIS 1 million.
**) For additional details regarding other reserves, refer to Note 25c.

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31,		
	2019	2018	2017
	NIS in millions		
Cash flows from operating activities:			
Net income (loss)	816	(47)	1,249
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance expenses, net	155	2,122	900
Company's share in earnings of equity-accounted investees, net	(37)	(389)	(443)
Fair value gain from investment property and investment property under development, net	(164)	(114)	(453)
Depreciation and amortization	31	66	28
Taxes on income (tax benefit)	467	(64)	(218)
Impairment loss of other assets	-	-	34
Capital (gain) loss, net	(16)	14	(112)
Loss (gain) from a decrease in the holding rate in investees	345	(3)	4
Change in provision for legal claims, net	(2)	(124)	(71)
Loss from deconsolidation of previously subsidiaries, net (including exercise of capital reserves)	-	-	902
Cost of share-based payments	11	21	15
	790	1,529	586
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	(48)	(113)	(19)
Increase in trade and other accounts payable	11	3	75
	(37)	(110)	56
Net cash provided by operating activities before interest, dividend and taxes	1,569	1,372	1,891
Cash received and paid during the year for:			
Interest paid	(963)	(1,128)	(1,316)
Interest received	90	38	47
Dividend received	250	285	302
Taxes paid	(45)	(72)	(145)
Taxes received	9	3	6
	(659)	(874)	(1,106)
Net cash provided by operating activities	910	498	785

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

	Year ended December 31,		
	2019	2018	2017
	NIS in million		
Cash flows from investing activities:			
Deconsolidation of previously consolidated subsidiary (a,b)	-	-	193
Investment return and proceeds from sale of investees	2,839	-	61
Investment in and loans to investees	(100)	(190)	(37)
Acquisition, construction and development of investment property	(2,052)	(4,025)	(2,665)
Investments in fixed assets	(61)	(43)	(39)
Proceeds from sale of investment property net of tax paid	1,479	1,130	2,028
Proceeds from sale of fixed assets	13	-	-
Grant of long-term loans	-	(1)	(5)
Collection of long-term loans	19	85	15
Short-term investments, net	(53)	(185)	90
Investment in financial assets	(496)	(431)	(77)
Proceeds from sale of financial assets and deposits withdrawal net of tax paid	112	4,397	1,192
Net cash provided by (used in) investing activities	1,700	737	756
Cash flows from financing activities:			
Exercise of share options into Company's shares	*) -	*) -	*) -
Purchase of treasury shares	(158)	(113)	(73)
Capital issuance to non-controlling interests, net	175	1	9
Acquisition of non-controlling interests	(53)	(322)	(63)
Dividend paid to equity holders of the Company	(298)	(287)	(204)
Dividend paid to non-controlling interests	(403)	(531)	(672)
Receipt of long-term loans	705	715	1,410
Repayment of long-term loans	(128)	(394)	(513)
Receipt of long-term credit facilities from banks, net	153	225	125
Receipt (Repayment) of short-term credit from banks and others, net	(247)	614	(213)
Repayment and early redemption of debentures and convertible debentures	(4,133)	(4,793)	(2,370)
Issue of debentures	-	4,308	451
Issuance of hybrid bonds to non-controlling interests	1,346	-	-
Net cash provided by (used in) financing activities	(3,041)	(577)	(2,113)
Exchange differences on balances of cash and cash equivalents	(89)	(29)	(59)
Increase (decrease) in cash and cash equivalents	(520)	629	(631)
Cash and cash equivalents at the beginning of the year	1,583	954	1,585
Cash and cash equivalents at the end of the year	1,063	1,583	954

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

The accompanying notes are an integral part of these consolidated

		Year ended December 31,		
		2019	2018	2017
		NIS in million		
(a)	Deconsolidation of previously consolidated subsidiary- EQY			
	Assets and liabilities of consolidated subsidiary at date of deconsolidation:			
	Working capital (excluding cash and cash equivalents)	-	-	(120)
	Non-current assets	-	-	19,005
	Deferred taxes	-	-	91
	Goodwill	-	-	28
	Non-current liabilities	-	-	(5,438)
	Non-controlling interests	-	-	(8,956)
	Gain from loss of control	-	-	114
	Capital reserves	-	-	562
	Investment in available- for- sale financial asset	-	-	(5,549)
	Decrease in cash and cash equivalents	-	-	(263)
(b)	Deconsolidation of previously consolidated subsidiary- FCR			
	Assets and liabilities of consolidated subsidiary at date of deconsolidation:			
	Working capital (excluding cash and cash equivalents):	-	-	(1,184)
	Non-current assets	-	-	24,903
	Goodwill	-	-	32
	Non-current liabilities	-	-	(11,791)
	Non-controlling interests	-	-	(7,674)
	Loss from loss of control	-	-	(1,016)
	Capital reserves	-	-	1,495
	Investment in investment accounted for using the equity method	-	-	(4,309)
	Increase in cash and cash equivalents	-	-	456
(c)	Significant non-cash transactions:			
	Acquisition of investment property under lease	301	40	-
	Sale of investment property against receivables	155	-	-
	Sale of an investee against receivables	335	-	-
	Dividend payable to the Company's shareholders	75	73	68
(d)	Additional information:			
	Tax paid included under investing and financing activities	344	252	157

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

NOTE 1:- GENERAL

a. The Company and its business activities

The Company, through its public and private investees (collectively: the "Group"), operates mainly in purchasing, improvement, development and managing of income-producing properties for mixed-use, including retail, office and residential located in densely populated urban cities in North America, Israel, Brazil, Northern, Central and Eastern Europe. In addition, the Company evaluates from time to time opportunities within its core business and similar fields, in other regions.

During 2019, the Company sold most of its holdings in First Capital Realty ("FCR"), refer to note 8e.

The Company's securities are listed for trading on the Tel-Aviv Stock Exchange (TASE) under the ticker symbol "GZT".

On February 13, 2019, the Company resolved to delist its shares from the New York Stock Exchange and terminate its obligation to report under the Securities Exchange Act of 1934. The required documentation for the delisting was filed with the SEC. The delisting and termination of reporting is effective from March 7, 2019. The deregistration of the Company's shares is effective from June 2019.

b. Definitions in these financial statements

The Company	-	Gazit-Globe Ltd.
The parent company	-	Norstar Holdings Inc. ("Norstar") through its wholly-owned subsidiary (collectively, "Norstar Group").
Subsidiaries	-	Companies that are controlled (including de facto control) by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Joint ventures	-	Companies owned by a number of entities that have a contractual arrangement for joint control, and whose accounts are accounted for using the equity method.
Joint operations	-	Companies owned by a number of entities that have a contractual arrangement for the rights to the assets and obligations for the liabilities relating to the arrangement and are presented in the Company's financial reports according its share in the arrangement's assets and liabilities, income and expenses.
Jointly controlled entities	-	Joint ventures and joint operation.
Associates	-	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries or joint ventures or joint operations in which the Company's account for the investment in the financial statements using the equity method.
Investees	-	Subsidiaries, jointly controlled entities and associates
The Group	-	The Company, its subsidiaries and jointly-controlled entities listed in the appendix to the financial statements
Interested parties and Controlling Shareholders	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (Revised).

NOTE 1: - GENERAL (Cont.)

ATR	-	Atrium European Real Estate Limited, consolidated entity. (Note 8c)
CTY	-	Citycon Oyj, consolidated entity. (Note 8f)
EQY	-	Equity One Inc., previously consolidated entity. (Note 8d)
FCR	-	First Capital Reality Inc., associate. (Note 8e)
REG	-	Regency Centers Corporations, financial asset (Notes 8d and 10)
The reporting date	-	December 31, 2019.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements

The consolidated financial statements of the Group have been prepared on a cost basis, except for investment property, investment property under development, and certain financial instruments including derivative instruments that are measured at fair value.

The Company presents profit or loss items using the "function of expense" method.

The basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Furthermore, the financial statements are prepared in accordance with provisions of the Israeli Securities Regulations (Annual Financial Statement), 2010.

Consistent accounting policy

The accounting policy in the financial statements is consistent in all periods presented, unless otherwise stated.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

The preparation of the Group's consolidated financial statements requires management to exercise judgments and make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, in the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgments

In the process of applying the significant accounting policies, the Group has applied its judgment and has considered the following issues which have the most significant effect on the amounts recognized in the financial statements:

Topic	Main Considerations	Reference/Possible Effect
Existence of effective control	a. Materiality of percentage of voting rights relative to the holdings of the other holders of voting rights while considering vote agreements b. Degree to which the other holdings are diversified c. Voting patterns at prior meetings of shareholders	Consolidation of financial statements or application of the equity method and relevant measurement impact– refer to Note 2c and Note 8e and 8f
Classification of Leasing of investment property	Classification as a finance lease or as an operating lease in accordance with the transfer of risks and rewards criteria with respect to the leased property	Recording the investment as property and the income as rental income or recording it as a financial investment and interest income – refer to Note 2q
Acquisitions of subsidiaries that are not business combinations	Analysis of the transaction in light of the definition of a “business” in IFRS 3, in order to decide whether the transaction constitutes a business combination or asset acquisition	Recording the acquisition consideration as an investment in an asset, or recording an investment in net identifiable assets, including goodwill and deferred taxes – refer to Note 2l
Reliable measurement of the fair value of investment property under development	a. Location of the property under development in a developed and liquid market b. Existence of a reliable estimate of the construction costs c. Availability of relevant regulatory consent for the utilization of the land rights, and applicable zoning, city plan and building permits exist d. The lease up of a major percentage of the leasable areas	Measurement of investment property under construction at cost or at fair value – refer to Note 12
Reporting income on a net basis or on a gross basis	Who controls the promised goods or services before transferring them to the customer	Reporting rental income on a gross or net basis – refer to Note 2w

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Key estimates and assumptions

The key assumptions made in the financial statements concerning uncertainties at the balance sheet date and the critical estimates calculated by the Group that may cause a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

Topic	Estimates and Main Assumptions	Reference/Possible Effect
Valuation of investment property and investment property under development	The required yields on the Group's properties, future rental rates, occupancy rates, lease renewal rates, the probability of leasing out vacant plots and the date thereof, property operating expenses, the financial strength of the tenants and required capital expenditure	Determination of the fair value of investment property vis-à-vis the fair value gains (losses) in the statement of income - refer to Note 11 and Note 12
Impairment of goodwill	The anticipated cash flows and the appropriate capitalization rate for measuring the recoverable amount with the addition of certain adjustments of group of cash-generation units to which the goodwill is allocated	Determination whether to record an impairment - refer to Note 2r and Note 14
Recording of deferred tax assets and provision for income taxes.	Expectation of current and future taxable income considering the timing, the amount of the expected taxable income and the tax planning strategy	Note 2t and Note 23p
Determination of fair value of nonmarketable financial derivatives (swap contracts)	Discounting future cash flows by interbank yield curve, with adjustments for the inter-currency liquidity spreads, inflation expectations and the credit risk of the parties	Revaluation of financial derivatives in profit or loss or in other comprehensive income – refer to Note 34b
Provision for legal claims	In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of the legal proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in the courts, the results could differ from these estimates.	Recognition of provision for legal claims based on the estimation of chances to be accepted, refer to note 24d

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Consolidated financial statements

The consolidated financial statements include the financial statements of the Company as well as the entities that are controlled by the Company (subsidiaries). Control exists when the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. In assessing control, potential voting rights are only considered if they are substantive. Financial statements are consolidated from the date control is obtained until the date that control ceases.

Consolidation due to effective control
The Group consolidates a subsidiary on the basis of effective control in accordance with IFRS 10.

Below is part of the aspects considered by the Group, which, when evaluating the overall circumstances, may evidence the existence of effective control:

1. Holding a significant voting interest (even if less than half of the voting rights).
2. Wide diversity of public holdings of the remaining shares conferring voting rights and the absence of an entity other than the Group that holds a significant portion of the investee's shares.
3. The Group has a significantly large percentage of the active voting power (quorum) at the general meetings of the shareholders and voting agreements with other shareholders that, in practice, facilitate the appointment of the majority of the members of the Board of Directors.
4. The non-controlling interests have no participating rights or other preferential rights, excluding standard protective rights.

The Company carries out ongoing evaluation to the existence of effective control over the investee according to the three components of control as defined on section 7 to IFRS10.

Based on the above criteria and the following circumstances, the Group has consolidated in its financial statements due to effective control of the accounts of CTY, inter alia, due to its holding of a significant voting interest of 48.6% in CTY at the reporting date, the wide diversity of the public holdings of the remaining shares, restriction on other shareholders to hold above 30% of CTY's shares without issuing a tender offer, the Group has ownership of a majority of the voting power that participates in the general meetings, enabling inter alia its ability to appoint the majority of the directors, and indirectly the senior management of CTY. In addition the Group has a voting agreement with other shareholders refer to Note 24a2.

Non-controlling interests represent the equity in subsidiaries that are not attributable, directly or indirectly, to the parent company. Profit or loss and each component of other comprehensive income are attributed to the Company and non-controlling interests.

When the Group acquires non-controlling interests, the difference between the consideration and the carrying amount of the acquired interest is recorded as a reduction or increase in equity under transactions with non-controlling interests. Upon disposal of rights in a subsidiary that does not result in a loss of control, an increase or decrease in equity is recognized as the difference between the consideration received by the Group and the carrying amount of the non-controlling interests in the subsidiary adjusted for the disposal of goodwill in the subsidiary, if any, and amounts recognized in other comprehensive income, if any. Transaction costs in respect of transactions with non-controlling interests are also recorded in equity.

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The financial statements of the Company and of the consolidated investees are prepared as of the same dates and periods. The accounting policies in the financial statements of those investees are applied consistently and uniformly with the policy applied in the financial statements of the Company.

If the Company loses control of a subsidiary, it shall:

- Derecognize the assets (including any goodwill) and liabilities of the subsidiary.
- Derecognize the carrying amount of any non-controlling interest.
- Derecognize any adjustment resulting from exchange differences on translation recognized in equity.
- Recognize the fair value of the consideration received.
- Recognize any investment retained in the former subsidiary at its fair value.
- Recognize amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.
- Recognize any difference created (gain or loss) in profit or loss attributable to the Company.

d. Functional and foreign currencies

1. Functional and presentation currency

The presentation currency of the financial statements is the Israeli shekel (NIS).

The functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is determined separately for each Group entity, including entities accounted for using the equity method, and is used to measure its financial position and operating results. The functional currency of the Company is the NIS.

When an Investee's functional currency differs from the functional currency of the Company, that Investee represents a foreign operation whose financial statements are translated so that they can be included in the consolidated financial statements as follows:

a) Assets and liabilities for each balance sheet item presented (including goodwill and purchase adjustments) are translated at the closing rate as of the reporting date.

b) Income and expenses for each period presented in the income statement are translated at average exchange rates for the presented periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions.

c) Share capital and capital reserves are translated at the exchange rate prevailing at the date incurred.

d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions during the period are translated as described in b) and c) above.

e) Exchange differences are recognized in other comprehensive income (loss).

Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment and the exchange differences arising from these loans are recognized in other comprehensive income (loss).

Upon disposal of a foreign operation that leads to loss of control of a subsidiary, or in disposal of a foreign operation accounted for by the equity method, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income, is transferred to the income statement. In addition, on partial disposal of a subsidiary that includes a foreign operation that does not lead to loss of control, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Transactions in foreign currency

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or recorded in other comprehensive income, are recognized in the income statement. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted to the relevant index at each reporting date according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized as qualifying assets, are recognized in profit or loss.

e. The operating cycle

The Group's operating cycle is one year. Accordingly, the assets and liabilities directly attributable to these activities are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

f. Cash equivalents

Cash equivalents are highly liquid investments, including short-term bank deposits which are not restricted by liens, whose original term to maturity is up to three months from the investment date.

g. Short-term deposits

Short-term bank deposits are deposits with maturities of more than three months from investment and do not meet the definition of cash equivalents. Deposits are presented in accordance with their terms of deposit.

h. Allowance for doubtful accounts (accounting policy applied until December 31, 2017):

The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of Group Companies' managements, is doubtful. Furthermore, with respect to trade receivables for which no specific allowance was recognized, subject to materiality, an additional impairment is recognized estimated on a Group base according to credit risks characteristics. Impaired trade receivables are derecognized when they are assessed as uncollectible.

The accounting policy applied commencing January 1, 2018, is described in impairment of financial assets, refer to Note 2i2b.

i. Financial instruments

1. On January 1, 2018, the Group adopted IFRS 9, "Financial Instruments" ("the Standard"), the Group elected to adopt the provisions of the Standard retrospectively without restatement of comparative data.

2. The accounting policy for financial instruments applied commencing from January 1, 2018, is as follows:

a) Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and

- The contractual cash flow terms of the financial asset.

1) Debt instruments are measured at amortized cost when:

The Group's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

2) Debt instruments are measured at fair value through profit or loss when:

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

3) Equity instruments and other financial assets held for trading:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.

In respect of certain equity instruments that are not held for trading, on the date of initial recognition the Group made an irrevocable election to present subsequent changes in fair value in other comprehensive income which changes would have otherwise been recorded in profit or loss. These changes will not be reclassified to profit or loss in the future, even when the investment is disposed of.

Other financial assets held for trading such as derivatives, including embedded derivatives separated from the host contract, are measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

b) Impairment of financial assets:

The group evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.
The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition , or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For low credit risk financial instruments, the Group assumes the debt instrument's credit risk has not increased significantly since initial recognition.

The Group always measures the loss allowance at an amount equal to the expected credit losses over the instrument's remaining term for account receivables or assets from contracts with customers resulting from transitions under the scope of IFRS 15, and for lease receivables resulting from transactions under the scope of IFRS 16.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance.

c) Derecognition of financial assets:

A financial asset is derecognized only when:

1. The contractual rights to the cash flows from the financial asset has expired; or

2. The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

3. The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

d) Financial liabilities:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method. Short term credit is presented according to its terms, usually at nominal value.

e) Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires.
A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.
When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.
If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.
If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f) Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

g) Embedded derivatives:

According to the provisions of the Standard, if a hybrid contract contains a financial asset within the scope of the Standard, the embedded derivative is not separated from the host. Such hybrid contracts are measured in their entirety at amortized cost or at fair value, based on the criteria for determining the characteristics of the business model and contractual cash flows.

If the financial asset is not within the scope of the Standard, the embedded derivative is separated from the host and accounted for as a derivative when the economic risks and characteristics of the embedded derivative are not closely related to the economic risks and characteristics of the host, the embedded derivative meets the definition of a derivative and the hybrid contract is not measured at fair value with the changes in fair value recognized in profit or loss.

Reassessment of the need to separate an embedded derivative only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required.

3. The accounting policy for financial instruments applied until December 31, 2017, is as follows:

All financial assets are recognized initially at fair value plus direct transaction costs, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

a) Financial assets at fair value through profit or loss

Financial assets that are measured at fair value through profit or loss are comprised of financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets held for trading include derivatives that are not designated as hedging instruments. These derivatives are measured at fair value with changes in fair value recognized in the income statement.

b) Loans and receivables and investments held to maturity

The Group has loans and receivables that are financial assets (non-derivative) with fixed or determinable payments that are not quoted on an active market. Investments held to maturity are financial assets (non-derivative) with fixed or determinable payments in which the Group has the intention and ability to hold to maturity. After initial recognition, loans and receivables and investments held to maturity ("the Investments") are measured based on their terms at amortized cost using the effective interest method taking into account directly attributable transaction costs. Short-term receivables recognized based on their terms, normally at face value. As for recognition of interest income, see x below.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses from fair value adjustments, except for exchange differences and interest that relate to monetary debt instruments and dividend that relates to equity instrument that are carried to profit or loss, are recognized in other comprehensive income (loss). When the investment is disposed of or in case of impairment, the equity reserve in other comprehensive income (loss) is reclassified to profit or loss, presented under "Decrease in value of financial investments", or under "loss from sale of marketable securities", as applicable. Concerning recognition of interest income on debt instruments and dividends earned on equity instruments, see x below.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

d) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position, provided there is a legally enforceable right to offset the recognized amounts, and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right to offset needs to be legally enforceable not just during the normal course of business but also in the event of bankruptcy or insolvency of one the parties. In order for the right to offset to be currently available, it cannot be contingent on a future event, nor can there be periods during which it will not apply or events that will cause its expiration.

e) Financial liabilities measured at amortized cost

Interest-bearing loans and borrowings are initially recognized at fair value less directly attributable transaction costs (such as loan raising costs). After initial recognition, loans, including debentures, are measured based on their terms at amortized cost using the effective interest method taking into account directly attributed transaction costs. Short-term credit is disclosed according to it terms, usually at its nominal value.

f) Embedded derivatives

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment is only required if there is a change in the terms of the contract that significantly modifies the cash flows from the contract.

g) Treasury shares

Company shares held by the Company are recognized at cost and deducted from equity. Any purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

h) Derecognition of financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the company has transferred its contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full without material delay to a third party and has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

i) Derecognition of financial liabilities

A financial liability is derecognized when it is extinguished, meaning, when the obligation is discharged, cancelled or expires. A financial liability is extinguished when the debtor (the Group):

- Discharges the liability by paying in cash, other financial assets, goods or services; or
- Is legally released from the liability.

Where an existing financial liability is exchanged with another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amount of the above liabilities is recognized in the profit or loss. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no gain or loss is recognized from the exchange. When determining whether an exchange transaction of a debt instrument constitutes material change, the Group takes into consideration quantitative as well as qualitative criteria.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that the following financial asset or group of financial assets is impaired:

1. Financial assets carried at amortized cost

There is objective evidence of impairment of debt instruments, loans and receivables measured at amortized cost as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has a negative impact on the estimated future cash flows. The amount of the loss carried to profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the original effective interest rate. If the financial asset bears a variable interest rate, the discount rate is the current effective interest rate. In subsequent periods, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized.

The amount of the reversal, as abovementioned, is recognized as profit or loss up to the amount of any previous impairment.

2. Available-for-sale financial assets

For equity instruments classified as available-for-sale financial assets, the objective evidence includes, inter alia, a significant or prolonged decline in the fair value of the asset below its cost. The examination of a significant or prolonged impairment depends on the circumstances at each balance sheet date. The examination considers historical volatility in fair value and the existence of a continuous decline in fair value. Where there is evidence of impairment, the cumulative loss is reclassified from other comprehensive income to profit or loss. In subsequent periods, reversal of impairment loss is recognized as other comprehensive income.

j. Financial derivatives and hedge accounting

In line with its risk management policy, from time to time the Group enters into derivative contracts such as cross-currency swaps of principle and interest ("Swap"), currency forward contracts, Interest Rate Swaps ("IRS") and options to hedge its risks associated with changes in interest rates and currency exchange fluctuations. Such financial derivatives are presented as current or non-current based on their maturity dates.

After initial recognition, derivatives are measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are carried to profit or loss.
Subsequent to initial recognition, the financial derivatives are measured at fair value when losses or gains in respect of derivatives in respect of which the Company does not apply hedge accounting are charged as losses or gains in the statement of income.

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, while any ineffective portion is recognized immediately in profit or loss. Amounts recognized as other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss, or when a forecast transaction or firm commitment is no longer expected to occur.

If the hedging instrument expires or is sold, terminated or exercised, or if its designation as a hedge is revoked, amounts previously recognized as other comprehensive income remain in other comprehensive income until the forecasted transaction or the firm commitment occurs.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

On unwinding hedging transactions, whether or not they are designated as an accounting hedge, when the transaction includes a hedge of cash flows with respect to principal and interest, the cash flows received or paid are classified in the statement of cash flow under financing activity, in respect of the cash flows representing the hedge of the principal component, and under operating activity, in respect of the cash flows representing the hedge of the interest component. With regard to unwinding of interest rate swap (IRS) the cash flows received or paid are classified in the statement of cash flow under operating activity.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similar to cash flow hedges. Upon disposal of foreign operation, the cumulative translation difference in comprehensive income or loss is reclassified to profit or loss.

Fair value hedges

A change in the fair value of a derivative (the hedged item) and the hedging item are recognized through profit or loss. When the hedged item is derecognized, the adjustment to fair value that has not yet been amortized is recognized at that date to profit or loss.

k. Fair value measurement

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair measurement is based on the assumption that the transaction takes place in the principal market of the asset or the liability, or, in the absence of a principal market, in the most advantageous market. The fair value of an asset or a liability is measured using the assumption that market participants will assume, at the time of pricing the asset or the liability, that market participants act in their economic best interest.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices at each reporting date. For investments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. Further details are provided in Note 34b.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through making the highest and best use of the asset or by selling it to another market participant who will make the highest and best use of it.

The Group uses valuation techniques appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are divided into categories within a fair value hierarchy, based on the lowest level input that is significant to the entire fair value measurement:

- Level 1: Prices quoted (unadjusted) on active markets of similar assets and liabilities.
- Level 2: Data other than quoted prices included in level 1, which may be directly or indirectly observed.
- Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

For additional information regarding the fair value of assets and liabilities measured at fair value or that their fair value is disclosed, refer to Note 34b and 34c.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

l. Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Under this method, the assets and liabilities of the acquired business are identified at fair value on the acquisition date. The cost of the acquisition is the aggregate fair value of the assets acquired, liabilities assumed and equity rights issued by the acquirer on the date of acquisition. In respect of each business combination, non-controlling interests are measured either at fair value on the acquisition date or at the relative share of the non-controlling interests in the acquiree's net identifiable assets. The direct acquisition costs are recognized immediately as an expense in profit or loss.

In a business combination achieved in stages, equity rights in the acquiree that had been previously held by the acquirer prior to obtaining control are measured at the acquisition date at fair value and are included in the acquisition consideration by recognizing the gain or loss resulting from the fair value measurement. In addition, amounts previously recorded in other comprehensive income are reclassified to profit and loss.

Goodwill is initially measured at cost which represents the excess acquisition consideration and non-controlling interests over the net identifiable assets acquired and liabilities assumed as measured on the acquisition date. If the excess is negative, the difference is recorded as a gain from bargain purchase in profit and loss upon acquisition.

Acquisitions of subsidiaries that are not business combinations

Upon the acquisition of operations that do not constitute a business, the acquisition consideration is only allocated between the acquired identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes, whereby the non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date. Directly attributed costs are recognized as part of the acquisition cost.

m. Investments in associates and joint ventures

The investment in associates or joint ventures is accounted for using the equity method. Under the equity method, the investment in associates or joint ventures is accounted for in the financial statements at cost plus changes in the Group's share of net assets, including other comprehensive income (loss), of the associates or joint ventures. The equity method is applied until the loss of significant influence or joint control or classification of the investment as non-current asset held-for-sale.

The Group continues to apply the equity method in cases which the associate become a joint venture and vice versa.
The Group applies the provision of IFRS 5 with regards to the investment or part of the investment in an associate or joint venture that is classified as held for sale. The remainder of the investment not classified as held for sale is still measured according to the equity method.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

Goodwill relating to the acquisition of associates or joint ventures and to the increase in holding interest is initially measured as the difference between the acquisition cost and the Group's share in the net fair value of the associates’ or joint ventures' net identifiable assets. After initial recognition, goodwill is measured at cost less, if applicable, any accumulated impairment loss and is not systematically amortized. Goodwill is examined for impairment as part of the investment in the associate or joint ventures as a whole. In case the acquisition cost is lower than the net fair value of the associated net identified assets, the difference is recognized as a gain from a bargain purchase in profit or loss.

Profits and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the investees.

The financial statements of the Company and of the associates or joint ventures are prepared as of the same dates and periods. The accounting policy in the financial statements of the associates and joint ventures has been applied consistently and uniformly with the policy applied in the financial statements of the Group.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Investment property

An investment property is property (land or a building or both) held by the owner or by the lessee under a lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair value of investment property are recognized in profit or loss when they arise. Investment property is not systematically depreciated.

Investment property under development, designated for future use as investment property, is also measured at fair value, provided that fair value can be reliably measured. However, when fair value is not reliably determinable, such property is measured at cost, less impairment losses, if any, until either development is completed, or its fair value becomes reliably determinable, whichever is earlier. The cost of investment property under development includes the cost of land, construction costs, borrowing costs used to finance construction, direct incremental planning and development costs and leasing costs.

In order to determine the fair value of investment property, the Group uses valuations performed mainly by accredited independent appraisers who hold a recognized and relevant professional qualification and by the Group's managements that have extensive professional knowledge and are deeply familiar with the type of assets and markets in which the Group operates. For further details refer to Notes 11 and 12.

Investment properties are derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

o. Fixed assets

Items of fixed assets are measured at cost with the addition of direct acquisition costs, less accumulated depreciation and accumulated impairment losses, if any, and excluding day-to-day servicing expenses.

Depreciation is calculated for every significant item separately on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	
Buildings	2	
Motor vehicles	15	
Equipment	2.5-5	(mainly 5%)
Computers, software, office furniture, office, equipment and other	6-33	

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected useful life of the improvement.

The useful life and the residual value of an asset are reviewed at least once at each year-end and the changes, if any, are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

p. Intangible assets

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Intangible assets, that according to management's assessment, have a finite useful life are amortized over their useful life using the straight-line method (refer to Note 14) and reviewed for impairment whenever there is an indication that the intangible assets may be impaired. The useful life and residual value are reviewed at least once a year.

q. Leases

As described in Note 2bb1 regarding the initial adoption of IFRS 16, "Leases" ("the Standard"), the Company elected to apply the standard using the modified retrospective approach (without restating comparative figures).

The accounting policy applied from January 1, 2019 for leases is as follows:

A contract is treated as a lease by the Company if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration

a. The Group as lessee

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the lease commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the lease commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term. The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36. A right of use asset that is considered an investment property is measured at fair value.

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

The aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. The Group as lessor

The tests for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the principles set out in the Standard:

1. Finance lease - In finance leases, substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. The leased asset is derecognized and recognized as a financial asset, "receivables for finance lease", at the present value of the lease payments. After initial recognition, the lease payments are apportioned between finance income and collection of the receivable for the lease.

2. Operating lease - Lease agreements where the Group does not transfer substantially all the risks and rewards incidental to ownership of the leased asset, are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement, are added to the carrying amount of the leased asset and recognized as an expense on the same basis over the lease term. When the leased asset is investment property, these costs are recognized in the profit or loss as part of the fair value adjustments.

The accounting policy for leases applied until December 31, 2018, is as follows:

The tests for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the principles set out in IAS 17.

Operating leases - the Group as lessee
Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and rewards incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance leases - the Group as lessee
Finance leases transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The liability for lease payments is presented at its present value and the lease payments are apportioned between finance charges and a reduction of the lease liability using the effective interest method. The leased asset is amortized over the shorter of its useful life or the lease period.

Operating leases - the Group as lessor
Lease agreements where the Group does not transfer substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the leased asset. Lease income is recognized on a straight-line basis over the lease term.

Finance leases - the Group as lessor
A lease is classified as a finance lease where all the risks and rewards incident to ownership of the asset are transferred to the lessee. The leased asset is derecognized and replaced with a financial asset, "Receivables with respect to finance lease", at an amount equal to the present value of the lease payments. Subsequent to the initial recognition, lease payments are allocated between finance income and settlement of the receivables with respect to the lease.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

r. Impairment of non-financial assets

The Company examines the need to recognize an impairment of non-financial assets whenever events or changes in circumstances indicate that their carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the carrying amount is reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In measuring value in use, the estimated net operating future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. Impairment loss is recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (less depreciation) had no impairment loss been recognized for the asset in prior periods and its recoverable amount. A reversal of an impairment loss of an asset measured at cost is recognized as income in profit or loss.

The following criteria are applied in assessing impairment for the following specific assets:

1. Goodwill in respect of subsidiaries

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at acquisition date, to each of the cash generating units that are expected to benefit from the synergies of the combination.

The Group reviews goodwill for impairment once a year on December 31, or more frequently, if events or changes in circumstances indicate that impairment has occurred.

An impairment test for goodwill is carried out by determining the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill belongs. In certain circumstances of impairment test of goodwill, the recoverable amount is adjusted for the difference between the carrying amount of a recognized deferred tax liability and its fair value. If the recoverable amount of the cash-generating unit (or group of cash generating units), to which goodwill has been allocated, is lower than its carrying amount, an impairment loss is recognized and attributed first to reduce the carrying amount of goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. For additional information, refer to Note 14.

2. Investments in associates and joint ventures

After application of the equity method of accounting, the Group examines whether it is necessary to recognize any additional impairment loss with respect to investments in the associates or joint ventures. The recoverable amount is the higher of fair value and value in use which is determined based on the estimated net cash flows to be generated by the associate or joint venture. Impairment loss, as above, is not attributed specifically to goodwill. Therefore, it may be reversed in full in subsequent periods, up to the recognized impairment loss, if the recoverable amount of the investment increases.

s. Non-current assets classified as held for sale

A non-current asset or a group of assets (disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Group must be committed to sell, there is a plan to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. The depreciation of the assets ceases upon initial classification date, and they are presented separately in the statement of financial position as current assets, and measured at the lower of their carrying amount and fair value less costs to sell.

Investment property measured at fair value and classified as held for sale, as above, continues to be measured at fair value and presented separately in the statement of financial position as assets classified as held for sale.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

When the parent company decides to realize part of its holdings in a subsidiary so that after the disposal the company is left with non-controlling interest, assets and liabilities attributed to the subsidiary are classified as held for sale by applying the provisions of IFRS 5, including classification as for discontinued operations.
A discontinued operation is an activity disposed or classified as held for sale as mentioned above, and it represents a business sector or geographical location of operations which is considered separate and major.

t. Taxes on income

The tax results in respect of current or deferred taxes are recognized as profit or loss except to the extent that the tax arises from items which are recognized in other comprehensive income or directly in equity.

1. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted as of the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that the related tax benefit will be utilized. Deductible carry forward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable. Any resulting reduction or reversal is recognized in profit or loss.

Deferred taxes in respect of investment property held for the recovery of substantially all of the economic benefits that are embedded therein by way of sale rather than use are measured according to the anticipated settlement of the base asset, on the basis of sale rather than use.

In situations where the Group holds single asset entities and where the manner in which the Group expects to realize the investment is by selling the shares of the single asset entity rather than by disposing of the asset itself, the Group recognizes deferred taxes both in relation to the temporary inside differences arising from the gap between the tax basis of the asset and its book value and, if relevant, also in relation to the outside temporary differences arising from the gap between the tax basis of the shares of the single asset entity and the share of the Group that holds the net assets of the single asset entity in the consolidated financial statements.

Taxes that would apply in the event of the sale of investments in subsidiaries have not been taken into account in recognizing deferred taxes, as long as the realization of the investments is not expected in the foreseeable future. Moreover, deferred taxes with respect to distribution of earnings by investee companies as dividend are not taken into account in recognizing deferred taxes, since dividend distribution does not involve additional tax liability and, since it is the Group's policy not to initiate dividend distributions that trigger additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to set off a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

u. Share-based payment transactions

The Group's employees and officers are entitled to remuneration in the form of share-based payment transactions as consideration for equity instruments ("Equity-Settled Transactions") and certain employees are entitled to cash-settled benefits based on the increase in the Group companies' share price ("Cash-Settled Transactions").

Equity-Settled Transactions

The cost of Equity-Settled Transactions with employees and officers is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard pricing model.

The cost of Equity-Settled Transactions (refer to Note 26) is recognized in profit or loss, together with a corresponding increase in equity, during the period in which the service conditions are satisfied (the "Vesting Period"), ending on the date on which the relevant employees become fully entitled to the award. In cases where the Vesting Period was not completed, due to reasons other than market conditions, the cumulative expense recognized is recorded as income.

In cases where the Company performs modification of equity instruments granted ("Modification"), which increases the aggregate fair value of the granted compensation or benefits the grantee, an additional expense is recognized in addition to the original expense, according to the fair value measured immediately before and after the Modification ("Incremental Expense"). If the modification occurs during the Vesting Period, the Incremental Expense is recognized over the remainder of the Vesting Period, whereas if the Modification occurs after the vesting date, the Incremental Expense is recognized immediately, or over the additional Vesting Period if applicable.

Cancellation of a grant is accounted for as if it had vested on the date of cancellation, and any expense not yet recognized for the grant is immediately recognized. However, if the cancelled grant is replaced by a new grant and is intended to be a replacement grant, the cancelled and new grants are accounted for together as a modification of the original grant, as described above.

Cash-Settled Transactions

The cost of Cash-Settled Transactions is measured at fair value based on the expected cash amount the Group is required to pay on settlement. The fair value is recognized as an expense over the Vesting Period and a corresponding liability is recognized. The liability is remeasured at fair value at each reporting date until settled with any changes in fair value recognized in profit and loss.

v. Employee benefit liabilities

The Group has several employee benefit plans:

1. Short-term employee benefits

Short-term employee benefits are benefits that are expected to be settled in full within 12 months of the reporting date in which the employees provide the relevant services. Those benefits include salaries, paid annual leave, paid sick leave, convalescence and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.
The Group companies have defined contribution plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not have sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions in the defined contribution plan in respect of severance pay or compensation are recognized as an expense when due to be contributed to the plan simultaneously with receiving the employee's services, and no additional provision is required in the financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group also operates a defined benefit plan in respect of severance pay pursuant to the severance pay laws in the relevant countries of operation. According to these laws, employees are entitled in certain circumstances to severance pay upon dismissal or retirement. If applicable and subject to materiality, the liability in the financial statements is estimated based on an actuarial assumption, refer to Note 23.

w. Revenue recognition

Commencing January 1, 2018 (initial adoption of IFRS 15), revenues are recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes)

Until December 31, 2017 (IAS 18), revenues were recognized in the income statement when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income

Rental income under an operating lease is recognized on a straight-line basis over the lease term. Rental income, where there is a fixed and known increase in rental fees over the term of the contract, is recognized as revenue on a straight-line basis as an integral part of total rental income over the lease period. Similarly, lease incentives granted to tenants, in cases where the tenants are the primary beneficiary of such incentives, are considered as an integral part of total rental income and recognized on a straight-line basis over the lease term as a reduction of revenues.

x. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share, or increases loss per share, from continuing operations. Furthermore, potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the basic and diluted earnings per share of the investees multiplied by the number of shares held by the Company, as applicable.

y. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

z. Treasury shares

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

aa. Borrowing costs in respect of qualifying assets

A qualifying asset is an asset that necessarily takes a substantial period of time to be prepared for its intended use or sale, including investment property under development or redevelopment and inventories of buildings and apartments for sale that require a substantial period of time to bring them to a saleable condition. The Group capitalizes borrowing costs that are attributable to the acquisition and development of qualifying assets.

In respect of investment property under development, measurement of these assets is at fair value. The Group presents financing costs in profit or loss net of borrowing costs that had been capitalized on such assets before measuring them at fair value.

The capitalization of borrowing costs commences when expenditures in respect of the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

bb. Operating segments

An operating segment is a component of the Group that meets the following three criteria:

1. It is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

2. Its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

3. Separate financial information of the segment is available.

cc. Disclosure of new IFRS's, interpretations and amendments

Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, "Leases", ("the Standard"). The standard replaced IAS 17 ("the Old Standard"), IFRIC 4 and SIC 15. According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The Standard has been applied for the first time in these financial statements. As permitted by the Standard, the Company elected to use the modified retrospective approach. The Company recognized lease liabilities on the initial application date of the Standard in respect of leases previously classified as operating leases according to the Old Standard. The amount of the liability as of the date of initial application of the Standard was measured using the Company's incremental borrowing rate of interest on the date of initial application of the Standard. The carrying amount of the right-of-use assets was identical to the carrying amount of the lease liability. According to this approach restatement of comparative figures is not required.

The Company elected to use the practical expedient allowed by the Standard, not to recognize a lease liability and right-of-use asset for leases whose term ends within 12 months of the date of initial application, and instead accounted for such leases as short-term leases.

For details regarding the accounting policy applied commencing the transition date, refer to note 2q above.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The main effect of the initial application of the Standard relates to existing leases in which the Company is the lessee. According to the Standard, as explained in note 2q above, except for exceptions, the Company recognized each lease that it is the lessee as a lease liability with a corresponding right of use asset for each lease in which it is the lessee, excluding certain exceptions. This accounting treatment is different than the accounting treatment applied under the old Standard according to which the lease payments in respect of leases for which substantially all the risks and rewards incidental to ownership of the leased asset were not transferred to the lessee were recognized as an expense in profit or loss on a straight-line basis over the lease term.

On January 1 2019, the transition date, the Company recorded right of use assets classified as investment properties and fixed assets at the amount of NIS 249 million and NIS 36 million, respectively with corresponding lease liabilities at the amount of NIS 285 million, in regards of lease agreements as specified above.

2. IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation has been initially applied in these financial statements.

The initial application of the Interpretation did not have a material effect on the Company's financial statements.

3. IAS 28 - Investments in Associates and Joint Ventures

In October 2017, the IASB published an amendment to IAS 28, "Investments in Associates and Joint Ventures" ("the Amendment"). The Amendment clarifies that long-term interests in associates or joint ventures (such as loans receivable or investments in preferred shares) which form part of the net investment in an associate or joint venture are initially accounted for according to the provisions of IFRS 9 (both regarding measurement and impairment) and subsequently those interests are subject to the provisions of IAS 28. As a result of the Amendment, the Israel Securities Authority's guidelines in respect of the recognition of an investor's share of the results of an investee, as set forth in Accounting Enforcement Decision 11-2, are no longer relevant.

The Amendment has been initially applied in these financial statements. The Company applies the provisions of the Amendment retrospectively without restating comparative data, the same method for which the provisions of IFRS 9 were applied.

The adoption of the Amendment did not have a material effect on the Company's financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Disclosure of new IFRSs, interpretations and amendments in the period prior to their adoption

1. Amendments to IFRS 10 and IAS 28 concerning the Sale or Transfer of Assets between an Investment Entity and its Associate or a Joint Venture

   In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the Amendments") regarding the accounting treatment of the sale or transfer of assets (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

   According to the Amendments, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated such that the gain to be recognized is the gain from the sale to the other investors in the associate or joint venture. According to the Amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognized in full.

   If the transaction with an associate or joint venture involves loss of control of a subsidiary or a group of assets that are a business, the gain will be recognized in full.

   The Amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted.

2. IFRS 3 - Business Combinations

   In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment"). The Amendment is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as acquisition of an asset.

   The Amendment consists of the following:

   a. Clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

   b. Removal of the reference to the assessment whether market participants are capable of acquiring the business and continuing to operate it and produce outputs by integrating the business with their own inputs and processes.

   c. Introduction of additional guidance and examples to assist entities in assessing whether the acquired processes are substantive.

   d. Narrowing the definitions of "outputs" and "business" by focusing on goods and services provided to customers.

   e. Introducing an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

   The Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Amendments to IFRS 9, IFRS 7 and IAS 39:

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

In view of global regulatory changes, numerous countries have considered introducing a reform in the benchmark Interbank Offered Rates ("IBORs") (LIBOR, the London Interbank Offered Rate, being one of the most common examples) and switching to a risk-free interest rate alternative ("RFRs") which extensively rely on data of specific transactions. The replacement of IBORs with RFRs is expected to occur gradually until the end of 2021.

The IBOR reform leads to uncertainty regarding the dates and amounts to be attributed to future cash flows relating to both hedging instruments and hedged items that rely on existing IBORs.

The Company has derivatives and bank loans that have interest rates that mainly the EURIBOR and that have maturities beyond 2021. As of December 31, 2019, the carrying amounts of these financial liabilities are NIS 71 million and NIS 1,873 million, respectively.

These financial instruments have underlying contracts that, when signed, did not contemplate the permanent discontinuance of (LIBOR) and, as a result, there may be uncertainty or disagreement over how these contracts should be interpreted. Accordingly, the interest rate provisions of these contracts may need to be renegotiated to reflect the new RFRs.

At this stage, the Company is unable to determine the effects, if any, that the discontinuance of IBORs will have on its various financial instruments that reference the IBORs.

According to the existing accounting guidance of IFRS 9 and IAS 39, entities that have entered into the above hedges are facing uncertainty as a result of the IBOR reform which is likely to affect their ability to continue meeting the effective hedging requirements underlying existing transactions as well as the hedging requirements of future transactions. In order to resolve this uncertainty, the IASB issued the Amendment to offer transitional reliefs for entities that apply IBOR-based hedge accounting. The Amendment represents phase one in the reform that will include additional amendments in the future.

The Amendment also permits certain reliefs in applying the hedge accounting effectiveness tests during the period of transition from IBORs to RFRs. These reliefs assume that the benchmark interest underlying the hedge will not change as a result of the expected interest reform. The reliefs will be effective indefinitely, until the occurrence of one of the events specified in the Amendment. The Amendment also requires entities to provide specific disclosures of the application of any reliefs.

The Amendment is to be applied retrospectively for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

The Company believes that at this stage the adoption of the Amendment will allow it to continue accounting for the existing relevant hedges as accounting hedges.

NOTE 3: - CASH AND CASH EQUIVALENTS

Composition

	December 31	
	2019	**2018**
	NIS in millions	
Cash in banks and on hand	900	833
Cash equivalents - short-term deposits	163	750
	1,063	1,583

a. Cash in banks carry a negligible interest rate.

b. Deposits in the amount of NIS 102 million and NIS 55 million earn annual interest at the rate of 2.93% and 0.54%, respectively. The rest of the deposits earn annual interest at negligible rates, based on their respective terms.

c. Of the total cash and cash equivalents, a total of NIS 445 million is denominated in the Euro, NIS 202 million is denominated in Canadian dollars and NIS 161 million is denominated in Brazilian real.

NOTE 4: - SHORT-TERM INVESTMENTS AND LOANS

Composition

	December 31	
	2019	2018
	NIS in millions	
Loans:		
Current maturities of long-term loans	3	3
	3	3
Deposits:		
Restricted cash in banks (1)	28	208
Purchase contract deposits and others	-	30
	28	238
	31	241

(1) An amount of NOK 64 million (NIS 25 million) restricted cash which bears annual interest of 1%.

NOTE 5: - TRADE RECEIVABLES

a. Composition

	December 31	
	2019	2018
	NIS in millions	
Open accounts, net (see c and d below)	143	149
Total	143	149

b. Of the total customers and revenues, NIS 39 million are denominated in Polish zlotys, NIS 28 million are denominated in Euro and NIS 28 million are denominated in BRL.

c. There are no significant past due and impaired receivables except those that have been included in the allowance for doubtful accounts.

d. Movement in allowance for doubtful accounts:

	December 31	
	2019	2018
	NIS in millions	
At the beginning of the year	61	68
Provision during the year	21	15
Repayment during the year	(9)	(4)
Write-down of accounts	(14)	(20)
Translation differences	(6)	2
At the end of the year	53	61

NOTE 6:- OTHER ACCOUNTS RECEIVABLE

Composition

	December 31	
	2019	2018
	NIS in millions	
Government institutions	86	64
Prepaid expenses	62	66
Receivables from sale of real estate (1)	497	27
Dividend from equity-accounted investee	-	47
Interest receivable from joint ventures	19	10
Loans to equity-accounted investees	19	7
Others	75	114
	758	335

(1) In 2019, the total amount includes CAD 122 million (NIS 324 million) deferred consideration from the sale of FCR shares, refer Note 8e.

NOTE 7: - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

a. Composition of assets held for sale:

	December 31	
	2019	2018
	NIS in millions	
Investment property *)	292	834
Land	202	229
Others	-	4
	494	1,067

*) The balance of assets held is mainly comprised of non-core income producing properties in ATR.

b. Liabilities attributed to assets classified as held for sale primarily consist of deferred assets at ATR.

NOTE 8: - INVESTMENTS IN INVESTEES

a. Composition of the investment in entities accounted for by the equity method (including purchase accounting adjustments):

	December 31	
	2019	2018
	NIS in millions	
Joint ventures (1)	1,150	1,327
Associates (2)	76	4,826
	1,226	6,153
Loans (3)	334	345
	1,560	6,498

(1) Includes, inter alia, joint ventures that manage, operate and develop income producing properties, and as of the reporting date includes NIS 716 million in Czech Republic (2018- NIS 764 million), NIS 206 million in Sweden (2018- NIS 276 million), NIS 191 million in the United States (2018- NIS 281 million) and NIS 37 million in Canada.

(2) In 2018, Includes mainly investments in FCR in the amount of CAD 1,719 million (NIS 4,731 million), for details regarding the sale of FCR shares during 2019 and after the reporting date, refer to section e below.

(3) Includes mainly a loan of EUR 75 million (NIS 290 million) which bears a fixed annual interest rate of 6% and matures on January 2023 and a loan of CAD 13 million (NIS 35 million) which bears a fixed annual interest rate of 5% and matures on November 2028.

b. Group's share in the results of equity-accounted investees including amortization of fair value adjustment (based on the interest therein during the period):

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Joint ventures	47	125	36
Associates (1)	(10)	264	398
Company's share in the results of equity-accounted investees	37	389	434

(1) In 2018 and 2017, mainly includes a profit from FCR of NIS 298 million and NIS 402 million, respectively. For details regarding sales of FCR shares during 2019, refer to section e below.

(2) In 2017-2019, there is no other comprehensive income components in an equity-accounted investees.

Additional information regarding investees:

c. Investment in ATR (a subsidiary)

1. As of December 31, 2019, the Company owned 60.1% interest in ATR's share capital and voting rights (59.9% on a fully diluted basis). ATR's shares are listed for trading on the Vienna Stock Exchange and on the Euronext Stock Exchange in Amsterdam. As of December 31, 2019, the market price of ATR share was EUR 3.45 and ATR has approximately 378.2 million shares outstanding.

Carrying amount and market value of the investment in ATR:

	December 31,2019		December 31,2018	
	Carrying amount	Market value	Carrying amount	Market value
	NIS in millions			
Shares	4,005	3,040	4,503	3,150

NOTE 8: - INVESTMENTS IN INVESTEES (Cont.)

2. Summarized IFRS financial information of ATR -

Summarized statement of financial position -

	December 31	
	2019	2018
	NIS in millions	
Current assets	1,056	490
Non-current assets	11,371	13,643
Current liabilities	(885)	(673)
Non-current liabilities *)	(4,801)	(5,888)
Net assets	6,741	7,572
Allocated to:		
Equity holders of the Company	4,005	4,503
Non- controlling interests	2,736	3,069
	6,741	7,572
*) Including acquisition-adjustments, net	107	122

Summarized statements of comprehensive income -

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Revenues	969	1,029	1,060
Net income *)	344	291	398
Other comprehensive income (loss)	(43)	(31)	65
Total comprehensive income	301	260	463
Allocated to:			
Equity holders of the Company	180	155	274
Non- controlling interests	121	105	189
	301	260	463
Dividends to Non- controlling interests	162	267	252

*) Includes acquisition- adjustments amortization

Summarized statements of cash flows -

	Year Ended December	
	2019	2018
	NIS in millions	
Net cash provided by operating activities	380	245
Net cash provided by (used in) investing activities	638	(837)
Net cash provided by (used in) financing activities	(668)	454
Exchange differences on balances of cash and cash equivalent	4	(4)
Increase (Decrease) in cash and cash equivalents	354	(142)

NOTE 8: - INVESTMENTS IN INVESTEES (Cont.)

3. The outstanding share options of ATR as of December 31, 2019

Series	Average exercise price per share	Expiration date	Number of options (in thousands*)
Options to employees and officers in ATR (2013 plan)	€ 4.37	2020-2023	1,233

*) As of December 31, 2019, all share options were fully vested; These options includes share options granted to the Company's Vice Chairman of the Board and CEO who also serves as ATR's Chairman of the Board.

4. ATR operates a compensation plan for the Group Executive Team, and other key senior executives, to whom rights are granted for allotment of ATR shares ("Share Allocation Rights") which will be vest during 2021-2022. As of the reporting date there were 349 thousand units for allocation as share.
In addition, ATR operates a plan for deferred shares units (DSU) to directors in lieu of salary, which can be converted into ATR ordinary shares. As of the reporting date, approximately 126 thousand deferred units (DSU) were allocated.
In addition, as part of his employment agreement, the CEO of ATR is entitled to shares worth EUR 240 thousand. As of December 31, 2019, ATR's CEO was allotted approximately 49 thousand shares and the remaining allotment of shares worth EUR 60,000.

5. In respect of lawsuits filed against ATR, refer to Note 24d2.

d. Discontinued operations - Investment in EQY

In November, 2016 EQY entered into a merger agreement with REG, a Real Estate Investment Trust (REIT) whose securities are listed for trading on the NYSE. EQY was merged with and into REG, so that REG is the surviving company in the merger. The merger transaction was completed on March 1, 2017 ("the Date of Closing the Merger") and the Company received 13.2% of the merged company. Following the closing of the merger transaction, the Company deconsolidated EQY. As a result of the loss of control the Company recognized in the first quarter of 2017 a capital increase of NIS 676 million and a gain (before tax effect) of NIS 114 million. This gain includes a loss of NIS 562 million, which was reclassified to profit or loss due to realization of reserves (mainly from translation differences of foreign operations).

EQY operating results for 2017 until the Date of Closing of the Merger (March 1, 2017), are presented in the consolidated statement of income under income (loss) from discontinued operations, net.

During 2018 wholly-owned subsidiaries of the Company sold all of their holdings of shares of REG, for a total consideration of USD 1.1 billion (approximately NIS 3.9 billion). During 2018, the group recognized a loss from the investments in REG shares of NIS 613 million (before tax effect), resulting from the decrease in the REG share price. REG shares held by the Group were presented as financial assets available for sale until December 31, 2017, and commencing January 1, 2018, until the sale of all EQY shares, as a financial asset at fair value through profit or loss, following the adoption of IFRS 9.

e. Discontinued operations - Investment in FCR

On March 2, 2017, a wholly owned subsidiary of the Company entered into an agreement with a syndicate of underwriters for the sale of 9 million shares of FCR, that represented 3.7% of FCR's shares. The sale was completed on March 22, 2017 and the Company, post-sale (including through wholly owned subsidiaries) held 79.6 million shares of FCR, which represented 32.7% of the share capital and voting rights in FCR as of that date. As a result of the sale, the Company has concluded that it no longer holds effective control in FCR, and therefore, as of that date, the Company no longer consolidates FCR in its consolidated financial statements, and began to account for its investment in FCR by the equity method. On the date of loss of control, the Company remeasured its investment in FCR according to the fair value on the date that control ceased, based on the market price of FCR on the stock exchange on that date.

NOTE 8: - INVESTMENTS IN INVESTEES (Cont.)

As a result of the loss of control in FCR, the Company recognized during the first quarter of 2017 an increase in capital of NIS 479 million and a loss of NIS 1,016 million in the consolidated statement of income. The above loss includes loss from the reclassification of capital reserves (primarily NIS 1,495 million in respect of translation differences of foreign operations) previously carried to profit or loss, in addition, FCR operating results for 2017 until the date of loss of control (March 22, 2017), including the results relating to the sale of the shares, were presented in the consolidated statements of income under income (loss) from a discontinued operations, net.

On April, 2019, the Company and its wholly-owned subsidiary ("the Subsidiary") completed a conditional strategic agreements to sell 58 million shares of FCR, in which the Company held as of that date an ownership interest of 31.3% (80 million shares owned by the Company), for aggregate consideration of CAD 1.195 billion (NIS 3.2 billion), amount of CAD 226 million (NIS 0.6 billion) shall be paid in a one year period starting from the closing of the transaction. Up to the date of the approval of the financial statements, CAD 104 million was received from the deferred consideration.

Upon completion of the transaction, the Company is holding (through the Subsidiary) 21.6 million FCR shares, which, at that time, represented 9.9% of FCR's share capital and voting rights.

As a result, the Company recorded a loss of NIS 345 million as other expenses. This loss includes a loss from realization of capital reserves (mainly currency translation reserve) at the amount of NIS 73 million. In addition, the Company recorded tax expenses of NIS 255 million, which includes deferred tax expenses amounting to NIS 74 million in respect of the shares remaining in the Company's ownership. In total, the Company recognized a reduction in its shareholders' equity of NIS 527 million.

In addition, as a result of the transaction, the Company reached the conclusion that it lost the significant influence over FCR, therefore, beginning as at the closing of the transaction, the remaining FCR shares held by the Company are presented in the Company's financial statements as a financial asset measured through OCI.
After the reporting date, the Company sold all of its holdings in FCR shares, refer to Note 37e.

f. Investment in CTY (a subsidiary)

1. As of December 31, 2019, the Company owns 48.6% interest in CTY's share capital and voting rights (48.6% on a fully diluted basis). CTY's shares are listed for trading on the Helsinki Stock Exchange, Finland (OMX). As of December 31, 2019 the market price of CTY share was EUR 9.37 and CTY has 178 million shares outstanding.
In March, 2019, the number of shares in Citycon changed due to the reverse share split. The number of shares in the company was reduced from approximately 890 million shares to approximately 178 million shares by merging each five (5) shares into one (1) share.

The Company consolidates CTY in its financial statements, although the holding percentages of the potential voting rights in CTY is less than 50%, due to effective control over CTY, as stated in Note 2c.

Carrying amount and market value of the investment in CTY:

	December 31,2019		December 31,2018	
	Carrying amount	**Market value**	**Carrying amount**	**Market value**
	NIS in millions			
Shares	3,718	3,142	4,341	2,992

NOTE 8: - INVESTMENTS IN INVESTEES (Cont.)

2. Summarized IFRS financial information of CTY

Summarized statements of financial position -

	December 31	
	2019	2018
	NIS in millions	
Current assets	288	576
Non-current assets	17,483	19,262
Current liabilities	(1,141)	(1,110)
Non-current liabilities	(7,612)	(9,764)
Net assets	9,018	8,964
Allocated to:		
Equity holders of the company	3,718	4,341
Non-controlling interests	5,300	4,623
	9,018	8,964

Summarized statements of comprehensive income (loss) -

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Revenues	1,235	1,342	1,373
Net income	40	71	354
Other comprehensive loss	(16)	(89)	(312)
Total comprehensive income (loss)	24	(18)	42
Allocated to:			
Equity holders of the Company	9	(8)	19
Non-controlling interests	15	(10)	23
	24	(18)	42
Dividends to non-controlling interests	237	262	262

Summarized cash flow statements -

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Net cash provided by operating activities	541	406	605
Net cash provided by (used in) investing activities	(137)	(335)	71
Net cash used in financing activities	(392)	(61)	(694)
Exchange differences on balances of cash and cash equivalents	(1)	(4)	(4)
Increase (decrease) in cash and cash equivalents	11	6	(22)

NOTE 8: - INVESTMENTS IN INVESTEES (Cont.)

3. Starting from 2015, CTY's board of directors has approved several share compensation plans based on restricted share units (RSUs) for managers and key employees of up to 1,140 thousand shares (the number of shares adjusted after the reverse share split, see section 1 above) which will be paid primarily in shares, but also partly in cash upon meeting certain conditions. As of the reporting date, approximately 475 thousands shares were allotted under these plans.
In addition, in December 2018, CTY's Board of Directors approved a share compensation plans based on restricted share units (RSUs) for up to 120 thousands RSUs to CTY's CEO over a three-year vesting period, which will be paid primarily in shares, but also partly in cash. Under this plan, RSUs can be allotted by the end of 2021. As of the reporting date, 40 thousands shares have been allotted under the plan.

4. On November 22, 2019, CTY issued EUR 350 million hybrid bond. The hybrid bond is treated as shareholder's equity in CTY's consolidated financial statements prepared in accordance with IFRS. The hybrid bonds is unsecured and subordinated to all debt and senior only to ordinary share capital. In addition, the hybrid bond does not confer on their holders the rights of a shareholder nor they dilute the holdings of the current shareholders.
The hybrid bond coupon is fixed at 4.5% per year up until 22 February 2025, and thereafter it is updated every five years. CTY has the right to postpone interest payment if it does not distribute dividend or any other equity to its shareholders. The hybrid bond has no set maturity date, but CTY has the right to redeem it after five years from the issue date and thereafter on every yearly interest payment date.

g. The applicable laws in some of the investee's jurisdictions contain customary terms regarding payments of dividends, interest and other distributions to equity holders by an investee. These conditions include, inter alia, a requirement that the investee have sufficient accumulated earnings or that certain solvency requirements are met before a distribution can be made. As of December 31, 2019 the Group does not consider any of these customary conditions to be a significant restriction.

h. For pledging of part of the shares of investees to secure Group liabilities, refer to Note 27.

NOTE 9:- OTHER INVESTMENTS, LOANS AND RECEIVABLES

Composition

	December 31	
	2019	2018
	NIS in millions	
Loans to co-owners in development projects and to others	17	17
Other non-current deposits	26	42
Tenants and Others	61	41
	104	100
Less - current maturities	3	3
	101	97

NOTE 10:- FINANCIAL ASSETS

Financial assets at fair value through other comprehensive income

	December 31	
	2019	2018
	NIS in millions	
Shares traded in Europe (1)	54	58
Shares traded in Canada (1) (4)	803	-
Participating units in private equity funds (2)	127	139
	984	197
Classified within current assets	328	58
Classified within non-current assets	656	139
	984	197

Financial assets at fair value through profit and loss

	December 31	
	2019	2018
	NIS in millions	
Shares traded in United States (1)	435	97
Shares traded in Israel (1)	15	12
Debentures traded in Israel (1)	13	-
Convertible debentures traded in Israel (1)	55	43
Convertible Loan in Europe (3)	73	-
Participating units in private equity funds (2)	69	69
	660	221
Classified within current assets	463	152
Classified within non-current assets	197	69
	660	221

(1) Measured at fair value based on quoted prices in active markets (level 1 in the fair value hierarchy).

(2) Real estate investment funds, mainly in India and Brazil, the fair value of the investments is derived from the fund's Net Asset Value (NAV).

(3) Loan granted to third party with the option to acquire the controlling stake in a future joint venture. The fair value is determined using a discounted cash flow, adjusting for convertible option determined based on Black-Scholes model (level 3 in the fair value hierarchy).

(4) Investment in FCR shares which were sold after the reporting date for a total consideration of NIS 771 million, refer to Note 8e.

NOTE 11:- INVESTMENT PROPERTY

a. Movement

	December 31	
	2019	2018
	NIS in millions	
Balance as of January 1	36,506	32,847
Acquisitions and capital expenditures	1,522	4,045
Transfer from investment property under development, net	86	-
Dispositions	(1,556)	(1,197)
Effect of initial application of IFRS 16	249	-
Valuation gains, net	305	198
Foreign exchange differences	(3,275)	613
Balance as of December 31	33,837	36,506
Composition:		
Investment property	33,545	35,672
Assets classified as held for sale (Note 7)	292	834
	33,837	36,506

b. Investment properties primarily consist of shopping centers and other retail sites, including properties under redevelopment and extension. Investment properties are stated at fair value, which has been determined based on valuations performed by external independent appraisers with recognized professional expertise and vast experience concerning the location and category of the property being valued (95.9% as of December 31, 2019 and 96.2% during 2019 - in fair value terms) as well as by the Group companies managements. As of the reporting date fair value has been determined based on market conditions, with reference to recent observable real estate transactions involving properties in similar condition and location, as well as using valuations techniques such as the Direct Income Capitalization Method and the Discounted Cash Flow Method ("DCF"), in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Committee (IVSC) or in accordance with the Royal Institution of Charted Surveyors (the "Red Book"), in addition to the local rules of valuation in the territories in which the Group operates.

The valuations of properties that were appraised by income method or discounted cash flows are based on the estimated future cash flows generated by the properties from current lease contracts, taking into account the inherent risk of the cash flow as well as by using estimations for potential rent contracts and renewal for rent contracts. In determining the properties' fair values the appraisers used discount rates based on the nature and designation of each property, its location and the quality of the occupying tenants.

The investment properties are measured at level 3 according to the fair value hierarchy. In 2019, there were no transfers of investment property from level 3 and to level 3.

NOTE 11:- INVESTMENT PROPERTY (Cont.)

c. Following are the average capitalization rates (Cap Rates) and the average monthly market rent per square meter implied in the valuations of the Group's properties in its principal areas of operations:

	Northern Europe	Central and Eastern Europe *)	Israel	Brazil	USA
Average cap rates					
December 31, 2019	5.4	6.6	6.6	6.8	4.8
December 31, 2018	5.4	6.4	6.9	7.7	4.6

Monthly average market rent per square meters	EUR	EUR	NIS	BRL	U.S.$
December 31, 2019	27	16	141	75	47
December 31, 2018	26	15	137	71	41

*) Market rent, as customary in these markets, excludes management fees.

Following is the sensitivity analysis of the fair value of investment properties (effect on pre-tax income (loss)) for the main parameters that were used in the investment properties valuations in its principal areas of operations:

	Northern Europe	Central and Eastern Europe	Israel	Brazil	USA
December 31, 2018	**NIS in millions**				
Increase of 25 basis points in capitalization rate	(685)	(367)	(117)	(62)	(50)
Decrease of 25 basis point in capitalization rate	751	399	126	67	56
Increase of 5% in net operating rental income (NOI)	774	473	160	172	50
Increase of 5% in average market rent	1,025	570	168	94	75

d. In respect of charges, refer to Note 27.

NOTE 12:- INVESTMENT PROPERTY UNDER DEVELOPMENT

a. Movement and composition

	December 31	
	2019	2018
	NIS in millions	
Balance as of January 1	2,194	1,907
Acquisitions and development costs	575	322
Transfers to investment property, net	(86)	-
Dispositions	(116)	(5)
Valuation losses, net	(141)	(84)
Foreign exchange differences	(193)	54
Balance as of December 31	2,233	2,194
Composition:		
Lands held for sale (note 7)	202	229
Land for future development	1,051	1,235
Investment property under development	980	730
	2,233	2,194

b. The fair value of investment property under development that includes shopping centers and other retail sites is determined based on market conditions, using the Residual Method based upon DCF. The fair value is determined by the Group companies' managements and the external independent appraisers with recognized professional expertise and vast experience as to the location and category of the property being valued. The estimated fair value is based on the expected future cash flows from the completed project using yields adjusted to reflect the relevant development risks, including construction risk and lease-up risk, that are higher than the current yields of similar completed property. The remaining estimated costs for completion are deducted from the estimated value of the completed project, as above.

Lands for future development are measured at fair value, using among other the Comparative Method (49.3% in fair value terms). In the implementation of the Comparative Method, the external appraisers and Group companies' managements rely on market prices of similar properties, applying necessary adjustments (for location, size, etc.), and in cases where comparison transactions are not available, using the Residual Method as above, based on market yields adjusted as applicable.

The investment property under development and lands are measured at level 3 according to the fair value hierarchy. In 2019 there were no transfers of investment property under development and lands from level 3 and to level 3.

As of December 31, 2019, the fair value of approximately 74.9% of the investment property under development and lands has been assessed by external appraisers (approximately 79.7% during 2019), and the remainder was performed internally using standard valuation techniques, inter alia, based on market inputs received from the external appraisers.

NOTE 12:- INVESTMENT PROPERTY UNDER DEVELOPMENT (Cont.)

c. During 2019, the Group capitalized to property under development borrowing costs amounting to NIS 13 million (in 2018 - NIS 10 million).

d. Below is a sensitivity analysis of the fair value of investment property under development, excluding projects and land that are immaterial to the financial statements (impact on pre-tax income (loss)):

	Northern Europe	Central and Eastern Europe*)	United States
December 31, 2018		**NIS in million**	
Increase of 5% in expected project cost	(25)	(47)	(2)
Increase of 5% in expected NOI	58	17	3
Increase of 25 basis points in capitalization rate	(53)	(10)	(3)
Decrease of 25 basis points in capitalization rate	58	10	4
Increase of 5% in the selling price per sq.m	-	17	-

*) Including properties under redevelopment.

e. In respect of charges, refer to Note 27.

NOTE 13:- FIXED ASSETS, NET

a. Composition

	December 31	
	2019	2018
	NIS in millions	
Buildings	43	48
Software, computers and office equipment	67	74
Right of use assets	34	-
Other (mainly leasehold improvements)	51	47
	195	169

b. Regarding depreciation expenses recognized in profit or loss, refer to Note 30.

c. In respect of charges, refer to Note 27.

NOTE 14:- INTANGIBLE ASSETS, NET

Composition

	December 31	
	2019	2018
	NIS in millions	
Goodwill (1) (2)	568	625
Value attributed to assets managed and leased (3)	54	61
Other	-	2
	622	688

(1) The carrying amount of goodwill as of December 31, 2019 and 2018 attributed to assets in Norway:

Movement in goodwill for the year ended December 31,2019:

	NIS in millions
Balance as of January 1	625
Foreign exchange differences	(57)
Balance as of December 31	568

(2) Goodwill has been predominantly recognized due to the acquisition of assets by CTY in 2015. The goodwill was allocated to the cash generating units and for each, the recoverable amount was determined as of the reporting date.

(3) Attributed to assets recognized as part of the business combination with Sektor in their fair value in respect of investment properties owned by third party that are managed by the Group as well as properties leased under finance lease by the Group.

NOTE 15:- CREDIT FROM BANKS AND OTHERS

a. Composition

		Weighted average interest rate		
		December 31 2019*)	December 31	
			2019	2018
	Denomination	%	NIS in millions	
Credit from banks:	EUR	0.4	2	266
	Norwegian Krone	-	-	4
Credit from other financial institutions:	Unlinked NIS	0.9	250	250
	EUR	0.2	261	335
	Swedish Krona	0.1	241	418
Total short-term credit			754	1,273

*) Variable interest.

b. As for charges, refer to Note 27.

NOTE 16:- CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Composition

	Refer to Note	December 31 2019	December 31 2018
		NIS in millions	
Current maturities of debentures	19	1,288	821
Current maturities of interest bearing non-current liabilities	20	36	474
		1,324	1,295

NOTE 17:- TRADE PAYABLES

Composition

	December 31 2019	December 31 2018
	NIS in millions	
Open accounts and accrued expenses	83	99
Checks payable	10	13
	93	112

NOTE 18:- OTHER ACCOUNTS PAYABLE

a. Composition

	December 31 2019	December 31 2018
	NIS in millions	
Interest payable	153	231
Government institutions	57	46
Deferred income and deposits from tenants	158	165
Employees	57	63
Other provisions (including for legal proceedings)	64	41
Accrued expenses	186	260
Dividend payable to shareholders of the Company	75	73
Other payables	66	23
	816	902

b. Out of the total balance of other accounts payable, an amount of NIS 350 million is denominated in EURO, NIS 205 million is denominated in unlinked NIS and NIS 69 million is denominated in Polish zloty.

NOTE 19:- DEBENTURES

a. Composition

	item	Denomination	Outstanding par value amount	Nominal Interest rate	Effective interest rate	Carrying amount December 31 2019	2018
			NIS in millions	%	%	NIS in millions	
The Company:							
Debentures (series D)		Israeli CPI	495	5.10	5.02	592	2,018
Debentures (series J)		Israeli CPI	-	6.50	5.76	-	215
Debentures (series K)	b3	Israeli CPI	1,258	5.35	4.35	1,351	2,579
Debentures (Series L)	b2	Israeli CPI	2,958	4.00	3.67	3,026	3,027
Debentures (Series M)	b1	Israeli CPI	1,801	2.78	2.90	1,826	1,819
Total of the Company *)						6,795	9,658
Consolidated companies:							
CTY debentures	c	EUR	5,161	2.19	2.27	5,123	6,463
CTY debentures	c	Norwegian Krone	904	3.40	3.41	899	986
CTY debentures	c	Norwegian Krone **)	138	3.10	3.10	137	538
ATR debentures	d	EUR	3,458	3.47	3.57	3,451	3,829
						16,405	21,474
Less - current maturities of debentures						1,288	821
						15,117	20,653

*) In respect of cross-currency swap transactions entered in respect of part of the debentures, refer to Note 34c.

**) Variable interest.

Maturity dates

Denomination	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
	December 31, 2019 — NIS in millions						
NIS linked to Israeli CPI	479	430	558	769	829	3,730	6,795
EUR	809	-	2,770	-	1,347	3,648	8,574
Norwegian Krone	-	137	-	-	-	899	1,036
	1,288	567	3,328	769	2,176	8,277	16,405

NOTE 19:- DEBENTURES (Cont.)

b. Additional information on the Company's debentures

1. The Company has outstanding debentures (Series M), in which the Company has agreed to comply with the following primary covenants, And which violates the regulation to the bondholders the right to immediate repayment of the debentures: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 800 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.
Nevertheless, in the event of non-compliance with any of the aforesaid covenants, the Company may provide collateral in favor of the holders of the debentures (Series M) in lieu of such covenants.
The Company has also made other undertakings to the holders of the debentures (Series M), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. I addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company’s equity decreases below an amount in NIS equals to USD 850 million as per its consolidated financial statements.
Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.
2. The Company has outstanding debentures (Series L), in which the Company has agreed to comply with the following primary covenants:(a) maintain minimum shareholders’ equity (excluding non-controlling interests) of USD 650 million during every four consecutive quarters;(b) Ratio of net financial debt to total assets of less than 80% during every four consecutive quarters; and credit rating (Israeli scale) in the last of the said four quarters shall be not less than BBB- by S&P Maalot and Baa3 by Midroog, The Company has also made other undertakings to the holders of the debentures (Series L), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including change of control; in addition, any event in which the Company will be required to immediately redeem its listed debenture in an amount not less than the greater of (i) NIS 200 million, and (ii) 10.0% of its shareholders' equity (excluding non-controlling interests). In addition, it was determined that a downgrade will cause a rise in interest rate by up to 1% by the steps agreed.
3. The Company has outstanding debentures (Series K), in which the Company has agreed to comply with the following primary covenants:(a) maintain minimum shareholders’ equity (net of non-controlling interests) of USD 500 million during four consecutive quarters;(b) ratio of net interest-bearing debt to total assets not to exceed 80% during four consecutive quarters; credit rating of its debentures in the last of the four abovementioned quarters higher than S&P Maalot’s BBB- rating and Midroog’s Baa3 rating, The Company has also made other undertakings to the holders of the debentures (Series K), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including change in control. In addition, any event in which the Company will be required to immediately redeem its listed debentures in an amount of at least the greater of (i) NIS 300 million and (ii) 12.5% of shareholder's equity (net of non-controlling interests). In addition it was determined that a downgrade will cause a rise in interest rate by up to 1% by the steps agreed.
As of the date of the financial report and the reporting date, the Company complies with the above criteria with respect to the series of debentures listed above.

NOTE 19:- DEBENTURES (Cont.)

4. During 2019, the Company repurchased debentures with a par value of NIS 1,820 million (Series D and K) for a consideration of NIS 2,279 million out of which NIS 673 million par value (Series D) for a consideration of NIS 868 million were purchased on September 10, 2019, and out of which NIS 977 million par value (Series K) for a consideration of NIS 1,200 million were purchased on December 3, 2019 through tender offers published by the company. As a result of the repurchases, the Company recorded loss from early redemption of approximately NIS 205 million. The repurchased debentures were cancelled and delisted.

   As to purchases made after the reporting date, refer to Note 37c.

5. On July 25, 2019, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ílAA-', with a stable outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating and the Company's commercial papers rating at a rating level of 'ílA-1+'.

6. On December 29, 2019 Midroog rating agency reaffirmed the credit rating of all of the outstanding series of debentures of the Company at a rating level of 'Aa3.il', with a stable outlook. Midroog also approved the short-term rating of P-1.il for commercial securities that issued up to NIS 250 million.

7. On March 15, 2020, the Company’s Board of Directors resolved to adopt a new plan for the repurchase of Company debentures (in place of the previous plan) in an amount of up to NIS 750 million, with respect, to all series of debentures in circulation. The plan is valid until March 31, 2020. Acquisitions are to be made under the plan from time to time, at the discretion of the Company’s management.

c. CTY debentures

1. Within the framework of the debenture offering, CTY committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 65% and 25%, respectively. In addition, change of control as defined in the debentures agreement will entitle the holders the right of early redemption of the debentures. As of the reporting date, CTY is in compliance with these covenants.
2. In November 2019, CTY repurchased debentures at an amount of approximately EUR 188 million (approximately NIS 720 million), with original maturity date in 2020 and 2022. In addition, on the same date, CTY, through a wholly owned subsidiary, made a self-purchase of a series of bonds denominated in Norwegian kroner amount of 900 million kroner (approximately NIS 342 million), with original maturity date in 2021. As a result of the repurchase CTY recorded a loss of approximately EUR 8 million (approximately NIS 31 million).

d. ATR debentures

1. As part of the debenture offering, ATR committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 60% and 40%, respectively. In addition, the minimum consolidated debt coverage ratio (adjusted EBITDA to interest expenses) will be no less than 1.5. Further, for debentures with a maturity date in 2020, a ratio of consolidated unencumbered assets to consolidated unsecured debt will be no less than 150%. As of the reporting date, ATR is in compliance with these covenants.

OTE 20:- INTEREST-BEARING LOANS FROM BANKS AND OTHERS

a. Composition

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	NOK	Total
	NIS in millions						
December 31, 2019							
Banks	-	243	236	599	2,213	392	3,683
Other financial institutions	734	-	-	683	-	-	1,417
Total	734	243	236	1,282	2,213	392	5,100
Current maturities	9	-	-	21	6	-	36
Net of current maturities	725	243	236	1,261	2,207	392	5,064
December 31, 2018							
Total	349	-	163	2,346	2,071	430	5,359
Net of current maturities	340	-	163	2,323	1,629	430	4,885

The composition of classification of loans by fixed or variable interest rate:

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	NOK	Total
	NIS in millions						
December 31, 2019							
Fixed interest rate	734	-	-	636	-	-	1,370
Weighted average effective interest rate (%)	1.9	-	-	5.6	-	-	
Variable interest rate	-	243	236	646	2,213	392	3,730
Weighted average effective interest rate (%)	-	2.3	4.0	3.8	2.4	2.9	

b. Maturity dates

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	NOK	Total
	NIS in millions						
December 31, 2019							
Year 1 - current maturities	9	-	-	21	6	-	36
Year 2	9	243	109	710	299	-	1,370
Year 3	9	-	-	158	153	392	712
Year 4	310	-	-	35	621	-	966
Year 5	-	-	-	35	15	-	50
Year 6 and thereafter	397	-	127	323	1,119	-	1,966
	725	243	236	1,261	2,207	392	5,064
	734	243	236	1,282	2,213	392	5,100

c. As for charges, refer to Note 27.

d. Contracted restricted and financial covenants

Certain loans and credit facilities which the Company and its subsidiaries obtained in the ordinary course of business include customary financial and other covenants that a breach in the covenant will cause immediate redemption, among which are the following:

NOTE 20:- INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

1. The Company

a) Ratio of actual drawn down credit to market value of securities (marketable securities of public Company) as was determined in the credit agreements.

b) Minimum shareholders' equity (excluding non-controlling interests) of NIS 4 billion for the Company.

c) Ratio of net interest bearing liabilities to value of total assets, based on consolidated financial statements, shall not exceed 75%.

d) Ratio of net interest bearing liabilities to value of total assets, based on expanded solo financial statements (the Company and other fully owned private entities) of the Company, shall not exceed 80%, based on the equity method accounting.

e) Equity attributable to equity holders of ATR shall not be less than € 1.5 billion.

f) Liabilities bearing net interest of ATR to total consolidated balance sheet of ATR shall not be higher than 45%.

g) Ratio of actual debt to value of securities (pledged CTY shares whose fair value is the average of its market value and net asset value) shall not exceed 70%.

h) The Company's average quarterly EPRA Earnings, calculated according to the European Public Real Estate Association, over any two consecutive quarters, shall not be less than NIS 60 million.

i) The ratio of total equity (including equity loans, but excluding minority interests, derivatives at fair value and the tax effect with respect thereto) to the total assets of CTY shall not be less than 30%.

j) The ratio of shares pledged to the bank shall not be less than 15% of the issued and paid up share capital of CTY and also that, in the event of a financial institution (which is not a financial manager of others or for others) holding CTY shares for itself at a rate in excess of 15%, the Company shall pledge additional CTY shares to the bank so that the pledged shares as a percentage of the total issued and paid up capital of CTY shall be at least 5% higher than the percentage held by the aforementioned financial institution in the issued and paid up capital of CTY, but not more than 30.1% of the issued and paid up capital of CTY.

k) The ratio of CTY shares held directly and indirectly by the Company shall not be less than 30% of the share capital of CTY.

l) Ratio of CTY's EBITDA (with certain adjustments) to CTY’s net financial expenses shall not be less than 1.6.

m) Ratio of annual dividend from ATR shares secured to a credit facility shall not be less than EUR 0.14 per share.

n) Ratio of FCR's net debt to net assets shall not exceed 65%.

o) FCR's Ratio of debt service (EBITDA to principal and interest payments) shall not be less than 1.5.

NOTE 20:- INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

2. CTY

a) Ratio of shareholders' equity (plus debt components with equity characteristics) to total assets shall not be less than 32.5%.

b) Minimum debt coverage ratio (EBITDA to net interest expense) of 1.8.

3. ATR

Financial ratios such as loan to value and interest service ratios.

4. G. Israel

a) Shareholders' equity shall not be less than NIS 350 million.

b) Debt coverage ratios shall not be less than 1.3.

c) Ratio of debt to value of securities shall not exceed 75%.

d) The Company's- credit rating shall not be lower than -BBB- by S&P Maalot rating agency or lower than baa2 by Midroog rating agency.

5. The Company's investees have other customary financial covenants, such as debt coverage ratios for principal and/or interest, leverage ratios and ratio of NOI to debt among others.

Furthermore, in certain loan documents of the Company and its investees, there are customary provisions for immediate loan repayment, including: change of control in a company or companies whose securities are pledged to secure credit, restructuring, certain material legal proceedings (including dissolution and liquidation of assets, as well as court judgments), discontinued operations, suspension of trading of securities pledged to secure credit or of securities of the Company cross default under certain conditions, holding minimum interest in investees by the Company, minimum value of unsecured assets, service of certain officers etc.

As of December 31, 2019, and the date of the financial report the Company and its subsidiaries are in compliance with all the aforementioned covenants.

NOTE 21:- OTHER LIABILITIES

Composition

	December 31	
	2019	2018
	NIS in millions	
Tenants' security deposits (1)	53	63
Lease liabilities (2)	452	243
Other liabilities	68	5
	573	311

(1) Tenants' security deposits are received to secure the fulfillment of the terms of the lease agreements. Deposits are refunded to the tenants at the end of the rental period, primarily linked to the EUR.

(2) Lease liabilities includes mainly NIS 161 million in Polish Zloty, NIS 144 million in Norwegian Krone, NIS 39 million in unlinked NIS and NIS 39 million in EUR.

NOTE 22:- EMPLOYEE BENEFIT LIABILITIES AND ASSETS

The Group provides post-employment benefit plans. The plans are generally financed by contributions to insurance companies, pension funds and provident funds and are classified both as defined contribution plans and as defined benefit plans, as follows:

a. Under labor laws and severance pay laws in Israel and Brazil, the Group is required to pay benefits to employees upon dismissal or retirement in certain circumstances. The calculation of the Company’s employee benefit liability is made based on valid employment contracts and based on the employees’ salary which establishes the entitlement to receive post-employment benefits.

   Section 14 of the Severance Pay Law, 1963 in Israel applies to the compensation payments, pursuant to which current contributions paid by the Group into pension funds and/or into types of insurance policies release the Group from any additional liability to employees for whom such contributions were made (defined contribution plan).

b. The liabilities of the Group in other countries in which its operates are normally financed by contributions to pension funds, social security, medical insurance and others and by payments which the employee bears (such as for disability insurance) as required by local law and therefore essentially defined as contribution plans. Additional payments for sick leave, severance termination benefits and others are at Group companies’ discretion, unless otherwise provided for in a specific employment contract.

c. Provision for severance benefits recognized in the financial statements on the date the decision was made concerning the dismissal, in countries where the Group has a legal or constructive obligation for their payment.

d. The amounts accrued in pension funds, officers’ insurance policies, other insurance policies and in provident funds are on behalf of the employees and the related liabilities are not reflected in the statement of financial position as the funds are not controlled and managed by the Company or its subsidiaries.

All of the Group’s post-employment benefit plans do not have a material effect on the financial statements.

NOTE 23:- TAXES ON INCOME

a. Tax laws applicable to the Group in Israel

1. Capital gains/losses

The capital gain tax rate applicable to Israeli resident companies is the corporate tax rate, see section 4 below.

2. Taxation of dividend income

Pursuant to section 126(b) to the Income Tax Ordinance ("the Ordinance"), income from distribution of profits or from dividends originating from income accrued or derived in Israel which was received, directly or indirectly, from another entity subject to the corporate tax in Israel is not included in the computation of the Company's taxable income.

Dividends that the Company receives from a foreign entity are taxed in Israel at the corporate tax rate, as mentioned in section 4 below, and credit is given for the tax withheld on the dividends overseas (direct credit). Excess direct credit may be carried forward to future years over a period of not more than five years.

Nonetheless, at the Company's request and subject to certain conditions, the Company may elect to implement an alternative under which the corporate tax rate will be imposed, as mentioned in section 4 below, on the gross income from which the dividend was distributed (the dividend distributed plus the tax withheld and the corporate tax paid on the income in the foreign countries) and a credit will be given for the foreign tax paid on the income from which the dividend was distributed in the foreign company (indirect credit) and the tax withheld in the foreign country. It should be noted that indirect credit is eligible down to two tiers only and is subject to certain conditions. Excess indirect credit cannot be carried forward to future years.

3. Capital gain/loss from sale of shares in subsidiaries

A real capital gain by the Company on the sale of its direct holdings in one or more of the Group's foreign companies is taxed in Israel and credit is given for the foreign tax paid overseas on the capital gain from that sale, subject to the provisions of the relevant treaty for avoidance of double taxation.

4. Tax rates applicable to the Group companies in Israel

The following are Israeli corporate tax rates for 2017-2019:

2017- 24%

2018-2019- 23%

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing of the Economic Policy in the Budget Years 2017 and 2018), 2016 was approved. The Law includes a reduction in the corporate tax rate from 25% to 24%, with effect from January 1, 2017 and to 23% commencing on January 1, 2018.

b. Taxation in the U.S.

On December 22, 2017, a comprehensive tax reform was approved in the United States, which includes a reduction in the US corporate tax rate to 21%, with effect from January 1, 2018. In addition, the rules of interest expense allowance in the United States, which is now limited to 30% of the EBITDA in the respective tax year were amended. Upon distribution of dividends from the United States to the Company, a reduced rate of 12.5% for withholding tax applies, in accordance with the tax treaty between Israel and the United States, provided that the Company holds at least 10% of the distributing company.

NOTE 23:- TAXES ON INCOME (Cont.)

c. Taxation in Canada

The taxable income of the Group companies is subject to the effective corporate tax (Federal and Provincial) which ranges between 26.5% and 31%. A Canadian resident company that realizes a capital gain is taxed in Canada only on half of the capital gain. Subject to certain conditions, a Canadian resident company that receives dividends may not be taxable in Canada or the dividends may have no effect on the taxable income of a Canadian resident company that receives the dividend. According to FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be taxable in Canada on undistributed passive income of a foreign company and receive a relief for foreign tax imposed on this income. Generally, distribution of dividends from a Canadian resident company to a foreign resident is subject to withholding tax of 25%. Reduced tax rates may be valid based on the relevant tax treaty (if applicable). According to the tax treaty between Israel and Canada, withholding tax will be reduced to a rate of 5% for recipient companies with holdings in excess of 25% (otherwise the withholding rate is 15%), and the rate of tax to be withheld at source on interest is 10% (or 5% for interest payable to financial institutions).

d. Taxation in Finland

Operations in Finland are carried out by CTY. The corporate tax rate in Finland in 2019 is 20%. The dividend withholding tax rate upon distribution from Finland to Israel is 5% pursuant to the tax treaty between Israel and Finland (only if the share of holding is higher than 10%, otherwise the withholding tax rate is 15%). Due to the change of legislation in Finland, starting from January 1, 2014, the withholding tax will apply also on return of capital of traded companies (this change of legislation will not apply on untraded companies, except in specific instances).

The Company received a pre-ruling from the Tax Authority in Finland that entitles the Company to demand a refund from the aforesaid Tax Authority for tax deducted in Finland that cannot be claimed in Israel.

e. Taxation in Norway

Operations in Norway are carried out through a Norwegian company that is owned by CTY. The corporate tax rate in Norway in 2017 is 24%, decreasing to 23% in 2018, and 22% in 2019. Usually, under domestic law, the withholding tax rate on dividend distributions from Norway is 25%. A lower withholding tax rate might be possible under various tax treaties. In the case of a dividend distribution to member states of the European Economic Area (“the EEA”), the rate is 0% (except in specific instances).

f. Taxation in Sweden

Operations in Sweden are carried out by Swedish resident companies that are held by CTY. Generally, the corporate tax rate in Sweden in 2019 is 21.4%. The rate of withholding tax for dividend distribution by a Swedish resident company under the domestic law is 30%. Generally, dividend distribution to a company similar to a Swedish limited liability company, and which is not considered as a company registered in a tax shelter, is not subject to withholding tax (except in specific instances).

g. Taxation in Netherlands

In 2019, corporate tax rate in the Netherlands was 25% (19% corporate tax applies on income up to the amount of EUR 200 thousand). At the end of 2019, following an amendment in legislation in Netherlands and a change in corporate tax rates, corporate tax rate in 2020 will remain 25% (16.5% corporate tax applies on income up to the amount of EUR 200 thousand). In addition, according to the amended legislation, starting from 2021, corporate tax rate expected to decrease to 21.7% (15% corporate tax applies on income up to the amount of EUR 200 thousand).

Under certain conditions, income of the Dutch company from its holdings in Germany would be tax exempt in the Netherlands. Following a change in legislation in Netherlands, starting January 1, 2018, the rate of tax to be withheld at a source on dividend distribution was reduced to 0%, under certain conditions.

NOTE 23:- TAXES ON INCOME (Cont.)

h. Taxation in Germany

Generally, the corporate tax rate (including the solidarity tax) in Germany is 15.825% (assuming that the company is not subject to trade tax, otherwise – 30%). Distribution of profits from a German resident partnership to the Dutch resident company partners is not taxable in Germany according to domestic law. Payment of interest to a foreign resident from Germany is exempt from withholding tax in Germany according to the domestic law, except under certain circumstances. Capital gains on the disposal of shares of a German company may be taxable in Germany, however, 95% of the gain may be tax exempt in Germany, if the conditions of the German participation exemption apply.

i. Taxation in Jersey Island

The corporate tax rate on the Island of Jersey is 0% (except in relation to specific fields of activity which are subject to tax at a rate of 10% or 20%). The f withholding tax rate on dividend distribution from Jersey to Israel is usually 0% and capital gains are not taxed in Jersey.

Operations in Jersey are carried out through Jersey companies that are owned by ATR. The corporate tax rate in ATR's principal regions of operation is 19% in Poland and the Czech Republic and 21% in Slovakia, while in Russia (federal and regional) the effective corporate tax rate ranges from 15.5% to 20%.

Starting from 2019, Jersey Islands applies laws and regulations relates to the Economic Substance. According to the new legislation, companies and partnerships incorporated in the Island will be required to report, among other things, about their type of activity, and to keep the Economic Substance rules on the land of Jersey Islands (I.e., employees, offices, management, level of expenses, etc.) subject to their type of activity.

j. Taxation in Poland

Operations in Poland are carried out through Polish companies owned by ATR. The corporate tax rate in Poland is 19% and, under domestic law, the withholding tax rate on a dividend distribution from Poland is also 19%. A lower tax rate might be possible under various tax treaties.

Starting from January, 2018, a legislation amendment became effective, the amendment includes provisions concerning the offsetting of losses as well as thin capitalization rules that restrict the deduction of financing expenses in Poland.

In addition, a legislative change was made in Poland, and different rules regarding withholding tax were established. In general, according to the new rules regarding dividend payments, interest, royalties and services for foreign residents, of less than 2 million Polish Zlotys in one tax year, the rules for filing and deduction under a treaty remain the same (except for a stricter definition of a beneficial owner). In the case of such payments in an amount exceeding 2 million Polish Zlotys to a foreign resident, the payer must initially deduct the amount in excess of 2 million Polish Zlotys (19% for dividends and 20% for interest, royalties and services for foreign residents). The foreign resident could demand a tax refund subject to compliance with the treaty/exemption conditions. It should be noted that there are exceptions to these rules. On December 31, 2019, it was announced that applying these rules would be postponed to July 1, 2020.

In addition, in 2018, subsequent to the reporting date, several indirect subsidiaries in Poland were issued transfer pricing assessments.

k. Taxation in Czech Republic

The corporate tax rate in the Czech Republic is 19%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% (or 35% in specific instances). The distribution of a dividend from the Czech Republic to a member state of the EEA is exempt from withholding tax (except in specific instances). In addition, a reduced tax rate is possible according to the different tax treaties. The operation in the Czech Republic is performed by Czech companies held by ATR.

l. Taxation in Russia

The corporate tax rate in Russia is 20%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% to foreigners, a reduced tax rate is possible according to the different tax treaties. The operation in Russia is performed by Czech companies held by ATR.

NOTE 23:- TAXES ON INCOME (Cont.)

m. Taxation in Brazil

The effective tax rate on companies in Brazil (having a turnover in excess of BRL 240 thousand) is 34%. The tax rate on a dividend distribution from a Brazil-resident company, under domestic law, is 0%, except in specific instances. Operations in Brazil are carried out mainly through real estate funds. The real estate funds are exempt from tax on their income, if certain conditions are fulfilled. A distribution of earnings from the funds to foreigners and locals is subject to tax withholdings at the rate of 15% and 20%, respectively (calculated on the profit component).

n. Finalized tax assessments

The Company has finalized its tax assessments through 2014. The Company's wholly owned subsidiaries in Israel have finalized their tax assessments through 2014 (and some of them through 2016).

o. Merger of subsidiaries in Israel

On January 7, 2018, an Israeli subsidiary was granted an approval from the Israeli Tax Authority for merger into an indirect subsidiary ("the Absorbing Company"), together with two indirect subsidiaries of the Company. The merger was scheduled for December 31, 2016.

p. Carry-forward losses for tax purposes as at December 31, 2019

The Company and its wholly-owned Israeli resident subsidiaries have carry-forward losses for tax purposes. With respect to the tax benefit associated with such losses, the Group has recognized deferred tax assets amounting to NIS 359 million as at the reporting date (in 2018, NIS 319 million), which have been offset against the deferred tax liability of the Company.

The Company's Canadian resident subsidiaries have carry-forward losses for tax purposes amounting to NIS 26 million. The carry-forward losses may be utilized over a 20-year period, which expires between 2029-2037.

The Company's partially-owned Finnish resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 270 million (in 2018, NIS 444 million), for which deferred tax assets have been recognized at an amount of NIS 54 million.

The Company’s partially-owned Jersey Island resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 1.1 billion (in 2018, NIS 1.3 billion), for which deferred tax assets have been recognized at an amount of NIS 18 million.

NOTE 23:- TAXES ON INCOME (Cont.)

q. Deferred taxes, net:

The composition and movement in deferred taxes are as follows:

	Investment properties and depreciable fixed assets	Carry-forward losses	Others	Total
	NIS in millions			
Balance as of January 1, 2017	(4,143)	524	(175)	(3,794)
Deconsolidation of previously consolidated subsidiary	1,721	(81)	(1,295)	345
Amounts carried to foreign currency translation reserve	246	(13)	1	234
Amounts carried to other comprehensive loss	-	-	(10)	(10)
Amounts carried to income statement	(37)	(217)	766	512
Classification to institutions	-	85	-	85
Reclassification due to assets held for sale	9	-	-	9
Balance as of December 31, 2017	(2,204)	298	(713)	(2,619)
Amounts carried to foreign currency translation reserve	(19)	(10)	(7)	(36)
Amounts carried to other comprehensive income	-	-	11	11
Amounts carried to income statement	(206)	133	663	590
Reclassification due to assets held for sale	32	(8)	-	24
Balance as of December 31, 2018	(2,397)	413	(46)	(2,030)
Amounts carried to foreign currency translation reserve	201	(4)	(18)	179
Amounts carried to other comprehensive income	-	-	9	9
Amounts carried to income statement	(24)	23	(71)	(72)
Deferred tax credit/(charge) to on items sold	66	(4)	-	62
Reclassification due to assets held for sale	14	2	(4)	12
Balance as of December 31, 2019	(2,140)	430	(130)	(1,840)

The deferred taxes are calculated at tax rates ranging between 9% and 33.97% (the tax rates applicable include federal and state tax).

The utilization of deferred tax assets is dependent on the existence of sufficient taxable income at the losses amount in the following years.

Deferred taxes are presented as follows

	December 31	
	2019	2018
	NIS in millions	
Within non-current assets	45	42
Within non-current liabilities	(1,885)	(2,072)
	(1,840)	(2,030)

NOTE 23:- TAXES ON INCOME (Cont.)

r. Taxes on income (tax benefit) included in the income statements

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Current taxes (1)(2)(3)	403	572	147
Taxes in respect of prior years	(8)	(46)	38
Deferred taxes (3)(4)	72	(590)	(512)
	467	(64)	(327)

(1) Current income taxes include capital gain tax, withholding tax from interest and dividends paid by foreign subsidiaries to the Company, current tax expenses of subsidiaries of the Group companies operation.
(2) In 2019, mainly due to sale of FCR shares, refer to Note 8e.
(3) Mainly due to sale of REG shares.
(4) In 2017, as a result of the reduced tax rate, subsidiaries of the Company recognized tax income of NIS 421 million.

s. Taxes on income relates to other comprehensive income and to other equity items

With respect to income tax relates to other comprehensive income and other equity line items, refer to Notes 23q and 25d.

t. Below is the reconciliation between the statutory tax rate and the effective tax rate:

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Income before taxes on income	1,283	(111)	1,203
Statutory tax rate	23.0%	23.0%	24.0%
Tax calculated using statutory tax rate	295	(26)	289
Increase (decrease) in taxes resulting from permanent differences - the tax effect:			
Tax exempt income, income subject to special tax rates and nondeductible expenses	(163)	(154)	(142)
Change in taxes resulting from carry-forward tax losses and other temporary differences for which no deferred taxes were provided, net	390	380	122
Deferred taxes and other temporary differences with respect to prior years	(62)	(149)	-
Taxes with respect to prior years	(8)	(46)	30
Deferred taxes due to changes in tax rates	-	(35)	(442)
Taxes with respect to Company's share in earnings of equity-accounted investees, net	(10)	(75)	(129)
Difference in tax rate applicable to income of foreign companies and other differences	25	41	(55)
Taxes on income (tax benefit)	467	(64)	(327)
Effective tax rate	36.4%	-	-

NOTE 24:- CONTINGENT LIABILITIES AND COMMITMENTS

a. Engagements

1. ATR agreement

An agreement signed between the Company and ATR in 2008 (as amended in January 2015) provides for its rights in ATR, as reflected in the Articles of Association of ATR, including the right to appoint up to four members of ATR's Board of Directors, the right to determine the identity of the Chairman of ATR's Board of Directors and the right to appoint the majority of the members of the Nominations Committee of ATR's Board of Directors. Additionally, ATR granted the Company rights of veto in connection with the making of material decisions at ATR, including the appointment of ATR's CEO. The aforesaid rights are subject to the holding of a minimum number of ATR shares by the Company.

2. Shareholder's agreement in connection with CTY

In 2014, the Company entered into an agreement with CPP Investment Board European Holdings s.ar.l ("CPPIBEH"), under which the Company undertook to support the appointment of up to two directors for the board of directors of CTY that will be recommended by CPPIBEH and CPPIBEH undertook to support the appointment of up to three directors for the board of directors of CTY that will be recommended by the Company. In addition, the Company will grant CPPIBEH a tag-along right for a sale of CTY shares to the extent higher than 5% of CTY's shares during a 12-month period under certain conditions. The agreement will terminate at the earlier of: (1) 10 years from the signature date, (2) the holding by CPPIBEH of less than 10% of CTY's shares, or (3) the holding by the Company of less than 20% of CTY's shares.

3. The Group's companies have entered into operating lease agreements with tenants occupying their properties. Below are details of the minimum lease fee receivable in respect of the lease agreements:

	December 31
	2019
	NIS in millions
Year 1	1,258
Year 2 to 5	3,107
Year 6 and thereafter	1,753
Total	6,118

4. For information about engagements with related parties, see Note 35.

b. Guarantees

1. As at December 31, 2019, the Company's subsidiaries are guarantors for loans from various entities in respect of investment properties under development, which they own together with partners and for bank guarantees, which were provided in the ordinary course of business, in the aggregate amount of NIS 512 million (as at December 31, 2018, NIS 157 million).

2. The Company guarantees an unlimited amount to banks to secure credit received by wholly-owned subsidiaries of the Company. Total guaranteed credit facilities and loans (principal) as at December 31, 2019 and 2018 amounted to NIS 2,056 million and NIS 1,219 million, respectively. Total utilized credit facilities and the loans (principal) as at December 31, 2019 and 2018 amounted to NIS 995 million and NIS 550 million, respectively. Wholly-owned subsidiaries of the Company guarantee loans and credit facilities obtained by the Company from banks and others, in an unlimited amount. In addition the Company had pledged the shares of the subsidiaries to secure credit facilities of wholly-owned subsidiaries.

3. For information about collaterals granted to secure guarantees, see Note 27.

NOTE 24:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

c. Contingent liabilities for the completion of the construction and redevelopment of properties and others

1. The Company's subsidiaries have off-balance sheet commitments for the completion of the construction and redevelopment of investment properties which, as at December 31, 2019, amounted to NIS 971 million (as at December 31, 2018, NIS 256 million).

2. As of the reporting date, CTY has a contingent liability to refund input VAT received of approximately NIS 366 million (as at December 31, 2018, NIS 421 million), should the property, subject to the input VAT, be sold to a VAT-exempt entity within the next 10 years.

d. Legal claims

1. Several legal proceedings are pending against the Company's subsidiaries in the ordinary course of their business including in respect of personal injury and property damage that occurred in their shopping centers and in other properties. The Company estimates that the claimed amounts are immaterial (on a stand-alone basis or on a cumulative basis) to the Company's results.

2. ATR is involved in several proceedings and regulatory investigations in Austria, this in connection with transactions in securities and related matters in 2006-2007. It should be noted that, in 2012, at the conclusion of an investigation, the authorities in Jersey found no violation of the Austrian Companies Law and no findings, and consequently determined that no tort arose from the aforesaid events.

   In addition, ATR is involved in several proceedings that have been filed by a number of investors that had invested in the aforesaid securities in the relevant years, alleging losses due to the volatility of the securities and other related contentions. As at 31 December 2019 the aggregate amount claimed in 4 separate proceedings to which Atrium was then a party in this regard was approximately EUR 221 thousands.

   Based on the estimate of ATR's management, the total provision in the financial statements of ATR in respect of amounts that it has undertaken and is expected to pay under the aforesaid arrangements is EUR 5.5 million.

   Additionally, to date, the criminal proceedings against Julius Meinl and others in connection with events that took place in 2007 and earlier are still in progress. In connection with this, a law firm representing various investors in ATR, who had invested at the time of these events, has alleged that ATR is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor has directed ATR to reply to the allegations and has started criminal investigation proceedings against ATR based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into effect in 2006, applies to ATR. In any event, ATR believes that it should not be held accountable for the aforesaid events and therefore intends to actively defend itself against these proceedings.

3. In July and August 2014, a number of lawsuits were filed with the Economic Affairs Division of the Tel Aviv District Court to certify lawsuits as class actions, against U.Dori Construction Ltd. (“Dori Construction”), U.Dori Ltd. (“Dori Group” presently – Amos Luzon Development and Energy Group Ltd.), their directors and officers and their auditors, as well as against G Israel and the Company. The motions deal with damage allegedly caused to the public that have invested in Dori Construction and/or Dori Group, as the case may be, as a result of the publication of allegedly misleading information in the reporting of Dori Construction, including in its financial statements, and as a result of failing to report, at the appointed time, material adverse information concerning the financial results and the financial position of Dori Construction, and consequently, concerning the financial results of Dori Group.

NOTE 24:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

The grounds for the claims in the aforementioned motions include grounds under the Israel Securities Law, 1968, among which are the inclusion of misleading details in the financial statements and deficient and misleading reporting, a tort of negligence under the Torts Laws, breach of statutory duty (in relation to the Securities Law and the Regulations promulgated thereunder, as well as the Companies Law) and minority discrimination, all being with regard to the reporting of Dori Construction. The amounts of the aforesaid claims range from NIS 13 million to NIS 75 million (subject to quantifying the exact damage in the course of the hearings on the lawsuits), which are not material for the Company (including cumulatively).

The aforesaid motions have been consolidated into a single proceeding (apart from three motions that have been dismissed). In December 2015, the parties agreed to transfer the proceeding to mediation and to deferral of the hearing on the motion for disclosure of documents. In August 2016, the petitioners notified the Court of the failure of the mediation proceeding. Within this framework, the petitioners requested to resume the hearing of the motion for the disclosure of documents (during which, documents unrelated to the Company or G Israel were requested) and to provide for further deliberation in the proceeding. Following several deliberations and petitions for the disclosure of the documents, on December 13, 2017, the Court determined that the petitioners will be allowed to peruse certain documents that are in the hands of the Israel Securities Authority, subject to the signing of an NDA.

As of this date, the evidence in the case has ended. In June 2019, in accordance with the court's recommendation, the parties agreed to authorize the court to settle the dispute by way of a settlement pursuant to section 79A of the Courts [Integrated Version] Law, 1984. The parties worked to formulate a settlement agreement, however, in view of the appointment of temporary trustees for Dori Construction (hereinafter - the "trustees"), and at the request of the trustees to examine the settlement outline. On 27 February, 2020 the trustees court granted an additional 30 day extension to do so. On April 2, 2020, the trustees notified that since a stay of proceedings order has been issued, the proceedings against Dori Construction cannot continue, and that they oppose to the settlement agreement recommended by the court, as mentioned above. On April 5, 2020 the court ordered the parties to respond to the trustees by April 26, 2020.

At this stage, in the Company's estimation, the Company has good defense claims against the claim and as the Court considers the Company responsible for any damage, its share of damage, if any, is likely to be negligible.

NOTE 25:- EQUITY

a. Composition

	December 31, 2019		December 31, 2018		January 1, 2018	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares					
Ordinary shares of NIS 1 par value each	500,000,000	184,459,510	500,000,000	(* 191,842,812	500,000,000	(* 193,510,391

b. Movement in issued and outstanding share capital

	2019	2018	2017
	Number of Shares		
Balance as of January 1 *)	191,842,812	193,510,391	196,563,321
Exercise of share options (employees and officers)	3,748	-	-
Vesting of RSUs (employees and officers)	65,422	42,382	42,648
Issue of shares (employees and officers)	16,109	13,124	-
Issue of restricted shares (employees and officers)	103,096	-	-
Cancellation of shares held by the Company	(7,571,677)	(1,723,085)	(3,095,578)
Balance as of December 31 *)	184,459,510	191,842,812	193,510,391

*) As at December 31, 2018 of which NIS 1,973,503 par value of shares held by the Company and as at December 31, 2017 and January 1, 2017 of which NIS 51,500 and NIS 1,046,993 par value shares are held by the Company, respectively.

c. Composition of other capital reserves:

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Financial assets at fair value through other comprehensive income	11	49	-
Available-for-sale financial assets	-	-	108
Transactions with controlling shareholder	147	147	147
Transactions with non-controlling interests	482	484	316
Share-based payment	30	27	14
Revaluation reserve of cash flow hedges	(35)	(13)	(4)
	635	694	581

NOTE 25:- EQUITY (Cont.)

d. Supplementary information regarding to other comprehensive income (loss)

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Exchange differences on translation of foreign operations from continuing operations	(2,100)	189	(89)
Exchange differences on translation of foreign operations from discontinued operations	-	-	(1,280)
Realization of capital reserves on sale of an associate	68	-	-
Realization of capital reserves on sale of previously consolidated subsidiary	-	-	2,040
Tax effect	45	-	31
	(1,987)	189	702
Gain (loss) with respect to cash flow hedges from continuing operations	(40)	2	(12)
Gain with respect to cash flow hedges from discontinued operations	-	-	14
Realization of capital reserves on sale of an associate	5	-	-
Company's share in other comprehensive income (loss) of equity-accounted investees	(5)	(11)	8
Tax effect	-	(1)	2
	(40)	(10)	12
Loss with respect to Financial assets at fair value through other comprehensive income	(39)	(66)	-
Gain with respect to available-for-sale financial assets from continuing operation	-	-	39
Transfer to income statement with respect to available-for-sale financial assets	-	-	23
Tax effect	-	10	(22)
	(39)	(56)	40
Total other comprehensive income (loss)	(2,066)	123	754

e. Composition of non-controlling interests

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Share in equity of subsidiaries *)	6,764	7,634	8,145
Hybrid bonds issued to non-controlling interests **)	1,349	-	-
Share options, warrants and capital reserve from share-based payment in subsidiaries	22	22	36
	8,135	7,656	8,181

*) Including capital reserves and acquisition-adjustments.

**) For further details regarding the issuance of hybrid bonds to non-controlling interests, refer to Note 8g4.

NOTE 25:- EQUITY (Cont.)

f. Dividends

1. Pursuant to the Company's policy, the Company announces every year the anticipated annual dividend. In November 2019, the Company announced that the quarterly dividend for 2020 would be NIS 0.43 per share (total amount of dividend to be declared in 2020 would be NIS 1.72 per share, instead of a dividend of NIS 1.62 per share in 2019).
   The above is subject to the existence of sufficient distributable income at the relevant dates and is subject to the provisions of any law relating to dividend distributions and to decisions that the Company is permitted to take. This includes the appropriation of its income for other purposes and revision of this policy.

2. In 2019, the Company declared and paid dividends in the total amount of NIS 299 million (NIS 1.62 per share) (in 2018, NIS 292 million (NIS 1.52 per share), 2017, NIS 273 million (NIS 1.40 per share).

3. For information about the declaration of a dividend subsequent to the reporting date, refer to Note 37a.

g. Capital management of the Company

The Company evaluates and analyzes its capital in terms of economic capital, that is, the excess of fair value of its assets over its liabilities. The Company manages its capital in the operating currencies of its investees in which it operates and at similar levels to the ratio of assets in a particular currency to total assets according to proportionate consolidation.

The Company manages its capital with emphasis on economic flexibility for investing in its areas of operations as well as in synergistic areas, while maintaining a strong credit rating, high level of liquidity and seeking to maintain most of its assets as unencumbered.

The Company's Board of Directors determined the optimal capital ratios that will provide adequate return for the shareholders at a risk which it defines as low. The Company's Board of Directors authorized a deviation from the capital ratio that the Board of Directors deems appropriate when the Company's management makes significant investments, while simultaneously setting targets for the restoration of appropriate ratios within a reasonable time.

Over the years, the Company and its subsidiaries have raised equity capital in the markets in which they operate.
The Company evaluates its capital ratios on a consolidated basis (including non-controlling interests), on an extended "stand alone" basis (the Company and its wholly-owned subsidiaries) with reference to the capital of its listed subsidiaries presented at equity, and also based on cash flow ratios.

h. Acquisition plan

On November 18, 2019, the Company's Board of Directors resolved to adopt a new plan for the buy-back of the Company's shares (instead of a previous plan) in an amount of up to NIS 250 million, valid until December 31, 2020. The purchases under the plan will be executed from time to time, at the discretion of the Company's management, insofar as the share price reflects a significant discount in relation to the Company's NAV (calculated according to the value of its holdings).
In 2019, the Company executed a buy-back of 5.6 million shares for NIS 158 million, out of which 2.4 million shares were purchased on April 1, 2019, as part of a share buy-back tender offer for a consideration of NIS 70 million.
For details regarding the purchase of shares after the reporting date, refer to Note 37f.

NOTE 26:- SHARE-BASED COMPENSATION

a. Starting December 2011, the Company activates its Share Incentive Plan ("the Plan"). Pursuant to the Plan, the Company may grant directors, employees, officers and service providers options, ordinary shares, restricted shares and other share-based awards as set out in the Plan, convertible into up to 8 million of the Company's shares, subject to various tax consequences and regimes.

b. In 2019, as part of the Plan, the Company granted, share options and restricted share units ("RSUs") to the Company's employees and officers.

c. The following table presents the change in number of the Company's share options and their original weighted average exercise price:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		NIS		NIS
Share options at beginning of year	4,228,944	40.10	3,794,085	39.06
Share options granted	394,692	28.68	449,834	31.66
Share options forfeited	(8,415)	37.38	(9,983)	37.38
Share options exercised	(43,926)	37.38	-	-
Share options expired	(209,368)	43.54	(4,992)	37.38
Share options at end of year	4,361,927	38.93	4,228,944	40.10
Share options exercisable at end of year	505,610	34.48	404,314	39.82

Each abovementioned share option, except for the options granted to Dori Segal, the former CEO of the Company, is exercisable into one ordinary share of NIS 1 par value of the Company at an exercise price that is linked to the Israeli CPI and subject to adjustments (including share distributions, rights issues and dividend distributions). The exercise price is determined as the average share price in the 30 days preceding the grant date. The grantees are also provided the choice of a cashless exercise. The options vest over three years in three equal installments, starting one year from the grant date of the options, and the options expire four years after the grant date.

The options granted to Dori Segal, the former CEO of the Company, for which the exercise was contingent upon the average price target of the Company's share being higher than the exercise price and for the exercise thereof, requires that during the 12 months preceding the exercise date, the average share price on the stock exchange for a period of 90 consecutive days, would not be less than NIS 45. The final expiration date of the options is five years after the grant date, even in the event of the termination of employment. In January 2018, following the termination of employment of the former CEO, the remainder of the options were vested.

d. The following table presents the movement in units of the Company RSUs and PSUs:

	2019	2018	
	RSUs	RSUs	PSUs
Units at beginning of the year	162,346	113,851	18,162
Units granted	78,538	92,504	-
Units forfeited	(3,751)	(1,627)	-
Units Vested	(65,422)	(42,382)	-
Units Expired	-	-	(18,162)
Units at end of year	171,711	162,346	-

Each RSU is exercisable into one ordinary share of the Company. The RSUs, except for RSUs granted to the Company's directors, vest over three years in three equal installments starting one year from the grant date of the RSU.

NOTE 26:- SHARE-BASED COMPENSATION (Cont.)

The RSUs granted to directors of the Company vest over two years in two equal installments starting one year from the RSUs grant date.

In the event of a dividend distribution, the grantees will be entitled to compensation that reflects the benefit relating to the dividend in respect of the RSUs that had not vested on the dividend distribution date.

e. Other equity compensation

In 2017, the Company granted to a CEO of a subsidiary the right to receive Company's shares at a value of up to USD 2.65 million over a 4 year period, out of which a maximum value of USD 0.8 million is subject to the discretion of the subsidiary's board of directors and the Company's compensation committee, and provided the CEO is an employee of the subsidiary at the time of allotment. In 2019, 119 thousand shares were allotted according to this plan (in 2018- 13 thousand shares), of these 103 restricted shares which will vest over two years in two equal installments.

As at the reporting date, the maximum value remaining is for 151 thousand shares, out of which 38 thousand shares is at the discretion of the subsidiary's board of directors and the Company's compensation committee.

f. The expenses recognized in the income statement for the share-based compensation in 2019, 2018 and 2017, amounted to NIS 7 million, NIS 15 million and NIS 11 million, respectively.

g. Cash-settled transactions

As of the reporting date there are 60 thousand RSUs that are settled in cash (as at December 31, 2018, 90 thousand RSUs).

The carrying amount of the liability relating to the aforementioned cash settled compensation plans at December 31, 2019 is NIS 2 million (in 2018, NIS 2 million).

NOTE 27:- CHARGES (ASSETS PLEDGED)

a. As collateral for part of the Group's liabilities, including guarantees provided by banks in favor of other parties, the Group's rights to various real estate properties which it owns have been mortgaged and other assets, including the right to receive payments from tenants, rights under contracts with customers, funds and securities in certain bank accounts and floating charges. In addition, charges have been placed on part of the shares of investees and of other companies which are held by the companies in the Group.

The balances of the secured liabilities are as follows:

	December 31	
	2019	2018
	NIS in millions	
Non-current liabilities (including current maturities)	4,553	4,744
Debentures (including current maturities)	-	215
	4,553	4,959

NOTE 28:- RENTAL INCOME

In 2017-2019, the Group had no single tenant which contributed more than 10% to total rental income. For information about rental income by operating segments and geographical regions, refer to Note 36.

NOTE 29:- PROPERTY OPERATING EXPENSES

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Salaries and related expenses	81	80	94
Property tax and other fees	87	83	86
Maintenance and repairs	196	208	214
Utilities	188	203	207
Insurance and security	79	76	77
Others	146	194	187
	777	844	865

NOTE 30:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Salaries and management fees (1)	208	209	208
Professional fees	64	82	75
Depreciation	24	22	26
Other (including office maintenance) (2)	64	62	77
	360	375	386

(1) For information about salaries and management fees to related parties, refer to Note 35c.
(2) Net of income management fees from related party, refer to Note 35d.

NOTE 31:- OTHER INCOME AND EXPENSES

a. Other income

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Capital gain on assets disposal	20	2	(*159
Others	15	11	9
	35	13	168

*) Including a capital gain of NIS 117 million in respect of the sale of a commercial center in Brazil (Extra Itaim).

b. Other expenses

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Loss from decrease in holding interest, revaluation and realization of associate, net	(*345	3	4
Capital loss (including transaction expenses)	4	13	42
Impairment of other assets	-	-	35
Other **)	64	110	85
	413	126	166

*) For details regarding the recorded loss in the sale of 58 million FCR's shares, see Note 8e.

**) In 2018, includes an amount of NIS 29 million (in 2017, NIS 44 million) arising from amortization of goodwill in respect of disposal of assets and a decrease in the tax rate in Norway. In addition, in 2018, includes NIS 25 million for purchase tax related to assets in Israel.

NOTE 32:- FINANCE EXPENSES AND INCOME

a. Finance expenses

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Finance expenses on debentures	591	746	793
Finance expenses on loans from financial institutions and others	189	180	196
Revaluation of derivatives*)	-	269	8
Loss from early redemption of borrowings and derivatives	236	222	2
Finance expenses on lease transactions	25	14	13
Loss from investments in securities	-	668**)	24
Finance expenses in respect of CPI linkage differences	31	98	23
Exchange rate differences and others	59	84	45
Finance expenses capitalized to real estate under development	(13)	(19)	(19)
	1,118	2,262	1,085

*) Mainly from hedging swap transactions.

**) During 2018, wholly-owned subsidiaries of the Company sold all of their holdings of shares of REG, for a total consideration of USD 1.1 billion (approximately NIS 3.9 billion). During 2018, the group recognized a loss from the investments in REG shares of NIS 613 million (before tax effect), resulting from the decrease in the REG share price.

b. Finance income:

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Gain from investments in securities	16	3	6
Dividend income	64	67	116
Interest income from investees	21	25	23
Interest income	39	33	26
Revaluation of derivatives *)	808	-	143
Exchange rate differences and others	15	12	-
	963	140	314

*) Mainly from hedging swap transactions.

NOTE 33:- NET EARNINGS (LOSS) PER SHARE

Details about the number of shares and net income used in calculation of net earnings per share:

	Year ended December 31,					
	2019		2018		2017	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	NIS in millions	In thousands	NIS in millions	In thousands	NIS in millions
For the calculation of basic net earnings per share	185,254	655	192,365	(253)	195,016	493
Effect of dilutive potential ordinary shares	460	(6)	218	(1)	42	(6)
For the calculation of diluted net earnings per share	185,714	649	192,583	(254)	195,058	487

NOTE 34:- FINANCIAL INSTRUMENTS

a. Financial risk factors

The Group's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk, fair value risk, and price risk), credit risk and liquidity risk. The Group's comprehensive risk management strategy focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The following is additional information about financial risks and their management:

1. Foreign currency risk

The Group operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Group policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, CAD, NIS and BRL) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in view of a change in the group's asset mix and an increase in exposure to the EUR, during the reporting period, the company's board of Directors decided to make additional hedges to reduce the exposure of the EUR in such a way that the exposed equity ratio to the euro will be up to 50% of the assets exposed to the euro. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations. For further information, see section c below.

2. CPI risk

The Group has loans from banks and issued debentures linked to changes in the Consumer Price Index ("the CPI"). Linking rental agreements in Israel to the CPI reduces the negative impact due to rise in the CPI on the CPI-linked Company's liabilities.
For details regarding the sum of financial instruments linked to the CPI and for cross currency swap transactions, where the Group is exposed to changes in the CPI, see section c below.

3. Interest rate risk

Liabilities that bear a variable interest rate expose the Group to cash flow risk, and liabilities that bear a fixed interest rate expose the Group to interest rate risk in respect of fair value. As part of the risk management strategy, the Group maintains adequate composition of exposure to fixed interest to exposure to variable interest. From time to time and according to market conditions, the Group enters into interest rate swaps in which they exchange variable interest with fixed interest and, vice-versa, to hedge their liabilities against changes in market interest rate (see to section c below). As at the reporting date, 85.0% of the Group's liabilities (79.2% excluding interest rate swaps) bear fixed interest (as at December 31, 2018 - 83.5%, 78.3% excluding interest rate swaps). For further information about regarding interest rates and the maturity dates, see also Notes 19 and 20.

4. Price risk

The Group has investments in marketable financial instruments traded on stock exchanges and non-traded instruments, including shares, participation certificates in mutual funds and debentures, which are classified either as financial assets measured at fair value through profit or loss and or financial assets at fair value through other comprehensive income, with respect to which the Group is exposed to risk resulting from fluctuations in security prices which are determined by market prices on stock exchanges. The carrying amount of such investments as at December 31, 2019 is NIS 1,375 million (as at December 31, 2018, NIS 210 million).As part of its risk management strategy, from time to time, the Company considers entering into hedging transactions to reduce exposure to fluctuations in the exchange of price risk.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

5. Credit risk

The financial strength of the Group's customers has an effect on its results. The Group is not exposed to significant concentration of credit risks. The Group regularly evaluates the quality of the customers and the scope of credit extended to its customers. Accordingly, the Group provides for an allowance of doubtful debts based on the credit risk in respect of certain customers.
Cash and deposits are deposited with major financially-sound financial institutions. Therefore, the Company estimates that the risk that such parties will fail to meet their obligations is low.
In connection with the linkage base swaps and the liabilities currency (see section c below), the Company has contracted, with respect to their share, in agreements (credit support annexes or "CSA") that established current settlement mechanism calculated according to the instruments fair value. Hence, the Company exposed to a risk that the other side of the agreements would not fulfill its obligations to the Company. The Company's policy is to conduct derivative financial instruments with financial institutions with high financial strength.

6. Liquidity risk

The Group's policy is to issue capital and taking long-term financing, including through issuing debentures, hybrid bonds, bank loans and mortgages and on the other hand, to invest in long-term assets. In addition, in order to maintain its financial strength and to reduce the dependence on the capital and debt markets, the Company maintain singed and binding credit facilities (for periods of 3-4 years) with financial institutes, which the Company and/or its wholly-owned subsidiaries can utilize credit for different periods, as required.

As of December 31, 2019, the Group has a working capital deficiency of NIS 0.2 billion. The Group has unused approved credit facilities in the amount of NIS 5.4 billion that can be used over the coming year. The Company's management believes that these sources, as well as the positive cash flow generated from operating activities, will allow each of the Group's companies to repay their current liabilities when due.

In connection with cross-currency swap transactions of liabilities (see section c below), with respect to part of the swaps, the Company entered into credit support annexes agreements (“CSA”) of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

For further information about the maturity dates of the Group's financial liabilities, see section d below.

b. Fair value

The following table presents the carrying amount and fair value of groups of financial instruments that are measured in the financial statements other than at fair value:

		December 31, 2019		December 31, 2018	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
		NIS in millions			
Financial assets					
Non-current deposits and loans	3	49	49	41	41
Financial liabilities					
Debentures	1/2	16,405	17,462	21,474	21,831
Interest-bearing loans from banks and others	2	5,100	5,196	5,359	5,341
		21,505	22,658	26,833	27,172
Total financial liabilities, net		(21,456)	(22,609)	(26,792)	(27,131)

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

Fair value determination of financial instruments:

The carrying amount of the financial instruments that are classified as current assets and current liabilities approximate their fair value.

The fair value of financial instruments that are quoted in an active market (such as marketable securities, debentures, convertible debentures) were calculated based on quoted market closing prices on the reporting date (level 1 on the fair values hierarchy). As at December 31, 2019, the fair value of debentures in a total amount of NIS 3.7 billion, which are not quoted in an active market or which are traded in an illiquid market, was evaluated using a valuation method (level 2 on the fair value hierarchy) as described below (as at December 31, 2018, NIS 3.8 billion).

The fair value of loans bearing variable interest approximates their nominal value.

The fair value of debt instruments that are not quoted in an active market or that are traded in an illiquid market is determined using standard pricing valuation models, primarily DCF, which considers the present value of future cash flows discounted at the interest rate, which according to the estimates of the Company's management and external valuators, reflects market conditions including the parties' credit risk on the reporting date.

The fair value of forward contracts with respect to foreign currency is calculated taking into account the future rates quoted for contracts having the same settlement dates and in addition the amounts are discounted with relevant interest and the value is adjusted to the credit risk of the counter party (level 2 on the fair value hierarchy).

The fair value of interest rate swap contracts and cross-currency swap contracts that include a principle and interest are determined by discounting the anticipated cash flows from the transaction by the applicable yield curve, with adjustments for inter-currency liquidity gaps (CBS), inflation expectations and the credit risk of the parties (level 2 on the fair value hierarchy).

*) Following is the reconciliation between the opening to the closing balance of financial assets measured at level 3 on the fair value hierarchy:

	December 31	
	2019	2018
	NIS in millions	
Balance at beginning of the year	208	348
Additions	73	-
Capital return	(1)	(107)
Impairment through profit or loss	7	2
Revaluation through capital reserve	- *)	(42)
Translation adjustments from foreign operations	(18)	7
Balance at end of the year	269	208

*) Represent an amount less then NIS 1 million.

The balance represents the participation certificates in private equity funds. For further information refer to Note 10.

In 2019, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

c. Financial derivatives

The following table present information about cross-currency swaps, interest rate swaps, forward contracts and purchase options:

Transaction type	Denomination	Outstanding notional amount NIS in million as of		Linkage basis/Interest receivable *)	Linkage basis /Interest payable *)	Remaining average effective duration	Fair value - NIS in millions as of	
		31.12.19	31.12.18				31.12.19	31.12.18
Cross currency swaps								
	EUR-NIS	4,068	3,952	CPI linked, 2.78%-5.78%	Fixed, 3.07%-6.26%	4.9	803	181
		74	86	Nominal, 0.71%-1.30%	Fixed, 0.71%-1.24%	0.8	8	8
		371	531	Nominal, 2.63%-2.64%	Variable, L	0.8	84	77
	USD-NIS	649	394	CPI linked, 2.78%-3.56%	Fixed, 5.38%-5.84%	4.8	68	-**)
		219	243	Nominal, 2.67%	Variable, L	0.8	(3)	(13)
	CAD-NIS	311	311	CPI linked, 3.45%	Fixed, 5.43%	3.0	100	84
		1,114	1,114	Nominal, 1.80%-4.00%	Fixed, 2.85%-4.95%	5.0	220	109
	SEK-EUR	1,228	1,359	Fixed, 1.25%	Fixed, 1.18%-1.27%	6.7	61	33
Linkage bases swaps	EUR	5,429	6,008	CPI linked, 4.40%	Fixed, 2.82%-2.98%	5.8	(57)	(19)
Cross currency options	BRL-USD	354	2,264			0.1	1	35
Israeli government bonds derivatives	NIS	200	879			6.4	(18)	(202)
Interest rate swaps fixed/variable								
	EUR	1,170	1,306	Variable	Fixed	7.3	(69)	(22)
	USD	47	-	Variable	Fixed	4.7	(2)	-
	CAD	128	-	Variable	Fixed	10.0	- **)	-
	NOK	531	975	Variable	Fixed	1.4	6	6
Forward contracts								
	Different currencies	4,269	2,564			short term	(59)	24
							1,143	301
CSA cash collateral, net							(912)	(312)
							231	(11)

*) "L" represents Interbank base-rate related to the currency of the transaction.
**) Represent an amount of less than NIS 1 million.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

Below is the fair value of derivatives designated for hedge accounting included in the above table:

	December 31	
	2019	2018
	NIS in millions	
Assets	5	27
Liabilities	(112)	(22)
	(107)	5

d. Liquidity risk

The table below presents the maturity schedule of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2019

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others (excluding current maturities)	755	-	-	-	755
Trade payables	93	-	-	-	93
Other accounts payable	1,095	-	-	-	1,095
Debentures	1,819	4,815	3,557	8,664	18,855
Interest-bearing loans from financial institutions and others	182	2,315	1,164	2,047	5,708
Lease liabilities	41	123	67	929	1,160
Other financial liabilities	31	-	-	53	84
	4,016	7,253	4,788	11,693	27,750

December 31, 2018

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others (excluding current maturities)	1,276	-	-	-	1,276
Trade payables	112	-	-	-	112
Other accounts payable	1,130	-	-	-	1,130
Debentures	1,534	5,239	6,238	11,839	24,850
Interest-bearing loans from financial institutions and others	649	2,404	1,325	1,712	6,090
Lease liabilities	49	178	31	1,058	1,316
Other financial liabilities	39	-	-	62	101
	4,789	7,821	7,594	14,671	34,875

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity analysis of market risks

Impact on pre-tax income (loss) for the year of a 1% increase in interest rates	Sensitivity analysis of financial balances to absolute changes in interest rates			
	USD interest	CAD interest	EUR interest	NIS interest
	NIS in millions			
31.12.2019	(9)	(1)	(19)	(2)
31.12.2018	(19)	(2)	(21)	-

Effect on pre-tax income (loss)	Sensitivity analysis of financial balances of absolute changes in Consumer Price Index			
	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2019	(76)	(151)	151	76
31.12.2018	(202)	(101)	101	202

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivative absolute changes in Consumer Price Index			
	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2019	(23)	(12)	12	23
31.12.2018	(48)	(24)	24	47

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	+5%	-5%	-10%
	NIS in millions			
31.12.2019				
Change in exchange rate of EUR	(222)	(111)	111	222
Change in exchange rate of USD	37	14	(7)	(14)
Change in exchange rate of CAD	(138)	(69)	69	138
Change in exchange rate of BRL	(90)	(46)	53	114
Change in exchange rate of SEK	(173)	(86)	86	173
Change in exchange rate of NOK	(49)	(25)	25	49
31.12.2018				
Change in exchange rate of EUR	(261)	(130)	130	261
Change in exchange rate of USD	37	11	(7)	(17)
Change in exchange rate of CAD	(144)	(72)	72	144
Change in exchange rate of BRL	(80)	(38)	43	103
Change in exchange rate of SEK	(182)	(91)	91	182
Change in exchange rate of NOK	(76)	(38)	38	76

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	+5%	-5%	-10%
	NIS in millions			
31.12.2019				
Change in exchange rate of EUR	(186)	(93)	93	186
Change in exchange rate of USD	(45)	(22)	22	45
Change in exchange rate of CAD	(25)	(13)	13	25
Change in exchange rate of NOK	1	- *)	- *)	(1)
31.12.2018				
Change in exchange rate of EUR	(12)	(6)	6	12
Change in exchange rate of USD	(13)	(7)	7	13
Change in exchange rate of CAD	(114)	(57)	57	114
Change in exchange rate of NOK	1	- *)	- *)	(1)

*) Represent amount less then NIS 1 million.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

	Sensitivity analysis for financial derivatives- absolute changes in interest rates			
Effect on pre-tax income (loss)	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2019				
Change in interest on ERU	276	143	(153)	(318)
Change in interest on USD	64	33	(35)	(73)
Change in interest on CAD	180	93	(100)	(209)
Change in nominal interest on NIS	(108)	(55)	59	122
Change in real interest on NIS	(550)	(282)	295	605
Change in interest on SEK	154	80	(86)	(179)
31.12.2018				
Change in interest on EUR	327	170	(183)	(383)
Change in interest on USD	44	22	(24)	(50)
Change in interest on CAD	141	73	(80)	(164)
Change in nominal interest on NIS	(159)	(82)	88	182
Change in real interest on NIS	(612)	(315)	336	696
Change in interest on SEK	190	99	(108)	(226)

	Sensitivity analysis for financial derivatives- absolute changes in interest rates			
Effect on pre-tax equity (accounting hedge)	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2019				
Change in interest on EUR	160	83	(91)	(189)
Change in interest on USD	4	2	(2)	(4)
Change in interest on NOK	12	6	(6)	(12)
31.12.2018				
Change in interest on EUR	191	100	(110)	(230)
Change in interest on NOK	38	19	(20)	(41)

Sensitivity analysis and main assumptions

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity analysis_presents the gain or loss or change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as at each reporting date. The examination of risk factors and the financial assets and liabilities were determined based on the materiality of the exposure in relation to each risk assuming that all the other variables remain constant. The sensitivity analysis refers to a potential increase in the relevant variables at rates that the Company deemed appropriate, as the case may be. The same is true for a decrease in same percentage which would impact profit or loss by the same amounts in the opposite direction, unless otherwise indicated.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

In addition:

1. The sensitivity analysis for changes in interest rates of monetary balances was performed on long-term liabilities with variable interest as at the reporting date.

2. According to the Company's policy, as discussed in section a above, the Company generally hedges its main exposures to foreign currency, among others, through maintaining a high correlation between the currency in which its assets are purchased and the currency in which the liabilities are assumed. Accordingly, economic exposure of assets net of financial balances to changes in foreign currency exchange rates is fairly limited in scope. Nonetheless, there is accounting exposure to changes in foreign currency and interest rates with respect to cross currency swap transactions which were not designated for hedge accounting, as presented in the above table.

3. The main accounting exposure in respect of derivative financial instruments is in respect of fair value changes due to changes in interest, CPI and currency which may have an effect on the profit or loss or directly on equity due to transactions that do not qualify for accounting hedge and transactions that do qualify for accounting hedge, respectively.

4. Cash and cash equivalents, including financial assets that are deposited or maintained for less than one year, were not included in the analysis of exposure to changes in interest.

f. Changes in liabilities from financing activities:

Following is reconciliation between the opening balance and closing balance of liabilities for which the cash flows due to them are classified or will be classified as cash flows from financing activities:

December 31, 2019:

	January 1, 2019	Cash Flow	Foreign exchange movement	Other Changes	December 31, 2019
			NIS in millions		
Short-term loans	1,273	(247)	(95)	(177)	754
Long-term loans	5,359	(142)	(236)	119	5,100
Debentures	21,474	(4,133)	(1,144)	208	16,405
Total liabilities from financing activity	28,106	(4,522)	(1,475)	150	22,259

December 31, 2018:

	January 1, 2018	Cash Flow	Foreign exchange movement	Other Changes	December 31, 2018
			NIS in millions		
Short-term loans	585	660	28	-	1,273
Long-term loans	4,675	464	209	11	5,359
Debentures	21,297	(265)	396	46	21,474
Total liabilities from financing activity	26,557	859	633	57	28,106

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Income

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Management fees from the parent company (section e)	1.7	1.7	1.5
Interest income from investees	21	25	23
Dividend income from associates	145	212	225

b. Other expenses and payments

	Year ended December 31					
	2019		2018		2017	
	Number of people	NIS in millions	Number of people	NIS in millions	Number of people	NIS in millions
Directors' fees (1)	9	2.4	6	2.1	6	2.2
Salaries and related expenses (2)	2	7.4	3	15.3	3	14.3

(1) In 2019 includes share-based compensation granted to directors during the year worth approximately NIS 0.2 million.

(2) For information about the employment terms (including share based compensation) of the Executive Vice Chairman of the Board and CEO and controlling shareholder and VP Investments of the Company, see section c below.

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

c. Employment agreements

1. Vice Chairman of the Board of Directors, CEO and the Controlling Shareholder, Mr. Chaim Katzman

a) Until January 31, 2018 Chaim Katzman served as the executive chairman of the Board of Directors of the Company, without compensation from the Company, although in the course of fulfilling his duties Chaim Katzman was entitled to continue using the Company's resources in order to fulfill his duties.

b) Chaim Katzman has served as Vice Chairman of the Board of Directors and CEO of the Company since February 1, 2018. In June 2018, the general meeting approved the employment terms of Chaim Katzman in the Group, after obtaining the approval of the Compensation Committee and the Board of Directors of the Company, for a period of three years commencing February 1, 2018, subject to the right of each party to cancel the agreement with notice of 180 days.

The total employment cost of Chaim Katzman will not exceed NIS 5.8 million, and the fixed salary to be paid to Chaim Katzman by the Company will be calculated as the difference between NIS 5.8 million ("the Annual Cost of Employment in the Group") and the total cost of the compensation paid to him by the Company’s public subsidiaries, as they may be from time to time, provided that if the difference is more than NIS 3.9 million, the Company will bear (directly and indirectly, through its wholly owned private subsidiaries) the a maximum annual employment cost of NIS 3.9 million ("the Maximum Annual Employment Cost").

The fixed salary, the Annual Cost of Employment in the Group, and the Maximum Annual Employment Cost will be adjusted once every calendar year in the amount of the increase in the CPI. Accordingly, in 2019, Chaim Katzman was entitled to a yearly salary that reflects an annual cost to the Company (separate, the Chaim Katzman’s compensation from the Company's subsidiaries in 2019) in the amount of NIS 2.347 million.

In addition to the fixed salary, Chaim Katzman will be entitled to sick leave and recreation days as stipulated by law and to 30 vacation days a year, all this provided that the total Annual Cost of Employment in the Group does not exceed the Maximum Annual Employment Cost as defined above.

Chaim Katzman is not entitled to an annual bonus or to capital compensation.

In the event of the termination of employment or non-renewal of the agreement, Mr. Katzman will be entitled to various compensations of value that can reach up to the sum of the annual transaction cost.

Chaim Katzman will also be entitled to exemption, indemnification and insurance under terms that are the same as those of the other officers in the Company

c) According to the advisory agreement with ATR of 2009 (which was amended from time to time), Chaim Katzman, ATR's chairman of the Board of Directors, is entitled to annual compensation of EUR 700 thousand for advisory services and recovery of expenses from ATR.

d) For 2019, Chaim Katzman is entitled to director's compensation in the amount of EUR 165 thousand for his services as CTY's chairman of the Board of Directors (in 2018 - EUR 165 thousand).

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

2. VP Investments of the Company, Mr. Zvi Gordon

In June 2017, Zvi Gordon, the son-in-law of Chaim Katzman, was appointed as VP Investments of the Company, this alongside his office as VP Mergers & Acquisitions in Gazit USA, a wholly owned subsidiary of the Company.
In March 2020, after obtaining the approval of the Company's Compensation Committee, the Company's General Meeting approved the renewal and updating of Mr. Gordon's employment agreement for a period of three years from the date of approval of the meeting, subject to the right of each party to terminate the agreement by 90 days' notice.
This agreement supersedes the previous employment agreement between the parties that was effective as of June 2017. In accordance with the terms of the new agreement, Mr. Gordon will be entitled to a salary of USD 250 thousands (linked to an annual increase in the consumer price index; instead of an annual salary of USD 200 thousands under the previous employment agreement). Zvi Gordon is also entitled to standard social and related benefits (the relating grossing-up of tax will be borne by the Company) as well as to indemnification, exemption and insurance as customary in the Company.
According to his employment agreement, Zvi Gordon is entitled to an annual cash bonus, in a total amount that will not exceed 75% of the base annual salary to which he is entitled for any year, based on the extent to which the Company meets measurable goals set for the Company a year in advance, for achieving 100% of the targets for a particular year. In 2019, Zvi Gordon received a cash bonus of USD 137.2 thousands (according the new employment agreement).
Additionally, in 2017, Zvi Gordon was allotted 224,848 options (non-negotiable) for the purchase of ordinary shares of NIS 1 par value of the Company, at an exercise price of NIS 34.308 per share, and 19,985 restricted share units.
In addition, pursuant to the new employment agreement with Mr. Gordon, the Company undertook to allot Mr. Gordon equity compensation in the form of options (50% of total equity compensation) and restricted share units (RSUs) (50% of total equity compensation) to purchase the Company's common stock which reflects annually amount for the company (linearly calculated) in amount of USD 187,500 per year.
In light of this, the Company works to allocate 972,656 options and 39,873 RSUs to Mr. Gordon (in accordance with the Company's share price in the stock exchange on the date of approval of the General Meeting of the Company).

The options and the restricted share units vest in three equal batches, starting at the end of one year from their grant date. Options that are not exercised within 90 days of the termination of Zvi Gordon's engagement with the Company will expire. The final expiration date of all options is at the end of 4 years from their date of grant. The options may also be exercised in a cashless exercise. In the event of a dividend distribution, Zvi Gordon will be entitled to a monetary compensation that reflects the benefit of the dividend distribution pertaining to the restricted share units that are not yet vested on the dividend distribution date. As well as the new employment agreement with Mr. Gordon will not be renewed at the end of the three years, Mr. Gordon will be entitled to maturity of the last share of the equity compensation granted to him by virtue of the new employment agreement, in accordance with its terms (i.e., the last batch will vest on June 19, 2023), provided that Mr. Gordon has worked for the Company for the entire term of the agreement.
In the event of termination or non-renewal of the agreement, Mr. Gordon will be entitled to various rewards that can reach up to 200% of his annual base salary as well as accelerate the vesting period for the equity compensation components alloted to him before their maturity date.

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

d. Entering into an agreement for establishing a partnership with a former director, Mr. Dori Segal

On November 2019, the Company established a new joint venture to locate, acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Toronto (hereinafter: "Canada Joint Venture " or " Joint Venture ").

The joint venture is owned by the Company (60%) which will invest, at this point, CAD 60 million, and by Mr. Dori Segal, who serves as a director of the Company (40%) which will invest, at this point, CAD 40 million thorough a company under his control. In addition, the Company thorough its Canadian Subsidiary will grant a loan to the Joint Venture in a total of up-to CAD 50 million, with market interest rate (about CAD 13 million was given as of the reporting date).

Mr. Dori Segal serves as CEO of the Joint Venture for annual management fees of CAD 0.6-1.2 million, depending on the Partnership's assets.

In light of the establishment of the partnership, Mr. Dori Segal did not stand for re-election to serve as a director on the company's board of directors, and therefore ceased to serve as director and became interested parties in the company in December 2019.

e. Entering into an agreement with Norstar

On January 26, 2012, the Company's shareholders meeting approved an agreement with Norstar ("the Gazit-Norstar Agreement"), as recently updated in October 2017, with respect to the following matters:

1. Norstar will pay the Company a monthly fee of NIS 139 thousand (as recently updated in October 2017), linked to increase in the Israeli CPI including VAT for various services. The Agreement is for a three-year period and renews automatically for further periods, each for three years, with each party being entitled to give notice of non-renewal (subject to the applications of the Companies Law). The services will include secretarial services, book keeping services, treasury services, computer services, communications, legal services, and dealing with bank financing, the capital markets and investments.

2. Amendment of the existing non-competition provisions between the Company and Norstar Group, the principals of which, to date, are as follows: Norstar has undertaken that, so long as Norstar Group continues to be the Company's sole controlling shareholder and so long as the Company is principally an owner, developer, and operator of supermarket-anchored shopping centers and retail-based, mixed-use properties (in this section: "the Shopping Centers") and/or controls and holds companies that are engaged primarily in said fields as a principal activity, Norstar Group will not engage in such fields and will not own shares in companies that are engaged in such fields as its principal activity and any proposals it receives to engage in and/or to hold the aforementioned will be passed on by it to the Company, except for finance holding up to 5% of the share capital of a single company which is traded on the stock exchange in Israel or abroad and is engaged in this field as a primarily field.

   It is further clarified that Norstar may own, develop and operate real estate other than Shopping Centers, as defined above, and may hold the shares of companies that own, develop and operate real estate other than Shopping Centers as their primary activity.

In addition, during 2018, the Company's Board of Directors, after obtaining the approval of the Company's Audit Committee, approved a procedure for leasing the Company's airplane to Norstar, from time to time, and in accordance with the airplane availability and the Company's needs. The pricing for the lease is the pricing used for third party leases, which are determined according to a price list set by the third party management company of the airplane. In 2019 the company did not lease the airplane to Norstar.

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

e. Balances with related parties

	December 31	
	2019	2018
	NIS in millions	
Interest receivable from joint ventures and equity-accounted investees (Note 6)	19	10
Long term loans to equity-accounted investees (Note 8a)	334	345
Dividend receivable from an affiliate company	-	47
Short-term loan for a joint venture and affiliate (note 6)	19	-

f. Subsidiaries:

For details regarding transactions and balances with subsidiaries, see Note 8.

NOTE 36:- SEGMENT INFORMATION

a. General

According to the "management approach", as defined in IFRS 8, the Group operates in several operating segments, five of which meet the definition of a "reportable segment" (as presented in the table below). The segments are identified on the basis of geographical location of the income-producing properties. The Company evaluates the segment results separately in order to allocate the resources and assess the segment performance which, in certain cases, differ from the measurements used in the consolidated financial statements, as described below. Financial expenses, financial income and taxes on income are managed on a group basis and, therefore, were not allocated to the different segment activities.

Other segments include, among others, activities that meet the qualitative criteria of an "operating segment" in accordance with IFRS 8 as they constitute the entity's business component from which it generates revenues and incurs expenses and for which financial information is available and separately reviewed by the Company's management. Such segments, however, do not meet the quantitative threshold that requires their presentation as a reportable segment and comprise mainly the following regions: Germany, Bulgaria and Canada (starting from November, 2019)

Following the sale most of FCR shares (refer to Note 8e) , the management discontinued the separate analysis of FCR's operation, therefore the investment in FCR shares is no longer reportable segment. The comparative information has been adjusted retrospectively.

In addition, according to the management's approach, the activities segments in Israel, Brasil and United States, which have so far been included under the "other segments" category, began to constitute reportable segment. The comparative information has been adjusted retrospectively.

b. Financial information by operating segments

As at and for the year ended December 31, 2019

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,299	1,009	234	218	90	26	(124)	2,752
Segment results:								
Gross profit (loss) (3)	907	705	171	199	61	16	(84)	1,975
Depreciation and amortization (3)	6	9	2	-*)	-*)	-*)	3	20
Share in earnings (losses) of investees	(9)	-	(5)	-	-	-	51	37
Operating income (4)	806	580	147	177	34	14	(320)	1,438
Revaluation gain (loss) (4)	(553)	(37)	113	587	17	(13)	(114)	-
Segment assets:								
Current Operating assets (5)	214	486	215	55	3	11	2,371	3,355
Non-current Operating assets (5)	17,888	11,269	3,557	3,460	1,722	732	(918)	37,710
Investments in investees	88	-	10	-	-	-	1,462	1,560
Total assets	18,190	11,755	3,782	3,515	1,725	743	2,915	42,625
Investments in non-current assets	439	423	262	176	606	507	(293)	2,120
Segment liabilities (7)	426	507	94	21	20	39	25,192	26,299

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

NOTE 36:- SEGMENT INFORMATION (Cont.)

As at and for the year ended December 31, 2018

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,416	1,073	224	183	44	29	(129)	2,840
Segment results:								
Gross profit (loss) (3)	962	760	160	166	25	17	(94)	1,996
Depreciation and amortization (3)	51	10	1	1	-*)	-*)	-*)	63
Share in earnings (losses)	(19)	-*)	(16)	-	-	-	424	389
Operating income (loss)	780	615	98	152	4	-*)	362	2,011
Revaluation gain (loss) (4)	(344)	(6)	44	278	142	81	(195)	-
Segment assets:								
Current Operating assets (5)	511	244	21	125	1	451	2,439	3,792
Non-current Operating assets (5)	19,728	13,617	3,405	2,956	1,206	-	(1,988)	38,924
Investments in investees	109	25	16	-	-	-	6,348	6,498
Total assets	20,348	13,886	3,442	3,081	1,207	451	6,799	49,214
Investments in non-current assets (6)	935	1,651	386	1,107	528	-	(196)	4,411
Segment liabilities (7)	276	579	87	26	9	32	31,248	32,257

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

As at and for the year ended December 31, 2017

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Norther n Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,454	1,060	211	151	6	30	(81)	2,831
Segment results:								
Gross profit (loss) (3)	986	733	152	132	4	16	(57)	1,966
Depreciation and amortization (3)	51	13	3	-*)	-*)	-*)	3	70
Share in earnings (losses) of investees	(2)	35	(1)	-	-	-	402	434
Operating income (loss) (4)	841	574	110	244	1	15	189	1,974
Revaluation gain (loss) (4)	(179)	-*)	21	95	-*)	18	45	-

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

NOTE 36:- SEGMENT INFORMATION (Cont.)

c. Notes to segment information

1. The information of the segment "North Europe" includes 50% of the value of the joint venture Kista Galleria. Starting from 2019 "other segments" includes 60% of the Canada Partnership. Starting from 2018 information of the segment "Central-Eastern Europe" includes 75% of the value of the joint venture Pankrac Shopping Centre k.s as well as information of the segment "United States" includes 50% of the value of the joint venture "Ceasar's Bay" (together "the Joint Ventures") and are offset against consolidation adjustments.

2. The Group has no intersegment revenues. Adjustments with respect to segment revenues primarily includes Joint Ventures as referred to above.

3. Consolidation adjustments in the gross profit and depreciation and amortization items include the effect of the adjustments, as mentioned above.

4. Segments operating income excludes revaluation gains which are included in consolidation adjustments. Adjustments for Operating Income include that stated in section 3 above, as well as goodwill impairment and revaluation gains, which are presented separately under operating profit. Likewise, these reconciliations include unallocated general and administrative expenses of NIS 86 million, NIS 86 million and NIS 107 million and unallocated net other expense (income) of NIS 380 million, NIS (2) million and NIS 9 million, for 2019, 2018 and 2017, respectively.

5. Current operating assets mainly include: trade receivables, other accounts receivable and held for sale assets.
   Non-current operating assets mainly include: investment property, property under development, goodwill, and fixed assets. The consolidation adjustments mainly include securities at fair value through profit or loss, deferred taxes, derivatives, goodwill (at the Group level) and the Joint Ventures as mentioned above.

6. Investments in non-current assets include mainly fixed assets, investment property, investment property under development, as well as business combinations.

7. Segment liabilities include operating liabilities such as trade payables, land lease liabilities, other payables and tenants' security deposits. Consolidation adjustments mainly include mainly deferred taxes, financial derivatives, interest-bearing liabilities and the adjustment for the operating liabilities of the Joint Ventures as described above.

NOTE 37:- SUBSEQUENT EVENTS AFTER THE REPORTING DATE

a. On March 24, 2020, the Company declared the distribution of a dividend in the amount of NIS 0.43 per share (a total of NIS 78.3 million), payable on April 13, 2020 to the shareholders of the Company on the record date (April 2, 2020).

b. On January 2020, the Company issued, by way of a shelf offer, NIS 600 million par value of unsecured debentures (Series N), for a net consideration of NIS 593 million.

The debentures are linked to the increase in the consumer price index, bear fixed annual interest at the rate of 1.29% that is payable twice a year on March 31 and September 30 in each of the years 2020 to 2031 (inclusive) and mature as follows: the first installment (17.5% of the principal) is payable on September 30, 2022, the second installment (15% of the principal) is payable on September 30, 2023, the third installment (15% of the principal) is payable on September 30, 2024, the fourth installment (27.5% of the principal) is payable on September 30, 2029, and the fifth installment (25% of the principal) is payable on September 30, 2031.

As part of the issuance of the debentures (Series N), the Company has undertaken, inter alia, to comply with the following covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.

Nevertheless, in the event of non-compliance with any of the aforesaid covenants, the Company may provide collateral in favor of the holders of the debentures (Series N) in lieu of such covenants.

The Company has also made other undertakings to the holders of the debentures (Series N), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. I addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company’s equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements.

Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.

c. After the reporting date, the Company repurchased debentures with a par value of NIS 125 million (Series D, K, L and N) for a consideration of NIS 151 million. As a result, the Company recorded a loss from early redemption of approximately NIS 13 million. The repurchased debentures were cancelled and delisted.

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

NOTE 37:- SUBSEQUENT EVENTS AFTER THE REPORTING DATE (Cont.)

e. After the reporting date, the Company sold all remaining FCR shares for a total consideration of approximately NIS 771 million, refer to note 10.

f. After the reporting date, The Company repurchased approximately 3.9 million shares for consideration of NIS 95 million.

g. Subsequent to the reporting date the Company issued to the public NIS 243 million par value unsecured debentures (series K), by a way of an expansion of a listed series for net consideration of NIS 264 million, representing yield to maturity of 3.6% (linked).

h. In the first quarter of 2020, the Coronavirus epidemic broke out in China, and has spread to many other countries around the globe, including countries in which the Group is operating, and the World Health Organization declared that the Coronavirus is a global epidemic.

The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the epidemic, have led to a global economic crisis, which is expressed, inter alia, in a sharp decline in stock exchanges around the world, changes in interest rates in certain countries, changes in currencies and in an increase in yield margin as required under corporate debentures issuers, including the Company.

In accordance with the directives of the Ministry of Health in regulations published from time to time, the number of businesses not operating has increased in the Company’s complexes in Israel. At the same time, businesses in the fields of food, pharmacies, offices and all other vital services continue to operate, some of them on overtime. In respect of businesses that have been closed, the Company has allowed freezing of rent payments for the period these are closed.

In accordance with the instructions of the authorities in other countries in which the Company operates through its private subsidiaries and public companies, most of the commercial complexes have closed down on a gradual basis over recent days excepting businesses in the fields of food, pharmacies, banks, health services, and offices are working regularly with some having extended their working hours.

On account of the economic crisis and the uncertainty in the capital, interest rates and foreign currency markets around the world there has been a drop in the share prices of the public subsidiaries ATR and CTY, which serve as collateral for the Company’s credit agreements. There have been changes in interest rates in certain countries and volatility in exchange rates of currencies in which the Company and Group companies operate, which impact the hedging transactions the Company makes.

The Corona epidemic and its accompanying economic crisis are a global event. The Company and the Group companies are closely monitoring regulatory developments in Israel and the other countries in which it operates, as well as the impacts on its businesses and its tenants. Furthermore, the Company is following developments in the capital, interest rates and foreign currency markets and is taking a long list of steps to adjust its financial situation, level of liquidity and the credit balances available to it.

The continuation of the epidemic and the steps taken to halt it are likely to have a material adverse effect on the retail real estate sector and on the Group’s operations, inter alia on account of the drop in footfall, the reduction in demand and the scale of consumption of certain products, as well as the impairment of the economic and liquidity strength of the tenants, which in turn will lead to a drop in the Company’s revenues, in its current cash flow, in its occupancy rates and in the value of its properties. In addition, the Company's projects under development are likely not to be completed within the forecast costs and timetables.

In the light of the nature of the crisis and since it is a global event, as of the date of writing this report, the Company is unable to estimate the effects of the Coronavirus epidemic and the arising global economic crisis and/or of an economic crisis focused in a country and/or certain countries where it operates, on all the Group’s operations. In addition, the Company cannot assess the impact of volatility in the capital, interest rates and foreign currency markets on its financial results.

LIST OF MAJOR GROUP INVESTEES AS OF DECEMBER 31, 2019 (1)

	Holding interest as of December 31,		Note	Incorporated in	Additional information in Note
	2019	2018			
	%				
M.G.N USA Inc.	100	100	(2)	USA	
Gazit (1995) Inc.	100	100	(3)	USA	
Gazit Group USA Inc.	100	100	(3)	USA	
M.G.N America LLC.	100	100	(3)	USA	
Gazit First Generation LLC.	100	100	(3)	USA	
Gazit Group South America. Inc.	100	100	(3)	USA	
Gazit Horizons Inc.	100	100	(3)	USA	8g
Gazit Canada Inc.	100	100	(2)	Canada	
Gazit America Inc.	100	100	(3)	Canada	
Gazit TripLLLe Canada General Partner Inc.	60	-	(2)(5)	Canada	
Gazit Canada General Partner Inc.	100	-	(2)(5)	Canada	
Gazit TripLLLe Canada Limited Partnership	60	-	(3)(5)	Canada	
GC York Mills Limited Partnership	100	-	(3)(5)	Canada	
Ficus Inc.	100	100	(3)	USA	
Silver Maple (2001) Inc.	100	100	(3)	USA	
Citycon Oyj	48.6	48.5	(2)	Finland	8f
Gazit Europe (Netherlands) BV	100	100	(2)	Netherlands	
Gazit Europe (Asia) BV	100	100	(2)	Netherlands	
Gazit Europe (2019) BV	100	-	(2)(5)	Netherlands	
NB (2019) BV	100	-	(3)(5)	Netherlands	
Gazit Germany Beteilingungs GmbH & Co. KG	100	100	(3)	Germany	8g
Gazit Brasil L.P.	100	100	(4)	USA	
Gazit Brasil Ltda.	100	100	(3)	Brazil	8g
Gazit Gaia Limited	100	100	(2)	Jersey	
Gazit Midas Limited	100	100	(2)	Jersey	
Atrium European Real Estate Limited	60.1	60.1	(3)	Jersey	8c
G. Israel Commercial Centers Ltd.	100	100	(2)	Israel	8g

(1) The list does not include inactive companies and companies held by CTY, ATR, Gazit Development, Gazit Germany, Gazit Brasil, Gazit Horizons and Gazit South America L.P.

(2) Held directly by the Company.

(3) Held through subsidiaries.

(4) Held directly and through subsidiaries.

(5) Companies established during 2019.

CHAPTER D – ADDITIONAL DETAILS REGARDING THE COMPANY

Company's Name:	Gazit-Globe Ltd. (the "Company" or the "Corporation")
Company's Registered No.:	520033234
Address:	8 Aharon St., Tel-Aviv 6964316
E-mail Address:	IR@gazitgroup.com
Telephone:	03-6948000
Facsimile:	03-6961910
Financial Statement Date:	December 31, 2019
Reporting Date:	April 7, 2020

REGULATION 10A: CONDENSED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME

For condensed statements of comprehensive income for 2019 on a quarterly basis, see section 3.5(c) of the Directors' Report.

REGULATION 10C: USE OF PROCEEDS FROM THE ISSUANCE OF SECURITIES

During the reporting period, the Company did not issue any securities. Subsequently to the reporting period, in January 2020, the Company issued NIS 600 million par value through a debenture issuance (Series N) and in March 2020 the Company issued NIS 244 million par value through a debenture issuance (Series K), according to Shelf Offering Reports. In the Shelf Offering Reports, the Company announced that the proceeds from the issuances would be used for an existing financial debt repayment and for the Company's ongoing business operations, based on decisions to be made by the Company's management from time to time. As of the date of this Report, the Company has met its proceeds targets as set forth in the Shelf Offering Reports.

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 11: LIST OF INVESTMENTS IN SUBSIDIARIES AND IN AFFILIATES

Presented below is a listing of the Company's investments in each of its subsidiaries and related companies as of the date of the statement of financial position:

Company name	Class of security and par value	Quantity owned	Value in the financial statements (NIS in thousands) (*)	Interest in relation to issued share capital (%)	Interest in relation to voting rights and power to appoint directors (%)	Price at statement of financial position date
Investments in private companies owned by the Company						
Gazit-Globe Holdings (1992) Ltd.	Share NIS 1	432	(171,678)	100	100	-
	Deferred shares	1	-			
G. Globe Development Ltd.	Share NIS 0.01	100	(81,367)	100	100	-
G. Israel Commercial Centers Ltd. ("G. Israel")	Share NIS 0.1	2,410,202	322,992	100	100	-
MGN (USA) Inc. (1)	Share USD 1	2,142	2,299,041	100	100	-
Gazit Canada Inc.(2)	Shares CAD 0.01	1,206	3,542,537	100	100	-
Gazit America Inc. (2)	Share CAD 1	100	-	100	100	-
Gazit Europe (Netherlands) B.V.(3)	Share EUR 1	18,500	241,592	100	100	-
Gazit Europe (Asia) B.V.(4)	Share USD 1	18,000	148,691	100	100	-
Gazit Midas Limited(5)	Share EUR 1	1,000	1,988,169	100	100	-
Gazit Gaia Limited(6)	Share EUR 1	1,000	-	100	100	-
Gazit Brasil Ltda.(7)	Participation units and shares	-	3,472,264	100	100	-
Gazit Europe (2019) B.V	Share EUR 1	100	(399)	100	100	-
Investments in public companies (some of which are owned by the private subsidiaries detailed above)						
Citycon Oyj. ("CTY") (8)	Share EUR 1.35	86,497,175	3,718,244	48.6	48.6	EUR 9.37
Atrium European Real Estate Limited ("ATR")(9)	Share EUR 1	227,216,162	-	60.1	60.1	EUR 3.45

(*) According to the Company's separate financial statements, as of the statement of financial position date.
(1) MGN (USA) Inc. Holds 100% of Gazit Horizons Inc., Gazit 1995 Inc., MGN America LLC. ,,Gazit Group USA Inc. Gazit First Generation Inc.
(2) Gazit America's value in the financial statements is included in Gazit Canada's value.
(3) Gazit Europe (Netherlands) B.V. owns a group of German companies that are not presented separately.
(4) Gazit Europe (Asia) B.V. invests in a real estate investment fund, resident in Mauritius, India.
(5) Gazit Midas Limited owns 29.6% of the share capital of ATR.
(6) Gazit Gaia Limited owns 30.5% of the share capital of ATR. Gazit Gaia's value in the financial statements is included in Gazit Midas' value.
(7) U.S. partnership owned 94% by the Company and 6% by wholly-owned subsidiaries which owns Gazit Brasil Ltda. and in FIM Norstar.
(8) The interests in CTY shares are direct. CTY has private subsidiaries that are not presented separately in the table.
(9) The interests in ATR are owned through Gazit Gaia and Gazit Midas. ATR has private companies that are not presented separately in the table.

ADDITIONAL DETAILS ABOUT THE COMPANY

Presented below are details of the balance of the Company's debentures and loans to its subsidiaries and related companies:

Company	Linkage basis	Interest rate	Reported balance as of December 31, 2019 (NIS in million)	Repayment years (as per the agreement)
Gazit Horizons Inc.	USD	LIBOR+1.5%	432	2022
		LIBOR+2.55%	692	2023
		Without interest	6	(**)
Gazit Midas Limited	EUR	EURIBOR+2.55%-2.8%	526	2023
Gazit Gaia Limited	EUR	EURIBOR+2.8%	240	2023
Gazit Europe (Netherlands) B.V.	EUR	Capital note without interest	889	2023
G Israel Commercial Centers Ltd.	CPI	4.5%	841	2027
		4.0%	42	2020
	NIS	3.5%	429	2022
		4.6%	844	2026
		Capital note without interest	375	(***)
G. Globe Development Ltd.	CPI	2.61%	81	(*)
Gazit Globe Holdings (1992) Ltd.	CPI	2.61%	172	(*)
Gazit Germany	EUR	EURIBOR+2.0%	110	2021
		EURIBOR+2.0%-2.55%	13	(**)

(*) The loans are automatically renewed from time to time, subject to the possibility of their being terminated in accordance with the terms set forth in the agreements with respect to such loans.

(**) Loans which repayment date is in 2020 and was not already due, and with respect to which there are discussions regarding the extension of thereof.

(***) A perpetual capital note with no repayment date.

REGULATION 12: CHANGES IN INVESTMENTS IN SUBSIDIARIES AND IN AFFILIATES(*)

Date of change	Nature of change	Company name	Class of security	Total par value	Cost (NIS in thousands)	Average cost per unit
02/19	Acquisition of shares on the Stock Exchange	Citycon Oyj.	Ordinary share	125,000	4,446	EUR 8.63
03/19	Acquisition of shares on the Stock Exchange	Citycon Oyj.	Ordinary share	43,000	1,538	EUR 8.77
1-12/19	Return of investment (**)	Gazit Brasil Ltda., FIM Norstar	Participation units and shares	30,000	29,214	BRL 1.00

(*) Excludes negligible investments in establishing inactive subsidiaries in the reporting period.

(**) Refer to footnote (7) to Regulation 11. The investment specified above includes the investment of the Company and investment of Gazit South America Inc.

REGULATION 13: INCOME FROM SUBSIDIARIES AND AFFILIATES AND INCOME THEREFROM

Presented below are details of the 2019 comprehensive income (loss) attributed to the shareholders of each of the Company's subsidiaries or related companies, and also the Company's income from dividends, management fees and interest from those companies (NIS in thousands):

Company name	Income (loss)	Other Comprehensive income (loss)	Total comprehensive income (loss)	Dividends	Management fees	Interest income (expenses)
MGN (USA) Inc. [(1)]	8,610	(3,322)	5,288	-	565	(18,728)
Gazit Canada Inc.	(439,100)	(29,801)	(468,901)	1,809,361	-	(124,454)
Gazit America Inc.				-	-	
Gazit-Globe Holdings (1992) Ltd.	(5,301)	-	(5,301)	-	-	4,370
G Israel Commercial Centers Ltd.	113,379	(23,019)	90,360	-	720	114,726
G.Globe Development Ltd.	(2)	-	(2)	-	-	-
Citycon Oyj.	40,102	(16,368)	23,734	222,379	-	-
Gazit Europe (Netherlands) B.V. [(2)]	39,866	-	39,866	-	-	5,185
Gazit Europe (Asia) B.V.	2,094	(4,299)	(2,205)	-	-	(2,078)
Gazit Brasil Ltda. [(3)]	771,123	-	771,123	-	-	-
Gazit Midas Ltd. [(4)]	103,721	(25,134)	78,587	-	-	18,853
Gazit Gaia Ltd. [(4)]				-	-	9,700

(1) Results for MGN (USA) Inc. include the results of Gazit Horizons Inc., Gazit 1995 Inc., Gazit Group USA, MGN America LLC and Gazit First Generation Inc.

(2) Represents the results of the Company's operations in Germany.

(3) Represents the results of Gazit Brasil Ltda's operations as well as the results of the operations of FIM Norstar, which are both held by Gazit Brasil LP (a U.S. partnership).

(4) The income includes the results of Gazit Gaia Limited and Gazit Midas Limited.

REGULATION 20: STOCK EXCHANGE TRADING

During the reporting year 192,196 ordinary shares of the Company of par value NIS 1 each were listed for trading. These shares were issued as a result of the vesting of restricted share units (RSU) and of the exercise of options by officers and employees at the Company and its private subsidiaries .

Subsequent the reporting period, in January 2020, the Company issued NIS 600 million par value of debentures (Series N) and in March 2020 the Company issued NIS 244 million par value of debentures (Series K), according to Self-Offering Reports. For further information regarding the debentures (Series N), see section 7 to the Directors' Report.

In 2019, stock exchange trading in the Company's securities was not suspended. With regard to the delisting of debentures following their repurchase by the Company (including through tender offers), see section (D) of Regulation 29 below. For information regarding the generation of dormant shares due to the Company's repurchase and their cancellation, see Regulation 29(A) below.

Pursuant to the resolution of the Company's Board of Directors, in March 2019, the Company's shares from trade on the NYSE were delisted.

REGULATION 21: COMPENSATION OF INTERESTED PARTIES AND SENIOR OFFICERS

Presented below are details of the compensation paid for 2019 to each of the five highest compensation recipients among the senior officers of the Group (the Company or a corporation which it controls). Also presented are the three highest compensation recipients among the senior officers of the Company itself, who were granted compensation with respect to their service in the Company. The table also includes details of the compensation paid to the Company's interested parties.

Details of Compensation Recipient				**Compensation for Services (NIS in thousands)**					
Name	**Position**	**Scope of position**	**Percentage ownership in the corporation**	**Salary**[1]	**Bonus**	**Share-based payment**	**Consultancy fees**	**Other**	**Total**
Marcel Kokkeel	Former CEO of CTY	Full-time	-	1,175	388	2,127	-	3,757[2]	7,447
Mia Stark	CEO of Gazit Brazil	Full-time	-	2,006	677	3,465	-	1,282 [3]	7,430
Jeffrey Mooallem	CEO of Gazit Horizons	Full-time	0.07%	1,809	1,684	2,313	-	-	5,806
Chaim Katzman	Vice Chairman of the Board and President of the Company, Chairman of the Board of CTY and ATR.	-	0.03% [4]	3,005	-	-	2,795	-	5,800
Adi Jemini	Executive Vice President and CFO	Full time	0.03%	2,900	-[5]	2,092	-	658[6]	5,650
Lisa Haimovitz	VP and International Legal Advisor	Full-time	0.01%	1,536	744	1,247	-	-	3,527
Rami (Romano) Vaisenberger	Vice President and Controller	Full-time	0.01%	1,433	684	497	-	-	2,614
Zvi Gordon	VP Investments	Full-time	0.01%	868	489	257	-	-	1,614
Dori Segal[7]	Former Director, CEO of Canada Joint Venture	-	0.00%	368		21			389
Ehud Arnon[8]	Chairman of the Board of Directors	-	0.00%	257	-	21	-	-	278
Roni Bar-On[8]	External Director, Director - Gazit Brasil	-	0.00%	288	-	21	-	-	309
Yair Orgler	Former External Director	-	-	244	-	18	-	-	262
Haim Ben Dor[8]	Former Director	-	-	254	-	21	-	-	275
Zehavit Cohen	Director	-	0.00%	276	-	21	-	-	297
Douglas Sesler	Director, Director - Gazit Horizons	-	0.00%	191	-	21	-	-	212
Limor Shofman	External Director	-	0.00%	250	-	21	-	-	271
Shmuel Hauser	External Director	-	0.00%	250	-	21	-	-	271

(1) Regarding the Company's directors, this column represents the cash compensation to directors for 2019.
(2) Amounts for termination of employment of MR. Coquille as CEO of CTY.
(3) Amounts for participation in relocation expenses and retention bonus.
(4) Reflects Mr. Katzman's direct interests in the Company. For a description of Mr. Katzman's interests in Norstar Holdings Inc., the controlling shareholder of the Company, see Regulation 24 below.
(5) Mr. Jemini waived his annual bonus for 2019 in the amount of NIS 1,750 thousands
(6) Amounts for retention bonus and tax indemnification, as detailed below.
(7) Reflects Mr. Segal's direct interests in the Company. For a description of Mr. Segal's interests in Norstar Holdings Inc., the controlling shareholder of the Company, see Regulation 24 below.
(8) Excluding reimbursement of travel expenses.

ADDITIONAL DETAILS ABOUT THE COMPANY

A. Additional details and explanations to the table - General

1. The compensation amounts are in terms of cost to the Company or to the subsidiary, as the case may be. The salary amounts include the cost of salary-related components.
2. The interests presented in the table are those immediately prior to the publication date of the report, based on the information available to the Company.
3. The compensation to which Mr. Chaim Katzman is entitled in the foreign public subsidiaries, CTY and ATR, is determined and approved in accordance with the laws that are applicable to each of the aforesaid companies, including the rules of the stock exchanges on which such companies are listed for trade, as described below: (a) ATR – The compensation is approved by the Compensation Committee of ATR (in which most of the members are independent directors; Mr. Katzman, who is a member and head of the Committee, refrains from participating and voting in discussions pertaining to him), and reported to the Board of Directors of ATR; (b) CTY – The annual general meeting of the shareholders in CTY determines the salary of the Chairman of the Board of Directors and of the other directors of CTY, based on the recommendation of the Nominations and Compensation Committee of CTY (in which most of the members are independent directors of CTY, and which is headed by Mr. Katzman). The Board of Directors of CTY, at the first meeting following its selection at the general meeting, appoints the Chairman and his deputies from among its members.

B. Additional details and explanations to the table – Details regarding the Vice Chairman of the Board and CEO of the Company, Mr. Chaim Katzman

Since January 31, 2018, Mr. Katzman has been serving as CEO of the Company and Vice Chairman of the Board of Directors. Upon his appointment as CEO, Mr. Katzman ended his term as Chairman of the Company's Board of Directors.
The salary listed in the table is for management services that Mr. Katzman provides to the wholly-owned subsidiary. It also includes directors' compensation from CTY for his service as Chairman of its Board of Directors. The amount listed in the table under "Consulting fees" is the annual remuneration for his service as Chairman of the Board of ATR.

1. <u>Details of the compensation of Mr. Katzman for his service at the Company</u>

   In June 2018, Mr. Katzman's employment terms were approved at the Company's general meeting, after receiving the approval of its Compensation Committee and Board of Directors, for a period of three years beginning on February 1, 2018, subject to the right of each of the parties to terminate the agreement by prior notice of 180 days.

   The total employment cost for Mr. Katzman according the agreement will not exceed NIS 3.9 million, while the fixed salary to be paid to Mr. Katzman from the Company will be calculated as the difference between NIS 5.8 million ("Annual Employment Cost in the Group") and the total cost of the compensation paid to him by the Company's public subsidiaries, as paid from time to time. This on condition that if the aforementioned difference exceeds NIS 3.9 million, the Company will bear (directly and indirectly, via wholly-owned private subsidiaries) the maximum annual employment cost of NIS 3.9 million ("Maximum Annual Employment Cost"). Once every calendar year, the fixed salary, Annual Employment Cost in the Group and the Maximum Annual Employment Cost will be updated to reflect the increase in the Consumer Price Index for December 2017. Accordingly, in 2019, Mr. Katzman was entitled to a monthly salary that reflects the annual cost to the Company (Separate Financial Information, as of December 31, 2019, based on the compensation data for Mr. Katzman from the Company's subsidiary in 2019), totaling approximately NIS 2,347 thousand.

   In addition to the fixed salary, Mr. Katzman is entitled to sick and convalescence days as stipulated by law and to 30 vacation days a year that can be accrued up to 60 days, as well as ancillary terms customary at the Company, provided that the total annual cost of his employment with the Company does not exceed the Maximum Annual Employment Cost, as defined above.

   In addition, Mr. Katzman is entitled to exemption, indemnification and insurance with terms identical to the other Company's officers (for details see Regulation 29A below) and to reimbursement for expenses paid in fact as part of his service as CEO, as customary at the Company (such as travel, etc.).

   For his aforementioned service, Mr. Katzman is not entitled to annual bonus or equity compensation.

   In the event that the period of the agreement elapses and a new employment agreement is not signed with Mr. Katzman for his service as CEO of the Company, Mr. Katzman shall be entitled to an additional payment equal to the fixed salary for an additional six months (during this period, Mr. Katzman shall not be entitled to any payment for the advance notice period).

Should the Company seek to terminate the agreement before the end of its three years term (other than under circumstances that give the Company cause to terminate the agreement without entitlement for severance pay), Mr. Katzman shall be entitled to the following: (a) an advance notice period of 180 days, during which Mr. Katzman shall be entitled to receive the fixed salary (during the advance notice period, Mr. Katzman will be required to continue to actively serve as CEO of the Company, unless the Company's Board of Directors decides otherwise); (b) the fixed salary for an additional six months ("Transition Bonus"). It is hereby clarified that the Transition Bonus shall be paid to Mr. Katzman only if and when Mr. Katzman is not serving as an officer at the Company and/or its subsidiaries during the period for which the Transition Bonus is being paid. In the event of death or incapacity, Mr. Katzman (or his estate) shall be entitled to payment of the fixed salary for 12 months (during this period, Mr. Katzman will not be entitled to any payment whatsoever for the advance notice period).

2. Details of the compensation of Mr. Katzman from ATR

Mr. Katzman, who is serving as Chairman of ATR's Board of Directors, provides consulting services to ATR under a consulting agreement from August 2008, entered into with a company wholly-owned by ATR. The agreement is renewed from time to time for further periods of one year each time, unless either of the parties gives notice of its desire not to renew the agreement, at least 3 months prior to the end of the relevant term. In return for his consultancy services, Mr. Katzman is entitled to an annual consideration that amounted to EUR 700,000 in 2019 (EUR 175,000 per quarter). In addition, Mr. Katzman is also entitled to reimbursement for expenses incurred in connection with the provision of the services (Mr. Katzman is not entitled to directors' fees from ATR).

3. Details of the directors' compensation of Mr. Katzman from CTY

Commencing in June 2010, Mr. Katzman has been serving as Chairman of the Board of Directors of CTY. For his service as Chairman of the Board of Directors of CTY in 2019, Mr. Katzman was entitled to annual compensation of EUR 165 thousand.

4. In addition, Mr. Katzman is entitled to indemnification and insurance arrangements from the Company and its subsidiaries in which he serves as a director, in accordance with such arrangements as they apply to other members of the board of directors of such companies.

5. Details regarding additional compensation for Mr. Katzman that is not included in the table

Compensation from FCR: Mr. Katzman served as a director at FCR commencing as of December 2018 and until April 2019. For the aforesaid services, Mr. Katzman was entitled to directors' fees equal to the fee paid to the other members of the Board of Directors of FCR. In 2019, FCR paid Mr. Katzman directors' fees totaling CAD 14.7 thousand, and was also allocated restricted deferred share units of FCR at a total cost of CAD approximately CAD 19 thousand. The Company does not consolidate FCR and therefore, the aforementioned compensation is not included in the table above.

C. Additional details and explanations to the table – Details regarding Mr. Marcel Kokkeell, former CEO of CTY

From March 2011 until December 31, 2018, Mr. Marcel Kokkeel served as the CEO of CTY. For information regarding Mr. Kokkeel's employment terms, see Regulation 21 in Chapter 4 of the Company's Periodic Report for 2018, dated March 18, 2019 (reference no. 2019-01-023683), brought here by way of reference.

Under the termination of employment agreement between CTY and Mr. Kokkeel dated November 2018, it was agreed that instead of the target-based annual bonus (as was implemented according to Mr. Kokkeel's employment agreement) for 2018, Mr. Kokkeel would be paid an annual bonus of EUR 435,000 in March 2019, half of which would be paid in cash and half in CTY shares. In addition, under the termination of employment agreement, it was agreed that Mr. Kokkeel would continue to be entitled to all 505,198 shares that were allocated to him according to the 2015 Performance Share Plan (which includes the relative portion for 2018), as well as acceleration of the vesting period of the 100,000 restricted shares that were allocated to him by virtue of the 2015 Restricted Share Plan, so that the shares would vest in May 2019 (instead of February 2020). In addition, Mr. Kokkeel is entitled to severance payments in an amount equal to 1.5 times his annual salary, which amounted to approximately EUR 941 thousand.

D. Additional details and explanations to the table – Details regarding Mrs. Mia Stark, President of the consolidated subsidiary, Gazit Brazil

1. Mrs. Mia Stark serves as CEO of Gazit Brazil as of April 2013, and also serves as the Business Development Manager of a private Company held by the company (100%) (in this section: "Gazit USA"). The main employment terms of Mrs. Stark in these companies are as follows.

2. Under Mrs. Stark's employment agreement as CEO of Gazit Brazil as of June 2019 (which replaced a previous agreement between the parties), Mrs. Stark is entitled to a monthly base salary of approximately BRL 81 thousand (linked to the Consumer Price Index), as well as social benefits, car reimbursement expenses and other expenses reimbursement as customary. On June 2019, Mrs. Stark's monthly salary was approximately BRL 65 thousand.
   In additional, Mrs. Stark is entitled to reimbursement of relocation expenses for moving with her family to Brazil and for their residence's there.
   Under her employment agreement, Mrs. Stark may be entitled to receive an annual target-based bonus, in an amount of up to 10 monthly salaries. For the year 2019, Mrs. Stark received an annual bonus of BRL 748 thousand.
   Either party may terminate the agreement by an advance notice of 120 days. In the event of termination of Mrs. Stark's employment by the Company (except for termination for cause), Mrs. Stark will be entitled to the annual bonus applicable to her employment period. In addition, in the event of a termination of Mrs. Stark's employment for any reason, Mrs. Stark will be entitled to transition expenses in the amount of BRL 116 thousand.

3. Under Mrs. Stark's employment agreement as Business Development Manager of Gazit USA as of January 2019 (which replaced a previous agreement between the parties), Mrs. Stark is entitled to annual base salary of USD 200 thousand, and to an annual target-based bonus, in an amount of up to 100% of her annual salary. For the year 2019, Mrs. Shark hasn't received an annual bonus. This employment agreement is in effect until August 2020, and each party may terminate it by an advance notice of 120 days. In the event of a change of control of the Company, Mrs. Stark will be entitled to 12-month salary and to an acceleration of all phantom units granted to her according to the employment agreement (as detailed below).
   In addition, based on Mrs. Stark's current employment agreement, Mrs. Stark is entitled to a retention bonus in the total amount of USD 500 thousand, out of which an amount of USD 200 thousand was paid in December 2019 and the remaining amount will be paid in August 2020, as long as Mrs. Stark is still employed by Gazit USA and residing in Brazil.

4. As part of Mrs. Stark employment terms, Mrs. Stark was granted 60,000 RSU Phantom Units, vested in three equal tranches in January 2019, January 2020 and June 2020. The Phantom RSU Units' value will be determined in accordance with the Company's share price at the time of exercise.

ADDITIONAL DETAILS ABOUT THE COMPANY

E. Additional details and explanations to the table – Details regarding Mr. Jeffrey Mooallem, President of the consolidated subsidiary, Gazit Horizons

1. As of May 2017, Mr. Jeffrey Mooallem has served as the President of Gazit Horizons, under an employment agreement dated April 3, 2017. The employment agreement is for a period of four years, commencing on May 1, 2017, subject to the right of either of the parties to terminate the agreement with an advance notice of 30 days. According to the said agreement, Mr. Mooallem's base annual salary is USD 450,000 as well as social benefits and related benefits as practicable at Gazit USA.

   According to his employment terms, Mr. Mooallem is entitled to an annual bonus equal to at least 80% of his annual salary, and not exceeding 125% of his aforementioned annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Gazit Horizon's Board of Directors and the Company's Compensation Committee, and shall not exceed 50% of the bonus. For 2019 Mr. Mooallem was granted with a bonus of USD 472,500 .
   In addition, aside from the annual bonus mentioned above, Mr. Mooallem is entitled to a one-time signing bonus of USD 250,000, to be paid via allocation of RSUs, which will be vested in two equal batches, in April 2018 and April 2019. As such, in April 2018, Mr. Mooallem was allocated 13,124 Company share and in April 2019 Mr. Mooallem was allocated additional 16,109 Company shares.
   Under the employment agreement, Mr. Mooallem is granted equity compensation, as described in section 2 below.

   In the event of the termination of Mr. Mooallem's employment agreement at the Company's discretion, or due to a decision by Mr. Mooallem under circumstances delineated in the employment agreement, or during the twelve-month period after a change in control in the Company (as defined in the agreement), Mr. Mooallem shall be entitled to the following payments: (i) payments for the base annual salary until the end of the original agreement period; (ii) the relative portion of the annual bonus to which he is entitled; (iii) the remainder of the one-time signing bonus and acceleration of the related vesting period; (iv) severance compensation equal to 150% of his base annual salary plus 150% of the annual bonus to which he was entitled for that year; (v) participation in the cost of health insurance for a period of up to one year following the termination of his employment; (vi) acceleration of the vesting period for all of the equity compensation components allocated to him, which have not yet reached their vesting date.

2. In addition, Mr. Mooallem is entitled to equity compensation, including by means of the Company's securities, that shall be allocated according to the decision of the Board of Directors of Gazit Horizons and the Company's Compensation Committee, provided that Mr. Mooallem is still employed by Gazit Horizons at the date that they are granted, as aforementioned: (i) in April 2019 - 103,096 RSUs were granted to Mr. Mooallem in the value of USD 800 thousand. The RSUs as aforementioned in this subsection shall vest in two equal tranches after one year and after two years from their allotment date. (ii) in April 2020 – RSUs valued at USD 800,000, half of were granted subject to the discretion of the Board of Directors of Gazit USA and the Company's Compensation Committee. The RSUs as aforementioned in this subsection will be vested in full in April 2021; (iii) in April 2021 - an allocation of Company shares valued at up to USD 800,000. The value of the RSUs and the shares allocated to Mr. Mooallem shall be determined according to the average share price on the stock exchange during the thirty trade days preceding each allocation.

3. <u>Details regarding additional compensation to which Mr. Mooallem is entitled that is not included in the table:</u>
   <u>Compensation from FCR</u>: Since August 2018 and until April 2019, Mr. Mooallem has served as a director of FCR. For the aforesaid appointment, Mr. Mooallem was entitled to directors' fees equal to the fee paid to the other members of the Board of Directors of FCR. In 2019, FCR paid Mr. Mooallem directors' fees totaling approximately CAD 4.3 thousand, and Mr. Mooallem was allocated deferred share units of FCR at a total cost to FCR of approximately CAD 29.5 thousands. The Company does not consolidate FCR and therefore the aforementioned compensation in this section is not included in the table above.

F. Additional details and explanations to the table – Details regarding Mr. Adi Jemini, Executive Vice President and CFO of the Company

1. Since September 2015, Mr. Jemini has been serving as CFO of the Company, and in January 2017 he was also appointed as Executive Vice President of the Company.

   The current employment agreement with Mr. Jemini is valid since September 1 2018 for a period of 3 years, subject to the right of either of the parties to terminate the agreement with an advance notice of 180 days. For his aforementioned appointment, Mr. Jemini will be entitled, in addition to a monthly salary of USD 16,400, to social and related benefits as customary.

   Mr. Jemini's employment agreement entitles him to an annual bonus that is not to exceed 75% of his annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Company's Compensation Committee and Board of Directors, and the target bonus and the maximum bonus shall not exceed 75% of his annual salary, in accordance with the Company's compensation policy (see section 16 of the chapter entitled Description of the Company's Business).

   For 2019 Mr. Jemini waived his annual bonus in the amount of NIS 1,750,000.

   In addition, Mr. Jemini is entitled to special reimbursement for expenses for his stay in Israel, to cover rent and living expenses, at an amount of USD 45,000 a year (not grossed) which will be paid in equal parts every month.

   In 2019, the Board of Directors of the Company, following the approval of the Compensation Committee of the Company, approved that the Company will incur the tax payment that Mr. Jemini is required to pay in USA for the options granted to him by the Company. In the event that Mr. Jemini will exercise said options, he will have to repay the Company the tax benefit that he received. The tax grossing in 2019 amounted to USA 102 thousand.

2. As of September 2018, Mr. Jemini has also served as the President of the wholly-owned subsidiary of the Company (hereinafter in this section the "Subsidiary") under an employment agreement for a period of 3 years, commencing on September 1, 2018, subject to the right of either of the parties to terminate the agreement with an advance notice of 180 days. For his aforementioned appointment, Mr. Jemini will be entitled, in addition to a monthly salary of USD 24,600, to related benefits as customary (including expenses for a company car and life and health insurance coverage as customary in the United States). In addition, Mr. Jemini is entitled to monthly reimbursement for special expenses related to his travel, of approximately USD 67,500 thousand a year and reimbursement for car expenses.
   Mr. Jemini's employment agreement with the Subsidiary entitle him to an annual bonus that is not to exceed 75% of his annual salary. The bonus shall be determined on the basis of measurable targets of the Subsidiary, determined by the Company's Compensation Committee and Board of Directors, and the target bonus and the maximum bonus shall be 75% of his annual salary, in accordance with the Company's compensation policy.

3. Mr. Jemini entitled to a retention bonus subject to his continued employment at the Company or at the Subsidiary, as applicable, for the period of the relevant employment agreement. The retention bonus shall be paid to Mr. Jemini in three equal tranches, at the end of the first, second and third years following the beginning of his employment under the relevant agreement, with each part equaling the amount of 2 monthly salaries. Should Mr. Jemini decide to terminate his employment prior to the end of the relevant agreement period, he will be required to refund to the Company or the Subsidiary, as applicable, the full amounts paid to him on account of the retention bonus until such date.

   In addition, under the employment agreements, Mr. Jemini is also entitled to indemnification, exemption and insurance as customary at the Company.

   Under the employment agreement, Mr. Jemini is granted equity compensation, as described in section 4 below.

   In the event that the employment agreement with Mr. Jemini is not renewed, he shall be entitled to payment in the amount of his salary according to the relevant agreement that was not renewed, with the addition of the social and related benefits ascribed in the relevant agreement for an additional nine months. Additionally, should the Company or the Subsidiary, as relevant, seek to terminate the employment of Mr. Jemini (other than termination for cause) Mr. Jemini shall be entitled to the following compensation: (a) advance-notice period of 180 days, during which he shall be entitled to receive his full salary and all attaching benefits, with the addition of an amount equal to four monthly salaries, including social benefits; (b) an additional payment in an amount that is the lower of: his monthly salary (excluding related benefits) for 12 additional months or his monthly salary (excluding related benefits) for the period remaining until the end of the agreement period, with the addition of three months; (c) the proportionate share of the annual bonus to which he is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components allotted to him that have not yet vested.

In the event of the termination of Mr. Jemini's employment with the Company or the Subsidiary, as relevant, during the 12-month period following an event of change of control in the Company (as defined in the agreement), Mr. Jemini shall be entitled to the following compensation (in lieu of the compensation described in this section above): acceleration of the vesting period of all components of equity compensation granted to him that have not yet vested, as well as a bonus that is equal to 200% of his base annual salary in the year of completion of the change of control, provided that this bonus does not exceed an amount that reflects his base salary for the period remaining until the end of the employment agreement, with the addition of 3 months.

4. The above table includes, under the heading "share-based payment", the cost recorded in the reported year in the financial statements of the Company for:

Issue date	Quantity	Exercise price/share price	Comments
January 2017	60,848 option warrants (non-tradable)	NIS 33.714	The fair value of each share option on the grant date, based on the binomial model, is approximately NIS 6.656.
	22,936 Restricted share units (RSU)	NIS 35.3	Of which there are 11,463 RSUs granted in place of 36,326 RSUs that were cancelled
September 2018	358,911 option warrants (non-tradable) (215,347 non-tradable option warrants granted as per the employment agreement with the Subsidiary and 143,564 option warrants granted as per the employment agreement with the Company).	NIS 31.127	The fair value of each share option on the grant date, based on the binomial model, is approximately NIS 5.4535.
	64,159 RSUs (38,495 RSUs granted as per the employment agreement with the Subsidiary and 25,664 RSUs granted as per the employment agreement with the Company.)	NIS 31.13	

(A) Additional information regarding the option warrants: The exercise price shown in the table is linked to the Israeli Consumer Price Index and is subject to customary adjustments (including with respect to a stock dividend distribution, a rights issuance or a dividend). The options vest in 3 equal tranches, starting upon the elapse of one year from the grant date. The options granted under the employment agreement with the Company were granted pursuant to Section 102 of the Income Tax Ordinance for the capital gains track. Options that have not been exercised within 90 days of the date of the termination of Mr. Jemini's engagement with the Company will expire. The final expiry date of all options is at the end of 4 years from their grant date. The options will also be exercisable by means of a cashless exercise.

(B) Additional information regarding the RSUs: The RSUs vest in three equal tranches starting upon the elapse of one year from the grant date. In the event of a dividend distribution, Mr. Jemini shall be entitled to remuneration that reflects the benefit relating to the dividend in respect of the RSUs that had not vested on the dividend distribution date.

G. Additional details and explanations to the table Details regarding Mrs. Lisa Haimovitz, VP and International Legal Advisor

1. Mrs. Haimovitz is employed by the Company as of January 2020 as VP and International Legal Advisor. Under Mrs. Haimovitz's employment agreement, Mrs. Haimovitz is entitled to a gross monthly salary of NIS 85,000 (linked to an annual increase in the Consumer Price Index), to social and other conditions as customary, as well as office holders exemption, indemnity and insurance as is customary in the Company. The employment agreement is valid for three years as of January 2019, subject to the right of each party to terminate it, with an advance notice of 180 days.

   Mr. Haimovitz's employment agreement entitles her to an annual bonus that shall not exceed 75% of her annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Company's Compensation Committee and Board of Directors. The target bonus and the maximum bonus shall not exceed 50% of her total bonus, in accordance with the Company's compensation policy (see section 16 of the chapter entitled Description of the Company's Business). In 2019 Mrs. Haimovitz received annual bonus in the amount of NIS 744 thousand.

   Under the employment agreement, Mrs. Haimovitz was granted equity compensation, as described in section 2 below.

   In the event that the period of the agreement is terminated, without signing of a new employment agreement with Mrs. Haimovitz, she will be entitled to an additional 3 monthly base salaries, including all related social benefits (and will not be entitled to receive payment for prior notice period). In addition, in the event of termination of Mrs. Haimovitz's employment by the Company (other than termination for cause), Mrs. Haimovitz will be entitled to the following compensation: (a) an advance-notice period of 180 days, during which she shall be entitled to receive her full salary and applicable social benefits; (b) an additional payment in an amount that shall the lower of: her monthly salary for 6 additional months or her monthly salary for the employment period remaining until the end of the agreement period, with the addition of 3 months; (c) the proportionate share of the annual bonus to which she is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components allotted to her that have not yet been vested.

   In the event of the termination of Mrs. Haimovitz's employment by the Company, during the 12-month period following an event of change of control in the Company (as defined in the agreement), Mrs. Haimovitz shall be entitled to a bonus that shall be equal to 200% of her base annual salary, provided that said bonus shall not exceed an amount that reflects her base salary for the remaining employment period until the end of the employment agreement, with the addition of 3 months, as well as acceleration of the vesting period of all components of equity compensation granted to her that have not yet been vested.

2. The table above includes, under the heading "share-based payment", the cost recorded in the reported year in the financial statements of the Company for the following:

Issue date	Quantity	Exercise price
January 2019	306,086 option warrants (non-tradable)	NIS 28.982
	40,800 Restricted share units (RSU)	NIS 26.0

   For Additional information regarding the option warrants and RSUs see section 4 above.

H. Additional details and explanations to the table – Details regarding Mr. Romano (Rami) Vaisenberger, VP and Comproller of the Company

1. Mr. Vaisenberger has been employed by the Company since 2004 and has served as the VP and Comptroller of the Company since April 2011.
2. Under Mr. Vaisenberger's current employment agreement as of February 2018, Mr. Vaisenberger is entitled to a gross monthly salary was NIS 75,000 (linked to the annual increase of the Consumer Price Index), to a social and other conditions as customary, as well as exemption, indemnity and insurance as is customary in the Company. The updated employment agreement provides for a period of 3 years, commencing in March 2018, subject to the right of either of the parties to terminate the agreement with an advance notice of 90 days.
   Mr. Vaisenberger's employment agreement entitles him to an annual bonus in an amount that is not to exceed 75% of his annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Company's Compensation Committee and Board of Directors, which is not to exceed 50% of the bonus, in accordance with the Company's compensation policy (see section 16 of the chapter entitled Description of the Company's Business). According to the employment agreements, Mr. Vaisenberger was granted an annual bonus of NIS 684 thousand for 2019.

   In addition, Mr. Vaisenberger entitled to a retention bonus valued at NIS 450,000, paid via an allocation of 13,081 RSUs. The RSUs will vest in one portion at the end of three years (the end of the employment period under the updated agreement), on condition that Mr. Vaisenberger is employed until the end of the aforementioned agreement period.

   Under the employment agreement, Mr. Vaisenberger is granted equity compensation, as described in section 3 below.

   In the event that the updated agreement comes to an end and a new employment agreement has not been signed with Mr. Vaisenberger, he shall be entitled to 3 additional monthly base salaries, including all related social benefits (and shall not be entitled to payment for the advance-notice period). Additionally, should the Company terminate the employment of Mr. Vaisenberger (other than termination for cause), he shall be entitled to the following compensation: (a) advance-notice period of 90 days, during which he shall be entitled to receive his full salary and all attaching benefits; (b) the base salary (including social benefits) for the period that the agreement would have been valid, but no longer than 3 months; (c) the proportionate share of the annual bonus to which he is entitled under the compensation policy.

3. The above table includes, under the heading "share-based payment", the cost recorded in the reported year in the financial statements of the Company for:

Issue date	Quantity	Exercise price
March 2017	145,113 option warrants (non-tradable)	NIS 37.383
	24,477 Restricted share units (RSU)	NIS 36.85
March 2018	22,211 option warrants (non-tradable)	NIS 35.039
	3,924 Restricted share units (RSU)	NIS 35.40
	13,081 Restricted share units (RSU)	NIS 35.40

   A. For Additional information regarding the option warrants and the RSUs see sub-sections (a) and (b) under the table in Section G(4) above, with the exception of 13,081 units granted in March 2018 as a retention bonus, which will vest in a single tranche 3 years after they have been granted.

I. Additional details and explanations to the table – Details regarding Mr. Zvi Gordon, VP Investments of the Company

1. Mr. Gordon, who is Mr. Katzman's son-in-law, has served as the VP Investments of the Company since June 2017. Under Mr. Gordon's employment agreement which was ended on March 2020, for his service, Mr. Gordon was entitled to a base salary of USD 200,000 (linked the annual increase of the Consumer Price Index), to be paid in monthly payments. Mr. Gordon was also entitled to the customary social and related benefits (the Company will bear the tax grossing for these benefits) as well as to indemnification, exemption and insurance, as is the practice in the Company.

   For additional information regarding to Mr. Gordon's terms of employment, see Regulation 21 in Chapter 4 of the Company's Periodic Report for 2018, dated March 18, 2019 (reference no. 2019-01-023683), brought here by way of reference.

   In March 2020, following the approval of the Compensation Committee and the Board of Directors, the Company's General Meeting approved the renewal and the amendment of Mr. Gordon's employment agreement for a period of three years as of the date of approval of the General Meeting. In accordance with the revised employment agreement, Mr. Gordon will be entitled to a salary of USD 250,000 (linked to an annual increase in the US Consumer Price Index). In addition, Mr. Gordon will be entitled to receive an annual cash bonus, in the total amount that shall not exceed 75% of his base annual salary for any year and subject to achieving 100% of the goals for the particular year. It should be noted that the annual cash bonus for 2019 will be paid in accordance with the terms of the new agreement.

   For the year 2019, Mr. Gordon was granted an annual bonus of USD 137,196.

   Under his previous employment agreement, Mr. Gordon was granted equity compensation, as described below.

   In addition, under the new employment agreement with Mr. Gordon, the Company has undertaken to allocate Mr. Gordon equity compensation of option warrants (50% of the total equity compensation) and restricted stock units (RSUs) (50% of the total equity compensation) to purchase ordinary shares of the Company, which reflects an annual cost to the Company (linearly) of USD 187,500 per year. Accordingly, the Company is in the process of issuing 972,656 options warrants and 39,873 RSUs, which will be assigned to Mr. Gordon (calculated according to the price of the Company's shares in the stock exchange on the date of the Company's General Meeting). The terms of options warrants and RSUs are as set forth below, except that, in the event that the new employment agreement with Mr. Gordon shall not be renewed at the end of the period of three years, Mr. Gordon will be entitled to the vesting amount of the final trench of the equity compensation granted in accordance with the terms of the new employment agreement (vesting on June 19, 2023), as long as Mr. Gordon served as VP investments during the agreement period.

   Should the Company seek to terminate the agreement before the end of three years (other than under circumstances that give the Company cause to terminate the agreement without entitlement to severance pay), as well as in the event of resignation that is deemed by law as dismissal, or in the event of death or loss of working capacity, Mr. Gordon shall be entitled to the following: (a) advance-notice period of 90 days, during which Mr. Gordon shall be entitled to receive the fixed salary and the benefits to which he is entitled during the notice period; (b) the proportionate amount of the annual bonus to which Mr. Gordon would have been entitled for the year during which his term ended.

   In the event of the termination of Mr. Gordon's employment with the Company during a 12-month period following an event of change of control in the Company (as defined in the agreement), Mr. Gordon shall be entitled to (in lieu of the compensation described in this section above): acceleration of the vesting period of all components of equity compensation granted to him that have not yet vested as well as a grant in a total amount that is equal to 200% of his base annual salary in the year of completion of the change of control, provided that such grant does not exceed an amount that reflects his base salary for the period remaining to the end of the employment agreement, with the addition of 3 months.

2. The above table includes, under the heading "share-based payment", the cost recorded in the reported year in the financial statements of the Company for:

Issue date	Quantity	Exercise price
October 2017	224,848 option warrants (non-tradable)	NIS 34.308
	19,985 Restricted share units (RSU)	NIS 33.80

For Additional information regarding the option warrants and the RSUs see section f4 above, with the exception of the fact that the Mr. Gordon's option warrants are not adjusted for dividend distribution.

3. Mr. Gordon also serves as VP of Mergers & Acquisitions at Gazit USA, a wholly-owned subsidiary of the Company. For his employment, Mr. Gordon was entitled to an annual salary in the amount of USD 130,000, a discretionary annual bonus that shall not exceed 40% of the annual salary and social benefits as are customary at Gazit USA. Upon his appointment as VP Investments of the Company, the compensation to which Mr. Gordon was entitled from Gazit USA was deducted from the total compensation to which Mr. Gordon is entitled from the Company as stated in section 1 above.

J. Additional details and explanations to the table – Details regarding the former Director of the Board and CEO of Canada Joint Venture, Mr. Dori Segal

1. Remuneration for serving as a director in the Board of Directors of the Company

Until December 26, 2019, Mr. Segal served as a director of the Company. The salary and equity compensation listed in the table above are the directors remuneration that have been paid to Mr. Segal for his services as a director of the Company in value of approximately NIS 175,000, which is equal to remuneration as the other directors of the Company are entitled to, as detailed in section I below.
In addition, Mr. Segal was entitled to' exemption, indemnification and insurance arrangements on behalf of the Company, in accordance with arrangements applicable to the other directors of the Company (see Regulation 29A below).

2. Remuneration for serving as a CEO of Canada Joint Venture

As of November 2019, Mr. Segal serves as full time CEO of Canada Joint Venture, for a period of 8 years, commencing on the establishment of the joint venture ("the First Period"). For additional information see section 11.2 in chapter A to the periodic report. As CEO of Canada Joint Venture, Mr. Segal is entitled to management fees, which will be determined in accordance with the value of assets owned by the Joint Venture, according to the table below ("the management fee"):

Value of Joint Venture Assets (CAD)	Annual management fees (CAD)
Less than 350,000,000	600,000
Between 350,000,000 to 499,999,999	1,000,000
Above 500,000,000	1,200,000

For his services as CEO of Canada Joint Venture in 2019, Mr. Segal was entitled to CAD 72,000.

During the first period, the Joint Venture may terminate Mr. Segal's employment as CEO, only due to one of the following reasons - termination for cause, death, disability, incapacity or retirement. Commencing as of the end of the first period, the Company may terminate Mr. Segal's employment as the CEO of the Partnership for any reason.

3. Details regarding additional compensation to which Mr. Segal is entitled that is not included in the table:

Compensation from FCR: until June 2019, Mr. Segal served as Chairman of the FCR Board of Directors, and as of that date, he serves as a Director of FCR. Under the FCR Engagement Agreement, Mr. Segal is entitled to an annual compensation of $ 500,000 and an annual allocation of restricted share units valued at $ 500,000, in amount to be calculated at grant date, in accordance with FCR's Restricted Share Units Plan, and related terms and benefits. Mr. Segal was entitled to compensation by virtue of the said agreement until January 2020, and as of that date, he is entitled to directors' fees, as is customary in FCR.

K. Additional details and explanations to the table – Details regarding directors' fees

1. Since January 2012 and until May 2019, the Company's directors, including external directors as appointed from time to time (but excluding directors who serve in other positions in the Company; which include, as of the reporting date, only Mr. Chaim Katzman, Vice Chairman of the Board of Directors and President of the Company), were entitled to relative remuneration pursuant to Regulation 8a of the Companies' Regulations (Rules regarding Remuneration and Expenses for an External Director), 2000 (the "Remuneration Regulations"), as follows: annual remuneration in the amount of USD 42,000 for a director who does not meet the expertise criteria of an expert external director and annual remuneration in the amount of USD 56,000 for a director who meets the expertise criteria of an expert external director; remuneration in the amount of USD 1,100 per meeting attended for a director who does not meet the expertise criteria of an expert external director and remuneration in the amount of USD 1,480 per meeting attended for a director who meets the expertise criteria of an expert external director. The remuneration amount will be no less than (taking into account changes in the exchange rate of the New Israeli Shekel against the US dollar) the minimum amount set for a company of the Company's ranking in the second and third supplements to the Remuneration Regulations, and will be no higher than 50% of the maximum amount set for a company of the Company's ranking in the second, third and fourth supplements to the Remuneration Regulations, as the case may be (where such minimum and maximum amounts will be linked to the CPI in accordance with the provisions of the Remuneration Regulations). The payment for participation by way of electronic media is 60% of the above participation remuneration, and payment for written resolutions is 50% of the above participation remuneration.
2. Pursuant to the Company's resolution, starting from May 2019, the fees for external directors (as well as the fees of the other directors in the Company who do not hold additional positions and are not controlling shareholders therein) has been updated to the effect that the current "proportionate compensation" will be replaced with: (1) monetary compensation – compensation in the amount of the "fixed compensation" provided for in the Compensation Regulations, based on the ranking of the Company; and (2) equity compensation – for every year in office, each of the aforesaid directors will be issued 1,500 restricted share units ("RSUs"), in accordance with the Company's Compensation in Securities Plan from 2011 ("the 2011 Plan"), or another plan, as shall be in effect on the relevant dates, and under the material terms specified below: the RSUs will vest over a period of two years from their grant date. A director whose office ends in the course of a year of office or prior to the vesting of a specific batch shall be entitled to the vesting of the proportionate share of such batch (subject to the payment of the par value of the exercise shares). In addition, the directors shall be entitled to various adjustments under the 2011 Plan, including in relation to dividends. accordingly, in the event of the payment of a cash dividend by the Company to the holders of its ordinary shares during the vesting period, no adjustment will be made in respect of the dividend, however each of the directors shall be entitled to a cash grant in a (gross) amount that is equal to the amount of the dividend that would have been paid to the director for the holding of ordinary shares in the number of the RSUs that have not yet vested on the date of the dividend distribution.
3. In addition to the above, Mr. Bar On, Mr. Sesler and Mrs. Cohen[18], who serve as directors at Gazit Brasil and Gazit Horizons, respectively, are entitled to compensation from the Company that shall not exceed the lower of these two amounts: (1) an amount calculated based on the number of meetings of the Board of Directors of the relevant subsidiary attended, with the compensation for each meeting not exceeding the total amount per meeting stated in the compensation regulations, according to the rank of the relevant subsidiary; or (2) the fixed annual compensation in the Company's compensation regulations at the subsidiary's rank. In 2019, the Company paid NIS 15 thousand to Mr. Bar On for his service at Gazit Brasil and approximately USD 3.7 thousand dollars to Mr. Sesler for his service at Gazit Horizons.
4. In June 2018, Mr. Arnon's employment terms as Chairman of the Company's Board of Directors were approved at the general meeting (after receiving the approval of the Compensation Committee and the Company's Board of Directors). Mr. Arnon is entitled to: (1) annual compensation equal to 130% of the annual compensation paid to a director with accounting and financial expertise at the Company, as occurring from time to time; (2) compensation for meeting participation equal to the participation compensation to which all directors with accounting and financial expertise are entitled at the Company, as occurring from time to time (for information see section 1 above)In addition, Mr. Arnon entitled to a once-a-year grant of 1,500 RSUs according to the Company's options plan as valid at the time and under the terms at which they are granted to all of the Company's directors. Mr. Arnon is also entitled to director and officers' insurance, exemption and a letter of indemnification, worded as customary at the Company.
5. On December 27, 2018, the general meeting approved (following approval by the Audit and Compensation Committee and the Board of Directors of the Company) a grant to the directors of the Company (who are not external directors or independent directors or directors who are also controlling shareholders of the Company) who also serve as directors for the subsidiaries that are wholly-owned and controlled by the Company, as occurring from time to time, compensation similar (with necessary changes) to that which is granted and/or will be granted to external directors serving an additional position at the Company, as occurs from time to time.

[18] Mrs. Cohen has been appointed as a director of Gazit Horizon's Board of Director in February 2020.

REGULATION 21A: CONTROLLING SHAREHOLDER OF THE COMPANY

The controlling shareholder of the Company is Norstar Holdings Inc. ("Norstar"), a foreign resident company registered in Panama, whose shares are listed on the Tel Aviv Stock Exchange Ltd.

To the best of the Company's knowledge, the controlling shareholder of Norstar is Mr. Chaim Katzman, who owns, directly and indirectly, Norstar shares through private companies wholly-owned by him and by members of his family (24.7% of Norstar's issued share capital and 25.2% of the voting rights therein), as well as through[19] First US Financial LLC (which owns 18.4% of Norstar's share capital and 18.7% of the voting rights therein) ("FUF", collectively with Mr. Katzman below: the "Katzman Group").

In addition, Katzman Group is considered as "jointly owning," as this term is defined in the Securities Law, with the Katzman Family Foundation, which owns approximately 4.7% of Norstar's issued share capital and voting rights.

REGULATION 22: TRANSACTIONS WITH A CONTROLLING SHAREHOLDER

Agreement with Norstar - For details regarding the agreement between the Company and Norstar and a wholly-owned subsidiary of Norstar, see section 23.1 of Chapter A of the Periodic Report.

(1) For details regarding the employment and compensation agreements of the Company's controlling shareholder, Mr. Chaim Katzman, with members of the Group, see the details presented under Regulation 21 above.
(2) For details regarding the employment agreement with Mr. Zvi Gordon, the son-in-law of Mr. Chaim Katzman, who is the Vice Chairman of the Board of Directors, President of the Company and its controlling shareholder, as the Company's VP of Investments and as Vice President of Mergers & Acquisitions at Gazit USA, a wholly-owned subsidiary of the Company, see Regulation 21 above.
(3) For details regarding officers' insurance and indemnification undertaking, pursuant to which Messrs. Chaim Katzman, the controlling shareholder of the Company, and Zvi Gordon, Mr. Katzman's son-in-law, are also beneficiaries, see the details presented under Regulation 29a below.
(4) In February 2016, the Company's Board of Directors, after obtaining the approval of the Audit Committee, approved a procedure for the accompaniment of passengers who are not involved in the business of the Group (as updated from time to time), whether or not these are "relatives" of any of the controlling shareholder, to exclusively business-related travel conducted for the purposes of the Company (including private companies that it owns). Pursuant to the procedure, the relevant officer will bear the costs for the passenger accompanying him based on the mechanism outlined in the procedure, provided that the total related value of use of the airplane in a calendar year does not exceed NIS 1 million. Upon Mr. Katzman's appointment as the Company's CEO, the procedure was updated so that the payment mechanism shall not apply with regard to his wife's accompaniment on Mr. Katzman's business trips made for the Company's needs.
(5) In 2018, the Company's Board of Directors approved, after receipt of the approval of the Audit Committee, a procedure for leasing the Company plane to Norstar, from time to time, subject to the plane's availability and the Company's needs. The cost of the lease shall be determined according to a price list, determined by the plane's external management company, in a manner identical to third parties that lease the plane.
(6) Negligible transactions: As resolved by the Company's Board of Directors, the following transactions are to be considered negligible transactions for the purpose of Regulation 41(a)(6)(1) of the Securities Regulations (Annual Financial Statements), 2010:
    (A) The lease of properties, during the normal course of business and at market terms, to an interested party (including a controlling shareholder), to companies under his control or to companies in which he is an interested party (all of these are referred to below as "Related Parties"), when the revenues from the annual rental of the properties do exceed (in the aggregate) 0.1% of the annual rental income in the Company's consolidated financial statements.
    (B) An agreement made by the Company to jointly acquire, together with Related Parties, goods or services from a third party, when such decision is made during the normal course of the Company's business and at market terms, and with regard to which the Audit Committee has determined that the allocation of the costs and expenses in the agreement is fair and equitable taking into account the circumstances of the matter, and while the annual expenses with respect to such agreements (in the aggregate) do not exceed 0.1% of the annual gross expenses presented in the Company's consolidated financial statements for the year preceding the date of the agreement. In the Company's opinion, the scope of the aforesaid transactions is negligible in relation to the scope of the Company's operations, and accordingly complies with the requirements of the aforementioned Regulation 41(a)(6)(1).

19 Mr. Katzman has an irrevocable power of attorney from FUF, which owns 18.4% of the Company's shares, that allows Mr. Katzman to vote all of FUF's shares in the Company according to his discretion. FUF is a foreign company registered in Nevada, United States, and is owned by Mr. Katzman (including through private companies wholly owned by him and his family members, directly and indirectly) 72.8% and Martin Klein, 27.2%.

REGULATION 24: INTERESTS OF INTERESTED PARTIES

For an updated description regarding the interests of interested parties in the Company as shares or other securities of the Company, see the immediate report dated April 7, 2020 regarding the status of interests of interested parties in the Company (reference no.: 2020-01-036738). The information detailed in the aforementioned reports is brought here for reference.

Presented below are the details, to the best of the Company's knowledge, of the shares and other securities owned by interested parties that are not members of an institutional reporting group, in each of the Company's subsidiaries, immediately prior to the date of the report:

<table>
<tr><th rowspan="5">Owner's name</th><th rowspan="2">Name and class of securities</th><th rowspan="2">Quantity of securities</th><th colspan="2">Holding Interests(*)</th><th colspan="2">Interests (fully diluted)</th></tr>
<tr><th>Capital</th><th>Voting</th><th>Capital</th><th>Voting</th></tr>
<tr><td>Atrium European Limited, ordinary shares</td><td>374,119</td><td>0.10%</td><td>0.10%</td><td rowspan="2">0.15%</td><td rowspan="2">0.15%</td></tr>
<tr><td>Atrium European Limited Option warrants</td><td>190,000</td><td>-</td><td>-</td></tr>
<tr><td>Citycon Oyj, ordinary share</td><td>155,799</td><td>0.09%</td><td>0.09%</td><td>0.09%</td><td>0.09%</td></tr>
</table>

The Company's share capital includes 3,861,663 treasury shares that are held by the Company.

REGULATION 24A: AUTHORIZED CAPITAL, ISSUED CAPITAL AND CONVERTIBLE SECURITIES

For details regarding the authorized capital and the issued capital of the Corporation immediately prior to the date of the report, refer to Note 25 to the financial statements.

For details regarding the convertible securities of the Corporation immediately prior to the date of the report, refer to Note 26 to the financial statements.

REGULATION 24B: COMPANY SHAREHOLDERS REGISTER

For details regarding the Company's shareholders' register, refer to the immediate report of the Company dated April 2, 2020 (reference no.: 2020-01-034884).

REGULATION 26: DIRECTORS OF THE CORPORATION

Presented below are details of the members of the Board of Directors, to the best of the Company's knowledge:

Name:	**Ehud Arnon, Chairman of the Board of Directors**
Identity no.:	50001239
Date of birth:	May 9, 1950
Address for serving legal documents:	15 Tchernichovsky Street, Jerusalem 92531
Nationality:	Israeli, Austrian
Membership of Board sub-committees:	No
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	March 28, 2018
Education:	BA in Economics and International Relations, Hebrew University; MBA in Business Administration, Hebrew University
Employment over the past five years:	President and CEO of Bank Discount New York (2011-2017)
Companies of which he is a director (other than the Company):	Hertz Properties Group Limited
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Chaim Katzman - Vice Chairman of the Board and President of the Company**
Identity no.:	030593859
Date of birth:	November 4, 1949
Address for serving legal documents:	1696 NE Miami Gardens, North Miami Beach, FL 33179, USA
Nationality:	Israeli, American
Membership of Board sub-committees:	Investments Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	President of the Company. See the details below regarding his tenure as Chairman of the Board of Directors and as a director of various subsidiaries of the Company
Date of appointment:	May 1, 1995
Education:	LLB, Tel-Aviv University
Employment over the past five years:	Vice Chairman of the Board and President of the Company, and Norstar Holdings Inc. Chairman of the Board of Directors of the following companies (until January 2018): the Company, ATR, CTY, Norstar Holdings Inc. (until January 2018), EQY (and following the completion of the merger with REG and until February 2018, Vice Chairman of the Board of REG), and private subsidiaries of these companies and of the Company, former director of FCR.
Companies of which he is a director (other than the Company):	Norstar Holdings Inc., ATR, CTY and private subsidiaries of these companies and of the Company, as well as Koah (2000) Holdings Ltd. and Ganei Binyamina Ltd.
Relative of another of the Company's interested parties:	No (however, his son-in-law, Mr. Zvi Gordon, serves as VP Investments at the Company)

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Ronnie Bar-On**
Identity no.:	008516262
Date of birth:	June 2, 1948
Address for serving legal documents:	2 Unizman Street, Tel Aviv
Nationality:	Israeli
Membership of Board sub-committees:	Chairman of the Audit, Balance Sheet and Compensation Committee, Nominating and Corporate Governance Committee, Corporate Responsibility Committee, Committee of the Gazit Canada's subjects.
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director in Gazit Brazil
Date of appointment:	May 1, 2013
Education:	LLB (Hebrew University, Jerusalem); member of the Israel Bar Association since 1974
Employment over the past five years:	Member of the Israeli Parliament (Knesset) and Director in public companies
Companies of which he is a director (other than the Company):	Alrov Real Estate and Hotels Ltd., Delek Drilling Limited Partnership
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name	**Zehavit Cohen**
Identity no.:	058344797
Date of birth:	November 16, 1963
Address for serving legal documents:	4 Berkovich St., Museum Tower, 22nd Floor, Tel Aviv 6423806
Nationality:	Israeli, American
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee, Nominating and Corporate Governance Committee, Corporate Responsibility Committee, Investments Committee.
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	serves as a director of Gazit Horizons
Date of appointment:	March 8, 2016
Education:	B.A. in Accounting from Duquesne University; an MBA in Finance from the University of Pittsburgh, and an MA in Accounting from the University of Pennsylvania, U.S.A.
Employment over the past five years:	Lecturer on accounting and finance – Wharton School, Pennsylvania University; CEO of Apax Partners Israel Ltd.
Companies of which he is a director (other than the Company):	Apax Partners Israel Ltd., Apax Partners LLP, AP. TN Ltd., Ami Consulting Ltd., Ten Petroleum Company Ltd., Zap Group Ltd., Swan Debtco Ltd., Swan Holdco Ami Ltd., Swan Topco Ltd., Zebra Holdco Ltd., Zebra Midco Ltd., Zebra Topco Ltd., Tiger Topco Ltd., Tiger Midco Ltd. Tiger Holdco Ltd., Moose Topco Ltd. Moose Midco Ltd. Moose Holdco Ltd., Gorilla Topco Ltd., Gorilla Midco Ltd., Gorilla Holdco Ltd., Alligator Topco Ltd. Alligator Midco Ltd. Alligator Holdco Ltd., Attenti Elctronic Monitoring Group Ltd., Go Global Travel Ltd., Max Management Israel Ltd., Goor Topco Ltd, Goor Holdco Ltd., Global-E Online Ltd., Rot Topco Ltd., Rot Midco Ltd., Rot Holdco Ltd., Ramet-Trom Ltd, Mac Topco Ltd., Rich Topco Ltd., S.R Accord Ltd.
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Douglas William Sesler**
Identity no.:	534325902
Date of birth:	December 24, 1961
Address for serving legal documents:	54 Northway Bronxville, NY 10708
Nationality:	American
Membership of Board sub-committees:	No
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director in Gazit Horizons
Date of appointment:	January 12, 2012
Education:	B.A. in Government (Cornell University)
Employment over the past five years:	Executive Vice President of Real Estate at Macy's, Business consultant.
Companies of which he is a director (other than the Company):	Baypoint Navigation Inc.
Relative of another of the Company's interested parties:	No

Name:	**Limor Shofman Guttman**
Identity no.:	024388191
Date of birth:	August 27, 1969
Address for serving legal documents:	136 Ehad Ha'am Street, Tel-Aviv
Nationality:	Israeli
Membership of Board sub-committees:	The Company's Audit, Balance Sheet and Compensation Committee, Corporate Responsibility Committee, Nominating and Corporate Governance Committee, and Committee of the Gazit Canada's subjects.
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	January 1, 2019
Education:	B.A. in Law, Bar Ilan University; Certificate in Positive Psychology, Maytiv Center for the Research and Application of Positive Psychology and the School of Psychology at IDC Herzliya
Employment over the past five years:	Head of the Capital Market, Companies and Securities Department at Law Offices of Matry, Meiri & Co.; Partner and Deputy Head of the Capital Market Department at Law Offices of Goldfarb, Zeligman & Co. (1997-2015), Member of the Executive Committee of ProWoman organization.
Companies of which he is a director (other than the Company):	Nahum Gutman's museum
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Shmuel Hauser**
Identity no.:	053488342
Date of birth:	May 13, 1955
Address for serving legal documents:	19 Amirim St., Savion
Nationality:	Israeli
Membership of Board sub-committees:	The Company's Audit, Balance Sheet and Compensation Committee, Investments Committee, Nominating and Corporate Governance Committee and Corporate Responsibility Committee
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	January 1, 2019
Education:	BA in Statistics and Economics, Hebrew University; MA in Finance, Hebrew University; PhD, Temple University, Philadelphia, USA
Employment over the past five years:	Chairman of the Israel Securities Authority; Co-Chair of the Israeli Accounting Standards Board; member of the advisory committee of the Supervisor of Banks at Bank of Israel; member of the licensing committee of the Supervisor of Banks at Bank of Israel; member of the advisory committee of the Capital Market, Insurance and Savings Authority; member of the debt settlement committee of the Ministry of Finance; VP of research affairs at Ono Academic College; professor at the School of Management, Ben Gurion University
Companies of which he is a director (other than the Company):	Alrov Real Estate and Hotels Ltd., Selcom Ltd., Pocketful Ltd.
Relative of another of the Company's interested parties:	No

REGULATION 26A: SENIOR OFFICERS

Presented below are details of the senior officers of the Company, who do not serve as directors, to the best of the Company's knowledge:

Name:	**Adi Jemini**
Identity no.:	032862443
Date of birth:	March 19, 1978
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Executive Vice President and CFO of the Company, Market Risks Officer, together with the President of the Company; Director in G. Israel Commercial Centers Ltd., Gazit Horizons, and Gazit Brasil; manager and director in additional private subsidiaries of the Company
Date of appointment:	January 16, 2016
Education:	B.Sc. in Accounting from Virginia Polytechnic Institute
Employment over the past five years:	Former Chief of Staff at Gazit Group USA, Chief Administrative Officer at Norstar Holdings Inc.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Rami (Romano) Vaisenberger**
Identity no.:	016708695
Date of birth:	January 29, 1973
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Vice President and Controller; Director in the Company's private subsidiaries and Norstar Holdings Inc.
Date of appointment:	July 1, 2004
Education:	B.A. in Accounting and Business Administration (College of Management)
Employment over the past five years:	His current position, Controller in Norstar Holdings Inc., Director in the Company's private subsidiaries and Norstar Holdings Inc.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	**Zvi Gordon**
Identity no.:	332533710
Date of birth:	October 15, 1985
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP Investments at the Company, VP Mergers & Acquisitions at Gazit USA, head investments manager at Norstar Holdings Inc., controlling shareholder of the Company, CEO of Norstar Israel Ltd. (a company wholly-owned by Norstar Holdings Inc.)
Date of appointment:	June 19, 2017
Education:	MBA from MIT Sloan School of Management, BA in Philosophy, Politics and Law from State University of New York Binghamton
Employment over the past five years:	VP Mergers & Acquisitions at Gazit USA Inc., head investments manager at Norstar Holdings Inc. (Previously head administrative manager); Investment associate at The Davis Companies; Summer associate, Investment management at Goldman Sachs.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	Yes Mr. Gordon is Mr. Katzman's son-in-law.

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Liza Haimowitz**
Identity no.:	059754382
Date of birth:	August 15, 1965
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP and International Legal Advisor
Date of appointment:	January 1, 2019
Education:	LLB in Law and MBA in Business Administration, Tel Aviv University
Employment over the past five years:	Legal Counsel and Company Secretary at Israel Chemicals Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	**Revital Kahlon**
Identity no.:	036307221
Date of birth:	June 12, 1979
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Legal Counsel and Company Secretary
Date of appointment:	June 1, 2015
Education:	LLB and BBA from the Hebrew University of Jerusalem
Employment over the past five years:	Legal Counsel and Company Secretary
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Eli Mualem**
Identity no.:	040015968
Date of birth:	June 9, 1980
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Comptroller
Date of appointment:	April 1, 2018
Education:	BA in Accounting and Economics - Tel Aviv University. MBA in Business Administration- Tel Aviv University.
Employment over the past five years:	Company Comptroller; accountant at Gilat Satellite Networks Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	**Doron Cohen**
Identity no.:	028015592
Date of birth:	October 10, 1970
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Internal auditor of the Company and of Norstar Holdings Inc.
Date of appointment:	22.7.2019
Education:	CPA,BA in Business Administration (Ono Academic College)
Employment over the past five years:	Partner and Audit Manager in Fahn Kanne Control Management Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 26B: AUTHORIZED SIGNATORY FOR THE COMPANY

As of the date of the report, the Company has no independent authorized signatories.

REGULATION 27: AUDITORS OF THE COMPANY

Kost Forer Gabbay & Kasierer, CPAs, 144 Menachem Begin Road, Tel-Aviv.

REGULATION 28: AMMENDMENT OF THE MEMORANDUM OR ARTICLES OF ASSOCIATION

None.

REGULATION 29: RECOMMENDATIONS AND RESOLUTIONS OF THE DIRECTORS

A. Payment of a dividend or making of a distribution, as defined in the Companies Law, by any other means, or the distribution of a stock dividend:

During the reporting year, the Company's Board of Directors resolved to make dividend distributions amounting to NIS 40.5 per share (NIS 1.62 per share for a year) on: April 16, 2019, June 13, 2019, September 18, 2019 and January 2, 2020.

In addition, subsequent to the date of the report, on March 24, 2020, the Company's Board of Directors approved the distribution of a dividend of NIS 0.43 per share.

During the reporting period and thereafter, the Company purchased ordinary shares of the Company as part of its buy back plans that were valid during the reported period, as referred in section 3.8 of the Board of Director's Report, and purchased additional 2,425,999 shares of the Company through a tender offer, which was published by the Company in April, 2019.

Change in the Company's authorized or issued capital:

Change in authorized capital – None.

Change in issued capital – Refer to Regulation 20 above.

B. Amendment of the memorandum or articles of association: None

C. Redemption of redeemable securities: None.

Early redemption of debentures: None. However, it is noted that during the reporting period and thereafter, the Company repurchased debentures under the Company's securities repurchase plan, which was approved for the first time by the Board of Directors on March, 2019 and on March 2020, as referred on section 3.8 of the Board of Director's Report. In addition, the Company repurchased on September 2019 NIS 672,528,887 par value of debentures (Series D) and on December 2019 NIS 976,784,068 par value of debentures (Series K), under tender offers which performed by the Company.

D. Transaction between the Company and an interested party not conducted on market terms: For information about the partnership with Mr. Dori Segal, who served as a director of the Company, see regulation 29A(c) below.

E. Resolutions of the general meeting on the matters detailed in sections A through E above that are not in accordance with the recommendations of the Board of Directors: None

F. Resolutions by an annual general meeting and extraordinary general meeting:

1. On December 26, 2019, the following resolutions were approved by the extraordinary general meeting (see the report dated November 20, 2019, Reference number: 2019-01-100023, and an immediate report dated December 26, 2019 (Reference number: 2019-01-114285) regarding the results of the general meeting; the information contained in the aforesaid immediate reports is hereby incorporated by means of this reference):

   1.1. Reappointment of the Company's auditor.

   1.2. Reappointment of the directors serving in the Company: Mr. Ehud Arnon, Mr. Chaim Katzman, Mr. Douglas Sesler and Mrs. Zehavit Cohen.

   1.3. Approval of compensation for Mr. Dori Segal, which served as a director of the Company, for management fees as part of his position as CEO of Canada Partnership (as detailed in Regulation 21 on Chapter D to the report).

2. On March 15, 2020, the following resolutions were approved (see report dated February 9, 2020 (Reference number: 2020-01-014232) regarding the convening of an extraordinary general meeting, and an immediate report dated March 16, 2020 (Reference number: 2020-01-025020) regarding the results of the general meeting; the information contained in the aforesaid immediate reports is hereby incorporated by means of this reference):

   2.1 Approval of the Company's Compensation Policy (as set forth in Section 17.2 of the Company's Business Description Section).

   2.2 Renewal of Mr. Zvi Gordon's employment agreement (as set forth in Regulation 21 above).

REGULATION 29A: RESOLUTIONS OF THE COMPANY

A. Approval of acts pursuant to Section 255 of the Companies Law: None.

B. Acts pursuant to Section 254(a) of the Companies Law that have not been approved, whether or not such acts have been presented for the approval referred to in Section 255 of the Companies Law: None.

C. Transactions requiring special approval pursuant to Section 270(1) of the Companies Law, provided that these are exceptional transactions, as defined in the Companies Law, which have been approved during the reporting year: In November 2019, the Company established a new joint venture to locate, acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Toronto. The joint venture is owned by the Company (60%) and by Mr. Dori Segal, previously a director of the Company (40%) (hereinafter: "Canada Joint Venture"). Mr. Segal will serve as CEO of the Canada Joint Venture in consideration of an annual management fee and, in addition, the Company (through a subsidiary) will provide the Canada Joint Venture services, such as accounting and accountancy at cost prices.

   The Audit Committee, the Compensation Committee (on October 2, 2019, on November 13, 2019 and on November 18, 2019) and the Board of Directors (on October 17, 2019 and on November 18, 2019) approved the terms of the Canada Joint Venture, the loan provided by the Company's subsidiary for the Canada Joint Venture, the payment of the management fees to Mr. Dori Segal, the services provided by the Company's subsidiary, and the acquisition of two assets by the Canada Joint Venture, as an extraordinary transaction. In addition, on December 26, 2019 the Company's General Meeting approved the management fees to be paid to Mr. Segal.

   For additional information regarding Canada Joint Venture, including regarding the loan that the Company provided to the Canada Joint Venture and regarding Mr. Segal's payment terms, see section 11.2 to the report and regulation 21 to this report above.

   The Audit Committee discussed the foregoing reports in its meetings on March 21, 2018, May 23, 2018, August 15, 2018, November 18, 2019 and February 11, 2019.

D. Exemption, insurance or an undertaking to indemnify officers, as is defined in the Companies Law, that is valid at the reporting date: At the reporting date, all the Company's officers were covered by insurance, which was recently renewed in March 2019. The aforementioned insurance was renewed pursuant to the decision of the general meeting on November 22, 2016, which approved acquiring of the insurance with maximum coverage limit of USD 125 million (per event and per year). Pursuant to a resolution of the Company's Board of Directors, at the reporting date the coverage limit is USD 100 million (per event and per year). The most recent renewal of the insurance policy pursuant to the general meeting resolution will be for the insurance period ending in January 2021. In addition, following the delisting of the Company's shares from trade on the Toronto and New York stock exchanges, the Company purchased a Run-Off insurance policy for director and officer liability up to the liability limit of USD 100 million (the liability limit in the existing policy), plus reasonable legal expenses exceeding the liability limit in accordance with section 66 of the Insurance Contract Law - 1981. The aforementioned insurance policy will cover the liability of the officers and directors currently in office and who served at the Company up to the date of the expiration of the existing insurance policy (March 12, 2019), for their actions or faults during the period of their service at the Company until the aforementioned date, for listing the Company's shares for trade on the New York and Toronto stock exchanges (NYSE and TSX). The policy will be for a period ending after 7 years, beginning on March 12, 2019. Pursuant to the provisions of Section 275 of the Companies Law, which set forth, inter alia, that transactions involving the service and employment terms of a controlling shareholder will be approved once every three years, on March 8, 2019, the Company's Board of Directors (following approval by the Company's Compensation Committee) approved the approval of the insurance policy, as purchased from time to time by the Company, and the Run-Off policy for the controlling shareholder of the Company, who also serves as the Vice Chairman of the Board of Directors CEO of the Company, Mr. Katzman, and for Mr. Zvi Gordon, the son-in-law of Mr. Katzman, who serves as the VP Investments of the Company and the VP Mergers & Acquisitions in Gazit USA, a wholly-owned subsidiary of the Company, for their service as officers at the Company, under terms that are identical to those of the other officers in the Company (beginning on March 12, 2019). Furthermore, on January 12, 2012 the general meeting approved the purchase of a Public Offering of Securities Insurance (POSI) policy for the Company and for directors and officers (including Mr. Chaim Katzman, CEO of the Company and its controlling shareholder), for a period of up to seven years (the "Insurance Period") and with coverage limits that are not to exceed USD 100 million per event and for the Insurance Period. For additional information regarding insurance for officers at the Company, see the complementary report regarding the convening of the annual general meeting dated November 10, 2016, Reference number: 2016-01-076410, and the immediate report dated March 10, 2019, Reference number: 2019-01-020320; the information contained in them is hereby incorporated by means of this reference.

E. Pursuant to the provisions of the Company's articles of association, and pursuant to the resolution of the Company's general meeting from December 31, 2006, December 13, 2011 and October 17, 2017, the Company undertook to indemnify in advance anyone serving as an officer of the Company (including directors), including an officer in the Company serving on behalf of the Company or at its request as an officer in another company (meaning, a subsidiary of the Company, a related corporation of the Company or another corporation whatsoever (including a foreign corporation) which the Company owns and/or shall own from time to time through its securities and/or through its voting rights and/or through its right to appoint directors therein) and additional position holders at the Company or at a different company of the Company. The undertaking to indemnify was provided with respect to liabilities and expenses, pursuant to the provisions of the Companies Law, with regard to a series of events (the indemnification causes) specified in the indemnification statement, as well as indemnification according to the limitations permitted under the Streamlining Law Enforcement Procedures in the Securities Authority (Legislative Amendments) - 2011. The maximum accumulated indemnification amount which the Company might pay any officer, as aforesaid, will be no greater than 25% of the Company's shareholders' equity according to its last financial statements published prior to the actual indemnification payment. Pursuant to the provisions of Section 275 of the Companies Law, on October 17, 2017, the general meeting approved the renewal of the indemnification undertaking for Mr. Chaim Katzman, VP Chairman of the Board of Directors, President of the Company and its controlling shareholder, and for Mr. Dori Segal, a director in the Company who was a controlling shareholder of the Company during the reported period, for a period of three years, commencing October 17, 2017.

In addition, the Company resolved to exempt in advance the aforesaid officers (including directors) from accountability for damage caused and/or that will be caused to the Company by the officers due to breach of the duty of care owed to it, other than in the case of a breach of the duty of care in making a distribution, as defined in the Companies Law. On June 10 and December 24, 2018, the Company's general meeting approved the granting of exemption to Mr. Chaim Katzman, Vice Chairman of the Board of Directors, President of the Company and its controlling shareholder, and Mr. Zvi Gordon, Mr. Katzman's son-in-law who serves as Vice President of Mergers & Acquisitions at Gazit USA, a wholly-owned subsidiary of the Company, and the VP Investments of the Company, for a period of three years. In addition, the general meeting approved the granting of exemption to Mr. Ehud Arnon as well, who is the Chairman of the Company's Board of Directors, and to Mr. Dori Segal, a director in the Company and former controlling shareholder of the Company until March 2018. The decisions of the general meeting were resolved according to the Company's updated compensation policy, according to which letters of exemption, to the extent provided, will not apply to a resolution or transaction in which the controlling shareholder or any officer in the Company (including an officer other than the officer to which the letter of exemption relates) has personal interest (with the exception of personal interest resulting from service as an officer in both the Company and in a related company of the Company). For details and the wording of the undertaking to indemnify and the exemption, see the complementary report of the summons to the general meeting dated November 10, 2016 (Reference number: 2016-01-076413), the report of the summons to the general meeting dated October 17, 2017 (Reference number: 2017-01-078685) and the corrected report of the summons to the general meeting dated December 24, 2018 (Reference number: 2018-01-126159).

April 7, 2020	Gazit-Globe Ltd.
Date	Name of Company

Names of Signatories:	**Position:**
Ehud Arnon	Chairman of the Board of Directors
Chaim Katzman	Vice Chairman of the Board of Directors and President

CORPORATE GOVERNANCE QUESTIONNAIRE – GAZIT-GLOBE

INDEPENDENCE OF THE BOARD OF DIRECTORS

			Correct	Incorrect
1.		In every reporting year, two or more External Directors served with the Corporation This question can be answered "Correct" if the time period during which two External Directors did not serve does not exceed 90 days, as stated in Section 363A(b)(10) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which two or more External Directors did not serve with the Corporation in the Reporting Year (including also the period of service approved retroactively, distinguishing between the various External Directors): Director A: Yair Orgler (served as a director of the Company until November 27,2019) Director B: Ronnie Bar-On Director C: Shmuel Hauser Director D: .Limor Shofman Guttman Number of External Directors serving with the Corporation as of the date of publishing this questionnaire: 3	√	

2.		Ratio [20] of Independent Directors [21] serving with the Corporation as of the date of publishing this questionnaire: 71% Ratio of Independent Directors prescribed by the Articles[22] of the Corporation[23]: 33% ☐ Not relevant (not prescribed in the Articles).	____	____
3.		A check was performed in the Reporting Year on the External Directors (and the Independent Directors) and it was found that, in the Reporting Year, they were in compliance with the provisions of Section 240(b) and (f) of the Companies Law with regard to the External (and Independent) Directors serving with the Corporation not having an Interest, and also that the conditions necessary for them to serve as an External (or Independent) Director had been fulfilled.	√	
4.		None of the Directors who served with the Corporation during the Reporting Year are answerable[24] to the CEO, directly or indirectly (except for a Director who is an employee representative, if the Corporation has such employee representation). If you answer "Incorrect" (i.e., the Director is answerable to the CEO, as stated) – state the ratio of Directors who failed to meet the aforesaid restriction: ____.	√	

20 In this questionnaire, "Ratio" is the particular number out of the total, for example 3/8.

21 Including "External Directors" as defined in the Companies Law.

22 For the purposes of this question – "Articles" includes in accordance with a specific statutory provision applicable to the Corporation (in the case of a banking corporation for example – the directives of the Supervisor of Banks).

23 A debenture company is not required to answer this section.

24 For the purposes of this question - serving as a Director of an affiliate that is controlled by the Corporation shall not be deemed as being "answerable". On the other hand, the serving of a Director of the Corporation who serves as an Officer (other than Director) and/or is employed in an affiliate that is controlled by the Corporation shall be deemed as being "answerable" for the purposes of this question.

5.		All Directors who disclosed having a Personal Interest in the approval of a transaction on the agenda of the meeting did not attend the discussion and did not participate in the aforesaid vote (other than a discussion and/or a vote in circumstances which comply with Section 278(b) of the Companies Law): If you answer “Incorrect” – Was it in order for the Director to present a particular topic in accordance with the provisions at the end of Section 278(a): ☒Yes ☐ No (Place an X in the appropriate box). Note the rate of meetings in which the aforesaid Directors attended the discussion and/or participated in the vote other than in circumstances as provided in subsection a: ________.	√	
6.		A Controlling Shareholder (including his Relative and/or anyone acting on his behalf), who is not a Director or another Senior Officer of the Corporation, was not present at the meetings of the Board of Directors held in the Reporting Year. If you answer “Incorrect” (i.e., a Controlling Shareholder and/or his Relative and/or anyone acting on his behalf, who is not a member of the Board of Directors and/or a Senior Officer of the Corporation was present at the aforesaid meetings of the Board of Directors) – the following details regarding the presence of any additional person at the aforesaid meetings of the Board of Directors are to be provided: Identity: Position in the Corporation (if any): Details of the Interest vis-à-vis the Controlling Shareholder (if the person present is not the Controlling Shareholder himself): Was the person attending in order to present a particular topic: ☐ Yes ☐ No (Place an X in the appropriate box). Rate of attendance[25] at the meetings of the Board of Directors held in the Reporting Year in order to present a particular topic:. Attendance for other purposes: ☐ Not applicable (the Corporation does not have a Controlling Shareholder).	√	

[25] Differentiating between the Controlling Shareholder, his Relative and/or anyone acting on his behalf.

EXPERTISE AND QUALIFICATIONS OF THE DIRECTORS

				Correct	Incorrect
7.		The Corporation's By-Laws do not contain a provision restricting the possibility of immediately terminating the service of all the Corporation's Directors, who are not External Directors (for this purpose – a decision by a simple majority is not considered a restriction)26. If you answer "Incorrect" (i.e., such a restriction does exist), state –			√
		A.	The time period prescribed in the By-Laws for a Director's service: in-between annual general meetings of the shareholders of the Company.		
		B.	The required majority prescribed in the By-Laws for terminating the service of the Directors: A Special Resolution of the General Meeting, viz. 75% or more of the voting power of all the shares whose holders were present and voted on said Resolution.		
		C.	Legal quorum prescribed in the By-Laws at the General Meeting for the purpose of terminating the service of the Directors: A legal quorum will exist at General Meetings of the Company when at least two shareholders with voting rights (personally or through proxies) are present, who together hold at least 30% of the Company's voting rights.		
		D.	The required majority to change these provisions in the By-Laws: A majority of the shareholders who hold shares that confer on them 60% or more of the voting rights of all the shares whose holders were present and voted on said Resolution (except for abstentions), either personally or through proxies, including a voting paper.		

[26] A debenture company is not required to answer this section.

8.		The Corporation has taken action to prepare a training program for new Directors, in relation to the Corporation's business and in relation to the law applicable to the Corporation and the Directors, as well as having taken action to prepare a continuing training program for serving Directors, that is customized, inter alia, to the duties that the Director performs at the Corporation. If you answer "Correct" – state whether the program was in operation in the Reporting Year: ☒Yes ☐ No (Place an X in the appropriate box).		√	
9.		A.	The Corporation has prescribed the minimum number of Directors on the Board of Directors that are required to possess Accounting and Financial Expertise. If you answer "Correct" – state the minimum number prescribed: Three directors	_____	_____
		B.	Number of Directors that served with the Corporation during the Reporting Year - Possessing Accounting and Financial Expertise[27]: Ten Directors Possessing Professional Qualifications[28]: -- In the event of there being changes in the number the aforesaid Directors in the Reporting Year, the figure to be provided will be the lowest number (except in the 60-day time period from the occurrence of the change) of Directors of each type who served in the Reporting Year.		

[27] As assessed by the Board of Directors, in accordance with the provisions of the Companies Regulations (Terms and Tests for Director Possessing Accounting and Financial Expertise and for a Director Possessing Professional Qualifications), 2005.

[28] See footnote 9.

10.		A.	In each Reporting Year, the composition of the Board of Directors included members of both sexes. If you answer "Incorrect" – state the time period (in days) during which the aforesaid did not apply: ____. This question can be answered "Correct" if the time period in which Directors of both sexes were not serving does not exceed 60 days, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which Directors of both sexes were not serving with the Corporation: ____.	√	
		B.	Number of Directors of each sex serving on the Board of Directors of the Corporation as of the date of publishing this questionnaire: Men: 5, Women: 2	_____	_____

MEETINGS OF THE BOARD OF DIRECTORS (AND CONVENING A GENERAL MEETING)

				Correct	Incorrect
11.		A.	Number of meetings of the Board of Directors held during each quarter of the Reporting Year: First quarter (2019): 8 Second quarter: 3 Third quarter: 6 Fourth quarter: 4	———	———
		B.	Against the name of each of the Directors who served with the Company during the Reporting Year, state the attendance rate[29] at meetings of the Board of Directors (in this subsection – include meetings of Committees of the Board of Directors of which the Director is a member, as stated below) that were held during the Reporting Year (in relation to his period of service): (Additional rows should be added in accordance with the number of Directors.) * As the Audit Committee also acts as the Financial Statements Review Committee, attendance rates at meetings of the Audit Committee also relate to its meetings as the Financial Statements Review Committee. In addition, from July 2017 the Audit Committee also acts as the Compensation Committee. The data relating to the presence of the Compensation Committee that existed until the date of its unification with the Compensation Committee.	———	———

Name of Director	Attendance rate at meetings of the **Board of Directors**	Attendance rate at meetings of the **Audit Committee**[30]	Attendance rate at meetings of the **Financial Statements**	Attendance rate at meetings of the	Attendance rate at meetings of **other Committees of the Board of Directors of which he is a member** (noting the

[29] See footnote 2.

[30] For a Director who is a member of said Committee.

						Review Committee[31]	**Compensation Committee[32]**	name of the Committee)		
			Ehud Arnon	100%						
			Chaim Katzman	100%						
			Dori Segal	95%						
			Yair Orgler	100%	100%			Nominations and Corporate Governance Committee – 100% Corporate Responsibility Committee – 100%		
			Ronnie Bar-On	100%	100%			Nominations and Corporate Governance Committee – 100% Corporate Responsibility Committee – 100%		
			Haim Ben-Dor	100%	100%			Nominations and Corporate Governance Committee – 100%		

[31] For a Director who is a member of said Committee.

[32] For a Director who is a member of said Committee.

								Corporate Responsibility Committee – 100%		
			Douglas Sesler	76%						
			Zehavit Cohen	100%	100%					
			Shmuel Hauser	100%	93%					
			Limor Shofman Guttman	100%	100%					
12.		In the Reporting Year, the Board of Directors held at least one discussion regarding the management of the Corporation's business by the CEO and the Officers answerable to him, without them being present, and they were given an opportunity to express their position.							√	

SEPARATION OF THE FUNCTIONS OF THE CEO AND THE CHAIRMAN OF THE BOARD OF DIRECTORS				
			Correct	**Incorrect**
13.		Throughout the Reporting Year, a Chairman of the Board of Directors served with the Corporation. This question can be answered "Correct" if the time period in which a Chairman of the Board of Directors was not serving with the Corporation does not exceed 60 days, as referred to in Section 363A(2) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which a Chairman of the Board of Directors was not serving with the Corporation, as stated: ____.	√	
14.		In each Reporting Year, a CEO served with the Corporation. This question can be answered "Correct" if the time period in which a CEO was not serving with the Corporation does not exceed 90 days, as referred to in Section 363A(6) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which a CEO was not serving with the Corporation, as stated: ____.	√	
15.		In a Corporation in which the Chairman of the Board of Directors also serves as the CEO of the Corporation and/or exercises the powers thereof, the dual service was approved pursuant to the provisions of Section 121(c) of the Companies Law[33]. × Not applicable (so long as the aforesaid dual service does not exist in the Corporation).		

16.		The CEO is not a Relative of the Chairman of the Board of Directors. If you answer "Incorrect" (i.e., the CEO is a Relative of the Chairman of the Board of Directors) –	√	

[33] In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

		A.	State the family relationship between the parties: ________.	_____	_____
		B.	The service was approved pursuant to Section 121(c) of the Companies Law[34]: □ Yes □ No *(Place an X in the appropriate box.)*	_____	_____
17.		A Controlling Shareholder or his Relative does not serve as CEO or as a Senior Officer of the Corporation, except as a Director. □ Not applicable (the Corporation does not have a Controlling Shareholder).			√

AUDIT COMMITTEE					
				Correct	**Incorrect**
18.		The following did not serve on the Audit Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. □ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	

[34] In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. ☐ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	
19.		A person not entitled to be a member of the Audit Committee, including a Controlling Shareholder or his Relative, was not present in the Reporting Year at meetings of the Audit Committee, except in accordance with the provisions of Section 115(e) of the Companies Law.		√	
20.		A legal quorum for holding discussions and taking decisions at each of the meetings of the Audit Committee held in the Reporting Year was a majority of the Committee's members, with the majority of those present being Independent Directors and at least one of whom was an External Director. If you answer "Incorrect" – state the ratio of meetings at which the aforesaid requirement was not fulfilled: ____.		√	
21.	The Audit Committee held at least one meeting in the Reporting Year, in the presence of the Internal Auditor and the Independent Auditor and without the presence of the Corporation's Officers who are not members of the Committee, with regard to defects in the Corporation's business management.			√	
22.	At each meeting of the Audit Committee at which a person not entitled to be a member of the Committee was present, this was with the approval of the Chairman of the Committee and/or at the request of the Committee (with regard to the Corporation's Legal Counsel and its Corporate Secretary who is not a Controlling Shareholder or his Relative).			√	
23.	In the Reporting Year, arrangements, which had been prescribed by the Audit Committee, were in force regarding the manner of handling complaints from the Corporation's employees in connection with defects in its business management and regarding the protection given to employees revealing the aforesaid.			√	
24.	The Audit Committee (and/or the Committee for the Review of the Financial Statements) was satisfied that the scope of the work of the Independent Auditor and his professional fees in relation to the financial statements in the Reporting Year were adequate for the performance of suitable audit and review work.			√	

DUTIES OF THE FINANCIAL STATEMENTS REVIEW COMMITTEE (HEREAFTER – THE COMMITTEE) IN ITS WORK PRIOR TO THE APPROVAL OF THE FINANCIAL STATEMENTS				
			Correct	**Incorrect**
25.	A.	Note the length of time (in days) prescribed by the Board of Directors as being a reasonable time for the sending of the Committee's recommendations prior to the discussion at the Board of Directors on approving the financial statements: Between two and four days, depending on circumstances.	_____	_____
	B.	Number of days that actually elapsed between the date of sending the recommendations to the Board of Directors and the date of the discussion at the Board of Directors on approving the financial statements: First quarter report (2019): 1 Second quarter report: 4 Third quarter report: 2 Annual report: 2	_____	_____
	C.	Number of days that elapsed between the date of sending the draft financial statements to the Directors and the date of the discussion at the Board of Directors on approving the financial statements: First quarter report (2019): 2 Second quarter report: 4 Third quarter report: 4 Annual report: 4		
26.	The Independent Auditor of the Corporation participated in all the meetings of the Committee and the Board of Directors, at which discussions took place regarding the Corporation’s financial statements relating to the periods included in the Reporting Year. If you answer “Incorrect” – state the ratio of meetings attended by the Independent Auditor: ____.		√	

27.	Throughout the Reporting Year and until the publication of the annual report, the Committee fulfilled all the conditions detailed below:		_____	_____
	A.	Its members numbered at least three (at the date of the discussion by the Committee and the approval of the aforesaid Reports).	√	
	B.	All the conditions prescribed in Section 115(b) and (c) of the Companies Law (regarding the service of members of the Audit Committee) were fulfilled.	√	
	C.	The Chairman of the Committee is an External Director.	√	
	D.	All its members are Directors and a majority of its members are Independent Directors.	√	
	E.	All its members are capable of reading and understanding financial statements and at least one of the Independent Directors possesses Accounting and Financial Expertise.	√	
	F.	The members of the Committee provided a Declaration prior to their appointment.	√	
	G.	A legal quorum for holding discussions and taking decisions at the Committee was a majority of the its members, provided that the majority of those present were Independent Directors and among them was at least one External Director.	√	
	If you answer "Incorrect" with regard to one or more of the subsections to this question, note with respect to which report (periodic/quarterly) the aforesaid condition was not fulfilled and also which condition was unfulfilled: _______.		_____	_____

COMPENSATION COMMITTEE					
				Correct	**Incorrect**
28.		The Committee comprised, in the Reporting Year, at least three members and the External Directors constituted the majority thereof (on the date of the discussion at the Committee). □ Not relevant (no discussion was held).		√	
29.		The terms of service and employment of all members of the Compensation Committee in the Reporting Year are in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 2000.		√	
30.		The following did not serve on the Compensation Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. □ Not relevant (the Corporation does not have a Controlling Shareholder) .	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	
		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. □ Not relevant (the Corporation does not have a Controlling Shareholder).	√	

31.		A Controlling Shareholder or his Relative was not present in the Reporting Year at meetings of the Compensation Committee, unless determined by the Chairman of the Committee that any of them is needed in order to present a particular topic.	√	
32.	The Compensation Committee and the Board of Directors did not make use of their powers pursuant to Sections 267A(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a compensation policy, over the objections of the General Meeting. If you answer "Incorrect", state – Type of transaction approved as aforesaid: _____ Number of occasions when use was made of said powers in the Reporting Year: _____		√	

INTERNAL AUDITOR			
		Correct	**Incorrect**
33.	The Chairman of the Board of Directors or the CEO of the Corporation has organizational responsibility for the Internal Auditor in the Corporation.		√
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the Reporting Year. In addition, note the audit topics dealt with by the Internal Auditor in the Reporting Year: see section 5.2 to the Directors' Report (Place an X in the appropriate box).	√	
35.	The scope of the Internal Auditor's work in the Corporation in the Reporting Year (in hours[35]): 2,050.	_____	_____
	In the Reporting Year, a discussion was held (at the Audit Committee or at the Board of Directors) with regards to the Internal Auditor's findings.	√	
36.	The Internal Auditor is not an Interested Party in the Corporation, his Relative, an Independent Auditor or anyone acting on its behalf and also does not maintain material business relations with the Corporation, its Controlling Shareholder, his Relative or corporations under their Control.	√	

[35] Includes work hours invested in investee corporations and in overseas auditing, as the case may be.

TRANSACTIONS WITH INTERESTED PARTIES

		Correct	Incorrect
37.	The Controlling Shareholder or his Relative (including a company under his Control) is not employed by the Corporation nor does he provide it with management services. If you answer “Incorrect” (i.e., the Controlling Shareholder or his Relative is employed by the Corporation or provides it with management services), state – - The number of Relatives (including the Controlling Shareholder) employed by the Corporation (including companies under their Control and/or by means of management companies): 2 - Have the employment and/or management services agreements with the aforesaid been approved by the organs prescribed by law: × Yes ☐ No (Place an X in the appropriate box.) ☐ Not applicable (the Corporation does not have a Controlling Shareholder).		√
38.	To the best of the Corporation’s knowledge, the Controlling Shareholder does not have other businesses in the Corporation’s field of activity (in one or more fields) [36]. If you answer “Incorrect” – state whether an arrangement has been prescribed to delineate Transactions between the Corporation and its Controlling Shareholder: ☐ Yes ☐ No (Place an X in the appropriate box.) ☐ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	

Chairman of the Board: Ehud Arnon **Chairman of the Audit Committee and the Financial Statements Review Committee:** **Roni Bar-On**

36 For details regarding non compete agreement between the Company and its controlling shareholder, Norstar Holdings Inc., see Section 22.1 of the Description of the Company's Business. In addition, Mr. Katzman, the Company's controlling shareholder, has personal holdings in residence buildings in a non material manner, which are not in the Company's locations of business.

CHAPTER E

GAZIT-GLOBE LTD.

Presentation of Financial Information from
Consolidated Financial Statements attributed to the Company

As of December 31, 2019

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Building a better
working world

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To
The Shareholders of Gazit Globe LTD.
10 Nisim Aloni St, Tel-Aviv

Dear Sirs/Mmes.,

Re: <u>Special auditors' report of the separate financial information in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970</u>

We have audited the separate financial information presented pursuant to regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, of Gazit Globe Ltd. ("the Company") as of December 31, 2019 and 2018 and for each of the three years, the last of which ended December 31, 2019, which was included in the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We have not audited financial information from financial statements of an investee, for which the assets net of liabilities attributed thereto, net amounted to NIS 4,112 million and NIS 4,625 million as of December 31, 2019 and 2018, respectively, and for which the Company's share of its earnings amounted to NIS 204 million, NIS 154 million and NIS 217 million for the years ended December 31, 2019, 2018 and 2017 respectively. The financial statements of this company were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this company, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the separate financial information referred to above is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
April 7, 2020

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

GAZIT-GLOBE LTD.

Financial Information and Financial Data from Consolidated Financial Statements Attributed to the Company

Below is financial data and separate financial information from the Group's consolidated financial statements as of December 31, 2019, published as part of the periodic reports ("consolidated financial statements") attributed to the Company itself, presented in accordance with Regulation 9c of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

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

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

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2019	December 31, 2018
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	a	71	738
Sort-term investments	b	-	207
Short-term loans and current maturities of long-term loans to subsidiaries	e	42	261
Financial Assets	b	14	-
Financial derivatives	b,c	64	188
Other accounts receivable	b	10	7
Total current assets		201	1,401
NON-CURRENT ASSETS			
Financial derivatives	b,c	240	4
Other accounts receivable	b	23	12
Loans to subsidiaries	e	5,275	5,151
Investments in subsidiaries		15,855	18,744
Fixed and other assets, net		20	4
Total non-current assets		21,413	23,915
Total assets		21,614	25,316

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

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2019	December 31, 2018
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	c	250	250
Current maturities of non-current liabilities	c	500	1,273
Short-term loans from subsidiaries	e	1,374	1,026
Financial derivatives	c	51	223
Trade payables	c	3	2
Other accounts payable	c	54	131
Current tax payable		89	56
Dividend payable		75	73
Total current liabilities		2,396	3,034
NON-CURRENT LIABILITIES			
Loans from banks and others	c	1,936	2,192
Long-term loans from subsidiaries	e	2,678	1,950
Debentures	c	6,316	8,837
Other liabilities	c	61	-
Deferred taxes	d	36	2
Total non-current liabilities		11,027	12,981
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	f		
Share capital		237	244
Share premium		4,656	4,860
Reserves		(2,442)	(1,190)
Retained earnings		5,740	5,387
Total equity		8,191	9,301
Total liabilities and equity		21,614	25,316

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

April 7, 2020			
Date of approval of the financial statements	Ehud Arnon Chairman of the board	Chaim Katzman CEO and Vice Chairman of the board	Adi Jemini Executive Vice President and CFO

Details of Financial Information out of Consolidated Statements of Income Attributed to the Company

	Additional information	Year ended December 31 2019	2018	2017
		NIS in millions		
Management fees from related companies	e	3	3	3
Finance income from subsidiaries	e	47	112	131
Other finance income		815	2	134
Other income		8	-	-
Total income		873	117	268
General and administrative expenses		44	52	61
Finance expenses		605	1,072	590
Other expenses		68	22	2,045
Total expenses		717	1,146	2,696
Income (Loss) before income from subsidiaries, net		156	(1,029)	(2,428)
Income from subsidiaries, net		607	780	2,917
Income before taxes on income (tax benefit)		763	(249)	489
Taxes on income (tax benefit)	d	108	4	(4)
Net income (loss) attributed to the Company		655	(253)	493

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

Details of Financial Information out of Consolidated Statements of Comprehensive Income Attributed to the Company

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Net income (loss) attributed to the Company	655	(253)	493
Other comprehensive income (loss) attributed to the Company (net of tax effect):			
Items that are or will be reclassified to profit or loss:			
Exchange differences on foreign currency translation	56	(162)	88
Gain on available for sale securities	-	-	50
Realization of capital reserves of company previously accounted for using the equity method	68	-	2,040
Other comprehensive income (loss) attributed to the Company	124	(162)	2,178
Other comprehensive income (loss) attributed to subsidiaries (net of tax effect)	(1,432)	77	(576)
Total other comprehensive income (loss) attributed to the Company	(1,308)	(85)	1,602
Total comprehensive income (loss) attributed to the Company	(653)	(338)	2,095

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

Details of Financial Information out of Consolidated Statements of Cash Flows Attributed to the Company

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Cash flows from operating activities of the Company:			
Net income (loss) attributed to the Company	655	(253)	493
Adjustments required to present net cash provided by operating activities of the Company:			
Adjustments to profit and loss items of the Company:			
Depreciation and amortization	1	1	1
Finance expenses (income), net	(257)	958	325
Income from subsidiaries, net	(607)	(780)	(2,917)
Realization of capital reserves of company previously accounted for using the equity method	68	-	2,040
Cost of share-based payment	4	8	11
Taxes on income (Tax benefit)	108	4	(4)
	(683)	191	(544)
Changes in assets and liabilities items:			
Increase in other accounts receivable	(10)	(11)	(4)
Increase (decrease) in trade payables and other accounts payable	(17)	18	13
	(27)	7	9
Cash paid and received during the year for:			
Interest paid	(476)	(566)	(694)
Interest received	88	67	115
Taxes paid	(5)	-	(11)
Taxes received from subsidiaries	9	-	2
Dividend received from subsidiaries	223	232	206
	(161)	(267)	(382)
Net cash used in operating activities of the Company	(216)	(322)	(424)

The accompanying information is an integral part of the financial data and the separate financial

Details of Financial Information out of Consolidated Statements of Cash Flows Attributed to the Company

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Cash flows from investment activities of the Company:			
Investment in fixed and other assets	(37)	(2)	(4)
Short-term investments, net	(53)	(207)	-
Return on Investments (Investments) in subsidiaries	21	(948)	(129)
Redemption of preferred shares of subsidiary	-	-	612
Loans repaid by subsidiaries, net	2,852	2,511	953
Proceeds from sale (investment) of marketable securities, net	(8)	613	55
Net cash provided by (used in) investment activities of the Company	2,775	1,967	1,487
Cash flows from financing activities of the Company:			
Exercise of stock options into shares	- *)	- *)	- *)
Repayment of loans for purchase of Company shares	-	-	- *)
Receipt of short term credit from banks and others	-	249	-
Purchase of treasury shares	(158)	(113)	(73)
Dividend paid to equity holders of the Company	(298)	(287)	(204)
Issue of debentures less issue expenses	-	1,811	-
Repayment and early redemption of debentures	(3,095)	(2,360)	(1,140)
Receipt (repayment) of long-term credit facilities from banks, net	353	(266)	(43)
Repayment of long-term loans	(21)	(34)	(13)
Net cash provided (used in) by financing activities of the Company	(3,219)	(1,000)	(1,473)
Exchange differences on balances of cash and cash equivalents	(7)	(1)	(6)
Increase (decrease) in cash and cash equivalents	(667)	644	(416)
Cash and cash equivalents at the beginning of year	738	94	510
Cash and cash equivalents at the end of year	71	738	94
Significant non-cash activities of the Company:			
Dividend payable to equity holders of the Company	75	73	68
Receipt of financial asset against loans from subsidiaries	-	374	-
Dividend received from a subsidiary against repayment of loans From a subsidiary	1,719	-	-

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

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

a. Cash and cash equivalents attributed to the Company

As of the reporting date, the balance of cash and cash equivalents primarily consists of foreign currency.

b. Disclosure regarding financial assets attributed to the Company in accordance with IFRS 7

	December 31	
	2019	2018
	NIS in millions	
Financial assets at fair value through profit or loss:		
Derivatives	304	171
Marketable securities	14	-
Financial liabilities at fair value through profit or loss:		
Derivatives	(38)	(223)
Financial assets (liabilities) at fair value through other comprehensive income:		
Derivatives	(13)	21
Short-term investments	-	207
Loans and receivables	33	19
Loans and receivables - subsidiaries	5,317	5,412
Loans from subsidiaries	(4,052)	(2,976)
	1,565	2,631

c. Disclosure regarding financial liabilities attributed to the Company

1. Other accounts payable attributed to the Company

	December 31	
	2019	2018
	NIS in millions	
Accrued expenses	7	7
Interest payable	46	119
Employees	1	1
Government authorities	-	2
Other payable	-	2
	54	131

2. Composition of short term credit from banks and others

As of December 31 2019, Short term credit from banks and others is comprised of NIS 250 million par value of commercial securities that were issued in August 2018.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

3. Non-current liabilities attributed to the Company

Composition

	December 31	
	2019	2018
	NIS in millions	
Loans from banks and others (1)	1,936	2,192
Debentures (2)(3)	6,316	8,837
	8,252	11,029

1) Composition of loans from banks and others

	Interest rate	December 31	
		2019	2018
	%	NIS in millions	
In NIS non linked *)	2.34%	243	-
In USD *)	3.90%	432	1,321
In USD	5.82%	546	616
In CAD *)	4.40%	109	165
In EUR *)	2.75%	640	560
		1,970	2,662
Less - deferred expenses		(13)	(18)
		1,957	2,644
Less - current maturities		(21)	(452)
		1,936	2,192

*) Variable interest.

To secure credit obtained from banks the Company and its wholly-owned subsidiaries have pledged shares of subsidiaries. Furthermore, sometimes the Company /the Company's wholly-owned subsidiaries have provided cross guarantees to secure the credit obtained from banks; also refer to Note 24b1 to the consolidated financial statements.

2) Composition of debentures

For details in respect of the composition of Debentures, refer to Note 19 to the consolidated financial statements.

During 2019, the Company repurchased debentures with a par value of NIS 1,820 million (Series D and K) through market trades for a consideration of NIS 2,279 million, out of which NIS 673 million par value (Series D) for a consideration of NIS 868 million were purchased on September 10, 2019, and out of which NIS 977 million par value (Series K) for a consideration of NIS 1,200 million were purchased on December 3, 2019 through tender offers published by the company. As a result, the Company recorded loss from early redemption of approximately NIS 205 million. The repurchased debentures were cancelled and delisted.
For further information regarding acquisitions made after the reporting date, see Section h3 below.
For further information regarding the terms and conditions of the debentures, rating, financial covenants, and the issuances of the debentures during the reporting period, refer to Note 19 to the consolidated financial statements.

c. **Disclosure regarding financial liabilities attributed to the Company (Cont.)**

3) Maturities

	Loans from banks	Debentures
	NIS in millions	
Year 1 - current maturities	21	479
Year 2	819	430
Year 3	158	558
Year 4	648	769
Year 5	35	829
Year 6 there after	276	3,730
	1,936	6,316
	1,957	6,795

4. Financial instruments attributed to the Company

a) Classification of financial liabilities attributed to the Company

All financial liabilities, other than financial derivatives, are measured at amortized cost. Financial derivatives are measured at fair value through profit or loss or other comprehensive income, see sections c and d below.

b) Financial risk factors attributed to the Company

The Company's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk and price risk), credit risk and liquidity risk. The Company’s comprehensive risk management plan is focused on steps intended to minimize potential negative impacts on its financial results. The Company uses financial derivatives in order to hedge certain risk exposures.

Following is additional information about financial risks and their management:

1) Foreign currency risk

The Company operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Company's policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, CAD, NIS and BRL) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in view of a change in the Company's asset mix and an increase in exposure to the EUR, during the reporting period, the Company's board of Directors decided to make additional hedges to reduce the exposure of the EUR in such a way that the exposed equity ratio to the euro will be up to 50% of the assets exposed to the euro. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations. For further information, see section e below.

c. **Disclosure regarding financial liabilities attributed to the Company (Cont.)**

2) CPI risk

The Company has issued debentures linked to changes in the Consumer Price Index in Israel. For more details regarding the financial instruments that are linked to the CPI in which the Company has exposure to changes in CPI, refer to section f below.

3) Interest risks

Liabilities bearing variable interest rates expose the Company to interest rate risk in respect of cash flow and liabilities bearing fixed interest rates expose the Company to interest rate risk in respect of fair value. As part of the risk management strategy, the Company maintains a proper mix between exposure to fixed interest rate and exposure to variable interest rate. From time to time and according to market conditions, the Company enters into interest rate swaps in which it exchanges variable interest with fixed interest and vice-versa, to hedge its liabilities against changes in interest rates (see section e below). As of the reporting sheet date, 75.0% of the Company's liabilities (81.6% excluding interest rate swap transactions) bear fixed interest rates (74.0% as of December 31, 2018, and 80.6% excluding interest rate swap transactions). For additional details regarding interest rates and maturities, see section c(3) above.

4) Price risk

The Company has investments in marketable financial instruments traded on stock exchanges, classified as financial assets at fair value through profit or loss, and financial derivatives which expose the Company to risk resulting from fluctuations in the fair value of securities based on market prices.

5) Credit risk

The Company is not exposed to significant concentrations of credit risk. Cash and deposits are deposited with major financial institutions. Company management estimates that the risk that these parties will fail to meet their obligations is remote, since they are financially sound.

6) Liquidity risk

The Company's policy is to maintain a certain balance between obtaining long-term financing inter alia, bank loans and debentures and the use of revolving lines of credit from Israeli and international banks for period of 2 to 4 years in which the company can utilize credit for different periods.

As of December 31, 2019 ("the Reporting Date"), the Company has a working capital deficiency of NIS 2.2 billion, NIS 0.9 billion without considering debt from wholly owned subsidiaries. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 2.1 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.

In connection with cross-currency swap transactions of liabilities (see section e below), with respect to part of the swaps, the Company entered into credit support annex agreements (“CSA”) of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

Following is the contractual maturity schedule of the financial liabilities of the Company (including interest) at undiscounted amounts:

As of December 31, 2019

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	251	-	-	-	251
Trade payables	3	-	-	-	3
Other accounts payable	143	-	-	-	143
Debentures	741	1,441	1,913	3,917	8,012
Loans from banks	98	1,099	727	321	2,245
	1,236	2,540	2,640	4,238	10,654

As of December 31, 2018

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others	250	-	-	-	250
Trade payables	2	-	-	-	2
Other accounts payable	187	-	-	-	187
Debentures	1,229	2,595	2,556	4,938	11,318
Loans from banks	565	1,630	505	406	3,106
	2,233	4,225	3,061	5,344	14,863

c) Fair value attributed to the Company

Below is the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	December 31, 2019		December 31, 2018	
	amount	Fair value	amount	Fair value
	NIS in millions			
Financial liabilities				
Debentures (1)	6,795	7,605	9,658	9,783
Loans from banks and others (2)	1,957	2,008	2,644	2,629
Total financial liabilities	8,752	9,613	12,302	12,412

(1) The fair value is based on quoted prices on an active market as of the reporting date, according to level 1 in the fair value hierarchy.

(2) The fair value for fixed interest loans is based on valuation techniques, according to level 2 in the fair value hierarchy. The fair value of variable interest loans approximates their nominal value. For additional information, refer to Notes 2k and 34b to the consolidated financial statements.

The carrying amount of cash and cash equivalents, other accounts receivable, long-term loans and deposits, credit and loans from banks, trade payables and other accounts payable approximate their fair value.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

d) Classification of financial instruments attributed to the Company by fair value ranking

Financial instruments presented at fair value on the balance sheet are classified, by groups having similar attributes, on the following fair value ranking, determined in accordance with the source of data used in determination of fair value:

Level 1: Prices quoted (un-adjusted) on active markets of similar assets and liabilities.
Level 2: Data other than quoted prices included in Level 1, which may be directly or indirectly observed.
Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

During 2019, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

e) Derivatives and hedges

1) The following tables present information about cross-currency swaps, interest rate swaps and forward contracts:

Transaction type	Denomination	Outstanding notional amount - NIS in millions		Linkage basis/ Interest receivable *)	Linkage basis / Interest payable *)	Remaining average effective duration	Fair value - NIS in millions	
		31.12.19	31.12.18				31.12.19	31.12.18
Cross currency								
	EUR-NIS	4,068	3,952	CPI linked, 2.78%-5.78%	Fixed, 3.07%-6.26%	4.9	803	181
		74	86	Nominal, 0.71%-1.30%	Fixed, 0.71%-1.24%	0.8	8	8
		371	531	Nominal, 2.63%-2.64%	Variable, L	0.8	84	77
	USD-NIS	649	394	CPI linked, 2.78%-3.56%	Fixed, 5.38%-5.84%	4.8	68	(** -
		219	243	Nominal, 2.67%	Variable, L	0.8	(3)	(13)
	CAD-NIS	311	311	CPI linked, 3.45%	Fixed, 5.43%	3.0	100	84
		1,114	1,114	Nominal, 1.80%-4.00%	Fixed, 2.85%-4.95%	5.0	220	109
Linkage bases swaps	EUR	5,429	6,008	CPI linked,4.40%	CPI linked, 2.82%-2.98%	5.8	(57)	(19)
Cross currency options	BRL-USD	354	2,264			0.1	1	35
Israeli government bonds derivatives	NIS	200	879			6.4	(18)	(202)
Forward contracts	Different currencies	3,341	1,407			Short term	(41)	21
							1,165	281
Net proceeds from SWAP CSA transactions							(912)	(312)
							253	(31)

*) "L" represents Interbank base-rate related to the currency of the transaction.
**) Represent an amount of less than NIS 1 million.

c. **Disclosure regarding financial liabilities attributed to the Company (Cont.)**

2) The Company has loans denominated in foreign currency and forward currency contracts, which were designated by the company as hedge instrument for spot and forward hedges. In addition, the Company has cross currency swap transactions as well as cross currency options designed to hedge its exposure to exchange rates fluctuations. Swap transactions terms have been aligned with the respective periods of the Company's foreign currency cash flows exposures. Although the swap transactions are defined as economic hedges these transactions were not designated as accounting hedges. From time to time, as part of its risk management strategy, the company considers entering into hedging transactions to reduce exposure to fluctuations in the exchange rates of foreign currencies.

f) Sensitivity analysis of market risks

	Sensitivity analysis of financial balances to absolute changes in interest rates			
Impact on pre-tax gain (loss) for the year of a 1% increase in interest rate *)	**USD interest**	**CAD interest**	**EUR interest**	**NIS interest**
	NIS in millions			
31.12.2019	(6)	(1)	(10)	(2)
31.12.2018	(16)	(6)	(7)	-

*) Decrease in interest rates would affect profit or loss by the same amounts, but in the opposite direction.

	Sensitivity analysis of financial balances to absolute changes in Consumer Price Index			
Effect on pre-tax income (loss)	**+ 2%**	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2019	(151)	(76)	76	151
31.12.2018	(195)	(98)	98	195

c. **Disclosure regarding financial liabilities attributed to the Company (Cont.)**

Effect on pre-tax income (loss)	Sensitivity analysis of derivatives – absolute changes in Consumer Price Index			
	+ 2%	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2019	(23)	(12)	12	23
31.12.2018	(48)	(24)	24	47

Effect on pre-tax income (loss)	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
	+ 10%	**+ 5%**	**- 5%**	**- 10%**
	NIS in millions			
31.12.2019				
Change in exchange rate of EUR	(449)	(224)	224	449
Change in exchange rate of USD	37	14	(7)	(14)
Change in exchange rate of CAD	(138)	(69)	69	138
Change in exchange rate of BRL	(90)	(46)	53	114
31.12.2018				
Change in exchange rate of EUR	(523)	(261)	261	522
Change in exchange rate of USD	37	11	(7)	(17)
Change in exchange rate of CAD	(144)	(72)	72	144
Change in exchange rate of BRL	(80)	(38)	43	103

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
	+ 10%	**+ 5%**	**- 5%**	**- 10%**
	NIS in millions			
31.12.2019				
Change in exchange rate of EUR	(179)	(90)	90	179
Change in exchange rate of USD	(45)	(22)	22	45
Change in exchange rate of CAD	(25)	(13)	13	25
31.12.2018				
Change in exchange rate of EUR	(9)	(5)	5	9
Change in exchange rate of USD	(13)	(7)	7	13
Change in exchange rate of CAD	(114)	(57)	57	114

Effect on pre-tax income (loss)	Sensitivity analysis of financial derivatives – absolute changes in interest rates			
	+ 2%	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2019				
Change in interest on EUR	438	227	(244)	(507)
Change in interest on USD	64	33	(35)	(73)
Change in interest on CAD	117	60	(64)	(133)
Change in interest on NIS - nominal	(108)	(55)	59	122
Change in interest on NIS - real	(550)	(282)	295	605
31.12.2018				
Change in interest on EUR	523	272	(295)	(616)
Change in interest on USD	44	22	(24)	(50)
Change in interest on CAD	141	73	(80)	(164)
Change in interest on NIS - nominal	(159)	(82)	88	182
Change in interest on NIS - real	(612)	(315)	336	696

Key assumptions for sensitivity analysis of financial instruments

Refer to Note 34e to the consolidated financial statements.

d. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company

Taxes on income attributed to the Company

1. For information regarding tax laws applicable to the Company, refer to Note 23a to the consolidated financial statements.

2. Tax assessments attributed to the Company

   The Company has received assessments deemed final through 2014.

3. Tax Ruling to restructure the Gazit Canada and USA group

   On March 31, 2015, the Israel Taxes Authority gave its approval for a restructuring of the Gazit entities in Canada and certain Gazit entities in the United States, as follows: in the first stage, Hollywood Properties Ltd. ("Hollywood") made a tax-free transfer of 92.5% of the shares of Gazit Canada Inc. ("Gazit Canada") to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance (New Version), 1961 ("Income Tax Ordinance").

   In the second stage, Golden Oak Inc. ("Golden") made a tax-exempt transfer of 33.33% of the shares of MGN (USA) Inc. ("MGN") to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance.

   In the third stage, the Company transferred all of its interests in the shares of Gazit 2003 Inc. ("Gazit 2003") to Gazit Canada in return for an issuance of shares, pursuant to the provisions of Section 104A of the Income Tax Ordinance.

   In the fourth stage, Gazit Canada and Gazit 2003 were amalgamated; within the framework of the amalgamation, Gazit 2003 transferred all its assets and liabilities to Gazit Canada.

   As part of the tax ruling, terms and restrictions were prescribed in relation to a future sale of transferred shares and the manner for offsetting losses with respect to the sale of the transferred shares. Pursuant thereto, it was prescribed that the date of the restructuring would be the actual share transfer date. Criteria were also set with regard to the original price of the transferred shares following the transfer and also with regard to the profits available for distribution at each of the companies. Likewise, the tax decision is contingent on full compliance with the rest of the terms set forth in the tax decision, and is also subject to the conditions of Part Two of the Income Tax Ordinance.

4. Tax Ruling concerning the merger of Israeli subsidiaries

   On January 7, 2018, the Israeli Taxes Authority approved the merger ("the Tax Ruling"), under the provisions of Section 103C of the Income Tax Ordinance (New Version), 1961 ("the Ordinance"), between G. Israel Commercial Centers Ltd. ("the Absorbing Company") and the three companies, Gazit Globe Israel (Development) Ltd., G. West Ltd. and G. Kfar Saba Ltd. ("the Transferring Companies"), pursuant to which the Transferring Companies will transfer all of their assets and liabilities, including all employees and related obligations, to the Absorbing Company, resulting in their winding-up without liquidation, and in consideration for the allotment to the Company of shares in the Absorbing Company (the "Merger" or the "Restructuring"). The Merger was scheduled for December 31, 2016.

   The Tax Ruling determines conditions and restrictions concerning the future sale of shares of the Absorbing Company and of the assets that are transferred as part of the Merger, as well as restrictions on the offsetting of losses accumulated prior to the Merger date and in relation to losses that were grossed-up in the transferring assets and the Transferring Companies.

   Additionally, the tax ruling is conditional upon the full compliance with all other terms that are set out in the Tax Ruling and subject to the provisions of Part E-2 of the Ordinance.

5. Carry-forward losses for tax purposes attributed to the Company

   The Company has carry-forward losses for tax purposes. With respect to the tax benefit associated with these losses, the Company has recognized deferred tax assets that their balance as of the reporting date was NIS 113 million (2018 – NIS 86 million), which have been offset against the deferred tax liability of the Company.

d. **Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company (Cont.)**

6. Deferred taxes attributed to the Company

Composition

	December 31	
	2019	2018
	NIS in millions	
Revaluation of financial investments to fair value	(139)	(86)
Carry-forward losses	113	86
Investment in subsidiary	(10)	(2)
	(36)	(2)

The deferred taxes have been computed in accordance with the tax rate of 23%, which is the tax rate that is expected at the time of exercise and with respect of consolidated entities at the tax rate that is applicable with respect to the timing difference, as applicable.

7. Taxes on income attributed to the Company included in profit or loss

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Current taxes	83	7	(9)
Deferred taxes	34	(3)	4
Prior years taxes	(9)	-	1
	108	4	(4)

8. In 2019 and 2017, NIS 45 million and NIS 30 million current income tax expenses were recorded directly to equity in currency translation reserve, respectively.

e. Loans, balances and material engagements with subsidiaries

1. Balances with subsidiaries

a) Composition

	December 31	
	2019	2018
	NIS in millions	
Current assets		
Current maturities of long-term loans *)	42	261
Non-current assets		
Investments in subsidiaries	15,855	18,744
Long-term loans and debt *)	5,275	5,151
Current liabilities		
Current maturities of long-term loans *)	1,374	1,026
Non-current liabilities		
Long-term loans *)	2,678	1,950

*) see section 4 below.

b) The Company provided unlimited guarantees to secure credit obtained by wholly-owned subsidiaries of the Company, whose total facility principal as of the reporting date amounts to NIS 2,056 million. For more information, refer to Note 24b(2) to the consolidated financial statements.

As of the reporting date, total debt of the wholly-owned subsidiaries of the Company guaranteed by the Company amounts to NIS 995 million.

2. Transactions with related companies

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Management fees income 3(a), 3(b) and 3(C)	3	3	3
Finance income	47	112	131

3. Engagements

a) The Company has entered into agreements with foreign subsidiaries, whereby the Company would provide them with in exchange for a fixed fee. The fees charged by the Company to these subsidiaries in 2019 and 2018 amounted to NIS 1 million.

b) The Company entered into an agreement to provide services to G. Israel in return for a monthly management fee amounting to NIS 60 thousand, effective from September 1, 2015.

c) For information regarding management fees from Norstar Israel, refer to Note 35e to the consolidated financial statement.

e. Loans, balances and material engagements with subsidiaries (Cont.)

4. Loans to Subsidiaries

	Linkage basis	Interest rate	December 31 2019	December 31 2018
		%	NIS in millions	
Wholly-owned subsidiaries in USA	USD	L+ 1.5-2.55	1,130	460
Wholly-owned subsidiaries in Germany	EUR	E + 2-2.55	123	194
Wholly-owned subsidiary in the Netherlands	EUR	E +2.55	-	106
	EUR	None	889	984
Wholly-owned subsidiaries in the Jersey island	EUR	E +2.55- 2.8	766	1,060
G Israel	NIS	3.5-4.6	1,268	697
	Linked NIS	4-4.5	888	1,679
Wholly-owned subsidiaries in Israel	NIS	2.61	253	232
			5,317	5,412

Loans from subsidiaries

	Linkage basis	Interest rate	2019	2018
Wholly-owned subsidiaries in USA	USD	L + 1.25-2.55	2,505	2,750
Wholly-owned subsidiaries in Canada	CAD	C + 2	1,469	198
Wholly-owned subsidiary in the Netherlands	USD	L+2	27	28
	EUR	E+2	51	-
			4,052	2,976

5. Maturities

Loans to Subsidiaries (wholly owned)

	NIS in millions
Year 1	42
Year 2	110
Year 3	861
Year 4	2,347
Year 5	-
Year 6 and thereafter	1,685
Renewable annually *)	253
Undetermined **)	19
	5,317

*) Loans to subsidiaries renew for an additional 1-year term, unless either party announces that the loan would not be renewed, pursuant to provisions of the agreement.

**) The Company and its wholly owned subsidiary are examining the repayment dates, including loans that mature in 2020, which were classified as non-current due to the intentions of the parties to extend the loans contractual term.

e. **Loans, balances and material engagements with subsidiaries (Cont.)**

Loans from Subsidiaries (wholly owned)

	NIS in millions
Year 1 *)	2,579
Year 2	-
Year 3	264
Year 4	1,209
Year 5 and thereafter	-
	4,052

*) Loans due in 2020, the Company intends to extend the loans contractual term.

6. Dividends received from subsidiaries

	Year ended December 31		
	2019	2018	2017
	NIS in millions		
Citycon OYJ	222	232	206
Canada	1,809	51	-
	2,031	283	206

f. **Equity attributed to the Company's shareholders**

1. For information regarding a grant of equity instruments to Company employees and officers subsequent to the reporting date, refer to Note 26 to the consolidated financial statements.

2. For an update on dividend distribution policy of the Company, refer to Note 25f to the consolidated financial statements.

g. **Additional Information**

1. For details concerning of the terms of employment of Mr. Chaim Katzman, the Company’s Vice Chairman, Controlling shareholder and CEO, refer to Note 35c1 of the consolidated financial statements, respectively.

2. On July 25, 2019 the rating company S&P Maalot ratified the credit rating of each of the Company’s series of debentures that are unsecured as ilAA- with a stable outlook. In addition, S&P Maalot rating company ratified the short term issuer rating and the Company's commercial papers rating at a rating level of ilA-1+.

3. On December 29, 2019, Midroog rating company ratified the credit rating of each of the Company’s series of debentures as Aa3.il with a stable outlook. In addition, Midroog rating company ratified the short term issuer rating at a rating level of P-1.il.

g. Additional Information (Cont.)

4. On February 13, 2019, the Company resolved to delist its shares from the New York Stock Exchange and terminate its obligation to report under the Securities Exchange Act of 1934. The required documentation for the delisting was filed with the SEC. The delisting and termination of reporting is effective from March 7, 2019. The deregistration of the Company's shares is effective from June 2019.

5. On April 16, 2019, the Company and its wholly-owned subsidiary completed the sale of FCR 58 million shares (80 million shares owned by the Company), for a total consideration of CAD 1,195 million (NIS 3.2 billion), for further details, refer to Note 8e to the Consolidated Financial Statements.

6. In December 2018, the Company's Board of Directors adopted a resolution according to which the Company would merge with G Israel Commercial Centers Ltd., a wholly-owned subsidiary. Execution of the merger conditional on carrying out the required actions under the Companies Law and the merger will be effective retrospectively, commencing December 31, 2018.

   The Company is unable to estimate the date on which all approvals required for the merger will be received. If none of the suspending conditions is fulfilled by December 31, 2020 (and this date has not been extended by the parties), each party may cancel the merger.

h. Events subsequent to the reporting date

1. On March 24, 2020, the Company declared a dividend of NIS 0.43 per share (aggregating NIS 78.3 million), payable on April 13, 2020 to the equity holders of the Company as of April 2, 2019.

2. On January 2020, the Company issued, by way of a shelf offer, NIS 600 million par value of unsecured debentures (Series N), refer to Note 37b in the consolidated financial statements.

3. Subsequent to the reporting date the Company issued to the public NIS 243 million par value unsecured debentures (series K), by a way of an expansion of a listed series for net consideration of NIS 264 million, representing yield to maturity of 3.6% (linked).

4. After the reporting period, the Company repurchased debentures with a par value of NIS 125 million (Series D, K, L and N) for a consideration of NIS 151, As a result of the repurchases, the Company recorded loss from early redemption of approximately NIS 13 million. The repurchased debentures were cancelled and delisted.

5. In March 2020, after receiving the approval of the Company's Board of Directors and its Compensation Committee, the general meeting of the Company's shareholders approved a compensation policy for the Company's officers, which superseded a previous compensation policy from November 2019. For further information, refer to Note 37d in the consolidated financial statements.

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

7. After the reporting date, The Company repurchased approximately 3.9 million shares for consideration of NIS 95 million.

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CHAPTER F

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

In Accordance with Regulation 9B of the Israeli Securities Regulations

Attached herewith is the Annual Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 9B of the Israeli Securities Regulations, 1970:

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

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

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

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

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

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

Management, under the supervision of the Board of Directors, performed an examination and evaluation of the internal control over the Corporation's financial reporting and of disclosure and its effectiveness.

The evaluation of the effectiveness of the internal control over the financial reporting and the disclosure, which management performed, under the supervision of the Board of Directors, included: assessing the financial reporting and disclosure risks at the consolidated Corporation level, assessing the processes and determining which of these are the most material for financial reporting and disclosure, assessing the relevant business units for the purpose of evaluating the effectiveness of internal control, documenting the Corporation's existing controls, evaluating the effectiveness of control planning and analyzing the existing control gaps, remedying control planning deficiencies and testing compensatory controls, evaluating the effectiveness of the operation of the controls and evaluating the overall effectiveness of internal control.

The internal control components are: entity level controls (ELC), controls over the process of preparing the financial statements and their closing, and IT general controls (ITGC). The processes identified by management as highly material processes with respect to financial reporting and disclosure are as follows: the appraisal of investment property process, the rental income process and the treasury process.

Based on the effectiveness evaluation performed by management under the supervision of the Board of Directors as described above, the Corporation's management and Board of Directors reached the conclusion that internal control over the Corporation's financial reporting and disclosure, as of December 31, 2019, is effective.

Officers' Declarations

B. Declaration of the CEO in accordance with Regulation 9B(d)(l):

Officers' Declaration

Declaration of the CEO

I, Chaim Katzman, declare that:

(1) I have examined the periodic report of Gazit-Globe Ltd. (the "Corporation") for 2019 (the "Statements");

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

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

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

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

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

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

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

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

  (C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, and I have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as stated as of the date of the Statements.

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

April 7, 2020

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

C. Declaration of the most senior officer in the finance area in accordance with Regulation 9B(d)(2):

Officers' Declaration

Declaration of the most senior officer in the finance area

I, Adi Jemini, declare that:

(1) I have examined the financial statements and other financial information included in the statements of Gazit-Globe Ltd. (the "Corporation") for 2019 (the "Statements");

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

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

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

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

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

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

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

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

(C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, to the extent it relates to the financial statements and to the other financial information included in the Statements as of the date of the Statements; my conclusions regarding my evaluation as stated were presented to the Board of Directors and management and are included in this report.

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

April 7, 2020

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Adi Jemini, Executive Vice President and CFO