THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FIRST QUARTER OF 2021 (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

QUARTERLY REPORT as of March 31, 2021:

GAZIT-GLOBE LTD.

Directors' Report to the Shareholders
For the period ended March 31, 2021

The Board of Directors of Gazit-Globe Ltd. (the "Company") is pleased to present the Directors' Report of the Company for the period ended March 31, 2021 (the "Reporting Date). The scope of this report is limited and is prepared under the assumption that the Company also has the periodic report of the Company for the year ended December 31, 2020 which was published on March 22, 2021 (reference number: 2021-01-040485) (the "Periodic Report").
It is clarified that the description in this report includes only information which, in the Company's opinion, is material information. However, in some cases, for the sake of completeness, additional information is included which is not necessarily material information.

1. The Company and its Operations

1.1. Overview

The Company, directly and through its public and private investees[1] (collectively: the "**Group**"), engages 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 Group's strategy is focusing on properties which have a potential to for value appreciation and cash flows growth by proactive management, improvement, addition of uses, development and redevelopment, while simultaneously, 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, whether by selling an individual property and/or group of properties, and/or via selling part of its holdings in the companies that own properties in these areas.

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, as part of its strategy, the Company operates to increase the share of private property activity (operations that are not owned through public companies):

- The Company and its 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 the Company[2], through the Company's subsidiaries in Brazil ("**Gazit Brasil**"), through Gazit Horizons Inc. ("**Gazit Horizons**") in the U.S.A and a subsidiary operating in Canada ("**Gazit Canada**"), including through partnership "Gazit Tripllle".
- Public entities under the Company's control with a similar strategy that are consolidated in its financial statements, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. ("**CTY**") and through Atrium European Real Estate Limited. ("**ATR**").

In addition, the company operates to raise SPAC in the United States in the amount of USD 250 million for investment in Proptech, Fintech and Retail Tech companies that are engaged in the real estate field, and the company also operates to expand its activities in the field of renewable energy and to that end is conducting advanced negotiations with a leading local energy sector to establish a partnership that will initiate solar energy projects in Israel, and later in the company's operating countries.

For further details, refer to sections 25.3 and 25.4 to Description of the Company's business in the periodic report.

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

2 On July 2020, the Israeli taxes authority approved the merger of G Israel Commercial Centers Ltd. ("G Israel") into the Company (as the surviving company) (the "Tax Ruling"). Therefore, all the conditions for the merger, according to the Company's Board of Directors approval in December 2018, were met. The merger was completed on April 2021.

During the effects of the Covid-19crisis the Company is working on strengthening its capital structure, while maintaining the high credit rating, by taking the following actions, among other things:

1. Realization of properties held by the private subsidiaries that are non-core properties or that the Company has concluded their improvement, amounting up to NIS 1 billion until the end of 2021. As part of this, as of the reporting date, the Company and its private subsidiaries sold properties totaled NIS 650 million.
2. Updating the quarterly dividend policy per share from NIS 0.43 per share to NIS 0.30 per share, for five consecutive quarterly dividend distributions. The update of the dividend policy, as mentioned, is expected to result in savings on dividend payments of NIS 100 million by the end of 2021.
3. The completion of the merger of G Israel's operations into and within the Company in April this year. The completion of the operational merger will enable the continued expansion of the merged company's operations in Israel and the expansion of the Company's financing options.

The Company's evaluations regarding application of the strategic plan, including the sale of properties, anticipated savings as a result of the updated dividend policy, and expansion of the Company's operations in Israel and the financing options as aforementioned, constitute forward-looking information as defined in the Securities Law – 1968. The Company's evaluations regarding application of the strategy and the sale of additional properties is based on the assumptions and estimates of the Company and the Group companies, which are not definite, may not occur, or may occur in a materially different manner due to events that are not within the Company's scope of control, including the duration and extent of the worldwide economic crisis that emerged as a result of the outbreak of the COVID-19 pandemic (see Section 1.2 of the Directors' Report). In the event that the worldwide economic crisis continues and even worsens, and in the event that the COVID-19 pandemic continues and the standstill in the income-producing real estate sector continues, there may be delays in the realization of additional properties.

1.2. Corona virus effects on the Group's activity

General

At the beginning of 2020, the Covid-19 virus spread to many countries across the globe, including those where the Company holds commercial assets, and the World Health Organization declared it a pandemic ("**the Covid-19 Pandemic**"). Many countries dealt with the rapid outbreak of the virus in various ways, mainly by imposing a partial or complete lockdown on the population, closing businesses, social distancing and significantly reducing movement between countries. The directive of the governments in those countries, together with the response of the capital, oil, interest and foreign currency markets to such extreme uncertainty led to extreme uncertainty that brought about a global economic crisis. Subsequently, scientific breakthroughs have been made in the discovery of medicine and vaccines for the Covid-19 Pandemic and during the Quarter many countries have embarked on large-scale immunization operations, which have so far been shown to be highly effective against the spread of the virus, and led to a reduction in the lockdown restrictions.

Effects of the investment property activities

During the Quarter, gradual lockdown of some of the Group's companies' compounds took place, the compounds were opened and closed intermittently and depending on the disease situation in the various countries, when even during the period when they were open, the opening was partial some of the time. Essential enterprises, including supermarkets, pharmacies, banks, clinics and food stores that provided deliveries continued to operate throughout the aforesaid periods, including in closed compounds.

In Israel, extensive vaccination began during the quarter, which dramatically affected the morbidity of the disease, and accordingly led to the removal of most restrictions on gatherings, including the lockdown imposed in the last quarter of 2020 which was gradually removed during the quarter and as of February 21, 2021, the Company's commercial complexes in Israel are fully open, with the exception of cinemas (expected to open on May 27, 2021). As of the date of publication of the report, there is a noticeable movement of visitors, similar to the periods preceding the pandemic. In addition, in March and April 2021 tenant's revenues increased compared to the same period last year.

In Central and Eastern European countries where the group operates, a lockdown was imposed (except in Russia). In Poland the group's compounds were closed from mid-March to early May, in the Czech Republic from mid-March to May 10, 2021, and in Slovakia the lockdown imposed in December 2020 was removed in April 2021.

In the Nordic countries, no instructions were imposed for closing the shopping centers (except in Estonia), however restrictions were imposed on gatherings and on opening hours of restaurants and places of entertainment.

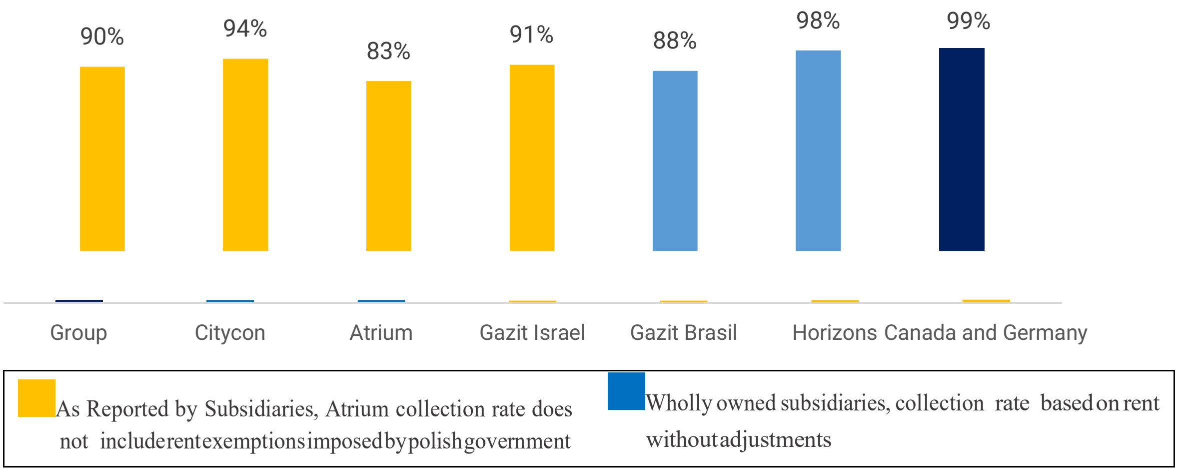
In Brazil, a lockdown was imposed in areas in which the group operates from March 6 to April 18, which was gradually removed, and from May 9, the Group's shopping centers are open with restrictions on gatherings and hours of operation. In the U.S. Group assets were open throughout the quarter and thereafter.

In the operational aspect, during the quarter, the Group's companies reported high occupancy rates in the assets (for details, see section 3.1(1) below). In addition, with regard to the number of incoming visitors (Footfall), ATR reported a decrease of 62% in the number of visitors and 68% in tenant's sales compared to the same quarter last year. CTY reported a 20% decrease in visitors numbers and a 4.7% decrease in tenant's sales compared to the same quarter last year, although average consumer spending increased significantly compared to the same quarter last year. Gazit Brasil also reported a 32% decrease in tenant's sales compared to the same quarter last year, while G Israel reported a 14% increase in tenant's sales compared to the same quarter last year, while, after the end of the lockdown in Israel in February, tenant's sales in March and April this year increased by 7.2% compared to March and April 2019.

During the quarter, the Group's companies maintained its collection policy. For details regarding the Company's policy and some of the Group's companies regarding the collection of rent and management, as well as for details regarding government assistance programs and restrictions imposed in Poland on rent collection, see section 1.2 of the Board of Directors' Report in Chapter B of the Company's Periodic Report.

The total arrangements in rental fees with tenants as a result of negotiations, or which are obligatory in accordance with legislation in the various countries, as well as the decrease in the value of tenant debts during the lockdown period, amounted to NIS 57 million, of which NIS 35 million was recognized in the quarter, which reduced the company's net operating income.

The Group's weighted collection rate in the Quarter amounted to 90%:



Due to the restrictions imposed in the various territories and arrangements with tenants as stated above, during the quarter, the NOI on a proportionate consolidation basis decreased by 12.1% (9.7% excluding exchange rates effects) compared to the same quarter last year, and same property NOI decreased by 18.2%.

During the Quarter, 67 new lease agreements were signed, including the exercise of options in the Company's private properties, for a total GLA of 16,000 square meters and a weighted average rent exceeding 3.4% of the rent paid for those areas. In Israel, a 3.6% increase in the average rent compared to the rent paid for those areas.

<u>Fair value adjustment of investment property</u>

During the Quarter, no significant changes were recorded in the value of the Group's commercial properties.

Impact on financial position, cash flows and liquidity

For details regarding the Company's financial position, cash flows and liquidity balances, see section 3.6 below.

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

Continuation of the economic crisis due to the Covid-19 Pandemic has a material negative continuous and cumulative impact on the retail real estate sector and the Group’s activities, inter alia, because of the risk of partial or full lockdown of the Company’s commercial compounds, a decrease in the number of visitors to the properties, a decline or change in demand and the volume of specific products consumed, and impairment of the economic robustness of the tenants, which will lead to a decrease in the Company’s revenue, current cash flow, occupancy rate and the value of its assets. The rate of population immunization in the various countries, the discovery of new variants of the virus and the level of stock of vaccines are variables that have a significant effect on the nature of the described trends in this paragraph and on the rate of their realization. In addition, the Company’s projects under development might not be completed at the expected costs and within the expected timetables.

In view of the uncertainty accompanying the Covid-19 crisis and being a long lasting and unfolding event, as at the approval date of the report, the Company is unable to estimate the continuous and cumulative impact of the Covid-19 Pandemic, global economic crisis and continues government support for tenants on all of the Group’s activities in 2021. Furthermore, the Company is unable to estimate the impact of the volatility in the capital, interest and foreign currency markets on its equity and future financial results. For the risk factors concerning the Company’s activity see also the Risk Factors chapter in the Company’s periodic.

Nevertheless, the Company believes the proven effect of the vaccine against the Covid-19 Pandemic and some of its variants will lead to a curb of negative effects on the activity of the company's compounds and improvement at least in the second half of 2021. This is especially so in light of the experience of the company and the group companies that when the compounds open, the rate of return of visitors will be very fast.

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

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

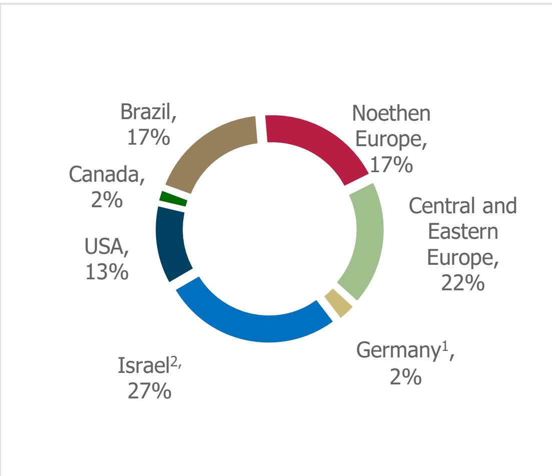
.1.3. Group Properties as of March 31, 2021

	Country of operation	Holding interest	Income-producing properties	Properties under development	Other properties	GLA (square meters in thousands)	Carrying value of investment property (NIS in millions)
CTY	Finland, Norway, Sweden, Estonia and Denmark	49.2%	37	1	-	1,136	16,584
ATR	Poland, Czech Republic, Slovakia and Russia	72.5%	25	-	-	780	9,876
Gazit Brasil	Brazil (Sao Paulo)	100%	7	-	1	179	2,467
G Israel	Israel	100%	12	-	-	164	3,674
	Bulgaria	100%	1	-	-	6	87
Gazit Horizons	USA	100%	10	-	1	44	1,577
Gazit Canada	Canada	100%	1	-	-	18	211
Gazit Germany	Germany[1]	100%	1	-	-	24	360
Total carrying value			**94**	**1**	**2**	**2,351**	**34,836**
Jointly controlled properties (proportionate consolidation)				8	8	-	-
Total			**102**	**1**	**2**	**2,520**	**37,484**

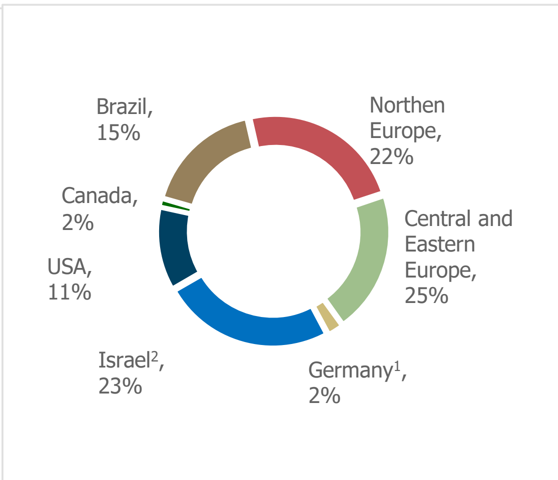
Other information about the Group, including updated presentations, supplemental information packages regarding assets, liabilities and additional information (which does not constitute part of this report and is not hereby incorporated by reference), can be found on the Company's website – www.gazit-globe.com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

1.4. Breakdown of the Company's Investments by Region (on an expanded solo basis) as of March 31, 2021:

Market value



Carry amount



[1] The property in Germany was sold in April 2021 in consideration for its book value.

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

1.5. Highlights – Third Quarter of 2021 (the "Quarter")

(NIS in millions, other than per share data)	March 31, 2021	December 31, 2020	
Net debt to total assets (Expanded Solo)	61.2%	61.8%	-
Net debt to total assets (Consolidated)[1]	58.8%	58.9%	-
Equity attributable to equity holders of the Company	5,730	5,562	-
Equity per share attributable to equity holders of the Company (NIS)	37.9	36.8	-
Net asset value per share (EPRA NAV) (NIS) [2]	43.4	42.5	-
EPRA NNNAV per share (NIS) [2]	34.2	37.1	-

	3 months ended March 31,		
	2021	2020	Change
Rental income and others	585	631	(7.3%)
NOI [3]	388	445	(12.8%)
NOI adjusted for exchange rates	388	440	(11.8%)
Proportionately consolidated NOI [4]	262	298	(12.1%)
Proportionately consolidated NOI adjusted for exchange rates	262	290	(9.7%)
Cash flow from operating activities per share- Expanded Solo (NIS) [5]	0.77	0.93	(17.2%)
Economic FFO [6]	108	178	(39.3%)
Economic FFO per share (NIS) [6]	0.71	0.97	(26.8%)
Economic FFO adjusted for exchange rates	108	166	(34.9%)
Economic FFO per share adjusted for exchange rates (NIS)	0.71	0.90	(21.1%)
Number of shares used in calculating the Economic FFO per share (in thousands)	152,067	184,883	(17.7%)

Acquisition, construction and development of investment property [7]	275	267	-
Disposition of investment property [7]	515	263	-
Fair value loss from investment property and investment property under development, net	16	(243)	-
Net income (loss) attributable to equity holders of the Company	137	(618)	-
Diluted net earnings (loss) per share (NIS)	0.90	(3.36)	-
Cash flows provided by (used in) operating activities	89	262	-

1 The decrease in shareholders' equity attributed to the Company's shareholders is mainly due to the devaluation of the Group's operating currencies against the NIS and from the buyback of the Company's shares.

2 Refer to section 2.5 below.

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

4 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.

5 Refer to section 2.2 below.

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

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

1.5. Highlights – Second Quarter of 2021 (the "Quarter”) (Cont.)

- As of March 31, 2021, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 5.8 billion (of which NIS 1.7 billion in the Company and its wholly-owned subsidiaries including cash and cash equivalents, traded securities and short-term deposits in the amount of NIS 1.1 billion).

- As a result of fluctuations in currency exchange rates of the US dollar, the Euro, the Brazilian real and the Canadian dollar against the NIS, the equity attributable to the Company's equity holders increased in the Quarter by NIS 39 million (net of the effect of cross-currency swap transactions).

- In general, fluctuations in the exchange rates of the US dollar, the Euro, the Brazilian real and the Canadian dollar against the shekel have the following effect:
  - The appreciation of these currencies against the shekel has a positive effect on the Company's assets, shareholders' equity, NOI and economic FFO due to the translation of the foreign currency into shekels at higher rates. On the other hand, the appreciation will result in a negative impact on the Company's net income through the increase in financing expenses due to the revaluation loss on the hedging instruments (the financial derivatives).
  - A devaluation of these currencies against the shekel has a negative effect on the on the Company's assets, shareholders' equity, NOI and Economic FFO and, on the other hand, a positive effect on the Company's net income through the decrease in financing expenses due to the revaluation gain on the hedging instruments.

1.7. <u>The Company's Major Holdings Are Set Forth Below (Ownership Structure and Interests as of March 31, 2021):</u>

1 On July 2020, the Israeli taxes authority approved the merger of G Israel into the Company (as the surviving company) (the "Tax Ruling"). Therefore, all the conditions for the merger, according to the Company's Board of Directors approval in December 2018, were met. The merger was completed in April 2021.

2. Additional Information Concerning the Company's Assets and

2.1. Summary of the Company's Holdings as of March 31, 2021:

Name of company	Type of security/ property	Amount (millions)	Holding interest (%)	Book value (NIS in millions)	Market value as of 31.3.2021 (NIS in millions)
ATR	Shares (VSX, Euronext)	287.1	72.5	4,172	3,123
CTY	Shares (OMX)	87.6	49.2	3,537	2,429
Israel	Income-producing property and land	-	-	3,495	-
Brazil	Income-producing property and land	-	-	2,477	-
USA[1]	Income-producing property and land	-	-	1,779	-
Canada[1]	Income-producing property			254	
Europe	Income-producing property and land	-	-	88	-
Total assets		-	-	**15,802**	-

Set forth below are the Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded solo basis") as of March 31, 2021:

	NIS in millions
Debentures	7,177
Debts to financial institutions	4,428
Total debentures and debts to financial institutions (*)	11,605
Other monetary liabilities	451
Total monetary liabilities	12,056
Less - monetary assets[2]	2,149
Less - other investments[3]	228
Monetary liabilities, net[4]	**9,679**

Year	Debentures	Financial Institutions	Mortgages	Total	%
2021	90	188[5]	102[6]	380	3
2022	723	928	22	1,673	14
2023	909	901	321	2,131	18
2024	994	628	57	1,679	15
2025	1,037	33	94	1,164	10
2026	1,076	33	15	1,124	10
2027	993	202	17	1,212	11
2028 onwards	1,355	-	887	2,242	19
Total	**7,177**	**2,913**	**1,515**	**11,605**	**100**

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

2 Including cash and cash equivalents, traded securities and deposits in the amount of NIS 1.1 billion, properties held for sale in the amount of NIS 577 million and financial derivatives in the amount of NIS 232 million.

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

4 Excludes primarily deferred tax liability in the amount of NIS 189 million with respect to investment property and other investments and NIS 204 million in non-controlling interestsin part of the company's properties.

5 Includes commercial paper in the amount of NIS 167 million.

6 An amount of NIS 87 million was extended after the reporting date by an additional five years to 2026.

2.2 Cash flows from operating activities - expanded Solo:

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	NIS in millions (except for per share data)		
Dividends from public investees	118	119	461
EBITDA from private companies, net of Capex and other income *	136	161	391
Total income	**254**	**280**	**852**
General and administrative expenses	(16)	(13)	(68)
Interest expenses, net	(97)	(82)	(395)
Taxes	(25)	(14)	(23)
Total expenses	**(138)**	**(109)**	**(440)**
Cash flows from operating activity	**116**	**171**	**412**
Cash flows from operating activity per share	**0.77**	**0.93**	**2.46**

** Including capital expenditures (CAPEX) in the amount of NIS 7 million for each of the quarters and NIS 28 million for the year 2020.

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, calculated according to the recommendations of EPRA and the draft securities regulations for investment property activity, and its Economic FFO per share for the stated periods:

	For the 3 months ended March 31,		For the year ended December 31,
	2021	**2020**	**2020**
	NIS in millions (other than per share data)		
Net income (loss) attributable to equity holders of the Company for the period	**137**	**(618)**	**(653)**
Adjustments:			
Fair value loss (gain) from investment property and investment property under development, net	(16)	243	1,533
Capital loss (gain) on sale of investment property	22	(4)	21
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	(140)	575	161
Adjustments with respect to equity-accounted investees	1	21	57
Deferred taxes and current taxes with respect to disposal of properties	94	37	(119)
Acquisition costs recognized in profit or loss	2	-	21
Loss from early redemption of interest-bearing liabilities and financial derivatives	26	15	35
Non-controlling interests' share in above adjustments	(29)	(82)	(598)
Nominal FFO (EPRA Earnings)	**97**	**187**	**458**
Additional adjustments:			
CPI linkage and exchange rate differences	3	(22)	(38)
Depreciation and amortization	5	4	17
Company's share in FCR's Economic FFO	-	6	6
Other adjustments[1]	3	3	26
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	**108**	**178**	**469**
Economic FFO per share according to the management approach (in NIS)	**0.71**	**0.97**	**2.81**
Economic FFO adjusted for exchange rates according to the management approach	**108**	**166**	
Economic FFO per share adjusted for exchange rates according to the management approach (in NIS)	**0.71**	**0.90**	
Number of shares used in the Economic FFO per share calculation (in thousands)[2]	**152,067**	**184,623**	**167,414**

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

2 Weighted average for the period.

2.4. Additional information is presented below regarding the Company's pro rata share in the value of income-producing properties owned by the Group as of March 31, 2021, based on capitalization of net operating income ("**NOI**"). The information below is based on a methodology that is generally accepted in the markets in which the Group operates and is intended to provide an additional method of analyzing the value of the Company's properties on the basis of the Company's financial results for the quarter. This information is not intended to represent the Company's estimate of the present or future value of its assets or shares.

	3 months ended March 31,		**Year ended December 31,**
	2021	**2020**	**2020**
	NIS in millions		
Rental income	585	631	2,406
Property operating expenses	197	186	760
NOI for the period	388	445	1,646
Less - minority's share in NOI	(135)	(156)	(603)
Add - Company's share in NOI of associate and jointly controlled companies	9	9	47
NOI for the period - the Group's proportionate share[1]	**262**	**298**	**1,090**
Effect of the Covid-19 epidemic on the NOI[1]	**42**	**-**	**199**
NOI for the period - the Group's proportionate share including the effect of Covid-19 epidemic	**304**	**298**	**1,289**
Annual NOI - the Group's proportionate share	**1,216**[2]	**1,192**[2]	**1,289**

1 According to management estimations.

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

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

Value of proportionately consolidated income-producing property in accordance with the NOI for the first quarter of 2021 (excluding the effects of Covid-19 epidemic):

		Equity per share as of March 31, 2021				**Share price as of March 31, 2021**
Cap Rate:	**5.75%**	**5.89%**	**6.00%**	**6.25%**	**6.50%**	**6.61%**
Value of income-producing property (NIS in millions) (*)	21,351	20,773	20,462	19,643	18,888	18,517
Share price derived from the above Cap Rate (NIS) (**)	41.9	37.9	36.0	30.6	25.6	23.06

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

(**) Excluding the tax effect.

New properties, properties under development and land, which are not yet income-producing and which are presented at their fair values in the Group's books (according to the proportionate consolidation method) as of March 31, 2021, amounted to NIS 2,023 million.

The Group's monetary liabilities, net of monetary assets (according to the proportionate consolidation method) as of March 31, 2021, amounted to NIS 17,041 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:

	March 31,		December 31,
	2021	**2020**	**2020**
	NIS in millions		
EPRA NAV			
Equity attributable to the equity holders of the Company, per the financial statements	5,730	6,335	5,562
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	914	964	891
Fair value asset adjustment for derivatives, net[2]	(37)	178	7
Net asset value - EPRA NAV	**6,607**	**7,477**	**6,460**
EPRA NAV per share (in NIS)	**43.4**	**41.2**	**42.5**
EPRA NNNAV			
EPRA NAV	6,607	7,477	6,460
Adjustment of financial liabilities to their fair value	(525)	5	75
Other adjustments to provision for deferred taxes	(914)	(964)	(891)
Fair value asset adjustment for financial derivatives, net	37	(178)	(7)
Adjusted net asset value - EPRA NNNAV	**5,205**	**6,340**	**5,637**
EPRA NNNAV per share (in NIS)	**34.2**	**34.9**	**37.1**
Issued share capital of the Company used in the calculation (in thousands of shares)[3]	**152,060**	**181,451**	**151,900**

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

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

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

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

3.1. During the Quarter, 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 275 million. The effect of these investments on the operating results of the Group will be reflected in full during the remainder of 2021 and thereafter.

1) **Highlights of operational data:**

	Income producing properties[1]	GLA (in thousands of square meters)	Average basic monthly rent per square meter		Change in same property NOI [2]	NOI (million)		Occupancy rate in core properties		Ratio of net debt to total assets
			31.3.2021	31.3.2020		Q1. 2021	Q1. 2020	31.3.2021	31.3.2020	
G Israel	12	168	NIS 111.3	NIS 110.5	(41.0%)	NIS 23.7	NIS 44.0	98.1%	98.8%	N/A
Gazit Brasil	7	179	R$ 62.8	R$ 60	(36.0%)	R$ 39.2	R$ 59.0	95.1%	98.1%	N/A
Gazit Horizons	11	58	$50.4	$47.8	11.6%	$3.5	$3.7	93.2%	89.9%	N/A
CTY	38	1,182	€ 22.7	€ 22.8	(8.1%)	€ 50.4	€ 52.4	93.2%	94.5%	46.5%
ATR	26	809	€ 14	€ 15.3	(11.9%)	€ 30.2	€34.4	91.7%	96.4%	39.0%

1 Includes jointly-controlled properties.

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

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

	Properties under Development			
Company	**No. of properties**	**Total investment as of March 31, 2021 (NIS in millions)**	**Estimated cost to complete (NIS in millions)**	**Area (square meters in thousands)**
CTY	1	1,027	-[1]	44
	1	**1,027**	**-**	**44**

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

	Properties under Redevelopment and Expansion			
Company	**No. of properties**	**Total investment as of March 31, 2021 (NIS in millions)**	**Estimated cost to complete (NIS in millions)**	**Area (square meters in thousands)**
ATR	1	423	20	21
G Israel	1	14	17	2
	2	**437**	**37**	**23**

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

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

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

	Growth (GDP)				
	2021 forecast	2020	Rate of unemployment	Yield on government debentures (10 years)	Debt rating (S&P)
Norway	3.70%	(0.80%)	4.00%	1.498%	AAA
Sweden	3.30%	(3.00%)	9.67%	0.427%	AAAu
Canada	6.20%	(5.40%)	8.37%	1.573%	AAA
Finland	2.50%	(2.80%)	8.10%	0.075%	AA+
USA	6.50%	(3.50%)	6.17%	1.645%	AA+u
Czech Republic	3.50%	(5.50%)	4.10%	1.716%	AA-
Israel	4.90%	(2.40%)	5.40%	1.220%	AA-
Poland	4.00%	(2.70%)	6.40%	1.920%	A-
Russia	3.20%	(3.00%)	5.40%	7.140%	BBB-
Brazil	3.50%	(4.10%)	14.30%	9.338%	BB-

International debt rating of Group companies:

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

1. Data source: Bloomberg – May 2021.

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

3. The Company's secured debentures (Series O), rated by S&P Maalot and Midroog at a rating level of 'ilAA' and 'Aa2.il', respectively.

3.2. Material Events at the Group During the quarter

A. For details regarding the submission of a public draft prospectus of a fund for real estate investments wholly owned by the Company for initial listing for trading of the participation units of the aforesaid fund in the Sao Paulo Brazil Stock Exchange, refer to Note 3b3 to the financial statements and Section 9 to Update of Description of the Company's business.

B. For details regarding debt raising, by ATR, in the amount of EUR 300 million, refer to Note 3a1 to the financial statements.

C. For details regarding buyback of ATR'S debentures in the amount of EUR 78 million, refer to Note 3a2 to the financial statements.

D. For details regarding debt raising, by CTY, in the amount of EUR 350 million, refer to Note 3a3 to the financial statements.

E. For details regarding buyback of debentures, by CTY, in the amount of EUR 15 million, refer to Note 3a4 to the financial statements.

F. For details regarding purchase of 11.8 million ATR shares, by the Company's wholly owned subsidiary, in the amount of EUR 30 million, refer to Note 3b2 to the financial statements.

3.3. Dividend Distribution Policy

Pursuant to the Company's policy, the Company announces every year the anticipated annual dividend.
On August 2020 the Company updated of the Quarterly dividend policy per share from NIS 0.43 per share to NIS 0.30 per share, for the period beginning with the dividend declared on the approval date of the financial statements for the third Quarter of 2020 and until (including) the announced dividend on the approval date of the financial statements for the third Quarter of 2021(total of five consecutive quarterly dividend distributions).

The above is subject to the existence of sufficient distributable income at the relevant dates and is subject to the provisions of any law relating to dividend distributions and to decisions that the Company is permitted to take. This includes the appropriation of its income for other purposes and the revision of this policy. The Company periodically reviews the implementation of its dividend policy in accordance with the economic environment in which it operates.

3.4. Financial Position

Current assets

Current assets, as of March 31, 2021, total NIS 3.2 billion, compared with NIS 3.3 billion as of December 31, 2020. The decrease in current assets derives mainly from a decrease in cash and cash equivalents which were used for debt repayment.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 1.5 billion as of March 31, 2021, compared to NIS 1.4 billion as of December 31, 2020. The balance of the equity-accounted investees is primarily comprised of investments in property through joint ventures as recorded in the books of CTY, ATR, Gazit Horizons and Gazit Canada.

Long term financial assets

The balance of long term financial assets amounted to NIS 145 million as of March 31, 2021, similar to NIS 145 million as of December 31, 2020.

Non- current Financial derivatives

The balance of financial derivatives primarily arises from cross-currency swap transactions, entered into as part of the Group's policy to correlate as closely as possible the currency in which properties are acquired and the currency in which the liabilities are undertaken to finance the respective acquisitions of such properties are incurred (on a proportionately consolidated basis), and are presented at fair value. The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements entered into with certain financial institutions that establish settlement mechanisms between the Company and the banking institution with which the swap transaction is being carried out with respect to the value of the financial derivatives (CSA agreement). As of March 31, 2021, the aforesaid balance of financial derivatives amounted to NIS 299 million, compared to NIS 359 million as of December 31, 2020.

Investment property and investment property under development

Investment property and investment property under development (including assets held for sale that are presented under current assets), as of March 31, 2021, amounted to NIS 34.8 billion, compared to NIS 35.2 billion as of December 31, 2020.

The decrease in these balances during the quarter is primarily due to the sale of none core investment property in consideration of NIS 0.5 billion and from fluctuation in exchange rates (mainly the NIS compared to the EUR and BRL) in net amount of NIS 0.2 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 0.3 billion.

Intangible assets, net

Intangible assets, net, as of March 31, 2021, totaled NIS 617 million, compared to NIS 602 million as of December 31, 2020. The intangible assets primarily consist of goodwill in an amount of NIS 568 million relates to properties in Norway own by CTY.

Current liabilities

Current liabilities, as of March 31, 2021, totalled NIS 2.0 billion, compared to NIS 3.1 billion as of December 31, 2020. The balance mainly includes short-term credit from banks and others and current maturities of long-term liabilities, in the amount of NIS 0.9 billion, compared to NIS 2.1 billion as of December 31, 2020.

Non-current liabilities

Non-current liabilities, as of March 31, 2021, totaled NIS 26.0 billion, compared to NIS 24.8 billion as of December 31, 2020. The increase in non-current liabilities is primarily due to the issuance of debentures by the Group's companies for its operations.

Equity attributable to the equity holders of the Company

Equity attributable to the equity holders of the Company, as of March 31, 2021, amounted to NIS 5,730 million, compared to NIS 5,562 million as of December 31, 2020. The increase is due to gain attributed to the Company's shareholders in the amount of NIS 137 million and from an increase in capital reserves in the amount of NIS 76 million (mainly from foreign currency translation reserve). The aforesaid increase was offset by the declared dividend of NIS 45 million.

The equity per share attributable to the equity holders of the Company as of March 31, 2021 totaled NIS 37.9 per share, compared to NIS 36.8 per share as of December 31, 2020, after a dividend distribution of NIS 0.30 per share during the Quarter.

Non-controlling interests

Non-controlling interests, as of March 31, 2021, amounted to NIS 6.8 billion, compared to NIS 7.0 billion as of December 31, 2020. The balance primarily comprised of interests of CTY's other shareholders at a rate of 50.8% of CTY's equity as well as the interests of ATR's other shareholders comprising 27.5% of ATR's equity.

The decrease in non-controlling interests in the Quarter is primarily due to the portion of other shareholders in dividends declared by the subsidiaries in an amount of NIS 0.1 billion and by acquisition of the group's shares from non-controlling interests in the amount of NIS 0.2 billion. The decrease was offset by net income attributed to non-controlling interest in the amount of NIS 0.1 billion.

3.5 Results of Operations and Analysis

A. Results of operations are as follows:

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions (except for per share data)		
Rental income and others	585	631	2,406
Property operating expenses and others	197	186	760
Net operating rental income	388	445	1,646
Fair value gain (loss) from investment property and investment property under development, net	16	(243)	(1,534)
General and administrative expenses	(83)	(80)	(352)
Other income	-	7	18
Other expenses	(23)	(8)	(36)
Company's share in earnings (losses) of equity-accounted investees, net	3	(30)	(78)
Operating income (loss)	301	91	(336)
Finance expenses	(220)	(691)	(806)
Finance income	238	48	109
Profit (loss) before taxes on income	319	(552)	(1,033)
Taxes on income (tax benefit)	123	58	(147)
Net income (loss)	196	(610)	(886)
Attributable to:			
Equity holders of the Company	137	(618)	(653)
Non-controlling interests	59	8	(233)
	196	(610)	(886)
Net earnings (loss) per share attributable to equity holders of the Company (NIS):			
Basic net earnings (loss)	0.91	(3.36)	(3.91)
Diluted net earnings (loss)	0.90	(3.36)	(3.92)

The statement of comprehensive income is as follows:

	Three months ended March 31,		Year ended December 31,
	2021	**2020**	**2020**
	Unaudited		**Audited**
	NIS in millions		
Net income (loss)	196	(610)	(886)
Other comprehensive income (loss) (net of tax effect):			
Amounts that will not be reclassified subsequently to profit or loss			
Net gains (losses) on financial assets at fair value through other	9	(58)	(74)
Items that are or will be reclassified to profit or loss			
Exchange differences on translation of foreign operation	10	(1,267)	(1,175)
Net gains (losses) on cash flow hedges	29	(40)	(41)
Total other comprehensive income (loss)	48	(1,365)	(1,290)
Total comprehensive income (loss)	244	(1,975)	(2,176)
Attributable to:			
Equity holders of the Company	156	(1,737)	(1,974)
Non-controlling interests	88	(238)	(202)
	244	(1,975)	(2,176)

B. **Analysis of results of operations for the first quarter of 2021**

Rental income and others

Excluding the average exchange rates the rental income and others in the Quarter decreased by 7.4% compared with the corresponding quarter the prior year. The decrease is due to the restrictions imposed by governments in countries which the company operates following the Covid-19 pandemic (refer to section 1.2 above) and from the sale of non-core assets during the past 12 months.

Rental income and others decreased by 7.3% to NIS 585 million in the Quarter, compared with NIS 631 million in the corresponding quarter the prior year.

Property operating expenses and others

Property operating expenses and others totaled NIS 197 million in the Quarter, representing 33.7% of total rental income and others, compared with NIS 186 million, representing 29.5% of total rental income and others in the corresponding quarter the prior year.

Net operating income (NOI)

Excluding the change in the average exchange rates, the net operating rental income in the Quarter decreased by 11.8% compared with the corresponding quarter last year. The decrease in net operating income is due to the restrictions imposed by governments in countries where the company operates following the Corona epidemic (see section 1.2 above) and from the sale of non-core assets during the past 12 months.

Net operating rental income decreased by 12.8% to NIS 388 million in the Quarter (66.3% of total rental income), compared with NIS 445 million (70.5% of rental income) in the corresponding quarter last year.

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

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Company and its subsidiaries recognized in the Quarter a fair value gain on its properties in a gross amount of NIS 16 million, compared to fair value loss of NIS 243 million in the corresponding quarter in the prior year.

General and administrative expenses

General and administrative expenses totaled NIS 83 million (14.2% of total revenues) in the Quarter, compared to NIS 80 million (12.7% of total revenues) in the corresponding quarter in the prior year.

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

In the Quarter, the Company’s share in gain of equity-accounted investees amounted to NIS 3 million (compared to a loss of NIS 30 million recorded in the corresponding quarter in the prior year) and is primarily comprised of the Group’s share in the net earnings of CTY, Gazit Horizons, ATR and Gazit Canada (Gazit Tripllle).

Finance expenses

Finance expenses amounted to NIS 220 million in the Quarter, compared to NIS 691 million in the corresponding quarter in the prior year. The decrease in finance expenses in the quarter compared to the corresponding quarter in the prior year is primarily due to a loss from revaluation of financial instruments derivatives in the amount of NIS 255 million compared to income in the quarter, and from a loss from the revaluation of tradable securities in the corresponding quarter in the prior year in the amount of NIS 266 million, compared to a gain in the amount of NIS 127 million in the quarter.

Finance income

Finance income totaled NIS 238 million in the Quarter, compared to NIS 48 million in the corresponding quarter in the prior year. Finance income in the Quarter primarily comprises a gain from revaluation of financial derivatives in the amount of NIS 91 million (a loss from revaluation was recorded in the corresponding quarter in the prior year) and a gain of NIS 127 million from realization and revaluation of securities and dividends (a loss of from revaluation was recorded in the corresponding quarter in the prior year).

Taxes on income (tax benefit)

Tax expenses totaled NIS 123 million in the Quarter, compared with tax expenses of NIS 58 million in the corresponding quarter last year. Tax expenses in the Quarter comprises primarily of deferred tax expenses of NIS 80 million, arising mainly from net changes in the temporary differences between the tax base and fair value of investment property and investment property under development, including disposition of properties as well as structural change in the Group and carry forward losses (in the corresponding quarter last year, net deferred tax expenses of NIS 76 million arising primarily as the net changes in the temporary differences between the tax base and the fair value of investment property and investment property under development, including disposition of properties). In the Quarter, the Group companies recorded current tax expenses in an amount of NIS 43 million, compared with current tax income of NIS 17 million in the corresponding Quarter in the prior year. In addition, in the corresponding Quarter in the prior year tax income was recorded with respect to prior years in the amount of NIS 1 million.

3.6. Liquidity and Capital Resources

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

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

As of March 31, 2021, the liquid assets available to the Company and its subsidiaries, including short-term investments, totaled NIS 2.0 billion as of March 31, 2021. In addition, as of March 31, 2021, the Company and its subsidiaries have binding undrawn long-term credit facilities[1] available for immediate drawdown of NIS 3.8 billion.

As of March 31, 2021, the Company and its subsidiaries have liquidity, including undrawn long term credit facilities[1] available for immediate drawdown and liquid balances totaling NIS 5.8 billion (of which NIS 1.7 billion at the Company and it's wholly-owned subsidiaries, including cash and cash equivalents, tradable securities and short-term deposits in the amount of NIS 1.1 billion).

Furthermore, as of March 31, 2021, 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 26.5 billion (76.1% of the total investment property and investment property under development).

As of March 31, 2021, the Company and its wholly owned subsidiaries have unencumbered investment property and investment property under development which is carried in the books at a value of NIS 4.1 billion (49% of total investment property and investment property under development).

As of March 31, 2021, the Company had a negative working capital balance of NIS 1.3 billion under its consolidated financial statements, and according to the Company's separate reports (solo) a negative working capital of approximately NIS 0.2 billion and negative cash flow from operating activities, in addition, the Company's (expanded solo) has a positive cash flow from operating activities, refer to Section 2.2 above. On the other hand, the Company has approved long-term credit facilities[1], available for immediate drawdown on a consolidation basis and on an expanded solo basis (including in companies that are fully owned by the Company), in the amount of NIS 3.8 billion and NIS 0.6 billion, respectively. The policy of the Company is to finance its operations with revolving credit facilities and by raising long-term debt from time to time, depending on market conditions. The Board of Directors has concluded that, in view of the resources that are available to the Company and its subsidiaries, including non-pledged assets, as described above, and considering the positive cash flow from operating activities on consolidation and on expanded solo, including forecast cash flow, its existence is not indicative of a liquidity problem in the Company or in its subsidiaries.

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

3.7. Cash flows

Cash flow generated from operating activity in the Quarter totalled NIS 89 million compared to NIS 262 million in the corresponding quarter in the prior year.

In the Quarter, the Company and its subsidiaries financed their activities by realizing investments in financial assets in the net amount of NIS 137 million, by issuance of debentures in the amount of NIS 1,468 million and by the sale of investment properties in net amount of NIS 240 million. These cash flows were mainly used to repay loans and lines of credit in the net amount of NIS 740 million, for dividend payments by the Groups companies in the amount of NIS 119 million and the purchase of the Group Companies' shares in the amount of NIS 143 million.

3.8. Repurchase Program

A. On March 21 2021, 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 450 million, in relation to all the outstanding series of debentures, the program is in effect until March 31, 2022. Purchases will be made under the program from time to time and at the discretion of the Company’s Management.

B. On May 21, 2021, the Company’s Board of Directors resolved to adopt new buyback program for the Company's shares in an amount of up to NIS 250 million, the program is in effect until March 31, 2022. Purchases will be made from time to time, at the discretion of the Company’s management, so long as the stock exchange price of the share reflects a significant discount on the Company’s NAV, as shall be from time to time.

4. Exposure to Market Risks and their Management

4.1. The individuals responsible for managing and reporting the Company's market risks are the Company's CEO and Executive Vice President and CFO. The Group operates globally and is consequently exposed to currency risks resulting from fluctuations in exchange rates of various currencies (primarily the U.S. dollar, the euro and the Brazilian real). Since March 21, 2021, the approval date of the Company's annual report for 2021, there has not been any material changes in the management or nature of the market risks to which the Company is exposed.

4.2. During the period from January 1, 2021 through the date of the approval of the financial statements, the CEO and Executive Vice President and CFO have held and continue to hold regular discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. Furthermore, during such period, the Company's Board of Directors discussed the foregoing risks and the Company's policy regarding them at meetings in which the financial statements as of December 31, 2020 and March 31, 2021 were approved.

4.3. Changes in foreign currency exchange rates – during the period from January 1, 2021 through March 31, 2021, the NIS appreciated against the Euro and the Brazilian real by 0.8% and by 4.2%, respectively and the NIS depreciated against the U.S. dollar and the Canadian dollar by 3.7% and by 4.9%, respectively. With regard to the impact of exchange rate changes on the Company's equity, as of March 31, 2021, refer to Appendix A of the Directors' Report. In addition, as of March 31, 2021 until immediately prior to the date of approval of this report, the NIS depreciated against the Euro, the Canadian dollar and the Brazilian real by 1.6%, by 1.7% and by 2.6%, respectively, and the NIS appreciated against the U.S. dollar by 2.6%.

In addition, some of the Company's liabilities (primarily with respect to operations in Israel) are linked to changes in the Israeli consumer price index. During the period from January 1, 2021 through March 31, 2021, the Israeli consumer price index (known index) rose by 0.1%. In addition, as of March 31, 2021, until immediately prior to the date of approval of this report, the Israeli consumer price index (known index) rose by 0.9%.

4.4. The Company maintains a correlation between the mix of its properties in the various functional currencies and the exposure of its equity to those currencies, by conducting hedging transactions to manage the currency exposure. 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 March 31, 2021, refer to the table attached as Appendix A of the Directors' Report.

5. Corporate Governance Aspects

Donations

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

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

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

During the Quarter, the Group's donations amounted to NIS 0.5 million.

6. Disclosure Regarding the Financial Reporting of the Company

Subsequent events

A. For details regarding the purchase of 7.8 million ATR shares, by the company, in the amount of EUR 23 million, refer to Note 5b to the financial statements.

B. For details regarding hybrid debt raising by ATR, in the amount of EUR350 million, refer to Note 5c to the financial statements.

C. For details regarding debt raising by an investment fund wholly owned by Gazit Brasil in the amount of BRL 650, refer to Note 5e to the financial statements.

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

A. The Company's commitments pursuant to the debentures (Series O) are secured by a first fixed charge on the rights relating to properties, as set out in section 4.6 of the Company's shelf prospectus published on October 22, 2020 (reference no. 2020-01-106162) with the information contained therein being hereby presented by means of this reference. The value of the foregoing pledged property as of December 31, 2020 is NIS 436 million. There has been no material change in the valuation of the aforesaid pledged properties as of March 31, 2021 compared to the valuation as of December 31, 2020.For further details regarding the foregoing pledged properties, as required pursuant to the regulations of the Israel Securities Authority regarding investment property activity, refer to section Update of description of the Company's business. 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).

B. On March 31, 2021, the Company fully repaid debentures (Series D) in accordance with the maturity dates of the aforesaid debentures.

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

Financial ratio	Covenants	As of March 31, 2021
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,O-Higher than 850, during 3 consecutive quarters	1,719
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M,N and O- Higher than 400	1,719
Ratio of net interest-bearing debt to total consolidated assets And	Series K and L-lower than 80%, during 4 consecutive quarters Series M-lower than 75%	[1]59.2%
Minimum rating of the debentures	Series K,L and M-'ilBaa3'/'ilBBB-'	'ilAa3'/ 'ilAA'-
Ratio of net interest-bearing debt to total consolidated assets	Series N, O-lower than 75%	58.2%
Minimum rating of the debentures	Series N, O-'ilBaa3'/'ilBBB-'	'ilAa3'/ 'ilAA'-

As of March 31, 2021 and as of the approval of the financial statements, the Company complied with the covenants in respect of its debentures.

May 26, 2021		
Date of Approval of Directors' Report	Ehud Arnon Chairman of the Board of Directors	Chaim Katzman Vice Chairman of the Board of Directors and CEO

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

Appendix A of the Directors' Report
Additional Information regarding Currency Exposure
As of March 31, 2021

The information below sets forth the scope of the Company's currency exposure (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real) in connection with the cross-currency swaps which have been transacted, and the scope of the exposure remaining after taking into account the cross-currency swaps, as of March 31, 2021. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS[1]) and the percentages they represent out of the total assets and liabilities, respectively, on a proportionately consolidated basis[2], and the total financial adjustments made by the Company by means of cross-currency swap transactions, in order to correlate, to the extent possible, the Company's equity to the Company's assets (from a currency perspective). As illustrated by the table, the assets and liabilities for each currency do not fully correlate, and the exposure reduction to each such currency is reflected in the differences, as presented in the table. For details regarding cash exposure that is affected by the fair value change of swap transactions as a result of the sharp fluctuations from the Corona virus outbreak, refer to section 4.4 below.

Data presented in millions	NIS	U.S.$	EUR	C$	BRL	Total in NIS
Assets in original currency	3,996	736	4,118	144	4,064	-
Assets in NIS	3,996	2,453	16,113	381	2,378	25,321
% of total assets	**16**	**10**	**63**	**2**	**9**	**100**
Liabilities in original currency	9,019	331	2,237	84	-	-
Cross-currency swap transactions in original currency	(5,385)	9	778	60	2,659	-
Liabilities in original currency	3,634	340	3,015	144	2,659	-
Liabilities in NIS adjusted for swaps	3,634	1,134	11,797	381	1,556	18,502
% of total liabilities	**20**	**6**	**64**	**2**	**8**	**100**
Total equity in original currency	362	396	1,103	-	1,405	-
Total economic equity[3] in NIS	362	1,319	4,316	-	822	6,819
% of total equity	**5**	**20**	**63**	**-**	**12**	**100**

1 According to currency exchange rates as of March 31, 2021.

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

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

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS FOR THE 2020 PERIODIC REPORT OF GAZIT-GLOBE LTD. (the "Company")

Pursuant to Regulation 39A of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, details are presented below concerning material changes and developments that have taken place in the Company's business since the publication of the Company's Periodic Report for 2020 (the "Periodic Report"), for each matter required to be described in the Periodic Report.

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

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

B. On April 2021 the merger between the Company and G Israel has been completed.

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

As of January 1, 2020 and up to the publication date of this report, the Company issued 34,673 shares to officers of the Company, employees of the Company and employees of its wholly owned subsidiaries, as a result of the vesting of convertible securities allocated to them as part of their employment conditions.

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

A. On April 12, 2021 the Company distributed a dividend to its shareholders in an amount of NIS 45 million (NIS 0.30 per share).

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

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

A. For details regarding debt raising by CTY, in the amount of EUR 350 million, refer to Note 3a3 to the financial statements.

B. For details regarding buyback of debentures, by CTY, in the amount of EUR 95 million, refer to Note 3a4 to the financial statements.

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

A. For details regarding debt raising by ATR, in the amount of EUR 300 million, refer to Note 3a1 to the financial statements.

B. For details regarding buyback of debentures, by ATR, in the amount of EUR 78 million, refer to Note 3a2 to the financial statements.

C. For details regarding the purchase of ATR shares by the Company's wholly-owned subsidiary in the amount of NIS 209 million, refer to Notes 3b2and 5b the financial statements.

D. For details regarding issuance of hybrid debentures, by ATR, in the amount of EUR 350 million, refer to note 5c to the financial statements.

Update to Section 9 – Gazit Brasil

On February 2, 2021, Gazit Malls FII [1](the "Issuer"), which is a fund for real estate investments wholly owned by the Company and which incorporated in Brazil, submitted a public draft prospectus to the Securities Authority in Brazil for an IPO of its participation units on the stock exchange in Sao Paolo, Brazil (BOVESPA), by means of a tender offer of 25% - 49% of the Company's holdings in the Issuer (indirectly) ("Tender Offer"). as detailed in Note 3b3 to the financial statements.

The Tender Offer is subject, inter alia, to receipt of regulatory approvals, including a permit from the Brazilian Securities Authority and the market situation in Brazil at that time and the company estimates that it will be completed in the third quarter of 2021. In addition, on May 2021, the issuer completed a debt raising in Brazil amounting 650 million Brazilian reals, as detailed in Note 5e to the financial statements. There is no certainty the tender offer will be completed during the third quarter of 2021 or at any other date.

The Company's assessments regarding the date of completion of the tender offer and the degree of its completion constitute forward-looking information, within the meaning of the Securities Law, 5728-1968. These estimates are based on the Company's assumptions as of this date, and are uncertain, may not materialize and are not under the Company's control, inter alia, due to the changes in the conditions of the global capital market and /or in Brazil, the morbidity situation due to the Covid-19 pandemic and its effects, and the fulfillment of the conditions for the tender offer (such as obtaining regulatory permits).

[1] Formerly Internacional Shopping Fii

Disclosure regarding effectiveness of assets in accordance with Chapter VI for guidance disclosure regarding investment property activity

G Savion

	First Quarter of 2021	2020
Value of property income producing (NIS in 000's)	77,844	74,100
Value of reserved property (NIS in 000's)	46,000	46,000
Value of property (NIS in 000's)	123,845	120,100
NOI in the period (NIS in 000's)	859	4,055
Revaluation gains (losses) in the period (NIS in 000's)	(165)	(3,206)
Average occupancy rate in the period	94.1%	98.5%
Actual rate of return (%)	4.4%	5.5%
Average annual rental per sq. meter (NIS)	125	125
Average annual rental per sq. meter in leases signed in the period (NIS)	-	104

G Rothschild (Company's share of property 51%)

	First Quarter of 2021	2020
Value of property income producing (NIS in 000's)	111,572	111,346
Value of property construction rights (NIS in 000's)	2,854	2,854
Value of property (NIS in 000's)	114,426	114,200
NOI in the period (NIS in 000's)	777	3,651
Revaluation gains (losses) in the period (NIS in 000's)	112	(13,230)
Average occupancy rate in the period	97.6%	97.5%
Actual rate of return (%)	2.8%	3.3%
Average annual rental per sq. meter (NIS)	74	74
Average annual rental per sq. meter in leases signed in the period (NIS)	-	106

G Kohav Hatzafon

	First Quarter of 2021	2020
Value of property (NIS in 000's)	103,216	103,200
NOI in the period (NIS in 000's)	933	3,197
Revaluation gains (losses) in the period (NIS in 000's)	(71)	(4,562)
Average occupancy rate in the period	91.6%	91.6%
Actual rate of return (%)	3.6%	3.1%
Average annual rental per sq. meter (NIS)	206	237
Average annual rental per sq. meter in leases signed in the period (NIS)	-	267

G Horev Center (Company's share of property 50%)

	First Quarter of 2021	2020
Value of property income producing (NIS in 000's)	86,251	86,500
Value of reserved property (NIS in 000's)	12,750	12,750
Value of property (NIS in 000's)	99,001	99,250
NOI in the period (NIS in 000's)	1,152	4,625
Revaluation gains (losses) in the period (NIS in 000's)	(269)	(2,420)
Average occupancy rate in the period	95.7%	94.5%
Actual rate of return (%)	5.3%	5.4%
Average annual rental per sq. meter (NIS)	115	99
Average annual rental per sq. meter in leases signed in the period (NIS)	-	112

GAZIT-GLOBE LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As of March 31, 2021

Unaudited

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

Introduction

We have reviewed the accompanying financial information of Gazit-Globe Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of March 31, 2021 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period of three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a certain subsidiary, whose assets constitute approximately 29% of total consolidated assets as of March 31, 2021, and whose revenues constitute approximately 29% of total consolidated revenues for the period of three months then ended. The condensed interim financial information of this company was reviewed by other auditors, whose review report has been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of this company, is based on the review report of the other auditors.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel
May 26, 2021

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2021	March 31, 2020	December 31, 2020
	Unaudited	Unaudited	Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	1,266	3,477	742
Short-term investments and loans	47	55	147
Financial assets	684	499	693
Financial derivatives	2	61	37
Trade receivables	223	147	206
Other accounts receivable	402	601	308
Current taxes receivable	10	3	7
	2,634	4,843	2,140
Assets classified as held for sale	577	167	1,170
	3,211	5,010	3,310
NON-CURRENT ASSETS			
Equity-accounted investees	1,547	1,448	1,440
Other investments, loans and receivables	219	116	230
Financial assets	145	313	145
Financial derivatives	299	328	359
Investment property	31,498	32,509	31,828
Investment property under development	2,713	2,337	2,239
Fixed assets, net	167	187	172
Intangible assets, net	617	582	602
Deferred taxes	67	69	66
	37,272	37,889	37,081
	40,483	42,899	40,391

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2021	March 31, 2020	December 31, 2020
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	534	2,271	1,366
Current maturities of non-current liabilities	347	1,458	622
Financial derivatives	50	31	89
Trade payables	89	64	131
Other accounts payable	857	863	752
Current taxes payable	58	147	73
	1,935	4,834	3,033
Liabilities attributable to assets held for sale	23	5	24
	1,958	4,839	3,057
NON-CURRENT LIABILITIES			
Debentures	18,538	15,237	16,734
Interest-bearing loans from banks and others	5,166	6,385	5,680
Financial derivatives	123	86	165
Other liabilities	412	462	404
Deferred taxes	1,744	1,839	1,772
	25,983	24,009	24,755
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	204	237	204
Share premium	4,066	4,657	4,063
Retained earnings	4,853	4,982	4,761
Foreign currency translation reserve	(4,329)	(4,120)	(4,307)
Other reserves	937	656	842
Treasury shares	(1)	(77)	(1)
	5,730	6,335	5,562
Non-controlling interests	6,812	7,716	7,017
Total equity	12,542	14,051	12,579
	40,483	42,899	40,391

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

May 26, 2021			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31, 2021	Three months ended March 31, 2020	Year ended December 31, 2020
	Unaudited	Unaudited	Audited
	NIS in millions (except for per share data)		
Rental and other income	585	631	2,406
Property operating and other expenses	197	186	760
Net operating rental income	388	445	1,646
Fair value gain (loss) from investment property and investment property under development, net	16	(243)	(1,534)
General and administrative expenses	(83)	(80)	(352)
Other income	-	7	18
Other expenses	(23)	(8)	(36)
Company's share in earnings (loss) of equity-accounted investees, net	3	(30)	(78)
Operating income (loss)	301	91	(336)
Finance expenses	(220)	(691)	(806)
Finance income	238	48	109
Income (loss) before taxes on income	319	(552)	(1,033)
Taxes on income (tax benefit)	123	58	(147)
Net income (loss)	196	(610)	(886)
Attributable to:			
Equity holders of the Company	137	(618)	(653)
Non-controlling interests	59	8	(233)
	196	(610)	(886)
Net earnings (loss) per share attributable to equity holders of the Company			
Total basic net earnings (loss)	0.91	(3.36)	(3.91)
Total diluted net earnings (loss)	0.90	(3.36)	(3.92)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
Net income (loss)	196	(610)	(886)
Other comprehensive income (loss) (net of tax effect):			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
Net gains (losses) on financial assets at fair value through other comprehensive income	9	(58)	(74)
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations	10	(1,267)	(1,175)
Net gains (losses) on cash flow hedges	29	(40)	(41)
Total other comprehensive income (loss)	48	(1,365)	(1,290)
Comprehensive income (loss)	244	(1,975)	(2,176)
Attributable to:			
Equity holders of the Company (1)	156	(1,737)	(1,974)
Non-controlling interests	88	(238)	(202)
	244	(1,975)	(2,176)

(1) Breakdown of total comprehensive income (loss) attributable to equity holders of the Company:

Net income (loss)	137	(618)	(653)
Exchange differences on translation of foreign operations	(12)	(1,040)	(1,223)
Net gains (Losses) on cash flow hedges	24	(32)	(32)
Net gains (losses) on financial assets at fair value through OCI	7	(47)	(66)
	156	(1,737)	(1,974)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of December 31, 2020 (audited)	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017	12,579
Net income	-	-	137	-	-	-	137	59	196
Other comprehensive income (loss)	-	-	-	(12)	31	-	19	29	48
Total comprehensive income (loss)	-	-	137	(12)	31	-	156	88	244
Exercise and expiration of Company's share options into Company shares	*) -	3	-	-	(3)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	3	-	3	2	5
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(62)	(62)
Dividend paid **)	-	-	(45)	-	-	-	(45)	-	(45)
Capital issuance to non-controlling interests	-	-	-	-	1	-	1	37	38
Acquisition of non-controlling interests	-	-	-	(10)	63	-	53	(196)	(143)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(74)	(74)
Balance as of March 31, 2021	204	4,066	4,853	(4,329)	937	(1)	5,730	6,812	12,542

*) Represents an amount of less than NIS 1 million.
**) In the three months ended in March 31, 2021, the Company declared a dividend in the amount of NIS 0.3 per share (in a total amount of NIS 45 million), was paid on April 12, 2021.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of December 31, 2019 (audited)	237	4,656	5,740	(3,077)	635	-	8,191	8,135	16,326
Net income (loss)	-	-	(618)	-	-	-	(618)	8	(610)
Other comprehensive loss	-	-	-	(1,040)	(79)	-	(1,119)	(246)	(1,365)
Total comprehensive income (loss)	-	-	(618)	(1,040)	(79)	-	(1,737)	(238)	(1,975)
Exercise and expiration of Company's share options into Company shares	*) -	1	-	-	(1)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(77)	(77)	-	(77)
Cost of share-based payment	-	-	-	-	1	-	1	2	3
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(16)	(16)
Dividend declared	-	-	(78)	-	-	-	(78)	-	(78)
Capital issuance to non-controlling interests	-	-	-	-	*) -	-	*) -	3	3
Acquisition of non-controlling interests	-	-	-	(3)	38	-	35	(75)	(40)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(95)	(95)
Balance as of March 31, 2020	237	4,657	4,982	(4,120)	656	(77)	6,335	7,716	14,051

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Audited								
	NIS in millions								
Balance as of December 31, 2019 (audited)	237	4,656	5,740	(3,077)	635	-	8,191	8,135	16,326
Loss	-	-	(653)	-	-	-	(653)	(233)	(886)
Other comprehensive loss	-	-	-	(1,223)	(98)	-	(1,321)	31	(1,290)
Total comprehensive loss	-	-	(653)	(1,223)	(98)	-	(1,974)	(202)	(2,176)
Exercise and expiration of Company's share options into Company shares	*) -	6	-	-	(6)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(633)	(633)	-	(633)
Cancellation of treasury shares	(33)	(599)	-	-	-	632	-	-	-
Cost of share-based payment	-	-	-	-	10	-	10	5	15
Issuance of hybrid debentures to non-controlling interests	-	-	-	-	-	-	-	(16)	(16)
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earnings	-	-	(62)	-	62	-	-	-	-
Dividend declared	-	-	(264)	-	-	-	(264)	-	(264)
Acquisition of non-controlling interests	-	-	-	(7)	239	-	232	(579)	(347)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(326)	(326)
Balance as of December 31, 2020 (audited)	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017	12,579

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
Cash flows from operating activities:			
Net income (loss)	196	(610)	(886)
Adjustments required to present cash flows from operating activities:			
Adjustments to the profit or loss items:			
Finance (income) expenses, net	(18)	643	697
Company's share in losses (earnings) of equity-accounted investees, net	(3)	30	78
Fair value loss (gain) from investment property and investment property under development, net	(16)	243	1,534
Depreciation and amortization	7	10	28
Taxes on income (tax benefit)	123	58	(147)
Capital loss (gain), net	22	(5)	(6)
Change in provision for legal claims, net	(1)	-	(1)
Cost of share-based payment	5	3	15
	119	982	2,198
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	(83)	(28)	(194)
Increase in trade and other accounts payable	49	13	28
	(34)	(15)	(166)
Net cash provided by operating activities before interest, dividend and taxes	281	357	1,146
Cash received and paid during the period for:			
Interest paid	(162)	(114)	(821)
Interest received	4	6	32
Dividend received	13	28	66
Taxes paid	(47)	(15)	(45)
Taxes received	-	-	19
	(192)	(95)	(749)
Net cash provided by operating activities	89	262	397

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
Cash flows from investing activities:			
Proceeds from sale of investees	-	-	302
Investment and loans to investees	-	(26)	(42)
Acquisition, construction and development of investment property	(275)	(267)	(1,134)
Investments in fixed assets and other assets	(2)	(4)	(15)
Proceeds from sale of investment property, net of tax paid	515	263	492
Proceeds from sale of fixed assets	-	2	-
Grant of long-term loans	-	-	(112)
Collection of long-term loans	-	1	31
Short-term investments, net	-	4	9
Investment in financial assets	(278)	(653)	(1,279)
Proceeds from sale of financial assets and deposits withdrawal, net of tax paid	415	744	1,471
Net cash provided by (used in) investing activities	375	64	(277)
Cash flows from financing activities:			
Exercise of share options into Company's shares	*) -	*) -	*) -
Purchase of treasury shares	-	(77)	(633)
Capital issuance to non-controlling interests, net	38	3	-
Acquisition of non-controlling interests	(143)	(40)	(347)
Dividend paid to equity holders of the Company	(45)	(75)	(293)
Dividend paid to non-controlling interests	(74)	(96)	(326)
Receipt of long-term loans	-	1,412	1,010
Repayment of long-term loans	(10)	(94)	(44)
Repayment of short-term credit facilities from banks, net	(580)	(515)	(946)
Receipt (repayment) of short-term credit from banks and others, net	(490)	1,158	568
Repayment and early redemption of debentures	(1,092)	(399)	(2,556)
Issue of debentures	2,560	855	3,198
Interest paid on hybrid debentures for non-controlling interests	(62)	(16)	(16)
Net cash provided by (used in) financing activities	102	2,116	(385)
Exchange differences on balances of cash and cash equivalents	(42)	(28)	(56)
Increase (decrease) in cash and cash equivalents	524	2,414	(321)
Cash and cash equivalents at the beginning of the period	742	1,063	1,063
Cash and cash equivalents at the end of the period	1,266	3,477	742

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2021	Three months ended March 31, 2020	Year ended December 31, 2020
	Unaudited	Unaudited	Audited
	NIS in millions		
(a) Significant non-cash transactions:			
Sale of financial asset against receivables	-	-	31
Dividend payable to equity holders of the Company	45	78	45
Issue of debentures against receivables	-	-	90
(b) Additional information:			
Tax paid included under investing and financing activities	-	355	357

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

NOTE 1:- GENERAL

A. These consolidated financial statements have been prepared in a condensed format as of March 31, 2021 and for the three months then ended (the "Reporting Period") and for the three months then ended (collectively: "Interim consolidated financial statements"). These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2020 and for the year then ended and accompanying notes, that were authorized by the Board of Directors on March 21, 2021 ("annual financial statements").

B. Corona virus effects on the Group's activity

Further to Note 1b in the annual financial statements , during this quarter gradual lockdown of some of the Group's companies compounds took place, the compounds were opened and closed intermittently and depending on the disease situation in the various countries, when even during the period when they were open, the opening was partial some of the time. Essential enterprises, including supermarkets, pharmacies, banks, clinics and food stores that provided deliveries continued to operate throughout the aforesaid periods, including in closed compounds.

In Israel- extensive vaccination began during the quarter, which dramatically affected the morbidity of the disease, and accordingly led to the removal of most restrictions on gatherings, including the lockdown imposed in the last quarter of 2020 which was gradually removed during the quarter and as of February 21, 2021, the Company's commercial complexes in Israel are fully open, with the exception of cinemas. As of the date of publication of the report, there is a noticeable movement of visitors, similar to the periods preceding the pandemic.
In Central and Eastern European countries where the group operates, a lockdown was imposed (except in Russia) In Poland the group's compounds were closed from mid-March to early May, in the Czech Republic from mid-March to May 10 2021, and in Slovakia the lockdown imposed in December 2020 was removed in April 2021. In the Nordic countries, no instructions were imposed for closing the shopping centers (except in Estonia), however restrictions were imposed on gatherings and on opening hours of restaurants and places of entertainment. In Brazil, a lockdown was imposed in areas in which the group operates from March 6 to April 18, which was gradually removed, and from May 9, the Group's shopping centers are open with restrictions on gatherings and hours of operation. In the U.S. Group assets were open throughout the quarter and thereafter.
The total arrangements in rental fees with tenants as a result of negotiations, or which are obligatory in accordance with legislation in the various countries, as well as the decrease in the value of tenant debts during the lockdown period, amounted to NIS 57 million, of which NIS 35 million was recognized in the quarter reduced the company's net operating income.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

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

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

1. Amendments to IFRS 9, IFRS 7, IFRS 16, IFRS 4 and IAS 39 regarding the IBOR reform

In August 2020, the IASB issued amendments to IFRS 9, "Financial Instruments", IFRS 7, "Financial Instruments: Disclosures", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 4, "Insurance Contracts", and IFRS 16, "Leases" ("the Amendments").

The Amendments provide practical expedients when accounting for the effects of the replacement of benchmark InterBank Offered Rates (IBORs) by alternative Risk Free Interest Rates (RFRs).

Pursuant to one of the practical expedients, an entity will treat contractual changes or changes to cash flows that are directly required by the reform as changes to a floating interest rate. That is, an entity recognizes the changes in interest rates as an adjustment of the effective interest rate without adjusting the carrying amount of the financial instrument. The use of this practical expedient is subject to the condition that the transition from IBOR to RFR takes place on an economically equivalent basis.

In addition, the Amendments permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued, provided certain conditions are met. The Amendments also provide temporary relief from having to meet the "separately identifiable" requirement according to which a risk component must also be separately identifiable to be eligible for hedge accounting.

The Amendments include new disclosure requirements in connection with the expected effect of the reform on an entity's financial statements, such as how the entity is managing the process to transition to the interest rate reform, the risks to which it is exposed due to the reform and quantitative information about IBOR-referenced financial instruments that are expected to change.

The Amendments are effective for annual periods beginning on or after January 1, 2021. The Amendments are to be applied retrospectively. However, restatement of comparative periods is not required. Early application is permitted.

The Company is presently assessing the accounting implications, if any, of the transition from IBORs to RFRs on the financial instrument contracts that are expected to be in effect on the transition date, including the effects of the application of the above Amendments.

b. Disclosure of new IFRS standards in the period prior to their adoption

Amendments to IAS 9: Accounting policies, changes in accounting estimates and errors

In February 2021, the IASB issued amendments to IAS 8: Accounting policies, changes in accounting estimates and errors (the "Amendment"). The purpose of the Amendment is to introduce a new definition of the term "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements subject to measurement uncertainty". The Amendment clarifies changes in accounting estimates and how they differ from changes in accounting policy and mistake-correcting

The Amendment will be applied for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. Debt raising and redemption by the group

1. In February 2021, ATR issued EUR 300 million par value debentures (NIS 1,183) which carries an annual interest rate of 2.625% with maturity date on September 2027.

2. During the report period, ATR repurchased by a tender offer, debentures with a par value of EUR 78 million (NIS 308 million) with original maturity date in 2022.

3. In March 2021, CTY issued EUR 350 million par value debentures (NIS 1,380) which carries an annual interest rate of 1.625% with maturity date on September 2028.

4. During the report period, CTY repurchased by a tender offer, debentures with a par value of EUR 95 million (NIS 375 million) with original maturity date in 2022.

b. Other events

1. On March 17 2021, CPPIBEH notified about a sale of part of its holding in CTY, which according to the shareholders' agreement in connection to CTY between the Company and CPPIBEH, the agreement expired 30 days later on April 19, 2021

2. During the reporting period, a wholly-owned subsidiary of the Company purchased 11.8 million ATR shares in consideration of EUR 30 million (NIS 118 million).
In addition, according to ATR's general meeting, for the first quarter of 2021, the shareholder were able to choose to receive the quarterly dividend in one of two ways: (1) in cash; (2) in ATR's shares according with an agreed quarterly discount to the share price (scrip dividend). Consequently, ATR issued 4.7 million shares alternatively to cash dividend, out of which 4.3 million shares were issued to the Company. As a result of the described purchases and issuance, the interest of the Company in ATR rose from to 72.5% and the Group recognized an increase of NIS 59 million in equity attributable to equity holders of the Company, which was carried to capital reserves.
For details regarding the purchase after the reporting date, refer to note 5b.

a. On February 2, 2021, Gazit Malls FII (the "Issuer"), which is a fund for real estate investments wholly owned by the Company and which incorporated in Brazil, submitted a public draft prospectus to the Securities Authority in Brazil for an IPO of its participation units on the stock exchange in Sao Paolo, Brazil (BOVESPA), by means of a tender offer of 25% - 49% of the Company's holdings in the Issuer (indirectly) ("Tender Offer").
Prior to the Tender Offer, the Issuer will be the owner of five shopping centers in Sao Paolo out of the Company's assets portfolio in Brazil.
The Tender Offer is subject, inter alia, to receipt of regulatory approvals, including a permit from the Brazilian Securities Authority and the market situation in Brazil at that time.

NOTE 4:- FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

	March 31, 2021		March 31, 2020		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures	18,628	19,359	16,653	16,719	17,212	17,309
Interest bearing loans from banks and others	5,423	5,378	6,427	6,420	5,824	5,714
	24,051	24,737	23,080	23,139	23,036	23,023

b. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, as compared with their classification as of December 31, 2020. In addition, there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to the fair value measurement of financial instruments.

NOTE 5:- EVENTS AFTER THE REPORTING DATE

a. On May 26, 2021, the Company declared a dividend in the amount of NIS 0.3 per share (a total of NIS 45 million), payable on June 15, 2021 to the shareholders of the Company as of June 7, 2021.

b. After the reporting date, a wholly owned subsidiary of the Company purchased 7.8 million ATR shares in consideration of EUR 23 million (NIS 91 million). As a result, the interest of the Company in ATR rose to 74.5% and the Company will recognize an increase of NIS 22.3 million in equity attributable to equity holders of the Company, which was carried to capital reserves.

a. On May , 2021, ATR issued EUR 350 million hybrid bond. The hybrid bond is treated as shareholder's equity in ATR's consolidated financial statements prepared in accordance with IFRS and as non-controlling interests in the Company's financial statements.
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 carry a fixed interest rate of 3.625% per year until the date of the first interest reset date, and the issuance price was 98.197%. ATR can redeem the hybrid bond for the first time on August 4, 2026.

c. On April 20, 2021, A merger between the company and a wholly owned subsidiary, G-Israel was recorded in the Registrar of Companies, and with that, the merger was finalized

d. On May 14, 2021, Gazit Malls FII, which is a fund for real estate investments wholly owned and controlled by the Company which incorporated in Brazil, completed a raise of debt of BRL 650 million (NIS 405 million) by means of a private offer to institutional investors. The debt is linked to Brazilian CPI (IPCA), carries a fixed annual interest rate of 5.89% and has an average life of 9.4 years.

NOTE 6:- OPERATING SEGMENTS

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

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the Three months ended March 31, 2021								
Segment revenues	312	179	62	29	23	13	(33)	585
Segment net operating income	205	127	29	23	14	8	(18)	388
Segment operating profit	158	104	13	21	10	8	(13)	301
Finance income, net								18
Income before taxes on income								319

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the Three months ended March 31, 2020								
Segment revenues	308	206	61	51	26	13	(34)	631
Segment net operating income	211	140	44	47	16	9	(22)	445
Segment operating profit	191	116	38	41	8	8	(311)	91
Finance expenses net								(643)
Loss before taxes on income								(552)

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Audited							
	NIS in millions							
Year ended December 31, 2020								
Segment revenues	1,218	805	232	139	94	49	(131)	2,406
Segment net operating income	837	545	147	105	61	34	(83)	1,646
Segment operating profit	745	452	123	94	16	29	(1,795)	(336)
Finance expenses, net								(697)
Loss before taxes on income								(1,033)

Segment assets

	Public subsidiaries over which the Company has control		wholly-owned subsidiaries					
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Shopping centers in United States	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
March 31, 2021	18,580	10,737	3,848	2,528	1,909	758	2,123	40,483
March 31, 2020	17,774	11,517	3,769	2,726	1,783	729	4,601	42,899
December 31, 2020 (Audited)	18,845	10,790	3,812	2,629	1,851	742	1,722	40,391

GAZIT-GLOBE LTD.

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

As of March 31, 2021

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Building a better working world

Kost Forer Gabbay & Kasierer 144 Menachem Begin Road, Building A Tel-Aviv 6492102, Israel	Tel: +972-3-6232525 Fax: +972-3-5622555 ey.com

To
The Shareholders of Gazit Globe Ltd.

Dear Sirs/Mmes.,

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

Introduction

We have reviewed the separate interim financial information presented pursuant to Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970 of Gazit-Globe Ltd. ("the Company") as of March 31, 2021 and for the period of three months then ended. The Company's Board of Directors and management are responsible for the separate interim financial information. We are responsible for expressing our conclusion with regard to the separate interim financial information for this interim period, based on our review.

We did not review the separate interim financial information of a certain investee whose assets less attributable liabilities amounted to NIS 4,297 million as of March 31, 2021, and for which the Company's share of its earnings amounted to NIS 1 million in the period of three months then ended. The separate interim financial information of this company was reviewed by other auditors, whose report has been furnished to us, and our conclusion, insofar as it relates to the separate interim financial information with respect to this company, is based on the review report of the other auditors..

Scope of review

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

Conclusion

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

Tel-Aviv, Israel
May 26, 2021

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

GAZIT-GLOBE LTD.

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

Below are separate financial data and financial information from the Group's condensed consolidated interim financial statements as of March 31, 2021 published as part of the interim reports ("consolidated financial statements") attributable to the Company, presented in accordance with the Israeli Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

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

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

	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	307	1,078	305
Short-term investments and losses	14	-	90
Short term loans and current maturities of long-term loans to subsidiaries	13	124	277
Financial assets	146	213	266
Financial derivatives	-	26	36
Other accounts receivable	37	9	7
trade receivables	54	-	-
current taxes receivables	2	-	-
	573	1,450	981
Assets held for sale	218	-	-
Total current assets	791	1,450	981
NON-CURRENT ASSETS			
Financial derivatives	235	220	311
Investment property	3,371	63	80
Investment property in development	43	-	-
Other accounts receivable	49	28	23
Loans to subsidiaries	2,710	3,595	3,614
Investments in subsidiaries	13,684	14,430	14,181
Fixed assets and other assets, net	41	20	2
Total non-current assets	20,133	18,356	18,211
Total assets	20,924	19,806	19,192

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

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

	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from financial institutions and others	167	250	208
Current maturities of non-current liabilities	133	600	368
Short-term loans from subsidiaries	29	1,049	30
Financial derivatives	32	22	55
Trade payables	20	2	2
Other accounts payable	216	99	68
Current taxes payable	19	89	19
Dividend payable	45	78	45
Total current liabilities	661	2,189	795
NON-CURRENT LIABILITIES			
Loans from banks and others	3,358	2,119	2,050
Long-term loans from subsidiaries	3,913	2,479	3,670
Debentures	7,087	6,655	7,085
Other liabilities	24	-	-
Deferred taxes	151	29	30
Total non-current liabilities	14,533	11,282	12,835
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	204	237	204
Share premium	4,066	4,657	4,063
Reserves	(3,393)	(3,541)	(3,466)
Retained earnings	4,853	4,982	4,761
Total equity	5,730	6,335	5,562
Total liabilities and equity	20,924	19,806	19,192

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

May 26, 2021			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

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

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
rental and other income	60	-	2
property operating and other expenses	(33)	-	(1)
net, operating rentel income	27	-	1
Fair value gain (loss) from investment property, net	6	(3)	(9)
General and administrative expenses	(17)	(9)	(44)
Other expenses	-	-	(17)
Management fees from related companies	1	1	3
Income (loss) from subsidiaries, net	165	(213)	(325)
Operation income (loss)	182	(224)	(391)
Finance expenses	(96)	(488)	(345)
Finance income	107	97	40
Finance expenses from subsidiaries, net	(19)	(6)	(22)
Income (loss) before taxes on income	174	(621)	(718)
Taxes on income (tax benefit)	37	(3)	(65)
Net income (loss) attributed to the Company	137	(618)	(653)

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

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

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
Net income (loss) attributable to the Company	137	(618)	(653)
Other comprehensive income (loss) attributable to the Company (net of tax effect):			
Amounts that will be or that have been reclassified subsequently to profit or loss:			
Exchange differences on foreign currency translation	(178)	(15)	(8)
Other comprehensive loss attributed to the Company	(178)	(15)	(8)
Other comprehensive income (loss) attributed to subsidiaries (net of tax effect)	197	(1,104)	(1,313)
Total other comprehensive income (loss) attributed to the Company	19	(1,119)	(1,321)
Total comprehensive income (loss) attributed to the Company	156	(1,737)	(1,974)

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

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

	Three months ended March 31, 2021	Three months ended March 31, 2020	Year ended December 31, 2020
	Unaudited	Unaudited	Audited
	NIS in millions		
Cash flows from operating activities of the Company			
Net income (loss) attributed to the Company	137	(618)	(653)
Adjustments required to present net cash provided by operating activities of the Company:			
Adjustments to profit and loss items of the Company:			
Depreciation	1	*) -	1
Finance expense, net	8	397	327
Fair value loss (gain) from investment property and investment property under development, net	(6)	3	9
Loss (income) from subsidiaries, net	(165)	213	325
Cost of share-based payment	3	1	5
Taxes on income (Tax benefit)	37	(3)	(65)
	(122)	611	602
Changes in assets and liabilities of the Company:			
Decrease (increase) in other accounts receivable	(30)	(3)	2
Increase in trade payables and other accounts payable	13	40	26
	(17)	37	28
Cash paid and received during the year by the Company for:			
Interest paid	(117)	(55)	(529)
Interest received from (paid to) subsidiaries	3	(75)	51
Taxes paid	-	(3)	(3)
Dividend received	9	9	9
Dividend received from subsidiaries	40	55	184
	(65)	(69)	(288)
Net cash used in operating activities of the Company	(67)	(39)	(311)

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

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

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

	Three months ended March 31,		Year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	NIS in millions		
Cash flows from investing activities of the Company			
Proceeds from sale of investment property	60	-	-
Acquisition, construction and development of investment property	(13)	(66)	(88)
Return on Investments in subsidiaries,net	(13)	88	85
G-israel merger (note b2)	32	-	-
Loans repaid by subsidiaries, net	38	1,213	1,306
Proceeds from sale (investment) of marketable securities	107	(268)	(228)
Net cash provided by investment activities of the Company	211	967	1,075
Cash flows from financing activities of the Company:			
Exercise of stock options into shares	*) -	*) -	*) -
Repayment of short term credit from bank and others, net	(41)	-	(42)
Purchase of treasury shares	-	(77)	(633)
Dividend paid to equity holders of the Company	(45)	(75)	(293)
Issue of debentures less issue expenses	90	855	1,422
Repayment and early redemption of debentures	(257)	(399)	(844)
Receipt (repayment) of long-term credit facilities from banks, net	132	(219)	(79)
Repayment of long-term loans	(6)	-	(20)
Net cash provided by (used in) financing activities of the Company	(127)	85	(489)
Exchange differences on balance of cash and cash equivalents	(15)	(6)	(41)
Increase (decrease) in cash and cash equivalents	2	1,007	234
Cash and cash equivalents at the beginning of period	305	71	71
Cash and cash equivalents at the end of period	307	1,078	305
Significant non-cash activities of the Company:			
Dividend payable to equity holders of the Company	45	78	45
Issuance of debentures against receivable	-	-	90

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

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

a. General

This separate financial information as of March 31, 2021 and for the three-month periods then ended have been prepared in a condensed format in accordance with the provisions of Regulation 38d of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the financial information in the annual financial statements as of December 31, 2020 and for the year then ended and the accompanying notes thereto, that were authorized by the Board of Directors on March 21, 2021 and with the financial information in the interim condensed consolidated financial statements as of as of March 31, 2021.

b. Material events during the period

1. For details on the effects of the coronavirus on the company's operations See note 1b for Consolidated Interim Financial Statements

2. As of January 1, 2021, the activity of G-Israel, A wholly owned subsidiary of the company, was merged into the company, therefore the financial information from the consolidated statements attributable to the Company as of March 31, 2021 and for a three-month period then ended are for the merged company.

   On April 20, 2021, A merger between the company and a wholly owned subsidiary, G-Israel was recorded in the Registrar of Companies, and with that, the merger was finalized.

   Set forth is a reconciliation between the balances of assets and liabilities attributable to the Company, as of December 31, 2020 as reported in the Annual Financial Statements of 2020 and the balances as of January 1, 2021 after the merger with G-Israel.
   The adjustments include eliminating intercompany balances between the company and G-Israel that existed at the time of the merger.

	December 31, 2020		January 1, 2021
	As reported	Adjustments	After Merger
		NIS in millions	
ASSETS			
CURRENT ASSETS			
cash and cash equivalents	305	32	337
short term investments	90	-	90
Short term loans and current maturities of long-term loans to subsidiaries	277	(211)	66
Financial assets	266	-	266
Financial derivatives	36	-	36
Other accounts receivable	-	45	45
trade receivables	7	14	21
	981	(120)	861
Assets held for sale	-	217	217
Total current assets	981	97	1,078
NON-CURRENT ASSETS			
Financial derivatives	311	-	311
Investment property	80	3,213	3,293
Investment property in development		102	102
Other accounts receivable	23	28	51
Loans to subsidiaries	3,614	(980)	2,634
Investments in subsidiaries	14,181	(890)	13,291
Fixed assets and other assets, net	2	39	41
Total non-current assets	18,211	1,512	19,723
Total assets	19,192	1,609	20,801

	December 31, 2020		January 1, 2021
	As reported	Adjustments	After Merger
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from financial institutions and others	208	-	208
Current maturities of non-current liabilities	368	24	392
Short-term loans from subsidiaries	30	(3)	27
Financial derivatives	55	-	55
Trade payables	2	27	29
Other accounts payable	68	80	148
Current taxes payable	19	-	19
Dividend payable	45	-	45
Total current liabilities	795	128	923
NON-CURRENT LIABILITIES			
Loans from banks and others	2,050	1,334	3,384
Long-term loans from subsidiaries	3,670	-	3,670
Debentures	7,085	-	7,085
Deferred taxes	30	147	177
Total non-current liabilities	12,835	1,481	14,316
Total equity attributed to the company's holders	5,562	-	5,562
Total liabilities and equity	19,192	1,609	20,801

c. IFRS 7 - Financial Instruments

1. Fair value of financial instruments

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

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

	March 31, 2021		March 31, 2020		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures	7,177	7,516	7,233	7,141	7,432	7,452
Loans from banks and others	3,401	3,360	2,141	2,167	2,071	2,091
	10,578	10,876	9,374	9,308	9,503	9,543

2. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, compared to their classification as of December 31, 2020. In addition, there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of financial instruments.

d. Dividend declared

On May 26, 2020, the Company declared a dividend in the amount of NIS 0.3 per share (a total of NIS 45 million), payable on June 15, 2021 to the shareholders of the Company as of June 7, 2021.

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

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

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

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

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

1. Chaim Katzman, CEO and Vice Chairman of the Board of Directors;

2. Adi Jemini, Executive Vice President and CFO;

3. Oren Hod, Executive Vice President and COO;

3. Rami Vaisenberger, Vice President and Controller;

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

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

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

In the Annual Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure, which was attached to the Periodic Report for the period ended December 31, 2020 (the "Last Annual Report regarding Internal Control"), the Board of Directors and management evaluated the internal control at the Corporation. Based on this evaluation, the Corporation's Board of Directors and management reached the conclusion that the aforesaid internal control, as of December 31, 2020, is effective.

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

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

Officers' Declarations

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

Officers' Declaration

Declaration of the Chief Executive Officer

I, Chaim Katzman, declare that:

(1) I have examined the quarterly report of Gazit-Globe Ltd. (the "Corporation") for the first quarter of 2021 (the "Statements");

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

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

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

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

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

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

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

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

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

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

May 26, 2021

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

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

Officers' Declaration

Declaration of the most senior officer in the finance area

(1) I, Adi Jemini, declare that:

(2) I have examined the interim financial statements and other financial information included in the interim period statements of Gazit-Globe Ltd. (the "Corporation") for the first quarter of 2021 (the "Statements" or the "Statements for the Interim Period");

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

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

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

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

(B) Any fraud, whether or not significant, wherein the President 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;

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

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

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

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

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

May 26, 2021

Adi Jemini, Executive Vice President and Chief Financial Officer