LOCATION
LOCATION
LOCATION.

Financial Reports
2020

G CITY | RISHON LEZION | ILLUSTRATION

GAZIT GLOBE
GROUP

To our shareholders,

CHAIM KATZMAN
FOUNDER AND CEO

As we look back on 2020 to sum up our activities for the year, we realize that this year will be primarily remembered for the global health and economic crisis caused by the most severe pandemic the world has witnessed in the last century. Throughout the year, we remained informed and vigilant of market developments across the Gazit portfolio and made sure to adopt, change, and accommodate as needed. We sought to be nimble and proactive to ensure our assets maintained their market position and our tenants had the necessary help and resources to withstand these tough months. Gazit has always enjoyed a relative advantage in times of crisis and even at the peak of the COVID-19 pandemic some 55% of the Group's GLA (Gross Leasable Area) remained open and continued to serve consumer needs and provide daily services. This was a result of essential enterprises, supermarkets, pharmacies and daily-needs service providers, such as clinics municipal institutions and a diverse mix of tenants that included a variety of essential businesses fulfilling "last-mile" needs. Gazit assets proved vital centers to communities in which we work, gather, and engage in commerce even in the face of severe lockdowns. The geographic diversification of the Group's portfolio also contributed to its ability to robustly contend with the pandemic.

As of the date of reporting, we operate in 14 countries while more than 80% of our properties are concentrated in 16 of the largest and strongest cities in the world, all of which are characterized by favorable demographics evidenced by the significantly higher socioeconomic level compared to the respective national average.
For example, shopping centers in the Nordics did not close throughout the entire period of the pandemic and our rental collection rate in these countries held at 96%. The neighborhood centers in Israel, most of which are located in the Greater Tel Aviv Metropolitan area close to densely populated city centers, continued to serve our customers, who were forced to work from home throughout the entire lockdown period. It is too early to say whether the pandemic is "behind us", but each time there was an easing of lockdown restrictions in a given area, we have observed a rapid return to previous daily routines and behaviors. For instance, we are now seeing this rapid return to pre-pandemic life in Israel, with the current re-opening of the country from lockdown restrictions set against the background of the successful ongoing vaccination campaign.

Even though the total number of visitors in our centers is lower compared to last year, tenants' sales remain robust as a result of higher average consumer spend per visitor. We believe that just like we have experienced in previous crises, there will be short-term pressure on occupancy rates while occupancy rates in the medium-term should return to pre-COVID-19 pandemic levels. Quality real estate in select locations will continue to be in high demand in the future.

As part of the effort to contend with the COVID-19 crisis and its implications, we adopted a number of measures to strengthen the Company’s capital structure and increase its liquidity reserves:

We announced a plan for the disposal of properties held by our private subsidiaries that are either non-core properties or properties in which the Company has concluded its value-add improvements, amounting to in total up to NIS 1 billion by the end of 2021. As of the date of this report, we have sold one property and signed binding agreements for the sale of two properties, amounting to a total of NIS 650 million.

Updating the quarterly dividend policy per share from NIS 0.43 per share to NIS 0.30 per share, for five quarters, which we expect to result in savings of NIS 100 million by the end of 2021.

The completion of G Israel’s merger into Gazit Globe enables the continued expansion of the merged company's operations in Israel and the expansion of the Company's financing options.

G TZAMERET | TEL AVIV

KOCHAV HATZAFON | TEL AVIV

G FASHION | RISHON LEZION

Key Developments
in our Wholly-Owned Subsidiaries

ISRAEL

Our urban properties portfolio in Israel demonstrated stability during the COVID-19 pandemic and its occupancy rate amounted to 97.7%. The portfolio contains 60% open air complexes and is located in areas with high socioeconomic demographic levels and with a high degree of access to public transport. This leads to extremely high demand for our quality properties. Despite the crisis, 182 new lease agreements were signed in Israel during the year, including option renewals over a total area of 31,000 sqm with rental rates 1% higher than the in-place, expiring contracts.

During 2020, we commenced occupancy upon the completion of the development project for our new property in the Kochav Hatzafon (North Star) neighborhood in Tel Aviv, covering an area of 2,300 sqm, and we completed expansion of the G City property in Rishon Lezion, adding 13,500 sqm, and increasing the asset's NOI by NIS ~22 million per annum.

In the last quarter we received the development project excavation permit for the office building above the two stories of retail property and parking lots we are developing, planned for a total of 65,000 sqm in the G City property in Rishon Lezion. We anticipate that the development projects excavation work should commence during the second quarter of 2021. The office building will be connected to the light-rail station that is currently under construction on the western side of our property, stretching over 1 km and a short walking-distance away from the Israel Railways' Moshe Dayan train station. Adjacent to G Kfar Saba, we are in advanced stages of construction on the Decathlon branch and head office, which is due to be completed in the third quarter of 2021. In addition, two retail floors adjacent to the Decathlon offices are currently under construction and are due to be completed during 2021. In our property in Savyon, we have begun expansion of the existing property by an additional 4,500 sqm of retail and office space. In parallel to the commencement of the new projects, in the first quarter of 2021, we also signed a binding agreement for the sale of our portion (50%) in the land we own in Ramat Aviv for NIS 216 million, as part of our plan for the disposal of non-core properties. We shall continue to endeavor to capitalize upon and realize the potential building rights in our existing properties, we shall focus on increasing density and adding new uses to our existing properties, including residential rental units, which support the retail component of the mixed-use properties by driving more footfall, activity, and value to our properties.

KOCHAV HATZAFON | TEL AVIV

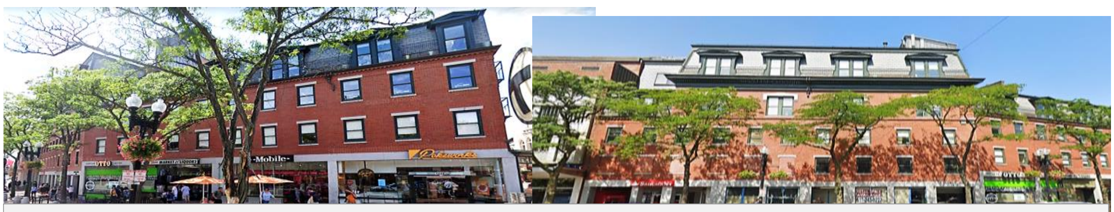
NORTH AMERICA

The portfolio in the USA and Canada is high quality and located in central, urban areas in leading cities along the east coast. Most of the portfolio consists of mixed-use assets in which we believe there is considerable embedded opportunity to create added value, via expansion, renovation, redevelopment and proactive management of these properties.

Over the course of the past year, we have implemented our strategy to create value by acquiring properties in unique locations. For example, in Manhattan we signed a new lease agreement with the “DIY” giant, Home-Depot and created a significant increase in value. This property was acquired in 2017 for USD 73 million and is unique in terms of its size and location in one of the wealthier and more established neighborhoods in Manhattan. It covers an area of 9,300 sqm on three retail floors with high ceiling heights and a broad facade on First Avenue. At the time of the property's acquisition, the Bed, Bath & Beyond was the key tenant in the property and Starbucks occupied the remaining area for an annual rent of USD 4 million, which we identified at the time of the acquisition as an opportunity, since the rent was considerably below the then market rent. In 2018, we acquired the parking lot adjacent to the property for USD 7 million, based on the understanding that the addition of the parking lot constitutes a significant opportunity to unlock value. During the second quarter of 2020, we reached an agreement with Bed, Bath & Beyond in which they would vacate the property at no additional cost, and we signed a new lease agreement with Home-Depot for a 20-year period for annual rent of USD $7.8 million and with an average 1% annual increase in rent. This new contract enabled us to successfully double the rent and increase the ROI from 5% to 8% per annum which will positively translate to value appreciation, likely manifested in the upcoming quarters.

In December, we acquired a mixed retail and office building in Harvard Square, Cambridge, USA opposite the main entrance to Harvard University. This is the eighth property we have acquired in Boston. Gazit Horizons now owns and manages 12 properties with a total value of USD 561 million. The building, located near the subway station, is occupied by Harvard University offices on the upper floors and by various retailers on the street level. We plan to make substantial improvements to the property such as renovating the lobby, the common areas and the building technical systems. Retailers such as CVS and Santander Bank are due to reach the end of their lease contracts in 2021, which will allow us to create unique retail space with broad facades facing the street, in a rare location. In February 2021, Hennick & Co., our partner in Gazit’s largest asset in Toronto, participated in the purchase of the Cambridge asset for which Gazit will be entitled to commercially reasonable management fees.

We have recently held many meetings with the City of Miami regarding the planning of the residential and retail tower in Brickell, Miami, an investment of NIS 1.5 billion, which will include a variety of uses, including retail, recreation, offices and residential units for rent including micro-apartments. We believe that we will receive a construction permit for the property by the end of 2021.



CAMBRIDGE | MASSACHUSETTS

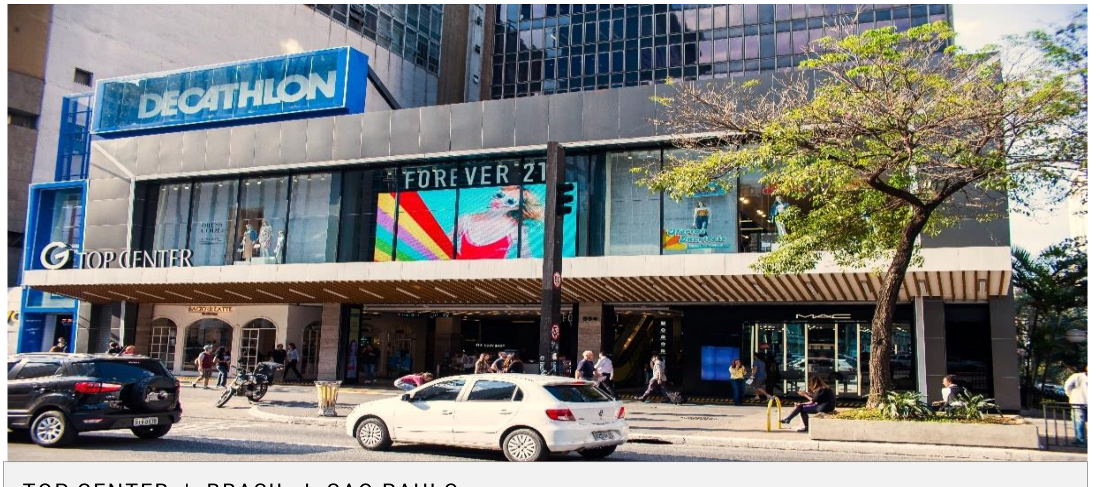
>

BRAZIL SAO PAULO

Our Brazilian portfolio, which is located entirely in the center of Sao Paulo, was growing at double digit same store NOI growth until the outbreak of the COVID-19 pandemic. The main damage from the COVID-19 pandemic and the ensuing lockdowns was in the variable revenues such as parking revenues and tenants' revenues from proceeds, and it is possible to discern strong recovery in these two parameters following the easing of lockdown restrictions and the return of visitor footfall to the shopping centers. The occupancy rate stood at 97%; however, Brazil is still suffering from the pandemic and in early 2021 a lockdown was enforced in Sao Paulo again.

During 2020, the team in Brazil continued to engage in proactive-management of the shopping centers and significant contracts were signed with leading tenants even in the face of COVID-19 pandemic related uncertainty. The NBA League opened a store in Brazil and chose Gazit Brasil's Morumbi Town as its location. The NBA store will be the fourth largest in its global chain, The government interest rate in Brazil (Selic) declined to levels of 2% from levels of 16% several years ago (as of the date of this report, the interest rate is 2.75%), which led to a weakening of the local currency, offset by a revival in the income producing real estate market. We are witnessing rising demand on the part of both local and foreign investors, who are now entering the Brazilian real estate market.

During February 2021, we submitted to the Brazilian Securities and Exchange Commission (CVM) a draft prospectus for the IPO of most of our activity in Brazil on the Sao Paulo exchange by way of an FII offering (similar to a REIT or Real Estate Investment Trust). Prior to the IPO, the dedicated fund will raise long-term secured debt. By going public through this structure, we should be able to create more flexibility with regards to our holdings in Brazil and reduce our Country exposure, which currently amounts to 16% of the Group's global portfolio. The transaction will also increase the Group's liquidity reserves and reduce leverage. Moreover, the IPO will generate a new source of revenue from annual management fees. We anticipate the total consideration from the IPO including raising debt will be in the range of BRL 1.2-1.7 billion, equivalent to NIS 710 million to NIS 1 billion.



TOP CENTER | BRASIL I SAO PAULO

Key Developments
In European Subsidiaries

NORTHERN EUROPE - CITYCON

The COVID-19 crisis highlighted Citycon's resilient portfolio. The assets showed stable operating results in all the countries in which it operates, with a high rent collection rate of 96% for the year 2020. A rise in the average consumer basket per visitor of 16% and a rise in tenant sales of 2.5% compared with 2019. During this period, new contracts were signed for an area of 199,000 sqm, a rise of 12% compared with 2019. Currently 8% of Citycon's space is leased to government tenants. Over the course of the year, Citycon management focused on communicating the Company's strategy of differentiation and mixed-use potential The Company will continue to implement this strategy and focus on large properties, from essential enterprises such as supermarkets and government services, that are either connected to or include inside them public transport stations, with potential to add residential units, offices and other services. Citycon is currently developing its Lippulaiva shopping center in western Helsinki, which is due to open in the spring of 2022, and recently sold the buidling rights for 150 residential units and is designating the remaining residential units for rent, as part of Citycon's strategic plan to expand into the field of rental properties. Citycon is working to establish 120 apartments and 3,000 work-stations at the Liljeholmen property in Stockholm, Sweden, in conjunction with the City of Stockholm. The total area of the property owned by the Company would increase from an existing 48,000 sqm (shopping center) to 118,000 sqm (mixed uses).

After reporting year end results, Citycon signed a binding agreement for the sale of three shopping centers in Sweden, for a sum of SEK 1,483 million (approx. EUR 147 million), which is greater than the appraised book value of the properties. Disposition proceeds will be used to strengthen the Company's balance sheet and promote the Company's strategy for exploiting and expanding existing building rights in the Company's properties.

LIPPULAIVA | HELSINKI AREA | FINLAND

CENTRAL EUROPE – ATRIUM

The number of visitors and tenant sales have displayed a strong recovery following the easing of lockdown restrictions. Despite the decrease in the number of visitors compared with last year, tenant sales have remained stable, due to the rise in the average consumer basket per visitor. Following the COVID-19 pandemic, beginning in March 2020 and until February 2021, an average of 30% of the businesses remained closed and the operating results during this period were affected primarily in Poland, due to government legislation that hindered rent collection during the lockdown period. During the year, Atrium saved more than EUR 110 million by reducing non-essential capex, postponing development projects and implementing a Script Dividend plan that will continue throughout 2021.

In 2020, Atrium continued with plans to sell non-core properties and sold multiple properties amounting to EUR 78 million. Today, 85% of Atrium's portfolio is concentrated in Poland and the Czech Republic, and 55% of the value is in the capital cities of Warsaw and Prague.
Atrium is actively implementing the residential rental strategy a plan they announced back in February 2020. Atrium has set a target for itself to achieve ownership of a portfolio of 5,000 residential units by 2025, and it is moving ahead with a project for the development of 800 housing units in five buildings in the existing property, Atrium Promenada, in Warsaw.

WARS SAWA JUNIOR | WARSAW | POLAND

GAZIT 2025*

The Company has made substantial progress with its strategy of becoming an operating real estate company, while strengthening its existing portfolio and opportunistically expanding into new areas. We shall continue to invest efforts to further increase the private real estate component in strategic locations in central cities worldwide, while adding mixed uses, primarily focused on residential rental properties and offices. We shall continue to unlock value by realizing potential building rights at our existing properties. In North America, we look forward to increasing the scope of investment so that our North American portfolio will comprise 25-30% of the Group's total property portfolio. We shall also continue to act towards improving and expanding our real estate portfolio in Israel. In Brazil we are working to create value, to reduce exposure and create an additional income stream - annual management fees from the Gazit managed real estate fund we intend to establish. In Europe, we shall continue to work vigorously to improve the companies under our control and to create value in them by improving the properties themselves and exploiting the many existing development rights.

We are constantly working to reduce the leverage within the Group and have set a target for the net debt to total balance sheet ratio (on an expanded solo basis) below 50%. This target will be achieved through the sale of non-core properties and the dividend reduction decision previously mentioned. Our financial expenses have decreased by hundreds of millions of NIS over the years, and this has been done while extending the average duration of debt and increasing financial flexibility in the Company. Times of crisis often provide us with a good opportunity to examine how we have conducted our business over the years, to think strategically and draw conclusions possibly by thinking “out of the box”.
Over the years, Gazit Group has developed capabilities that the market might not be aware of and certainly does not appreciate. The Company has a presence in 14 countries, and when I say a presence, I really mean ‘boots on the ground’, with hundreds of employees, a profound understanding of the country and all its complexities, a reputation in the local market, an in-depth familiarity with the financial systems and local government administration. I wish to stress that these are additional potential capabilities, and our decision to use them in no way detracts from the degree of attention we give and will continue to give to our property portfolio, its development and improvement. We intend to expand the Company’s field of activities into renewable energy. In recent years, we have carried out a number of renewable energy projects in our properties, in the USA, Israel and Europe, and now the Company is in the advanced stages of negotiations with a leading local solar energy company to establish a partnership that will launch solar energy projects in those countries in which we operate.

GAZIT 2025*>

Secondly, thanks to our extensive market presence, we also receive many business proposals in the ordinary course of business, primarily in the field of Proptech, Fintech and Retail Tech, related to the real estate business. We have received offers ranging from companies seeking strategic or financial investors to companies marketing their products to be used in Gazit properties. To date, we have not invested in such companies, but we have reached the conclusion that this pipeline does have substantial value and we are looking to raise a USD $250 million Special Purpose Acquisition Company ("SPAC"). We shall examine investments in these fields and seek to find a lucrative proposition in the space. The SPAC will be headed by Zvi Gordon, our Vice President of Investments, who will lead the SPAC effort to source appropriate companies for a potential transaction. To be clear, I wish to point out that we will be the sponsor of the SPAC, namely we shall establish and run it, but we shall not invest in the issuance beyond bearing the costs of forming and operating the SPAC, and if the SPAC succeeds in finding an investment supported by its shareholders, we will be entitled to an estimated 20% of the SPAC shares.

THANK YOU

Three years have elapsed since I took the reins of management to continue with the implementation of our strategy, and to lead Gazit-Globe to its deserved position as one of the leading, urban, income producing real estate companies in the world. Thanks to the Chairman and the members of the Board of Directors and all the Company's employees across all the countries where we operate, and in Israel, for the dedicated work throughout the last year in the midst of an unprecedented global crisis. I am convinced that just as in previous periods, with our meticulously planned property mix, responsible and prudent conduct, a responsible management team, who possess dozens of years of experience, we shall emerge, as we have in previous economic crises, even stronger than we were prior. We shall continue to work incessantly for the benefit of our shareholders, by leading Gazit-Globe towards new horizons and even greater achievements.

Yours faithfully and wishing you all good health,

Chaim Katzman

*This letter includes information about the Company's business plans and constitutes forward-looking information as defined in the Securities Law, 1968. Such plans are uncertain and may not materialize, in part or in whole.

THIS DOCUMENT IS AN ENGLISH TRANSLATION OF THE HEBREW VERSION OF THE COMPANY'S FINANCIAL STATEMENTS AND THE MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR 2020 (THE "REPORTS"). THE HEBREW VERSION OF THE REPORTS IS THE BINDING VERSION AND THE ONLY VERSION HAVING LEGAL EFFECT. THE ENGLISH TRANSLATION HAS BEEN CREATED FOR THE PURPOSE OF CONVENIENCE ONLY. THE APPROVAL OF THE COMPANY'S BOARD OF DIRECTORS WAS GIVEN TO THE HEBREW VERSION ONLY AND NO SUCH APPROVAL HAS BEEN GIVEN TO THE ENGLISH TRANSLATION. THE ENGLISH TRANSLATION WAS NOT PUBLISHED AND HAS NOT BEEN SUBMITTED TO THE ISRAELI SECURITIES AUTHORITY FOR ITS REVIEW.

GAZIT GLOBE
GROUP

PERIODIC REPORT FOR 2020

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PERIODIC REPORT DESCRIBING THE COMPANY'S BUSINESS[1]

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

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

1. The Company's operations and its business development

1.1. Gazit-Globe Group - General

The Company, directly and through its public and private investee companies[2] (collectively: "the Group"), operates in purchasing, improvement, developing and managing of an income-producing real estate for mixed-use, including retail, office and residential properties that supply the needs of the population, 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, within its regions of operations and in other regions.

The Group's strategy is focusing on real estate that has the potential to increase value and cash flows through proactive management, improvement, the addition of uses, development and redevelopment, while simultaneously, the Group operates to sell properties that are not its core properties, including those which the Group believes have limited growth potential and/or are in areas where the Group wishes to cut back its operations, 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 business is currently in two types of investments, and as part of its strategy, the Company usually operates to increase the share of private real estate activity (operations that are not owned through public companies):

- Wholly owned private companies, in which the Company implements its strategy exclusively, is responsible for financing their operations and is supervising their management. This activity takes place through G Israel Commercial Centers Ltd. ("G Israel"), which is currently completing a merger process with and into the Company, subsidiaries in Brazil[3] ("Gazit Brasil"), Gazit Horizons Inc. in the USA ("Gazit Horizons") and a subsidiary operating in Canada, including through Partnership "Gazit Tripllle". G Israel, Gazit Brasil and Gazit Horizons are consolidated in the Company's financial statements and each of them constitute a separate operating segment of the Company.
- Public companies controlled by the Company which have a similar strategy, and in which the Company is the largest shareholder. This activity takes place through Citycon Oyj ("CTY") and through Atrium European Real Estate Limited ("ATR").
  Both CTY and ATR are consolidated in the Company's financial statements and each constitute separate operating segments of the Company.

As part of this strategy, beginning in 2017 and up to immediately prior to the publication of this report, the Company exercised all of its holdings in public companies in North America in the amount of NIS 9.6 billion and at the same time, in 2017 it established a branch of private real estate in the United States, Gazit Horizons Inc. In 2019, it established new partnership in Canada which is held 60%, focusing on the city of Toronto at this point of time (as detailed in Section 11.2 of the statements).

During the first quarter of 2020, the COVID-19 pandemic broke out and spread throughout the world, including to the Group's areas of operation. At the outbreak of the pandemic, governments worldwide imposed various restrictions to prevent crowding, including restrictions on the opening of shopping centers. The extreme uncertainty that existed during 2020 due to the pandemic, coupled with the various restrictions that were imposed as a result, caused an economic crisis in many countries as well as sharp declines on world stock

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

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

[3] For details regarding the intention to register for trading as a company holding part of Gazit Brasil's assets on the San Paulo exchange, by means of an tender offer, see Section 9 below.

exchanges and sharp changes in currency exchange rates, as was also expressed in the operations and outcomes of the Group's companies, the properties of which were opened and closed alternately throughout the reporting period. For more information about the impact of the COVID-19 pandemic on the Group's operations and its financial situation, see Section 1.2 of the Directors' Report.

In order to deal with the COVID-19 crisis and its consequences, the Company implemented proactive measures to strengthen its capital structure, while maintaining its high credit rating, *inter alia,* by means of the following actions:

A. Realization of properties held by the private subsidiaries, which are non-core properties or regarding which the Company has exhausted their improvement potential, at an amount of NIS 1 billion until the end of 2021. In this context, as of the reporting date, the Company and its private subsidiaries have entered into agreements for the sale of three properties for a total of NIS 650 million.

B. Updating of the quarterly dividend policy per share, reducing it from NIS 0.43 per share to NIS 0.30 per share, for a duration of five quarters, in a manner that is expected to result in savings of NIS 100 million until the end of 2021.

C. Completion of the merger of G Israel's operations with and into the Company in a manner that will enable continuation of the expansion of the Company's merged operations in Israel and expansion of the Company's financing options. As of January 1, 2021, the financial systems of the companies were merged and it is operating as a merged entity. Completion of the legal merger and liquidation of G Israel is expected to take place during the second quarter of 2021.

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. The Company assets as of December 31, 2020:

	Country of operation	Holding interest	Income-producing properties	Properties under development	Other properties	GLA (thousands of square meters)	Carrying value of investment property and investment property under development (NIS millions)
CTY	Finland, Norway, Sweden, Estonia and Denmark	48.9%	40	1	-	1,193	16,967
ATR	Poland, Czech Republic, Slovakia and Russia	69.3%	25	-	-	780	9,935
Gazit Brasil	Brazil (Sao Paulo)	100%	7	-	1	179	2,560
G Israel	Israel	100%	12	-	-	168	3,654
	Bulgaria	100%	1	-	-	6	88
Gazit Horizons	USA	100%	10	-	1	44	1,517
Gazit Canada	Canada	100%	1	-	-	18	201
Gazit Germany	Germany	100%	1	-	-	24	362
Total carrying value			**97**	**2**	**2**	**2,412**	**38,284**
Jointly controlled properties (proportionate consolidation)			8	-	-	108	2,200
Total			**105**	**2**	**2**	**2,520**	**37,484**

* Additionally, the Company and its subsidiaries own land for future development as well as unutilized construction rights for different uses (including residential) in income-producing existing properties.

As of December 31, 2020, the Company does not have a principal tenant[2], and as of that date, the tenant that generates the highest revenue for the Company and its subsidiaries, out of all its tenants, is Kesko, a leading supermarket chain in the Nordic countries, the income from which represented 2.2% of the Group's rental income in 2020.

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

Private holdings:

Israel – In Israel, the Group operates through G Israel, which owns 12 G Centers in Israel worth NIS 3,654 million, focusing in Gush Dan area. In addition, G Israel has development projects for offices and retail spaces in existing properties of the Company, which are in the planning and execution stages. The Company is working to complete the merger of G Israel with and into the Company during the second quarter of 2021. For details, see Section 8 below.

USA - In 2017, the Company established Gazit Horizons, a private real-estate arm which operates in densely populated urban areas in large cities in the US, mainly in New York, Boston, Philadelphia and Miami. As of the Report Date, it owns (including with partners) 10 income-producing properties worth approximately USD 472 million (as detailed in Section 10 below).

Brazil - Gazit Brasil holds 7 income-producing properties in São Paulo worth BRL 4,137 million. On February 2, 2021, Gazit Malls FII, a real estate investment fund that is owned and wholly controlled by the Company, submitted a public draft prospectus to the Securities Authority of Brazil for initial listing for trade of its participation units on the stock exchange in Sao Paulo, by means of a tender offer of 25% - 49% of the holdings of Gazit Malls (indirectly). Furthermore, Gazit Malls intends, immediately prior to the tender offer, to raise a lien-secured debt of up to 650 million Brazilian real (NIS 390 million), by means of a private offer to institutional investors. Prior to the tender offer, Gazit Malls will hold five of Gazit's properties in Brazil, with a total value of 2.8 billion Brazilian real (NIS 1.7 billion). For details, see Section 9 below.

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

3 Formerly Internacional Shopping FII.

Canada - As of the last quarter of 2019, the Company operates in Toronto, Canada through Gazit Canada, including through Partnership "Gazit Tripllle" (60%), which owns 7 properties with a total value of 108 million Canadian dollar including ownership of 33% of a property with total value of 250 million Canadian dollar, which additional 33% of it is also held by a wholly owned subsidiary of the Company and the rest is held by a third party, as detailed in Section 11.2 below.

Public Holdings:

Northern Europe - In Northern Europe, the Group operates through CTY, a public company whose shares are traded on the Helsinki Stock Exchange (OMX) in Finland. CTY operates principally in Finland, Norway, Sweden, Estonia and Denmark. In the Reporting Period, CTY continued to upgrade its property portfolio and enhance its balance sheet, and in this context it invested approximately EUR 211.5 million in the development of a shopping center in Helsinki, Finland and it purchased 3 commercial properties in Norway (in which it previously held 20% of the properties) for approximately EUR 145 million, while at the same time it sold the property that is not part of its core business in consideration of EUR 12 million. Furthermore, after the reporting period, it entered into a binding agreement for the sale of three shopping centers in Sweden in consideration of EUR 147 million.

Central and Eastern Europe - In Central and Eastern Europe the Group operates through ATR, which is traded on Austria's Vienna Stock Exchange (VSE) and on the NYSE Euronext in Amsterdam, the Netherlands. ATR operates mainly in Warsaw, Poland and in Prague, Czech Republic. In the reporting period, ATR continued to apply its strategy of focusing its operations and increasing its property portfolio in Warsaw and Prague and improving its property portfolio, with an emphasis on large urban properties, and it has started to implement its strategy to diversify its property portfolio by increasing the extent of its residential real estate for lease. In this context, during the reporting period, ATR sold six properties that are not its core properties, in the amount of approximately EUR 78 million.

During the reporting period and thereafter, the Company invested EUR 116 million in the purchase of ATR shares, and increased its holding from 60.1% to 73.2% of ATR's share capital. For details regarding the agreement between the Company and ATR, see Section 23.2 below.

<u>Group structure</u>

For a description of the structure of the principal companies in the Group as of December 31, 2020, see Section 1.7 of the Directors' Report.

The Group description will be presented below, divided according to the areas of operation set forth below, except for with regarding to information that is relevant to all areas of operation, which will be presented together, and except for information on specific topics related to a description of the Company itself, which will be presented separately. The information included in the descriptions of each of the areas of operation of real estate for investment will be presented according to the primary geographic regions where the operations in that area are concentrated.

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

2.1 For information regarding the plan to buy back shares and debentures of the Company, as well as buybacks performed by the Company, including though a tender offer, refer to Section 3.8 of the Directors' Report.

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

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

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

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

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

3.2 For details regarding the dividends distributed by the Company to its shareholders from January 1, 2019 until immediately prior to the publication date of this report, see the consolidated statements of the changes in equity and Note 25F to the financial statements.

3.3 The outstanding distributable profits (in accordance with the profit test as defined in the Companies Law, 1999) as of December 31, 2020, amounted to approximately NIS 4,761 million.

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

Under the provisions of the deeds of trust for the Debentures (Series M, N and O), the Company undertook not to distribute a dividend (according to its definition in the Companies Law, 1999), in each of the following instances, including if one of the following instances should occur as a result of such distribution: if the Company's equity[4] falls below the shekel equivalent of USD 850 million (with regard to Series M) or under an amount in NIS equivalent to USD 1 billion (with regard to Series N and O); if there are grounds for demanding immediate repayment of these Debentures; if the Company is in breach of any of its material undertakings towards the holders of these Debentures. The Company does not meet the distribution criteria set forth in the Companies Law, including the liabilities criterion (with regard to Series N and O); if the Company breaches any of its material liabilities toward the holders of the Debentures (with regard to Series N and O).

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

B. Other information

4. Financial information concerning the Company's operating segments

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

For the year ended December 31, 2020

	Northern Europe	Central and Eastern Europe	Israel	Brasil	United States	Other segments	Consolidation adjustments (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,218	805	232	139	94	49	(131)	2,406
Percentage operating segment revenues	51%	33%	10%	6%	4%	2%	(6%)	100%
Operating segment costs	473	353	109	45	78	20	1,664	2,742
Operating profit attributable to the Company's shareholders	364	302	123	94	12	29	(1,136)	(212)
Operating profit attributable to non-controlling interests	381	150	-	-	4	- **)	(659)	(124)
Total assets attributable to the operating segment	18,845	10,790	3,812	2,629	1,851	743	1,731	40,401
Total liabilities attributable to the operating segment	486	445	55	14	11	44	26,757	27,812

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

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

For the year ended December 31, 2019

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

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

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

For the year ended December 31, 2018

	Northern Europe	Central and Eastern Europe	Israel	Brasil	United States	Other segments	Consolidation adjustments (*)	Consolidated
	NIS millions							
Operating semnet revenues from external sources	1,416	1,073	224	183	44	29	(129)	2,840
Percentage operating segment revenues	50%	38%	8%	6%	2%	1%	(5%)	100%
Operating segment costs	636	458	126	31	40	29	(491)	829
Operating profit attributable to the Company's shareholders	354	369	98	152	3	-**)	(234)	742
Operating profit attributable to non-controlling interest	426	246	-	-	1	- **)	596	1,269

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

The Company reports several operating segments, as specified in Section 1.1 above.
For information about the changes in each of the aforesaid parameters in 2020 and 2019, see the Directors Report.

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

5.1. The income-producing properties sector is also inherently exposed to developments in the business-economic environment. Accordingly, factors such as changes in consumer preferences, changes in consumer spending power and habits, including the strengthening of alternative consumer platforms, such as e-trade platforms, during the reporting year, construction of new properties competing with the Group's properties, decline in the volume of economic activity, whether in general or in a specific region, changes in interest rates, changes in currency exchange rates, fluctuating inflation rates, as well as other factors, can affect the ability of property tenants to meet their commitments to the Group and, consequently, the Group's ability to continue renting out its properties at the same rent levels and occupancy rates. Other than detailed in Section 28 below, the Company has not assessed the impact of the events and developments as described above.

In the first quarter of 2020, the COVID-19 pandemic broke out in many countries in the world, including countries in which the Group operates, and the World Health Organization declared COVID-19 a global pandemic. The outbreak of COVID-19, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the pandemic, have led to a global economic crisis, which is expressed, *inter alia*, as damage to the financial robustness of lessees, a change in consumer habits of visitors to the shopping centers, a sharp decline in stock exchanges around the world, changes in interest rates in certain countries, changes in currencies and in an increase in yield margin as required under corporate debentures issuers, including the Company.

For additional information regarding to the Corona crisis and its impact on the Group's activities, see Section 1.2 of the Directors' Report.

The Group operates in geographical regions with different market characteristics, different macroeconomic environments, different morbidity rates, different guidelines and restrictions imposed by the governments, and different rates of vaccination of the populations. In light of the differing market characteristics and the macroeconomic environments that may be relevant to the Group's operations in each of the main countries in which it operates, and with respect to each of its operating segments, the descriptions of each operating segment will be presented separately (see Sections 6.3, 7.3, 8.3, 9.3, and 10.2).

The Company believes, in view of the profile of the properties in which it invests and taking note of its investment strategy which focuses principally on the acquisition of properties in densely populated urban-growth areas, that the Company's performance faces less exposure to the macroeconomic environment in those countries, and increased exposure to the various developments in the area closer to the Group's properties.

It should also be noted that, unlike previous crises that were fundamentally financial crises, the COVID-19 crisis is a health epidemic, the duration of which is unknown and which caused material changes in the population's behavior, including habits of consumption, crowding, and entertainment. All of these are expected to result in negative effects, including material effects, on the Company's business and its financial results.

The Company's evaluations on the impact of future macroeconomic events and of the impact of COVID-19 and the global economic crisis caused by it, or a specific crisis in certain country and/or certain countries in which the Company operates, on its revenues, on its profits and on its financial condition, are forward-looking information as defined in the Securities Law, 1968. The evaluations provided herein are based on assumptions and estimations of the Company and the Group's companies, but are uncertain, may not materialize, and mainly are not in the Company's control. An increase in morbidity rates due to the detection of variants of the COVID-19 virus, a deceleration of the vaccination rate among the population, and a continuation or exacerbation of the global economic crisis could cause a significant deterioration in the Group's business and financial results.

5.2. .Entry barriers

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

- The Company's operations focus mainly on densely populated areas in main cities in which the supply of properties and space for rent is naturally limited and the supply of vacant land for new construction is limited as well, thus placing the owners of existing properties in the area at an advantage.
- Commencing operations in urban areas, either by development and construction of income-producing properties and acquiring existing properties or by the acquisition of existing operations in urban areas, requires financial robustness and financing capability which, for the most part, necessitate having sizeable equity and the ability to bear general and administrative expenses without a foreseeable source of income for several years.
- Entry into these operating segments demands expertise and experience, primarily in income-producing real estate sector, including commerce, offices and residential, and also in the realm of financing. Additionally, property management and operating costs are influenced by the quantity of the properties managed. The management and operation of single properties constitutes a relative drawback when compared with asset management on the scale of the Group's operations.
- The Group's operating segments are also characterized by its lease agreements with large tenants that has an 'investment' international credit rating (Investment Grade), such as major retail chains or supermarket chains, pharma, banks, coffee shops, health clinics, clothing stores, libraries and municipal or state agencies. Usually, the owner of a large number of properties in desirable locations has an advantage when it comes to entering into leases and in relationships with such tenants.

5.3. Exit barriers

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

5.4. Property acquisition criteria

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

- Location of the property in key growth areas with strong demographic characteristics and high entry barriers, including the population density, per capita income and dominance of the property in the area ("catchment area"), as well as the economic characteristics of the population, including the projected population growth and/or increase in the number of work places in the area, the urban infrastructure, such as transport infrastructure, schools, universities, hospitals, government institutions, etc, as well as the physical location of the property, including access roads, its visibility and the availability of parking spaces on and around the property (if there are any), as well as proximity to main roads and public transportation, such as bus stops or train stations, walkability index.
- Economic, demographic, and regulatory aspects, together with other conditions, at both a local and regional level.
- The rare economic condition of the property, i.e. aspects of competition from similar properties, including the likelihood of future competition and/or entry barriers for competitors, as well as the expectation that the demand in the area of the property will increase or decrease.
- Projected cash flow from the property and the potential for its growth, expansion or redevelopment over time, including the terms of the lease contracts and the present rental income compared with market conditions and the potential to increase rental income through re-leasing.
- Tenant mix in the property and in the area, their financial strudiness and their position as market leaders.

- Level of demand and supply of properties of a similar class in the area as well as an assessment of the existing and anticipated supply of income-producing real estate in the region of operation, in relation to growth of the local population and its purchasing power.
- Proximity of the property to other properties owned by the Group, in a sense that is expected to reduce or streamline management costs for a group of properties as against a single property.
- Ratio of the expected yield from the property to the cost of capital, and an assessment of the risks that are likely to be encountered in achieving this yield and the potential for increasing the yield.
- Whether the property is a mixed-use property, combining shops with areas designated as office and/or residential space as well as the possibility of enlarging / renovating the property to achieve such extended use.
- Value of the land, environmental conditions and the existing potential to increase their value as well as the possibility of expanding/renovating the property or bringing in new tenants in a manner that increases the potential earning capacity of the property.
- The Company's decision to change the composition of its asset portfolio, from a geographic perspective and regarding the types of property uses.

5.5. Criteria for disposing of properties

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

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

5.6. Legislative restrictions and structure of completion

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

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

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

C. Description of the Company's operating segments

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

6.1. General

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

As of December 31, 2020, CTY owns 41[5] income-producing properties with a GLA of 1.2 million square meters and a shopping center under development.

As part of its strategy, CTY intends to become an investor and owner of mixed-use urban real estate, including residential for rent. In this context, CTY is acting to create value for its investors by focusing on the two leading cities in each country where it operates which have clear urban characteristics, and on properties adjacent to public transportation which have a mix of lessees based on everyday needs and anchored in supermarkets, while increasing municipal services. In addition, CTY is working to identify potential – development of residential buildings in existing properties, in order to develop attractive properties for residential use, work and leisure.

As of December 31, 2019, the Company directly holds 48.9% of CTY's issued share capital and voting rights.

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

On March 2021, CPPIBEH sold CTY shares, as long as CPPIBEH does not increase its holdings in CTY shares above 10%, the agreement is expected to be expire in April.

During the reporting period, CTY continued focusing on improving its asset portfolio, and in this context invested EUR 211 million in developing the Lippulavia project in Helsinki, Finland, which is a mixed-use urban project of commerce and residence, that will include a subway (development is expected to be completed in 2022)[5], purchased three commercial centrals in Norway (in which it previously held 20%), in consideration of approximately EUR 145 million and sold one property in consideration of EUR 12 million. Moreover, after the reporting period, it entered into an agreement to sell three properties in Sweden for EUR 147 million.

CTY has opportunities to grow in line with its existing portfolio of assets, including construction rights at a total estimated value of EUR 200 million.

CTY's assets is anchored mainly in urban services and supermarkets, which are resilient lessees, as expressed in CTY's 2020 results. CTY has a diverse rental mix and relatively low exposure to tenants in the fashion field. CTY's principal customers are supermarkets, retail stores (local and international), banks and local authorities. One of CTY's tenants is Kesko, a leading Nordic supermarket chain, with stores all over Finland, Sweden, Norway, Estonia and Denmark, and 4.8% of CTY's rental income in 2020 is from its engagements with various chains owned by Kesko (5% in 2019).

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

During the reporting period, CTY continued to work to strengthen its balance sheet, including with the objective of maintaining CTY's investment rating. As such, in May 2020, it decided to decrease the dividend amount distributed to its shareholders so that the maximum amount for distribution beginning from the dividend for the second quarter of 2020 would be reduced to EUR 0.5 per share (instead of EUR 0.65 per share), as well as raising debt during the reporting period and thereafter, as set forth in Section 6.11 below.

[5] CTY's estimates regarding the development project, including the estimated date of completion, constitute forward-looking information as defined in the Securities Law – 1968. These estimates are not definitive, may not occur, including a delay in the date of completion of the project, and are not under the control of the Company.

6.2. Summary results of operation

Following is the summary results in the operating segment for the years ended December 31, 2020, 2019 and 2018 (NIS thousands and EUR thousands):

	For the year ended December 31					
	2020	2019	2018	2020	2019	2018
	In NIS thousands			In EUR thousands		
Total rental income (consolidated)	1,159,778	1,234,642	1,342,181	295,586	309,162	316,158
Gains (losses) from revaluations (consolidated)	(574,852)	(482,461)	(307,689)	(146,943)	(121,947)	(72,482)
Operating profit (consolidated)(*)	599,965	713,194	698,896	153,054	178,385	164,603
Same property NOI (consolidated)	621,102	660,260	-	158,311	168,292	-
Same property NOI (Company's share)	303,446	320,849	-	77,344	81,780	-
Total NOI (consolidated)	805,887	868,141	912,195	205,402	217,432	214,869
Total NOI (Company's share)	393,724	421,867	413,797	100,351	105,660	97,471

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

6.3. Economic data regarding geographic regions

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

Macro-economic parameters	Finland			Sweden			Norway		
	As of December 31			As of December 31			As of December 31		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Gross domestic product (PPP)	USD 273 billion	USD 280 billion	USD 272 billion	USD 552 billion	USD 571 billion	USD 554 billion	USD 350 billion	USD 355 billion	USD 344 billion
GDP per capita (PPP)	USD 49,334	USD 50,748	USD 49,366	USD 52,477	USD 55,265	USD 54,130	USD 64,856	USD 66,214	USD 64,707
GDP growth rate (PPP)	(2.62%)	2.95%	3.95%	(3.37%)	3.07%	4.40%	(1.46%)	2.96%	3.72%
GDP growth rate per capita (PPP)	(2.79%)	2.86%	3.77%	(5.05%)	2.10%	3.28%	(2.05%)	2.33%	3.07%
Inflation rate	1.21%	1.14%	1.32%	0.9%	1.72%	2.22%	2.00%	1.37%	3.49%
Yield on long-term government debt[7]	(0.42%)	(0.05%)	0.45%	0.03%	0.17%	0.44%	0.87%	1.46%	1.77%
Rating of long-term government debt[8]	AA+/Aa1	AA+/Aa1	AA+/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa
Consumer confidence index[9]	(5.9)	(4.2)	16.1	92.0	94.1	96.8	-	-	-
Unemployment rate[10]	8.42%	6.54%	7.42%	8.67%	6.77%	6.33%	4.50%	3.73%	3.85%
Change in the volume of retail sales [11]	%3.83	2.68%	3.60%	2.20%	1.30%	1.40%	-	-	-
USD exchange rate as of December 31[12]	USD / Euro 1.228	USD / Euro 1.120	USD / Euro 1.144	USD / SEK 0.122	USD / SEK 0.107	USD / SEK 0.111	EUR / USD USD / NOK 0.117	EUR / USD USD /NOK 0.114	EUR / USD USD / NOK 0.115

6 Unless stated otherwise, the data provided in the table are based on publications of the IMF World Economic Outlook Database, October 2020. International Monetary Fund (IMF) data for 2020 are based on IMF projections as of October 2020. In addition, 2020 data presented for the years 2018-2020, which are taken from the IMF publication for 2020, are in terms of 2019 prices.

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

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

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

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

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

12 According to OandA data (www.oanda.com). Representative exchange rate as of December 31, 2018, December 31, 2019 and December 31, 2020.

Additional macroeconomic data

The worldwide outbreak of the Corona epidemic, has led to an economic slowdown and affected the business and general environment of the countries in which the CTY operates.

However, at the end of the second quarter of 2020, governments in areas where CTY is active announced programs to gradually reopen the market, and as a result, during the third quarter, the economy improved quicker than expected and the damage to the GNP was lower than anticipated.

In **Finland**, the economic and health crisis were less significant, since the number of deaths in the country was among the lowest in Europe, and the rates of commerce and retail sales remained relatively stable. During the third quarter of the year, the government decided to implement regional and national recommendations to prevent the spread of the virus, according to the morbidity situation in each region.

In **Sweden**, the pandemic influenced the retail and restaurant sectors, causing a decrease in sales and visitor rates. Despite the fact that official lockdowns were not imposed, the government encourages working from home and restrictions on social gatherings, and imposed crowding restrictions of up to 50 people. The Swedish government announced assistance programs for property owners and subsidization of part of the discounts in rent that the property owners granted their lessees. CTY submitted an application for this subsidy.

In **Norway**, a change in the consumer patterns is evident due to the restrictions on freedom of movement that were imposed. Households are spending less on services and more on certain retail products. In general, the larger shopping centers were more negatively affected by the situation, while local, smaller shopping centers were less affected. The government announced an assistance program to subsidize a significant amount of the fixed costs incurred by property owners.

In **Estonia**, shopping centers were reopened but social distancing restrictions are in place.

In **Denmark**, the virus outbreak is relatively minor. Routines were resumed quickly and more thoroughly than expected, and so there was little impact on consumer behavior.

The continuation of the spread of the COVID-19 pandemic in the world or the outbreak of new variants of the virus, and the uncertainty regarding the duration of the high morbidity rates, the pace at which the population is vaccinating, the time that will take to resume normal routines, the manner and scope of its influence and the economic crises caused by it, in the long term, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results. Regarding the effect of the COVID-19 pandemic on the group's activities, see Section 2.1 of the Directors' report.

6.4. Aggregate data for the operating segment

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

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

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

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

The following table provides details regarding the GLA of CTY's income-producing properties as of December 31, 2020 and 2019 (in square meter thousands):

		As of December 31			
Region		**2020**		**2019**	
			As a percentage of total property GLA		**As a percentage of total property GLA**
Finland	Consolidated	362	30.4%	302	28.1%
	Company's share	177		147	
Sweden and Denmark	Consolidated	269	22.6%	269	25.0%
	Company's share	132		131	
Norway	Consolidated	459	38.4%	402	37.4%
	Company's share	224		195	
Estonia	Consolidated	103	8.6%	102	9.5%
	Company's share	50		49	
Total	**Consolidated**	**1,193**	**100%**	**1,075**	**100%**
	Company's share	**583**		**522**	

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

The table below provides data about the value of CTY's income-producing properties as of December 31, 2020 and December 31, 2019:

Region		As of December 31			
		2020		2019	
			As a percentage of total property value		As a percentage of total property value
Finland (in EUR thousands)	Consolidated	1,324,079	32.9%	1,364,099	34.2%
	Company's share	647,387		662,874	
Sweden and Denmark (in SEK thousands)	Consolidated	9,321,594	23.1%	9,814,321	23.5%
	Company's share	4,557,640		4,769,200	
Norway (in NOK thousands)	Consolidated	15,286,076	36.2%	13,527,554	34.4%
	Company's share	7,473,875		6,573,619	
Estonia (in EUR thousands)	Consolidated	316,923	7.8%	316,199	7.9%
	Company's share	154,954		153,654	
Total (in NIS thousands)	**Consolidated**	**15,894,413**	**100%**	**15,478,629**	**100%**
	Company's share	**7,770,987**		**7,521,406**	

6.4.3. **NOI**

The table below provides data about CTY's NOI for 2020 - 2018:

Region		2020		2019		2018	
			As a percentage of the total property NOI		**As a percentage of the total property NOI**		**As a percentage of the total property NOI**
Finland (in EUR thousands)	Consolidated	66,241	32.2%	72,155	33.2%	75,041	34.9%
	Company's share	32,363		35,063		34,040	
Sweden and Denmark (in SEK thousands)	Consolidated	466,326	21.7%	501,241	21.8%	446,589	20.3%
	Company's share	227,824		243,576		202,581	
Norway (in NOK thousands)	Consolidated	794,078	36.1%	743,130	34.7%	713,224	34.6%
	Company's share	387,951		361,115		323,543	
Estonia (in EUR thousands)	Consolidated	20,636	10.0%	22,479	10.3%	22,020	10.2%
	Company's share	10,082		10,923		9,987	
Total (in NIS thousands)	**Consolidated**	**805,887**	**100.0%**	**868,141**	**100.0%**	**912,195**	**100.0%**
	Company's share	**393,724**		**421,867**		**413,797**	

6.4.4. **Revaluation gains (losses)**

The table below provides data about CTY's revaluation gains (losses) for the years 2018-2020:

Region		2020		2019		2018	
			As a percentage of the total revaluation gains (losses)		**As a percentage of the total revaluation gains (losses)**		**As a percentage of the total revaluation gains (losses)**
Finland (in EUR thousands)	Consolidated	(84,057)	57.1%	(51,034)	42.0%	(51,142)	70.6%
	Company's share	(41,067)		(24,800)		(23,199)	
Sweden and Denmark (in SEK thousands)	Consolidated	(567,806)	36.9%	(342,905)	26.7%	87,247	(11.7%)
	Company's share	(277,407)		(166,632)		39,578	
Norway (in NOK thousands)	Consolidated	(56,549)	3.6%	(329,213)	27.5%	(212,907)	30.6%
	Company's share	(27,627)		(159,979)		(96,581)	
Estonia (in EUR thousands)	Consolidated	(3,456)	2.4%	(4,663)	3.8%	(7,672)	10.5%
	Company's share	(1,688)		(2,266)		(3,480)	
Total (in NIS thousands)	**Consolidated**	**(574,852)**	**100.0%**	**(482,461)**	**100.0%**	**(307,689)**	**100.0%**
	Company's share	**(280,850)**		**(234,448)**		**(139,576)**	

6.4.5. **Average rent per square meter**

The table below provides data about CTY's average monthly rent per square meter for 2020 and 2019:

Region	For the year ended December 31	
	2020	2019
Finland (in EUR)	26.5	27.2
Sweden and Denmark (in SEK)	217.6	221.6
Norway (in NOK)	212.2	213.8
Estonia (in EUR)	21.2	21.6

6.4.6. **Average occupancy rates**

The table below provides data about the occupancy rates of CTY's properties as of December 31, 2020, and average occupancy rates for the years 2020 and 2019:

Region	As of December 31, 2019	For the year ended December 31, 2019(*)	For the year ended December 31, 2018(*)
Finland	94.8%	93.8%	94.7%
Sweden and Denmark	93.7%	93.8%	95.0%
Norway	92.7%	93.1%	96.8%
Estonia	97.3%	97.9%	99.5%

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

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

The table below provides data about the number of CTY's income-producing properties as of December 31, 2020 and 2019:

Region	For the year ended December 31	
	2020	2019
Finland	10	10
Sweden and Denmark	10	10
Norway	18	16
Estonia	2	2
Total	**40**	**38**

6.4.8. **Average yields**

The table below provides data about CTY's actual average yields as of December 31, 2020 and 2019 (based on property value at the end of the year):

Region	**For the year ended December 31**	
	2020	**2019**
Finland	5.3%	5.1%
Sweden and Denmark	5.7%	5.4%
Norway	5.6%	5.5%
Estonia	6.6%	6.5%

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

Period of recognition of income		**Income from fixed components (in NIS thousands)**	**Income from variable components (estimate) (in NIS thousands)**	**Number of terminating lease agreements**	**Area in the terminating agreements (in square meter thousands)**
2021	Quarter 1	84,493	4,891	593	95
	Quarter 2	41,692	1,497	543	53
	Quarter 3	96,184	4,387	313	74
	Quarter 4	62,104	3,928	298	66
2022		195,255	13,571	669	197
2023		167,359	3,706	599	158
2024		116,058	4,199	398	108
2025 and thereafter		253,924	2,839	397	266
Total		**1,017,069**	**39,018**	**3,810**	**1,017**

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

The information provided above contained in this section is a Forward-Looking Information as defined in section 32A of the Securities Law, and there is no assurance that in its occurrence, due to factors that are beyond the Company's sole control including the effect of the corona epidemic in the group's activities, see section 6.3 and Section 1.2 of the Board of Directors' report.

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

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

Region	Parameters	For the year ended December 31		
		2020	2019	2018
Finland	Number of properties under construction at the end of the period	1	1	1
	Total GLA under construction (planned) at the end of the period (in square meter thousands)	44.3	44.3	44.3
	Total costs invested in the current period (consolidated) (in EUR thousands)	121,500	41,227	31,300
	The amount at which the properties are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	271,967	169,000	149,628
	Construction budget during the subsequent period (estimate) (consolidated) (in EUR thousands)	[1] -	[1] -	35,000
	Total balance of estimated construction budget for completion of the construction works (estimate for the end of the period) (consolidated) (in EUR thousands)	[1] -	[1] -	139,700
	Percentage of the GLA under construction with respect to which lease agreements have been signed	67%	55%	55%

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

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

As of December 31, 2020 and 2019, CTY did not own plots of land that are listed in the Company's books as land for investment.

6.8. Acquisition and sale of properties (aggregate)

The table below provides data about properties sold and acquired by CTY in 2020 - 2018:

			For the year ended December 31,		
Region			**2020**	**2019**	**2018**
Finland	**Properties sold**	Number of properties were sold during the period	-	2	2
		Proceeds from the realization of properties sold in the period (consolidated) (in EUR thousands)	-	76,776	38,000
		Area of properties sold in the period (consolidated) (in square meter thousands)	-	28.9	24.8
		NOI of properties sold (consolidated) (in EUR thousands)	-	2,467	1,666
		Loss recorded from the sale of properties (consolidated) (in EUR thousands)	-	(976)	(3,051)
	Properties acquired	Number of properties acquired during the period	1	-	-
		Cost of properties acquired during the period (consolidated) (in EUR thousands)	2,596	-	-
		NOI of properties acquired (consolidated) (in EUR thousands)	(155)	-	-
		Area of properties acquired during the period (consolidated) (in square meter thousands)	6	-	-
Sweden and Denmark	**Properties sold**	Number of properties sold in the period	-	-	1
		Proceeds from the realization of properties sold in the period (consolidated) (in SEK thousands)	-	-	307,749
		Area of properties sold in the period (consolidated) (in square meter thousands)	-	-	10.3
		NOI of properties sold (consolidated) (in SEK thousands)	-	-	3,498
		Profit recorded from the sale of properties (consolidated) (in SEK thousands)	-	-	51,333
	Properties acquired	Number of properties acquired in the period	-	-	2
		Cost of properties acquired in the period (consolidated) (in SEK thousands)	-	-	687,306
		NOI of properties acquired (consolidated) (in SEK thousands)	-	-	52,247
		Area of properties acquired in the period (consolidated) (in square meter thousands)	-	-	16.6
Norway	**Properties sold**	Number of properties sold in the period	1	-	2
		Proceeds from the realization of properties sold in the period (consolidated) (in NOK thousands)	12,000	-	268,859
		Area of properties sold in the period (consolidated) (in square meter thousands)	10.7	-	26.2
		NOI of properties sold (consolidated) (in NOK thousands)	-	-	9,541
		Profit (loss) recorded from the sale of properties (consolidated) (in NOK thousands)	1,499	-	17,236
	Properties acquired	Number of properties acquired in the period	3	-	-
		Cost of properties acquired in the period (consolidated) (in NOK thousands)	145,014	-	-
		NOI of properties acquired (consolidated) (in NOK thousands)	8,618	-	-
		Area of properties acquired in the period (consolidated) (in square meter thousands)	69.6	-	-
Estonia	**Properties acquired**	Number of properties acquired in the period	1	-	-
		Cost of properties acquired in the period (consolidated) (in NOK thousands)	1,600	-	-
		NOI of properties acquired (consolidated) (in NOK thousands)	-	-	-
		Area of properties acquired in the period (consolidated) (in square meter thousands)	-	-	-

In addition, in 2019, 2 lots adjacent to an existing property were sold in consideration of EUR 9.4 million.

6.9. The table below presents data regarding Iso Omena, a material property of the Group as of December 31, 2020

Iso Imena -material income-producing property

Iso Omena (*)	
Location	Espoo, Finland
Functional Currency	EUR
Primary use	Retail (Shopping Centre)
Construction on cost (EUR million)	653.6
Company's share in the property (%) (capital rights)	fully owned through subsidiary held at 48.9%
Gross area (sq.m.)	101,000
Retail GLA, sq.m. commerce	84,400

Please note- EUR million unsless stated otherwise													**Appraiser additional information**			
Year	Carrying value at the end of the period	fait value at the end of the period (NIS millions)	Rental revenues	Actual NOI	Actual yield rate (%)	Adjusted yield rate (%)	Yield rate on cost (%)	Loan to value (LTV) (%)	Valuation profit (loss)	Occupnacy rate at the end of the period (%)	Average rent per sq.m. /month (EUR)	Average sales per sq.m./year (EUR)(*)	Valuation date	Name and experience of the appraiser	Valuation methodology	Valuation's main assumption Cap rate
2020	2,930	742.1	33.5	31.6	4.3 %	4.3 %	4.8 %	0%	(18.9)	96.7 %	34.7	3,498.8	31/12/20	JLL The appraiser from JLL has an experience of over 10 years	DCF	4.6%
2019	2,940	757.2	34.8	33.2	4.4 %	4.4 %	5.1 %	0%	(3.8)	97.2 %	35.6	3,802.8	31/12/19		DCF	4.5%
2018	3,250	758.2	33.9	32.2	4.2 %	4.2 %	5.0 %	0%	3.2	97.4%	35.2	3723.0	31/12/18	CBRE The appraiser from CBRE has an experience of over 10 years	DCF	4.5%

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

.6.10. **Human capital**

.6.10.1. As of December 31, 2020, CTY (and its wholly-owned subsidiaries) has 246 employees (234 employees in 2019), as follows: Norway – 97; Finland and Estonia – 49; Sweden and Denemark – 61; and 39 employees in various positions in the Group.

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

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

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

For details regarding buybacks of 19,641 CTY shares and their transfer to managers by virtue of CTY's four remuneration plans for its employees and managers, see Note 8d.3 to the financial statements.

In March 2020, the CTY Board of Directors approved a new remuneration plan (Performance Share Plan) for members of the management of CTY (with the exception of its general manager), which will be in force between 2020-2022.

.6.11. Credit and financing

.6.11.1. **Credit rating** – CTY is rated as Baa3 (negative outlook) by Moody's and as BBB- (negative outlook) by S&P. In addition, in May 2020, the rating company Fitch rated CTY for the first time as BBB- with a stable outlook.

.6.11.2. **Financing from financial institutions** -

As of December 31, 2020, CTY and its wholly owned subsidiaries have revolving credit facility in the amount of EUR 500 million (approximately NIS 2.0 billion), half of which is secured with a lien and was renewed and extended in November 2020. (As of the reporting date, EUR 96 million of the facility was utilized). In addition, CTY have commercial papers from financial institutes in the amount of EUR 218.9 million, valid within a year.

.6.11.3. **Debentures** - As of December 31, 2020, CTY has unsecured debentures in the amount of EUR 1,759 million. The debentures bear fixed interest at an annual rate ranging 1.26% to 3.9% and are due for repayment between 2021 and 2027. During the reporting period, CTY issued debentures in the amount of EUR 200 million and NOK 800 million, and after the reporting period, in March 2021, CTY issued 350 additional debentures. For the debenture ratings, see Section 6.11.1 above. For details, see Notes 19c and 37c to the financial statements.

For additional information regarding the debentures of CTY, see Note 19c to the financial statements and about a buyback of debentures by CTY in the amount of approximately EUR 95 million, see Note 37f to the financial statements.

.6.11.4. **Summary of balances:**

The following table presents long-term credit and loans (including current maturities), which are not intended for specific use, which were received by CTY from financial institutions to finance its operations, as of December 31, 2020:

	Balance (EUR in millions)	**Weighted interest rate (*)**	**Average repayment period (years) (**)**
Loans at variable interest – NOK secured	95.4	2.32%	3.5
Debentures at fixed interest – EUR	1,430.8	2.15%	4.3
Debentures at variable interest - NOK	109.4	2.79%	2.1
Debentures at fixed interest - NOK	218.6	3.40%	4.7
Total	**1,854.2**		

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

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

.6.11.5. **Financial covenants**

Some of the unsecured loans, debentures and credit facilities granted to CTY and its wholly-owned subsidiaries in the ordinary course of business require compliance with financial and other covenants. For details regarding the financial covenants, refer to Notes 20d(2) and 19c to the financial statements.

As of December 31, 2020 and immediately prior to the approval date of this report, CTY and its subsidiaries are in compliance with all the specified covenants.

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

7.1. General

The Group operates in Central and Eastern Europe through ATR, which is incorporated in Jersey Island and traded on the Vienna stock exchange (VSE) in Austria and on the NYSE Euronext stock exchange in Amsterdam, The Netherlands. ATR is the owner and operator of retail shopping centers in leading Eastern European cities - primarily in Warsaw - Poland, and Prague - Czech Republic, as well as Russia and Slovakia, and as of December 31, 2020, it owns 26 income-producing buildings[14] with a GLA of 0.8 million square meters as well as plots of land, while 59% of the asset portfolio in Poland is located in Warsaw, and 80% of the asset portfolio.

During the reporting period, the Company increased its holdings in ATR, by purchasing shares on the stock exchange and via shares allocated to it in lieu of a dividend as part of the dividend distribution plan by way of allocation of ATR shares (Scrip Dividend). As of December 31, 2020, the Company held approximately 69.3% of ATR's issued share capital and voting rights. For additional information, see Note 8c.5 to the financial statements.

At the beginning of 2020, ATR announced its strategic plan until 2025, under which it will focus its operations on diversifying the asset portfolio by investing in income-producing residential real estate for rent, primarily in Warsaw. In addition, the strategy includes improvement and development of the asset portfolio by building real estate for residence or in specific cases, offices, above or close to ATR's existing properties. As such, ATR announced that it intends to reach a property mix of 60% commercial real estate and 40% residential.

In addition, during the reporting period, ATR continued to implement its strategy of emphasis on larger, quality, more dominant shopping centers, with an emphasis on Warsaw and Prague, while the average value of ATR properties is EUR 94 million per property. In this context, during the Reporting Period, the Company disposed of properties that are not core properties (5 properties in Poland), a property in Slovakia, and two plots in Poland and in Romania) for a total amount of EUR 75 million.

During the reporting period, ATR responded quickly and proactively to the influences of the COVID-19 pandemic and implemented, *inter alia*, the following measures: maintaining the health guidelines and social distancing in order to ensure public trust; initiatives to proactively manage properties in order to maintain stable occupancy rates – such as supporting lessees in the short term in exchange for extending rental periods; extending the duration of the Company's credit to over 5 years by refinancing debt; actions to maintain liquidity – including Scrip Dividend, minimizing management and general expenses, and so forth.

In addition, ATR took advantage of the period to accelerate changes to its lease agreements, including adding internet purchases collected at stores ("click & collect") as part of the sales turnover of the store, and expanding lessee reporting requirements to ATR.

In addition, during the reporting period, ATR announced the option of receiving the dividend that was distributed in respect of the second quarter until the fourth quarter for 2020 as ATR shares in lieu of cash (Scrip Dividend). As such, during 2020, ATR issued its shareholders 13.1 million shares at an amount of EUR 45 million in lieu of a cash dividend (of these, 12.1 million shares were issued to the Company).

Almost all of the ATR's assets are anchored by supermarkets and retail assets that provide daily needs. A key component in ATR's property management strategy is the integration of anchor tenants, with a financial strength, specializing in food, fashion, leisure and entertainment, which correspond with the character and needs of consumers in property's environment. Accordingly, a significant portion of ATR's lease agreements are with international fashion brands and/or reputable supermarkets, combined with options to leisure and food. In 2020, ATR's largest tenant was H&M (Hennes & Muaritz), which has several stores and fashion brands, the revenue from which was approximately 3.5% of all ATR's rental revenues and occupy approximately 4.6% of ATR's commercial space. ATR manages almost all of its properties.

14 Including one jointly controlled property in which ATR holds 75% of the rights.

7.2. Results of operations

Following is a summary of the results of operations in the operating segment for the years ended December 31, 2020, 2019 and 2018 (NIS thousands and in EUR thousands):

	For the year ended December 31					
	2020	2019	2018	2020	2019	2018
	In NIS thousands			In EUR thousands		
Total rental income (consolidated)	765,323	968,987	1,028,928	195,073	242,553	242,358
Gains (losses) from revaluations (consolidated)	(908,607) (*)	(52,046)	(8,404)	(208,840)	(13,495)	(2,020)
Operating profit (consolidated) (**)	444,924	604,344	615,120	113,317	151,210	144,816
Same property NOI (consolidated)	388,032	458,720	-	98,905	116,922	-
Same property NOI (Company's share)	259,218	306,440	-	66,072	78,108	-
Total NOI (consolidated)	511,746	671,529	718,800	130,488	168,010	169,297
Total NOI (Company's share)	341,863	403,678	431,075	87,171	100,997	101,533

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

7.3. Economic data about geographic regions

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

Macro-economic parameters	Poland			Czech Republic			Russia		
	For the year ended December 31								
	2020	2019	2018	2020	2019	2018	2020	2019	2018
GDP (PPP)	USD 1,281 billion	USD 1,309 billion	USD 1,235 billion	USD 432 billion	USD 454 billion	USD 436 billion	USD 4,022 billion	USD 4,136 billion	USD 4,010 billion
GDP per capita (PPP)	USD 33,739	USD 34,484	USD 32,527	USD 40,293	USD 42,670	USD 41,118	USD 27,394	USD 28,184	USD 27,317
GDP growth rate (PPP)	(2.20%)	6.01%	7.88%	(5.18)%	4.16%	5.66%	(2.76%)	3.15%	5.00%
GDP growth rate per capita (PPP)	(2.16%)	6.02%	7.87%	(5.57%)	3.77%	5.35%	(2.80%)	3.17%	5.07%
Inflation rate	2.23%	3.40%	1.10%	3.20%	3.21%	2.02%	3.77%	3.05%	4.27%
Yield on long-term government debt(**)	1.25%%	2.11%	2.81%	1.20%	1.63%	1.84%	5.88%	6.14%	8.31%
Rating of long-term government debt(***)	A-/A2	A-/A2	A-/A2	AA-/Aa3	AA-/Aa3	AA-/A1	BBB-/Baa3	BBB-/Baa3	BB+/Ba1
USD / local currency exchange rate as of December 31 (****)	PLN / USD 0.270	PLN / USD 0.263	PLN / USD 0.266	CZK / USD 0.049	CZK / USD 0.044	CZK / USD 0.044	RUB / USD 0.013	RUB / USD 0.016	RUB / USD 0.014
Unemployment rate	3.77%	3.28%	3.85%	3.10%	2.00%	2.24%	5.60%	4.60%	4.80%

(*) Unless stated otherwise, the data in the table below are based on publications of the IMF World Economic Outlook Database, October 2020. Notably, IMF data for 2020 are based on projections by the IMF as of October 2020. Additionally, GDP data presented for 2018-2020, which were taken from an IMF publication from 2020, are in terms of 2020 prices.

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

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

(****) According to OandA data (www.oanda.com), the representative rate of exchange as of December 31, 2018, December 31, 2019 and December 31, 2020.

Additional macroeconomic data

Poland – is a dynamic market and the tenth-largest economy in the Eurozone. Between 2014 and 2019, Poland's GDP grew at an average of 3% per year, primarily driven by private growth. Due to the COVID-19 pandemic and restrictions that were imposed as a result, in 2020, the GDP decreased by about 3%. It is estimated that the restrictions related to COVID-19 will continue to be in place and will have a detrimental impact on the economy during the first quarter of 2021, but the estimate is that vaccinating the population, the gradual removal of restrictions, economic assistance and taxation will all help the economy improve as of the second quarter of 2021, and the GDP is expected to increase by 3.7% in 2021.

Unemployment rates in Poland are stable and were at 3% prior to the crisis, but in light of the COVID-19 crisis, they are expected to rise higher than 6%.

The retail market in Poland does not constitute a dominant player in the online commerce market in Europe, but due to the impact of COVID-19 and the resulting restrictions that were imposed, online retail purchases in Poland doubled themselves in 2020, from 5.6% in January 2020 to 11.4% in November 2020, and this fluctuates according to the limitations on the opening of physical stores, dropping back to 6.5% when commerce is opened at the shopping centers.

In light of the lockdown imposed in Poland, the number of visitors to properties and the extent of sales of property lessees decreased throughout Poland, and during the period from January to October 2020, they were 75% and 77% compared to their extent in 2019, respectively.

Czech Republic – Similar to Poland, in the Czech Republic as well, the GDP shrunk by 6% in 2020, and is expected to grow by 5% in 2021, assuming that as of the second quarter of 2021, the economic activity will be resumed as the rate of members of the population vaccinated against COVID-19 increases.

The unemployment rate in the Czech Republic was 2% in 2019, but in light of the economic crisis, it is expected to rise to almost 5% in 2021, though in Prague, the unemployment rate is expected to be lower.

In light of the restrictions imposed in the Czech Republic, the number of visitors to the properties and extent of sales of the property lessees decreased, and are 75% and 80% compared with their extent in 2019, respectively. Online retail purchases in the Czech Republic are among the highest in Europe, having increased from 16.9% in January 2020 to 21.5% in October 2020, while a decrease in this rate can be seen as the limitations on opening commerce at the shopping centers are eased.

Russia – Compared to other countries in the developing markets in Europe, the restrictions that were imposed in Russia due to COVID-19 were less extensive. The GDP in Russia shrunk in 2020 to 3.5% and is expected to grow by 3.5% in 2021.

During 2020, the Russian ruble dropped by 30%, primarily due to the impact of COVID-19 and sanctions imposed against Russia, and the impact of oil prices.

Prior to the pandemic, the unemployment rate in Russia was 4%, and it is expected to reach 5% in 2021.

In light of the restrictions imposed due to COVID-19, the number of visitors at the properties reached 75% compared with 2019, and the extent of retail sales at the properties was 60% in the areas of food, drinks and entertainment, and 85% in the area of fashion compared with 2019.

The online retail purchases rate grew in Russia from 6% in 2019 to 9% in 2020, and is one of the five markets with the quickest growth rate for online purchases.

The description above is based on ATR reports for 2020, as published by ATR with respect to the reporting period.

However, the continuation of the spread of the COVID-19 pandemic in the world or the outbreak of new variants of the virus, and the uncertainty regarding the duration of the high morbidity rates, the pace at which the population is vaccinating, the time that will take to resume normal routines, the manner and scope of its influence and the economic crises caused by it, in the long term, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results. Regarding the effect of the COVID-19 pandemic on the group's activities, see Section 1.2 of the Directors' report.

7.4. Aggregate data for the operating segment

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

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

The reference to "other" in Section 7.4 below includes in 2019-2020 ATR's properties in Slovakia, and in 2018 includes ATR's properties in Slovakia, Hungary, Romania.

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

The following table provides details regarding the GLA of ATR's income-producing properties as of December 31, 2020 and 2019 (in square meter thousands):

Region		As of December 31			
		2020		2019	
			As a percentage of total property GLA		As a percentage of total property GLA
Poland	Total GLA owned by ATR	433	55.5%	475	56.4%
	Company's share	299		285	
Czech Republic	Total GLA owned by ATR	61	7.8%	61	7.2%
	Company's share	42		36	
Russia	Total GLA owned by ATR	239	30.6%	238	28.3%
	Company's share	165		143	
Other	Total GLA owned by ATR	47	6.1%	68	8.1%
	Company's share	33		41	
Total	**Total GLA owned by ATR**	**780**	**100.0%**	**842**	**100.0%**
	Company's share	**539**		**505**	

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

The table below provides data about the value of ATR's income-producing properties as of December 31, 2020 - 2019:

Region		2020		2019	
			As a percentage of total property value		As a percentage of total property value
Poland (in EUR thousands)	Consolidated	1,658,659	70.4%	1,814,597	69.8%
	Company's share	1,143,939		1,090,283	
Czech Republic (in EUR thousands)	Consolidated	341,090	14.4%	341,703	13.1%
	Company's share	235,242		205,309	
Russia (in EUR thousands)	Consolidated	237,659	10.1%	287,326	11.0%
	Company's share	163,908		172,637	
Other (in EUR thousands)	Consolidated	119,156	5.1%	157,704	6.1%
	Company's share	82,179		94,755	
Total (in NIS thousands)	**Consolidated**	**9,294,524**	**100.0%**	**10,088,477**	**100.0%**
	Company's share	**6,410,218**		**6,061,566**	

7.4.3. **NOI**

The table below provides data about ATR's NOI for 2020, - 2018:

Region		2020		2019		2018	
			As a percentage of the total property NOI		As a percentage of the total property NOI		As a percentage of the total property NOI
Poland (in EUR thousands)	Consolidated	77,040	59.0%	102,002	60.7%	96,004	56.7%
	Company's share	51,465		61,317		57,575	
Czech Republic (in EUR thousands)	Consolidated	17,307	13.3%	19,335	11.5%	18,888	11.2%
	Company's share	11,562		11,623		11,327	
Russia (in EUR thousands)	Consolidated	28,027	21.5%	35,563	21.2%	39,142	23.1%
	Company's share	18,723		21,378		23,474	
Other (in EUR thousands)	Consolidated	8,115	6.2%	11,110	6.6%	15,268	9.0%
	Company's share	5,421		6,679		9,156	
Total (in NIS thousands)	**Consolidated**	**511,746**	**100.0%**	**671,529**	**100.0%**	**718,800**	**100.0%**
	Company's share	**341,863**		**403,678**		**431,075**	

7.4.4. **Revaluation gains (losses)**

The table below provides data about ATR's revaluation gains (losses) for the years 2018-2020:

Region		2020		2019		2018	
			As a percentage of the total revaluation gains (losses)		As a percentage of the total revaluation gains (losses)		As a percentage of the total revaluation gains (losses)
Poland (in EUR thousands)	Consolidated	(125,162)	65.9%	(3,750)	64.5%	20,659	120.4%
	Company's share	(83,612)		(2,254)		12,390	
Czech Republic (in EUR thousands)	Consolidated	(11,891)	6.3%	1,585	(27.3%)	2,244	13.1%
	Company's share	(7,944)		953		1,346	
Russia (in EUR thousands)	Consolidated	(51,049)	26.9%	(45)	0.8%	(14,255)	(83.1%)
	Company's share	(34,102)		(27)		(8,549)	
Other (in EUR thousands)	Consolidated	(1,745)	0.9%	(3,600)	62.0%	(8,506)	49.6%
	Company's share	(1,166)		(2,164)		(5,101)	
Total (in NIS thousands)	**Consolidated**	**(744,822)**	**100.0%**	**(23,197)**	**100.0%**	**72,822**	**100.0%**
	Company's share	**(497,566)**		**(13,945)**		**43,673**	

7.4.5. **Average rent per square meter**

The table below provides data about ATR's average monthly rent for 2020 and 2019 :

Region	For the year ended December 31	
	2020	**2019**
Poland (in EUR)	20.0	22.0
Czech Republic (in EUR)	35.0	38.0
Russia (in EUR)	15.0	19.0
Other (in EUR)	22.3	21.0

7.4.6. **Average occupancy rates**

The table below provides data about the occupancy rates in ATR's properties as of December 31, 2020 and the average occupancy rates in each of the years 2020 and 2019:

Region	As of December 31, 2020	For the year ended December 31, 2020(*)	For the year ended December 31, 2019(*)
Poland	93.0%	94.3%	95.9%
Czech Republic	90.9%	95.0%	98.6%
Russia	91.7%	93.3%	93.3%
Other	99.5%	99.8%	99.3%

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

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

The table below provides data about the number of ATR's income-producing properties as of December 31, 2020 and 2019:

Region	For the year ended December 31	
	2020	**2019**
Poland	15	20
Czech Republic	2	2
Russia	7	7
Other	1	2
Total	**25**	**31**

7.4.8. **Average yields**

The table below provides data about ATR's actual average yields as of December 31, 2020 and 2019 (based on property value at the end of the year):

Region	As of December 31	
	2020	**2019**
Poland	5.6%	5.3%
Czech Republic	5.5%	5.3%
Russia	11.4%	12.3%
Other	7.2%	6.9%

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

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (estimate) (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in square meter thousands)
2021	Quarter 1	140,073	6,982	240	23
	Quarter 2	140,073	6,982	112	14
	Quarter 3	140,073	6,982	125	19
	Quarter 4	140,073	6,982	99	10
2022		472,184	27,325	307	68
2023		405,745	27,952	322	91
2024		318,537	28,595	287	66
2025 and thereafter		1,034,356	29,257	722	419
Total		**2,791,114**	**141,057**	**2,214**	**710**

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

The information provided above contained in this section is a Forward-Looking Information as defined in section 32a of the Securities Law, and there is no assurance that in its occurrence, due to factors that are beyond the Company's sole control.

Regarding the effect of the Corona epidemic on the group's activities, see section 1.2 of the Board of Directors' report.

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

In the years 2018-2020, ATR did not have any income-producing properties under construction.

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

Presented below are aggregate data about the plots of land of ATR (that are classified in ATR's financial statements as investment property under construction) in the years 2019-2020(*):

Region	Parameters	As of December 31	
		2020	**2019**
Poland	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	55,462	62,780
	The total area of plots of land at the end of the period (in square meter thousands)	399	399
	Total construction rights on land, according to approved plans (in square meter thousands) (*)	539	925
Czech Republic	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	79	8,181
	The total area of plots of land at the end of the period (in square meter thousands)	-	-
Russia	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	23,373	26,589
	The total area of plots of land at the end of the period (in square meter thousands)	598	598
Other (**)	The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	83,472	87,759
	The total area of plots of land at the end of the period (in square meter thousands)	216	411

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

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

7.8. Acquisition and sale of properties

The table below provides data about properties sold and acquired by ATR in each of the years 2018, - in 2020(*):

			For the year ended December 31,		
Region			**2020**	**2019**	**2018**
Poland	**Properties acquired**	Number of properties acquired during the period	-	1	1
		Cost of properties acquired during the period (consolidated) (in EUR thousands)	-	43,501	301,500
		NOI of properties acquired (consolidated) (in EUR thousands)	-	1,469	2,000
		Area of properties acquired during the period (consolidated) (in square meter thousands)	-	7,136	37,000
	Properties sold	Number of properties sold during the period	6	2	-
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	37,700	298,700	-
		Area of properties sold during the period (consolidated) (in square meter thousands)	41,304	111	-
		NOI of properties sold (consolidated) (in EUR thousands)	1,970	10,284	-
		Loss recorded from the sale of properties (consolidated) (in EUR thousands)	(1,155)	6,208	-
Czech Republic	**Properties sold**	Number of properties sold during the period	-	-	2
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	-	-	14,100
		Area of properties sold during the period (consolidated) (in square meter thousands)	-	-	20,095
		NOI of properties sold (consolidated) (in EUR thousands)	-	-	120
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	-	-	(414)
Other	**Properties sold**	Number of properties sold during the period	2	-	11
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	40,300	-	161,700
		Area of properties sold during the period (consolidated) (in square meter thousands)	47,395	-	149,742
		NOI of properties sold (consolidated) (in EUR thousands)	-	-	5,261
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	-	-	(2,201)

7.9. Human capital

7.9.1. As of December 31, 2020, ATR (and its wholly-owned subsidiaries) has 383 employees (368 in 2019).

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

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

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

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

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

7.10. Credit and financing

7.10.1. **Credit rating** – ATR and its debentures are rated BBB (Stable Outlook) by Fitch, BBB- (stable outlook) (as ratified in January 2021) and Baa3 (negative outlook) by Moodys.

7.10.2. **Financing from financial institutions** –As of December 31, 2020, ATR and subsidiaries which it wholly owns have a long-term loan (including current maturities) of EUR 295 million (NIS 1,162 million) and a revolving credit facility of EUR 300 million (NIS 1.2 billion) (as of the reporting date, EUR 86 million of the facility was utilized).

7.10.3. **Debentures** – As of December 31, 2020, ATR has unsecured debentures of EUR 727 million par value. The debentures bear fixed interest at an annual rate ranging from.0% to 3.625% and they will mature between 2022 and 2025. The debentures were rated as noted in Section 7.10.1 above. For details regarding Green Bonds at an amount of EUR 300 million issued by ATR in February 2021, which will be redeemed in 2027, see Note 37c to the financial statements.

For details regarding debt recruitment by ATR by means of expanding debentures at an amount of EUR 200 million, see Note 19d.2 to the financial statements.

For details regarding a buyback of debentures by ATR during the reporting period, at an amount of EUR 218 million, see Note 19d3 to the financial statements. For details regarding a buyback of debentures of ATR after the reporting period, at an amount of EUR 78 million, see Note 37d to the financial statements.

7.10.4. **Share buyback plan** – ATR has a share buyback plan, by which Atrium can purchase up to 25 million of its shares, valid until July 2021. As of the reporting date, ATR purchased approximately 687 thousand shares for EUR 1.8 million by virtue of the plan

7.10.5. The following table presents the long-term credit and loans received by ATR to finance its operations, as of December 31, 2020:

	Balance (EUR in thousands)	**Weighted interest rate (*) (EUR in thousands)**	**Average repayment period (years)(**)**
Secured loans at variable interest	298,069	2.25%	6.4
Unsecured debentures at fixed interest	720,786	3.20%	3.8
Total	**1,018,855**		

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

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

7.10.6. **Financial covenants**

Some of the debentures, credit facilities and mortgages received by ATR and its subsidiaries in the ordinary course of business, require compliance with financial and other covenants. As of December 31, 2020 and immediately prior to the approval date of this report, ATR is in compliance with all the specified covenants.

.8. **G Israel**

.8.1. The Company is engaged in the field of shopping centers anchored by supermarkets in Israel through its subsidiary, G Israel (100%) which is active in rental, management, development and improvement of commercial centers, which include, inter alia, malls and open shopping centers. The shopping centers owned by G Israel serves as shopping, leisure and entertainment centers for their customers. As of December 31, 2020, G Israel owns 12 income-producing properties and plot of land in Israel, mainly in the Gush Dan area. In addition, G Israel owns income-producing property and plots of land in Bulgaria[15].

The Company and G Israel are currently completing a merger between the Company and G Israel, after in July 2020, the Tax Authority granted approval for the merger, which was one of the conditions precedent for its completion (for additional information about the approval from the Tax Authority, see Note 23o to the financial statements. Upon completion of the merger, the Company will be transferred, without consideration, all of the assets and liabilities of G Israel, and all of its business will be concentrated under the Company's operations and real estate division.

Most of G Israel's properties are neighborhood centers in main cities, in areas with high entry barriers, high socioeconomic status (average cluster 7.9) and high accessibility based on existing and expected public transport as well as many parking spaces.

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

As part of its activities, G Israel examines the purchase of properties in urban areas, including purchase of land for residential construction. In addition, G Israel is considering realization of assets that are not based on the nature of G Israel's activities and which are not included in its strategy definition, with the aim of optimizing the Company's capital.

As part of its strategy, G Israel is active for maximizing its building rights in the properties it owns, as well as developing and expanding of the properties in accordance with the existing rights, inter alia, planning and construction office towers and mixed-use in part of G Israel's assets. The activities are made to response to the needs of the market and for the purpose of improvement of G Israel assets. As of the report date, G Israel has main construction rights of existing assets of a total volume of approximately 74.4 thousand square meters (the Company's share) that have been approved, for commercial, residential and office use, valued at approximately NIS 175.6 million (the Company's share), excluding land plots.

In December 2020, G Israel completed a sale of land in Macedonia in consideration of EUR 18.3 million, and in February 2021, it entered into an agreement to sale its part (50%) of a plot in Ramat Aviv in consideration of NIS 215.5 million.

In addition, in October 2020, G Israel completed the sale of most of its holding in securities in Amos Luzon Development and Energy Group Ltd., a public company whose shares are registered for trade on the Tel-Aviv Stock Exchange.

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

For information regarding G Israel's properties pledged in favor of the debenture holders (Series O) of the Company, see Appendix B to the Directors' Report

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

.8.2. **Summary of activity results**

Following is a summary of the results of operations in the operating segment for the years ended December 31, 2020, 2019 and 2018 (in NIS thousands):

	For the year ended December 31		
	31.12.2020	**31.12.2019**	**31.12.2018**
	In NIS thousands		
Total income from operation	231,841	234,403	224,033
Gains (losses) from revaluations	(111,866)	113,312	43,708
Profit from operation (*)	122,896	147,457	98,401
NOI from same assets	137,194	167,407	-
Total NOI	147,287	171,349	160,421

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

8.3.1. **Economic data regarding geographic regions**

For information regarding the impact of COVID-19 on the Company's operations in Israel, see Section 1.2 to the Directors' Report.

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

Macro-economic parameters	**Israel**		
	As of December 31,		
	2020	**2019**	**2018**
Gross domestic product (PPP)	USD 361 million	USD 378 million	USD 359 million
GDP per capita (PPP)	USD 39,126	USD 41,786	USD 40,452
GDP growth rate (PPP)	(4.56%)	5.29%	5.97%
GDP growth rate per capita (PPP)	(6.37%)	3.30%	3.94%
Inflation rate	1.09%	1.09%	0.80%
Yield on long-term government debt(2)	0.88%	0.79%	1.95%
Rating of long-term government debt(3)	AA-/A1	AA-/A1	A+/A1
Exchange rate of local currency to USD as of December 31(4)	NIS - USD 0.311	NIS - USD 0.288	NIS - USD 0.265
Unemployment rate (5)	5.99%	3.80%	4.00%

(1) Unless stated otherwise, the data provided in the table are based on the IMF - World Economic Outlook Database, October 2019. Note that the International Monetary Fund data for 2020 are based on projections of the IMF as of October 2020. In addition, the product data presented for 2018-2020, which are taken from a 2020 publication of the International Monetary Fund, are in terms of 2020 prices.

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

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

(4) According to OandA data (www.oanda.com), representative exchange rate as of December 31, 2018, December 31, 2019 and December 31, 2020.

(5) According to the publication of the IMF - World Economic Outlook Database, October 2020.

The description refers to 2020. Due to the spread of the COVID-19 pandemic in the world, or the outbreak of new variants of the virus, and the uncertainty regarding the duration of high morbidity rates, the vaccination rate of the population, the time that will take to get life to normal, the manner and scope of its influence and the economic crises caused by it, in the long term, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results. For more information regarding the impact of the COVID-19 pandemic on the Group's activity, see Note 1.2 to the Directors' Report.

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

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

	As of December 31	
	2020	**2019**
Total GLA of income-producing properties (consolidated) (in square meter thousands)	162	145
Fair value of income-producing properties (consolidated) (in NIS thousands)	3,380,774	3,333,186
Average monthly rent per square meter (in NIS)	108.2	109.3
Actual average occupancy rate(**)	For 2020: 98.1%	For 2019: 98.7%
	As of December 31, 2020: 97.7%	As of December 31, 2019: 98.8%
Number of income-producing properties	13	12
Actual average yields according to value at the end of the year	4.8%	5.8%

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

8.3.3. **Expected rental income from signed lease agreements** [(*)]

Period of recognition of income		**Income from fixed components (in NIS thousands)**	**Income from variable components (estimate) (in NIS thousands)**	**Number of terminating lease agreements**	**Area in the terminating agreements (in square meter thousands)**
2021	Quarter 1	43,665	-	27	3
	Quarter 2	43,081	-	19	2
	Quarter 3	42,345	-	18	2
	Quarter 4	41,716	-	42	5
2022		163,163	5,762	68	6
2023		161,615	5,446	71	7
2024		151,139	5,037	64	6
2025 and thereafter		1,107,414	37,934	411	115
Total		**1,754,138**	**54,180**	**720**	**146**

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

The information provided above contained in this section is a Forward-Looking Information as defined in section 32A of the Securities Law, and there is no assurance that in its occurrence, due to factors that are beyond the Company's sole control, including the effect of the Corona epidemic on the group's activities as set forth in Section 8.3 above, see section 1.2 of the Board of Directors' report.

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

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

	For the year ended December 31		
	2020	**2019**	**2018**
Number of properties under construction at the end of the period	1	2	2
Total GLA under construction (planned) at the end of the period (in square meter thousands)	2	17	15
Total costs invested in the current period (consolidated) (in NIS thousands)	8,206	54,709	133,762
The amount at which the properties are stated in the financial statements at the end of the period (in NIS thousands) (*)	28,000	190,240	197,000
Construction budget during the subsequent period (estimate) (consolidated) (in NIS thousands)	15,891	49,048	75,200
Total balance of estimated construction budget for completion of the construction works (estimate as of the end of the period) (consolidated) (in NIS thousands)	16,891	67,945	85,200
Percentage of the GLA under construction with respect to which lease agreements have been signed	61%	79%	58%
Expected annual revenue from projects that will be completed in the next year and signed contracts for fifty percent or more of their area (consolidated) (estimated) (NIS thousands)	1,842	15,000	-

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

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

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

	For the year ended December 31	
	2020	**2019**
The amount at which the plots of land are stated in the financial statements at the end of the period (consolidated) (in NIS thousands)	Israel –260,205 Bulgaria –59,342	Israel –245,337 Bulgaria and Macedonia –138,085
The total area of plots of land at the end of the period (in square meter thousands)	Israel –9 *) Bulgaria –186	Israel –9 *) Bulgaria and Macedonia –228
Total construction rights on land according to approved plans (in square meter thousands)	Israel –38 Bulgaria –0	Israel –38 Bulgaria and Macedonia –221

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

8.3.6. **Acquisition and sale of properties**

The table below provides data about properties sold and acquired by G Israel in each of the years 2020, 2019 and 2018:

		For the year ended December 31		
		2020	**2019**	**2018**
Properties sold (*)	Number of properties sold during the period	1	-	-
	Proceeds from properties sold during the period (consolidated) (in NIS thousands)	71,980	-	-
Properties acquired (**)	Number of properties acquired during the period	1	2	4
	Cost of properties acquired during the period (in NIS thousands)	89,312	108,091	279,209

8.3.7. **Human capital**

As of December 31, 2020, G Israel has 67 full-time employees (79 employees in 2019), as follows: headquarters – 25 employees; property management – 42 employees.

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

As part of the merger between the Company and G Israel, as of January 2021, all G Israel employees are employed by the Company.

8.3.8. **Credit and financing**

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

Mortgages - The total of G Israel's mortgage-secured liabilities was approximately NIS 1,361 million as of December 31, 2020 (as of December 31, 2019– approximately NIS 734 million). Said debt is at fixed interest at a weighted rate of 1.86% with an average repayment period of 4.5 years. These liabilities include a loan of NIS 1 billion from an institutional entity in Israel (when at the date of the report, NIS 880 million were applied). The loan is guaranteed with a first lien on the rights of the Company in G-City, valid until December 2029.

Upon completion of the merger of G Israel with and into the Company, these mortgages will be attributed to the Company.

Financial covenants

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

As of December 31, 2020 and immediately prior to the approval date of this report, G Israel is in compliance with all the prescribed covenants.

.9. **Gazit Brasil**

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

As of December 31, 2020, Gazit Brasil focuses its activities in São Paulo metropolis, where it owns and controls six dominant assets. another asset which it holds approximately 33% in one of the São Paulo's lucrative shopping centers, two lands for future development, a commercial building that is part of one of Gazit Brasil commercial centers and holding of 4.3% of a corporation that holds one of São Paulo's shopping centers (the data provided below do not include data is respect of such).

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

.9.2. In February 2021, Gazit Malls FII[6] (in this section, the "Issuer"), which is a fund for real estate investments (FII – Fundo De Investimento Imobiliario) wholly owned and controlled by the Company (indirectly) and which incorporated in Brazil, submitted a public draft prospectus to the Securities Authority in Brazil for an IPO of its participation units ("Quotas") on the stock exchange in Sao Paolo, Brazil (B3), by means of a tender offer of 25% - 49% of the Company's holdings in the Issuer (indirectly) ("Tender Offer").

In addition, the Issuer intends to raise lien-secured debt prior to the Tender Offer at up to BRL 650 million (NIS 390 million), by means of a private offer to institutional investors ("Debt Raising"). The debt will be raised for the long-term and the Issuer is working to obtain a rating for this debt that will be raised.

Prior to the Tender Offer, the Issuer will be the owner of five shopping centers in Sao Paolo which, as of December 31, 2020, are registered in the Company's books at a fair value of BRL 2.8 million (NIS 1.7 million)[7].

The Issuer will be managed by a wholly owned subsidiary (indirectly) of the Company, Gazit Brasil Asset Management Ltda, in consideration of annual management fees of approximately 0.9% of the market value of the Issuer, as recorded periodically, plus success fees at an amount contingent on achieving accepted objectives set in the management agreement that was signed on February 1, 2021 between the parties.

The Debt Raising and the Tender Offer are 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 the Tender Offer and Debt Raising will be completed in the second quarter of 2021.

It is not certain that the Tender Offer and the Debt Raising (the "Offers") will be completed in the second quarter of 2021 or at any other time, fully or partially, and it is not certain that the consideration anticipated from each of these Offers will be received in fully or in part.

The Company's estimates regarding the dates for completion of the Offers, their degree of completion, and the consideration anticipated from them constitute forward-looking information, as defined in the Securities Law – 1968. These estimates are based on the Company's assumptions to date and they are not certain, may not occur, and are not under the Company's control, *inter alia*, due to the changes in the world capital market conditions and/or in Brazil, and to the interest rates in Brazil, the morbidity situation as a result of the COVID-19 pandemic and its impact, and the existence of the conditions for the Offers (such as receipt of regulatory approvals).

[6] Formerly Internacional Shopping FII.

[7] The Company owns (via a wholly-owned subsidiary) additional properties in Brazil whose fair value in the Company's books as on December 31, 2020 is BRL 1.3 billion (NIS 0.8 billion), and the Company's holdings in respect to them will not change under the Tender Offer.

Summary of activity results

The following is a summary of the results of operations for the years ending December 31, 2020, 2019 and 208 (in NIS thousands and in BRL):

	For the year ended December 31					
	2020	2019	2018	2020	2019	2018
	In NIS thousands			In BRL thousands		
Total rental income	139,028	217,937	182,864	203,936	241,052	186,996
Gains (losses) from revaluations	37,456	586,900	277,531	87,331	690,223	285,181
Operating profit (*)	93,595	177,346	152,061	134,461	196,215	155,759
Same property NOI	143,384	93,062	-	133,778	206,117	-
Total NOI	105,264	198,778	166,095	151,319	219,938	170,072

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

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

For details regarding the impact of COVID-19 on the Company's business in Brazil, see Section 1.2 to the Directors' report.

Macro-economic parameters- Brazil	Year ended		
	2020	2019	2018
Gross domestic product (PPP)	USD 3,079 billion	USD 3,223 billion	USD 3,131 billion
GDP per capita (PPP)	USD 14,563	USD 15,337	USD 15,017
GDP growth rate (PPP)	(4.47%)	2.94%	3.75%
GDP growth rate per capita (PPP)	(5.05%)	2.13%	2.91%
Inflation rate	1.98%	4.31%	3.75%
Yield on long-term government debt (2)	7.23%	6.80%	9.14%
Rating of long-term government debt(3)	BB-/Ba2	BB-/Ba2	BB/Ba2
Exchange rate of BRL to U.S.$ as of December 31(4)	0.192	0.248	0.258
Unemployment rate (5)	13.37%	11.93%	12.26%

(1) Unless stated otherwise, the data provided in the table are based on the IMF Economic Outlook Database, October 2020. Note that the International Monetary Fund data for 2020 are based on projections of the IMF as of October 2020. In addition, the product data presented for 2018-2020, which are taken from a 2020 publication of the International Monetary Fund, are in terms of 2019 prices.

(2) According to Trading Economics (www.Tradingeconomics.com(, with respect to the yield on 10-year government debentures.

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

(4) According to OandA data (www.oanda.com)), representative exchange rate as of December 31, 2018, December 31, 2019 and December 31, 2020.

(5) According to the publications of the IMF - World Economic Outlook Database, October 2020.

The description refers to 2020. The continuation of the spread of the COVID-19 pandemic in the world or the outbreak of new variants of the virus, and the uncertainty regarding the duration of the high morbidity rates, the pace at which the population is vaccinating, the time that will take to resume normal routines, the manner and scope of its influence and the economic crises caused by it, in the long term, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results. Regarding the effect of the COVID-19 pandemic on the group's activities, see Section 2.1 of the Directors' report.

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

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

	As of December 31	
	2020	**2019**
Total GLA of income-producing properties (in square meter thousands)	178.9	176.0
Fair value of income-producing properties (in BRL thousands)	4,036,155	3,909,883
Average monthly rent per square meter (in BRL)	65.3	75.0
Actual average occupancy rate(**)	For 2020: 97.2%	For 2019: 97.1%
	As of December 31 2020: 97.0%	As of December 31 2019: 98.7%
Number of income-producing properties	7	7
Actual average yields according to value at the end of the year (***)	4.0%	5.7%

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

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

(***) Average yields December 31, 2020 and December 31, 2019 do not include an asset with an holding of 33% that is not managed by the Company. Average yields as of December 31, 2020 and 2019 include this two assets are 3.7% and 5.4%, respectively.

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

Period of recognition of income		Income from fixed components (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in square meter thousands)
2021	Quarter 1	31,460	95	6
	Quarter 2	20,576	62	4
	Quarter 3	19,405	58	4
	Quarter 4	18,225	55	4
2022		73,116	130	23
2023		62,640	117	17
2024		54,548	181	19
2025 and thereafter		198,654	208	88
Total		**478,624**	**906**	**165**

The information provided above contained in this section is a Forward-Looking Information as defined in section 32a of the Securities Law, and there is no assurance that in its occurrence, due to factors that are beyond the Company's sole control including the effect of the Corona epidemic on the group's activities, see section 1.2 of the Board of Directors' report.

Due to the Corona epidemic, and the restrictions imposed under it on the opening of shopping centers in Brazil, the company does not have information on the expected revenues from variable components, which mainly include percentage rent and parking fees, and which are not non-negligible amounts from Gazit Brasil revenues.

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

During 2018-2020, Gazit Brasil did not had any income-producing properties under development.

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

As of December 31, 2020 and December 31, 2019 Gazit Brasil has 2 plots of land for investment in the amount of BRL 8.4 million.

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

The table below provides data about properties sold and acquired by Gazit Brasil in each of the years 2020, 2019 and 2018:

		For the year ended December 31		
		2020	**2019**	**2018**
Properties sold	Number of properties sold during the period	-	-	1
	Proceeds from properties sold during the period (consolidated) (in NIS thousands)	-	-	70,200
	Area of properties sold during the period (consolidated) (in square meter thousands)	-	-	17
	NOI of properties sold (consolidated) (in NIS thousands)	-	-	-
	Gain recorded from the sale of properties (consolidated) (in NIS thousands)	-	-	2,570
Properties acquired(*)	Number of properties acquired during the period	-	1	3
	Cost of properties acquired during the period (consolidated) (in BRL thousands)	-	159,646	1,030,480
	NOI of properties acquired (in BRL thousands) (**)	-	11,576	57,173
	Area of properties acquired during the period (in square meter thousands) (**)	-	8	56

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

**) For income-producing properties only.

.9.9. **Human capital**

As of December 31, 2020, in its headquarters, Gazit Brasil has 43 full time employees (36 employees in 2019), as follows: management and administration – 1 employee; accounting and finance department – 13 employees; operating and properties department – 9 employees, legal department – 5 employees and human resources department- 5 employees.

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

.9.10. **Financing**

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

For information about the intention to issue some of Gazit Brasil's asset portfolio and to issue debt to institutional bodies, see Section 9.2 above.

10. **Gazit Horizons**

As of 2017, the company has had income-producing real estate operations in the US through its subsidiary, Gazit Horizons. Gazit Horizons is engaged in the acquisition of income-producing properties with potential for development or redevelopment, with an emphasis in densely populated areas in major cities across the US, particularly in New York, Boston, Philadelphia and Miami and as of the reporting date, it holds 10 properties (including 5 properties held jointly with third parties) and one jointly owned income-producing real property asset.

Gazit Horizons was founded as part of the Company's strategy to increase the private real estate scope of its activity. For more information about the Company's investment plan with respect to Gazit Horizons, see Section 25.2 below. Gazit Horizons.

The assets acquired by Gazit Horizons are high-quality properties in urban and central markets that are leased to single or number of tenants. Gazit Horizons intends to continue investing in assets in urban markets, where it can identify value-added opportunities through both diversification of uses and through expansion, renovation, redevelopment and proactive management of the assets.

.10.1. **Summary of activity results**

The following is a summary of the results of operations for the years ending December 31, 2020, NIS thousands and in USD thousands) (*):

2018 and 2017 (in N

	For the year ended December 31					
	31.12.2020	31.12.2019	31.12.2018	31.12.2020	31.12.2019	31.12.2018
	In NIS thousands			In USD thousands		
Total rental income	73,632	70,503	32,990	21,357	19,823	9,150
Gains from revaluations	34,377	5,985	28,528	9,680	1,684	7,679
Operating profit (**)	21,239	41,565	118,157	6,117	11,765	31,889
Same property NOI	31,115	32,217	-	9,039	9,359	-
Total NOI	49,785	49,774	21,205	14,456	14,001	5,884

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

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

.10.2. **Macro- economic parameters [(1)]:**

For details regarding the impact of COVID-19 on the Company's business in Brazil, see Section 1.2 to the Directors' report.

Macro-economic parameters-USA	**Year ended**		
	2020	**2019**	**2018**
Gross domestic product (PPP)	20,807	21,443	20,612
GDP per capita (PPP)	63,051	65,254	63,056
GDP growth rate (PPP)	(2.92%)	3.98%	5.47%
GDP growth rate per capita (PPP)	(3.37%)	3.49%	4.91%
Inflation rate	2.12%	2.07%	1.91%
Yield on long-term government debt(2)	1.65%	2.39%	2.87%
Rating of long-term government debt(3)	AA+\Aaa	AA+\Aaa	AA+\Aaa
Exchange rate of NIS to USD as of Dec. 31(4)	0.315	0.288	0.265
Unemployment rate (5)	8.89%	3.73%	3.89%

(1) Unless stated otherwise, the data provided in the table are based on the IMF Economic Outlook Database, October 2020. Note that the International Monetary Fund data for 2020 are based on projections of the IMF as of October 2020. Additionally, the product data presented for 2018-2020 are in terms of 2020 prices.

(2) According to publications of the U.S. Department of Treasury and with respect to the yield on 30-year government debentures, as of December 31, 2020.

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

(4) According to OandA data (www.oanda.com)), representative exchange rate as of December 31, 2018, December 31, 2019 and December 31, 2020.

(5) According to the publication of the IMF World Economic Outlook Database, October 2020.

The description refers to 2020. Due to the spread of the COVID-19 pandemic in the world, or the outbreak of new variants of the virus, and the uncertainty regarding the duration of high morbidity rates, the vaccination rate of the population, the time that will take to get life to normal, the manner and scope of its influence and the economic crises caused by it, in the long term, the Company cannot evaluate the degree of its exposure, including the possibility of adverse changes in the Company's business and finance results. For more information regarding the impact of the COVID-19 pandemic on the Group's activity, see Note 1.2 to the Directors' Report.

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

	As of	**As of**
	31.12.2020	**31.12.2019**
Total GLA of income-producing properties (in thousands of sq. m.)	44.1	39.7
Fair value of income-producing properties (in USD thousands)	357,223	292,081
Average monthly rent per square meter (USD)	49.0	47.2
Actual average occupancy rate	For 2020: 90.7%	For 2019: 89.9%
	As of December 31, 2020: 88.2%	As of December 31, 2019: 86.4%
Number of income-producing properties	10	9
Average yields according to value at year end	4.25%	4.76%

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

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

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

Period of recognition of income		Income from fixed components (in NIS thousands) **)	Number of terminating lease agreements	Area in the terminating agreements (in thousands of sq. m.)
2021	Quarter 1	12,422	5	10
	Quarter 2	10,312	1	1
	Quarter 3	10,416	3	1
	Quarter 4	10,555	3	(***-
2022		39,479	6	3
2023		36,529	6	2
2024		55,249	2	1
2025 and thereafter		778,694	20	14
Total		**953,656**	**46**	**32**

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

**) Income from variable components is negligible.

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

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

10.2.3. In 2018-2020, Gazit Horizons did not have any income-producing properties under construction**.**

10.2.4. Aggregate data regarding lands for investment in Gazit Horizon's field of activity:

Area	Parameters	Date	
		31.12.2020	**31.12.2019**
United States	Amount of lands in the financial statements at the end of the period (consolidated) (in USD millions)	28	31.3
	Total lands area at end of period (in thousands of square meters)	2	2
	Total building rights in lands, according to approved plans (in thousands of square meters)	35	35

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

Below are data regarding properties acquired by Gazit Horizons in 2019-2020:

		For the year ended	
		31.12.2020	**31.12.2019**
Properties acquired	Number of properties acquired during the period	1	3
United States	Cost of properties acquired during the period (in USD thousands)	45,168	164,610
	NOI of properties acquired (in USD thousands)	93	4,727
	Area of properties acquired during the period (thousands of sq. m.)	4	17

On February 2021, Gazit Horizons, together with a local partner (50-50) entered into an agreement to purchase an asset in Cambridge, Massachusetts, for a total consideration of USD 45 million. The asset will be managed by Gazit Horizons.

.10.3. **Human capital**

As of December 31, 2020, Gazit Horizons has 15 employees (19employees in 2019). Said employees are employed under personal contracts, and are entitled under them to a base salary, various benefits and bonuses, at the discretion of management. For information about the terms of employment of the CEO of Gazit Horizons Inc., see Regulation 21, in Chapter D of the Periodic Report.

.10.4. **Financing**

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

Mortgages and credit lines- The total of Gazit Horizons' mortgage-secured liabilities was USD 65.5 million as of December 31, 2020. Out of the pledged debt, a total of USD 26 million is at fixed interest at a weighted rate of 4.08%, with a duration of 1.5 years and the balance, and the amount of USD 37.5 million, is for mortgages at variable interest at a weighted rate of 3.3%, with an average repayment period of 3.25 years.

Financial covenants

Some of the loans and mortgages granted to Gazit Horizons in the ordinary course of business require compliance with financial and other covenants (including with respect to specific properties). As of December 31, 2020 and immediately prior to the approval date of this report, Gazit Horizons is in compliance with all the prescribed covenants

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

.11.1. **Gazit Germany**

Since 2006, the Company operates in Germany through subsidiaries which, for convenience, are referred to in this report as "Gazit Germany." Over the past years, Gazit Germany worked to sell its properties, and in December 2020, it entered into an agreement to sell the last remaining property under its ownership for consideration of EUR 87 million (NIS 343 million). The sale is expected to be completed in the second quarter of 2021.

.11.2. **Gazit Canada**

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

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

As of the date of publication of this report, the Joint Venture purchased 7 properties in Canada, mainly in Toronto, amounting to approximately CAD 108 million (approximately NIS 285 million), including holding of 33% of an asset valued CAD 250 million, in which a wholly owned subsidiary of the Company holds an additional 33% of the asset, and the remaining is held by a third party.

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

As part of management of the liquid balances of the Company, the Company manages a securities portfolio of publicly listed companies and investment funds, diversifying its investments in many public companies that are publicly traded and operate in the field of income-producing real estate, mainly in the Company's areas of activities, with the aim of utilizing the Company's many years of knowledge and experience regarding the activities, the nature of their assets, and the managements of the companies in which the Company is considering investing, and with the aim of generating an excess return on these investments, while constantly examining and monitoring the pool of companies in which the Company may invest. For information regarding the investment in securities, see Note 10 to the financial statements.

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

Reconciliation to the statement of financial position

		As of December 31	
		2020	**2019**
		(consolidated) (in NIS thousands)	
Presentation in the description of the Company's business	Total investment properties whose development was completed in Northern Europe (consolidated)	15,894,413	15,478,629
	Total investment properties whose development was completed in Central and Eastern Europe (consolidated)	9,294,524	10,088,477
	Total investment properties whose development was completed in G Israel (consolidated)	3,380,774	3,333,186
	Total investment properties whose development was completed in Gazit Brasil (consolidated)	2,497,371	3,359,763
	Total investment properties whose development was completed in Gazit Canada (consolidated)	201,030	212,482
	Total investment properties whose development was completed in Gazit Germany (consolidated)	362,459	354,467
	Total investment properties whose development was completed in Gazit Horizons (consolidated)	1,148,472	1,009,432
	Total investment properties under development in Northern Europe (consolidated)	1,072,238	655,416
	Total investment properties under development in Gazit Horizons (consolidated)	278,419	287,321
	Total plots of land classified as investment properties under development in Central and Eastern Europe (consolidated)	640,463	718,665
	Total plots of land classified as investment properties under development in G Israel (consolidated)	102,092	180,899
	Total plots of land classified as investment properties under development in Gazit Brasil (consolidated)	57,729	80,131
	Total plots of land classified as investment properties under development in Gazit Horizons (consolidated)	90,020	108,297
	Total plots of land classified as investment properties in G Israel (consolidated)	217,455	202,500
	Total (consolidated)	**35,237,459**	**36,069,665**
Presentation in the statement of financial position	"Investment property" item in the statement of financial position (consolidated)	31,827,981	33,544,540
	"Investment property" classified as property held for sale (consolidated)	952,899	291,904
	"Investment property under development" item in the statement of financial position (consolidated)	1,348,821	979,941
	Plots of lands	890,303	1,050,780
	Plots of land classified as property held for sale	217,455	202,500
	Total	**35,237,459**	**36,069,665**

Adjustment to FFO

For information about FFO for the years ended on December 31, 2020, 2019 and 2017, see Section 2.2. of the Directors' Report.

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

13. Marketing and distribution

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

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

14. Competition

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

Furthermore, in recent years, the Group is exposed to increasing competition from online retailers (retailers that offer e-commerce platforms and conduct their business on the internet), whose market share of the sales is expected to continue growing in the future. In addition, during the reporting period, in light of the restrictions due to COVID-19, there was a significant increase in the amount of online purchases, especially during the periods when the shopping centers were closed. For additional information, see also Section 28.2.1 below.

14.2. Some of said competitors have considerably greater financial resources at their disposal than those available to the Group. The competitive advantage of such competitors reduces the Group's bargaining power and could result in a reduction in the Group's profitability. The Company and its consolidated companies have a number of competitive advantages, which help it deal with its competitors, and that in the Company's opinion constitute critical success factors for its fields of operation. Such advantages include the following: the Group's properties are located in attractive urban growth areas, having high rates of population growth and high density rates and per capita income, and characterized by high entry barriers; proactive management of the properties with emphasis on a mix of tenants (including the inclusion of tenants that are less vulnerable to online-sales competition) and on ensuring that properties are maintained to a high standard over time; senior management that is experienced and has proven achievements; local management that is experienced, knowledgeable and familiar with the Company's field of operation in each of the operating regions; mix of tenants including supermarket chains or other retail chains, having a high degree of essentiality to the day-to-day needs of the population, with an emphasis on food items, pharma and banking, which operate even during times of emergency or limitations on movement. Such chains, by their very nature, have a high customer traffic and are more resilient to fluctuations in the economy or emergency situations; establishing and maintaining strong relationships with tenants, and a wide tenant base (as of the reporting date, the Company and its consolidated companies have more than 8,400 lease agreements, and the rental income from the largest tenant represents 2.2% of the total rental income in the report year (2.2% in 2019)); a sound reputation, a wealth of experience, strong familiarity with the industry and a proven performance record over almost three decades; geographic deployment mainly across central cities, with an advantage to open centers, regional dominance that facilitates a variety of investment opportunities and enhances the ability to contend with cyclical changes in the economic conditions in the different markets; substantial financial capabilities and access to various capital markets, including a high credit rating; holding an inventory of land in proximity to some of the Group's properties and having the ability to generate additional building rights for mixed uses of existing properties located in urban areas, where there is high demand for these properties, and experience in the improvement, development and redevelopment of properties; high liquidity that enables financial flexibility.

15. **Fixed assets**

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

16. **Tangible assets**

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

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

17. **Human capital**

17.1. **Organizational structure**

As of December 31, 2020, the Company and its wholly-owned subsidiaries (which are not separately presented in this report) have 3 full-time permanent employees, as follows: 25 employees in Israel (27 employees in 2019); and 9 employees in the United States (9 employees in 2019), who primarily work in the controllership, finance and legal departments, analysis and business development, as well as in administration and the headquarters.

As part of the merger of its subsidiary G Israel with and into the Company, as of January 2021, all G Israel employees are employed by the Company in the real estate division, which is responsible for management and operation of the Company's assets in Israel.

As of the reporting date, the Company has 93 employees, of which 22 employees work at the headquarters division and 71 employees work at the real estate operations division.

The Company's management is composed of the CEO (who is the controlling shareholder of the Company and serves as the Vice Chairman of the Board of Directors as well), Deputy CEO and Head VP Finance, Deputy CEO and VP Operations (who was appointed in June 2020[8]), and three additional VPs – VP and Comptroller, VP Investments, and VP and International Legal Advisor.

17.2. **Remuneration policy and employment terms** The Company's employees are employed under personal contracts, and are usually entitled to a base salary, customary social benefits and bonuses, which are at the discretion of Company management. Some of these employees are entitled to various benefits depending on the seniority of the position they hold, and receive in addition long-term compensation in the form of mechanisms based on the Company's securities, including as set out in Section 17.6 below.

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

8 In May 2020, Mr. Oren Hod was appointed Deputy CEO and VP Operations at the Company. For details regarding Mr. Hod, see Amendment 26A to Chapter D (Additional information regarding the Company).

With respect to 2020, it was determined that payment of the annual bonus to the officers for this year will be a minimum weighted score of 80 be based on the specific parameters and minimum value of each of the parameters as follows (in accordance with the formula set out in Section 7.6 of the compensation policy):

Parameter	**Weight in the grant formula for 2020**	**Minimum value for 2020**
FFO per share (in NIS) (*)	7.5%	3.30
Share Flow from operating activities (solo) (in NIS)	10%	2.46
Leverage ratio – solo expanded	20%	56.1%
Performance of the Company's shares compared with relevant indices[18]	15%	0%
General and administrative expenses target, solo for calculation of the FFO (in NIS millions)**	15%	80
NAV per share (in NIS)*	7.5%	48.88
Discretion of the Board of Directors	25%	-

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

** For the calculation, administrative and general expenses of the headquarters in Tel Aviv alone will be taken into account, and not of the headquarters of the private companies of the Company.

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

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

17.6. The Company is dependent on the continued activities of the Company's Vice Chairman of the Board of Directors and CEO and controlling shareholder, Mr. Chaim Katzman. CEO and controlling shareholder, Mr. Chaim Katzman.

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

17.7. The Company's share-based compensation

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

(a) 2011 Plan

In December 2011, the Company adopted a securities compensation plan (as amended from time to time), according to which the Company may allot to managers, employees, directors, consultants and service providers of the Company and related companies up to 13.2 million shares or securities that are convertible into shares of the Company, valid through 2025. The plan is managed by the Compensation Committee and the Board of Directors, which will set the terms of the securities allotted under the plan. According to the plan, those entitled may be allotted share warrants, restricted shares, restricted share units or any other compensation based on the value of the Company's shares, at the discretion of the Compensation Committee and the Board of Directors. Share warrants allotted by virtue of the 2011 plan may be exercised in different ways, as decided by the Committee, including by way of net exercise, namely receiving the number of shares that reflects the value of the financial benefit embodied in the option warrants (cashless exercise). Share options allotted under the 2011 plan will be subject to the different customary adjustments. In addition, provisions were set for various events involving termination of the allottee's employment in the Company, where for some of the officers a mechanism is in place for accelerated vesting of the instruments they will be granted under the plan, in the event that the Company decides to terminate their employment other than in circumstances in which they will not be entitled to severance pay and under certain circumstances of change of control in the Company. For information regarding the allocation of securities to directors, officers and employees of the Company under the 2011 plan, refer to Note 26 to the financial statements and Regulation 21 in Chapter D of this report.

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

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

(c) Commitment to allotment of share

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

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

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

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

17.8. **Employee training**

The Company and its subsidiaries have annual training program on topics such as the code of ethics, prevention of sexual harassment, bribery and corruption, administrative enforcement, and more.

18. **Working capital**

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

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

18.2. **Summary composition of the working capital** – As of December 31, 2020, the working capital of the Company and its consolidated companies comprises on the assets side mainly cash and cash equivalents, deposits, short-term loans, including marketable securities in the amount of approximately NIS 1.6 billion, trade and other receivables in the amount of NIS 0.5 billion and held-for-sale assets in the amount of approximately NIS 1.2 billion. On the liabilities side, the working capital of the Company and its subsidiaries comprises mainly short-term credit and current maturities of liabilities in the total amount of approximately NIS 2.0 billion, and trade and other payables in the amount of approximately NIS 1.0 billion.

As of December 31, 2020, the Company and its consolidated companies have approved, unutilized, long-term credit facilities that are available for immediate withdrawal and liquid balances in the amount of NIS 7.3 billion (of which NIS 1.5 billion in the Company and its wholly-owned subsidiaries which include cash and cash equivalents and short-term deposits and investments of approximately NIS 1.3 billion).

19. **Financing**

19.1. The Company generally finances its operations primarily through its current operations equity, issuance of tradable and private debentures, from bank credit, and capital issuances. The Company usually takes credit in average duration in various currencies depending on the specific investment (currently particularly: Israeli shekel, US dollar and Euro), bearing fixed or variable interest. In the event that the Company takes loans in a different currency from the investment currency, the Company conducts hedging transactions, in some cases, on the currency and/or on the interest. For more information, see Section 19.10 below.

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

For information about the influence of the COVID-19 pandemic, the economic crisis resulted by it, the fluctuations in the interest rates and foreign currencies exchange rates see Section 1.2 to the Directors Report.

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

As of December 31, 2020, the interest-bearing liabilities of the Company and its subsidiaries to banks and others totaled NIS 24.4 billion (as of December 31, 2019– NIS 22.3 billion; as of December 31, 2018– NIS 28.1 billion).

As of December 31, 2020, the Company and its subsidiaries have revolving credit facilities in the total amount of approximately NIS 5.4 billion, of which it had utilized a total of approximately NIS 2.6 billion at that date.

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

As of December 31, 2020, the Company and its wholly-owned subsidiaries have revolving credit facilities from several local and international banks and Financial Institutions, in a total amount of approximately NIS 2.8, of which approximately NIS 1.9 billion have been utilized as of the said date. To the date of publication of the report, the Company has credit facilities that are secured with tradable shares of the Group companies, (as detailed below) with income producing properties, and credit facilities that are not secured. Credit facilities are valid for periods of three to four years and end in the years 2022-2024. The credit facilities bear an annual margin at a weighted rate as of December 31, 2020 of approximately 2.27%. As of December 31, 2020, the Company has pledged in favor of the aforesaid credit facilities approximately 86.1 million shares of CTY (representing approximately 48.4% of its share capital) and approximately 213 million shares of ATR (representing approximately 54.5% of its share capital).

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

As of the date of the report publication, the above credit facilities amounted to approximately NIS 2.5 billion, out of which approximately NIS 2.4 has been utilized for said date and deposited in bank deposits, and the Company has pledged in favor of the aforesaid credit facilities approximately 86.1 million shares of CTY (representing approximately 48.4% of its share capital), and approximately 253 million shares of ATR (representing approximately 54.5% of its share capital).

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

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

As of December 31, 2020, the Company has debentures in the amount of approximately NIS 7.1 billion par value which are unsecured and debentures of NIS 0.3 billion secured by a lien on 4 properties in Israel. During the reporting period, the Company issued debentures of NIS 1.5 billion par value (with a gross consideration of NIS 1.4 billion) as follows:

- New debentures (Series N) in the amount of NIS 930 million par value.
- New debentures (Series O) secured by a lien, of NIS 328 million par value.
- Expansion of debentures (Series K) of NIS 243 million NIS par value.

Pursuant to the rating from the month of July 2020, Maalot S&P kept the rating for the debentures of the Company (Series D and K, L, M and N) as ilAA- and changed the outlook from stable to a negative outlook.

According to a rating report from July 2020, Midroog kept the rating for the debentures (Series D and K, L, M and N) as Aa3, but it changed the debentures outlook from stable to a negative outlook.

On October 19, 2020, S&P Maalot and Midroog set a credit rating for the debentures (Series O) of the Company secured with a real estate lien in Israel at a rating of ilAA and at a rating of Aa2.il, respectively.

For information regarding the Company's debentures, including about the financial covenants for the debentures (Series K, L, M, N and O), and the real estate properties in Israel that were pledged in favor of the debenture holders (Series O), see Section 7 and Appendix B to the Directors' Report and Note 19 to the financial statements.

During the reporting period, the Company made repurchases of its debentures, as detailed in section 3.8 of the Directors' Report.

The debentures (Series L) constitute essential credit of the Company. For information regarding the Company's debentures, see Section 7 of the Directors' Report and Note 19 to the financial statements in Chapter B to the report.

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

19.6. **Restrictions on receipt of credit and cross-default mechanism in the credit agreements of the Company:**

The credit documents of the Company and its subsidiaries contain financial covenants which include, *inter alia*, minimal equity, leverage rate, utilized debt ratio to collateral value, and more, as set forth in Note 20d to the financial statements. In addition, the financing agreements include other customary conditions for calling for the immediate repayment of the credit, including: a change of control in the Company, its subsidiaries or in companies whose securities have been pledged to secure the credit, restructuring, certain material legal proceedings (including in relation to liquidation, receivership and property disposal and execution proceedings), termination of activities, delisting of the securities pledged against the credit or of securities of the Company, pause or set a lower rating, etc.

In addition, some of the Company’s financing agreements (which do not amount to material credit) include additional covenants and terms (such as: causes of action related to trade of shares used as collateral for financing and of Company shares and their prices, rating, changes of control, etc.), which if existing, obligate the Company to repay the credit within the time period set forth in the agreement, and in the event that it does not do so, the financial institution has the right to demand immediate repayment of the financing. In some of these agreements, in the event that the Company resumes compliance with the covenants set in the agreement, it will be entitled to once again utilize the credit from them.

As of December 31, 2020 and shortly before the date of approval of this report, the Company and its wholly owned subsidiaries are in compliance with all of the covenants that apply to them. Additionally, as of December 31, 2020, all the subsidiaries of the Company are in compliance with all of the covenants that apply to them and, to the best of the Company's knowledge, this status has not changed to the date of this report.

19.7. The Company’s credit agreements include a cross-default mechanism that does not create a link between the specific loans, that is activated in case of a call for the immediate repayment of another credit agreement in the minimum amount of USD 40-50 million.

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

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

The following table presents the credit and long-term loans (including current maturities) received by the Company and wholly-owned subsidiaries to finance their operations, that are not intended for specific use, as of December 31, 2020:

	Balance (NIS in millions)	Weighted interest rate	Effective interest rate	Average repayment period (years)(*)
Secured loans from financial institutions at variable interest	2,435	2.32%	2.32%	2.86
Secured loans from financial institutions at fixed interest	1,348	1.74%	1.74%	6.22
Unsecured loan from financial institutions at fixed interest	489	5.84%	5.84%	4.43
Secured debentures at fixed interest	324	1.08%	1.30%	5.99
Unsecured debentures at fixed interest	7,108	3.60%	3.46%	4.23
Total	**11,704**	**3.14%**	**3.07%**	4.23

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

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

The table below provides details regarding the outstanding credit of the Company(*) and its wholly-owned subsidiaries (in NIS millions), as of December 31, 2020:

	The Company (*)	CTY	ATR (**)	Total
Outstanding debentures (tradable and non-tradable)	7,432	6,938	2,842	**17,212**
Outstanding bank credit(***)	4,439	1,237	1,514	**7,190**
Total liabilities	11,871	8,175	4,356	**24,402**
Approved revolving credit facilities	2,278	1,972	1,183	**5,433**
Utilized credit facilities(****)	1,910	377	339	**2,626**
Balance for utilization	368	1,595	844	**2,807**
Guarantees in the ordinary course of business	309	369	-	**678**

(*) The Company and its wholly-owned subsidiaries.

(**) Includes excess cost accounted for at the time of its acquisition.

(***) Including the utilization of approved credit facilities.

(****) Includes utilization with respect to the provisions of guarantees.

From time to time, the Company explores the possibility to raise debt from additional sources as it requires, including for the purpose of fulfilling its business strategy and for improving its working capital and debt recycling, in accordance with market conditions.

19.10. Swap transactions

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

For information regarding settlement of swap transactions, refer to Note 34c to the financial statement and section 4 to the Board of Directors' report.

20. **Taxation**

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

21. **Environmental protection**

21.1. The Company and its consolidated companies, due to its ownership of real estate, are subject to legislation, and federal, state and local environmental regulation. In this regard, they can be held responsible for, and have to bear, the clearance and reclamation costs with respect to various environmental hazards, pollution, and toxic materials that are found at, or are emitted from, its properties (and could also have to pay fines and compensation with respect to such hazards). The costs of the above could be high and could even exceed the value of the relevant properties. Failure to remove these hazards could have a detrimental effect on the ability of the Company and its consolidated companies to sell, rent or pledge the properties at which such hazards are found, and could even result in a lawsuit. As of December 31, 2020, the Company and its consolidated companies are working to remedy deficiencies or environmental hazards they have identified, but there is no certainty that additional environmental deficiencies or hazards will not be discovered in the future, including some that developed when the properties were owned by third parties, from whom the properties were acquired, and that have still not been discovered. Furthermore, future amendments to environmental laws (that have become more stringent in recent years) could have a negative material effect on the Company’s position, from both the operational and the financial respects. As of December 31, 2020, the Company believes that the costs expected to be incurred with respect to its liability for environment-related damages are not material to the Company and its consolidated companies.

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

The Company has been participating in the Ma’ale rating since 2006 and as of the reporting date, is rated as Platinum Plus.

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

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

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

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

22.3. The Company is subject to the Law for Promotion of Competition and Reduction of Concentration, 2013 ("Concentration Law"), the purpose of which is to reduce the level of concentration in the Israeli economy, inter alia, by imposing structural restrictions and rules of corporate governance on interests held in the form of a pyramid structure and by prohibiting holdings of more than two layers of a reported corporation in Israel, and separation between interests in a significant real (non-financial) corporation and interests in a significant financial activity, where the company is defined as a "significant real corporation"[9] and a "concentrated entity" and accordingly, inter alia, restrictions on interests in significant financial corporations above a specific threshold apply to it and to its interested parties.

The provision of the Concentration Law require the ordinance[10] authorized by law to make an allocation of a right to a concentrated entity in one of the industries listed in the Concentration Law, prior to allocating such rights to other entities in the concentrated entities list.

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

The Supervisor of Banks determined restrictions on the volume of loans that may be extended by a bank to a "single borrower," a single "group of borrowers," and to the bank's largest "groups of borrowers," as the terms are defined in said directive, as well as restrictions on the debt of a borrower and a group of borrowers. The Company and its controlling shareholder obtain loans and credit from Israeli banks, and therefore, such restrictions could affect the volumes of credit that may be attained by the Company. For additional information, see also section 28.1.1 below.

For additional details, refer to section 28.2.4 of the report and to Note 2a to the Financial Statements.

9 Refer to the update of significant real corporations list and the concentrated entities list published by the committee to reduce concentration on March 2 2021.

10 The regulator qualified to allocate rights in certain resources

23. **<u>Material agreements and strategic partnership agreements</u>**

23.1. <u>Reorganization agreement with Norstar Group</u>

The Company, Norstar Holdings and Norstar Israel Ltd. (a company wholly owned by Norstar Holdings, "Norstar Israel"; Norstar Holdings and Norstar Israel are the Company's controlling shareholders and will be jointly referred to hereinafter as: the "Norstar Group"), are parties to an agreement that contains the following arrangements ("Gazit-Norstar Agreement"): (a) service agreement, by virtue of which the Company provides Norstar Group with various services; (b) a non-competition agreement from Norstar Group with respect to the Company, as set forth below. The Gazit-Norstar Agreement replaced and updated a previous agreement between the parties dated 1998, and in light of Section 275(1a) to the Companies Law, from one month to three years, and recently in November 2020, after being approved by the Company's general meeting on November 5, 2020.

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

a. The non-competition provision

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

b. Services agreement

Under the current service agreement between the parties, the Company provides the Norstar Group with various services for a monthly payment of NIS 133,000 (until the month of November 2020 - NIS 139,000) linked to an increase in the Israeli Consumer Price Index, plus VAT ("management fee"). Pursuant to the agreement, the Company provides Norstar with the following services: secretarial services, finance (including reporting to the authorities), treasurer services, computer and IT services, communications, legal services, handling of bank financing, capital market and the investments of Norstar Israel and companies in its group (which include Norstar and companies controlled by it). As of the reporting date, the service agreement is in effect for three years, commencing on November 16, 2020 (after having been extended several times following its initial approval), at the end of which it will be automatically renewed, from time to time, for three-year periods, where each of the parties may choose not to renew by informing the other party by written notice, no later than 90 days before the end of the term of the agreement (all subject to the provisions of the Companies Law).

23.2. Agreements with regard to ATR

Pursuant to an agreement signed between the Company (through a wholly-owned subsidiary of the Company, through which the Company's investments in ATR were made) and ATR in September 2009, the Company was granted the following rights[20]:

(a) A list of issues was set with respect which the Company was granted veto rights, stipulating that as long as it owns at least 20 million shares (immediately before the reporting date, the Company owns 271.0 million shares in ATR,), its consent is required to conduct certain material actions with respect to ATR, for which materiality thresholds were stipulated in the agreement, including: sale of properties of ATR; acquisitions or entering into transactions; entering into a material agreement; change of the tax regime applying to ATR; appointment of ATR CEO. It was also decided that any decision regarding a material change in the business of one of the companies in the ATR Group, and regarding the issue of securities by ATR or any company in the ATR Group (with exceptions stipulated in the agreement) will require the consent of a special 2/3 majority of ATR’s general meeting. In addition, rights to receive information were set for the Company.

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

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

23.3. Shareholders' agreement with CPPIBEH with respect to CTY

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

On March 17 2021, CPPIBEH sold CTY shares, after the sale CPPIBEH is holding 7.5% of CTY share capital. As long as its holdings in CTY will be less than 10% for 30 consecutive days, the shareholders' agreement will be terminated, in accordance to its terms.

24. Legal proceedings

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

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

25. **Goals, business strategy and expectation for developments in the next year**

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

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

- Attributing significant importance to transparency and reliability vis-à-vis investors (shareholders and debenture holders) and acting accordingly.
- The Company and its consolidated companies believe that the human capital it employs is one of its most important resources. Retaining human capital over time provides a stable basis for growth of the operations of the Company and its consolidated companies, and for the creation of value for their shareholders.

25.2. Keeping with the strategic plan, the Company is expected to continue to invest in some of its existing platforms, with an emphasis on expanding the activity of the Company's private companies. Under this provision, the company estimates that it will invest non-material amounts in properties in Brazil during the years of 2020-2021, focusing in Sao Paolo, through Gazit Brazil; between NIS 0.3-0.6 billion in properties in major cities in the United States through Gazit Horizons; between NIS 0.1-0.6 billion in Israel and between NIS 0.1 – 0.2 in properties in Canada (through the Canadian joint venture and Gazit Canada).

Simultaneously, after assessing the impact of the COVID-19 crisis on the Company, during the reporting period, the Company decided to operate to strengthen its capital structure, while maintaining the high credit rating, *inter alia*, by disposing of properties held by the private subsidiaries that are non-core properties, or regarding which the Company has exhausted their improvement potential, for NIS 1 billion until 2021.

The Company's estimates regarding the occurrence of the strategic plan and regarding the sale of properties, as aforementioned, is considered forward-looking information, as defined in the Securities Law – 1968.

25.3. The Company's management sees the need and potential for expanding in the field of green energy, and is accelerating the initiatives that started during 2020 in Scandinavia, for integrating solar energy systems in its compounds, also in Israel and other countries. Recently, the Company entered into an agreement with a contractor which will build photovoltaic systems in some of its compounds in Israel during 2021. These systems are expected to reduce the energy costs of the Company and to create additional income from its current properties.

At the same time, the Company's Board of Directors instructed Company's management to explore ways to expand the Company's activities in the solar energy field, also to initiatives actions (in contrary to building systems in its own properties). The Company is currently negotiating with an entity that has a well-known expertise in this area for establishing a joint project, which will focus on developing the properties without contractual exposure.

25.4. In addition, the Company's Board of Directors instructed Company's management to advance the Company's activity as a sponsor of SPAC ('Special Purpose Acquisition Company'), in the USA for tracing opportunities in similar fields of the Company's activities, with emphasis on the PropTech, FinTech and RetailTech fields in real estates, for up to USD 250 million. It will be emphasized that the Company does not intend to invest in SPAC more than the establishment and operating costs of the SPAC prior to merging activities into it, and will be operating only as the SPAC founder.

25.5. The Company intends to finance its expected investments, to the extent they are exercises, from its equity, from its current operations, from private and/or public capital raisings and bank credit, and from realizing other investments of the Company, in accordance with its strategy. The above is subject to economic and other developments in the relevant areas, including the influence of the Corona epidemic as further detailed in Section 1.2 to the Board of Directors Report.

The aforesaid goals are forward-looking. They constitute a vision and goals, which are based to a significant extent on expectations and assessments with respect to economic and other (industry-related and general) developments, and their interrelationships. The Company's investment plans, which are set out above, are subject to the Company's free cash flow and its financial abilities, as well as the investment opportunities in the relevant markets and the economic and financial condition of said markets and the world, and special situations such as the worldwide COVID-19 pandemic. The Company cannot be certain that its expectations and assessments will indeed be realized, including with respect to its ability to realize its vision and to achieve the goals it has set for itself, including its investment plans and property disposal plan, which to a significant extent are also based on factors that are inherently beyond its control, such as the Corona epidemic and the economic crisis that resulted therefrom, which occurrence have already begun, and as of the date of the report, their impact on the Company's operations results cannot be estimated, inter alia, due to the fact that it is a dynamic situation. It is further clarified that the Company's management will, from time to time, examine its plans and revised them in accordance with these and other changes. It is hereby clarified that the Company's operating results, including its investment targets, may differ materially from the plans and results estimated or implied by this information.

26. **Material events subsequent to the reporting date**

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

27. **Financial information concerning geographical segments**

Refer to Note 36 to the financial statements.

28. **The risk factors applicable to the Company**

28.1. Macro risks

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

The business results of the Company and its consolidated companies are dependent, among others, on their ability to raise loans or capital in the future and on the terms thereof, in order to repay loans and attain the cash flows required for their operation. The financing ability of the Company and its consolidated companies could be affected by various reasons including an unavailability or a shortage of external financing sources, changes in existing financing terms, changes in the their results of operation, legislative changes (including regulatory limitations on the Group's credit balances, as detailed in section 22.3 above) and deterioration of the economic situation in their operating regions. Furthermore, the operating results of the consolidated companies could be affected by changes in interest rates, although in light of the fact that most of their obligations are at fixed interest rates, changes in the rates of interest have only a limited impact. The debt balances of the Company and its consolidated companies could have a material impact them, including where the allocation of a material part of the cash flow to the repayment of loans is concerned, and it could also impair the ability to allocate resources to the operation, development and acquisition of properties, and the ability to distribute dividends and raise capital.

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

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

28.1.2. **Changes in exchange rates** –The Company has currency exposure of its equity, primarily to the Euro, the US dollar, the Brazilian real and the Canadian dollar, such that strengthening of the foreign currencies in comparison with the shekel increase its equity, and weaking of their exchange rates decreases its equity (when these influences are offset with the linkage-based swap transactions and swap and forward interest that the Company performs, and partially with respect to call options transactions). In addition, changes to the exchange rates influence the fair value of derivative financial instruments (primarily swap, forward, and call options), which are meant to provide protection from economic exposure. The Company's profitability could be influenced materially in a negative manner by the lack of protection or partial protection from exchange rate fluctuations.

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

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

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

28.1.5. **Risk of terror attacks, natural disasters and uninsured risks** – Terror attacks could adversely affect the Group's properties. In addition, some of the Group's properties are in regions exposed to risk from natural disasters, climate changes and other risks that are liable to be detrimental to the group's tenants or to visitors of the complexes, which are uninsurable or are not fully covered under the Group's insurance policy. The availability of certain insurance policies for these risks and others could be reduced, and the cost of the premium for them could increase, in a manner that would lead to a decrease in the insurance coverage for the Group's companies.

28.1.6. **Epidemics and the continuation of the COVID-19 crisis** – Widespread epidemics that generate high morbidity rates have an adverse effect on demand and consumption for some of the businesses in the commercial centers, and they could adversely affect the income of the Company and the Group's companies, the current cash flows, and the Company's financing ability and debt refinancing. During the first quarter of 2020, the Corona virus epidemic broke out in China, and has spread to many other countries around the globe, including countries in which the Group is operating, and the World Health Organization declared that the Coronavirus is a global epidemic. Following the outbreak of the epidemic, many counties have imposed various restrictions as prevention measures, including closing non-essential shopping centers and businesses and the prevention or limitation on people movement.

The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the epidemic, have led to an economic crisis, which is expressed, inter alia, in a sharp decline in stock exchanges around the world, changes in interest rates in several countries and volatility in foreign currencies (as set forth in Section 1.2 of the Directors' Report). As of the reporting date, there is still significant uncertainty regarding CVODI-19 and its potential impacts, including regarding the manner in which various governments will deal with it and regarding the effectivity of the vaccine against CVOID-19 and new variants of the virus, and the rates at which different populations will be vaccinated. In addition, there is uncertainty with regard to the influence of these factors on the markets where the Group operates. The influences of the pandemic in the short-term pose significant business and financial challenges, and Company management estimates that these may have a significant negative effect on the retail real-estate industry and on the Group's operations, inter alia, due to a decrease in the number of visitors in the properties, changes in consumption habits (including growth in the extent of online purchasing), a decrease in the demand and in the volume of consumption of certain products, a damage of the economic and cash flow status of tenants, which might cause a decrease in the Group's revenue, in its cash flow, in the occupancy rate of its assets and in the value of the assets, and in addition to all of these, could impact the Company's accessibility to capital and debt markets. In addition, the Company's projects which are under development may not be completed according to the expected costs and time frame. These risks and others could of course occur in the event of the outbreak of a different worldwide epidemic.

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

28.2. Sector risks

28.2.1. **Changes in consumer habits** – Most of the Group's properties are shopping centers, which are based on food, pharma, fashion and service stores including mostly medical services, gyms and movie theaters. Changes in the buying habits in the regions surrounding those shopping centers, such as a move toward buying in different types of centers or platforms or a move toward buying over the internet (e-commerce) or by phone, have a material impact on the lessee mix, on commercial areas allocated for the consumer and entertainment sectors, and on the Company's income from various lessees. These trends also impact the mechanisms for setting rent in future lease agreements and the total of their impacts could be detrimental to the Company's operations. Within the main consumption trends in recent years, Group companies are witnessing an increasing growth in the volumes of online purchases, and believe that this increase will continue to an extent that could reduce the sale volumes of some tenants and affect the demand for commercial areas by these tenants. This trend significantly increased during the COVID-19 pandemic and led to a material increase in e-commerce during 2020. In addition, such changes could reduce proceeds received by Group companies, which are based on the sales volume in the property.

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

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

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

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

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

28.2.5. **Statutory and regulatory requirements, including with respect to environmental conservation –** Group companies, including those involved in construction, development and redevelopment activity, are subject to statutory and regulatory environmental protection requirements (environmental hazards, underground and above-ground pollution, toxic waste, etc.) and provisions requiring the adaptation of buildings to provide convenient access for the handicapped, and are responsible for bearing the costs involved in complying with such requirements, to the extent that this could affect them. The Company's liability and its exposure to damages and costs (e.g., with regard to tax, environmental protection and regulatory aspects) could also result from actions or oversights related to the time in which the relevant property was owned by previous owners and held by other holders, including activity that is not in line with the provisions of the law (e.g., failure to comply with licensing requirements), as well as those resulting from tests that were conducted by the Company in preparation for the purchase of a property being incomplete or insufficient. For a description of the main risks involving breaches of the laws relating to environmental protection, refer also to Section 21 above.

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

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

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

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

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

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

28.3. Risks specific to the Company

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

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

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

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

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

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

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

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

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

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

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

The company is working to improve its response capability to cyberattacks by continually improving its defense system, raising awareness, allocating dedicated resources and IT to maintain the integrity of its information, its reliability and its availability and minimize business damages. To the best of the Company's knowledge, there were no cyberattacks on the Group, by the publication of this report.

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

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

CHAPTER B

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

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GAZIT-GLOBE LTD.

Directors' Report to the Shareholders For the year ended December 31, 2020

The Board of Directors of Gazit-Globe Ltd. (the "Company") is pleased to present the Directors' Report of the Company for the year ended December 31, 2020 (the "Reporting Date"):

1. The Company and its Operations

1.1. Overview

The Company, directly and through its public and private investees[11] (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 G Israel Commercial Centers Ltd. ("**G Israel**")[2], which is currently completing a merger process with and into the Company, 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.

During the effects of the Covid-19crisis (see section 1.2 below), the Company is working on strengthening its capital structure, while maintaining the high credit rating, by taking the following actions, among other things:

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

2 On July 2020, the Israeli taxes authority approved the merger of G Israel into the Company (as the surviving company) (the "Tax Ruling"). Therefore, all the conditions for the merger, according to the Company's Board of Directors approval in December 2018, were met. The Companies are operating on completing the merger.

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 have entered into agreements for the sale of properties in the 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 G Israel merger to and into the Company, in accordance with the final approval of the Tax Authority to carry out the merger received in July 2020. The completion of the operational merger will enable the continued expansion of the merged company's operations in Israel and the expansion of the Company's financing options. As of January 1, 2021, the Companies' financial systems have been merged and it operates as an merged entity. The completion of the legal merger and liquidation of G Israel is expected to take place during the second quarter of 2021.

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.

During the Reporting Period there were scientific breakthroughs in the discovery of medicine and vaccines for the corona virus and a number of countries have already started vaccinating the population and facilitating quarantine guidelines. After the reporting period, and until the date of approval of the report, there are differences between countries in which the tightening of restrictions on trade and transportation activities continues and countries in which a gradual reduction of restrictions and gradual opening of trade and transportation has begun.

During the reporting period, there were sharp fluctuations in foreign currency exchange rates, in particular the rate of the Euro and the BRL against the NIS, which is attributed to the extreme uncertainty and fear that gripped the markets. There was also volatility in the capital markets worldwide during that period, leading to a sharp decline in shares prices, increase of returns on corporate bonds, a drastic drop in interest on government bonds and a dramatic decrease in the VIS index (the "fear" index). For information about the effects of the financial markets on the Company see below.

Effects of the investment property activities

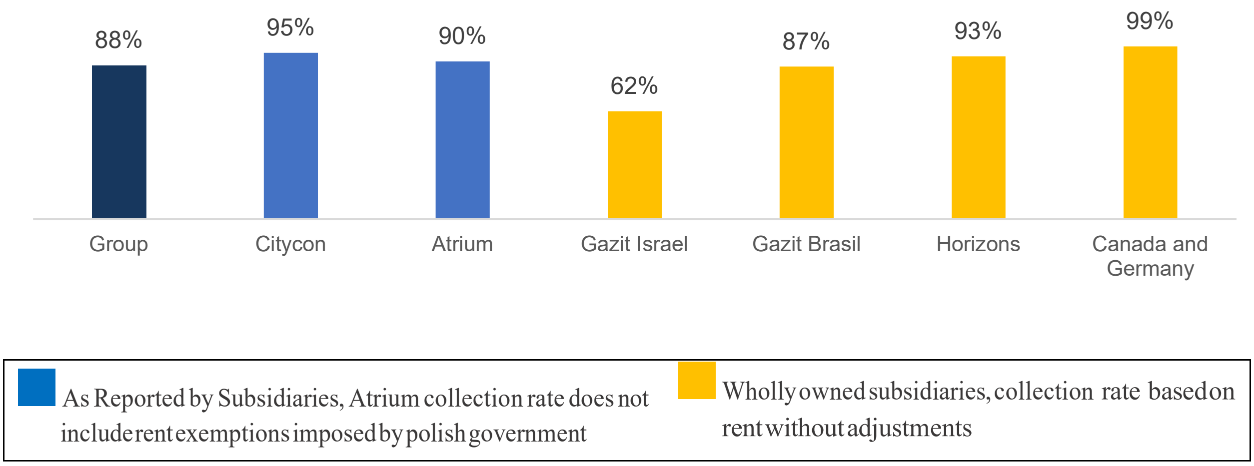
The gradual closure of some of the Group's companies compounds started in the second half of March 2020, and throughout 2020 and until the date of approval of the report, the compounds were opened and closed intermittently and depending on the disease situation in the various countries, when even during 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, and these constitute 55% of the total GLA.

As at the approval date of the report, there are differences between the restrictions that were applied in each of the countries, as stated. In countries such as Poland and the Czech Republic, company complexes are closed by government directive, with the exception of essential businesses. In the Nordic countries, no instructions were imposed for closing the shopping centers, however restrictions were imposed on the gathering and on the opening hours of restaurants and places of entertainment.

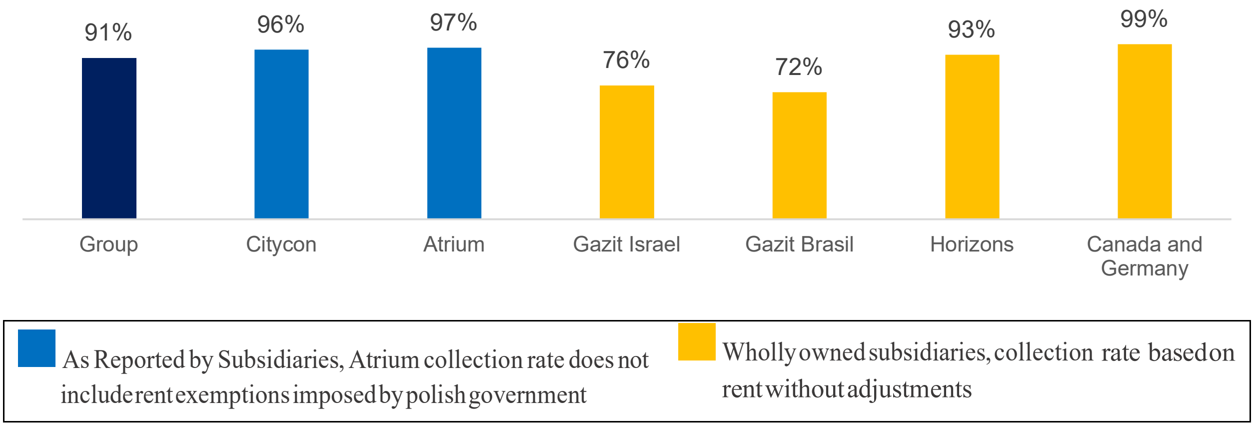
During periods in which businesses operate in the Company's and Group Companies' properties, the government directives regarding dilution of the number of visitors as well as those regarding the dilution of the movement of public transport that connects many of the Group companies' properties, still continued to apply. The restriction on air traffic between countries and a decrease in the frequency of passengers traveling abroad led to an increase in the number of visitors to its commercial properties during periods when opened, and a growth in the consumption of products and services that normally would have been purchased during the travels. In addition, there has been an increase in catering and fashion delivery activities. As of the approval date of the report, the Company is unable to estimate or assess the cumulative and long-term effect of the different trends, and to what extent they will impact its operations and financial results in the distant future.

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

The Group's weighted collection rates in the quarter amounted to 88%:



The Group's weighted collection rate in the reporting period amounted to 91%:



As of the date of this report there is no certainty regarding the ability of specific tenants to continue to operate their businesses and pay all of their liabilities under the existing agreements, including according to the payment schedule arrangements, as aforesaid, and therefore the Company is unable, at this stage, to estimate the impact of the events on its financial results of 2021. In addition to the foregoing, as at the approval date of the report, and despite the time that has passed since the beginning of the pandemic, there is still extreme uncertainty regarding the long term effect of the global Covid-19 crisis is still characterized as being an unfolding event that has not yet ended (see also reference to the devaluation of investment property).

The Company and group companies are preparing also for the possibility that specific tenants will vacate their businesses due to financial difficulties. However, in view of the fact that some leases are long-term and at historically lower prices than the standard in the market, the Company and subsidiaries estimate that, due to the quality and unique location of their properties, they will be able to sign new leases in the short and medium term. For example, in the third quarter of 2020, the subsidiary Gazit Horizon entered into a lease agreement with a leading retailer Home Depot, with an A credit rating level of S&P for the lease of 9,300 square meters in New York (Manhattan) for a period of 20 years and with rent fees that are higher by 90% than the outgoing tenant (subject to the renovation of the leased property with the participation of the subsidiary). The Company and Group companies believe that in the short and medium term, the occupancy rate in their properties may decrease insignificantly due to the effect of the Covid-19 Pandemic[1], though in some cases the rent may be lower relatively to the rental prices prevailed in 2020.

The Covid-19 Pandemic has accelerated certain developments in the behavior and consumption habits of visitors and the Group Companies are preparing to adapt new lease agreements to such developments as online purchases, "pick up and go" purchases, to enable them to integrate in the growth of those trends.

As of December 31, 2020, the Company is continues investing in development and construction plans. As of the approval date of the report, the development and construction works of projects in Israel and Finland are continuing without any material cost expected in 2021, and with regard to the construction works in the US and Brazil, the Company expects to delay material investments until 2021.

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

In the Reporting period, the Company recognized a loss from revaluation of its commercial properties in the amount of NIS 1,534 million, which is attributable to the impact of the Covid-19 Pandemic (the revaluation loss is presented after deduction of a revaluation gain of NIS 196 million, which is attributed to the assets in Norway and the USA), partly based on valuations made by external appraisers as of December 31 2020 (98% of the total investment properties in fair value terms and 97% of the total investment properties in development in fair value terms).

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

Impact on financial position, cash flows and liquidity

As part of its multi-year policy, the Company has made preparations with a high liquidity balance (as of the report date, the Company and its consolidated subsidiaries have approved unutilized long-term credit lines available for immediate withdrawal and liquid balances in the amount of NIS 4.4 billion while spreading repayments and maintaining long-term duration. In addition, the Company has excellent access to the banking systems, high access to the capital markets and a high debt) during the reporting period, S&P Maalot announced the Company's rating level of AA- with negative outlook and Midroog announced the Company's rating level of Aa3 with negative outlook). Based on these parameters, the Company estimates that it has the financial strength that will enable it to continue to comply with all of its short and long-term liabilities.

The Covid-19 Pandemic and the measures taken by many countries have lateral macroeconomic effects that could also affect the Company and its subsidiaries, including sharp decreases in the stock exchanges worldwide, including the share prices of the subsidiaries ATR and CTY, which are used in part as collateral for the Company's credit facilities. Such decrease in stock price affects the value of the shares used as collateral, and in extreme scenario might affect the volume of credit that the Company will be entitled to utilize from those credit facilities[1]. In addition, the decline in the finance markets affects the value of the Company's tradable securities portfolio. During Reporting period and as of the date of approval, the Company meets all the financial covenants set in its credit facilities, as aforesaid, as well as in any other financial obligations. Furthermore, as of December 31, 2020, the Company and its wholly-owned subsidiaries has non-pledged investment property to a value of NIS 4.1 billion, as well as cash balance and non-pledged tradable securities amounting to NIS 1.1 billion.

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 closure of the Company's commercial compounds, a decrease in the number of visitors to the properties, a decline or change in demand and the volume of specific products consumed, and impairment of the economic robustness of the tenants, which will lead to a decrease in the Company's revenue, current cash flow, occupancy rate and the value of its assets. 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 corona virus 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 (when the Group's largest tenant constitutes less than 1.7% of its revenue on a proportionate consolidation basis), with emphasis on chains that provide essential needs and services that are purchased even at times of crisis, as well as tenants with an international investment rating, and taking into consideration the Company's

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

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.

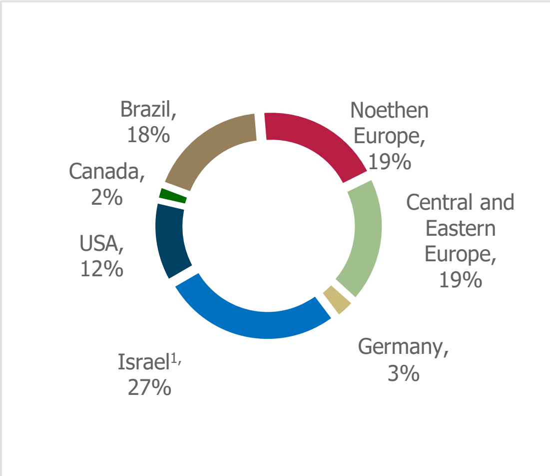
1.3. Group Properties as of December 31, 2020

	Country of operation	Holding interest	Income-producing properties	Properties under development	Other properties	GLA (square meters in thousands)	Carrying value of investment property and under development (NIS in millions)
CTY	Finland, Norway, Sweden, Estonia and Denmark	48.9%	40	1	-	1,193	16,967
ATR	Poland, Czech Republic, Slovakia and Russia	69.3%	25	-	-	780	9,935
Gazit Brasil	Brazil (primarily in Sao Paulo)	100%	7	-	1	179	2,560
G Israel	Israel	100%	12	-	-	168	3,654
	Bulgaria	100%	1	-	-	6	88
Gazit Horizons	USA	100%	10	-	1	44	1,517
Gazit Canada	Canada	100%	1	-	-	18	201
Gazit Germany	Germany	100%	1	-	-	24	362
Total carrying value			**97**	**1**	**2**	**2,412**	**35,284**
Jointly controlled properties (proportionate consolidation)			8	-	-	108	2,200
Total			**105**	**1**	**2**	**2,520**	**37,484**

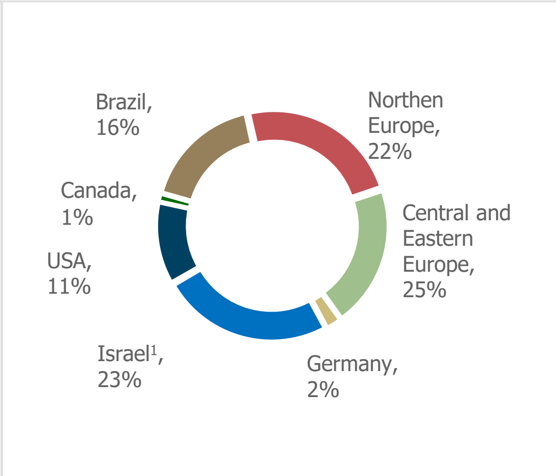
Other accessible data concerning the Group, including presentations, supplemental information packages regarding assets, liabilities and other information (such information does not constitute part of this report and is not included by way of reference), are available on the Company website – www.gazitglobe.com,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

1.4. Breakdown of the Company's investments by regions (on an expanded Solo basis) as of December 31, 2020:

Market Value



Carrying amount



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

1.5. Highlights– 2020 (the "Reporting Period")

(NIS millions, other than per share data)	December 31		
	2020	2019	
Net debt to total assets (expanded Solo)	61.8	49.2%	-
Net debt to total assets (consolidated)[1]	58.9%	50.0%	-
Equity attributable to the shareholders of the Company[2]	5,562	8,191	-
Equity per share attributable to the shareholders of the Company (NIS)	36.8	44.4	-
Net asset value per share (EPRA NAV) (NIS)[3]	42.5	48.2	-
EPRA NNNAV per share (NIS)[3]	37.1	38.7	-
	For the year ended December 31		
	2020	2019	Change
Rental income and others	2,406	2,752	(12.6%)
NOI[4]	1,646	1,975	(16.7%)
NOI adjusted for exchange rates changes	1,646	1,891	(13.0%)
Proportionately consolidated NOI[5]	1,100	1,301	(15.4%)
Proportionately consolidated NOI adjusted for exchange rates	1,100	1,228	(10.4%)
Cash flows from operating activities per share - expanded Solo (NIS)[6]	2.46	2.26	8.8%
Economic FFO[7]	469	600	(21.8%)
Diluted economic FFO per share (NIS)[7]	2.81	3.24	(13.3%)
Economic FFO, excluding FCR and REG adjusted for exchange rates	465	462	0.6%
Economic FFO per share, excluding FCR and REG, adjusted for exchange rates changes (NIS)	2.78	2.49	11.6%
Number of shares used in calculating the diluted FFO per share (in thousands)	167,414	185,714	(9.9%)
Acquisition, construction and development of investment property[8]	1,134	2,052	-
Disposal of investment property[8]	492	1,479	-
Fair value gain from investment property and investment property under development, net	(1,534)	164	-
Net income (loss) to shareholders of the Company	(653)	655	-
Diluted net earnings (loss) per share (NIS)	(3.92)	3.50	-
Cash flows from operating activities	397	910	-

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

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

3 Refer to section 2.5 below.

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

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

6 Refer to section 2.2 below.

7 The Economic FFO is presented according to the management approach and in accordance with the EPRA rules. For the Economic FFO calculation, refer to section 2.3 below. The decrease in economic FFO and economic FFO per share is due the restrictions imposed by governments in countries in which the group operates following the Covid-19 outbreak.

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

1.5. Highlights– 2020 (the “Reporting Period”)(Cont.)

- As of December 31, 2020, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 4.4 billion (of which NIS 1.5 billion in the Company and wholly-owned subsidiaries which includes cash and cash equivalents, trade securities and short-term deposits of NIS 1.1 billion). After the Reporting period the Company entered into an additional credit facility agreement in the amount of NIS 180 million backed by properties in Israel.
- During the Reporting period, the Group's companies raised debentures in the amount of NIS 3.2 million (NIS 1.4 billion by the Company).
- As a result of the exchange rate changes of the US dollar, Canadian dollar, Euro and Brazilian real against the NIS, the equity attributable to Company shareholders decreased in 2020 by NIS 962 million (net of the effect of hedging transactions).
- In general, fluctuations in the exchange rates of the US dollar, the Canadian dollar, the Euro and the Brazilian real against the shekel have the following effect:
  - The appreciation of these currencies against the shekel has a positive effect on the Company's assets, shareholders' equity, NOI and economic FFO due to the translation of the foreign currency into shekels at higher rates. On the other hand, the appreciation will result in a negative impact on the Company's net income through the increase in financing expenses due to the revaluation loss on the hedging instruments (the financial derivatives) which is reflected in the income or loss statements through an increase in financing expenses.
  - A devaluation of these currencies against the shekel has a negative effect on the on the Company's assets, shareholders' equity, NOI and Economic FFO and, on the other hand, a positive effect on the Company's net income through the decrease in financing expenses due to the revaluation gain on the hedging instruments which is reflected in the income or loss statements through a decrease in financing expenses.

1.6. Highlights– Fourth Quarter of 2020 (the "Quarter")

(NIS millions, other than per share data)	For the 3 months ended December 31		
	2020	2019	Change
Rental income and others	603	670	(10.0%)
NOI	372	473	(21.4%)
NOI, adjusted for exchange rates changes	372	473	(21.4%)
Proportionately consolidated NOI[1]	244	314	(22.3%)
Proportionately consolidated NOI adjusted for exchange rates	244	306	(20.3%)
Cash flows from operating activities per share - expanded Solo (NIS)[2]	0.65	0.94	(30.9%)
Economic FFO[3]	105	144	(27.1%)
Economic FFO per share (NIS)[3]	0.70	0.78	(10.3%)
Economic FFO, excluding FCR and REG, adjusted for exchange rates changes	105	124	(15.3%)
Diluted Economic FFO per share, excluding FCR and REG, adjusted for exchange rates changes (NIS)	0.70	0.67	4.5%
Number of shares used in calculating the diluted FFO per share (in thousands)	151,719	184,883	(17.9%)

Acquisition, construction and development of investment property [4]	424	485	-
Disposal of investment property [4]	81	24	-
Fair value gain from investment property and investment property under development, net	(664)	363	-
Net income (loss) attributable to shareholders of the Company	(163)	222	-
Diluted net earnings (loss) per share (NIS)	(1.09)	1.18	-

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

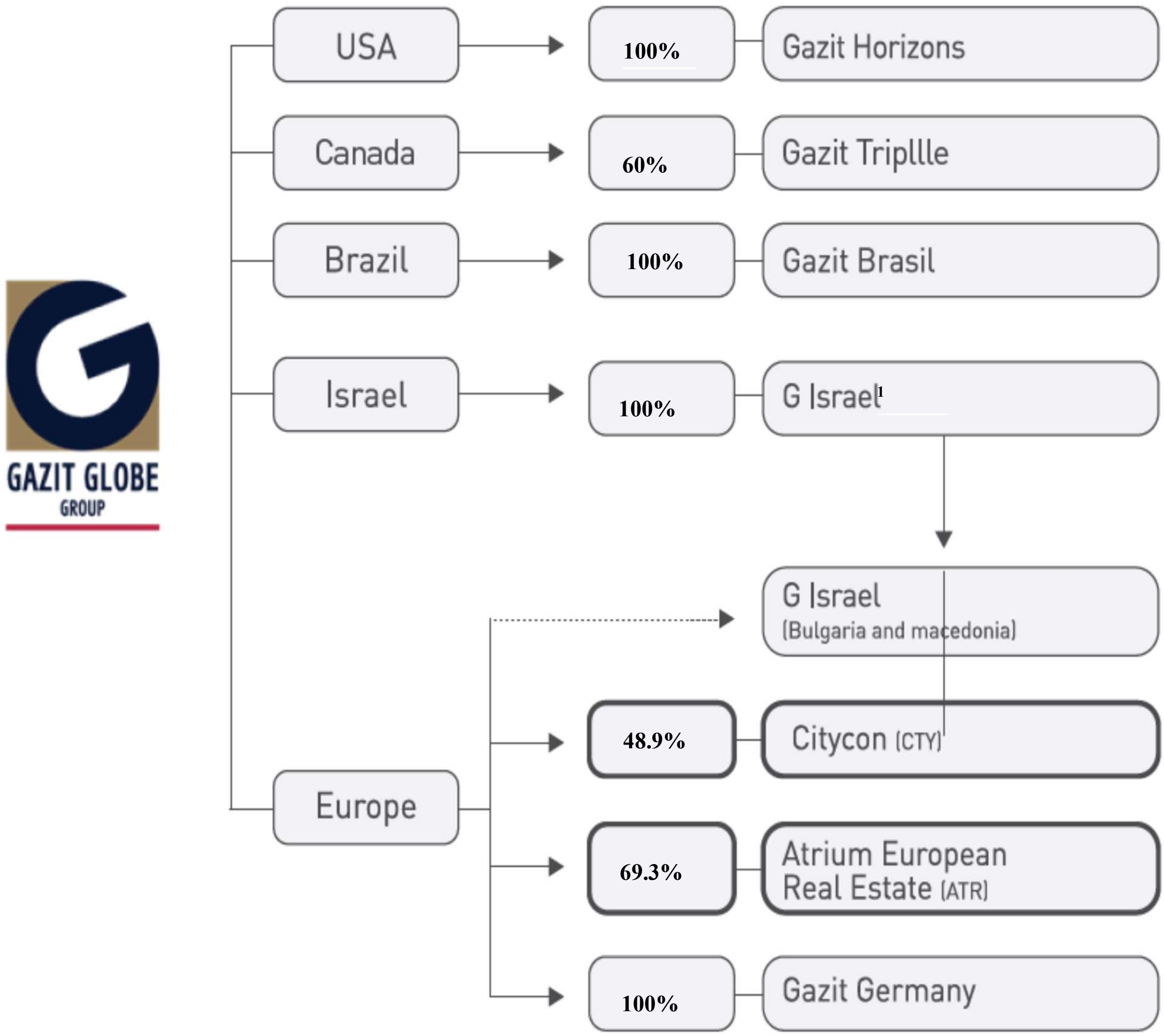
2 Refer to Section 2.2 below.

3 The Economic FFO (Funds from Operations) are presented according to the management approach and EPRA guidelines. For the Economic FFO calculation, refer to section 2.3 below. The decrease in Economic FFO and Economic FFO per share is mainly due to the restrictions imposed by governments in countries in which the group operates following the Covid-19 outbreak.

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

- As a result of the exchange rate changes of the of the US dollar, Canadian dollar, Euro and Brazilian real against the NIS, the equity attributable to Company shareholders increased in the Quarter by NIS 20 million (net of the effect of hedging transactions).

1.7. The Company's Major Holdings (holding structure and interests as of December 31, 2020):



1 On July 2020, the Israeli taxes authority approved the merger of G Israel into the Company (as the surviving company), therefore, all the conditions for the merger, according to the Company's Board of Directors approval in December 2018, were met. The Companies are operating on completing the merger.

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

2.1. Summary of the Company's holdings as of December 31, 2020:

Name of company/Region		Type of security/ property	Quantity (millions)	Holding interest (%)	Carrying amount (NIS millions)	Market value as of 31.12.2020 (NIS in millions)
ATR		Shares (VSX, Euronext)	271.0	69.3	4,044	2,677
CTY		Shares (OMX)	87.0	48.9	3,473	2,722
Israel		Income-producing property and land	-	-	3,438	-
Brazil		Income-producing property and land	-	-	2,569	-
Canada	1	Income-producing property	-	-	239	-
USA	1	Income-producing property and land	-	-	1,711	-
Europe		Property under development and land	-	-	59	-
Total assets			**-**	**-**	**15,562**	**-**

The Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded Solo") as of December 31, 2020 (NIS millions):

	NIS in millions
Debentures	7,432
Debts to financial institutions	4,439
Total debentures and debts to financial institutions (*)	11,871
Other monetary liabilities	401
Total monetary liabilities	12,272
Less - monetary assets[2]	2,418
Less - other invetments[3]	234
Total liabilities, net[4]	**9,620**

The Company's monetary balances (including balances of private subsidiaries) ("expanded Solo") as of December 31, 2020 (NIS million):

Year	Debentures	Mortgages	Financial Institutions	Total	%
2021	346	105	187[5]	638	6
2022	723	22	918	1,663	14
2023	909	322	931	2,162	18
2024	994	56	638	1,687	14
2025	1,036	87	32	1,155	10
2026	1,076	15	32	1,123	9
2027	993	15	193	1,201	10
2028 onwards	1,355	887	-	2,242	19
Total	**7,432**	**1,509**	**2,930**	**11,871**	**100**

[1] Including investment in properties through joint ventures presented in the financial statements using the equity method.
[2] Including cash and cash equivalents, traded securities and short term deposits in the amount of NIS 1.1 billion, properties returned for sale in the amount of NIS 579 million and financial derivatives in the amount of NIS 337 million.
[3] Comprises primarily of the investment in participation units in private equity funds and other investments.
[4] Excludes primarily deferred tax liability of NIS 228 million related to investment property and other investments and NIS 178 million non-controlling interests in part of the Company's properties.
[5] Including commercial papers in the amount of NIS 168 million.

2.2. Cash flows from operating activities - expanded Solo:

	Year ended December 31		For the 3 months ended December 31	
	2020	2019	2020	2019
	NIS millions (other than per share data)			
Dividends from public investees	461	542	115	176
EBITDA from private companies, net of Capex**	391	398	63	114
Total income	**852**	**940**	**178**	**290**
General and administrative expenses	(68)	(76)	(17)	(20)
Interest expenses, net	(395)	(411)	(104)	(89)
Taxes	23	(34)	41	(7)
Total expenses	**(440)**	**(521)**	**(80)**	**(116)**
Cash flows from operating activity	**412**	**419**	**98**	**174**
Cash flows from operating activity per share (NIS)	**2.46**	**2.26**	**0.65**	**0.94**

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

** Including capital expenditures (CAPEX) in the amount of NIS 28 million for years 2019 and 2020 and NIS 7 million in the quarter and the corresponding quarter last year.

2.3. FFO (EPRA Earnings):

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

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

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

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

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

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

	For the year ended December 31			For the 3 months ended December 31	
	2020	2019	2018	2020	2019
	(NIS millions, other than per share data)				
Net income (loss) attributable to shareholders of the Company for the period	(653)	655	(253)	(163)	222
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	1,533	(164)	(114)	663	(363)
Capital loss (gain) on disposition of investment	21	(31)	51	(4)	1
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	161	(808)	921	(199)	143
Adjustments with respect to equity-accounted investees	57	49	(43)	9	13
Loss (gain) from decrease in holding interest in investees	-	345	(3)	-	-
Deferred taxes and current taxes with respect to disposal of properties	(119)	408	(109)	(7)	16
Acquisition costs recognized in profit or loss	21	1	4	17.00	-
Loss from early redemption of interest-bearing liabilities and financial derivatives	35	236	222	4	184
Non-controlling interests' share in above adjustments	(598)	(279)	(320)	(222)	(124)
Nominal FFO (EPRA Earnings)	**458**	**412**	**356**	**98**	**92**
Additional adjustments:					
CPI Linkage and exchange rate differences	(38)	45	129	-	(1)
Amortization and depreciation	17	17	15	4	5
The Company's share in Economic FFO of FCR (2018 REG)	6	61	101	-	16.00
Other adjustments(2)	26	65	91	3	32
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	**469**	**600**	**692**	**105**	**144**
Economic FFO per share according to the management approach (in NIS)	**2.81**	**3.24**	**3.60**	**0.70**	**0.78**
Economic FFO excluding FCR and REG adjusted for exchange rates according to the management approach (NIS)	**465**	**462**		**105**	**124**
Economic FFO per share excluding FCR and REG adjusted for exchange rates according to the management approach (NIS)	**2.78**	**2.49**		**0.70**	**0.67**
Number of shares used in calculating the diluted Economic FFO per share (in thousands)(3)	**167,414**	**185,714**	**192,583**	**151,719**	**184,883**

The decrease in the Economic FFO and the Economic FFO per share in the Quarter and in the Reporting Period, compared with the comparable periods in the prior year is due to the restrictions imposed by the governments in countries where the company operates following the Covid-19 epidemic outbreak. For details, refer to Section 1.2 above.

[1] Income and expenses adjusted against the net income (loss) for the purpose of calculating FFO, which include non-recurring expenses including expenses arising from the termination of engagements with senior Group officers, expenses from reorganization of the Group's companies, share-based compensation.

[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 December 31, 2020, based on capitalization of net operating income ("**NOI**"). The information below is based on a methodology that is generally accepted in the markets in which the Group operates and is intended to provide an additional method of analyzing the value of the Company's properties on the basis of the Company's financial results for the Reporting Period. This information is not intended to represent the Company's estimate of the present or future value of its assets or shares.

	For the 3 months ended December 31		For the year ended December 31	
	2020	**2019**	**2020**	**2019**
	NIS in millions			
Rental income	603	670	2,406	2,752
Property operating expenses	231	197	760	777
NOI for the period	372	473	1,646	1,975
Less - minority's share in NOI	(138)	(169)	(603)	(720)
Plus- Company's share in NOI of associated and jointly controlled companies [1]	10	10	47	46
NOI for the period - the Group's proportionate share	**244**	**314**	**1,090**	**1,301**
Effect of the Covid-19 pandemic on NOI2	**82**	**-**	**199**	**-**
NOI for the period - the Group's proportionate share including the effect of the Covid-19 pandemic	**326**	**314**	**1,289**	**1,301**
Annual NOI - the Group's proportionate share[1]	**1,304[2]**	**1,256[2]**	**1,289**	**1,301**

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

2) According to management estimations.

3) Calculated by multiplying the NOI for the Quarter by four. For clarification, the data is not an NOI forecast. For details on the effect of the covid-19 epidemic on the NOI, refer to Section 1.2 and 3.5 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 income-producing property presented on a proportionately consolidated basis according to the NOI for Q4, 2020:

				Equity per share as of December 31 2020		Share price as of December 31 2020
Cap Rate:	**5.75%**	**6.00%**	**6.25%**	**6.45%**	**6.50%**	**7.32%**
Value of income-producing property (NIS in millions) (*)	22,651	21,707	20,839	20,192	20,037	17,792
Share price derived from the above Cap Rate (NIS) (**)	53.1	46.8	41.1	36.8	35.8	20.97

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

(**) Excluding tax effect.

New properties, properties under development and land, which have not yet started producing income and which are presented at their fair value in the Group’s books (according to the proportionate consolidation method) as of December 31, 2020, amounted to NIS 2,378 million. The Group's financial liabilities monetary properties (by way of relative consolidation) as of December 31, 2020 amounted to NIS 16,997 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:

	2020	2019
	NIS in millions (other than per share data)	
EPRA NAV		
Equity attributable to the shareholders of the Company, per the financial statements	5,562	8,191
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share)[1]	890	941
Adjustments with respect to equity-accounted investees	1.00	0
Fair value asset adjustment for financial derivatives, net[2]	7	(213)
Net asset value - EPRA NAV	**6,460**	**8,919**
EPRA NAV per share (in NIS)	**42.5**	**48.2**
EPRA NNNAV		
EPRA NAV	6,460	8,919
Adjustment of financial liabilities to fair value	74	(1,040)
Other adjustments to deferred tax liability[3]	(890)	(941)
Fair value asset adjustment for financial derivatives, net	(7)	213
Adjusted net asset value - EPRA NNNAV	**5,637**	**7,151**
EPRA NNNAV per share (in NIS)	**37.1**	**38.7**
Number of issued shares of the Company used in the calculation (in	**151,900**	**184,914**

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

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

3.1. General

In 2020, the investments of the Company and its subsidiaries in the acquisition and development of new properties and in the redevelopment, expansion and construction of various properties totaled NIS 1,134 million. The effect of these investments on the operating results of the Group will be reflected in full in 2021 onwards.

Property activities

1) In 2020, the Company and its subsidiaries acquired 9 income-producing properties, with a total GLA of 94 thousand square meters and land for future development, at a total investment of NIS 834 million. In addition, the Company and its subsidiaries have developed new properties and redeveloped properties, at a total investment of NIS 300 million. In addition, in 2020, the Company and its subsidiaries also disposed of non-core properties in the amount of NIS 0.5 billion.

2) **Highlights of operational data:**

	income producing properties[1]	GLA (in thousands of square meters)	Average basic monthly rent per square meter		Change in same property NOI[2]	NOI (millions)		Occupancy rate		Net debt to total assets
			31.12.2020	31.12.2019		Q4, 2020	Q4, 2019	31.12.2020	31.12.2019	
G Israel	12	159	NIS 108.4	NIS 109.3	(18.0%)	NIS 20.7	NIS 41.8	97.7%	98.8%	N/A
Gazit Brasil	7	179	BRL 65.3	BRL 75	(33.4%)	BRL 23.2	BRL 54.1	97.0%	98.7%	N/A
Gazit Horizons	11	58	$50.4	$47.2	(3.4%)	$3.7	$4.2	90.7%	89.9%	N/A
CTY	41	1,240	22.1 €	23.3 €	(5.9%)	49.9 €	53.5 €	93.6%	95.5%	46.9%
ATR	26	809	13.0 €	15.3 €	(15.4%)	30.2 €	40.9 €	92.3%	97.0%	38.6%

1 Includes jointly controlled properties.
2 Change in same property NOI in 2020 compared with 2019.

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

	Properties under development			
Company	**No. of properties**	**Total investment as of December 31, 2020 (NIS millions)**	**Cost to complete (NIS millions)**	**GLA(square meters in thousands)**
CTY	1	973	-	44
	1	**973**	**-**	**44**

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

	Properties under Redevelopment and Expansion			
Company	**No. of properties**	**Total investment as of December 31, 2020 (NIS millions)**	**Cost to complete (NIS millions)**	**GLA (square meters in thousands)**
ATR	1	422	24	21
G Israel	1	13	15	2
	2	**435**	**39**	**23**

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

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

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

Rating Agency	**Gazit-Globe[1]**	**CTY**	**ATR**
Moody's	ilAa3[2]/ Negative	Baa3/ Negative	Baa3/ Negative
S&P	ilAA-[2]/ Negative	BBB-/ Negative	-
Fitch	-	BBB-/ Stable	BBB/Stable

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

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

3.2 Material Events in the Group in the Reporting Period

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

B. For details regarding debt raising, by the Company, through issuance of new debentures and expansion (Series N) in the amount of NIS 930 million, refer to Note 19b2 to the financial statements.

C. During the Reporting period, the Company repurchased 33.2 million of its shares in consideration of NIS 633 million (including a repurchase of 20 million of the Company's shares through tender offer in consideration of NIS 346 million).

D. For details regarding debt raising, by the Company, through an expansion of a debentures (series K), in the amount of NIS 262 million refer to Note 19b5 to the financial statements.

E. For details regarding debt raising, by the Company, through issuance of new debentures secured by lien (series O), in the amount of NIS 324 million, refer to Note 19b2 to the financial statements.

F. For details regarding buyback of the Company's debentures in the amount of NIS 373 million, refer to Note 19b6 to the financial statements.

G. For details regarding debt raising, by CTY, through an expansion of debentures series in the amount of EUR 200 million, refer to Note 19c2 to the financial statements.

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

I. For details regarding debt raising, by ATR, through an expansion of debentures series, in the amount of EUR 200 million refer to Note 19d2 to the financial statements.

J. For details regarding buyback of debentures, by ATR, in the amount of EUR 218 million, refer to Note 19d3 to the financial statements.

K. For details regarding the purchase of ATR shares, by the Company, in the amount of NIS 335 million, refer to Note 8c5 to the financial statements.

L. For details regarding the approval of the Israeli Tax Authority for the merger of the Company with G Israel, refer to Note 23o to the financial statements.

M. On July 19, 2020, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of '-ílAA', with a negative outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating at a rating level of '+ílA-1'. Furthermore, on October 2020, S&P Maalot rating agency rated the debentures (Series O) of the Company secured by property lien in Israel, at a rating level of 'ilAA'.

N. On July 27, 2020, Midroog rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of 'Aa3.il', with a negative outlook. In addition, Midroog rating agency reaffirmed the short term issuer rating at a rating level of 'P-1.il'. Furthermore, on October 2020, Midroog rating agency rated the debentures (Series O) of the Company secured by property lien in Israel, at a rating level of 'Aa2.il'.

O. On May 2020 Mr. Oren Hod joined as Company's senior management as Executive Vice President and Chief Operating Officer of the Company, in his role, Mr. Hod will manage the Group's operational activities with emphasis on Europe and Israel, For further details, see Regulation 26A, Chapter D - Additional details of the company.

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

3.3 Dividend Distribution Policy

Pursuant to the Company’s policy, the Company announces every year the anticipated annual dividend. In November 2019, the Company announced that the quarterly dividend for 2019 would be NIS 43.0 per share (the total dividend to be declared for 2020 will be NIS 1.72 per share, compared with the dividend of NIS 1.62 per share in 2019).

On August 2020 the Company updated of the Quarterly dividend policy per share from NIS 0.43 per share to NIS 0.30 per share, for the period beginning with the dividend declared on the approval date of the financial statements for the third Quarter of 2020 and until (including) the announced dividend on the approval date of the financial statements for the third Quarter of 2021(total of 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 December 31, 2020, total NIS 3.3 billion, compared with NIS 3.4 billion as of December 31, 2019. The change in current assets is due to a decrease in cash and cash equivalents which were used for repayment of the Group's liabilities. The aforesaid decrease was offset by an increase in assets held for sale

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 1.4 billion as of December 31, 2020, compared to NIS 1.6 billion as of December 31, 2019. The balance of equity-accounted investees includes the investments in property through joint ventures as recorded in the books of CTY, ATR and Gazit Horizons and Gazit Canada.

Non-current financial assets

Non-current financial assets, as of December 31, 2020, amounted to NIS 145 million, compared with NIS 853 million as of December 31, 2019. The decrease in long term financial assets is primarily due to the sale of the remain FCR shares in the first Quarter of 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 the currency in which properties are acquired and the currency in which the liabilities are undertaken to finance the respective acquisitions of such properties are incurred (on a proportionately consolidated basis), and are presented at fair value. The balance of the financial derivatives is presented net of amounts received under agreements entered into with certain financial institutions in connection with the collateral with respect to the value of the financial derivatives (CSA agreement). As of December 31, 2020, the aforesaid balance of financial derivatives amounted to NIS 359 million, compared to NIS 318 million as of December 31, 2019. For details regarding the adjustment of financial derivatives (currency transactions) due to the sharp fluctuation in foreign exchange rates following the Covid-19 pandemic, refer to section 4.4 below.

Investment property and investment property under development

The balance of investment property and investment property under development (including properties held for sale presented in current assets), as of December 31, 2020, amounted to NIS 35.2 billion, compared with NIS 36.1 billion as of December 31, 2019.

The decrease in these balances during the Reporting Period is primarily due to the fair value changes of investment property and investment property under development in the amount of NIS 1,534 million and by the sale of none core investment property in consideration of NIS 0.5 billion. The decrease was offset by the acquisition of rental properties, the development of new properties and the renovation of existing properties at a total cost of NIS 1.1 billion.

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

	Northern Europe	Central-Eastern Europe	Israel	Brazil	USA
December 31, 2020	5.6	6.8	6.5	6.8	4.6
December 31, 2019	5.4	6.6	6.6	6.8	4.8

Intangible assets, net

Intangible assets, net, as of December 31, 2020, totaled NIS 602 million, compared with NIS 622 million as of December 31,, 2019. The intangible assets mainly consist of goodwill generated in the acquisition of properties in Norway held by CTY in the amount of NIS 556 million.

Current liabilities

Current liabilities, as of December 31, 2020, totaled NIS 3.1 billion, compared with NIS 3.6 billion as of December 31, 2019. The balance primarily includes credit from banks and others, and current maturities for long-term liabilities in the amount of NIS 2.0 billion, compared with NIS 2.1 billion as of December 31, 2019. The decrease in current liabilities is primarily due to a decrease in current taxes payment from the sale of FCR shares.

Non-current liabilities

Non-current liabilities, as of December 31, 2020, totaled NIS 24.8 billion, compared to NIS 22.7billion as of December 31, 2019. The increase in non-current liabilities is primarily due to interest-bearing loans from banks and others, and from the issuance of debentures by the Group's companies for its operations (including investment in assets and purchases of the Group's companies' shares).

Equity attributable to equity holders of the Company

Equity attributable to the shareholders of the Company, as of December 31, 2020, amounted to NIS 5,562 million, compared with NIS 8,191 million as of December 31, 2019. The decrease arises from decrease in capital reserves in the amount of NIS 653 million (mainly from foreign currency translation reserve), from buyback of shares in the amount of NIS 633 million, from declared dividend of NIS 264 million and by a loss attributed to the Company's shareholders in the amount of NIS 1,079 million.

The equity per share attributable to the shareholders of the Company as of December 31, 2020 totaled NIS 36.8 per share, compared with NIS 44.4 per share as of December 31, 2019, after a dividend distribution of NIS 1.59 per share in the Reporting Period.

Non-controlling interest

Non-controlling interests, as of December 31, 2020, amounted to NIS 7.0 billion, compared with NIS 8.1 billion as of December 31, 2019. The balance mainly comprises the interests of CTY’s other shareholders at a rate of 51.1% of CTY’s equity and the interests of ATR’s other shareholders at a rate of 30.7% of ATR’s equity

The decrease in non-controlling interests in the Reporting Period is mainly due from the portion of other shareholders in the comprehensive loss of the subsidiaries in an amount of NIS 0.2 billion, from the portion of other shareholders in dividends declared by the subsidiaries in an amount of NIS 0.3 billion and the acquisition of shares of the subsidiaries from non-controlling interests totaling NIS 0.6 billion.

3.5 Operating Results

A. Following are the summary results of operations for 2018-2020:

	For the year ended December 31		
	2020	2019	2018
	NIS in millions (except for per share data)		
Rental income and others	2,406	2,752	2,840
Property operating expenses and others	760	777	844
Net operating income	1,646	1,975	1,996
Fair value gain (loss) investment property and investment property under development, net	(1,534)	164	114
General and administrative expenses	(352)	(360)	(375)
Other income	18	35	13
Other expenses	(36)	(413)	(126)
Company's share in earnings of equity-accounted investees, net	(78)	37	389
Operating income	(336)	1,438	2,011
Finance expenses	(806)	(1,118)	(2,262)
Finance income	109	963	140
Net income (loss) before taxes on income	(1,033)	1,283	(111)
Taxes on income (tax benefit)	(147)	467	(64)
Net income (loss) from continuing operations	(886)	816	(47)
Loss from discontinued operations, net	-	-	-
Net income (loss)	(886)	816	(47)
Attributable to:			
Shareholders of the Company	(653)	655	(253)
Non-controlling interests	(233)	161	206
	(886)	816	(47)
Net earnings (loss) per share attributable to shareholders of the Company (NIS):			
Total basic net earnings (loss)	(3.91)	3.52	(1.31)
Total diluted net earnings (loss)	(3.92)	3.50	(1.32)

Statement of Comprehensive Income for 2018-2020:

	For the year ended December 31		
	2020	2019	2018
	NIS in millions		
Net income (loss)	(886)	816	(47)
Other comprehensive income (loss) (net of tax effect):			
Amounts that will not be reclassified subsequently to profit and loss:			
Losses on financial assets at fair value through other comprehensive income	(74)	(39)	(56)
Amounts that will bear that have been reclassified subsequently to profit or			
Exchange difference on translation of foreign operations	(1,175)	(2,055)	189
Net gain (losses) for cash flow hedges	(41)	(45)	(10)
Realization of capital reserves on sale of previously accounted for using the equity method	-	73	-
Total other comprehensive income (loss)	(1,290)	(2,066)	123
Comprehensive income (loss)	(2,176)	(1,250)	76
Attributable to:			
Equity holders of the Company	(1,974)	(653)	(338)
Non-controlling interests	(202)	(597)	414
	(2,176)	(1,250)	76

B. Analysis of operating results for 2020

Rental income and others

Excluding the change in the average exchange rates, the rental income and others in 2020 decreased by 9.5% compared with 2019. The decrease is primarily 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 properties during the Reporting Period.

Rental income and others decreased by 12.6% to NIS 2,406 million in 2020, compared with NIS 2,752 million in 2019.

Property operating expenses and others

Property operating expenses and others totaled NIS 760 million in 2020, representing 31.6% of total rental income and others, compared with NIS 777 million, representing 28.2% of total rental income and others in 2019. The decrease in property and other operating expenses is due to the reduction management expenses and the reasons described in section rental income and others. The aforesaid decrease was offset by an increase in doubtful debt expenses.

Net operating income (NOI)

Excluding the change in the average exchange rates, the net operating income in 2020 decreased by 13.0%, compared with 2019. The decrease in net operating income is primarily due to the restrictions imposed by governments in countries where the company operates following the Covid-19 pandemic (see section 1.2 above) and from the sale of non-core assets during the Reporting Period.

Net operating income decreased by 16.7% to NIS 1,646 million in 2020 (68.4% of rental income and others), compared with NIS 1,975 million (71.8% of rental income and others) in 2019.

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

The Company and its subsidiaries apply the fair value model, as prescribed in IAS 40 (Revised) - Investment Property. As a result of implementation of this standard, in 2020 the Company and its subsidiaries recognized fair value loss on its properties in a net amount of NIS (1,534) million, compared with fair value gain of NIS 164 million, in 2019. The fair value loss mainly relates to ATR and CTY and the increase in capitalization rate of cash flows following the Covid-19 pandemic.

General and administrative expenses

General and administrative expenses totaled NIS 352 million (14.6% of total revenues) in 2020, compared with NIS 360 million 13.1% of total revenues in 2019. The decrease in general and administrative expenses is mainly due to efficiency measures in the Group companies.

The aforementioned amounts include general and administrative expenses at the level of the Company and its wholly-owned private (corporate) companies that were included in its FFO calculation (excluding general and administrative expenses of the private operating subsidiaries), which amounted to NIS 61 million in 2020 compared with NIS 76 million in 2019.

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

In 2020, this item amounted to loss of NIS (78) million (earnings of NIS 37 million were recorded in 2019) and is primarily comprised of the Group’s shares in the net loss of CTY, Gazit Horizons, ATR and Gazit Canada (Gazit Tripllle) and mainly due to a loss from revaluation of investment property (due to the reasons described above).

Financing expenses

Financing expenses amounted to NIS 806 million in 2020, compared with NIS 1,118 million in 2019. The decrease in financing expenses in 2020 compared with the corresponding period last year is mainly due to early repayment of interest-bearing debt and financial instruments in the amount of NIS 236 million in the corresponding period last year, compared with a loss of NIS 31 million in 2020, from a decrease in the linkage differences expenses in the amount of NIS 63 million in respect of a debt linked to the CPI, which decreased by 0.6% in 2020, compared to an increase of 0.3% in 2019 and from a decrease in interest expenses in the amount of NIS 92 million as a result of the refinancing of debt at a lower interest rate than the debt that was repaid during the Reporting Period.

The average interest rate on the interest-bearing liabilities of the Company level on expanded Solo basis is 3.30% compared with 3.41% as of December 31, 2019.

Financing income

Financing income totaled NIS 109 million in 2020, compared with NIS 963 million in 2019. The financing income in 2020 primarily comprises a gain of NIS 36 million on the revaluation of financial derivatives compared to a revaluation gain of NIS 808 million recorded in 2019, income from the gain on realization of securities and dividend of NIS 18 million (in 2019, income of NIS 80 million), and interest income of NIS 34 million (in 2019, income of NIS 60 million).

Taxes on income (tax benefit)

Tax income totaled NIS 147 million in 2020, compared with tax benefit of NIS 467 million in 2019. Tax expenses in 2020 mainly comprises of deferred tax income of NIS 135 million, arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development, including disposal of properties as well as a structural change in the group and losses for tax purposes (in 2019 – net deferred tax income of NIS 72 million relating primarily to the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposal of properties).

In 2020, the Group companies recorded current tax expenses of NIS 89 million compared to current tax expenses of NIS 403 (primarily from the sale of FCR shares) in 2019. In addition, tax income of NIS 101 million was recognized in 2020 regarding prior years, compared with tax income in respect of previous years of NIS 8 million in 2019.

C. Operating results for 2020, on a quarterly basis:

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total 2020
	NIS in millions					
Rental income and others	**670**	631	561	611	**603**	2,406
Property operating expenses and others	**197**	186	158	185	**231**	760
Net operating income	**473**	445	403	426	**372**	1,646
Fair value gain (loss) from investment property and investment property under development, net	**363**	(243)	(485)	(142)	**(664)**	(1,534)
General and administrative expenses	**(94)**	(80)	(77)	(85)	**(110)**	(352)
Other income	**1**	7	2	3	**6**	18
Other expenses	**(41)**	(8)	(21)	(5)	**(2)**	(36)
Company's share in earnings (loss) of equity-accounted investees, net	**(16)**	(30)	(18)	(12)	**(18)**	(78)
Operating income	**686**	91	(196)	185	**(416)**	(336)
Finance expenses	**(492)**	(691)	(207)	(271)	**(196)**	(806)
Finance income	**36**	48	168	201	**251**	109
Profit (loss) before taxes on income	**230**	(552)	(235)	115	**(361)**	(1,033)
Taxes on income (tax benefit)	**33**	58	(216)	67	**(56)**	(147)
Net income (loss)	**197**	(610)	(19)	48	**(305)**	(886)
Attributable to:						
Equity holders of the Company	**222**	(618)	105	23	**(163)**	(653)
Non-controlling interest	**(25)**	8	(124)	25	**(142)**	(233)
	197	(610)	(19)	48	**(305)**	(886)

Comprehensive income for 2020 on a quarterly basis:

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total 2020
			NIS in millions			
Net income (loss)	**197**	(610)	(19)	48	**(305)**	(886)
Other comprehensive income (loss) (net of tax effect):						
Amounts that will not be reclassified subsequently to profit or loss:						
Net gain (losses) on financial assets at fair value through other comprehensive income	**(60)**	(58)	(5)	(12)	**1**	(74)
Amounts that will be or that have been reclassified to profit or loss:						
Exchange differences on translation of foreign operations	**378**	(1,267)	(19)	116	**(5)**	(1,175)
Net gain (loss) for cash flow hedges	**23**	(40)	(11)	(1)	**11**	(41)
Total other comprehensive income (loss)	**341**	(1,365)	(35)	103	**7**	(1,290)
Total comprehensive income (loss)	**538**	(1,975)	(54)	151	**(298)**	(2,176)
Attributable to:						
Equity holders of the Company	**406**	(1,737)	(3)	(94)	**(140)**	(1,974)
Non-controlling interest	**132**	(238)	(51)	245	**(158)**	(202)
	538	(1,975)	(54)	151	**(298)**	(2,176)

D. Analysis of operating results for the fourth quarter of 2020

Rental income and others

Excluding the average exchange rates, the rental income and others in the Quarter decreased by 10.6% compared with the corresponding quarter last year. The decrease is due to the restrictions imposed by governments in countries which the company operates following the Covid-19 pandemic (refer to section 1.2 above) and from the sale of non-core assets during the past 12 months.

Rental income decreased by 10.0% to NIS 603 million in the Quarter, compared with NIS 670 million in the corresponding quarter last year.

Property operating expenses and others

Property operating expenses totaled NIS 231 million in the Quarter, representing 38.3% of total rental income and others, compared with NIS 197 million, representing 29.4% of total rental income and others, in the corresponding quarter last year. The increase in expenses for property operating expenses and others is mainly due to expenses of doubtful debts.

Net operating income (NOI)

Excluding the average exchange rates, the net operating income in the Quarter decreased by 21.4% compared with the corresponding quarter last year. The decrease in net operating income is due to the restrictions imposed by governments in countries where the company operates following the Covid-19 pandemic (see section 1.2 above) and from the sale of non-core assets during the Reporting Period.

Net operating income decreased by 21.4% to NIS 372 million in the Quarter (61.7% of total rental income and others), compared with NIS 473 million (70.6% of rental income and others) in the corresponding quarter last year.

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

The Company and its subsidiaries apply the fair value model, as prescribed in IAS 40 (Revised) - Investment Property. As a result implementing of this standard, in the Quarter the Company and its subsidiaries recognized a gross fair value loss on its properties of NIS (664) million in the Quarter, compared with a gain of NIS 363 million, in the corresponding quarter last year. The fair value loss mainly relates to ATR and CTY and the increase in capitalization rate of cash flows following the Covid-19 pandemic.

General and administrative expenses

General and administrative expenses totaled NIS 110 million (18.2% of total revenues) in the Quarter, compared with NIS 94 million (14.0% of total revenues) in the corresponding quarter last year.

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

In the Quarter, this item amounted to a loss of NIS 18 million (losses of NIS 16 million were recorded in the corresponding quarter last year) and is primarily comprised of the Group's shares in the net loss of CTY, Gazit Horizons, ATR and Gazit Canada (Gazit Tripllle) and mainly due to a loss from revaluation of investment property (due to the reasons described above).

Financing expenses

Financing expenses in the Quarter amounted to NIS 196 million, compared with NIS 492 million in the corresponding quarter last year. The decrease in the financing expenses arises mainly from revaluation loss of financial derivatives in the amount of NIS 124 million in the corresponding quarter last year, compared to a gain of 57 million from revaluation of financial derivatives recorded in the quarter and a loss from early redemption of interest-bearing debt and financial instruments in the amount of NIS 182 million in the corresponding quarter in last year.

Financing income

Financing income in the Quarter totaled NIS 251 million, compared with NIS 36 million in the corresponding quarter last year. Finance income in the Quarter primarily comprises a gain from revaluation of financial derivatives in the amount of NIS 57 million, income from revaluation and disposal of securities and dividends in the amount of NIS 167 million (in the corresponding quarter last year income of NIS 11 million) and interest income of NIS 9 million (income of NIS 13 million in the corresponding quarter last year).

Taxes on income (tax benefit)

Tax income in the Quarter totaled NIS 56 million, compared with tax expenses of NIS 33 million in the corresponding quarter last year.

Current tax income in the Quarter primarily comprises of current tax income by the Group's companies of NIS 11 million compared with current tax expenses of NIS 88 million in the corresponding quarter last year.

Tax expenses were recorded in the Quarter by deferred tax expenses of NIS 58 million arising primarily from net changes in the temporary differences between the tax base and the fair value of investment property, investment property under development and disposal of properties (in the corresponding quarter last year, deferred tax income of NIS 65 million). In addition, tax income of NIS 9 million was recorded in the Quarter regarding prior years, compared with NIS 10 million the corresponding quarter last year.

3.6 Liquidity and sources of finance

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

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

The liquid assets available to the Company and its subsidiaries, including short-term investments, totaled NIS 1.6 billion as of December 31, 2020. In addition, as of December 31, 2020, the Company and its subsidiaries have binding undrawn[1] long-term credit facilities available for immediate drawdown of NIS 2.8 billion.

As of December 31, 2020, the Company and its subsidiaries have liquidity, including undrawn[1] long-term credit facilities available for immediate drawdown and liquid balances totaling NIS 4.4 billion (of which NIS 1.5 billion at the Company and wholly-owned subsidiaries which includes cash and cash equivalents, tradable securities and short-term deposits of NIS 1.1 billion).

Furthermore, as of December 31, 2020, the Company and its subsidiaries have unencumbered investment property and investment property under development, which is carried on the financial statements at a fair value of NIS 27.1 billion (76.7% of the total investment property and investment property under development).

The Company and its wholly-owned subsidiaries had unencumbered property carried in its financial statements at a value of NIS 4.1 billion (49% of the total investment property and investment property under development).

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

3.7 Cash Flows

Cash flows from operating activities in 2020 totaled NIS 397 million, compared with NIS 910 million in 2019.

In 2020, the Company and its subsidiaries financed their operations thorough loans and credit lines in the in the net amount of NIS 588 million, through disposal of investments in financial properties in the net amount of NIS 201 million and through issuance of debentures in the amount of NIS 642 million. These cash flows were primarily used for the acquisition of investment property and development of new properties at a net amount of NIS 642 million, for dividend payments by the Company and its subsidiaries in the amount of NIS 619 million, for acquisition of treasury shares in the amount of NIS 633 million, for acquisition of shares of the Group's companies in the amount of NIS 347 million and for investments and loans to investees in the amount of NIS 42 million.

3.8 Purchase plan

A. On March 21 2020, the Company's Board of Directors resolved to adopt a new buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 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. The program is in place of the previous program dated May 15, 2021 with a par value of up to NIS 750 million in effect until March 31, 2021 and the Company purchased 8.7 million debentures in the amount of f NIS 223 million for consideration of NIS 236 million.

B. On March 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. The program is in place of the previous program dated May 26, 2020 with a par value of up to NIS 400 million in effect until March 31, 2020 and the Company purchased 8.7 million shares, in consideration of NIS 174 million (excluding purchase of shares through a tender offer in the amount of NIS 20 million shares for consideration of NIS 346 million).

4. Reporting of Exposure to Market Risks and their Management

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

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

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

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

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

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

For details regarding the scope of the Company's exposure to each of the functional currencies (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real), with respect to which linkage basis and cross-currency swaps have been transacted and loans taken in the various currencies, and regarding the scope of the remaining exposure after transacting cross-currency swaps, as of December 31, 2020, refer to the table attached as Appendix A of the Directors' Report.

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

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

e. **Credit risks:** As of December 31, 2020, the overall fair value of the Company's portfolio of financial derivatives is positive in favor of the Company. It is thus exposed to the risk that the counterparty might not meet its obligations to the Company. The Company's policy is to perform transactions in financial derivatives with financial institutions with high financial strength (according to external credit ratings). In addition, most of the activity is executed under ISDA and CSA (Credit Support Annex) agreements, in which accounts are settled weekly over a certain threshold and cash is provided as collateral against the value of financial instruments derivatives, in order to reduce the exposure to credit risks. As of December 31, 2020, banks have deposited to the Company NIS 354 million (in U.S.$/Euro currencies) that constitutes collateral.

f. **Price risk:** As of December 31, 2020, the Company has investments in tradable financial instruments, in respect of which it is exposed to risk resulting from fluctuations in the security price, which is determined by market prices. As part of its risk management policy, the Company reviews hedging transactions from time to time to reduce the price risk exposure.

In 2020, there were no significant changes to the Company's market risks management policy.

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

4.4. Changes in foreign currency exchange rates – From January 1, 2020 through December 31, 2020, the NIS appreciated against the U.S.$, the Brazilian Real and the Canadian Dollar by 7.0%, 28.0%, and 5.0%, respectively and the NIS depreciated against the EUR by 1.7%. With regard to the effect of exchange rate changes on the Company's equity as of December 31, 2020, refer to Appendix A of the Directors' Report. In addition, from December 31, 2020 until immediately prior to the date of approval of this report, the NIS depreciated against the U.S$ and the Canadian dollar, by 2.3% and 4.6% respectively and the NIS appreciated against the Euro and the Brazilian Real, by 0.5% and 3.0%, respectively.

In addition, some of the Company's liabilities are linked to changes in the Israeli consumer price index (primarily with respect to operations in Israel). From January 1, 2020 through December 31, 2020, the (known) consumer price index fell by 0.6%. In addition, from December 31, 2020 until immediately prior to the date of approval of this report, the (known) consumer price index fell by 0.1%.

4.5. Inspection methods and policy implementation:

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

4.6. In the period from January 1, 2020 through the date of approval of the financial statements, the individuals responsible for reporting and managing the Company's market risks (the Company's CEO, Executive Vice President and CFO) held and continue to hold regular weekly discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. In the above period, the Company's Board of Directors also discussed the foregoing risks and the Company's policy regarding them at meetings in which the financial statements as of December 31, 2019, March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020 were approved.

5. Corporate Governance Aspects

5.1. Contributions

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

In 2020, the Group contributed to various educational, welfare, health and cultural entities in the different countries in which it operates. The majority of the social investment was directed to education, as follows:

A. Supporting the South initiative – 2020 was the tenth operating year of the initiative. During the year, the Company invested NIS 2.2 million in the education projects in the cities Kiryat Malakhi and Yeruham, as part of which the Company assisted in financing the operation of youth centers and provided support to elementary and high schools, kindergartens and day care centers.
The support is provided in cooperation with the Ministry of Health, the local authorities, other philanthropic parties and professional entities.

B. The Gazit-Globe Real Estate Institute – The Company has established and supports a real estate research institute at the Interdisciplinary Center (IDC) Herzliya, Israel.
In 2020, the third class specializing in real estate completed their MBA program, the fourth class completed their first year of studies and the fifth class started its studies. The institute also ran a real estate management and financing course.
This year, the institute held online events and continued publishing a quarterly index of housing prices. The Company undertook to contribute a total of U.S.$ 1.25 million in 2017 through 2021 to the Interdisciplinary Center for the Gazit-Globe Real Estate Institute.

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

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

The total contributions of the Company and its private subsidiaries in 2020 amounted to NIS 4.0 million.

5.2. Disclosure regarding the Internal Auditor

The Company's internal auditor:

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

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

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

Legal requirements met by the internal auditors:

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

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

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

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

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

Other duties of the internal auditor within the Company:

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

Other duties of the internal auditor outside the Company:

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

Method of the internal auditor's appointment:

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

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

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

The internal auditor's work plan:

The internal auditor's annual work plan for 2020 is based on a risk survey since December 2019. The plan took into account the subjects examined and expected to be examined over the years in accordance with a multiannual plan. The plan was established in coordination with the Audit Committee of the Board of Directors and the Company management. The work plan was discussed and approved by the Audit Committee.

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

Examination of the Company's material transactions in 2020 by the internal auditor:

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

Audit abroad and audit of investees:

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

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

Scope of the internal auditor's engagement:

The scope of the internal auditor's engagement varies in accordance with the annual audit plan. In 2019, 2,050 hours were spent on internal audit activity, in accordance with the breakdown presented in the table below.

	Work hours
Internal audit in Israel	1,070 hours
Internal audit of the Company's private subsidiaries abroad	780 hours
Total	**1,850 hours**

The number of the auditor's work hours was set at 1,850 hours, based on the audit subjects that were determined for examination in 2020, compared with 2,050 internal audit hours in 2019. It should be noted that the scope of the internal auditor's engagement is flexible, meaning that, as 2020 progressed and as the various audit reports were discussed, the Audit Committee was empowered to permit the internal auditor to increase the number of audit hours that had been decided upon at the outset in the annual audit program.

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

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

Freedom of access for the internal auditor:

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

Reports of the internal auditor:

a. In May 2020, the internal auditor submitted an audit report on "Registration of proprietary rights" at G Israel.

b. In August 2020, the internal auditor submitted an audit report on "Internal enforcement of securities" at the Company.

c. In August 2020, the internal auditor submitted an audit report on "Cash Flow" at G Israel.

d. In November 2020, the internal auditor submitted an audit report on "Transactions with interested parties and material transactions" at the Company.

e. In November 2020, the internal auditor submitted an audit report on "Use of the Company Plane" at the Company.

f. In November 2020, the internal auditor submitted an audit report on "Signature Rights" at Gazit Horizons.

g. In January 2021, the internal auditor submitted an audit report on "Current Property Management" at G Israel.

h. In January 2021, the internal auditor submitted an audit report on "Privacy Protection" at G Israel.

i. In January 2021, the internal auditor submitted an audit report on "Collection" at G Israel.

j. In January 2021, the internal auditor submitted an audit report on "Cash Flow Management" at Gazit Brasil.

k. In January 2021, the internal auditor submitted an audit report on "Budget Management" at Gazit Brasil.

l. In January 2021, the internal auditor submitted an audit report on "Tenants Collection" at Gazit Brasil.

m. In January 2021, the internal auditor submitted an audit report on "Insurance" at Gazit Horizons.

n. In January 2021, the internal auditor submitted a report on "Monitoring the activity of internal auditors in the Group".

o. In January 2021, the internal auditor submitted a report on "Update on the Control Risk Survey" at the Company.

p. In January 2021, the internal auditor submitted a report on "Deficiency repairing and Monitoring Implement of Recommendation".

The Audit Committee discussed the foregoing reports in its meetings on May 24 2020, August 17 2020, November 19 2020 and January 26, 2021.

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

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

Compensation of the internal auditor:

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

5.3. Auditor's fees

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

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

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

	For the year ended December 31			
	2020	**2019**	**2020**	**2019**
	NIS thousands		**Hours**	
Fees for audit and related services	3,081	3,037	9,874	11,294
Consulting fees and tax services	714	851	1,029	2,211
Other fees	103	324		
Total	3,898	4,212		

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

B. Ernst & Young Finland (CTY):

	For the year ended December 31			
	2020	**2019**	**2020**	**2019**
	NIS thousands		**Hours**	
Fees for audit and related services	4,409	3,684	10,180	9,710
Total	**4,409**	**3,684**		

C. Ernst & Young Canada (Gazit Canada Inc. and Gazit America):

	For the year ended December 31			
	2020	**2019**	**2020**	**2019**
	NIS thousands		**Hours**	
Consulting fees and tax services	194	125	255	118
Total	**194**	**125**		

D. Ernst & Young Brazil:

	For the year ended December 31			
	2020	**2019**	**2020**	**2019**
	NIS thousands		**Hours**	
Fees for audit and related services	385	582	3,174	3,285
Consulting fees and tax services	64	97	604	546
Total	**449**	**679**		

E. PWC Poland (ATR):

	For the year ended December 31			
	2020	**2019**	**2020**	**2019**
	NIS thousands		**Hours**	
Fees for audit and related services	5,371	4,198	11,600	9,540
Consulting fees and tax services	1,435	130	1,200	460
Others	26	159	60	
Total	**6,832**	**4,487**		

The fees of the Company's independent auditors are determined on an hourly basis, according to tariffs and time-frames approved by the Board of Directors.

6. Disclosure Regarding the Financial Reporting of the Company

6.1. Additional information and events subsequent to the reporting date

A. For details regarding the submission of a prospectus in Brazil for listing the initial trading of five properties in Brazil, see section 9 to the Company's Business Description Report.

B. For details regarding the approval of the Compensation policy by the Company's Board of Directors of Mr. Chaim Katzman's compensation terms, see Regulation 21 of the Additional Details Report on the Company.

C. For details regarding a private allocation for the Company's officers, see Regulation 21 of the Additional Details Report on the Company.

D. For details regarding the acquisition of 11.8 million ATR shares in the amount of EUR 30 million (NIS 118 million), refer to Note 37b to the financial statements.

E. For details regarding the raising of debt, by ATR, in the amount of EUR 300 million par value, see Note 37C to the financial statements.

F. and. For details regarding the buyback of ATR debentures in the amount of EUR 78 million par, refer Note 37d to the financial statements.

G. For details regarding the debt raising, by CTY, in the amount of EUR 350 million, refer to Note 37e to the financial statements.

H. For details regarding the buyback of CTY debentures in the amount of EUR 95 million, refer to Note 37f to the financial statements.

I. On March 17, 2021, CPPIBEH announced that it had sold some of its holdings in CTY so that in accordance with the provisions of the shareholders' agreement regarding CTY between the Company and CPPIBEH, the agreement will expire in 30 days after the sale, for further details refer to Note 24a2 to the financial statements.

7. Details Concerning the Company's Publicly-Held Commitment Notes

A. As of December 31, 2020, there were four series of listed debentures issued by the Company as follows:

	Issue date	Par value Date of issue	Par value of debentures as of 31/12/2020	Par value of debentures, plus linkage differences as of December 31, 2020	Total accumulated interest as of December 31, 2020	Presented in the financial statements as of December 31, 2020	Market value as of December 31, 2020	Interest type and rate	Principal payment date	Interest payment date	Basis linkage and linkage terms (Principal + interest)
		NIS in thousands		NIS in millions							
Debentures (Series D)	September 2006 (1)	2,069,048	216,030	256.5	9.9	257	267.4	Fixed 5.10%	3 annual installments starting from March 2019 (the first 2 at the rate of 30% and the last at the rate of 40%)	Paid annually on March 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series K)	September 2011 (2)	2,653,181	1,077,937	1,116.4	15.0	1,147	1,199.8	Fixed 5.35%	5 installments with the first installment in September 2018 at the rate of 10%, the second installment in September 2020 at the rate of 15%, the third, fourth and fifth installments in September of the years 2022-2024 each at the rate of 25%	Paid twice a year on March 31 and September 30 of each of the years from 2012 through 2024.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series L)	October 2013 (3)	2,957,801	2,939,707	2,939.7	-	2,987	3,047.0	Fixed 4.00%	5 installments with the first installment in June 2023 at the rate of 10%, the second and third installments in June 2024-2025 at the rate of 15% each, and the fourth and fifth installments in June of the years 2026-2027 at the rate of 30% each.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series M)	February 2018 (4)	1,801,110	1,782,900	1,806.1	-	1,798	1,765.3	Fixed 2.78%	6 installments with the first installment in June 2021 at the rate of 5%, the second installment in June 2022 at a rate of 10%, the third installment in June 2023 at a rate of 5%, the fourth installment in June 2025 at a rate of 30%, the fifth installment in June 2026 at a rate of 10% and the sixth installment in June 2028 at a rate of 40%.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series N)	January 2020 (5)	1,000,000	980,650	980.7	3.2	919	863.0	Fixed 1.29%	5 installments with the first installment in September 2022 at the rate of 17.5%, the second installment in September 2023 at a rate of 15%, the third installment in September 2024 at a rate of 15%, the fourth installment in September 2029 at a rate of 25% and the fifth installment in September 2031 at a rate of 27.5%.	Paid twice a year on March 31 and September 30 of each of the years from 2012 through 2024.	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series O)	October 2020 (6)	2,069,048	328,000	328.3	0.7	324	338.3	Fixed 1.08%	4 installments with the first installment in March 2024 at the rate of 8%, the second installment in March 2025 at a rate of 15%, the third installment in March 2027 at a rate of 30% and the fourth installment in March 2028 at a rate of 47%.	Paid twice a year on March 31 and September 30 of each of the years from 2012 through 2024.	The principal and the interest are linked to the increase in the consumer price index

(1) Debentures (Series D) were first issued in September 2006, when NIS 300 million par value were issued. Debentures (Series D) pursuant to a shelf offering published under the 2006 prospectus. In November 2006, April 2007 and September 2007, by extending the series, the Company issued NIS 750 million par value, NIS 100 million par value And NIS 300 million par value, respectively, of debentures (Series D), in accordance with the shelf offering published under the 2006 prospectus. In January 2010, the Company closed a private offering to institutional investors of NIS 178 million par value of debentures (Series D), by means of extending the series. Debentures (Series D) In January 2012, the Company closed a private offering to institutional investors of NIS 185 million par value of debentures (Series D), by means of extending the series. Debentures (Series D)

(2) Debentures (Series K) were first issued in September 2011, pursuant to a shelf offering, when NIS 451 million par value were issued in September 2011. As part of the issuance of debentures (Series D) in January 2012, 1.85 million options (Series J), which are exercisable through February 29, 2012, were issued. Through the expiration date, 1.84 million options had been exercised into NIS 221 million par value of debentures (Series K) As part of the issuance of debentures (Series J) in May 2012, 2.6 million options (Series J), which are exercisable through June 14, 2012, were issued. By the expiration date, 0.6 million options had been exercised into NIS 60 million par value of debentures (Series L) In December 2012, the Company closed an offering to institutional investors of NIS 883 million par value of debentures (Series K), by means of extending the series. In June and December 2013, the Company closed a public offering of NIS 731 million par value and NIS 308 million par value of debentures (series K), respectively, by means of extending the series.

(3) Debentures (Series L) were first issued in October 2013, pursuant to a shelf offering, when 451 million par value were issued. In April 2014, January 2015, April 2015 and August 2015, the Company issued NIS 414 million par value, NIS 752 million par value, NIS 621 million par value and NIS 720 million par value of debentures (Series L), respectively, pursuant to a shelf offering, by means of expansion of the series.

(4) Debentures (Series M) were first issued in February 2018, pursuant to a shelf offering, when NIS 860 million par value were issued. In September and October 2018, the Company issued, by means of extending the series, NIS 400 million par value And NIS 541 million par value, respectively pursuant to a shelf offering.

(5) Debentures (Series N) were first issued in January 2020, pursuant to a shelf offering, when NIS 600 million par value were issued. In April 2020 the Company issued, by means of extending the series, NIS 400 million par value of debentures (Series O).

(6) Debentures (Series O) were first issued in October 2020. The debentures (Series O) secured by properties in Israel, refer to Section f above.

B. Details concerning the trustees of the Company's debentures (to the best of the Company's knowledge):

	Trustee	Contact person at the trustee	Trustee's address	Fax	Email
Debentures (Series D)	Hermetic Trust Services (1975) Ltd.	Dan Evnon	Champions Motor Tower- Derech Sheshet HaYamim 30, Bnei Brak	03-5271039	hermetic@hermetic.co.il
Debentures (Series K)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series L)	Mishmeret Trust Services Company Ltd.	Rami Sebti	48 Menahem Begin Road, Tel-Aviv	03-6374344	ramis@mtrust.co.il
Debentures (Series M)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il
Debentures (Series N)	Strauss Lazar Trust Company (1992) Ltd.	Ori Lazar	Yigal Alon St 94, Tel Aviv-Yafo	03-5613824	ori@slcpa.co.il
Debentures (Series O)	Reznik Paz Nevo Trustees Ltd.	Yossi Resnik	14 Yad Haharutzim Street, Tel-Aviv	03-6389222	yossi@rpn.co.il

C. Rating of the debentures:

	Issue date	S&P Maalot's rating close to issue date	Midroog's rating close to issue date	S&P Maalot's rating at the periodic report approval date (*)	Midroog's rating at the period report approval date (*)	Date and reference of the immediate report about the latest S&P Maalot rating (**)	Date and reference of the immediate report about the latest Midroog rating (**)
Debentures (Series D)	September 2006	AA	Aa2	AA-/ Negative	Aa3/ Negative	10/19/2020 Ref: 2020-01-104824	10/12/2020 Ref: 2020-01-101632
Debentures (Series K)	September 2011	A+/ Positive	Aa3	AA-/ Negative	Aa3/ Negative	10/19/2020 Ref: 2020-01-104824	10/12/2020 Ref: 2020-01-101632
Debentures (Series L)	October 2013	AA-/Stable	Aa3	AA-/ Negative	Aa3/ Negative	10/19/2020 Ref: 2020-01-104824	10/12/2020 Ref: 2020-01-101632
Debentures (Series M)	February 2018	AA-/Stable	Aa3/Stable	AA-/ Negative	Aa3/ Negative	10/19/2020 Ref: 2020-01-104824	10/12/2020 Ref: 2020-01-101632
Debentures (Series N)	January 2020	AA-/Stable	Aa3/Stable	AA-/ Negative	Aa3/ Negative	10/19/2020 Ref: 2020-01-104824	10/12/2020 Ref: 2020-01-101632
Debentures (Series O)	October 2020	AA-/Stable	Aa3/Stable	AA-/ Negative	Aa3/ Negative	10/19/2020 Ref: 2020-01-104824	10/12/2020 Ref: 2020-01-101632

(*) Between the issue date of the debt series until immediately prior to approval of the periodic report, further ratings were determined for the above series at the dates stipulated in the following table (all foregoing interim ratings applied to all debentures series that were in circulation at the rating date).

(**) The information contained in the immediate reports listed in this column is hereby presented by means of this reference.

(***) The debentures (Series O) secured by properties in Israel. The debentures (Series O), rated by S&P Maalot and Midroog at a rating level of 'ilAA' and 'Aa2.il', respectively.

D. Details concerning the credit rating history:

S & P Maalot		Midroog	
Date	**Rating**	**Date**	**Rating**
29/04/03	A+	25/10/04	Aa3
21/01/04	AA-	06/02/05	Aa3
10/05/04	AA-	14/04/05	Aa3
14/12/04	AA-	19/05/05	Aa3
03/02/05	AA-	21/11/05	Aa2
15/05/05	AA	17/05/06	Aa2
31/05/06	AA	11/06/06	Aa2
10/09/06	AA	10/09/06	Aa2
29/10/06	AA	21/11/06	Aa2Developing
20/11/06	AA/Negative	13/12/06	Aa2Developing
07/12/06	AA/Negative	28/02/07	Aa2Stable
28/02/07	AA/Stable	10/07/07	Aa2Stable
18/06/07	AA/Stable	20/12/07	Aa2Stable
11/10/07	AA/Stable	7/01/08	Aa2Stable
23/03/08	AA/Stable	23/03/08	Aa2Stable
3/08/08	AA-/Stable	9/09/08	Aa3Stable
12/02/09	AA-/Negative	15/02/09	Aa3Stable
03/05/09	A+/Negative	09/07/09	A1 Negative
26/11/09	A+/Negative	29/11/09	A1 Negative
01/07/10	A+/Stable	12/04/10	A1 Stable
02/08/11	A+/Positive	19/05/11	Aa3 Stable
25/08/11	A+/Positive	25/08/11	Aa3 Stable
23/01/12	A+/Positive	23/01/12	Aa3 Stable
15/05/12	A+/Stable	06/05/12	Aa3 Stable
12/12/12	A+/Stable	13/12/12	Aa3 Stable
13/05/13	AA-/Stable	03/06/13	Aa3 Stable
03/06/13	AA-/Stable	24/10/13	Aa3 Stable
24/10/13	AA-/Stable	24/12/13	Aa3 Stable
24/12/13	AA-/Stable	24/04/14	Aa3 Stable
23/04/14	AA-/Stable	19/10/14	Aa3 Stable
14/08/14	AA-/Stable	26/01/15	Aa3 Stable
26/01/15	AA-/Stable	25/08/15	Aa3 Stable
20/08/15	AA-/Stable	22/11/16	Aa3 Stable
04/08/16	AA-/Stable	21/11/17	Aa3 Stable
02/08/17	AA-/Stable	14/2/18	Aa3 Stable
14/02/18	AA-/Stable	25/11/18	Aa3 Stable
07/03/18	AA-/Stable	29/12/19	Aa3 Stable
19/07/18	AA-/Stable	12/10/20	Aa3 Stable
25/7/19	AA-/Stable		
19/10/20	AA-/Negative		

E. On December 31, 2020 and during 2020, the Company complied with all of the terms and commitments under the deeds of trust for each of the above debenture series of the Company. No conditions existed that required the Company to immediately redeem the above debenture series under the foregoing deeds of trust, and no notices were received from any of the trustees in this regard.

F. The 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. The valuation of the pledged properties as of December 31, 2020 is attached to the Periodic Report.
For further details regarding the foregoing pledged properties, as required pursuant to the regulations of the Israel Securities Authority regarding investment property activity, see Appendix B of this report.
The trust deeds, by virtue of which the debentures were issued, do not impose any restrictions on the Company regarding the creation of further charges on the Company's assets or regarding the Company's powers to issue additional commitment certificates other than the negative charge undertaking in the deed of trust of debentures (Series M and N).

G. As of December 31, 2020, the total commitments of the Company, pursuant to each series: debentures (Series K), debentures (Series L), debentures (Series M) and debentures (Series N), separately (as presented in the separate financial statements of the Company), accounts for more than 5% of the Company's total liabilities, and may thus be considered material.

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

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

J. On July 27, 2020, Midroog rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company at a rating level of 'Aa3.il', with a negative outlook. In addition, Midroog rating agency reaffirmed the short term issuer rating at a rating level of 'P-1.il'. Furthermore, on October 2020, Midroog rating agency rated the debentures (Series O) of the Company secured by property lien in Israel, at a rating level of 'Aa2.il'.

K. For details regarding the issuance of new debentures (Series N) in the amount of NIS 593 million and the expansion in the amount of NIS 337 million, refer to Note 19b2 to the financial statements.

L. For details regarding the issuance of a new series of debentures (Series O), backed by properties in Israel, amounting NIS 324 million, refer to Note 19b1 to the financial statements.

M. For details regarding the Company's debentures buyback during the Reporting Period under its purchase plan, refer to Section 3.8 and Note 19b6 to the financial stalemates.

N. Following are the principal financial covenants of debentures (Series K, L, M, N and O) of the Company:

Financial ratio	Covenants	As of December 31, 2020
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Series K-Higher than 500, during 4 consecutive quarters Series L-Higher than 650, during 3 consecutive quarters Series M-Higher than 800, during 3 consecutive quarters Series N -Higher than 850, during 3 consecutive quarters Series O -Higher than 850, during 3 consecutive quarters	1,730
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M,N,O - Higher than 400	1,730
Ratio of net interest-bearing debt to total consolidated assets	Series K and L-lower than 80%, during 4 consecutive quarters Series M-lower than 75%	[1]59.2%
And 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%	58.8%
Minimum rating of the debentures	Series N,O -'ilBaa3'/'ilBBB-'	'ilAa3'/ 'ilAA'-

As of December 31, 2020, and as of the approval of the financial statements, the Company complied with the covenants in respect of all debentures.

March 21, 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 to the Directors' Report
Additional Information regarding Currency Exposure
as of December 31, 2020

Following are details with respect to the scope of the Company's exposure to each currency to which it is exposed (EUR, USD, CAD, NIS and BRL), in respect of which cross-currency swaps were transacted and regarding the scope of the remaining exposure after transacting the swaps, as of December 31, 2020. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS(1)) and the percentages that they represent of the total assets and liabilities, respectively, on a proportionate consolidation basis(2) and the total financial adjustments made by the Company by means of cross-currency swap transactions, to correlate, to the extent possible, the Company's equity to the Company's assets (from a currency perspective). As illustrated by the table, the assets and liabilities for each particular currency do not fully correlate, and the exposure to each such currency is reflected in the differences, as presented in the table.

Data presented in millions	NIS	U.S.$	EUR	C$	BRL	Total in NIS
Assets in original currency	4,120	689	4,100	154	4,143	-
Assets in NIS	4,120	2,217	16,172	388	2,563	25,460
% of total assets	**16**	**9**	**63**	**2**	**10**	**100**
Liabilities in original currency	9,297	331	2,176	84	-	-
Cross-currency swap transactions in original currency	(5,455)	249	663	10	2,296	-
Liabilities in original currency	3,842	580	2,839	94	2,296	-
Liabilities in NIS adjusted for swaps	3,842	1,865	11,197	237	1,420	18,561
% of total liabilities	**21**	**10**	**60**	**1**	**8**	**100**
Total equity in original currency	278	109	1,261	60	1,847	-
Total economic equity(3) in NIS	278	352	4,975	151	1,143	6,899
% of total equity	**4**	**5**	**72**	**2**	**17**	**100**

(1) According to currency exchange rates as of December 31, 2020.
(2) The Company's statement of financial position presented on a proportionately consolidated basis was not prepared according to generally accepted accounting principles, but according to the Company's interest in each of the subsidiaries at the stated date.
(3) Represents the equity attributable to the shareholders of the Company, excluding deferred taxes.

Appendix B to the Directors' Report – Information about Pledged Properties

G Savyon

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	As of December 31, 2020
Name of property	G Savyon
Location of property	Real estate known as block 6691 parts 55 and 63 and block 6722 part 147 located at 1, Hashikma Street, Savyon.
Area of property – split by use (sq. m)	An area of 30,079 m and an area of 409.9 m, including a building used as shopping center, a building used as offices and a building with an area of 3,300 m used as clinics and offices.
Holding structure of property	Fully owned by G. Israel shopping centers, which is fully owned by Gazit Globe Ltd. [14]
Company's effective share in property	100%
Names of partners in property	-
Date of acquisition of the property	Acquisition contract dated August 21, 2018 between Gazit Israel and Savyon Offices and Super Gadol Savyon
Details of legal title to the property	As detailed below relating to recording of legal title
Material unused building rights	Main area of about 3,000 m for shopping and office use. In addition, it is possible to easily get additional main area of about 1,800 m. Company issued request for building permit for main area of 4,000 m of above area. The request was approved in April 2020 in the local council subject to certain terms. The Company is engaged in meeting the terms and receiving the building permit.
Financial statement presentation method	Fair value

[14] Except for an area of about 600 m, not part of the Savyon site and on which there is a 149 m building, which is rented to the State of Israel in accordance with an agreement signed between KKL and the State of Israel dated June 25, 1968.

Status of registration of legal rights	The ownership for the complete parts 55 and 63 in block 6691 is registered in the land registry office. The ownership rights to part 147 are shared between KKL, who are the registered owners of the 278,679 / 279,279 non-identified section of the rights to part 147 and the State of Israel, that is the registered owner of the 149 / 279,279 non-identified section of the rights to part 147 as well as the 41/ 25,389 non-identified section of the rights to part 147. Savyon Offices (as defined above) is registered in the Land Registry Office as the owner of the capitalized lease rights to parts 55 and 63 (completely) in block 6691 and the 27,838 / 279,279 non-identified section in part 147 in block 6722 due to a capitalized lease contract dated July 15, 2012 between the Israel Land Authority and Africa Israel Investments Ltd. for the lease until April 14, 2059. Savyon Offices acquired all Africa Israel Investment Ltd.'s rights due to the above lease contract after the date of Savyon Office's registration as lessee in the Land Registration Office. Unlimited first degree mortgages and caveat notices in accordance with section 126 of the Real Estate Law, 1969, are recorded in favor of Gazit Israel on Savyon Office's rights to parts 55 and 63 (completely) in block 1,969 as well as non-identified section 27,838 / 279,279 in part 147 in block 6722 due to the acquisition agreement of G Savyon. Super Gadol (as defined above) is registered in the Land Registry Office as owner of the capitalized lease rights to the non-identified 410 / 279,279 section of the rights to part 147. And this due to a acquisition contract dated February 17, 2015 between Super Gadol and Super Market E.M. shopping centers Savyon. Unlimited first degree mortgages and caveat notices in accordance with section 126 of the Real Estate Law, 1969, are recorded in favor of Gazit Israel on Super Gadol's rights to part 147 as detailed above, due to the acquisition agreement of G Savyon. Gazit Israel are the owners of all the contractual rights, including the right to be registered as lessee, due to the acquisition contract dated August 21, 2018 between Gazit Israel and Savyon Offices and Trade, limited partnership 550259816 ("Savyon Offices") and Super Gadol Savyon, limited partnership 550259808 ("Super Gadol") for Gazit Israel's acquisition of all the rights of Savyon Offices and Super Gadol in the G Savyon real estate ("the G Savyon acquisition contract"). <u>In parts 55 and 63 of block 6691:</u> (1) Gazit Israel registered a first degree mortgage and caveat notices on Savyon Office's rights to the above parts due to an acquisition contract dated August 21, 2018 between Gazit Israel, Savyon Offices and Super Gadol. (2) The transfer or transfer through inheritance of the leasing rights to the above parts are limited. (3) A non-adjustment section 29 notice is registered in favor of the local Mitpe Afek planning and building council.

	In part 147: (1) Various lessees and various mortgages are registered on the rights to part 147 that are not relevant to this document. (2) The transfer or transfer through inheritance of Savyon Office's leasing rights to part 147 is limited. (3) An unlimited first degree mortgage of Savyon Office's rights to part 147 and a caveat notice are registered in favour of Gazit Israel due to the acquisition contract. (4) The transfer or transfer through inheritance of Super Gadol's leasing rights to part 147 is limited. (5) An unlimited first degree mortgage of Super Gadol's rights to part 147 and a caveat notice are registered in favour of Gazit Israel due to the acquisition contract. (6) A section 27 notice for the designation of real estate is registered in favour of the Mizpe Afek planning and building council. (7) Two section 29 for prevention of change notices are registered in favour of the Mizpe Afek planning and building council. In the real estate area also known as parts 55 and / or 63 in block 66391 and / or part 147 in block 6722 there a Post Office branch in a 149 m building within an area of 600 m, which was leased to the State of Israel by a lease agreement dated June 25, 1968 between KKL and the State of Israel and a Post Office building of 149 m (together above and below: "the Post Office real estate"). The Post Office real estate is not included in the definition G Savyon even though they form part of the property. Refer to the details below regarding the pledge recorded on the Company's rights in the above property.

B. Disclosures of effect of Covid-19

As of the current date, the collection rate of G Savyon for the months January to December 2020 is 88% and NIS 418,000 was provided as doubtful debt for debts of tenants in 2020.

c. Principal data

	Year 2020	Year 2019	Year 2018	At property acquisition date	
Fair value at end of period (NIS thousands) Income-producing portion	74,100	76,575	72,753		
Fair value of land at end of period	46,000	[2]42,225	43,447		
Total fair value (NIS thousands)	120,100	118,800	116,200	**Acquisition cost (NIS thousands) (including adjacent area and building rights)**	117,150
Revaluation profit (loss) – excluding amortization of paid acquisition tax (in NIS thousands)	(3,206)	1,725	(3,073)	**Acquisition date**	August 21, 2018
Average occupancy rates (%)	98.5%	100%	100%		
Actual areas leased (sq. meters)	3,217	3,265	3,265		
Total revenues (NIS thousands)	5,482	5,604	[1]1,678		
Average annual rental per sq. meter (per month) (NIS)	125	126	-		
Average monthly rental per sq. meter for leases signed in the period (NIS)	104	126	-		
NOI (NIS thousands)	4,055	4,834	1,247		
Adjusted NOI[3] (NIS thousands)	4,473	4,834	4,535		
Actual rate of return – yielding section (%)	5.5%	6.3%	-		
Adjusted rate of return – yielding section (%)	6.0%	6.3%	6.2%		
No. of tenants as at end of reporting year	32	32	30		
Average turnover (per month) per sq. meter[4]	-	-	-		

1 The property was acquired in August 2018
2 The value of an adjacent area, empty land and capitalized development cost without existing building rights, as detailed in the valuation.
3 Including provision for doubtful debts in 2020.
4 The Company has no data relating to turnover or turnover per meter.

Analysis of revenues and cost structure

Data at 100% level	Year 2020	Year 2019	Year 2018 [1]
	NIS thousands		
NRevenues:			
From rentals – Fixed	4,841	4,941	1,480
From management fees	641	663	198
From rentals - Variable	-	-	-
Total revenues	**5,482**	**5,604**	**1,678**
Costs:			
Management, maintenance and operation before head office allocation [2]	1,427	770	431
Total costs	**1,427**	**770**	**431**
NOI	**4,055**	**4,834**	**1,247**

1 The property was acquired in August 2018
2 Including provision for doubtful debts for debts of tenants for 2020.

D. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	10%	Yes	No	Offices	2.3/5	5	Linked to CPI	Bank guarantee	-
Tenant B	12%	Yes	No	Supermarket	2.5/3	9	Linked to CPI	-	-

E. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025 and after
	NIS thousands				
Fixed components	4,902	2,667	891	39	-
Variable components (estimate)	-	-	-	-	-
Total	4,092	2,667	891	39	-

F. Improvements and changes planned in the property

Essence of improvement		Addition of about 4,000 sq m main area and about 1,600 sq m service area for shopping and office purposes. After the addition, an area of about 1 hectare for future planning will remain.
Added area (in meter)		About 4,000 m main and 1,600 m service.
Statutory status		In April 2020 the plan was conditionally approved in the local council. The Company is in the process of meeting the conditions. In July 2020 permission was received to build and develop an area for parking lot.
Building budget	**Total (excluding cost of land)**	52 [1]
Share of added area for which rental agreements have been signed		0%
Anticipated increase in NOI (annualized) (in NIS millions)		7.5
Execution status		Planning and approval in process
Expected completion date		2023, subject to conclusion of procedures vis-à-vis the Israel Lands Authority.

1 As at December 31, 2020, NIS 4.7 million had been invested from this amount.

The above Company forecasts relating to the anticipated increases in NOI due to the additional agreements to rent areas and expected completion date, are forward-looking information as defined in the Securities Law, 1969. These forecasts are based on the Company's projections and assumptions but are not assured. These projections may not be achieved, wholly or partly, or may be achieved differently, including materially differently, due to factors that are not within the Company's control that could lead to a deferral and / or change and / or cancellation of new tenants and / or financial strength of the tenants and / or realization of all or part of the risks as detailed in the item.

G. Pledges and material legal restrictions on property

Type	**Detail**	**Amount pledged by pledge as at December 31, 2020 (in NIS millions)**
Limit on transfer and transfer through inheritance	Limit on transfer and transfer through inheritance of Savyon Offices' leasing rights to the real estate	
Limit on transfer	Limit on transfer of leasing rights of Super Gadol in the real estate	
Unlimited first degree mortgage	Unlimited first degree mortgage on Savyon Offices' rights in the real estate in favour of Gazit Israel.	Unlimited
Unlimited first degree mortgage	Unlimited first degree mortgage on Super Gadol's rights in the real estate in favour of Gazit Israel in accordance with note no. 60251/2020/2 dated December 24, 2020 .	Unlimited
First degree pledge	On November 26, 2020 pledge no. 98 was registered in the Companies' Register with November 19, 2020 as registration date in favour of Reznik Paz Nevo Nominees Ltd. (as detailed in pledge 98).	
Caveat notices	On leasing rights of Savyon Offices in the real estate in favour of Gazit Israel	
Caveat notice	On leasing rights of Super Gadol in the real estate in favour of Gazit Israel	

H. Details regarding the valuation

		31/12/2020	31/12/2019	31/12/2018
The determined value as at the end of the period (NIS thousands)		120,100	118,800	116,200
Identity of appraiser		Sefi Raviv	Sefi Raviv	Sefi Raviv
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[15]		Yes	Yes	Yes
Effective date of valuation		31/12/2020	31/12/2019	31/12/2018
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	3,241	3,265	3,259
	Occupancy rate in year +1 (%)	94%	100%	100%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	129.4	126.5	124.9
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	129.8	127.1	126.9
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	129.8	127.1	126.9
	Weighted rate of return for valuation purposes (%)	6.5%	6.5%	6.7%
	Representative NOI	4,911	5,036	4,918

15 The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

Sensitivity analyses of the value		**Change in value in (NIS thousands)**		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(4,615)	(4,615)	(4,478)
Cap rates	Rise of 0.25%	(2,798)	(2,870)	(2,640)
	Fall of 0.25%	3,022	3,099	2,845
Average rental per Sq. m	Rise of 5%	3,883	3,832	3,704
	Fall of 5%	(3,883)	(3,832)	(3,704)

Appendix B to the Directors' Report – Information about Pledged Properties

G Rothschild

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	**As of December 31, 2020**
Name of property	G Rothschild
Location of property	Real estate known as block 3934 part 243 and parts 242 and 244 located at 45, Rothschild Street, Rishon LeTsiyon.
Area of property – split by use (sq. m)	Built area of 32,100 meter including four shopping floors, six levels of parking above and four floors allocated for offices.
Holding structure of property	51% owned by G. Israel shopping centers, which is fully owned by the Company
Company's effective share in property	51%
Names of partners in property	Reit 1 Ltd. (I.D. 513821488)
Date of acquisition of the property	Gazit Israel acquired the rights in G Rothschild through its share issue agreement dated June 1, 2005.
Details of legal title to the property	51/100 non-identified share in the undivided property – part 243 in block 3934. 51% (non-identified) in accordance with G Rothschild lease agreement for parts 242 and 244 in block 3934.
Material unused building rights	Unused building rights of main 2,266 m for shopping and office use.
Financial statement presentation method	Fair value
Status of registration of legal rights	The ownership rights in part 243 of block 3934 are registered undivided in the name of Gazit Israel (51/100 non-identified parts) and Reit 1 Ltd. – (49/100 in unidentified parts). The ownership rights in the real estate, parts 242 and 244 of block 3934, are fully registered in the name of the City of Rishon LeTsiyon. 51% of the leasing rights in parts 242 and 244 of block 3934. As at the current date, Gazit Israel is registered as owner of a 124/226 share in the leasing rights to part 242 of block 3934 (62 m of level -1 and 62 m of level -2) and a 120/127 share in the leasing rights to part 244 of block 3934 (120 m of level -1). There is a limitation in the transfer and transfer through inheritance on Gazit Israel's leasing rights to parts 242 and 244 of block 3934. There is a section 27 notice on the usage of the real estate in favor of the Rishon LeTsiyon planning and building committee, as detailed in note 11179/2020/2 dated March 5, 2020 following the request dated March 14, 2018 for additional underground parking for the shopping center in parts 242 and 244 of block 3934 in line with item 36/7/1/RS to the lease agreement with the City of Rishon LeTsiyon dated January 25, 1998. Item (f) below details the mortgages and pledges registered on the Company's rights in the property.

B. Disclosures of effect of Covid-19

As of the current date, the collection rate of G Rothschild for the months January to December 2020 is 77% and NIS 1,243,000 was provided as doubtful debt for the Company's share of the debts of tenants in 2020.

C. Principal data

Data at 100% level (Company's share in property – 51%)	Year 2020	Year 2019[4]	Year 2018	At property acquisition date	
Fair value at end of period (NIS thousands)	216,635	238,420	247,800		
Fair value of building rights (NIS thousands)	8,750	6,000	6,000		
Total fair value (NIS thousands)	225,385	244,420	253,800	117,150	
Revaluation profit (loss) (in NIS thousands) – Company's share	(13,230)	(11,740)	(16,271)	**Acquisition date**	June 1, 2005
Average occupancy rates (%)	97.5%	97.8%	97.1%		
Actual areas leased (sq. meters)	12,726	12,669	12,594		
Total revenues (NIS thousands)	17,902	22,496	23,979		
Average annual rental per sq. meter (per month) (NIS)	74	96	108		
Average monthly rental per sq. meter for leases signed in the period (NIS) [1]	106	100	169		
NOI (NIS thousands)	7,159	12,714	14,215		
Adjusted NOI (NIS thousands)	9,725	13,160	14,928		
Actual rate of return (%)	3.3%	5.3%	5.7%		
Adjusted rate of return (%) [2]	4.5%	5.5%	6.0%		
No. of tenants as at end of reporting year	91	94	98		
Average turnover (per month) per sq. meter [3]	1,429	1,989	1,410		

1 The above refers to rented areas, for shopping or office in the property and the different areas in the vicinity of the property.

2 Including, among other things, exclusion of provision for doubtful debts of tenants for the year 2020.

3 The data for turnover of the tenants in the property is partial data for certain tenants, for about 55% of the property's area, that report their monthly turnover to the Company and that make up about 45% of the property's area as at December 31, 2020. This data does not include turnover of tenants during the lockdown period during which the majority of businesses were closed as a result of government regulations.

Analysis of revenues and cost structure

Data at 100% level	Year 2020	Year 2019	Year 2018
	NIS thousands		
Revenues:			
From rentals – Fixed	11,195	14,559	16,257
From management fees	5,487	6,355	6,628
From rentals - Variable	1,220	1,582	1,094
Total revenues	**17,902**	**22,496**	**23,979**
Costs:			
Management, maintenance and operation before head office allocation [1]	10,743	9,782	9,764
Total costs	**10,743**	**9,782**	**9,764**
NOI	**7,159**	**12,714**	**14,215**

1 Including provision for doubtful debts for debts of tenants for 2020.

D. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	7%	Yes	No	Fashion	0.2 / 2	1	Linked to CPI	Deposit	-
Tenant B	11%	Yes	No	Sport and gym	9.8 /12	5	Linked to CPI	Bank guarantee	-
Tenant C	5%	Yes	No	Pharma	9 / 12.4	10	Linked to CPI	-	-

E. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025 and after
	NIS thousands				
Fixed components	9,230	6,891	3,971	3,108	11,734
Variable components (estimate)	1,363	789	138	-	-
Total	**10,593**	**7,680**	**4,109**	**3,108**	**11,734**

F. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as at December 31, 2020 (in NIS millions)
Unlimited first degree pledge	Pledge no.24 dated January 11, 2010 recorded in Gazit Israel's records at the Companies' Registry in favor of Reit 1 Ltd. relating to its acquisition of the rights in G Rothschild.	**Unlimited**
Mortgage	Unlimited first degree mortgage of the Company's rights on part 243 of block 3934 in favor of Reznik Paz Nevo Nominees Ltd. through note 50868/2020/1 dated December 1, 2020.	
Unlimited first degree pledge	Pledge 99 was recorded in the Companies' Registry in favor of Paz Nevo Nominees Ltd. on December 6, 2020 after creation on December 1, 2020 (as detailed in pledge 99).	
Limit on transfer and transfer through inheritance	There exists a limit on transfer and transfer through inheritance on Gazit Israel's leasing rights in parts 242 and 244.	
Conditions of leasing contract	The leasing contract prevents Gazit Israel to transfer its rights to a third party. As a result, the recording of a pledge on the Company's rights to parts 242 and 244 and the assessment that a pledge is not considered a transfer of the rights both require agreement by the City (as registered owners of the real estate).	
Post Office agreement	In accordance with the Post Office service agreement between Israel Post and Gazit Israel of May 18, 2017, the Post Office needs to give its prior written agreement to any pledge. Such agreement to pledge was received on November 15, 2020.	
Limitations due to partner agreement with Reit 1	Any pledge of the rights due to the partner agreement between Gazit Israel and Reit 1 of December 4, 2009 requires a letter of agreement from the mortgage holder appointed for Reit 1 accepting that the pledge is subject to the partner agreement. Such written agreement to pledge was received from Reit on October 25, 2020.	
First right of refusal	The transfer of rights by either side in the partner agreement is subject to first refusal right of the other side to acquire the rights.	
Joining right	Reit 1 received the right to join Gazit Israel in case it wants to sell its rights in G Rothschild (if the first right of refusal is not used).	
Forced sale	Gazit Israel can force Reit 1 to join its sale of rights (if the first right of refusal is not used).	
Separation mechanism	Either side that wishes to separate will notify its intention to sell or acquire its rights to the other side and will include a price in its offer. If the other side does not accept a pricing process will start (45 days after receipt of the offer). In this process the other side can agree or can give a counteroffer – to acquire the first' rights for a price increased by multiples of NIS 400,000 (as adjusted for the sold side's share in the real estate – 49% or 51%) above the price in the offer. The first side can give a counteroffer and this will repeat until the other side accepts the offer.	

G. Details regarding the valuation

Data at 100% level (Company's share in property 51%)		**31/12/2020**	**31/12/2019**	**31/12/2018**
The determined value as at the end of the period (NIS thousands)		225,385	244,420	253,800
Identity of appraiser		Yehuda Zisser	Yehuda Zisser	Yehuda Zisser
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		31/12/2020	31/12/2019	31/12/2018
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	13,057	12,954	12,970
	Occupancy rate in year +1 (%)	93%	96%	94%
	Occupancy rate in year + 2 (%)	100%	99%	99%
	Representative occupancy rate of area available for renting for valuation (%)	100%	99%	99%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	82.9	86.6	95.2
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	92.8	89.0	99.0
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	99.0	99.0	101.8
	Weighted rate of return for valuation purposes (%)	7.2%	7.2%	7.2%
	Representative NOI	16,617	17,596	18,227

Sensitivity analyses of the value		**Change in value in (NIS thousands)**		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(11,111)	(11,111)	(11,111)
Cap rates	Rise of 0.25%	(7,745)	(8,201)	(8,495)
	Fall of 0.25%	8,302	8,791	9,106
Average rental per Sq. m	Rise of 5%	10,530	10,689	11,000
	Fall of 5%	(10,530)	(10,689)	(11,000)

1 The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

As discussed, as at today's date the refurbishment of the property has completed.

The difference between the NOI of the property in the first year of cash flows used for the valuation (NIS 10.9 million) and the representative NOI as shown in the assessment as at December 31, 2020 (NIS 16.6 million) is due to components detailed below:

NIS 1.5 million of the amount relates from the pricing of empty units in the property for which no rental contracts have yet been signed or to units which are undergoing refurbishment before occupation (and for which there are signed rental contracts) that do not earn in the relevant period, taking into account the end of the refurbishment;

An additional difference of NIS 2.5 million is due to the forecast of the adjustment of the rental rates per meter to the market rates at the end of the bonus period granted to tenants or due to the end of the rental contract, including for units where the rent is based on levels of turnover;

NIS 1.7 million relates to streamlining moves and savings in management costs for the property that the Company intends to undertake, as well as increases in management revenues from the increase in the occupancy rate of empty areas, mainly after stabilization of the property after the conclusion of the refurbishment and which will contribute to reduce the current management deficit.

G Kokhav HaTzafon

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	**As of December 31, 2020**
Name of property	G Kokhav HaTzafon
Location of property	Real estate known as part 28 of block 7186 located at 19-21, Yairi Meir Street, in the Kokhav HaTzafon neighborhood, Tel Aviv-Yafo.
Area of property – split by use (sq. m)	G Kokhav HaTzafon is a build up area of about 2,100 m at ground level and a build up area of 3,615 m (of which 114 m storage) in the basement floor, and includes a one-story building above the basement composed of three sections linked by a surrounding pergola
Holding structure of property	Fully owned by G. Israel Shopping Centers Ltd., which is fully owned by the Company [1]
Company's effective share in property	100%
Names of partners in property	-
Date of acquisition of the property	Gazit Israel acquired the rights from Thermosintex Ltd. (the "seller"), through a purchase agreement dated July 18, 2017. The rights of the seller in the property derive from a development contract between the City and the seller dated January 15, 2013.
Details of legal title to the property	Gazit Israel is registered as the leaseholder of part 28 in block 7186, except for the area of the electricity room and the shopping areas in part 26, as defined below.
Material unused building rights	The Tel Aviv blueprint plan, TA / 5000 allows the addition of rights subject to the preparation of a detailed plan to the local council.
Financial statement presentation method	Fair value
Status of registration of legal rights	The ownership rights to the property in part 28 of block 7186 are registered in the Land Registry Office in the name of the City of Tel Aviv-Yafo. On December 2, 2020 Gazit Israel was registered in the Land Registry Office as leaseholder of the property due to a lease contract with the City dated May 20, 2020. At the same time an unlimited first degree mortgage on Gazit Israel's rights in favor of the nominee and a caveat notice in favor of the Israel Electric Company for a lease contract between Gazit Israel and the electric company dated March 11, 2019 according to which Gazit Israel leases the transformator room ("the electricity room") to the electric company, was registered. On June 12, 2014 the seller and Yasda Ltd. entered into a sub-lease ("the sub-lease" and "the sub-lessee", respectively). A blueprint was attached to this sub-lease showing the above parking places ("the part 26 parking places") according to which the seller leases the part 26 parking places to the sub-lessee for the sub-lease period. The seller committed to register the leasing rights of the sub-lessee in the Land Registry Office. The real estate rights include a public-usage note in favor of the public. Item (f) below details the mortgages and pledges registered on the Company's rights in the property.

1 Except for the rights of the Israel Electric Company Ltd. per the March 11, 2019 purchase agreement according to which it acquired real estate rights to an area of 51.93 m in the basement which is used as a transformer room and except for a group of 50 parking places in the underground car park which were leased to Yasda Ltd. through a sub-lease.

B. Disclosures of effect of Covid-19

As of the current date, the collection rate of G Kokhav HaTzafon for the months January to December 2020 is 86% and NIS 382,000 was provided as doubtful debt for the debts of tenants in 2020.

C. Principal data

Data at 100% level	Year 2020	Year 2019	Year 2018	At property acquisition date	
Fair value at end of period (NIS thousands)	103,200	105,200	88,000[1]		
Revaluation profit (loss) (in NIS thousands) – excluding amortization of paid acquisition tax	(4,562)	(5,253)	(3,558)		
Average occupancy rates (%)	91.6%	-	-	**Acquisition costs (NIS thousands) (including adjacent lot and building rights)**	105,000
Actual areas leased (sq. meters)	2,100	-	-	**Acquisition date**	July 18, 2017
Total revenues (NIS thousands)	5,349[2]	-	-		
Average annual rental per sq. meter (per month) (NIS)	237	-	-		
Average monthly rental per sq. meter for leases signed in the period (NIS)	267	-	-		
NOI (NIS thousands)	3,197[2]	-	-		
Adjusted NOI [5](NIS thousands)	3,790	-	-		
Actual rate of return – yielding section (%)	3.1%	-	-		
Adjusted rate of return yielding section (%)	3.7%				
No. of tenants as at end of reporting year	27	-	-		
Average turnover (per month) per sq. meter [4]	3,144[3]	-	-		

1 The property was acquired in 2017 according to a build-up value and available for occupation for NIS 105 million. The consideration was paid in stages. The balance that was paid at the end of 2018 represents the value of the property after set-off of the unpaid balance as at that date.
2 The compound was opened at the end of 2019 and is being occupied gradually.
3 The data for turnover of the tenants in the property is partial data for certain tenants, for about 31% of the property's area, that report their monthly turnover to the Company and that make up about 26% of the property's area as at December 31, 2020. This data does not include turnover of tenants during the lockdown period during which the majority of businesses were closed as a result of government regulations.
4 Represents signed agreements. Note that the property is being occupied gradually.
5 Including, among other things, exclusion of provision for doubtful debts of tenants for the year 2020.

D. Analysis of revenues and cost structure

Data at 100% level	Year 2020	Year 2019	Year 2018
	NIS thousands		
Revenues:			
From rentals – Fixed	4,478	-	-
From management fees	772	-	-
From rentals - Variable	99	-	-
Total revenues	**5,349**	**-**	**-**
Costs:			
Management, maintenance and operation before head office allocation [1]	2,152	-	-
Total costs	**2,152**	**-**	**-**
NOI	**3,197**	**-**	**-**

1 Including provision for doubtful debts for debts of tenants for 2020.

E. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	14%	Yes	No	Supermarket	3.6/5	19.9	Linked to CPI	-	-
Tenant B	11%	Yes	No	Catering	3.8/5	10	Linked to CPI	Bank guarantee	-

F. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025 and after
	NIS thousands				
Fixed components	4,705	3,678	3,110	2,100	265
Variable components (estimate)	664	664	664	575	-
Total	**5,369**	**4,342**	**3,774**	**2,675**	**265**

G. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as at December 31, 2020 (in NIS millions)
Unlimited first degree mortgage	An unlimited first degree mortgage in favor of Reznik Paz Nevo Nominees Ltd. according to note no. 55286/2020/3 dated December 2, 2020 on Galit Israel's rights in part 28, block 7186.	**Unlimited**
Unlimited first degree pledge	On December 7, 2020 pledge no.100 was registered in the Companies Register in favor of Reznik Paz Nevo Nominees Ltd. in line after creation on December 2, 2020 (as detailed in pledge 100).	
Caveat notice in favor of Israel Electric Company	A caveat notice on Gazit Israel's rights in the property in favor of Israel Electric Company from December 2, 2020, relating to the electricity room that Gazit Israel leases to Israel Electric Company. The electric room is also known as room TT in Biluah Maoz 1-3, which is used as transformation station for two transformers.	
Rights of Yasda Ltd. in group of 50 underground car parking spaces	Yasda Ltd. has the right to register its ownership as a sub-lessee of a group of 50 underground car parking spaces. In addition, a non-exclusive right of way should be registered in its favor for the parking spaces that it has been allocated, in an access way that will be marked by the parties on a blueprint.	

H. Details regarding the valuation

Data at 100% level		**31/12/2020**	**31/12/2019**	**31/12/2018**
The determined value as at the end of the period (NIS thousands)		103,200	105,200	88,000[16]
Identity of appraiser		Sefi Raviv	Sefi Raviv	Sefi Raviv
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		31/12/2020	31/12/2019	31/12/2018
Valuation model		Income (DCF)	Income (DCF)	Income (DCF) and CTC deferral
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	2,294	2,257	2,186
	Occupancy rate in year +1 (%)	89%	100%	25%
	Occupancy rate in year + 2 (%)	100%	100%	100%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	100%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	211.6	231.4	285.6
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	235.2	236.5	285.6
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	235.2	236.5	285.6
	Weighted rate of return for valuation purposes (%)	6.0%	6.0%	6.7%
	Representative NOI	6,498	6,405	7,492

16 The value is a net amount, i.e. after reduction of the balance of outstanding payments due to the seller from which the Company acquired the property.

Sensitivity analyses of the value		**Change in value in (NIS thousands)**		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(4,615)	(5,000)	(6,667)
Cap rates	Rise of 0.25%	(3,702)	(4,270)	(4,995)
	Fall of 0.25%	3,998	4,641	5,430
Average rental per Sq. m	Rise of 5%	4,980	5,339	6,244
	Fall of 5%	(4,980)	(5,339)	(6,244)

1 The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

G Horev Center

A. Presentation of the property

Information on 100% level (Company's share of property – 100%)	**As of December 31, 2020**
Name of property	Horev Center
Location of property	Real estate known as block 10782 parts 134 (part), 140 (part), 67, 71, 74, 77, 83 (part)
Area of property – split by use (sq. m)	Block 10782 part 134 – registered area of 4,235 m in built up area of 28,870 m including seven floors above four basement floors for parking and storage, three floors for shopping (including a floor which has a gallery), one technical floor and three floors of offices / health center. Block 10782 part 140 – registered area of 534 m on which four basement floors are built below ground floor level which are used for 49.5 parking spaces on a total area of 1,898 m and an office with an area of 18 m on the first floor which is used as a taxi station. Block 10782 part 67 – registered area of 383 m. Not built on. Block 10782 part 71 – registered area of 881 m. Not built on. Block 10782 part 74 – registered area of 877 m. The part is used as a fixed building from concrete blocks partly covered by tiled roof. The building includes 4 levels (two of which are below Pika Street level) on a total area of 550 m. Block 10782 part 77 - registered area of 865 m. Not built on. Block 10782 part 83 - registered area of 96 m. Not built on.
Holding structure of property	50% owned by G. Israel Shopping Centers Ltd., which is fully owned by the Company.
Company's effective share in property	50%
Names of partners in property	N.T.M. Transport and Commercial Assets Ltd. – I.D.520036625.
Details of legal title to the property	As detailed below regarding registration of legal rights.
Material unused building rights	About 2,500 m main areas in additional parts. In addition, Haifa master plan HA/2000 allows for additional building rights subject to the preparation of a detailed plan to the local council.
Financial statement presentation method	Fair value

Status of registration of legal rights	All Gazit Israel's rights to the real estate known as block 10782, part of parts 134[17] and 140, on 15, Horev Street / corner Derekh Pika in the Ahuza Haifa neighborhood known as the "Horev Center Mall" on a 26,996 m build up area including seven floors above four basement floors for parking and storage, three floors for shopping (including a floor which has a gallery), one technical floor and three floors of offices / health center as well as all Gazit Israel's rights in the real estate known as a share in parts 67, 83, 71, 74 and 77 in block 10782 adjacent to the Horev Center Mall of which part is built in a four floor building on a total area of 550 m except for the real estate of the City of Haifa detailed below[5] are registered. The leasing rights to the real estate known as part 140 in block 10782 referring to four basement floors below ground level which are used for 49.5 parking spaces on a total area of 1,898 m and an office with an area of 18 m on the first floor below the Horev Center Square which is at ground floor level are registered. Gazit Israel's ownership rights in the 2121/4235 non-identified share in the sub-shares 1 and 20 in part 134 block 10782 as well as in the 303/605 non-identified share in the sub-parts 1 – 5, 7 and 8, 10 – 19, 22 – 97 and 99 in part 134 in block 10782 are registered in the Land Registry Office. The capitalized leasing rights for the lease period ending May 9, 2055 in the 1/2 non-identified shares of part 140 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/2 non-identified shares of part 67 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/4 non-identified shares of part 83 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/2 non-identified shares of part 71 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights to the 1/2 non-identified shares of sub-parts 1 and 2 of part 74 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office[4]. The ownership rights to the 1/2 non-identified shares of part 77 in block 10782 are registered in the name of Gazit Israel in the Land Registry Office. The ownership rights in the sub-parts of part 134 in block 10782 which are shared between Gazit Israel and N.T.M., except for sub-parts 6, 9, 21 and 98 of the above part 134 not owned by Gazit Israel and are not part of the pledged property but including sub-parts 100 and 101 that are fully owned by Gazit Israel are registered. The ownership in parts 67, 71, 74-77 in block 10782 which is shared between Gazit Israel and N.T.M. is registered. The ownership in part 83 in block 10782 which is shared between Gazit Israel, N.T.M. and third parties is registered. The ownership in part 140 in block 10782 is registered in the name of the City of Haifa in the Land Registry Office. Gazit Israel owns the capitalized lease rights (for the period ending May 9, 2055) in the 1/2 non-identified shares of part 140. There is a benefit order in favor of the City of Haifa as set out in note 3267/2015/1012 according to which a total area of 151.1 m of part 134 is pledged for pedestrian access rights to all the public. After their decision no.87 of December 18, 2017 Section 27 notes on designation of real estate according to note 21828/2018/1 were registered in favor of the City of Haifa for sub-parts 71, 74, 75 and 77 in part 134.

	Note 5362/1988 dated January 1, 1988 expropriated parts 67 and 83 in block 10782 according to Sections 5 – 7 of the Land (Purchase for Public Purposes) Ordinance, 1943. Note 1985/1958/100 dated April 29, 1958 registered benefit orders which allow access rights through part 83 block 10782 to part 67. Note 15/1962 of January 1, 1962 identified the leasing rights of all the owners in parts 71 and 77 in block 10782 an area of 125 m in a blueprint for use as a road for a period of 999 years. In addition, Note 47801/2015/1 dated October 13, 2015 registered additional leasing rights in an area of 40 m identified in the blueprint for use as a road in favor of the City of Haifa on a share of part 71 in bock 10782 for a period of 999 years (above and below: "City of Haifa Real Estate"). Note 6793/1997/3 dated February 11, 1997 and the Section 27 real estate designation notice according to note 6707/2015/1 dated February 9, 2015 in favor of the Haifa local planning and building council registered an expropriation notice in favor of the City of Haifa on all the rights of all the owners in a share of part 71. Note 6973/1976/1 registered a leasing right for a 165 m section of real estate for the widening of a road in favor of the City of Haifa for a period of 999 years on the shared ownership rights of the owners of part 74. Note 6707/2015/1 dated February 9, 2015, registered a Section 27 notice on the designation of real estate in favor of the local council for planning and building on part 77. As at the time of this note, the use of the real estate was in accordance with its designation. On July 14, 2010 N.T.M. and Gazit Israel signed an association agreement relating to parts 134, 67 and 83 of the Horev Center real estate ("the Horev association agreement") that codifies the relationship between above parties in the Horev Center (parts 134, 67 and 83). Item (f) below details the mortgages and pledges registered on the Company's rights in the property.

B. <u>Disclosures of effect of Covid-19</u>

As of the current date, the collection rate of the Horev Center for the months January to December 2020 is 87% and NIS 584,000 (Company share) was provided as doubtful debt for the debts of tenants in 2020.

17 Part 134 in block 10782 is registered as a shared building in the Land Registration Office.

5 Part 74 block 10782 is registered as a shared building in the Land Registration Office.

6 For the benefit of the Haifa Municipality, a lease is registered for part of Department 71 in Block 10782 according to method 4781/2015/1, dated 13.10.15, for a period of 99 years, in connection with a 40 sq.m.

C. Principal data

Data at 100% level	Year 2020	Year 2019	Year 2018	At property acquisition date	
Fair value at end of period (NIS thousands)	170,495	173,894	165,545		
Fair value of adjacent parts at end of period (NIS thousands)	25,500	25,500	25,500		
Total fair value (NIS thousands)	195,995	199,394	191,045		
Revaluation profit (loss) (in NIS thousands) – Company share	(2,420)	1,443	(5,695)	Acquisition date	July 26, 2006
Average occupancy rates (%)	94.5%	87.2%	78.5%		
Actual areas leased (sq. meters)[1]	11,952	10,987	9,831		
Total revenues (NIS thousands)	16,559	16,822	16,222		
Average annual rental per sq. meter (per month) (NIS)	99	110	120		
Average monthly rental per sq. meter for leases signed in the period (NIS)[3]	112	77	74		
NOI (NIS thousands)	9,249	9,492	8,414		
Adjusted NOI [4](NIS thousands)	10,417	9,492	9,745		
Actual rate of return (%)	5.4%	5.5%	5.1%		
Adjusted rate of return (%)	6.1%	5.5%	5.9%		
No. of tenants as at end of reporting year	58	62	62		
Average turnover (per month) per sq. meter	1,894[2]	1,699[2]	1,800		

1 Including areas of 2,550 owned by third parties

2 The data for turnover of the tenants in the property is partial data for certain tenants, for about 56% of the property's area, that report their monthly turnover to the Company and that make up about 21% of the property's area as at December 31, 2020. This data does not include turnover of tenants during the lockdown period during which the majority of businesses were closed as a result of government regulations.

3 The above refers to rented out areas of the property, for trade and offices.

4 Including, among other things, exclusion of provision for doubtful debts of tenants for the year 2020.

5 Due to the Covid-19 pandemic the Company reviewed the value of the Horev Center and the expected change in the NOI for the year and accordingly adjusted its forecast of revenues, including by applying a collection factor, used in the valuation calculation. As a result, the Company wrote down the (Company's share in the) fair value by NIS 474,000, as at June 30, 2020.

D. Analysis of revenues and cost structure

Data at 100% level (Company's share in the property - 50%)	Year 2020	Year 2019	Year 2018
	NIS thousands		
Revenues:			
From rentals – Fixed	11,177	11,176	10,500
From management fees	5,382	5,646	5,722
From rentals - Variable	-	-	-
Total revenues	**16,559**	**16,822**	**16,222**
Costs:			
Management, maintenance and operation before head office allocation [1]	7,310	7,330	7,808
Total costs	**7,310**	**7,330**	**7,808**
NOI	**9,249**	**9,492**	**8,414**

1 Including provision for doubtful debts for debts of tenants for 2020.

E. Principal tenants in the property

Data at 100% level (Company's share of property – 51%)	% of property area leased to tenant (%)	Does tenant constitute an anchor tenant?	Does tenant account for 20% or more of property's revenues?	Sector to which tenant belongs	Original lease period and period left (years)	Extension options (years)	Linkage of rentals	Details of collateral (if applicable)	Special dependency
Tenant A	18%	Yes	No	Health	0.7/5	14.9	Linked to CPI	-	-
Tenant B	5%	Yes	No	Health	0.7/5	14.9	Linked to CPI	-	-
Tenant C	5%	Yes	Yes	Pharma	4.8/5	14.9	Linked to CPI	-	-

F. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025 and after
	NIS thousands				
Fixed components	8,803	5,980	4,788	3,907	2,078
Variable components (estimate)	874	120	-	-	-
Total	**9,677**	**6,100**	**4,788**	**3,907**	**2,078**

G. Pledges and legal restrictions on the property

Type	Detail	Amount pledged by pledge as at December 31, 2020 (in NIS millions)
Lease	In part 71, Note 15/1962 of January 1, 1962 registered the leasing rights in favor of the City of Haifa for a period of 999 years for a 125 m strip of land which the City can request at any time.	
Lease	In part 71, Note 47801/2015/1 dated October 13, 2015 registered a limitation on the transfer and transfer through inheritance in favor of the City of Haifa for an area of 40 m for a period of 999 years.	
Lease	In part 74, Note 6973/1976/1 registered a lease of the part in favor of the City of Haifa	
Lease	In part 77, Note 15/1962 of January 1, 1962 registered the leasing rights in favor of the City of Haifa for a period of 999 years for a 125 m strip of land which the City can request at any time.	
Mortgage	In part 71 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Mortgage	In sub-part 1 of part 74 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Mortgage	In sub-part 2 of part 74 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Mortgage	In part 77 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Mortgage	In sub-parts 1-5, 7-8, 10-20, 22-97 and 99-101 of part 134 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Mortgage	In part 67 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Mortgage	In part 83 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Mortgage	In part 140 block 10782, Note 58760/2020/1 dated November 9, 2020, registered an unlimited first degree mortgage on the Company's rights in favor of Reznik Paz Nevo Nominees Ltd.	
Unlimited first degree pledge	On November 16, 2020 pledge 96 was registered in the Companies Registry in favor of Reznik Paz Nevo Nominees Ltd. after its creation on November 9, 2020 (as detailed in pledge 96)	
Unlimited first degree pledge	On November 16, 2020 pledge 97 was registered in the Companies Registry in favor of Reznik Paz Nevo Nominees Ltd. after its creation on November 9, 2020 (as detailed in pledge 97)	
Limit from association agreement	As condition for the registration of the pledge, the mortgagor needs to grant its letter of agreement to N.T.M. Transport and Commercial Assets Ltd. that the pledge is in accordance with the association agreement. N.T.M. provided such a letter of agreement on October 19, 2020.	
First refusal right	The transfer of rights of either side in the association agreement is subject to a first refusal right to the other side to purchase the rights.	
Limit on transfer and transfer through inheritance	Gazit Israel's rights in part 140 are subject to a limit on the transfer and transfer through inheritance.	

H. Details regarding the valuation

Data at 100% level		**31/12/2020**	**31/12/2019**	**31/12/2018**
The determined value as at the end of the period (NIS thousands)		195,995	199,392	192,045
Identity of appraiser		Yehuda Zisser	Yehuda Zisser	Yehuda Zisser
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement[1]		Yes	Yes	Yes
Effective date of valuation		31/12/2020	31/12/2019	31/12/2018
Valuation model		Income (DCF)	Income (DCF)	Income (DCF)
Main parameters taken into account for the valuation:				
Valuation according to the DCF (income approach)	Area available for renting (sq. meters) – all types of units excluding external ownership	10,034	10,049	9,931
	Occupancy rate in year +1 (%)	94%	89%	85%
	Occupancy rate in year + 2 (%)	100%	100%	99%
	Representative occupancy rate of area available for renting for valuation (%)	100%	100%	99%
	Basic average monthly rentals per sq. m leased (NIS) in year + 1 for valuation purposes – excluding units without metreage	98.8	101.3	102.8
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	100.6	102.0	105.5
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	105.6	103.3	105.7
	Weighted rate of return for valuation purposes (%)	7.1%	7.1%	7.3%
	Representative NOI	12,432	12,549	12,391

Sensitivity analyses of the value		**Change in value in (NIS thousands)**		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(9,859)	(9,859)	(9,589)
Cap rates	Rise of 0.25%	(5,956)	(6,012)	(5,620)
	Fall of 0.25%	6,391	6,450	6,019
Average rental per Sq. m	Rise of 5%	8,951	8,774	8,624
	Fall of 5%	(8,951)	(8,774)	(8,624)

1 The indemnification to the valuer is for any financial liability that may be imposed on him relating to the valuation, except in the case of negligence and / or malice and / or lack of good faith. In the assessment of the Company, the valuer is independent from the Company, taking account of the valuer's representation that he has no interest in the valued property, that he is not dependent on Gazit Israel, that the results of his opinion do not affect his relationship with the party that requested the opinion and the lack of any effect of the results of the opinion on his fees.

CHAPTER C

GAZIT-GLOBE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2020

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AUDITORS' REPORT

To the Shareholders of Gazit Globe LTD.

We have audited the accompanying consolidated statements of financial position of Gazit Globe, Ltd. (the "Company") and subsidiaries as of December 31, 2020 and 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of a certain subsidiary whose assets constitute approximately 28% and 29% of total consolidated assets as of December 31, 2020 and 2019, respectively, and whose revenues constitute approximately 32%, 35% and 36% of total consolidated revenues for the years ended December 31, 2020, 2019 and 2018, respectively. The financial statements of this subsidiary were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this subsidiary, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2020 and 2019 and the consolidated results of their operations, changes in equity and their cash flows for each of the three years in the period ended December 31, 2020 in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting", the Company's components of internal control over financial reporting as of December 31, 2020, and our report dated March 21, 2021 expressed an unqualified opinion thereon.

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
March 21, 2021	A Member of Ernst & Young Global

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AUDITORS' REPORT

To The Shareholders of Gazit-Globe LTD.

Regarding the Audit of Components of Internal Control over Financial Reporting

Pursuant to Section 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Gazit-Globe Ltd. and subsidiaries (collectively, "the Company") as of December 31, 2020. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company and subsidiaries' components of internal control over financial reporting based on our audit.

We did not audit the effectiveness of the components of internal control over financial reporting of a certain subsidiary, whose assets and revenues constitute approximately 28 % and 32% of the related totals in the consolidated financial statements as of December 31, 2020 and for the year then ended, respectively. The effectiveness of the components of internal control over financial reporting of this company were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the effectiveness of the components of internal control over financial reporting of this company, is based on the report of the other auditors

The components of internal control over financial reporting audited by us were determined in conformity with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Components of Internal Control over Financial Reporting" ("Auditing Standard 911"). These components consist of: (1) entity level controls, including financial reporting preparation and close process controls and information technology general controls ("ITGCs"); (2) controls over the Treasury process; (3) controls over the valuation of investment properties process; (4) controls over the rental revenues process; (collectively, "the audited control components").

We conducted our audit in accordance with Auditing Standard 911. That Standard requires that we plan and perform the audit to identify the audited control components and obtain reasonable assurance about whether these control components have been effectively maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identifying the audited control components, assessing the risk that a material weakness exists regarding the audited control components and testing and evaluating the design and operating effectiveness of the audited control components based on the assessed risk. Our audit of these control components also included performing such other procedures as we considered necessary in the circumstances. Our audit only addressed the audited control components, as opposed to internal control over all the material processes in connection with financial reporting and therefore, our opinion addresses solely the audited control components. Moreover, our audit did not address any reciprocal effects between the audited control components and unaudited ones and accordingly, our opinion does not take into account any such possible effects. We believe that our audit provides a reasonable basis for our opinion within the context described above.

Because of its inherent limitations, internal control over financial reporting as a whole, and specifically the components therein, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the report of other auditors, the Company effectively maintained, in all material respects, the audited control components as of December 31, 2020.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2020, and 2019 and for each of the three years in the period ended December 31, 2020 and our report dated March 21, 2021 expressed an unqualified opinion thereon based on our audits and the reports of the other auditors.

Tel-Aviv, Israel
March 21, 2021

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

	Note	December 31, 2020	December 31, 2019
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	742	1,063
Short-term investments and loans	4	147	31
Financial assets	10	693	791
Financial derivatives	34c	37	64
Trade receivables	5	206	143
Other accounts receivable	6	308	758
Income taxes receivable		7	11
		2,140	2,861
Assets classified as held for sale	7	1,170	494
		3,310	3,355
NON-CURRENT ASSETS			
Equity-accounted investees	8	1,440	1,560
Other investments, loans and receivables	9	230	101
Financial assets	10	145	853
Financial derivatives	34c	359	318
Investment property	11	31,828	33,545
Investment property under development	12	2,239	2,031
Fixed assets, net	13	172	195
Intangible assets, net	14	602	622
Deferred taxes	23q	66	45
		37,081	39,270
		40,391	42,625

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

	Note	December 31, 2020	December 31, 2019
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	15	1,366	754
Current maturities of non-current liabilities	16	622	1,324
Financial derivatives	34c	89	70
Trade payables	17	131	93
Other accounts payable	18	752	816
Income taxes payable		73	501
		3,033	3,558
Liabilities attributed to assets held for sale	7	24	21
		3,057	3,579
NON-CURRENT LIABILITIES			
Debentures	19	16,734	15,117
Interest-bearing loans from banks and others	20	5,680	5,064
Financial derivatives	34c	165	81
Other liabilities	21	404	573
Deferred taxes	23q	1,772	1,885
		24,755	22,720
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	25		
Share capital		204	237
Share premium		4,063	4,656
Retained earnings		4,761	5,740
Foreign currency translation reserve		(4,307)	(3,077)
Other reserves		842	635
Treasury shares		(1)	-
		5,562	8,191
Non-controlling interests	25e	7,017	8,135
Total equity		12,579	16,326
		40,391	42,625

March 21, 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

CONSOLIDATED STATEMENTS OF INCOME

	Note	Year ended December 31, 2020	2019	2018
		NIS in millions (except for per share data)		
Rental and other income	28	2,406	2,752	2,840
Property operating and other expenses	29	760	777	844
Net operating rental income		1,646	1,975	1,996
Fair value gain (loss) from investment property and investment property under development, net	11,12	(1,534)	164	114
General and administrative expenses	30	(352)	(360)	(375)
Other income	31a	18	35	13
Other expenses	31b	(36)	(413)	(126)
Company's share in earnings (losses) of equity-accounted investees, net	8b	(78)	37	389
Operating income (loss)		(336)	1,438	2,011
Finance expenses	32a	(806)	(1,118)	(2,262)
Finance income	32b	109	963	140
Income (loss) before taxes on income		(1,033)	1,283	(111)
Taxes on income (tax benefit)	23r	(147)	467	(64)
Net income (loss)		(886)	816	(47)
Attributable to:				
Equity holders of the Company		(653)	655	(253)
Non-controlling interests		(233)	161	206
		(886)	816	(47)
Net earnings (loss) per share attributable to equity holders of the Company (NIS):	33			
Total basic net earnings (loss)		(3.91)	3.52	(1.31)
Total diluted net earnings (loss)		(3.92)	3.50	(1.32)

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

	Year ended December 31,		
	2020	2019	2018
	NIS in millions		
Net income (loss)	(886)	816	(47)
Other comprehensive income (loss) (net of tax effect) *):			
Amounts that will not be reclassified subsequently to profit or loss:			
Net losses on financial assets at fair value through other comprehensive income	(74)	(39)	(56)
Amounts that will be or that have been reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(1,175)	(2,055)	189
Net losses on cash flow hedges	(41)	(45)	(10)
Realization of capital reserves of company previously accounted for using the equity method	-	73	-
Total other comprehensive income (loss)	(1,290)	(2,066)	123
Comprehensive income (loss)	(2,176)	(1,250)	76
Attributable to:			
Equity holders of the Company (1)	(1,974)	(653)	(338)
Non-controlling interests	(202)	(597)	414
	(2,176)	(1,250)	76
(1) Breakdown of total comprehensive income (loss) attributable to equity holders of the Company:			
Net income (loss)	(653)	655	(253)
Exchange differences on translation of foreign operations	(1,223)	(1,313)	(31)
Net losses on cash flow hedges	(32)	(27)	(9)
Net gains (losses) on financial assets at fair value through other comprehensive income	(66)	(41)	(45)
Realization of capital reserves on sale of an associate	-	73	-
	(1,974)	(653)	(338)

*) For further details regarding other comprehensive income (loss) and related tax impact, refer to Note 25d.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves **)	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of January 1, 2020	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's 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
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(16)	(16)
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earnings	-	-	(62)	-	62	-	-	-	-
Dividend declared (Note 26g)***)	-	-	(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	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017	12,579

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

**) For additional details regarding other reserves, refer to Note 25c.

***) In the year ended in December 31, 2020 the Company declared a dividend in the amount of NIS 1.59 per share (in a total amount of NIS 264 million). NIS 78 million (NIS 0.43 per share) was paid on April 13, 2020, NIS 76 million (NIS 0.43 per share) was paid on June 15, 2020, NIS 65 million (NIS 0.43 per share) was paid on September 8, 2020 and NIS 45 million (NIS 0.30 per share) was paid on January 4, 2021.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

**) For additional details regarding other reserves, refer to Note 25c.

***) In the year ended in December 31, 2019 the Company declared a dividend in the amount of NIS 1.62 per share (in a total amount of NIS 299 million). NIS 74.7 million (NIS 0.405 per share) was paid on April 16, 2019, NIS 74.6 million (NIS 0.405 per share) was paid on June 13, 2019, NIS 74.7 million (NIS 0.405 per share) was paid on September 18, 2019 and NIS 74.7 million (NIS 0.405 per share) was paid on January 2, 2020.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves **)	Treasury shares	Total	Non-controlling interests	Total equity
	NIS in millions								
Balance as of December 31,2017 (audited)	246	4,914	5,919	(1,722)	581	(2)	9,936	8,181	18,117
Cumulation effect of first time adoption of IFRS 9	-	-	13	-	(13)	-	-	-	-
Balance as of January 1, 2018	246	4,914	5,932	(1,722)	568	(2)	9,936	8,181	18,117
Net income (loss)	-	-	(253)	-	-	-	(253)	206	(47)
Other comprehensive income (loss)	-	-	-	(31)	(54)	-	(85)	208	123
Total comprehensive income (loss)	-	-	(253)	(31)	(54)	-	(338)	414	76
Exercise and expiration of Company's share options into Company's shares	*) -	2	-	-	(2)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(113)	(113)	-	(113)
Cancellation of treasury shares	(2)	(56)	-	-	-	58	-	-	-
Cost of share-based payment	-	-	-	-	15	-	15	6	21
Dividend declared	-	-	(292)	-	-	-	(292)	-	(292)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	3	1
Acquisition of non-controlling interests	-	-	-	(74)	169	-	95	(417)	(322)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(531)	(531)
Balance as of December 31, 2018	244	4,860	5,387	(1,827)	694	(57)	9,301	7,656	16,957

*) Represents an amount of less than NIS 1 million.
**) For additional details regarding other reserves, refer to Note 25c.

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

	Year ended December 31,		
	2020	2019	2018
	NIS in millions		
Cash flows from operating activities:			
Net income (loss)	(886)	816	(47)
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance expenses, net	697	155	2,122
Company's share in earnings (losses) of equity-accounted investees, net	78	(37)	(389)
Fair value gain (losses) from investment property and investment property under development, net	1,534	(164)	(114)
Depreciation and amortization	28	31	66
Taxes on income (tax benefit)	(147)	467	(64)
Capital (gain) loss, net	(6)	(16)	14
Loss (gain) from decrease in holding interest and sale of an associate	-	345	(3)
Change in provision for legal claims, net	(1)	(2)	(124)
Cost of share-based payments	15	11	21
	2,198	790	1,529
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	(194)	(48)	(113)
Increase in trade and other accounts payable	28	11	3
	(166)	(37)	(110)
Net cash provided by operating activities before interest, dividend and taxes	1,146	1,569	1,372
Cash received and paid during the year for:			
Interest paid	(821)	(963)	(1,128)
Interest received	32	90	38
Dividend received	66	250	285
Taxes paid	(45)	(45)	(72)
Taxes received	19	9	3
	(749)	(659)	(874)
Net cash provided by operating activities	397	910	498

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

	Year ended December 31, 2020	2019	2018
	NIS in million		
Cash flows from investing activities:			
Proceeds from sale of an associate	302	2,839	-
Investment and loans to investees	(42)	(100)	(190)
Acquisition, construction and development of investment property	(1,134)	(2,052)	(4,025)
Investments in fixed assets and other assets	(15)	(61)	(43)
Proceeds from sale of investment property, net of tax paid	492	1,479	1,130
Proceeds from sale of fixed assets	-	13	-
Grant of long-term loans	(112)	-	(1)
Collection of long-term loans	31	19	85
Short-term investments, net	9	(53)	(185)
Investment in financial assets	(1,279)	(496)	(431)
Proceeds from sale of financial assets and deposits withdrawal net of tax paid	1,471	112	4,397
Net cash provided by (used in) investing activities	(277)	1,700	737
Cash flows from financing activities:			
Exercise of share options into Company's shares	*) -	*) -	*) -
Purchase of treasury shares	(633)	(158)	(113)
Capital issuance to non-controlling interests, net	-	175	1
Acquisition of non-controlling interests	(347)	(53)	(322)
Dividend paid to equity holders of the Company	(293)	(298)	(287)
Dividend paid to non-controlling interests	(326)	(403)	(531)
Receipt of long-term loans	1,010	705	715
Repayment of long-term loans	(44)	(128)	(394)
Receipt (Repayment) of long-term credit facilities from banks and others, net	(946)	153	225
Receipt (Repayment) of short-term credit from banks and others, net	568	(247)	614
Repayment and early redemption of debentures and convertible debentures	(2,556)	(4,133)	(4,793)
Issuance of debentures	3,198	-	4,308
Issuance of hybrid bonds to non-controlling interests	-	1,346	-
Interest paid on hybrid debentures to non-controlling interests	(16)	-	-
Net cash used in financing activities	(385)	(3,041)	(577)
Exchange differences on balances of cash and cash equivalents	(56)	(89)	(29)
Increase (decrease) in cash and cash equivalents	(321)	(520)	629
Cash and cash equivalents at the beginning of the year	1,063	1,583	954
Cash and cash equivalents at the end of the year	742	1,063	1,583

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

The accompanying notes are an integral part of these consolidated

		Year ended December 31,		
		2020	2019	2018
		NIS in million		
(a)	Significant non-cash transactions:			
	Acquisition of investment property under lease	-	301	40
	Sale of investment property against receivables	-	155	-
	Sale of an investee against receivables	-	335	-
	Dividend payable to equity holders of the Company	45	75	73
	Sale of financial assets against receivables	31	-	-
	Issue of debentures against receivables	90		
(b)	Additional information:			
	Tax paid included under investing and financing activities	357	344	252

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

NOTE 1:- GENERAL

a. The Company and its business activities

The Company, directly and through its public and private investees (collectively: the "Group"), operates in purchasing, improvement, development and managing of income-producing properties for mixed-use, including retail, office and residential properties that supply the needs of the population, 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, within its regions of operations and in other regions.

The Company's securities are listed for trading on the Tel-Aviv Stock Exchange (TASE) under the ticker symbol "GZT".

The Company and G Israel (a wholly owned subsidiary of the Company) are currently completing a merger between the Company and G Israel, after in July 2020, the Tax Authority granted approval for the merger. Upon completion of the merger, the Company will be transferred, without consideration, all of the assets and liabilities of G Israel, and all of its business will be concentrated under the Company’s operations and real estate division.

b. 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.
During the Reporting Period there were scientific breakthroughs in the discovery of medicine and vaccines for the corona virus and a number of countries have already started vaccinating the population and facilitating quarantine guidelines. After the reporting period, and until the date of approval of the report, there are differences between countries in which the tightening of restrictions on trade and transportation activities continues and countries in which a gradual reduction of restrictions and gradual opening of trade and transportation has begun.
During the reporting period, there were sharp fluctuations in foreign currency exchange rates, in particular the rate of the Euro and the BRL against the NIS, which is attributed to the extreme uncertainty and fear that gripped the markets. There was also volatility in the capital markets worldwide during that period, leading to a sharp decline in shares prices, increase of returns on corporate bonds and a drastic drop in interest on government bonds.

Effects of the investment property activities
The gradual closure of some of the Group's companies compounds started in the second half of March 2020, and throughout 2020 and until the date of approval of the report, 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, and these constitute 55% of the total GLA.
As at the approval date of the report, there are differences between the restrictions that were applied in each of the countries, as stated. In countries such as Poland and the Czech Republic, company complexes are closed by government directive, with the exception of essential businesses. In the Nordic countries, no instructions were imposed for closing the shopping centers, however restrictions were imposed on the gathering and on the opening hours of restaurants and places of entertainment.
During periods in which businesses operate in the Company’s and Group Companies’ properties, the government directives regarding dilution of the number of visitors as well as those regarding the dilution of the movement of public transport that connects many of the Group companies’ properties, still continued to apply. The restriction on air traffic between countries and a decrease in the frequency of passengers traveling abroad led to an increase in the number of visitors to its commercial properties during periods when opened, and a growth in the consumption of products and services that normally

NOTE 1:- GENERAL (Cont.)

would have been purchased during the travels. In addition, there has been an increase in catering and fashion delivery activities. As of the approval date of the report, the Company is unable to estimate or assess the cumulative and long-term effect of the different trends, and to what extent they will impact its operations and financial results in the distant future.

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

According to accounting standards, lease concessions related to the COVID-19 provided to tenants by Group companies, that are based on the original lease agreements are treated as variable lease payments and are recognized fully in the period they are incurred. However, lease concessions which are not based on the original lease agreement are considered to form a new lease agreement and a recognized on a straight-line basis over the remaining lease term.

Based on contract analysis of lease agreements performed by Group companies, such concessions provided as a result of negotiations with tenants or enforced by new legislation in the different countries, like Poland as stated above, a total of NIS 140 million during the reporting period, are not based on the original lease terms, and as such are recognized over the remaining lease term. Out of the total amount, an amount of NIS 40 million were recognized as reduction of revenues in 2020and the rest were deferred and will be recognized over the remaining lease term.

In addition, the Group reviewed tenants debts from lockdown periods for impairments, for which Group companies didn't reach an agreement yet with the tenants, and other accounts receivables. As a result of this review, the Company recorded an allowance for bad debts of NIS 100 million.

In total, net operating rental income decreased by NIS 140 million, from the reasons described above.

The Company and group companies are preparing also for the possibility that specific tenants will vacate their businesses due to financial difficulties. However, in view of the fact that some leases are long-term and at historically lower prices than the standard in the market, the Company and subsidiaries estimate that, due to the quality and unique location of their properties, they will be able to sign new leases in the short and medium term. The Company and Group companies believe that in the short and medium term, the occupancy rate in their properties may decrease insignificantly due to the effect of the Covid-19 Pandemic, though in some cases the rent may be lower relatively to the rental prices prevailed in 2020.

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

In the Reporting period, the Company recognized a loss from revaluation of its commercial properties in the amount of NIS 1,534 million, which is attributable to the impact of the Covid-19 Pandemic (the revaluation loss is presented after deduction of a revaluation gain of NIS 196 million, which is attributed to the assets in Norway and the USA), partly based on valuations made by external appraisers as of December 31 2020 (98% of the total investment properties in fair value terms and 97% of the total investment properties in development in fair value terms).

<u>Impact on financial position, cash flows and liquidity</u>

The Covid-19 Pandemic and the measures taken by many countries have lateral macroeconomic effects that could also affect the Company and its subsidiaries, including sharp decreases in the stock exchanges worldwide, including the share prices of the subsidiaries ATR and CTY, which are used in part as collateral for the Company's credit facilities. Such decrease in stock price affects the value of the shares used as collateral, and in extreme scenario might affect the volume of credit that the Company will be entitled to utilize from those credit facilities. In addition, the decline in the finance markets affects the value of the Company's tradable securities portfolio. During Reporting period and as of the date of approval, the Company meets all the financial covenants set in its credit facilities, as aforesaid, as well as in any other financial obligations. Furthermore, as of December 31, 2020, the Company and its wholly-owned subsidiaries has non-pledged investment property to a value of NIS 4.1 billion, as well as cash balance and non-pledged tradable securities amounting to NIS 1.1 billion.

NOTE 1:- GENERAL (Cont.)

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 closure of the Company’s commercial compounds, a decrease in the number of visitors to the properties, a decline or change in demand and the volume of specific products consumed, and impairment of the economic robustness of the tenants, which will lead to a decrease in the Company’s revenue, current cash flow, occupancy rate and the value of its assets. 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.

Nevertheless, the Company believes the proven effect of the vaccine against the corona virus and some of its variants will lead to a curb of negative effects on the activity of the company's compounds and improvement 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.

c. Definitions in these financial statements

The Company	-	Gazit-Globe Ltd.
The parent company	-	Norstar Holdings Inc. ("Norstar") through its wholly-owned subsidiary (collectively, "Norstar Group").
Subsidiaries	-	Companies that are controlled (including de facto control) by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Joint ventures	-	Companies owned by a number of entities that have a contractual arrangement for joint control, and whose accounts are accounted for using the equity method.
Joint operations	-	Companies owned by a number of entities that have a contractual arrangement for the rights to the assets and obligations for the liabilities relating to the arrangement and are presented in the Company's financial reports according its share in the arrangement's assets and liabilities, income and expenses.
Jointly controlled entities	-	Joint ventures and joint operation.
Associates	-	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries or joint ventures or joint operations in which the Company's account for the investment in the financial statements using the equity method.
Investees	-	Subsidiaries, jointly controlled entities and associates
The Group	-	The Company, its subsidiaries and jointly-controlled entities listed in the appendix to the financial statements
Interested parties and Controlling Shareholders	-	As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (Revised).
ATR	-	Atrium European Real Estate Limited, consolidated entity. (Note 8c)
CTY	-	Citycon Oyj, consolidated entity. (Note 8f)
FCR	-	First Capital Reality Inc., associate. (Note 8e)
The reporting date	-	December 31, 2020.

NOTE 2: - SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements

The consolidated financial statements of the Group have been prepared on a cost basis, except for investment property, investment property under development, and certain financial instruments including derivative instruments that are measured at fair value.

The Company presents profit or loss items using the "function of expense" method.

The basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Furthermore, the financial statements are prepared in accordance with provisions of the Israeli Securities Regulations (Annual Financial Statement), 2010.

Consistent accounting policy

The accounting policy in the financial statements is consistent in all periods presented, unless otherwise stated.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

b. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

The preparation of the Group's consolidated financial statements requires management to exercise judgments and make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, in the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgments

In the process of applying the significant accounting policies, the Group has applied its judgment and has considered the following issues which have the most significant effect on the amounts recognized in the financial statements:

Topic	Main Considerations	Reference/Possible Effect
Existence of effective control	- Materiality of percentage of voting rights relative to the holdings of the other holders of voting rights while considering vote agreements - Degree to which the other holdings are diversified - Voting patterns at prior meetings of shareholders	Consolidation of financial statements or application of the equity method and relevant measurement impact– refer to Notes 2c and Note 8d
Classification of Leasing of investment property	Classification as a finance lease or as an operating lease in accordance with the transfer of risks and rewards criteria with respect to the leased property	Recording the investment as property and the income as rental income or recording it as a financial investment and interest income – refer to Note 2p
Acquisitions of subsidiaries that are not business combinations	Analysis of the transaction in light of the definition of a “business” in IFRS 3, in order to decide whether the transaction constitutes a business combination or asset acquisition	Recording the acquisition consideration as an investment in an asset, or recording an investment in net identifiable assets, including goodwill and deferred taxes – refer to Note 2l
Reliable measurement of the fair value of investment property under development	B) Location of the property under development in a developed and liquid market C) Existence of a reliable estimate of the construction costs D) Availability of relevant regulatory consent for the utilization of the land rights, and applicable zoning, city plan and building permits exist E) The lease up of a major percentage of the leasable areas	Measurement of investment property under construction at cost or at fair value – refer to Note 12
Reporting income on a net basis or on a gross basis	Who controls the promised goods or services before transferring them to the customer	Reporting rental income on a gross or net basis – refer to Note 2v

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

Key estimates and assumptions

The key assumptions made in the financial statements concerning uncertainties at the balance sheet date and the critical estimates calculated by the Group that may cause a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

Topic	Estimates and Main Assumptions	Reference/Possible Effect
Valuation of investment property and investment property under development	The required yields on the Group's properties, future rental rates, occupancy rates, lease renewal rates, the probability of leasing out vacant plots and the date thereof, property operating expenses, the financial strength of the tenants and required capital expenditure	Determination of the fair value of investment property vis-à-vis the fair value gains (losses) in the statement of income - refer to Note 11 and Note 12
Impairment of goodwill	The anticipated cash flows and the appropriate capitalization rate for measuring the recoverable amount with the addition of certain adjustments of group of cash-generation units to which the goodwill is allocated	Determination whether to record an impairment - refer to Note 2r and Note 14
Recording of deferred tax assets and provision for income taxes.	Expectation of current and future taxable income considering the timing, the amount of the expected taxable income and the tax planning strategy	Note 2t and Note 23p
Determination of fair value of nonmarketable financial derivatives (swap contracts)	Discounting future cash flows by interbank yield curve, with adjustments for the inter-currency liquidity spreads, inflation expectations and the credit risk of the parties	Revaluation of financial derivatives in profit or loss or in other comprehensive income – refer to Note 34b
Provision for legal claims	In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of the legal proceedings and legal precedents in respect of the different issues. Since the outcome of the claims will be determined in the courts, the results could differ from these estimates.	Recognition of provision for legal claims based on the estimation of chances to be accepted, refer to note 24d

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

c. Consolidated financial statements

The consolidated financial statements include the financial statements of the Company as well as the entities that are controlled by the Company (subsidiaries). Control exists when the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. In assessing control, potential voting rights are only considered if they are substantive. Financial statements are consolidated from the date control is obtained until the date that control ceases.

Consolidation due to effective control
The Group consolidates a subsidiary on the basis of effective control in accordance with IFRS 10.

Below is part of the aspects considered by the Group, which, when evaluating the overall circumstances, may evidence the existence of effective control:

1. Holding a significant voting interest (even if less than half of the voting rights).
2. Wide diversity of public holdings of the remaining shares conferring voting rights and the absence of an entity other than the Group that holds a significant portion of the investee's shares.
3. The Group has a significantly large percentage of the active voting power (quorum) at the general meetings of the shareholders and voting agreements with other shareholders that, in practice, facilitate the appointment of the majority of the members of the Board of Directors.
4. The non-controlling interests have no participating rights or other preferential rights, excluding standard protective rights.

   The Company carries out ongoing evaluation to the existence of effective control over the investee according to the three components of control as defined on section 7 to IFRS10.

Based on the above criteria and the following circumstances, the Group has consolidated in its financial statements due to effective control of the accounts of CTY, inter alia, due to its holding of a significant voting interest of 48.6% in CTY at the reporting date, the wide diversity of the public holdings of the remaining shares, restriction on other shareholders to hold above 30% of CTY's shares without issuing a tender offer, the Group has ownership of a majority of the voting power that participates in the general meetings, enabling inter alia its ability to appoint the majority of the directors, and indirectly the senior management of CTY.

Non-controlling interests represent the equity in subsidiaries that are not attributable, directly or indirectly, to the parent company. Profit or loss and each component of other comprehensive income are attributed to the Company and non-controlling interests.

When the Group acquires non-controlling interests, the difference between the consideration and the carrying amount of the acquired interest is recorded as a reduction or increase in equity under transactions with non-controlling interests. Upon disposal of rights in a subsidiary that does not result in a loss of control, an increase or decrease in equity is recognized as the difference between the consideration received by the Group and the carrying amount of the non-controlling interests in the subsidiary adjusted for the disposal of goodwill in the subsidiary, if any, and amounts recognized in other comprehensive income, if any. Transaction costs in respect of transactions with non-controlling interests are also recorded in equity.

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

The financial statements of the Company and of the consolidated investees are prepared as of the same dates and periods. The accounting policies in the financial statements of those investees are applied consistently and uniformly with the policy applied in the financial statements of the Company.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

If the Company loses control of a subsidiary, it shall:

- Derecognize the assets (including any goodwill) and liabilities of the subsidiary.
- Derecognize the carrying amount of any non-controlling interest.
- Derecognize any adjustment resulting from exchange differences on translation recognized in equity.
- Recognize the fair value of the consideration received.
- Recognize any investment retained in the former subsidiary at its fair value.
- Recognize amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.
- Recognize any difference created (gain or loss) in profit or loss attributable to the Company.

d. Functional and foreign currencies

1. Functional and presentation currency

The presentation currency of the financial statements is the Israeli shekel (NIS).

The functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is determined separately for each Group entity, including entities accounted for using the equity method, and is used to measure its financial position and operating results. The functional currency of the Company is the NIS.

When an Investee's functional currency differs from the functional currency of the Company, that Investee represents a foreign operation whose financial statements are translated so that they can be included in the consolidated financial statements as follows:

a) Assets and liabilities for each balance sheet item presented (including goodwill and purchase adjustments) are translated at the closing rate as of the reporting date.

b) Income and expenses for each period presented in the income statement are translated at average exchange rates for the presented periods; however, if exchange rates fluctuate significantly, income and expenses are translated at the exchange rates at the date of the transactions.

c) Share capital and capital reserves are translated at the exchange rate prevailing at the date incurred.

d) Retained earnings are translated based on the opening balance translated at the exchange rate at that date and other relevant transactions during the period are translated as described in b) and c) above.

e) Exchange differences are recognized in other comprehensive income (loss).

Intra-group loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the investment in that foreign operation and are accounted for as part of the investment and the exchange differences arising from these loans are recognized in other comprehensive income (loss).
Upon disposal of a foreign operation that leads to loss of control of a subsidiary, or in disposal of a foreign operation accounted for by the equity method, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income, is transferred to the income statement. In addition, on partial disposal of a subsidiary that includes a foreign operation that does not lead to loss of control, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

2. Transactions in foreign currency

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or recorded in other comprehensive income, are recognized in the income statement. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3. Index-linked monetary items

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index ("Israeli CPI") are adjusted to the relevant index at each reporting date according to the terms of the agreement. Linkage differences arising from the adjustment, as above, other than those capitalized as qualifying assets, are recognized in profit or loss.

e. The operating cycle

The Group's operating cycle is one year. Accordingly, the assets and liabilities directly attributable to these activities are classified in the statement of financial position as current assets and liabilities based on the operating cycle.

f. Cash equivalents

Cash equivalents are highly liquid investments, including short-term bank deposits which are not restricted by liens, whose original term to maturity is up to three months from the investment date.

g. Short-term deposits

Short-term bank deposits are deposits with maturities of more than three months from investment and do not meet the definition of cash equivalents. Deposits are presented in accordance with their terms of deposit.

h. Financial instruments

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Group classifies and measures debt instruments in the financial statements based on the following criteria:

(a) The Company's business model for managing financial assets; and

(b) The contractual cash flow terms of the financial asset.

1a) Debt instruments are measured at amortized cost when:

The Group's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

1b) Debt instruments are measured at fair value through profit or loss when:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

A financial asset which is a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income. After initial recognition, the financial asset is measured at fair value and gains or losses from fair value adjustments are recognized in profit or loss.

1c) Equity instruments and other financial assets held for trading:

Investments in equity instruments do not meet the above criteria and accordingly are measured at fair value through profit or loss.

In respect of certain equity instruments that are not held for trading, on the date of initial recognition the Group made an irrevocable election to present subsequent changes in fair value in other comprehensive income which changes would have otherwise been recorded in profit or loss. These changes will not be reclassified to profit or loss in the future, even when the investment is disposed of.

Other financial assets held for trading such as derivatives, including embedded derivatives separated from the host contract, are measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Dividends from investments in equity instruments are recognized in profit or loss when the right to receive the dividends is established.

2. Impairment of financial assets:

The group evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.
The Company distinguishes between two types of loss allowances:

a) Debt instruments whose credit risk has not increased significantly since initial recognition, or whose credit risk is low - the loss allowance recognized in respect of this debt instrument is measured at an amount equal to the expected credit losses within 12 months from the reporting date (12-month ECLs); or

b) Debt instruments whose credit risk has increased significantly since initial recognition, and whose credit risk is not low - the loss allowance recognized is measured at an amount equal to the expected credit losses over the instrument's remaining term (lifetime ECLs).

For low credit risk financial instruments, the Group assumes the debt instrument's credit risk has not increased significantly since initial recognition.

The Group always measures the loss allowance at an amount equal to the expected credit losses over the instrument's remaining term for account receivables or assets from contracts with customers resulting from transitions under the scope of IFRS 15, and for lease receivables resulting from transactions under the scope of IFRS 16.

An impairment loss on debt instruments measured at amortized cost is recognized in profit or loss with a corresponding loss allowance.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

3. Derecognition of financial assets:

A financial asset is derecognized only when:

1. The contractual rights to the cash flows from the financial asset has expired; or

2. The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

3. The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

4. Financial liabilities:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures all financial liabilities at amortized cost using the effective interest rate method. Short term credit is presented according to its terms, usually at nominal value.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires.
A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.
When there is a modification in the terms of an existing financial liability, the Company evaluates whether the modification is substantial, taking into account qualitative and quantitative information.
If the terms of an existing financial liability are substantially modified or a liability is exchanged for another liability from the same lender with substantially different terms, the modification or exchange is accounted for as an extinguishment of the original liability and the recognition of a new liability. The difference between the carrying amounts of the above liabilities is recognized in profit or loss.
If the modification in the terms of an existing liability is not substantial or if a liability is exchanged for another liability from the same lender whose terms are not substantially different, the Company recalculates the carrying amount of the liability by discounting the revised cash flows at the original effective interest rate and any resulting difference is recognized in profit or loss.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties. In order for the right of set-off to be currently available, it must not be contingent on a future event, there may not be periods during which the right is not available, or there may not be any events that will cause the right to expire.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

7. Embedded derivatives:

According to the provisions of the Standard, if a hybrid contract contains a financial asset within the scope of the Standard, the embedded derivative is not separated from the host. Such hybrid contracts are measured in their entirety at amortized cost or at fair value, based on the criteria for determining the characteristics of the business model and contractual cash flows.

If the financial asset is not within the scope of the Standard, the embedded derivative is separated from the host and accounted for as a derivative when the economic risks and characteristics of the embedded derivative are not closely related to the economic risks and characteristics of the host, the embedded derivative meets the definition of a derivative and the hybrid contract is not measured at fair value with the changes in fair value recognized in profit or loss.

Reassessment of the need to separate an embedded derivative only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required.

i. Financial derivatives and hedge accounting

In line with its risk management policy, from time to time the Group enters into derivative contracts such as cross-currency swaps of principal and interest ("Swap"), currency forward contracts, Interest Rate Swaps ("IRS") and options to hedge its risks associated with changes in interest rates and currency exchange fluctuations. Such financial derivatives are presented as current or non-current based on their maturity dates.

After initial recognition, derivatives are measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are carried to profit or loss.
Subsequent to initial recognition, the financial derivatives are measured at fair value when losses or gains in respect of derivatives in respect of which the Company does not apply hedge accounting are charged as losses or gains in the statement of income.

Hedges qualify for hedge accounting, among others, when at inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge. Hedges are assessed on an ongoing basis to determine whether they are highly effective during the reporting period for which the hedge is designated. Hedges are accounted for as follows:

Cash flow hedges

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income (loss) while any ineffective portion is recognized immediately in profit or loss. Amounts recognized as other comprehensive income (loss) are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when interest income or expense is recognized or when a forecasted transaction occurs.

The Company discontinues hedge accounting prospectively only when the hedge relationship, in whole or in part, ceases to meet the qualifying criteria (after taking into account any rebalancing of hedge relationship, if applicable), including instances when the hedging instrument expires or is sold, terminated or exercised (or if the hedge designation is reversed). When the Company discontinues hedge accounting, amounts accumulated in the cash flow hedge reserve remain in the cash flow hedge reserve until the future cash flows occur or are reclassified to profit or loss if the hedged future cash flows are no longer expected to occur.

On unwinding hedging transactions, whether or not they are designated as an accounting hedge, when the transaction includes a hedge of cash flows with respect to principal and interest, the cash flows received or paid are classified in the statement of cash flow under financing activity, in respect of the cash flows representing the hedge of the principal component, and under operating activity, in respect of the cash flows representing the hedge of the interest component. With regard to unwinding of interest rate swap (IRS) the cash flows received or paid are classified in the statement of cash flow under operating activity.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

Fair value hedges

A change in the fair value of a derivative (the hedged item) and the hedging item are recognized through profit or loss. When the hedged item is derecognized, the adjustment to fair value that has not yet been amortized is recognized at that date to profit or loss.

j. Fair value measurement

Fair value is the price that would be received from sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair measurement is based on the assumption that the transaction takes place in the principal market of the asset or the liability, or, in the absence of a principal market, in the most advantageous market. The fair value of an asset or a liability is measured using the assumption that market participants will assume, at the time of pricing the asset or the liability, that market participants act in their economic best interest.

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices at each reporting date. For investments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. Further details are provided in Note 34b.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through making the highest and best use of the asset or by selling it to another market participant who will make the highest and best use of it.

The Group uses valuation techniques appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed are divided into categories within a fair value hierarchy, based on the lowest level input that is significant to the entire fair value measurement:

Level 1: Prices quoted (unadjusted) on active markets of similar assets and liabilities.
Level 2: Data other than quoted prices included in level 1, which may be directly or indirectly observed.
Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

For additional information regarding the fair value of assets and liabilities measured at fair value or that their fair value is disclosed, refer to Note 34b and 34c.

k. Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Under this method, the assets and liabilities of the acquired business are identified at fair value on the acquisition date. The cost of the acquisition is the aggregate fair value of the assets acquired, liabilities assumed and equity rights issued by the acquirer on the date of acquisition. In respect of each business combination, non-controlling interests are measured either at fair value on the acquisition date or at the relative share of the non-controlling interests in the acquiree's net identifiable assets. The direct acquisition costs are recognized immediately as an expense in profit or loss.

In a business combination achieved in stages, equity rights in the acquiree that had been previously held by the acquirer prior to obtaining control are measured at the acquisition date at fair value and are included in the acquisition consideration by recognizing the gain or loss resulting from the fair value measurement. In addition, amounts previously recorded in other comprehensive income are reclassified to profit and loss.

Goodwill is initially measured at cost which represents the excess acquisition consideration and non-controlling interests over the net identifiable assets acquired and liabilities assumed as measured on the acquisition date. If the excess is negative, the difference is recorded as a gain from bargain purchase in profit and loss upon acquisition.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

Acquisitions of subsidiaries that are not business combinations

Upon the acquisition of operations that do not constitute a business, the acquisition consideration is only allocated between the acquired identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes, whereby the non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date. Directly attributed costs are recognized as part of the acquisition cost.

l. Investments in associates and joint ventures

The investment in associates or joint ventures is accounted for using the equity method. Under the equity method, the investment in associates or joint ventures is accounted for in the financial statements at cost plus changes in the Group's share of net assets, including other comprehensive income (loss), of the associates or joint ventures. The equity method is applied until the loss of significant influence or joint control or classification of the investment as non-current asset held-for-sale.

The Group continues to apply the equity method in cases which the associate become a joint venture and vice versa.
The Group applies the provision of IFRS 5 with regards to the investment or part of the investment in an associate or joint venture that is classified as held for sale. The remainder of the investment not classified as held for sale is still measured according to the equity method.

On the date of loss of significant influence or joint control, the Group measures any remaining investment in the associate or the joint venture at fair value and recognizes in profit or loss the difference between the fair value of any remaining investment plus any proceeds from the sale of the investment in the associate or the joint venture and the carrying amount of the investment on that date.

Goodwill relating to the acquisition of associates or joint ventures and to the increase in holding interest is initially measured as the difference between the acquisition cost and the Group's share in the net fair value of the associates' or joint ventures' net identifiable assets. After initial recognition, goodwill is measured at cost less, if applicable, any accumulated impairment loss and is not systematically amortized. Goodwill is examined for impairment as part of the investment in the associate or joint ventures as a whole. In case the acquisition cost is lower than the net fair value of the associated net identified assets, the difference is recognized as a gain from a bargain purchase in profit or loss.

Profits and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the investees.

The financial statements of the Company and of the associates or joint ventures are prepared as of the same dates and periods. The accounting policy in the financial statements of the associates and joint ventures has been applied consistently and uniformly with the policy applied in the financial statements of the Group.

m. Investment property

An investment property is property (land or a building or both) held by the owner or by the lessee under a lease to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair value of investment property are recognized in profit or loss when they arise. Investment property is not systematically depreciated.

Investment property under development, designated for future use as investment property, is also measured at fair value, provided that fair value can be reliably measured. However, when fair value is not reliably determinable, such property is measured at cost, less impairment losses, if any, until either development is completed, or its fair value becomes reliably determinable, whichever is earlier. The

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

cost of investment property under development includes the cost of land, construction costs, borrowing costs used to finance construction, direct incremental planning and development costs and leasing costs.

In order to determine the fair value of investment property, the Group uses valuations performed mainly by accredited independent appraisers who hold a recognized and relevant professional qualification and by the Group's managements that have extensive professional knowledge and are deeply familiar with the type of assets and markets in which the Group operates. For further details refer to Notes 11 and 12.

Investment properties are derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

n. Fixed assets

Items of fixed assets are measured at cost with the addition of direct acquisition costs, less accumulated depreciation and accumulated impairment losses, if any, and excluding day-to-day servicing expenses.

Depreciation is calculated for every significant item separately on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	
Buildings	2	
Motor vehicles	15	
Equipment	2.5-5	(mainly 5%)
Computers, software, office furniture, office, equipment and other	6-33	

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the expected useful life of the improvement.

The useful life and the residual value of an asset are reviewed at least once at each year-end and the changes, if any, are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

o. Intangible assets

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Intangible assets, that according to management's assessment, have a finite useful life are amortized over their useful life using the straight-line method (refer to Note 14) and reviewed for impairment whenever there is an indication that the intangible assets may be impaired. The useful life and residual value are reviewed at least once a year.

p. Leases

On January 1, 2019, the Company first applied IFRS 16, "Leases" ("the Standard"). The Company elected to apply the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

The accounting policy applied from January 1, 2019 for leases is as follows:

A contract is treated as a lease by the Company if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. The Group as lessee

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the lease commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the lease commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term. The Group tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36. A right of use asset that is considered an investment property is measured at fair value.

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

The aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as an expense as incurred when the Company is the lessee.

2. The Group as lessor

The tests for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the principles set out in the Standard:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

1. Finance lease - In finance leases, substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee. The leased asset is derecognized and recognized as a financial asset, "receivables for finance lease", at the present value of the lease payments. After initial recognition, the lease payments are apportioned between finance income and collection of the receivable for the lease.

2. Operating lease - Lease agreements where the Group does not transfer substantially all the risks and rewards incidental to ownership of the leased asset, are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement, are added to the carrying amount of the leased asset and recognized as an expense on the same basis over the lease term. When the leased asset is investment property, these costs are recognized in the profit or loss as part of the fair value adjustments.

   Variable lease payments that do not depend on an index or interest rate but are based on performance or usage are recognized as income as earned when the Company is the lessor.

   In addition, when a lease modification is made, the Group recognizes the modification as a new lease.

The accounting policy for leases applied until December 31, 2018, is as follows:

The tests for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the principles set out in IAS 17.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

Operating leases - the Group as lessee
Lease agreements are classified as an operating lease if they do not transfer substantially all the risks and rewards incidental to ownership of the leased asset. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Finance leases - the Group as lessee
Finance leases transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset. At the commencement of the lease term, the leased assets are measured at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The liability for lease payments is presented at its present value and the lease payments are apportioned between finance charges and a reduction of the lease liability using the effective interest method. The leased asset is amortized over the shorter of its useful life or the lease period.

Operating leases - the Group as lessor
Lease agreements where the Group does not transfer substantially all the risks and rewards incidental to ownership of the leased asset are classified as operating leases. Initial direct costs incurred in respect of the lease agreement are added to the carrying amount of the leased asset. Lease income is recognized on a straight-line basis over the lease term.

Finance leases - the Group as lessor
A lease is classified as a finance lease where all the risks and rewards incident to ownership of the asset are transferred to the lessee. The leased asset is derecognized and replaced with a financial asset, "Receivables with respect to finance lease", at an amount equal to the present value of the lease payments. Subsequent to the initial recognition, lease payments are allocated between finance income and settlement of the receivables with respect to the lease.

q. Impairment of non-financial assets

The Company examines the need to recognize an impairment of non-financial assets whenever events or changes in circumstances indicate that their carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the carrying amount is reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. In measuring value in use, the estimated net operating future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. Impairment loss is recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (less depreciation) had no impairment loss been recognized for the asset in prior periods and its recoverable amount. A reversal of an impairment loss of an asset measured at cost is recognized as income in profit or loss.

The following criteria are applied in assessing impairment for the following specific assets:

1. Goodwill in respect of subsidiaries

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, at acquisition date, to each of the cash generating units that are expected to benefit from the synergies of the combination.

The Group reviews goodwill for impairment once a year on December 31, or more frequently, if events or changes in circumstances indicate that impairment has occurred.

An impairment test for goodwill is carried out by determining the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill belongs. In certain circumstances of impairment test of goodwill, the recoverable amount is adjusted for the difference between the carrying amount of a recognized deferred tax liability and its fair value.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

If the recoverable amount of the cash-generating unit (or group of cash generating units), to which goodwill has been allocated, is lower than its carrying amount, an impairment loss is recognized and attributed first to reduce the carrying amount of goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods. For additional information, refer to Note 14.

2. Investments in associates and joint ventures

After application of the equity method of accounting, the Group examines whether it is necessary to recognize any additional impairment loss with respect to investments in the associates or joint ventures. The recoverable amount is the higher of fair value and value in use which is determined based on the estimated net cash flows to be generated by the associate or joint venture. Impairment loss, as above, is not attributed specifically to goodwill. Therefore, it may be reversed in full in subsequent periods, up to the recognized impairment loss, if the recoverable amount of the investment increases.

r. Non-current assets classified as held for sale

A non-current asset or a group of assets (disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Group must be committed to sell, there is a plan to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification. The depreciation of the assets ceases upon initial classification date, and they are presented separately in the statement of financial position as current assets, and measured at the lower of their carrying amount and fair value less costs to sell.

Investment property measured at fair value and classified as held for sale, as above, continues to be measured at fair value and presented separately in the statement of financial position as assets classified as held for sale.

When the parent company decides to realize part of its holdings in a subsidiary so that after the disposal the company is left with non-controlling interest, assets and liabilities attributed to the subsidiary are classified as held for sale by applying the provisions of IFRS 5, including classification as for discontinued operations.
A discontinued operation is an activity disposed or classified as held for sale as mentioned above, and it represents a business sector or geographical location of operations which is considered separate and major.

s. Taxes on income

The tax results in respect of current or deferred taxes are recognized as profit or loss except to the extent that the tax arises from items which are recognized in other comprehensive income or directly in equity.

3. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted as of the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

4. Deferred taxes

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as of the reporting date.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that the related tax benefit will be utilized. Deductible carry forward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable. Any resulting reduction or reversal is recognized in profit or loss.

Deferred taxes in respect of investment property held for the recovery of substantially all of the economic benefits that are embedded therein by way of sale rather than use are measured according to the anticipated settlement of the base asset, on the basis of sale rather than use.

In situations where the Group holds single asset entities and where the manner in which the Group expects to realize the investment is by selling the shares of the single asset entity rather than by disposing of the asset itself, the Group recognizes deferred taxes both in relation to the temporary inside differences arising from the gap between the tax basis of the asset and its book value and, if relevant, also in relation to the outside temporary differences arising from the gap between the tax basis of the shares of the single asset entity and the share of the Group that holds the net assets of the single asset entity in the consolidated financial statements.

Taxes that would apply in the event of the sale of investments in subsidiaries have not been taken into account in recognizing deferred taxes, as long as the realization of the investments is not expected in the foreseeable future. Moreover, deferred taxes with respect to distribution of earnings by investee companies as dividend are not taken into account in recognizing deferred taxes, since dividend distribution does not involve additional tax liability and, since it is the Group's policy not to initiate dividend distributions that trigger additional tax liability.

Deferred taxes are offset if there is a legally enforceable right to set off a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

t. Share-based payment transactions

The Group's employees and officers are entitled to remuneration in the form of share-based payment transactions as consideration for equity instruments ("Equity-Settled Transactions") and certain employees are entitled to cash-settled benefits based on the increase in the Group companies’ share price ("Cash-Settled Transactions").

Equity-Settled Transactions

The cost of Equity-Settled Transactions with employees and officers is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using a standard pricing model.

The cost of Equity-Settled Transactions (refer to Note 26) is recognized in profit or loss, together with a corresponding increase in equity, during the period in which the service conditions are satisfied (the "Vesting Period"), ending on the date on which the relevant employees become fully entitled to the award. In cases where the Vesting Period was not completed, due to reasons other than market conditions, the cumulative expense recognized is recorded as income.

In cases where the Company performs modification of equity instruments granted ("Modification"), which increases the aggregate fair value of the granted compensation or benefits the grantee, an additional expense is recognized in addition to the original expense, according to the fair value measured immediately before and after the Modification ("Incremental Expense"). If the modification occurs during the Vesting Period, the Incremental Expense is recognized over the remainder of the Vesting Period, whereas if the Modification occurs after the vesting date, the Incremental Expense is recognized immediately, or over the additional Vesting Period if applicable.

Cancellation of a grant is accounted for as if it had vested on the date of cancellation, and any expense not yet recognized for the grant is immediately recognized. However, if the cancelled grant is replaced by a new grant and is intended to be a replacement grant, the cancelled and new grants are accounted for together as a modification of the original grant, as described above.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

Cash-Settled Transactions

The cost of Cash-Settled Transactions is measured at fair value based on the expected cash amount the Group is required to pay on settlement. The fair value is recognized as an expense over the Vesting Period and a corresponding liability is recognized. The liability is remeasured at fair value at each reporting date until settled with any changes in fair value recognized in profit and loss.

u. Employee benefit liabilities

The Group has several employee benefit plans:

1. Short-term employee benefits

Short-term employee benefits are benefits that are expected to be settled in full within 12 months of the reporting date in which the employees provide the relevant services. Those benefits include salaries, paid annual leave, paid sick leave, convalescence and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2. Post-employment benefits

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans or as defined benefit plans.

The Group companies have defined contribution plans under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not have sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods. Contributions in the defined contribution plan in respect of severance pay or compensation are recognized as an expense when due to be contributed to the plan simultaneously with receiving the employee's services, and no additional provision is required in the financial statements.

The Group also operates a defined benefit plan in respect of severance pay pursuant to the severance pay laws in the relevant countries of operation. According to these laws, employees are entitled in certain circumstances to severance pay upon dismissal or retirement. If applicable and subject to materiality, the liability in the financial statements is estimated based on an actuarial assumption, refer to Note 23.

v. Revenue recognition

Revenues are recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes)

Rental income

Rental income under an operating lease is recognized on a straight-line basis over the lease term. Rental income, where there is a fixed and known increase in rental fees over the term of the contract, is recognized as revenue on a straight-line basis as an integral part of total rental income over the lease period. Similarly, lease incentives granted to tenants, in cases where the tenants are the primary beneficiary of such incentives, are considered as an integral part of total rental income and recognized on a straight-line basis over the lease term as a reduction of revenues.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

w. Earnings per share

Earnings per share are calculated by dividing the net income attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share, or increases loss per share, from continuing operations. Furthermore, potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the basic and diluted earnings per share of the investees multiplied by the number of shares held by the Company, as applicable.

x. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Levies imposed on the Company by government entities through legislation, are accounted for pursuant to IFRIC 21 according to which the liability for the levy is recognized only when the activity that triggers payment occurs.

y. Treasury shares

Company shares held by the Company and/or subsidiaries are recognized at cost of purchase and presented as a deduction from equity. Any gain or loss arising from a purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

z. Borrowing costs in respect of qualifying assets

A qualifying asset is an asset that necessarily takes a substantial period of time to be prepared for its intended use or sale, including investment property under development or redevelopment and inventories of buildings and apartments for sale that require a substantial period of time to bring them to a saleable condition. The Group capitalizes borrowing costs that are attributable to the acquisition and development of qualifying assets.

In respect of investment property under development, measurement of these assets is at fair value. The Group presents financing costs in profit or loss net of borrowing costs that had been capitalized on such assets before measuring them at fair value.

The capitalization of borrowing costs commences when expenditures in respect of the asset are being incurred, borrowing costs are being incurred and the activities to prepare the asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete. The amount of borrowing costs capitalized in the reporting period includes specific borrowing costs and general borrowing costs based on a weighted capitalization rate.

aa. Operating segments

An operating segment is a component of the Group that meets the following three criteria:

1. It is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

2. Its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

3. Separate financial information of the segment is available.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

bb. Disclosure of new IFRS's, interpretations and amendments

Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Amendment to IFRS 3, "Business Combinations"

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

The Amendment clarifies that in order to meet the definition of a "business", an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. The Amendment also clarifies that a business can exist without including all of the inputs and processes necessary to create outputs. The Amendment includes an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business, with no need for other assessments.

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

The initial application of the Amendment did not have a material effect on the Company's financial statements but it may have an effect on the assessment of the definition of a "business" for acquisitions completed after January 1, 2020.

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

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

The Amendment permits certain temporary reliefs for entities applying hedge accounting for IBOR-based instruments which are affected by the uncertainty involving the expected interest rate benchmark reform. This reform has caused uncertainty relating to the timing and amounts of future cash flows from both hedging instruments and hedged items.

The Amendment is applicable for annual periods beginning on January 1, 2020.

The adoption of the Amendment did not have an effect on the Company's financial statements as of January 1, 2020, since the Amendment allows the Company to continue and apply hedge accounting to the relevant hedge transactions.

3. Amendment to IFRS 16, "Leases"

In view of the global Covid-19 crisis, in May 2020, the IASB issued "Covid-19-Related Rent Concessions - Amendment to IFRS 16, Leases" ("the Amendment"). The objective of the Amendment is to allow a lessee to apply a practical expedient according to which Covid-19 related rent concessions will not be accounted for as lease modifications but as variable lease payments. The relief applies solely to lessees.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

The Amendment applies only to Covid-19 related rent concessions and only if all of the following conditions are met:

- The revised future lease payments are substantially the same or less than the original lease payments immediately preceding the change;
- The reduction in lease payments relates to payments due on or before June 30, 2021; and
- No other substantive changes have been made to the terms of the lease.

The Amendment is to be applied retrospectively effective for annual periods beginning on or after June 1, 2020, with earlier application permitted.

The adoption of the Amendment did not have a material effect on the Company's financial statements.

Disclosure of new IFRSs, interpretations and amendments in the period prior to their adoption

1. Amendments to IFRS 10 and IAS 28 regarding sale or transfer of assets between an investor and its associate or joint venture

In September 2014, the IASB issued amendments to IFRS 10 and IAS 28 ("the Amendments") regarding the accounting treatment of the sale or transfer of assets (an asset, a group of assets or a subsidiary) between an investor and its associate or joint venture.

According to the Amendments, when the investor loses control of a subsidiary or a group of assets that are not a business in a transaction with its associate or joint venture, the gain will be partially eliminated such that the gain to be recognized is the gain from the sale to the other investors in the associate or joint venture. According to the Amendments, if the remaining rights held by the investor represent a financial asset as defined in IFRS 9, the gain will be recognized in full.

If the transaction with an associate or joint venture involves loss of control of a subsidiary or a group of assets that are a business, the gain will be recognized in full.

The Amendments are to be applied prospectively. A mandatory effective date has not yet been determined by the IASB but early adoption is permitted..

Amendment to IAS 1, "Presentation of Financial Statements"

In January 2020, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("the Amendment") regarding the criteria for determining the classification of liabilities as current or non-current.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

The Amendment includes the following clarifications:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Amendment is effective for annual periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Company is evaluating the possible impact of the Amendment on its current loan agreements.

2. 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.

NOTE 3: - CASH AND CASH EQUIVALENTS

a. Composition

	December 31	
	2020	2019
	NIS in millions	
Cash in banks and on hand	671	900
Cash equivalents - short-term deposits	71	163
	742	1,063

b. Cash in banks carry a negligible interest rate.

c. Deposits in the amount of NIS 51 are denominated in Brazilian real with an average interest rate of 0.26%. The rest of the deposits earn annual interest at negligible rates.

d. Of the total cash and cash equivalents, a total of NIS 226 million is denominated in non-linked NIS and NIS 102 million is denominated in Euro.

NOTE 4: - SHORT-TERM INVESTMENTS AND LOANS

Composition

	December 31	
	2020	2019
	NIS in millions	
Current maturities of long-term loans	15	3
Restricted cash in banks (1)	132	28
	147	31

(1) An amount of NIS 90 million deposit bears annual interest of 1.5%.

NOTE 5: - TRADE RECEIVABLES

a. Composition

	December 31	
	2020	2019
	NIS in millions	
Open accounts, net (see c and d below)	206	143
Total	206	143

b. Of the trade receivables, NIS 45 million are denominated in non-linked NIS, NIS 40 million are denominated in Euro and NIS 38 million are denominated in Polish zlotys.

c. There are no significant past due and impaired receivables except those that have been included in the allowance for doubtful accounts.

d. Movement in allowance for doubtful accounts:

	December 31	
	2020	2019
	NIS in millions	
At the beginning of the year	53	61
Provision during the year	102	21
Repayment during the year	(7)	(9)
Write-down of accounts	(12)	(14)
Translation differences	(4)	(6)
At the end of the year	132	53

NOTE 6:- OTHER ACCOUNTS RECEIVABLE

Composition

	December 31	
	2020	2019
	NIS in millions	
Government institutions	66	86
Prepaid expenses	78	62
Receivables from sale of real estate (1)	23	497
Interest receivable from joint ventures	22	19
Loans to equity-accounted investees	-	19
Others	119	75
	308	758

(1) In 2019, the total amount includes CAD 122 million (NIS 324 million) deferred consideration from the sale of FCR shares, refer Note 8e.

NOTE 7: - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

a. Composition of assets held for sale:

	December 31	
	2020	2019
	NIS in millions	
Investment property *)	953	292
Land	217	202
	1,170	494

*) The balance of assets held is mainly comprised of non-core income producing properties in CTY and Germany.

b. Liabilities attributed to assets classified as held for sale primarily consist of deferred assets in Germany.

NOTE 8: - INVESTMENTS IN INVESTEES

a. Composition of the investment in entities accounted for by the equity method (including purchase accounting adjustments):

	December 31	
	2020	2019
	NIS in millions	
Joint ventures (1)	1,021	1,150
Associates	-	76
	1,021	1,226
Loans (2)	419	334
	1,440	1,560

NOTE 8:- INVESTMENTS IN INVESTEES (Cont.)

(1) Includes, inter alia, joint ventures that manage, operate and develop income producing properties, and as of the reporting date includes NIS 733 million in Czech Republic (2019- NIS 716 million), NIS 60 million in Sweden (2019- NIS 206 million), NIS 191 million in the United States (2019- NIS 191 million) and NIS 38 million in Canada (2019- NIS 37 million).

(2) Includes mainly a loan of EUR 93.5 million (NIS 367 million) which bears a fixed annual interest rate of 6% and matures on January 2023 and a loan of CAD 16 million (NIS 41 million) which bears a fixed annual interest rate of 5% and matures on November 2028.

b. Group's share in the results of equity-accounted investees including amortization of fair value adjustment (based on the interest therein during the period):

Joint ventures

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Net income	(78)	47	125
Other comprehensive loss	(7)	-	-
Comprehensive income (loss)	(85)	47	125

Associates

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Net income (1)	- *)	(10)	264
Comprehensive income (loss)	- *)	(10)	264

(1) In 2018, mainly includes a profit from FCR of NIS 298 million. For details regarding sales of FCR shares during 2019, refer to section e below.

(2) In 2018-2020, there is no other comprehensive income components in an equity-accounted investees.

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

Additional information regarding investees:

c. Investment in ATR (a subsidiary)

1. As of December 31, 2020, the Company owned 69.3% interest in ATR's share capital and voting rights (68.7% on a fully diluted basis). ATR's shares are listed for trading on the Vienna Stock Exchange and on the Euronext Stock Exchange in Amsterdam. As of December 31, 2020, the market price of ATR share was EUR 2.51 and ATR has approximately 391 million shares outstanding.

Carrying amount and market value of the investment in ATR:

	December 31,2020		December 31,2019	
	Carrying amount	Market value	Carrying amount	Market value
	NIS in millions			
Shares	4,044	2,677	4,005	3,040

NOTE 8:- INVESTMENTS IN INVESTEES (Cont.)

2. Summarized IFRS financial information of ATR -

Summarized statement of financial position -

	December 31	
	2020	2019
	NIS in millions	
Current assets	361	1,056
Non-current assets	10,881	11,371
Current liabilities	(629)	(885)
Non-current liabilities *)	(4,721)	(4,801)
Net assets	5,892	6,741
Allocated to:		
Equity holders of the Company	4,044	4,005
Non- controlling interests	1,848	2,736
	5,892	6,741
*) Including acquisition-adjustments, net	117	107

Summarized statements of comprehensive income -

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Revenues	765	969	1,029
Net income *)	(619)	344	291
Other comprehensive loss	(38)	(43)	(31)
Total comprehensive income	(657)	301	260
Allocated to:			
Equity holders of the Company	(438)	180	155
Non- controlling interests	(219)	121	105
	(657)	301	260
Dividends to Non- controlling interests	139	162	267
*) Includes acquisition- adjustments amortization	10	(15)	(17)

Summarized statements of cash flows -

	Year Ended December	
	2020	2019
	NIS in millions	
Net cash provided by operating activities	180	380
Net cash provided by (used in) investing activities	195	638
Net cash provided by (used in) financing activities	(648)	(668)
Exchange differences on balances of cash and cash equivalent	(8)	4
Increase (Decrease) in cash and cash equivalents	(281)	354

3. The outstanding share options of ATR as of December 31, 2020

NOTE 8:- INVESTMENTS IN INVESTEES (Cont.)

Series	Average exercise price per share	Expiration date	Number of options (in thousands*)
Options to employees and officers in ATR (2013 plan)	€ 4.38	2021-2023	1,167
Options to employees and officers in ATR (2020 plan)	€ 2.26	2030	1,525

*) As of December 31, 2020, all share options were fully vested; These options includes share options granted to the Company’s Vice Chairman of the Board and CEO who also serves as ATR’s Chairman of the Board.

4. ATR operates a compensation plan for the Group Executive Team, and other key senior executives, to whom rights are granted for allotment of ATR shares ("Share Allocation Rights") which will be vest during 2021-2022. As of the reporting date there were 552 thousand units for allocation as share.
In addition, ATR operates a plan for deferred shares units (DSU) to directors in lieu of salary, which can be converted into ATR ordinary shares. As of the reporting date, approximately 89 thousand deferred units (DSU) were allocated.
In addition, as part of his employment agreement, the CEO of ATR is entitled to shares worth EUR 240 thousand. As of December 31, 2020, ATR's CEO was allotted approximately 66 thousand shares, representing the last portion of the plan.

5. During the reporting period, a wholly-owned subsidiary of the Company purchased 30 million ATR shares in consideration of EUR 86 million (NIS 335 million). According to ATR's general meeting, for the second, third and fourth quarter of 2020, 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 13.1 million shares alternatively to cash dividend, out of which 12.1 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 69.3% and the Group recognized an increase of NIS 220 million in equity attributable to equity holders of the Company, which was carried to capital reserves.

6. In respect of lawsuits filed against ATR, refer to Note 24d2.

7. For details regarding the purchase of ATR by a wholly owned subsidiary of the Company after the reporting date, refer to note 37b.

NOTE 8:- INVESTMENTS IN INVESTEES (Cont.)

d. Investment in CTY (a subsidiary)

1. As of December 31, 2020, the Company owns 48.9% interest in CTY's share capital and voting rights (48.8% on a fully diluted basis). CTY's shares are listed for trading on the Helsinki Stock Exchange, Finland (OMX). As of December 31, 2020 the market price of CTY share was EUR 7.93 and CTY has 178 million shares outstanding.

   The Company consolidates CTY in its financial statements, although the holding percentages of the potential voting rights in CTY is less than 50%, due to effective control over CTY, as stated in Note 2c.

   Carrying amount and market value of the investment in CTY:

	December 31,2020		December 31,2019	
	Carrying amount	Market value	Carrying amount	Market value
	NIS in millions			
Shares	3,473	2,722	3,718	3,142

2. Summarized IFRS financial information of CTY

   Summarized statements of financial position -

	December 31	
	2020	2019
	NIS in millions	
Current assets	897	288
Non-current assets	17,560	17,483
Current liabilities	(1,400)	(1,141)
Non-current liabilities	(8,514)	(7,612)
Net assets	8,543	9,018
Allocated to:		
Equity holders of the company	3,473	3,718
Non-controlling interests	5,070	5,300
	8,543	9,018

   Summarized statements of comprehensive income (loss) -

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Revenues	1,160	1,235	1,342
Net income	(104)	40	71
Other comprehensive loss	(125)	(16)	(89)
Total comprehensive income (loss)	(229)	24	(18)
Allocated to:			
Equity holders of the Company	(145)	9	(8)
Non-controlling interests	(84)	15	(10)
	(229)	24	(18)
Dividends to non-controlling interests	193	237	262
Interest paid on hybrid debentures to non-controlling interests *)	16	-	-

*) See section 4 below.

NOTE 8:- INVESTMENTS IN INVESTEES (Cont.)

Summarized cash flow statements -

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Net cash provided by operating activities	493	541	406
Net cash provided by (used in) investing activities	(610)	(137)	(335)
Net cash used in financing activities	158	(392)	(61)
Exchange differences on balances of cash and cash equivalents	4	(1)	(4)
Increase (decrease) in cash and cash equivalents	45	11	6

3. Starting from 2018, CTY's board of directors has approved several share compensation plans based on restricted share units (RSUs) for managers and key employees of up to 290 thousands shares which will be paid primarily in shares, but also partly in cash upon meeting certain conditions. As of the reporting date, approximately 100 thousands shares were allotted under these plans.
In addition, in December 2018, CTY's Board of Directors approved a share compensation plans based on restricted share units (RSUs) for up to 120 thousands RSUs to CTY's CEO over a three-year vesting period, which will be paid primarily in shares, but also partly in cash. Under this plan, RSUs can be allotted by the end of 2021. As of the reporting date, 80 thousands shares have been allotted under the plan.

4. On November 22, 2019, CTY issued EUR 350 million hybrid bond. The hybrid bond is treated as shareholder's equity in CTY's consolidated financial statements prepared in accordance with IFRS. The hybrid bonds is unsecured and subordinated to all debt and senior only to ordinary share capital. In addition, the hybrid bond does not confer on their holders the rights of a shareholder nor they dilute the holdings of the current shareholders.
The hybrid bond coupon is fixed at 4.5% per year up until 22 February 2025, and thereafter it is updated every five years. CTY has the right to postpone interest payment if it does not distribute dividend or any other equity to its shareholders. The hybrid bond has no set maturity date, but CTY has the right to redeem it after five years from the issue date and thereafter on every yearly interest payment date.

e. Discontinued operations - Investment in FCR

On April, 2019, the Company and its wholly-owned subsidiary ("the Subsidiary") completed a conditional strategic agreements to sell 58 million shares of FCR, in which the Company held as of that date an ownership interest of 31.3% (80 million shares owned by the Company), for aggregate consideration of CAD 1.195 billion (NIS 3.2 billion), whereas an amount of CAD 226 million (NIS 0.6 billion) was paid in a one year period starting from the closing of the transaction.

Upon completion of the transaction, the Company held (through the Subsidiary) 21.6 million FCR shares, which, at that time, represented 9.9% of FCR's share capital and voting rights.

As a result, the Company recorded in 2019 a loss of NIS 345 million as other expenses. This loss includes a loss from realization of capital reserves (mainly currency translation reserve) at the amount of NIS 73 million. In addition, the Company recorded tax expenses of NIS 255 million, which includes deferred tax expenses amounting to NIS 74 million in respect of the shares remaining in the Company's ownership. In total, the Company recognized a reduction in its shareholders' equity of NIS 527 million.

NOTE 8:- INVESTMENTS IN INVESTEES (Cont.)

In addition, as a result of the transaction, the Company reached the conclusion that it lost the significant influence over FCR, therefore, beginning as at the closing of the transaction, the remaining FCR shares held by the Company are presented in the Company's financial statements as a financial asset measured through OCI.
During 2020, the Company sold all of its holdings in FCR shares, refer to Note 10.

f. The applicable laws in some of the investee's jurisdictions contain customary terms regarding payments of dividends, interest and other distributions to equity holders by an investee. These conditions include, inter alia, a requirement that the investee have sufficient accumulated earnings or that certain solvency requirements are met before a distribution can be made. As of December 31, 2020 the Group does not consider any of these customary conditions to be a significant restriction.

g. For pledging of part of the shares of investees to secure Group liabilities, refer to Note 27.

NOTE 9:- OTHER INVESTMENTS, LOANS AND RECEIVABLES

Composition

	December 31	
	2020	2019
	NIS in millions	
Loans to co-owners in development projects and to others	118	17
Other non-current deposits	14	26
Tenants and Others	113	61
	245	104
Less - current maturities	15	3
	230	101

NOTE 10:- FINANCIAL ASSETS

Financial assets at fair value through other comprehensive income

	December 31	
	2020	2019
	NIS in millions	
Shares traded in Europe (1)	33	54
Shares traded in Canada (1) (4)	-	803
Participating units in private equity funds (2)	89	127
	122	984
Classified within current assets	33	328
Classified within non-current assets	89	656
	122	984

Financial assets at fair value through profit and loss

	December 31	
	2020	2019
	NIS in millions	
Shares traded in United States (1)	395	435
Shares traded in Israel (1)	252	15
Debentures traded in Israel (1)	13	13
Convertible debentures traded in Israel (1)	-	55
Convertible Loan in Europe (3)	-	73
Participating units in private equity funds (2)	56	69
	716	660
Classified within current assets	660	463
Classified within non-current assets	56	197
	716	660

(1) Measured at fair value based on quoted prices in active markets (level 1 in the fair value hierarchy).

(2) Real estate investment funds, mainly in India and Brazil, the fair value of the investments is derived from the fund's Net Asset Value (NAV).

(3) Loan granted to third party with the option to acquire the controlling stake in a future joint venture. The fair value is determined using a discounted cash flow, adjusting for convertible option determined based on Black-Scholes model (level 3 in the fair value hierarchy).

(4) Investment in FCR shares which were sold after the reporting date for a total consideration of NIS 771 million, refer to Note 8e.

NOTE 11:- INVESTMENT PROPERTY

a. Movement

	December 31	
	2020	2019
	NIS in millions	
Balance as of January 1	33,837	36,506
Acquisitions and capital expenditures	1,377	1,522
Transfer from investment property under development, net	32	86
Dispositions	(315)	(1,556)
Effect of initial application of IFRS 16	-	249
Valuation gains (loss), net	(1,389)	305
Foreign exchange differences	(761)	(3,275)
Balance as of December 31	32,781	33,837
Composition:		
Investment property	31,828	33,545
Assets classified as held for sale (Note 7)	953	292
	32,781	33,837

b. Investment properties primarily consist of shopping centers and other retail sites, including properties under redevelopment and extension. Investment properties are stated at fair value, which has been determined based on valuations performed by external independent appraisers with recognized professional expertise and vast experience concerning the location and category of the property being valued (98.3% as of December 31, 2020 and 98.3% during 2020 - in fair value terms) as well as by the Group companies managements. As of the reporting date fair value has been determined based on market conditions, with reference to recent observable real estate transactions involving properties in similar condition and location, as well as using valuations techniques such as the Direct Income Capitalization Method and the Discounted Cash Flow Method ("DCF"), in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Committee (IVSC) or in accordance with the Royal Institution of Charted Surveyors (the "Red Book"), in addition to the local rules of valuation in the territories in which the Group operates.
The valuations of properties that were appraised by income method or discounted cash flows are based on the estimated future cash flows generated by the properties from current lease contracts, taking into account the inherent risk of the cash flow as well as by using estimations for potential rent contracts and renewal for rent contracts. In determining the properties' fair values the appraisers used discount rates based on the nature and designation of each property, its location and the quality of the occupying tenants.

The investment properties are measured at level 3 according to the fair value hierarchy. In 2020, there were no transfers of investment property from level 3 and to level 3.

NOTE 11:- INVESTMENT PROPERTY (Cont.)

c. Following are the average capitalization rates (Cap Rates) and the average monthly market rent per square meter implied in the valuations of the Group's properties in its principal areas of operations:

	Northern Europe	Central and Eastern Europe *)	Israel	Brazil	USA
Average cap rates					
December 31, 2020	5.6	6.8	6.5	6.8	4.6
December 31, 2019	5.4	6.6	6.6	6.8	4.8

Monthly average market rent per square meters	EUR	EUR	NIS	BRL	U.S.$
December 31, 2020	26	16	136	69	50
December 31, 2019	27	16	141	75	47

*) Market rent, as customary in these markets, excludes management fees.

Following is the sensitivity analysis of the fair value of investment properties (effect on pre-tax income (loss)) for the main parameters that were used in the investment properties valuations in its principal areas of operations:

	Northern Europe	Central and Eastern Europe	Israel	Brazil	USA
December 31, 2020	NIS in millions				
Increase of 25 basis points in capitalization rate	(680)	(331)	(115)	(49)	(68)
Decrease of 25 basis point in capitalization rate	744	358	124	48	78
Increase of 5% in net operating rental income (NOI)	795	440 *)	158	127	57
Increase of 5% in average market rent	1,054	440 *)	179	80	88

*) Immaterial difference between the impact of an increase of 5% in average market rent to an increase of 5% in net operating income

d. In respect of charges, refer to Note 27.

NOTE 12:- INVESTMENT PROPERTY UNDER DEVELOPMENT

a. Movement and composition

	December 31	
	2020	2019
	NIS in millions	
Balance as of January 1	2,233	2,194
Acquisitions and development costs	531	575
Transfers to investment property, net	(32)	(86)
Dispositions	(109)	(116)
Valuation losses, net	(145)	(141)
Foreign exchange differences	(22)	(193)
Balance as of December 31	2,456	2,233
Composition:		
Lands held for sale (note 7)	217	202
Land for future development	890	1,051
Investment property under development	1,349	980
	2,456	2,233

b. The fair value of investment property under development that includes shopping centers and other retail sites is determined based on market conditions, using the Residual Method based upon DCF. The fair value is determined by the Group companies' managements and the external independent appraisers with recognized professional expertise and vast experience as to the location and category of the property being valued. The estimated fair value is based on the expected future cash flows from the completed project using yields adjusted to reflect the relevant development risks, including construction risk and lease-up risk, that are higher than the current yields of similar completed property. The remaining estimated costs for completion are deducted from the estimated value of the completed project, as above.

Lands for future development are measured at fair value, using among other the Comparative Method (50.5% in fair value terms). In the implementation of the Comparative Method, the external appraisers and Group companies' managements rely on market prices of similar properties, applying necessary adjustments (for location, size, etc.), and in cases where comparison transactions are not available, using the Residual Method as above, based on market yields adjusted as applicable.

The investment property under development and lands are measured at level 3 according to the fair value hierarchy. In 2020 there were no transfers of investment property under development and lands from level 3 and to level 3.

As of December 31, 2020, the fair value of approximately 93.8% of the investment property under development and lands has been assessed by external appraisers (approximately 93.8% during 2020), and the remainder was performed internally using standard valuation techniques, inter alia, based on market inputs received from the external appraisers.

NOTE 12:- INVESTMENT PROPERTY UNDER DEVELOPMENT (Cont.)

c. During 2020, the Group capitalized to property under development borrowing costs amounting to NIS 25 million (in 2019 - NIS 13 million).

d. Below is a sensitivity analysis of the fair value of investment property under development, excluding projects and land that are immaterial to the financial statements (impact on pre-tax income (loss)):

	Northern Europe	Central and Eastern Europe*)	United States
December 31, 2020		**NIS in million**	
Increase of 5% in expected project cost	(30)	(38)	(3)
Increase of 5% in expected NOI	84	17	2
Increase of 25 basis points in capitalization rate	(79)	(10)	(4)
Decrease of 25 basis points in capitalization rate	87	10	2
Increase of 5% in the selling price per sq.m	-	9	-

*) Including properties under redevelopment.

e. In respect of charges, refer to Note 27.

NOTE 13:- FIXED ASSETS, NET

a. Composition

	December 31	
	2020	**2019**
	NIS in millions	
Buildings	39	43
Software, computers and office equipment	63	67
Right of use assets	24	34
Other (mainly leasehold improvements)	46	51
	172	195

b. Regarding depreciation expenses recognized in profit or loss, refer to Note 30.

c. In respect of charges, refer to Note 27.

NOTE 14:- INTANGIBLE ASSETS, NET

Composition

	December 31	
	2020	2019
	NIS in millions	
Goodwill (1) (2)	556	568
Value attributed to assets managed and leased (3)	46	54
	602	622

(1) The carrying amount of goodwill as of December 31, 2020 and 2019 attributed to assets in Norway:

	NIS in millions
Balance as of January 1	568
Foreign exchange differences	(12)
Balance as of December 31	556

(2) Goodwill has been predominantly recognized due to the acquisition of assets by CTY in 2015. The goodwill was allocated to the cash generating units and for each, the recoverable amount was determined as of the reporting date.

(3) Attributed to assets recognized as part of the business combination with Sektor in their fair value in respect of investment properties owned by third party that are managed by the Group as well as properties leased under finance lease by the Group.

NOTE 15:- CREDIT FROM BANKS AND OTHERS

a. Composition

		Weighted average interest rate		
		December 31	December 31	
		2020*)	2020	2019
	Denomination	%	NIS in millions	
Credit from banks:	EUR	1.4	339	2
Credit from other financial institutions:	Unlinked NIS	0.8	167	250
	EUR	0.5	791	261
	Swedish Krona	0.5	69	241
Total short-term credit			1,366	754

*) Variable interest.

b. As for charges, refer to Note 27.

NOTE 16:- CURRENT MATURITIES OF NON-CURRENT LIABILITIES

Composition

	Refer to Note	December 31 2020	2019
		NIS in millions	
Current maturities of debentures	19	478	1,288
Current maturities of interest bearing non-current liabilities	20	144	36
		622	1,324

NOTE 17:- TRADE PAYABLES

Composition

	December 31	
	2020	2019
	NIS in millions	
Open accounts and accrued expenses	114	83
Checks payable	17	10
	131	93

NOTE 18:- OTHER ACCOUNTS PAYABLE

a. Composition

	December 31	
	2020	2019
	NIS in millions	
Interest payable	132	153
Government institutions	48	57
Deferred income and deposits from tenants	122	158
Employees	60	57
Other provisions (including for legal proceedings)	73	64
Accrued expenses	180	186
Dividend payable to shareholders of the Company	45	75
Other payables	92	66
	752	816

b. Out of the total balance of other accounts payable, an amount of NIS 346 million is denominated in Euro, NIS 189 million is denominated in non-linked NIS and NIS 61 million is denominated in SEK.

NOTE 19:- DEBENTURES

a. Composition

	item	Denomination	Outstanding par value amount	Nominal Interest rate	Effective interest rate	Carrying amount December 31 2020	Carrying amount December 31 2019
			NIS in millions	%	%	NIS in millions	
The Company:							
Debentures (series D)		Israeli CPI	216	5.10	5.02	257	592
Debentures (series K)	b5	Israeli CPI	1,078	5.35	4.27	1,147	1,351
Debentures (Series L)	b4	Israeli CPI	2,940	4.00	3.67	2,987	3,026
Debentures (Series M)	b3	Israeli CPI	1,783	2.78	2.90	1,798	1,826
Debentures (Series N)	b2	Israeli CPI	981	1.29	2.46	919	-
Debentures (Series O)	b1	Israeli CPI	328	1.08	1.30	324	-
Total of the Company *)						7,432	6,795
Consolidated companies:							
CTY debentures	c	EUR	5,738	2.15	2.46	5,643	5,123
CTY debentures	c	Norwegian Krone	866	3.40	3.41	862	899
CTY debentures	c	Norwegian Krone **)	433	2.79	2.79	432	137
ATR debentures	d	EUR	2,843	3.20	3.43	2,843	3,451
						17,212	16,405
Less - current maturities of debentures						478	1,288
						16,734	15,117

*) In respect of cross-currency swap transactions entered in respect of part of the debentures, refer to Note 34c.

**) Variable interest.

Maturity dates

	December 31, 2020						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 and thereafter	Total
Denomination	NIS in millions						
NIS linked to Israeli CPI	347	723	908	994	1,036	3,424	7,432
EUR	-	1,909	-	2,133	1,922	2,522	8,486
Norwegian Krone	131	-	300	-	863	-	1,294
	478	2,632	1,208	3,127	3,821	5,946	17,212

NOTE 19:- DEBENTURES (Cont.)

b. Additional information on the Company's debentures

1. On October 2020, the Company issued, by way of a shelf offer, NIS 328 million par value debentures (Series O), for a net consideration of NIS 324 million, representing effective interest rate of 1.28%.
The debentures are linked to the increase in the consumer price index, bear fixed annual interest at the rate of 1.08% that is payable twice a year on March 31 and September 30 in each of the years 2021 to 2028 (inclusive) and mature as follows: the first installment (8% of the principal) is payable on March 31, 2024, the second installment (15% of the principal) is payable on March 31, 2025, the third installment (30% of the principal) is payable on March 31, 2027, and the fourth installment (47% of the principal) is payable on March 31, 2028.
To secure the debentures (series O), a fixed charge was placed on four real estate properties which are owned by G Israel and whose combined value at the issuance date (Company's share) was approximately NIS 446 million. By the date of the approval of this report, the Company completed the registration of the fixed charge and the full consideration was transferred to the Company.
As part of the issuance of the debentures (Series O), the Company has undertaken, inter alia, to comply with the following covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than BBB- by S&P Maalot and less than Baa3 by Midroog.
The Company has also made other undertakings to the holders of the debentures (Series O), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc.
The Company has also undertaken not to make a distribution if, among others, the Company’s equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements audited or reviewed.
Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot, or an equivalent rating of another rating agency, will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.

2. On January 2020, the Company issued, by way of a shelf offer, NIS 600 million par value of unsecured debentures (Series N), for a net consideration of NIS 593 million, representing effective interest rate of 1.46%.
The debentures are linked to the increase in the consumer price index, bear fixed annual interest at the rate of 1.29% that is payable twice a year on March 31 and September 30 in each of the years 2020 to 2031 (inclusive) and mature as follows: the first installment (17.5% of the principal) is payable on September 30, 2022, the second installment (15% of the principal) is payable on September 30, 2023, the third installment (15% of the principal) is payable on September 30, 2024, the fourth installment (27.5% of the principal) is payable on September 30, 2029, and the fifth installment (25% of the principal) is payable on September 30, 2031.

NOTE 19:- DEBENTURES (Cont.)

As part of the issuance of the debentures (Series N), the Company has undertaken, inter alia, to comply with the following covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.

Nevertheless, in the event of non-compliance with any of the aforesaid covenants, the Company may provide collateral in favor of the holders of the debentures (Series N) in lieu of such covenants.

The Company has also made other undertakings to the holders of the debentures (Series N), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. I addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company's equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements.

Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.

3. The Company has outstanding debentures (Series M), in which the Company has agreed to comply with the following primary covenants, And which violates the regulation to the bondholders the right to immediate repayment of the debentures: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 800 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than ilBBB- by S&P Maalot and less than Baa3il by Midroog.

   Nevertheless, in the event of non-compliance with any of the aforesaid covenants, the Company may provide collateral in favor of the holders of the debentures (Series M) in lieu of such covenants.

   The Company has also made other undertakings to the holders of the debentures (Series M), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc. I addition, the Company has undertaken not to create a negative pledge in favor of any third party as security for a debt, unless it grants the holders of the debentures a pari passu ranking floating charge. The Company has also undertaken not to make a distribution if, among others, the Company's equity decreases below an amount in NIS equals to USD 850 million as per its consolidated financial statements.

   Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.

NOTE 19:- DEBENTURES (Cont.)

4. The Company has outstanding debentures (Series L), in which the Company has agreed to comply with the following primary covenants:(a) maintain minimum shareholders' equity (excluding non-controlling interests) of USD 650 million during every four consecutive quarters;(b) Ratio of net financial debt to total assets of less than 80% during every four consecutive quarters; and credit rating (Israeli scale) in the last of the said four quarters shall be not less than BBB- by S&P Maalot and Baa3 by Midroog, The Company has also made other undertakings to the holders of the debentures (Series L), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including change of control; in addition, any event in which the Company will be required to immediately redeem its listed debenture in an amount not less than the greater of (i) NIS 200 million, and (ii) 10.0% of its shareholders' equity (excluding non-controlling interests). In addition, it was determined that a downgrade will cause a rise in interest rate by up to 1% by the steps agreed.

5. The Company has outstanding debentures (Series K), in which the Company has agreed to comply with the following primary covenants:(a) maintain minimum shareholders' equity (net of non-controlling interests) of USD 500 million during four consecutive quarters;(b) ratio of net interest-bearing debt to total assets not to exceed 80% during four consecutive quarters; credit rating of its debentures in the last of the four abovementioned quarters higher than S&P Maalot's BBB- rating and Midroog's Baa3 rating, The Company has also made other undertakings to the holders of the debentures (Series K), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including change in control. In addition, any event in which the Company will be required to immediately redeem its listed debentures in an amount of at least the greater of (i) NIS 300 million and (ii) 12.5% of shareholder's equity (net of non-controlling interests). In addition it was determined that a downgrade will cause a rise in interest rate by up to 1% by the steps agreed.

   As of the date of the financial report and the reporting date, the Company complies with the above criteria with respect to the series of debentures listed above.

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

6. During 2020, the Company repurchased debentures with a par value of NIS 334 million (Series D, K, L and M) for a consideration of NIS 373 million. As a result of the repurchases, the Company recorded loss from early redemption of approximately NIS 8 million. The repurchased debentures were cancelled and delisted.

7. On March 21, 2021, the Company's Board of Directors resolved to adopt a new plan for the repurchase of Company debentures (in place of the previous plan) in an amount of up to NIS 450 million par value, with respect, to all series of debentures in circulation. The plan is valid until March 31, 2022. Acquisitions are to be made under the plan from time to time, at the discretion of the Company's management. This plan replaced the previous plan from March 15 2020, in the amount of up to NIS 750 million par value, which was in effect until March 31 2021, the Company acquired debentures in the amount of NIS 223 million par value, for a total consideration of NIS 236 million by virtue of this plan.

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

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

NOTE 19:- DEBENTURES (Cont.)

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

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

c. CTY debentures

1. Within the framework of the debenture offering, CTY committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 65% and 25%, respectively. In addition, change of control as defined in the debentures agreement will entitle the holders the right of early redemption of the debentures. As of the reporting date, CTY is in compliance with these covenants.

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

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

4. As for the issuance of debentures and repurchase debentures after the reported date, refer to Notes 37e and 37f.

d. ATR debentures

1. As part of the debenture offering, ATR committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 60% and 40%, respectively. In addition, the minimum consolidated debt coverage ratio (adjusted EBITDA to interest expenses) will be no less than 1.5. Further, for debentures with a maturity date in 2020, a ratio of consolidated unencumbered assets to consolidated unsecured debt will be no less than 150%. As of the reporting date, ATR is in compliance with these covenants.

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

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

4. As for the issuance of debentures and repurchase debentures after the reported date, refer to Notes 37c and 37d.

NOTE 20:- INTEREST-BEARING LOANS FROM BANKS AND OTHERS

a. Composition

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	NOK	Total
	NIS in millions						
December 31, 2020							
Banks	-	237	117	230	2,733	377	3,694
Other financial institutions	1,187	250	-	693	-	-	2,130
Total	1,187	487	117	923	2,733	377	5,824
Current maturities	22	5	-	103	14	-	144
Net of current maturities	1,165	482	117	820	2,719	377	5,680
December 31, 2019							
Total	734	243	236	1,282	2,213	392	5,100
Net of current maturities	725	243	236	1,261	2,207	392	5,064

The composition of classification of loans by fixed or variable interest rate:

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	NOK	Total
	NIS in millions						
December 31, 2020							
Fixed interest rate	1,187	-	-	649	-	-	1,836
Weighted average effective interest rate (%)	1.5	-	-	5.3	-	-	
Variable interest rate	-	487	117	274	2,733	377	3,988
Weighted average effective interest rate (%)	-	2.3	2.8	2.4	2.4	2.3	

b. Maturity dates

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	NOK	Total
	NIS in millions						
December 31, 2020							
Year 1 - current maturities	22	5	-	103	14	-	144
Year 2	22	254	-	378	297	-	951
Year 3	321	164	-	32	739	377	1,633
Year 4	13	64	-	75	554	-	706
Year 5	13	-	-	109	19	-	141
Year 6 and thereafter	796	-	117	226	1,110	-	2,249
	1,165	482	117	820	2,719	377	5,680
	1,187	487	117	923	2,733	377	5,824

c. As for charges, refer to Note 27.

d. Contracted restricted and financial covenants

Certain loans and credit facilities which the Company and its subsidiaries obtained in the ordinary course of business include customary financial and other covenants that a breach in the covenant will cause immediate redemption, among which are the following:

NOTE 20:- INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

1. The Company

a) Ratio of actual drawn down credit to market value of securities (marketable securities of public Company) as was determined in the credit agreements.

b) Minimum shareholders' equity (excluding non-controlling interests) of NIS 4 billion for the Company.

c) Ratio of net interest bearing liabilities to value of total assets, based on consolidated financial statements, shall not exceed 75%.

d) Ratio of net interest bearing liabilities to value of total assets, based on expanded solo financial statements (the Company and other fully owned private entities) of the Company, shall not exceed 80%, based on the equity method accounting.

e) Equity attributable to equity holders of ATR shall not be less than € 1.5 billion.

f) Liabilities bearing net interest of ATR to total consolidated balance sheet of ATR shall not be higher than 45%.

g) Ratio of actual debt to value of securities (pledged CTY shares whose fair value is the average of its market value and net asset value) shall not exceed 70%.

h) The Company's average quarterly EPRA Earnings, calculated according to the European Public Real Estate Association, over any two consecutive quarters, shall not be less than NIS 60 million.

i) The ratio of total equity (including equity loans, but excluding minority interests, derivatives at fair value and the tax effect with respect thereto) to the total assets of CTY shall not be less than 30%.

j) The ratio of shares pledged to the bank shall not be less than 15% of the issued and paid up share capital of CTY and also that, in the event of a financial institution (which is not a financial manager of others or for others) holding CTY shares for itself at a rate in excess of 15%, the Company shall pledge additional CTY shares to the bank so that the pledged shares as a percentage of the total issued and paid up capital of CTY shall be at least 5% higher than the percentage held by the aforementioned financial institution in the issued and paid up capital of CTY, but not more than 30.1% of the issued and paid up capital of CTY.

k) The ratio of CTY shares held directly and indirectly by the Company shall not be less than 30% of the share capital of CTY.

l) Ratio of CTY's EBITDA (with certain adjustments) to CTY's net financial expenses shall not be less than 1.6.

m) The Company's credit rating shall not be lower than BBB by S&P Maalot rating agency or lower than baa2 by Midroog rating agency

n) Ratio of annual dividend from ATR shares secured to a credit facility shall not be less than EUR 0.14 per share.

2. CTY

a) Ratio of debt to total assets shall not be above than 60%.

b) Minimum debt coverage ratio (EBITDA to net interest expense) of 1.8.

NOTE 20:- INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

3. ATR

   Financial ratios such as loan to value and interest service ratios.

4. G. Israel

   a) Shareholders' equity shall not be less than NIS 350 million.

   b) Debt coverage ratios shall not be less than 1.3.

   c) Ratio of debt to value of securities shall not exceed 75%.

   With the completion of the merger between the Company and G Israel (refer also to note 1a above), all of G Israel's loan will be transferred to the Company, and the above financial covenants will be adjusted accordingly, based on agreements with the banks.

5. The Company's investees have other customary financial covenants, such as debt coverage ratios for principal and/or interest, leverage ratios and ratio of NOI to debt among others.

Furthermore, in certain loan documents of the Company and its investees, there are customary provisions for immediate loan repayment, including: payment default, change of control in a company or companies whose securities are pledged to secure credit, restructuring, certain material legal proceedings (including dissolution and liquidation of assets, as well as court judgments), discontinued Company's operations, change of the Company's main activity, suspension of trading of securities pledged to secure credit or of securities of the Company cross default under certain conditions, holding minimum interest in investees by the Company, minimum value of unsecured assets compared to unused debt, service of certain officers etc.

In addition, some of the Company's financing agreements (which do not amount to material credit) include additional covenants and terms (such as: causes of action related to trade of shares used as collateral for financing and of Company shares and their prices, rating, changes of control, etc.), which if existing, obligate the Company to repay the credit within the time period set forth in the agreement, and in the event that it does not do so, the financial institution has the right to demand immediate repayment of the financing. In some of these agreements, in the event that the Company resumes compliance with the covenants set in the agreement, it will be entitled to once again utilize the credit from them

As of December 31, 2020, and the date of the financial report the Company and its subsidiaries are in compliance with all the aforementioned covenants.

NOTE 21:- OTHER LIABILITIES

Composition

	December 31	
	2020	2019
	NIS in millions	
Tenants' security deposits (1)	42	53
Lease liabilities (2)	355	452
Other liabilities	7	68
	404	573

(1) Tenants' security deposits are received to secure the fulfillment of the terms of the lease agreements. Deposits are refunded to the tenants at the end of the rental period, primarily linked to the EUR.

(2) Lease liabilities includes mainly NIS 153 million in Polish Zloty, NIS 125 million in Norwegian Krone, NIS 36 million in SEK and NIS 19 million in EUR.

NOTE 22:- EMPLOYEE BENEFIT LIABILITIES AND ASSETS

The Group provides post-employment benefit plans. The plans are generally financed by contributions to insurance companies, pension funds and provident funds and are classified both as defined contribution plans and as defined benefit plans, as follows:

a. Under labor laws and severance pay laws in Israel and Brazil, the Group is required to pay benefits to employees upon dismissal or retirement in certain circumstances. The calculation of the Company's employee benefit liability is made based on valid employment contracts and based on the employees' salary which establishes the entitlement to receive post-employment benefits.

   Section 14 of the Severance Pay Law, 1963 in Israel applies to the compensation payments, pursuant to which current contributions paid by the Group into pension funds and/or into types of insurance policies release the Group from any additional liability to employees for whom such contributions were made (defined contribution plan).

b. The liabilities of the Group in other countries in which its operates are normally financed by contributions to pension funds, social security, medical insurance and others and by payments which the employee bears (such as for disability insurance) as required by local law and therefore essentially defined as contribution plans. Additional payments for sick leave, severance termination benefits and others are at Group companies' discretion, unless otherwise provided for in a specific employment contract.

c. Provision for severance benefits recognized in the financial statements on the date the decision was made concerning the dismissal, in countries where the Group has a legal or constructive obligation for their payment.

d. The amounts accrued in pension funds, officers' insurance policies, other insurance policies and in provident funds are on behalf of the employees and the related liabilities are not reflected in the statement of financial position as the funds are not controlled and managed by the Company or its subsidiaries.

All of the Group's post-employment benefit plans do not have a material effect on the financial statements.

NOTE 23:- TAXES ON INCOME

a. Tax laws applicable to the Group in Israel

1. Capital gains/losses

The capital gain tax rate applicable to Israeli resident companies is the corporate tax rate, see section 4 below.

2. Taxation of dividend income

Pursuant to section 126(b) to the Income Tax Ordinance ("the Ordinance"), income from distribution of profits or from dividends originating from income accrued or derived in Israel which was received, directly or indirectly, from another entity subject to the corporate tax in Israel is not included in the computation of the Company's taxable income.

Dividends that the Company receives from a foreign entity are taxed in Israel at the corporate tax rate, as mentioned in section 4 below, and credit is given for the tax withheld on the dividends overseas (direct credit). Excess direct credit may be carried forward to future years over a period of not more than five years.

Nonetheless, at the Company's request and subject to certain conditions, the Company may elect to implement an alternative under which the corporate tax rate will be imposed, as mentioned in section 4 below, on the gross income from which the dividend was distributed (the dividend distributed plus the tax withheld and the corporate tax paid on the income in the foreign countries) and a credit will be given for the foreign tax paid on the income from which the dividend was distributed in the foreign company (indirect credit) and the tax withheld in the foreign country. It should be noted that indirect credit is eligible down to two tiers only and is subject to certain conditions. Excess indirect credit cannot be carried forward to future years.

3. Capital gain/loss from sale of shares in subsidiaries

A real capital gain by the Company on the sale of its direct holdings in one or more of the Group's foreign companies is taxed in Israel and credit is given for the foreign tax paid overseas on the capital gain from that sale, subject to the provisions of the relevant treaty for avoidance of double taxation.

4. Tax rates applicable to the Group companies in Israel

The Israeli corporate tax rate for 2018-2020 is 23%.

NOTE 23:- TAXES ON INCOME (Cont.)

b. Taxation in the U.S.

On December 22, 2017, a comprehensive tax reform was approved in the United States, which includes a reduction in the US corporate tax rate to 21%, with effect from January 1, 2018. In addition, the rules of interest expense allowance in the United States, which is now limited to 30% of the EBITDA in the respective tax year were amended. On March 27 2020, the Coronavirus Aid, Relief and Economic Security act (CARES act) was approved in the US, which provides economic assistance for facing the COVID-19 crisis. The CARES act provides tax benefits for companies with the aim of maintaining liquidity, including: carryback of losses created during 2018-2020 for 5 years and temporary elimination of the 80% limitation for utilizing losses; reducing the tax deduction limitation of interest expenses with accordance to section 163(j); accelerated depreciation benefits and deductibility of additional expenses of improvements in real estates.

Upon distribution of dividends from the United States to the Company, a reduced rate of 12.5% for withholding tax applies, in accordance with the tax treaty between Israel and the United States, provided that the Company holds at least 10% of the distributing company.

c. Taxation in Canada

The taxable income of the Group companies is subject to the effective corporate tax (Federal and Provincial) which ranges between 26.5% and 31%. A Canadian resident company that realizes a capital gain is taxed in Canada only on half of the capital gain. Subject to certain conditions, a Canadian resident company that receives dividends may not be taxable in Canada or the dividends may have no effect on the taxable income of a Canadian resident company that receives the dividend. According to FAPI (Foreign Accrual Property Income) rules, a Canadian resident company may be taxable in Canada on undistributed passive income of a foreign company and receive a relief for foreign tax imposed on this income. Generally, distribution of dividends from a Canadian resident company to a foreign resident is subject to withholding tax of 25%. Reduced tax rates may be valid based on the relevant tax treaty (if applicable). According to the tax treaty between Israel and Canada, withholding tax will be reduced to a rate of 5% for recipient companies with holdings in excess of 25% (otherwise the withholding rate is 15%), and the rate of tax to be withheld at source on interest is 10% (or 5% for interest payable to financial institutions).

d. Taxation in Finland

Operations in Finland are carried out by CTY. The corporate tax rate in Finland in 2020 is 20%, in general, under the local regulation, withholding tax rate for dividend distribution from Finland is 20% (or 35% in certain situations). The dividend withholding tax rate upon distribution from Finland to Israel is 5% pursuant to the tax treaty between Israel and Finland (only if the share of holding is higher than 10%, otherwise the withholding tax rate is 15%). Due to the change of legislation in Finland, starting from January 1, 2014, the withholding tax will apply also on return of capital of traded companies (this change of legislation will not apply on untraded companies, except in specific instances).

The Company received a pre-ruling from the Tax Authority in Finland that entitles the Company to demand a refund from the aforesaid Tax Authority for tax deducted in Finland that cannot be claimed in Israel.

NOTE 23:- TAXES ON INCOME (Cont.)

e. Taxation in Norway

Operations in Norway are carried out through a Norwegian company that is owned by CTY. The corporate tax rate in Norway in 2018 is 23% and decreased to 22% starting 2019. Usually, under domestic law, the withholding tax rate on dividend distributions from Norway is 25%. A lower withholding tax rate might be possible under various tax treaties. In the case of a dividend distribution to member states of the European Economic Area ("the EEA"), the rate is 0% (except in specific instances).

f. Taxation in Sweden

Operations in Sweden are carried out by Swedish resident companies that are held by CTY. Generally, the corporate tax rate in Sweden in 2020 is 21.4%. The rate of withholding tax for dividend distribution by a Swedish resident company under the domestic law is 30%. Generally, dividend distribution to a company similar to a Swedish limited liability company, and which is not considered as a company registered in a tax shelter, is not subject to withholding tax (except in specific instances).

g. Taxation in Netherlands

Under certain conditions, income of the Dutch company from its holdings in Germany would be tax exempt in the Netherlands. Following a change in legislation in Netherlands, starting January 1, 2018, the rate of tax to be withheld at a source on dividend distribution was reduced to 0%, under certain conditions.

h. Taxation in Germany

Generally, the corporate tax rate (including the solidarity tax) in Germany is 15.825% (assuming that the company is not subject to trade tax, otherwise – 30%). Distribution of profits from a German resident partnership to the Dutch resident company partners is not taxable in Germany according to domestic law. Payment of interest to a foreign resident from Germany is exempt from withholding tax in Germany according to the domestic law, except under certain circumstances. Capital gains on the disposal of shares of a German company may be taxable in Germany, however, 95% of the gain may be tax exempt in Germany, if the conditions of the German participation exemption apply.

i. Taxation in Jersey Island

The corporate tax rate on the Island of Jersey is 0% (except in relation to specific fields of activity which are subject to tax at a rate of 10% or 20%). The f withholding tax rate on dividend distribution from Jersey to Israel is usually 0% and capital gains are not taxed in Jersey.

Operations in Jersey are carried out through Jersey companies that are owned by ATR. The corporate tax rate in ATR's principal regions of operation is 19% in Poland and the Czech Republic and 21% in Slovakia, while in Russia (federal and regional) the effective corporate tax rate ranges from 15.5% to 20%.

Starting from 2019, Jersey Islands applies laws and regulations relates to the Economic Substance. According to the new legislation, companies and partnerships incorporated in the Island will be required to report, among other things, about their type of activity, and to keep the Economic Substance rules on the land of Jersey Islands (I.e., employees, offices, management, level of expenses, etc.) subject to their type of activity.

NOTE 23:- TAXES ON INCOME (Cont.)

j. Taxation in Poland

Operations in Poland are carried out through Polish companies owned by ATR. The corporate tax rate in Poland is 19% and, under domestic law, the withholding tax rate on a dividend distribution from Poland is also 19%. A lower tax rate might be possible under various tax treaties.

Starting from January, 2018, a legislation amendment became effective, the amendment includes provisions concerning the offsetting of losses as well as thin capitalization rules that restrict the deduction of financing expenses in Poland.

In addition, a legislative change was made in Poland, and different rules regarding withholding tax were established. In general, according to the new rules regarding dividend payments, interest, royalties and services for foreign residents, of less than 2 million Polish Zlotys in one tax year, the rules for filing and deduction under a treaty remain the same (except for a stricter definition of a beneficial owner). In the case of such payments in an amount exceeding 2 million Polish Zlotys to a foreign resident, the payer must initially deduct the amount in excess of 2 million Polish Zlotys (19% for dividends and 20% for interest, royalties and services for foreign residents). The foreign resident could demand a tax refund subject to compliance with the treaty/exemption conditions. It should be noted that there are exceptions to these rules. On December 31, 2020, it was announced that applying these rules would be postponed to June 30, 2021.

In addition, several indirect subsidiaries in Poland and Russia are under tax review with the tax authorities abroad.

k. Taxation in Czech Republic

The Czech Republic activity is performed by Czech entities held by ATR. The maximum corporate tax rate in the Czech Republic is 19%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% (or 35% in specific instances). The distribution of a dividend from the Czech Republic to a member state of the EEA is exempt from withholding tax (except in specific instances). In addition, a reduced tax rate is possible according to the different tax treaties. The operation in the Czech Republic is performed by Czech companies held by ATR.

l. Taxation in Russia

The corporate tax rate in Russia is 20%. Usually, the withholding tax rate on a dividend distribution according to domestic law is 15% to foreigners, a reduced tax rate is possible according to the different tax treaties. The operation in Russia is performed by Czech companies held by ATR.

m. Taxation in Brazil

The effective tax rate on companies in Brazil (having a turnover in excess of BRL 240 thousand) is 34%. The tax rate on a dividend distribution from a Brazil-resident company, under domestic law, is 0%, except in specific instances. Operations in Brazil are carried out mainly through real estate funds. The real estate funds are exempt from tax on their income, if certain conditions are fulfilled. A distribution of earnings from the funds to foreigners and locals is subject to tax withholdings at the rate of 15% and 20%, respectively (calculated on the profit component).

n. Finalized tax assessments

The Company has finalized its tax assessments through 2015. The Company's wholly owned subsidiaries in Israel have finalized their tax assessments through 2015 (and some of them through 2016).

NOTE 23:- TAXES ON INCOME (Cont.)

o. Merger of subsidiaries in Israel

On January 7, 2018, an Israeli subsidiary was granted an approval from the Israeli Tax Authority for merger into an indirect subsidiary ("the Absorbing Company"), together with two indirect subsidiaries of the Company. The merger was scheduled for December 31, 2016.

p. Merger of a subsidiary in Israel

On July 28, 2020, the Israeli Tax Authorities approved the merger (the "Tax Ruling") of G Israel Commercial Centers Ltd. ("G Israel"), a wholly owned subsidiary of Gazit Globe Ltd. ("The Company"), with and into the Company (as an absorbing company) in accordance with section 103C of the Israeli Tax Ordinance ("ITO"). The date of the restructuring, according to the Tax Ruling is December 31, 2018.

In accordance with the Tax Ruling, G Israel will transfer its all assets and liabilities including all its employees into the Company, while eliminating G Israel without liquidation, in accordance with the first chapter of part 8 of the Israeli Companies Law ("Statutory Merger").

The Tax Ruling is conditional on compliance with the conditions set forth in the ITO and the Tax Ruling, inter alia, the cost of the company's investment in G Israel shares, will be deleted and fully canceled. Regarding the transferred real estate assets, a reduced purchase tax rate of 0.5% will apply. Furthermore, the Tax ruling sets limitations about offset of losses relates to the transferred assets and the participating companies.

q. Carry-forward losses for tax purposes as at December 31, 2020

The Company and its wholly-owned Israeli resident subsidiaries have carry-forward losses for tax purposes. With respect to the tax benefit associated with such losses, the Group has recognized deferred tax assets amounting to NIS 401 million as at the reporting date (in 2019, NIS 359 million), which have been offset against the deferred tax liability of the Company.

The Company's Canadian resident subsidiaries have carry-forward losses for tax purposes amounting to NIS 15 million. The carry-forward losses may be utilized over a 20-year period, which expires between 2029-2037.

The Company's partially-owned Finnish resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 564 million (in 2019, NIS 270 million), for which deferred tax assets have been recognized at an amount of NIS 114 million.

The Company’s partially-owned Jersey Island resident subsidiary and its subsidiaries have carry-forward losses for tax purposes amounting to NIS 1 billion (in 2019, NIS 1.1 billion), for which deferred tax assets have been recognized at an amount of NIS 19 million.

NOTE 23:- TAXES ON INCOME (Cont.)

r. Deferred taxes, net:

The composition and movement in deferred taxes are as follows:

	Investment properties and depreciable fixed assets	Carry-forward losses	Others	Total
	NIS in millions			
Balance as of January 1, 2018	(2,204)	298	(713)	(2,619)
Amounts carried to foreign currency translation reserve	(19)	(10)	(7)	(36)
Amounts carried to other comprehensive loss	-	-	11	11
Amounts carried to income statement	(206)	133	663	590
Reclassification due to assets held for sale	32	(8)	-	24
Balance as of December 31, 2018	(2,397)	413	(46)	(2,030)
Amounts carried to foreign currency translation reserve	201	(4)	(18)	179
Amounts carried to other comprehensive income	-	-	9	9
Amounts carried to income statement	(24)	23	(71)	(72)
Movement in deferred taxes in respect of realization of assets	66	(4)	-	62
Reclassification due to assets held for sale	14	2	(4)	12
Balance as of December 31, 2019	(2,140)	430	(130)	(1,840)
Amounts carried to foreign currency translation reserve	(27)	12	7	(8)
Amounts carried to other comprehensive income	-	-	7	7
Amounts carried to income statement	49	112	(26)	135
Balance as of December 31, 2020	(2,118)	554	(142)	(1,706)

The deferred taxes are calculated at tax rates ranging between 13.25% and 30.9% (the tax rates applicable include federal and state tax).

The utilization of deferred tax assets is dependent on the existence of sufficient taxable income at the losses amount in the following years.

Deferred taxes are presented as follows

	December 31	
	2020	2019
	NIS in millions	
Within non-current assets	66	45
Within non-current liabilities	(1,772)	(1,885)
	(1,706)	(1,840)

NOTE 23:- TAXES ON INCOME (Cont.)

s. Taxes on income (tax benefit) included in the income statements

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Current taxes (1)(2)(3)	89	403	572
Taxes in respect of prior years	(101)	(8)	(46)
Deferred taxes (3)(4)	(135)	72	(590)
	(147)	467	(64)

(1) Current income taxes include capital gain tax, withholding tax from interest and dividends paid by foreign subsidiaries to the Company, current tax expenses of subsidiaries of the Group companies operation.

(2) In 2019, mainly due to sale of FCR shares, refer to Note 8e.

(3) In 2018, Mainly due to sale of REG shares.

t. Taxes on income relates to other comprehensive income and to other equity items

With respect to income tax relates to other comprehensive income and other equity line items, refer to Notes 23r and 25d.

u. Below is the reconciliation between the statutory tax rate and the effective tax rate:

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Income before taxes on income	(1,033)	1,283	(111)
Statutory tax rate	23.0%	23.0%	23.0%
Tax calculated using statutory tax rate	(237)	295	(26)
Increase (decrease) in taxes resulting from permanent differences - the tax effect:			
Tax exempt income, income subject to special tax rates and nondeductible expenses	(41)	(163)	(154)
Change in taxes resulting from carry-forward tax losses and other temporary differences for which no deferred taxes were provided, net	22	390	380
Deferred taxes and other temporary differences with respect to prior years	76	(62)	(149)
Taxes with respect to prior years	(101)	(8)	(46)
Deferred taxes due to changes in tax rates	-	-	(35)
Taxes with respect to Company's share in earnings of equity- accounted investees, net	(9)	(10)	(75)
Difference in tax rate applicable to income of foreign companies and other differences	143	25	41
Taxes on income (tax benefit)	(147)	467	(64)
Effective tax rate	-	36.4%	-

NOTE 24:- CONTINGENT LIABILITIES AND COMMITMENTS

a. Engagements

1. ATR agreement

An agreement signed between the Company and ATR in 2008 (as amended in January 2015) provides for its rights in ATR, as reflected in the Articles of Association of ATR, including the right to appoint up to four members of ATR's Board of Directors, the right to determine the identity of the Chairman of ATR's Board of Directors and the right to appoint the majority of the members of the Nominations Committee of ATR's Board of Directors. Additionally, ATR granted the Company rights of veto in connection with the making of material decisions at ATR, including the appointment of ATR's CEO. The aforesaid rights are subject to the holding of a minimum number of ATR shares by the Company.

2. Shareholder's agreement in connection with CTY

In 2014, the Company entered into an agreement with CPP Investment Board European Holdings s.ar.l ("CPPIBEH"), under which the Company undertook to support the appointment of up to two directors for the board of directors of CTY that will be recommended by CPPIBEH and CPPIBEH undertook to support the appointment of up to three directors for the board of directors of CTY that will be recommended by the Company. In addition, the Company will grant CPPIBEH a tag-along right for a sale of CTY shares to the extent higher than 5% of CTY's shares during a 12-month period under certain conditions. The agreement will terminate at the earlier of: (1) 10 years from the signature date, (2) the holding by CPPIBEH of less than 10% of CTY's shares, or (3) the holding by the Company of less than 20% of CTY's shares.
After the reporting date, on March 17, 2021, CPPIBEH notified about a sale of part of its holding in CTY, after the sale, CPPIBEH will hold 7.5% of CTY share capital.
According to the term of the agreement, it will be terminated 30 days from the day CPPIBEH wholds less than 10% of CTY's shares.

3. The Group's companies have entered into operating lease agreements with tenants occupying their properties. Below are details of the minimum lease fee receivable in respect of the lease agreements:

	December 31
	2020
	NIS in millions
Year 1	1,243
Year 2 to 5	3,129
Year 6 and thereafter	3,083
Total	7,455

4. For information about engagements with related parties, see Note 35.

b. Guarantees

1. As at December 31, 2020, the Company's subsidiaries are guarantors for loans from various entities in respect of investment properties under development, which they own together with partners and for bank guarantees, which were provided in the ordinary course of business, in the aggregate amount of NIS 678 million (as at December 31, 2019, NIS 512 million).

NOTE 24:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

2. The Company guarantees an unlimited amount to banks to secure credit received by wholly-owned subsidiaries of the Company. Total guaranteed credit facilities and loans (principal) as at December 31, 2020 and 2019 amounted to NIS 1,845 million and NIS 2,056 million, respectively. Total utilized credit facilities and the loans (principal) as at December 31, 2020 and 2019 amounted to NIS 1,398 million and NIS 995 million, respectively. Wholly-owned subsidiaries of the Company guarantee loans and credit facilities obtained by the Company from banks and others, in an unlimited amount. In addition the Company and its wholly owned subsidiaries had pledged the shares of the subsidiaries to secure credit facilities of the Company and its wholly-owned subsidiaries.

3. For information about collaterals granted to secure guarantees, see Note 27.

c. Contingent liabilities for the completion of the construction and redevelopment of properties and others

1. The Company's subsidiaries have off-balance sheet commitments for the completion of the construction and redevelopment of investment properties which, as at December 31, 2020, amounted to NIS 917 million (as at December 31, 2019, NIS 971 million).
2. As of the reporting date, CTY has a contingent liability to refund input VAT received of approximately NIS 360 million (as at December 31, 2019, NIS 366 million), should the property, subject to the input VAT, be sold to a VAT-exempt entity within the next 10 years.

d. Legal claims

1. Several legal proceedings are pending against the Company's subsidiaries in the ordinary course of their business including in respect of personal injury and property damage that occurred in their shopping centers and in other properties. The Company estimates that the claimed amounts are immaterial (on a stand-alone basis or on a cumulative basis) to the Company's results.
2. ATR is involved in several proceedings and regulatory investigations in Austria, this in connection with transactions in ATR's securities, debt issuance and related matters in 2006-2007.

   In addition, ATR is involved in several proceedings that have been filed by a number of investors that had invested in the aforesaid securities in the relevant years, alleging losses due to the volatility of the securities and other related contentions. As at 31 December 2020, ATR is no longer a party of such material proceedings.
   Based on the estimate of ATR's management, the total provision in the financial statements of ATR in respect of amounts that it has undertaken and is expected to pay under the aforesaid arrangements is EUR 3.9 million.

   Additionally, to date, the criminal proceedings against Julius Meinl and others in connection with events that took place in 2007 and earlier are still in progress. In connection with this, a law firm representing various investors in ATR, who had invested at the time of these events, has alleged that ATR is liable for various instances of fraud, breach of trust and infringements of the Austrian Stock Corporation Act and Austrian Capital Market Act arising from the same events. The public prosecutor has directed ATR to reply to the allegations and has started criminal investigation proceedings against ATR based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into effect in 2006, applies to ATR. In any event, ATR believes that it should not be held accountable for the aforesaid events and therefore intends to actively defend itself against these proceedings.

NOTE 24:- CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

3. In July and August 2014, a number of lawsuits were filed with the Economic Affairs Division of the Tel Aviv District Court to certify lawsuits as class actions, against U.Dori Construction Ltd. ("Dori Construction"), U.Dori Ltd. ("Dori Group" presently – Amos Luzon Development and Energy Group Ltd.), their directors and officers and their auditors, as well as against G Israel and the Company. The motions deal with damage allegedly caused to the public that have invested in Dori Construction and/or Dori Group, as the case may be, as a result of the publication of allegedly misleading information in the reporting of Dori Construction, including in its financial statements, and as a result of failing to report, at the appointed time, material adverse information concerning the financial results and the financial position of Dori Construction, and consequently, concerning the financial results of Dori Group.

   The grounds for the claims in the aforementioned motions include grounds under the Israel Securities Law, 1968, among which are the inclusion of misleading details in the financial statements and deficient and misleading reporting, a tort of negligence under the Torts Laws, breach of statutory duty (in relation to the Securities Law and the Regulations promulgated thereunder, as well as the Companies Law) and minority discrimination, all being with regard to the reporting of Dori Construction. The amounts of the aforesaid claims range from NIS 13 million to NIS 75 million (subject to quantifying the exact damage in the course of the hearings on the lawsuits), which are not material for the Company (including cumulatively).

   The aforesaid motions have been consolidated into a single proceeding (apart from three motions that have been dismissed). The parties carried out disclosure of the documents in accordance with the court ruling, and thereafter held evidentiary hearings, at the end of which agreement was given in principle to authorize the court to settle the dispute by way of a compromise pursuant to section 79A of the Courts [Integrated Version] Law, 1984. . Thereafter and prior to the parties to the proceedings agreeing to the wording of a compromise, interim trustees were appointed to Dori Construction as part of the insolvency proceedings that had been opened in its case ("the Trustees"), and at the end of the day these announced that they believed it was not possible to continue legal proceedings against Dori Construction from the moment a protection from creditors ruling was handed down in its case, and that they opposed the compromise arrangement specified above. The court ruled that in order to continue with the proceedings to approve the compromise the parties must petition the insolvency court that issued the ruling in the Dori Construction case, in accordance with Insolvency and Economic Rehabilitation Law, 2018, to obtain its approval. A petition filed in this case is pending, and is awaiting a ruling. In parallel, the Trustees filed a petition for the right of appeal against the ruling of the District Court, and responses to the petition have also been submitted. This petition is still pending and awaits a ruling of the High Court.

   Together with this petition, the claimants filed in a class action a petition to join the Phoenix Insurance Company Ltd – as insurer of Dori Construction and of its officers – as a party to the proceedings. This petition is also pending.

   At this stage, in the Company's estimation, the Company has good defense claims against the claim and as the Court considers the Company responsible for any damage, its share of damage, if any, is likely to be negligible.

NOTE 25:- EQUITY

a. Composition

	December 31, 2020		December 31, 2019		January 1, 2019	
	Authorized	Issued and outstanding	Authorized	Issued and outstanding	Authorized	Issued and outstanding
	Number of shares					
Ordinary shares of NIS 1 par value each	500,000,000	(* 151,402,135	500,000,000	184,459,510	500,000,000	(* 191,842,812

b. Movement in issued and outstanding share capital

	2020	2019	2018
	Number of Shares		
Balance as of January 1 *)	184,459,510	191,842,812	193,510,391
Exercise of share options (employees and officers)	-	3,748	-
Vesting of RSUs (employees and officers)	99,584	65,422	42,382
Issue of shares (employees and officers)	-	16,109	13,124
Issue of restricted shares (employees and officers)	-	103,096	-
Cancellation of shares held by the Company	(33,156,959)	(7,571,677)	(1,723,085)
Balance as of December 31 *)	151,402,135	184,459,510	191,842,812

*) As at December 31, 2020 of which NIS 56,430 par value of shares held by the Company and as at December 31, 2018 and January 1, 2018 of which NIS 1,973,503 and NIS 51,500 par value shares are held by the Company, respectively.

c. Composition of other capital reserves:

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Financial assets at fair value through other comprehensive income	(*-	11	49
Transactions with controlling shareholder	147	147	147
Transactions with non-controlling interests	734	482	484
Share-based payment	35	30	27
Revaluation reserve of cash flow hedges	(74)	(35)	(13)
	842	635	694

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

NOTE 25:- EQUITY (Cont.)

d. Supplementary information regarding to other comprehensive income (loss)

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Exchange differences on translation of foreign operations from continuing operations	(1,182)	(2,100)	189
Realization of capital reserves on sale of an associate	-	68	-
Tax effect	7	45	-
	(1,175)	(1,987)	189
Gain (loss) with respect to cash flow hedges from continuing operations	(34)	(40)	2
Realization of capital reserves on sale of an associate	-	5	-
Company's share in other comprehensive income (loss) of equity-accounted investees	(7)	(5)	(11)
Tax effect	-	-	(1)
	(41)	(40)	(10)
Loss with respect to Financial assets at fair value through other comprehensive income	(82)	(39)	(66)
Tax effect	8	-	10
	(74)	(39)	(56)
Total other comprehensive income (loss)	(1,290)	(2,066)	123

e. Composition of non-controlling interests

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Share in equity of subsidiaries *)	5,568	6,764	7,634
Hybrid bonds issued to non-controlling interests **)	1,425	1,349	-
Share options, warrants and capital reserve from share-based payment in subsidiaries	24	22	22
	7,017	8,135	7,656

*) Including capital reserves and acquisition-adjustments.

**) For further details regarding the issuance of hybrid bonds to non-controlling interests, refer to Note 8d4

f. Dividends

1. Pursuant to the Company's policy, the Company announces every year the anticipated annual dividend. In November 2019, the Company announced that the quarterly dividend for 2020 would be NIS 0.43 per share (total amount of dividend to be declared in 2020 would be NIS 1.72 per share, instead of a dividend of NIS 1.62 per share in 2019).

   In August 2020, the Company updated its quarterly dividend from NIS 0.43 per share to NIS 0.30 per share, for a period which started with the dividend announced on the date of approval of the interim financial reports for the third quarter of 2020 until the dividend that will be announced on the date of the approval of the interim financial reports for the third quarter of 2021 (total dividend distributions for five consecutive quarters).

NOTE 25:- EQUITY (Cont.)

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

2. In 2020, the Company declared and paid dividends in the total amount of NIS 264 million (NIS 1.59 per share) in 2019, NIS 299 million (NIS 1.62 per share), in 2018, NIS 292 million (NIS 1.52 per share).

3. For information about the declaration of a dividend subsequent to the reporting date, refer to Note 37a.

g. Capital management of the Company

The Company evaluates and analyzes its capital in terms of economic capital, that is, the excess of fair value of its assets over its liabilities. The Company manages its capital in the operating currencies of its investees in which it operates and at similar levels to the ratio of assets in a particular currency to total assets according to proportionate consolidation.

The Company manages its capital with emphasis on economic flexibility for investing in its areas of operations as well as in synergistic areas, while maintaining a strong credit rating, high level of liquidity and seeking to maintain most of its assets as unencumbered.

The Company's Board of Directors determined the optimal capital ratios that will provide adequate return for the shareholders at a risk which it defines as low. The Company's Board of Directors authorized a deviation from the capital ratio that the Board of Directors deems appropriate when the Company's management makes significant investments, while simultaneously setting targets for the restoration of appropriate ratios within a reasonable time.

Over the years, the Company and its subsidiaries have raised equity capital in the markets in which they operate.
The Company evaluates its capital ratios on a consolidated basis (including non-controlling interests), on an extended "stand alone" basis (the Company and its wholly-owned subsidiaries) with reference to the capital of its listed subsidiaries presented at equity, and also based on cash flow ratios.

h. Acquisition plan

On May 26, 2020, the Company's Board of Directors resolved to adopt a new plan for the buy-back of the Company's shares (instead of a previous plan) in an amount of up to NIS 400 million, valid until December 31, 2020. The purchases under the plan will be executed from time to time, at the discretion of the Company's management, insofar as the share price reflects a significant discount in relation to the Company's NAV (calculated according to the value of its holdings).
In 2020, the Company executed a buy-back of 33.2 million shares for NIS 633 million, out of which 20 million shares were purchased on July 15, 2020, as part of a share buy-back tender offer for a consideration of NIS 346 million.

NOTE 26:- SHARE-BASED COMPENSATION

a. Starting December 2011, the Company activates its Share Incentive Plan ("the Plan"). Pursuant to the Plan, the Company may grant directors, employees, officers and service providers options, ordinary shares, restricted shares and other share-based awards as set out in the Plan, convertible into up to 13.2 million of the Company's shares, subject to various tax consequences and regimes.

b. In 2020, as part of the Plan, the Company granted, share options and restricted share units ("RSUs") to the Company's employees and officers.

c. The following table presents the change in number of the Company's share options and their original weighted average exercise price:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		NIS		NIS
Share options at beginning of year	4,361,927	38.93	4,228,944	40.10
Share options granted	4,436,201	26.54	394,692	28.68
Share options canceled	(119,637)	31.13	-	-
Share options forfeited	(60,091)	22.76	(8,415)	37.38
Share options exercised	-	-	(43,926)	37.38
Share options expired	(12,836)	37.38	(209,368)	43.54
Share options at end of year	8,605,564	32.77	4,361,927	38.93
Share options exercisable at end of year	970,513	33.49	505,610	34.48

Each abovementioned share option, except for the options granted to Dori Segal, the former CEO of the Company, is exercisable into one ordinary share of NIS 1 par value of the Company at an exercise price that is linked to the Israeli CPI and subject to adjustments (including share distributions, rights issues and dividend distributions). The exercise price is determined as the average share price in the 30 days preceding the grant date. The grantees are also provided the choice of a cashless exercise. The options vest over three years in three equal installments, starting one year from the grant date of the options, and the options expire four years after the grant date.

The options granted to Dori Segal, the former CEO of the Company, for which the exercise was contingent upon the average price target of the Company's share being higher than the exercise price and for the exercise thereof, requires that during the 12 months preceding the exercise date, the average share price on the stock exchange for a period of 90 consecutive days, would not be less than NIS 45. The final expiration date of the options is five years after the grant date, even in the event of the termination of employment. In January 2018, following the termination of employment of the former CEO, the remainder of the options were vested.

NOTE 26:- SHARE-BASED COMPENSATION (Cont.)

d. The following table presents the movement in units of the Company RSUs and PSUs:

	2020	2019
	RSUs	RSUs
Units at beginning of the year	171,711	162,346
Units granted	612,096*)	78,538
Units canceled	(21,386)	-
Units forfeited	(10,621)	(3,751)
Units Vested	(99,584)	(65,422)
Units at end of year	654,236	173,730

*) Including 98 thousands restricted shares granted to a CEO of a subsidiary, see section e below.

Each RSU is exercisable into one ordinary share of the Company. The RSUs, except for RSUs granted to the Company's directors, vest over three years in three equal installments starting one year from the grant date of the RSU.
The RSUs granted to directors of the Company vest over two years in two equal installments starting one year from the RSUs grant date.
In the event of a dividend distribution, the grantees will be entitled to compensation that reflects the benefit relating to the dividend in respect of the RSUs that had not vested on the dividend distribution date.

e. Other equity compensation
In 2017, the Company granted to a CEO of a subsidiary the right to receive Company's shares at a value of up to USD 2.65 million over a 4 year period, out of which a maximum value of USD 0.8 million is subject to the discretion of the subsidiary's board of directors and the Company's compensation committee, and provided the CEO is an employee of the subsidiary at the time of allotment. In 2020, 98 thousand restricted shares were allotted according to this plan (in 2019- 119 thousand shares, of these 113 restricted shares which will vest over two years in two equal installments), according to the terms of the plan.
As at the reporting date, the maximum value remaining is for 133 thousand shares.

f. The expenses recognized in the income statement for the share-based compensation in 2020, 2019 and 2018, amounted to NIS 10 million, NIS 7 million and NIS 15 million, respectively.

g. Cash-settled transactions

As of the reporting date there are 60 thousand RSUs that are settled in cash (as at December 31, 2019, 60 thousand RSUs).

The carrying amount of the liability relating to the aforementioned cash settled compensation plans at December 31, 2020 is NIS 1 million (in 2019, NIS 2 million).

NOTE 27:- CHARGES (ASSETS PLEDGED)

a. As collateral for part of the Group's liabilities, including guarantees provided by banks in favor of other parties, the Group's rights to various real estate properties which it owns have been mortgaged and other assets, including the right to receive payments from tenants, rights under contracts with customers, funds and securities in certain bank accounts and floating charges. In addition, charges have been placed on part of the shares of investees and of other companies which are held by the companies in the Group.

The balances of the secured liabilities are as follows:

	December 31	
	2020	2019
	NIS in millions	
Non-current liabilities (including current maturities)	3,889	4,553
Debentures (including current maturities) (1)	324	-
	4,213	4,553

(1) To secure the debentures (Series O), issued by the Company in October 2020, a fixed pledge has been placed on real estate properties which are owned by G Israel with a total value as at the reporting date of NIS 424 million.

NOTE 28:- RENTAL INCOME

In 2018-2020, the Group had no single tenant which contributed more than 10% to total rental income. For information about rental income by operating segments and geographical regions, refer to Note 36.

NOTE 29:- PROPERTY OPERATING EXPENSES

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Salaries and related expenses	76	81	80
Property tax and other fees	86	87	83
Maintenance and repairs	173	196	208
Utilities	147	188	203
Insurance and security	71	79	76
Allowance for bad debts	95	12	11
Others	112	134	183
	760	777	844

NOTE 30:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Salaries and management fees (1)	199	208	209
Professional fees	60	64	82
Depreciation	25	24	22
Other (including office maintenance) (2)	68	64	62
	352	360	375

(1) For information about salaries and management fees to related parties, refer to Note 35c.
(2) Net of income management fees from related party, refer to Note 35d.

NOTE 31:- OTHER INCOME AND EXPENSES

a. Other income

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Capital gain on assets disposal	6	20	2
Others	12	15	11
	18	35	13

b. Other expenses

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Loss from decrease in holding interest, revaluation and realization of associate, net	-	(*345	3
Capital loss (including transaction expenses)	-	4	13
Other **)	36	64	110
	36	413	126

*) For details regarding the recorded loss in the sale of 58 million FCR's shares, see Note 8e.

**) In 2018, includes an amount of NIS 29 arising from amortization of goodwill in respect of disposal of assets and a decrease in the tax rate in Norway. In addition, in 2018, includes NIS 25 million for purchase tax related to assets in Israel.

NOTE 32:- FINANCE EXPENSES AND INCOME

a. Finance expenses

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Finance expenses on debentures	502	591	746
Finance expenses on loans from financial institutions and others	186	189	180
Revaluation of derivatives*)	-	-	269
Loss from early redemption of borrowings and derivatives	31	236	222
Finance expenses on lease transactions	20	25	14
Loss from investments in securities	29	-	**)668
Finance expenses in respect of CPI linkage differences	(35)	31	98
Exchange rate differences and others	98	59	84
Finance expenses capitalized to real estate under development	(25)	(13)	(19)
	806	1,118	2,262

*) Mainly from hedging swap transactions.

**) During 2018, wholly-owned subsidiaries of the Company sold all of their holdings of shares of REG, for a total consideration of USD 1.1 billion (approximately NIS 3.9 billion). During 2018, the group recognized a loss from the investments in REG shares of NIS 613 million (before tax effect), resulting from the decrease in the REG share price.

b. Finance income:

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Gain from investments in securities	-	16	3
Dividend income	39	64	67
Interest income from investees	22	21	25
Interest income	12	39	33
Revaluation of derivatives *)	36	808	-
Exchange rate differences and others	-	15	12
	109	963	140

*) Mainly from hedging swap transactions.

NOTE 33:- NET EARNINGS (LOSS) PER SHARE

Details about the number of shares and net income used in calculation of net earnings per share:

	Year ended December 31,					
	2020		2019		2018	
	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company	Weighted number of shares	Net income attributable to equity holders of the Company
	In thousands	NIS in millions	In thousands	NIS in millions	In thousands	NIS in millions
For the calculation of basic net earnings per share	166,983	(653)	185,254	655	192,365	(253)
Effect of dilutive potential ordinary shares	-	(2)	460	(6)	218	(1)
For the calculation of diluted net earnings per share	166,983	(655)	185,714	649	192,583	(254)

NOTE 34:- FINANCIAL INSTRUMENTS

a. Financial risk factors

The Group's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk, fair value risk, and price risk), credit risk and liquidity risk. The Group's comprehensive risk management strategy focuses on activities that reduce to a minimum any possible adverse effects on the Group's financial performance.

The following is additional information about financial risks and their management:

1. Foreign currency risk

The Group operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Group policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, CAD, NIS and BRL) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in view of the extreme variability of the exchange rates during the COVID-19 pandemic, the company's board of Directors decided to decrease the hedge transaction while maintaining the liquidity of the Company. For further information, see section c below.

2. CPI risk

The Group has loans from banks and issued debentures linked to changes in the Consumer Price Index ("the CPI"). Linking rental agreements in Israel to the CPI reduces the negative impact due to rise in the CPI on the CPI-linked Company's liabilities.
For details regarding the sum of financial instruments linked to the CPI and for cross currency swap transactions, where the Group is exposed to changes in the CPI, see section c below.

3. Interest rate risk

Liabilities that bear a variable interest rate expose the Group to cash flow risk, and liabilities that bear a fixed interest rate expose the Group to interest rate risk in respect of fair value. As part of the risk management strategy, the Group maintains adequate composition of exposure to fixed interest to exposure to variable interest. From time to time and according to market conditions, the Group enters into interest rate swaps in which they exchange variable interest with fixed interest and, vice-versa, to hedge their liabilities against changes in market interest rate (see to section c below). As at the reporting date, 86.2% of the Group's liabilities (76.3% excluding interest rate swaps) bear fixed interest (as at December 31, 2019 - 85.0%, 79.2% excluding interest rate swaps). For further information about regarding interest rates and the maturity dates, see also Notes 19 and 20.

4. Price risk

The Group has investments in marketable financial instruments traded on stock exchanges and non-traded instruments, including shares, participation certificates in mutual funds and debentures, which are classified either as financial assets measured at fair value through profit or loss and or financial assets at fair value through other comprehensive income, with respect to which the Group is exposed to risk resulting from fluctuations in security prices which are determined by market prices on stock exchanges. The carrying amount of such investments as at December 31, 2020 is NIS 693 million (as at December 31, 2019, NIS 1,375 million).As part of its risk management strategy, from time to time, the Company considers entering into hedging transactions to reduce exposure to fluctuations in the exchange of price risk.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

5. Credit risk

The financial strength of the Group's customers has an effect on its results. The Group is not exposed to significant concentration of credit risks. The Group regularly evaluates the quality of the customers and the scope of credit extended to its customers. Accordingly, the Group provides for an allowance of doubtful debts based on the credit risk in respect of certain customers.
Cash and deposits are deposited with major financially-sound financial institutions. Therefore, the Company estimates that the risk that such parties will fail to meet their obligations is low.
In connection with the linkage base swaps and the liabilities currency (see section c below), the Company has contracted, with respect to their share, in agreements (credit support annexes or "CSA") that established current settlement mechanism calculated according to the instruments fair value. Hence, the Company exposed to a risk that the other side of the agreements would not fulfill its obligations to the Company. The Company's policy is to conduct derivative financial instruments with financial institutions with high financial strength.

6. Liquidity risk

The Group's policy is to issue capital and taking long-term financing, including through issuing debentures, hybrid bonds, bank loans and mortgages and on the other hand, to invest in long-term assets. In addition, in order to maintain its financial strength and to reduce the dependence on the capital and debt markets, the Company maintain singed and binding credit facilities (for periods of 3-4 years) with financial institutes, which the Company and/or its wholly-owned subsidiaries can utilize credit for different periods, as required.

In connection with cross-currency swap transactions of liabilities (see section c below), with respect to part of the swaps, the Company entered into credit support annexes agreements (“CSA”) of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

For further information about the maturity dates of the Group's financial liabilities, see section d below.

b. Fair value

The following table presents the carrying amount and fair value of groups of financial instruments that are measured in the financial statements other than at fair value:

		December 31, 2020		December 31, 2019	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
		NIS in millions			
Financial assets					
Non-current deposits and loans	3	129	129	49	49
Financial liabilities					
Debentures	1/2	17,212	17,309	16,405	17,462
Interest-bearing loans from banks and others	2	5,824	5,714	5,100	5,196
		23,036	23,023	21,505	22,658
Total financial liabilities, net		(22,907)	(22,894)	(21,456)	(22,609)

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

Fair value determination of financial instruments:

The carrying amount of the financial instruments that are classified as current assets and current liabilities approximate their fair value.

The fair value of financial instruments that are quoted in an active market (such as marketable securities, debentures, convertible debentures) were calculated based on quoted market closing prices on the reporting date (level 1 on the fair values hierarchy). As at December 31, 2020, the fair value of debentures in a total amount of NIS 2.9 billion, which are not quoted in an active market or which are traded in an illiquid market, was evaluated using a valuation method (level 2 on the fair value hierarchy) as described below (as at December 31, 2019, NIS 3.7 billion).

The fair value of loans bearing variable interest approximates their nominal value.

The fair value of debt instruments that are not quoted in an active market or that are traded in an illiquid market is determined using standard pricing valuation models, primarily DCF, which considers the present value of future cash flows discounted at the interest rate, which according to the estimates of the Company's management and external valuators, reflects market conditions including the parties' credit risk on the reporting date.

The fair value of forward contracts with respect to foreign currency is calculated taking into account the future rates quoted for contracts having the same settlement dates and in addition the amounts are discounted with relevant interest and the value is adjusted to the credit risk of the counter party (level 2 on the fair value hierarchy).

The fair value of interest rate swap contracts and cross-currency swap contracts that include a principle and interest are determined by discounting the anticipated cash flows from the transaction by the applicable yield curve, with adjustments for inter-currency liquidity gaps (CBS), inflation expectations and the credit risk of the parties (level 2 on the fair value hierarchy).

*) Following is the reconciliation between the opening to the closing balance of financial assets measured at level 3 on the fair value hierarchy:

	December 31	
	2020	2019
	NIS in millions	
Balance at beginning of the year	269	208
Additions	-	73
Capital return	(5)	(1)
Classification to other investments, loans and receivables	(70)	-
Gain through profit or loss	7	7
Revaluation through capital reserve	(31)	- *)
Translation adjustments from foreign operations	(25)	(18)
Balance at end of the year	145	269

*) Represent an amount less then NIS 1 million.

The balance represents the participation certificates in private equity funds. For further information refer to Note 10.

In 2020, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

c. Financial derivatives

The following table present information about cross-currency swaps, interest rate swaps, forward contracts and purchase options:

Transaction type	Denomination	Outstanding notional amount NIS in million as of		Linkage basis/Interest receivable *)	Linkage basis /Interest payable *)	Remaining average effective duration	Fair value - NIS in millions as of	
		31.12.20	31.12.19				31.12.20	31.12.19
Cross currency swaps								
	EUR-NIS	4,071	4,068	CPI linked,1.29%-5.78%	Fixed, 2.12%-6.26%	4.2	580	803
		8	74	Nominal, 0.71%	Fixed, 1.24%	0.3	(2)	8
		60	371	Nominal, 2.63%	Variable, L	0.3	12	84
	USD-NIS	635	649	CPI linked,1.29%-2.80%	Fixed, 5.84%	4.4	49	68
		34	219	Variable, L	Fixed, 4.95%	0.3	(15)	(3)
	CAD-NIS	-	311			-	-	100
		297	1,114	Nominal, 4.00%	Fixed, 4.95%	4.5	57	220
	SEK-EUR	1,241	1,228	Fixed, 1.25%	Fixed, 1.18%-1.27%	5.7	(15)	61
Linkage bases swaps	EUR	-	5,429			-	-	(57)
Cross currency options	BRL-USD	-	354			-	-	1
Israeli government bonds derivatives	NIS	-	200			-	-	(18)
Interest rate swaps fixed/variable								
	EUR	1,180	1,170	Variable	Fixed	6.3	(90)	(69)
	USD	686	47	Variable	Fixed	8.8	(27)	(2)
	CAD	118	128	Variable	Fixed	8.8	(11)	- **)
	NOK	445	531	Variable	Fixed	2.1	1	6
Forward contracts								
	Different currencies	7,637	4,269			short term	(41)	(59)
							498	1,143
CSA cash collateral, net							(356)	(912)
							142	231

*) "L" represents Interbank base-rate related to the currency of the transaction.
**) Represent an amount of less than NIS 1 million.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

Below is the fair value of derivatives designated for hedge accounting included in the above table:

	December 31 2020	December 31 2019
	NIS in millions	
Assets	1	5
Liabilities	(95)	(112)
	(94)	(107)

d. Liquidity risk

The table below presents the maturity schedule of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

December 31, 2020

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others (excluding current maturities)	1,373	-	-	-	1,373
Trade payables	131	-	-	-	131
Other accounts payable	629	-	-	-	629
Debentures	947	4,673	7,521	6,225	19,366
Interest-bearing loans from financial institutions and others	292	2,832	998	2,379	6,501
Lease liabilities	38	99	69	900	1,106
Other financial liabilities	29	-	-	42	71
	3,439	7,604	8,588	9,546	29,177

December 31, 2019

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and others (excluding current maturities)	755	-	-	-	755
Trade payables	93	-	-	-	93
Other accounts payable	1,095	-	-	-	1,095
Debentures	1,819	4,815	3,557	8,664	18,855
Interest-bearing loans from financial institutions and others	182	2,315	1,164	2,047	5,708
Lease liabilities	41	123	67	929	1,160
Other financial liabilities	31	-	-	53	84
	4,016	7,253	4,788	11,693	27,750

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity analysis of market risks

Impact on pre-tax income (loss) for the year of a 1% increase in interest rates	Sensitivity analysis of financial balances to absolute changes in interest rates			
	USD interest	CAD interest	EUR interest	NIS interest
	NIS in millions			
31.12.2020	4	(1)	(40)	(5)
31.12.2019	(9)	(1)	(19)	(2)

	Sensitivity analysis of financial balances of absolute changes in Consumer Price Index			
	+2%	+1%	-1%	-2%
Effect on pre-tax income (loss)	NIS in millions			
31.12.2020	(86)	(173)	173	86
31.12.2019	(76)	(151)	151	76

	Sensitivity analysis for financial derivative absolute changes in Consumer Price Index			
	+2%	+1%	-1%	-2%
Effect on pre-tax income (loss)	NIS in millions			
31.12.2020	108	54	(54)	(108)
31.12.2019	(23)	(12)	12	23

	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
Effect on pre-tax income (loss)	+10%	+5%	-5%	-10%
	NIS in millions			
31.12.2020				
Change in exchange rate of EUR	(145)	(73)	73	145
Change in exchange rate of USD	79	39	(39)	(79)
Change in exchange rate of CAD	(31)	(15)	15	31
Change in exchange rate of BRL	(142)	(71)	71	142
Change in exchange rate of SEK	(199)	(99)	99	199
Change in exchange rate of NOK	(65)	(33)	33	65
31.12.2019				
Change in exchange rate of EUR	(222)	(111)	111	222
Change in exchange rate of USD	37	14	(7)	(14)
Change in exchange rate of CAD	(138)	(69)	69	138
Change in exchange rate of BRL	(90)	(46)	53	114
Change in exchange rate of SEK	(173)	(86)	86	173
Change in exchange rate of NOK	(49)	(25)	25	49

	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
Effect on pre-tax equity (accounting hedge)	+10%	+5%	-5%	-10%
	NIS in millions			
31.12.2020				
Change in exchange rate of EUR	210	101	(92)	(176)
Change in exchange rate of USD	(176)	(88)	88	176
Change in exchange rate of CAD	22	11	(11)	(22)
Change in exchange rate of NOK	- *)	- *)	- *)	- *)
31.12.2019				
Change in exchange rate of EUR	(186)	(93)	93	186
Change in exchange rate of USD	(45)	(22)	22	45
Change in exchange rate of CAD	(25)	(13)	13	25
Change in exchange rate of NOK	1	- *)	- *)	(1)

*) Represent amount less then NIS 1 million.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivatives- absolute changes in interest rates			
	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2020				
Change in interest on ERU	208	107	(114)	(236)
Change in interest on USD	172	90	(98)	(204)
Change in interest on CAD	26	14	(14)	(30)
Change in nominal interest on NIS	(32)	(16)	17	36
Change in real interest on NIS	(479)	(245)	256	524
Change in interest on SEK	145	75	(80)	(166)
31.12.2019				
Change in interest on EUR	276	143	(153)	(318)
Change in interest on USD	64	33	(35)	(73)
Change in interest on CAD	180	93	(100)	(209)
Change in nominal interest on NIS	(108)	(55)	59	122
Change in real interest on NIS	(550)	(282)	295	605
Change in interest on SEK	154	80	(86)	(179)

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives- absolute changes in interest rates			
	+2%	+1%	-1%	-2%
	NIS in millions			
31.12.2020				
Change in interest on EUR	146	76	(81)	(168)
Change in interest on USD	3	1	(2)	(3)
Change in interest on CAD	19	10	(11)	(23)
Change in interest on NOK	16	8	(8)	(17)
31.12.2019				
Change in interest on EUR	160	83	(91)	(189)
Change in interest on USD	4	2	(2)	(4)
Change in interest on NOK	12	6	(6)	(12)

Sensitivity analysis and main assumptions

The Company has performed sensitivity tests of principal market risk factors that are liable to affect its reported operating results or financial position. The sensitivity analysis_presents the gain or loss or change in equity (before tax) in respect of each financial instrument for the relevant risk variable chosen for that instrument as at each reporting date. The examination of risk factors and the financial assets and liabilities were determined based on the materiality of the exposure in relation to each risk assuming that all the other variables remain constant. The sensitivity analysis refers to a potential increase in the relevant variables at rates that the Company deemed appropriate, as the case may be. The same is true for a decrease in same percentage which would impact profit or loss by the same amounts in the opposite direction, unless otherwise indicated.

In addition:

1. The sensitivity analysis for changes in interest rates of monetary balances was performed on long-term liabilities with variable interest as at the reporting date.

NOTE 34:- FINANCIAL INSTRUMENTS (Cont.)

2. According to the Company's policy, as discussed in section a above, the Company generally hedges its main exposures to foreign currency, among others, through maintaining a high correlation between the currency in which its assets are purchased and the currency in which the liabilities are assumed. Accordingly, economic exposure of assets net of financial balances to changes in foreign currency exchange rates is fairly limited in scope. Nonetheless, there is accounting exposure to changes in foreign currency and interest rates with respect to cross currency swap transactions which were not designated for hedge accounting, as presented in the above table.

3. The main accounting exposure in respect of derivative financial instruments is in respect of fair value changes due to changes in interest, CPI and currency which may have an effect on the profit or loss or directly on equity due to transactions that do not qualify for accounting hedge and transactions that do qualify for accounting hedge, respectively.

4. Cash and cash equivalents, including financial assets that are deposited or maintained for less than one year, were not included in the analysis of exposure to changes in interest.

f. Changes in liabilities from financing activities:
Following is reconciliation between the opening balance and closing balance of liabilities for which the cash flows due to them are classified or will be classified as cash flows from financing activities:

December 31, 2020:

	January 1, 2020	Cash Flow	Foreign exchange movement	Other Changes	December 31, 2020
			NIS in millions		
Short-term loans	754	568	44	-	1,366
Long-term loans	5,100	20	86	474	5,680
Debentures	16,405	642	85	80	17,212
Total liabilities from financing activity	22,259	1,230	215	554	24,258

December 31, 2019:

	January 1, 2019	Cash Flow	Foreign exchange movement	Other Changes	December 31, 2019
			NIS in millions		
Short-term loans	1,273	(247)	(95)	(177)	754
Long-term loans	5,359	(142)	(236)	119	5,100
Debentures	21,474	(4,133)	(1,144)	208	16,405
Total liabilities from financing activity	28,106	(4,522)	(1,475)	150	22,259

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Income

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Management fees from the parent company (section e)	1.7	1.7	1.7
Interest income from investees	22	21	25
Dividend income from associates	25	145	212

b. Other expenses and payments

	Year ended December 31					
	2020		2019		2018	
	Number of people	NIS in millions	Number of people	NIS in millions	Number of people	NIS in millions
Directors' fees (1)	7	1.6	9	2.4	6	2.1
Salaries and related expenses (2)	2	7.9	2	7.4	3	15.3

(1) In 2020 and 2019 includes share-based compensation granted to directors worth approximately NIS 0.2 million per year.

(2) For information about the employment terms (including share based compensation) of the Executive Vice Chairman of the Board and CEO and controlling shareholder and his son-in-law, the VP Investments of the Company, see section c below.

c. Employment agreements

1. Vice Chairman of the Board of Directors, CEO and the Controlling Shareholder, Mr. Chaim Katzman

a) Until January 31, 2018 Chaim Katzman served as the executive chairman of the Board of Directors of the Company, without compensation from the Company, although in the course of fulfilling his duties Chaim Katzman was entitled to continue using the Company's resources in order to fulfill his duties.

b) Chaim Katzman has served as Vice Chairman of the Board of Directors and CEO of the Company since February 1, 2018. In June 2018, the general meeting approved the employment terms of Chaim Katzman in the Group, after obtaining the approval of the Compensation Committee and the Board of Directors of the Company, for a period of three years commencing February 1, 2018, subject to the right of each party to cancel the agreement with notice of 180 days.

The total employment cost of Chaim Katzman will not exceed NIS 5.8 million, and the fixed salary to be paid to Chaim Katzman by the Company will be calculated as the difference between NIS 5.8 million ("the Annual Cost of Employment in the Group") and the total cost of the compensation paid to him by the Company’s public subsidiaries, as they may be from time to time, provided that if the difference is more than NIS 3.9 million, the Company will bear (directly and indirectly, through its wholly owned private subsidiaries) the a maximum annual employment cost of NIS 3.9 million ("the Maximum Annual Employment Cost").
The fixed salary, the Annual Cost of Employment in the Group, and the Maximum Annual Employment Cost will be adjusted once every calendar year in the amount of the increase in the CPI. Accordingly, in 2020, Chaim Katzman was entitled to a yearly salary that reflects an annual cost to the Company (separate, the Chaim Katzman’s compensation from the Company's subsidiaries in 2020) in the amount of NIS 2,406 thousands.

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

In addition to the fixed salary, Chaim Katzman will be entitled to sick leave and recreation days as stipulated by law and to 30 vacation days a year, all this provided that the total Annual Cost of Employment in the Group does not exceed the Maximum Annual Employment Cost as defined above.
In the event of the termination of employment or non-renewal of the agreement, Mr. Katzman will be entitled to various compensations of value that can reach up to the sum of the annual transaction cost.
Chaim Katzman will also be entitled to exemption, indemnification and insurance under terms that are the same as those of the other officers in the Company
In connection with his employment as detailed above, Mr. Katzman is not entitled to an annual bonus or to capital compensation.

In March 2021, the Company's Board of Directors and compensation committee approved a new employment agreement with Mr. Katzman, with similar terms as detailed above other than the following: the maximum Annual Cost of Employment in the Group of Mr. Katzman will be reduced from NIS 5.8 million to NIS 5.6 million, while cancelling the Maximum Annual Employment Cost limit (which was NIS 3.9 million). In addition, a mechanism for annual and deferred bonus will be set, in a way that Mr. Katzman will be entitled to an annual bonus and deferred bonus of 40% out of the the total annual employment costs which the Company and its wholly owned subsidiaries will bear, as it will be from time to time (maximum total of NIS 2.24 million, assuming the Company will bear the maximum annual cost of employment of NIS 5.6 million), which will be paid according to the following terms: (a) half of the compensation will be paid each year that FFO yield over capital (the "Yield") is higher than 6%; (b) the compensation which was not paid each year will be paid by the end of the 3 year terms of the agreement, if and when the average Yield for the 3 years is higher than 6%.
The amended agreement (and the renewal of the exemption, indemnification and insurance of Mr. Katzman) is subject to a minority shareholders' approval in the special general meeting of the Company which is expected to assemble in April 2021.

c) According to the advisory agreement with ATR of 2009 (which was amended from time to time), Chaim Katzman, ATR's chairman of the Board of Directors, is entitled to annual compensation of EUR 700 thousand for advisory services and recovery of expenses from ATR.

d) For 2020, Chaim Katzman is entitled to director's compensation in the amount of EUR 165 thousand for his services as CTY's chairman of the Board of Directors (in 2019 - EUR 165 thousand).

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

2. VP Investments of the Company, Mr. Zvi Gordon

a) In June 2017, Zvi Gordon, the son-in-law of Chaim Katzman, was appointed as VP Investments of the Company, this alongside his office as VP Mergers & Acquisitions in Gazit USA, a wholly owned subsidiary of the Company.
In March 2020, after obtaining the approval of the Company's Compensation Committee, the Company's General Meeting approved the renewal and updating of Mr. Gordon's employment agreement for a period of three years from the date of approval of the meeting, subject to the right of each party to terminate the agreement by 90 days' notice.
In accordance with the terms of the agreement, Mr. Gordon will be entitled to a salary of USD 250 thousands (linked to an annual increase in the consumer price index; instead of an annual salary of USD 200 thousands under the previous employment agreement). Zvi Gordon is also entitled to standard social and related benefits (the relating grossing-up of tax will be borne by the Company) as well as to indemnification, exemption and insurance as customary in the Company.
According to his employment agreement, Zvi Gordon is entitled to an annual cash bonus, in a total amount that will not exceed 75% of the base annual salary to which he is entitled for any year, based on the extent to which the Company meets measurable goals set for the Company a year in advance, for achieving 100% of the targets for a particular year. In 2020, Zvi Gordon received a cash bonus of USD 116 thousands (according the new employment agreement).
Additionally, in 2017, Zvi Gordon was allotted 224,848 options (non-negotiable) for the purchase of ordinary shares of NIS 1 par value of the Company, at an exercise price of NIS 34.308 per share, and 19,985 restricted share units.
In addition, pursuant to the new employment agreement with Mr. Gordon, in March 2020, Mr. Gordon was granted 972,656 options (non-negotiable) for the purchase of ordinary shares of NIS 1 par value of the Company, at an exercise price of NIS 39.99 per share, and 39,873 restricted share units.
The options and the restricted share units vest in three equal batches, starting at the end of one year from their grant date. Options that are not exercised within 90 days of the termination of Zvi Gordon's engagement with the Company will expire. The final expiration date of all options is at the end of 4 years from their date of grant. The options may also be exercised in a cashless exercise. In the event of a dividend distribution, Zvi Gordon will be entitled to a monetary compensation that reflects the benefit of the dividend distribution pertaining to the restricted share units that are not yet vested on the dividend distribution date. As well as the new employment agreement with Mr. Gordon will not be renewed at the end of the three years, Mr. Gordon will be entitled to maturity of the last share of the equity compensation granted to him by virtue of the new employment agreement, in accordance with its terms (i.e., the last batch will vest on June 19, 2023), provided that Mr. Gordon has worked for the Company for the entire term of the agreement.
In case of the new employment agreement with Mr. Gordon will not be renewed at the end of the three years, Mr. Gordon will be entitled to maturity of the last share of the equity compensation granted to him by virtue of the new employment agreement, in accordance with its terms (ie, the last batch will vest on June 19, 2023), provided that Mr. Gordon has worked for the Company for the entire term of the agreement.
In the event of termination or non-renewal of the agreement, Mr. Gordon will be entitled to various rewards that can reach up to 200% of his annual base salary as well as accelerate the vesting period for the equity compensation components alloted to him before their maturity date.

b) Starting June 2020, Mr. Gordon serves as a director in CTY. For his services, Mr. Gordon is entitled to the usual directors' compensation in CTY, in the amount of EUR 50,000 per year in addition to EUR 600 per meeting. This compensation will be deducted from the salary Mr. Gordon is entitled to receive from the Company.

NOTE 35:- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

d. Entering into an agreement with Norstar

On February 1, 2012, the Company engaged in an agreement with Norstar and Norstar Israel ("the Gazit-Norstar Agreement"), as recently updated in November 2020, with respect to the following matters:

1. Service agreement - Norstar will pay the Company a monthly fee of NIS 133 thousand (until November 2020 – NIS 139 thousands), linked to increase in the Israeli CPI including VAT for various services. The Agreement is for a three-year period and renews automatically for further periods, each for three years, with each party being entitled to give notice of non-renewal (subject to the applications of the Companies Law). The services will include secretarial services, book keeping services, treasury services, computer services, communications, legal services, and dealing with bank financing, the capital markets and investments.

2. Non-competition provisions, the principals of which, to date, are as follows: Norstar has undertaken that, so long as Norstar Group continues to be the Company's sole controlling shareholder and so long as the Company is principally an owner, developer, and operator of supermarket-anchored shopping centers and retail-based, mixed-use properties (in this section: "the Shopping Centers") and/or controls and holds companies that are engaged primarily in said fields as a principal activity, Norstar Group will not engage in the field of owning, managing and developing of shopping centers will not own shares in companies that are engaged in such fields as its principal activity (other than the Company) and any proposals it receives to engage in and/or to hold the aforementioned will be passed on by it to the Company. The above will not apply to financial investments in shares of companies which are traded in stock exchange in Israel or abroad that are engaged in the field of owning, managing and developing of shopping centers are as their primary field, as long as Norstar will not own 5% or more in such company share capital.

   For the removal of a doubt, it is further clarified that Norstar may own, develop and operate real estate other than Shopping Centers, as defined above, and may hold the shares of companies that own, develop and operate real estate other than Shopping Centers as their primary activity.

   In addition, during 2018, the Company's Board of Directors, after obtaining the approval of the Company's Audit Committee, approved a procedure for leasing the Company's airplane to Norstar, from time to time, and in accordance with the airplane availability and the Company's needs. The pricing for the lease is the pricing used for third party leases, which are determined according to a price list set by the third party management company of the airplane. In 2020 the company did not lease the airplane to Norstar.

e. Balances with related parties

	December 31	
	2020	2019
	NIS in millions	
Interest receivable from joint ventures and equity-accounted investees (Note 6)	22	19
Long term loans to equity-accounted investees (Note 8a)	419	334
Short-term loan for a joint venture and affiliate (note 6)	-	19

f. Subsidiaries:

For details regarding transactions and balances with subsidiaries, see Note 8.

NOTE 36:- SEGMENT INFORMATION

a. General

According to the "management approach", as defined in IFRS 8, the Group operates in several operating segments, five of which meet the definition of a "reportable segment" (as presented in the table below). The segments are identified on the basis of geographical location of the income-producing properties. The Company evaluates the segment results separately in order to allocate the resources and assess the segment performance which, in certain cases, differ from the measurements used in the consolidated financial statements, as described below. Financial expenses, financial income and taxes on income are managed on a group basis and, therefore, were not allocated to the different segment activities.

Other segments include, among others, activities that meet the qualitative criteria of an "operating segment" in accordance with IFRS 8 as they constitute the entity's business component from which it generates revenues and incurs expenses and for which financial information is available and separately reviewed by the Company's management. Such segments, however, do not meet the quantitative threshold that requires their presentation as a reportable segment and comprise mainly the following regions: Germany, Bulgaria and Canada (starting from November, 2019)

b. Financial information by operating segments

As at and for the year ended December 31, 2020

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,218	805	232	139	94	49	(131)	2,406
Segment results:								
Gross profit (loss) (3)	837	545	147	105	61	34	(83)	1,646
Depreciation and amortization (3)	6	11	2	1	- *)	- *)	8	28
Share in earnings (losses) of investees	5	-	(2)	-	-	-	(81)	(78)
Operating income (4)	745	452	123	94	16	29	(1,795)	(336)
Revaluation gain (loss) (4)	(702)	(904)	(112)	37	40	(11)	1,652	-
Segment assets:								
Current Operating assets (5)	772	97	280	60	2	372	1,727	3,310
Non-current Operating assets (5)	18,063	10,693	3,524	2,569	1,836	370	(1,414)	35,641
Investments in investees	10	-	8	-	13	-	1,409	1,440
Total assets	18,845	10,790	3,812	2,629	1,851	742	1,722	40,391
Investments in non-current assets (6)	1,375	97	165	24	194	23	34	1,912
Segment liabilities (7)	486	445	55	14	11	44	26,757	27,812

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

NOTE 36:- SEGMENT INFORMATION (Cont.)

As at and for the year ended December 31, 2019

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,299	1,009	234	218	90	26	(124)	2,752
Segment results:								
Gross profit (loss) (3)	907	705	171	199	61	16	(84)	1,975
Depreciation and amortization (3)	6	9	2	- *)	- *)	- *)	3	20
Share in earnings (losses) of investees	(9)	-	(5)	-	-	-	51	37
Operating income (loss) (4)	806	580	147	177	34	14	(320)	1,438
Revaluation gain (loss) (4)	(553)	(37)	113	587	17	(13)	(114)	-
Segment assets:								
Current Operating assets (5)	214	486	215	55	3	11	2,371	3,355
Non-current Operating assets (5)	17,888	11,269	3,557	3,460	1,722	732	(918)	37,710
Investments in investees	88	-	10	-	-	-	1,462	1,560
Total assets	18,190	11,755	3,782	3,515	1,725	743	2,915	42,625
Investments in non-current assets (6)	439	423	262	176	606	507	(293)	2,120
Segment liabilities (7)	426	507	94	21	20	39	25,192	26,299

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

As at and for the year ended December 31, 2018

	Public subsidiaries over which the Company has control		Wholly - owned subsidiaries					
	Northern Europe (1)	Central-Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)	Adjustments for consolidated (2)-(7)	Consolidated
	NIS in millions							
Segment revenues								
External revenues (2)	1,416	1,073	224	183	44	29	(129)	2,840
Segment results:								
Gross profit (loss) (3)	962	760	160	166	25	17	(94)	1,996
Depreciation and amortization (3)	51	10	1	1	- *)	- *)	- *)	63
Share in earnings (losses) of investees	(19)	-	(16)	-	-	-	424	389
Operating income (loss) (4)	780	615	98	152	4	- *)	362	2,011
Revaluation gain (loss) (4)	(344)	(6)	44	278	142	81	(195)	-

NOTE 36:- SEGMENT INFORMATION (Cont.)

c. Notes to segment information

1. The information of the segment "North Europe" includes 50% of the value of the joint venture Kista Galleria. Starting from 2019 "other segments" includes 60% of the Canada Partnership. Starting from 2018 information of the segment "Central-Eastern Europe" includes 75% of the value of the joint venture Pankrac Shopping Centre k.s as well as information of the segment "United States" includes 50% of the value of the joint venture "Ceasar's Bay" (together "the Joint Ventures") and are offset against consolidation adjustments.

2. The Group has no intersegment revenues. Adjustments with respect to segment revenues primarily includes Joint Ventures as referred to above.

3. Consolidation adjustments in the gross profit and depreciation and amortization items include the effect of the adjustments, as mentioned above.

4. Segments operating income excludes revaluation gains which are included in consolidation adjustments. Adjustments for Operating Income include that stated in section 3 above, as well as goodwill impairment and revaluation gains, which are presented separately under operating profit. Likewise, these reconciliations include unallocated general and administrative expenses of NIS 83 million, NIS 86 million and NIS 86 million and unallocated net other expense (income) of NIS 24 million, NIS 380 million and NIS (2) million, for 2020, 2019 and 2018, respectively.

5. Current operating assets mainly include: trade receivables, other accounts receivable and held for sale assets.
   Non-current operating assets mainly include: investment property, property under development, goodwill, and fixed assets. The consolidation adjustments mainly include securities at fair value through profit or loss, deferred taxes, derivatives, goodwill (at the Group level) and the Joint Ventures as mentioned above.

6. Investments in non-current assets include mainly fixed assets, investment property, investment property under development, as well as business combinations.

7. Segment liabilities include operating liabilities such as trade payables, land lease liabilities, other payables and tenants' security deposits. Consolidation adjustments mainly include mainly deferred taxes, financial derivatives, interest-bearing liabilities and the adjustment for the operating liabilities of the Joint Ventures as described above.

NOTE 37:- SUBSEQUENT EVENTS AFTER THE REPORTING DATE

a. On March 21, 2021, the Company declared the distribution of a dividend in the amount of NIS 0.30 per share (a total of NIS 45 million), payable on April 12, 2021 to the shareholders of the Company on the record date (April 5, 2021).

b. After the reporting date, a wholly owned subsidiary of the Company purchased 11.8 million ATR shares in consideration of EUR 30 million (NIS 118 million). As a result, the interest of the Company in ATR rose to 72.3% and the Company will recognize an increase of NIS 57.6 million in equity attributable to equity holders of the Company, which was carried to capital reserves.

c. 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.

d. After the reporting date, ATR repurchased by a tender offer, debentures with a par value of EUR 78 million (NIS 308 million) with original maturity date in 2022.

e. 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.

f. After the reporting date, CTY repurchased by a tender offer, debentures with a par value of EUR 95 million (NIS 375 million) with original maturity date in 2022.

g. On February 2, 2021, Gazit Malls FII (the "Issuer"), which is a fund for real estate investments (FII – Fundo De Investimento Imobiliario) wholly owned and controlled by the Company (indirectly) and which incorporated in Brazil, submitted a public draft prospectus to the Securities Authority in Brazil for an IPO of its participation units ("Quotas") 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").
In addition, the Issuer intends to raise lien-secured debt prior to the Tender Offer at up to BRL 650 million (NIS 390 million), by means of a private offer to institutional investors ("Debt Raising").
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 total consideration from the Tender Offer and Debt Raising is expected to be BRL 1,180 - 1,690 million (NIS 710 - 1,010 million), according to the market situation in Brazil at that time.
The Debt Raising and the Tender Offer are 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 the Tender Offer and Debt Raising will be completed in the second quarter of 2021.

h. 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, will terminate the agreement, refer also to note 24a2.

LIST OF MAJOR GROUP INVESTEES AS OF DECEMBER 31, 2020 (1)

	Holding interest as of December 31,		Note	Incorporated in	Additional information in Note
	2020	2019			
	%				
M.G.N USA Inc.	100	100	(2)	USA	
Gazit Group South America. Inc.	100	100	(3)	USA	
Gazit Horizons Inc.	100	100	(3)	USA	8f
Gazit Canada Inc.	100	100	(2)	Canada	
Gazit America Inc.	100	100	(3)	Canada	
Gazit TripLLLe Canada General Partner Inc.	60	60	(2)	Canada	
Gazit Canada General Partner Inc.	100	100	(2)	Canada	
Gazit TripLLLe Canada Limited Partnership	60	60	(3)	Canada	
GC York Mills Limited Partnership	100	100	(3)	Canada	
Ficus Inc.	100	100	(3)	USA	
Silver Maple (2001) Inc.	100	100	(3)	USA	
Citycon Oyj	48.9	48.6	(2)	Finland	8d
Gazit Europe (Netherlands) BV	100	100	(2)	Netherlands	
Gazit Europe (Asia) BV	100	100	(2)	Netherlands	
Gazit Germany Beteilingungs GmbH & Co. KG	100	100	(3)	Germany	8f
Gazit Brasil L.P.	100	100	(4)	USA	
Gazit Brasil Ltda.	100	100	(3)	Brazil	8f
Gazit Gaia Limited	100	100	(2)	Jersey	
Gazit Midas Limited	100	100	(2)	Jersey	
Atrium European Real Estate Limited	69.3	60.1	(3)	Jersey	8c
G. Israel Commercial Centers Ltd.	100	100	(2)	Israel	8f

(1) The list does not include inactive companies and companies held by CTY, ATR, G Israel, Gazit Brasil, Gazit South America L.P., M.G.N USA Inc. and Gazit Horizons.

(2) Held directly by the Company.

(3) Held through subsidiaries.

(4) Held directly and through subsidiaries.

ADDITIONAL DETAILS ABOUT THE COMPANY

Company's Name:	Gazit-Globe Ltd. (the "Company" or the "Corporation")
Company's Registered No.:	520033234
Address:	8 Aharon Beker St., Tel-Aviv 6964316
E-mail Address:	IR@gazitgroup.com
Telephone:	03-6948000
Facsimile:	03-6961910
Financial Statement Date:	December 31, 2020
Reporting Date:	March 21, 2021

REGULATION 10A: CONDENSED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME

For condensed statements of comprehensive income for 2020 on a quarterly basis, see section 3.5(c) of the Directors' Report.

REGULATION 10C: USE OF PROCEEDS FROM THE ISSUANCE OF SECURITIES

In the reporting period, the Company issued debentures to the public under Shelf Offering Reports, as follows: In January 2020, the Company issued NIS 600 million par value debentures (Series N); in March 2020, the Company issued approximately NIS 243 million par value debentures (Series K); in April 2020, the Company issued NIS 400 par value debentures (Series N); and in October 2020, the Company issued NIS 328 million par value debentures (Series O). In the Shelf Offering Reports, the Company announced that the proceeds from the issuance will be used to refinance existing financial debt and to finance the Company's ongoing operations, based on decisions made by the Company's management, from time to time. As at the date of this Report, the Company has met its proceeds targets as set forth in the Shelf Offering Reports.

REGULATION 11: LIST OF INVESTMENTS IN SUBSIDIARIES AND IN AFFILIATES

Presented below is a listing of the Company's investments in each of its subsidiaries and related companies as of the date of the report on the financial position:

Company name	Class of security and par value	Quantity owned	Value in the financial statements (NIS in thousands) (*)	Percentage holding in the issued share capital (%)	Percentage holding in the voting rights and power to appoint directors (%)	Price on the stock exchange as of the date of the report on the financial position
Investments in private companies owned by the Company						
Gazit-Globe Holdings (1992) Ltd.	Share NIS 1	432	(171,686)	100	100	-
	Deferred shares	1	-			
G. Globe Development Ltd.	Share NIS 0.01	100	(81,369)	100	100	-
G. Israel Commercial Centers Ltd. ("**G. Israel**")*	Share NIS 0.1	2,410,202	292,637	100	100	-
MGN (USA) Inc. (1)	Share USD 1	2,142	2,168,615	100	100	-
Gazit Canada Inc.(2)	Shares CAD 0.01	1,206	3,466,116	100	100	-
Gazit America Inc. (2)	Share CAD 1	100	-	100	100	-
Gazit Europe (Netherlands) B.V.(3)	Share EUR 1	18,500	294,545	100	100	-
Gazit Europe (Asia) B.V.(4)	Share USD 1	18,000	109,424	100	100	-
Gazit Midas Limited(5)	Share EUR 1	1,000	1,745,971	100	100	-
Gazit Gaia Limited(6)	Share EUR 1	1,000	-	100	100	-
Gazit Brasil.(7)	Participation units and shares	-	2,510,872	100	100	-
Gazit Europe (2019) B.V	Share EUR 1	100	(1,424)	100	100	-
Investments in public companies (some of which are owned by the private subsidiaries detailed above)						
Citycon Oyj. ("**CTY**") (8)	Share EUR 1.35	86,497,175	3,472,735	48.9	48.9	EUR 7.93
Atrium European Real Estate Limited ("**ATR**")(9)	Share EUR 1	227,216,162	-	69.3	69.3	EUR 2.505

(*) In merger proceedings with and within the Company

(*) According to the Company's separate financial statements, as of the date of the report on the financial position.

(1) MGN (USA) Inc. Holds 100% of Gazit Horizons Inc., Gazit 1995 Inc., MGN America LLC., Gazit Group USA Inc. Gazit First Generation Inc.

(2) Gazit America's value in the financial statements is included in Gazit Canada's value.

(3) Gazit Europe (Netherlands) B.V. owns a group of German companies that are not presented separately.

(4) Gazit Europe (Asia) B.V. invests in a real estate investment fund in India, resident in Mauritius.

(5) Gazit Midas Limited owns 28.6% of the share capital of ATR.

(6) Gazit Gaia Limited owns 40.7% of the share capital of ATR. Gazit Gaia's value in the financial statements is included in the balance of value of Gazit Midas.

(7) U.S. partnership owned 94% by the Company and 6% by a wholly owned subsidiaries which owns Gazit Brasil Ltda. and in FIM Norstar.

(8) The holding in CTY shares is direct. CTY has private subsidiaries that are not presented separately in the table.

(9) The holding in ATR is through Gazit Gaia and Gazit Midas. ATR has private companies that are not presented separately in the table.

ADDITIONAL DETAILS ABOUT THE COMPANY

Presented below are details of the balance of the Company's debentures, Capital notes and loans to its subsidiaries and related companies:

Company	Linkage basis	Interest rate	Reported balance as of December 31, 2020 (NIS in million)	Repayment years (as per the agreement)
Gazit Horizons Inc.	USD	Without interest	6	(*)
Gazit Midas Limited	EUR	EURIBOR+1.5%	422	2023
Gazit Gaia Limited	EUR	EURIBOR+1.5%	1,325	2023
Gazit Europe (Netherlands) B.V.	EUR	Capital note without interest	394	2023
	EUR	Without interest	2	2021
G Israel Commercial Centers Ltd.	CPI	4.5%	445	2027
		4.0%	105	2021
	NIS	4.6%	775	2026
		Capital note without interest	375	(**)
G. Globe Development Ltd.	NON LINKED	Without interest	81	(*)
Gazit Globe Holdings (1992) Ltd.	NON LINKED	Without interest	213	(*)
Gazit Germany	EUR	EURIBOR+2.0%	112	2021
		EURIBOR+2.0%-2.55%	11	2021

(*) The loans are automatically renewed from time to time, subject to the possibility of their being terminated in accordance with the terms set forth in the agreements with respect to such loans.

(**) Perpetual capital note without repayment date.

REGULATION 12: CHANGES IN INVESTMENTS IN SUBSIDIARIES AND IN AFFILIATES(*)

Date of change	Nature of change	Company name	Class of security	Total par value	Cost (NIS in thousands)	Average cost per unit
3-12/20	Acquisition of shares on the Stock Exchange	Atrium European	Ordinary share	43,756,913	451,336	EUR 2.63
03/20	Acquisition of shares on the Stock Exchange	Citycon Oyj.	Ordinary share	433,323	9,630	EUR 5.76
06/20	Acquisition of shares on the Stock Exchange	Citycon Oyj.	Ordinary share	99,000	2,477	EUR 5.76
1-12/20	Return of investment (**)	FIM Norstar	Participation units	140,000,000	103,655	BRL 1.00

(*) Excludes negligible investments in establishing inactive subsidiaries in the reporting period.

(**) Refer to footnote (7) to Regulation 11. The investment specified above includes the investment of the Company and investment of Gazit South America Inc.

REGULATION 13: INCOME FROM SUBSIDIARIES AND AFFILIATES AND INCOME THEREFROM

Presented below are details of the 2020 comprehensive income (loss) of each of the Company's subsidiaries or related companies, and also the Company's income from dividends, management fees and interest from those companies (NIS in thousands):

Company name	Income (loss)	Other Comprehensive income (loss)	Total Comprehensive income (loss)	Dividends	Management fees	Interest income (expenses)
MGN (USA) Inc. [1]	27,613	(1,772)	25,842	-	547	(11,440)
Gazit Canada Inc.	65,418	(17,365)	48,052	-	-	(103,051)
Gazit America Inc.				-	-	
Gazit-Globe Holdings (1992) Ltd.	(8)	-	(8)	-	-	-
G Israel Commercial Centers Ltd.	(32,980)	2,626	(30,354)	-	600	78,052
G.Globe Development Ltd.	(2)	-	(2)	-	-	-
Citycon Oyj.	(82,545)	(60,953)	(143,498)	183,802	-	-
Gazit Europe (Netherlands) B.V. [2]	48,801	-	48,801	-	-	2,186
Gazit Europe (Asia) B.V.	(5,953)	(4,809)	(10,762)	-	-	(1,543)
Gazit Brasil Ltda. [3]	125,676	-	125,676	-	-	-
Gazit Midas Ltd. [4]	(469,093)	(25,523)	(494,616)	-	-	7,198
Gazit Gaia Ltd . [4]				-	-	11,725
Gazit Europe (2019) B.V. [5]	(1,018)	-	(1,018)	-	-	-

(1) Results for MGN (USA) Inc. include the results of Gazit Horizons Inc., Gazit 1995 Inc., Gazit Group USA and MGN America LLC.

(2) Represents the results of the Company's operations in Germany.

(3) Represents the results of Gazit Brasil Ltda's operations as well as the results of the operations of FIM Norstar, which are both held by Gazit Brasil LP (a U.S. partnership).

(4) The income includes the results of Gazit Gaia Limited and Gazit Midas Limited.

(5) Results for Gazit Europe (2019) B.V. include the results of NB (2019) B.V.

REGULATION 20: STOCK EXCHANGE TRADING

During the reporting year 99,584 ordinary shares of the Company of par value NIS 1 each were listed. These were issued as a result of the vesting of restricted share units (RSU) and of the executing of options by officers and employees at the Company and at the private subsidiaries.

For information regarding the debentures (Series K, N, and O) that were listed for trading in the reporting period, see Regulation 10C above.

In 2020, stock exchange trading in the Company's securities was not suspended. With regard to the delisting of shares and debentures due to buy-back thereof by the Company (including by buy-back tender offer), see section 3.8 to the Directors' report. For information regarding the generation of dormant shares due to the Company's repurchase and their cancellation, see Regulation 29(A) below.

REGULATION 21: COMPENSATION OF INTERESTED PARTIES AND SENIOR OFFICERS

Presented below are details of the compensation paid for 2020 to each of the five highest compensation recipients among the senior officers of the Group (the Company or a corporation which it controls). Also presented are the three highest compensation recipients among the senior officers of the Company itself, who were granted compensation with respect to their appointment in the Company. The table also includes details of the compensation paid to the Company's interested parties.

Details of Compensation Recipient				**Compensation for Services (NIS in thousands)**					
Name	Position	Scope of position	Percentage holding in the corporation's capital	Salary (1)	Bonus	Share-based payment	Consultancy fees	Other	Total
Adi Jemini	Vice President and CFO	Full-time	0.06%	2,382	1,714	3,346	-	447 (2)	7,889
Scott Ball	CEO of CTY	Full-time	-	2,756	2,384	1,210	-	-	6,350
Chaim Katzman	Vice Chairman of the Board and CEO of the Company, Chairman of the Board of CTY and ATR	-	0.03% (3)	3,054	-	-	2,746	-	5,800
Jeffrey Mooallem	CEO of Gazit Horizons	Full-time	0.00%	1,789	1,626	1,836	-	-	5,251
Liad Barzilai	CEO of ATR	Full-time	0.00%	1,891	1,540	1,502	-	-	4,903
Oren Hod	EVP and COO of the Company	Full-time	-	1,056	782	1,430	-	360	3,628
Rami (Romano) Vaisenberger	Vice President and Accountant	Full-time	0.03%	1,451	684	884	-	-	3,019
Zvi Gordon	VP Investments	Full-time	0.01%	959	399	740	-	-	2,098
Ehud Arnon(4)	Chairman of the Board of Directors	-	0.0%	188	-	36	-	-	224
Ronnie Bar-On	External Director, Director in Gazit Brazil	-	0.0%	233	-	36	-	-	269
Adi Armoni	Director			110	-	36	-	-	146
Zehavit Cohen	Director in the Company and in Gazit Horizons	-	0.0%	237	-	36	-	-	273
Douglas Sesler	Former Director in the Company and in Gazit Horizons	-	0.0%	118	-	36	-	-	154
Limor Shofman	External Director	-	0.0%	220	-	36	-	-	256
Shmuel Hauser	External Director	-	0.0%	230	-	36	-	-	266

(1) Regarding the Company's directors, cash compensation to directors for 2020 was included in this column.
(2) Amounts for retention bonus and tax rebate, as described below.
(3) Reflects Mr. Katzman's direct holdings in the Company. For a description of Mr. Katzman's holdings in Norstar Holdings Inc., the controlling shareholder of the Company, see Regulation 21A below.
(4) Excluding reimbursement of travel expenses.

A. Additional details and explanations to the table - General

a) The compensation amounts are in terms of cost to the Company or to the subsidiary, as the case may be. The salary amounts include the cost of salary-related components.

b) The Percentage holding in the corporation's capital included in the table, are correct for the date close to the date of publication of the report , based on the information available to the Company.

c) The compensation to which Mr. Chaim Katzman is entitled in the foreign public subsidiaries, CTY and ATR, is determined and approved in accordance with the laws that are applicable to each of the aforesaid companies, including the rules of the stock exchanges on which such companies are listed for trade and customary principles of corporate governance, as described below: ATR - The compensation is recommended to the Board of Directors of ATR by the Compensation and Nomination Committee of ATR (in which most of the members are independent directors; Mr. Katzman, who is a member and head of the Committee, refrains from participating and voting in discussions pertaining to him), and reported to the Board of Directors of ATR; CTY - The annual general meeting of the shareholders in CTY determines the salary of the Chairman of the Board of Directors and of the other directors of CTY, based on the recommendation of the Board of Directors of CTY that based on the recommendation of its Appointments and Compensation Committee (in which most of the members are independent directors of CTY and Mr. Katzman is the Chairman of the Committee). The Board of Directors of CTY, at the first meeting following its selection at the general meeting, appoints the Chairman and his deputies from among its members.

B. Additional details and explanations to the table - Details regarding the Vice Chairman of the Board and CEO of the Company, Mr. Chaim Katzman

Since January 31, 2018, Mr. Katzman has been serving as CEO of the Company and Vice Chairman of the Board of Directors. Upon his appointment as CEO, Mr. Katzman ended his term as Chairman of the Company's Board of Directors.
The employment agreement with Mr. Katzman was valid until January 31, 2021 and the Company is acting to renew it, subject to receive of approval from the competent entities, as required by law and as set out below.
The salary listed in the table is for management services that Mr. Katzman provides to the wholly owned subsidiary of the Company, and also to other private subsidiaries in the group. It also includes directors' compensation from CTY for his service as Chairman of the Board of Directors of CTY. The amount listed in the table under "Consulting fees" is the annual remuneration for his service as Chairman of the Board of ATR.

1. Details of the compensation of Mr. Katzman for his service at the Company

In June 2018, Mr. Katzman's employment terms were approved at the Company's general meeting, after receiving the approval of the Compensation Committee and the Company's Board of Directors, for a period of three years beginning on February 1, 2018, subject to the right of each of the parties to cancel the agreement by prior notice of 180 days. As aforesaid, the Company is acting to renew the agreement, subject to the following amendment.
According to the agreement, the total employment cost for Mr. Katzman will not exceed NIS 5.8 million, while the fixed salary to be paid to Mr. Katzman from the Company will be calculated as the difference between NIS 5.8 million ("Annual Employment Cost in the Group") and the total cost of the compensation paid to him by the Company's public subsidiaries, as paid from time to time. This on condition that if the aforementioned difference exceeds NIS 3.9 million, the Company will bear (directly and indirectly, via wholly owned private subsidiaries) the maximum annual employment cost of NIS 3.9 million ("Maximum Annual Employment Cost"). Once every calendar year, the fixed salary, Annual Employment Cost in the Group and the Maximum Annual Employment Cost were updated in the amount of the increase in the Consumer Price Index in relation to the Index for December 2017. Accordingly, in 2020, Mr. Katzman was entitled to a monthly salary that reflects the annual cost to the Company (Separate Financial Information, as of December 31, 2020, based on the compensation data for Mr. Katzman from the Company's subsidiary in 2020), totaling NIS 2,406 thousand.
In addition to the fixed salary, Mr. Katzman is entitled to sick and convalescence days as stipulated by law and to 30 vacation days a year that can be accrued up to 60 days, as well as related terms customary at the Company, provided that the total annual cost of employment in the Company does not exceed the Maximum Annual Employment Cost as defined above.
In addition, Mr. Katzman is entitled to exemption, indemnification, and insurance with terms identical to the other officers at the Company (for details, see Regulation 29A below) and to reimbursement for expenses paid in fact as part of his service as CEO, as customary at the Company (such as travel, etc.), as well as use of the Company's facilities. As part of renewal of Mr. Katman's employment agreement (as described below), the Company is acting to renew the exemption and indemnity letter of undertaking for Mr. Katzman.
For his aforementioned service, Mr. Katzman is not eligible for an annual bonus or equity compensation.
In the event that the period of the agreement elapses and a new employment agreement is not signed with Mr. Katzman for his service as CEO of the Company, Mr. Katzman shall be entitled to the fixed salary for an additional six months (during this period, Mr. Katzman shall not be entitled to any payment for the advance notice period).
Should the Company seek to terminate the agreement before three years have passed (other than under circumstances that give the Company cause to terminate the agreement without entitlement to severance pay), Mr. Katzman shall be entitled to the following: (a) an advance notice period of 180 days, during which Mr. Katzman shall be entitled to receive the fixed salary (during the advance notice period, Mr. Katzman will be required to continue to actively serve

as CEO of the Company, unless the Company's Board of Directors decides otherwise); (b) fixed salary for an additional six months ("Transition Bonus"). It is hereby clarified that the Transition Bonus shall be paid to Mr. Katzman only if and when Mr. Katzman is not serving as an officer at the Company and/or its subsidiaries during the period for which the Transition Bonus is being paid. In the event of death or incapacity, Mr. Katzman (or his estate) shall be entitled to payment of the fixed salary for 12 months (during this period, Mr. Katzman will not be entitled to any payment whatsoever for the advance notice period).

In March 2021, the Company's Compensation Committee and Board of Directors approved renewal of the employment agreement with Mr. Katzman, under identical terms to the foregoing, subject to the following changes: The Maximum Annual Employment Cost of Mr. Katzman from the Company and its subsidiaries (including public subsidiaries) will be reduced from NIS 5.8 million to NIS 5.6 million, while the Maximum Annual Employment Cost in Globe (which was NIS 3.9 million) is cancelled. Furthermore, a new mechanism for payment of an annual and deferred bonus will be established, in a manner that Mr. Katzman will be entitled to an annual bonus and a deferred bonus at a rate that constitutes 40% of the total annual cost which Globe and its wholly owned private companies will be bear, as shall be from time to time (maximum NIS 2.24 million assuming that the Company bears the full annual cost of NIS 5.6 million), which will be paid in the following manner and conditions: (a) Half of the bonus will be paid every year in which the annual FFO return on equity of the Company ("the Return") exceeds 6%; (b) the balance of the bonus not paid in each annual measurement, will be paid at the end of three years of the agreement, if the average annual Return in the three-year period of the agreement exceeds 6%. The revised agreement (and renewal of the letter of exemption and indemnity to Mr. Katzman) is subject to the approval of the majority of non-controlling shareholders of the Company at the special general meeting which the Company is expected to convene in April 2021.

2. <u>Details of the compensation of Mr. Katzman from ATR</u>

   Mr. Katzman, who is serving as Chairman of ATR's Board of Directors, provides consulting services to ATR Group under a consulting agreement from August 2008 entered into with a company wholly owned by ATR. The agreement is renewed from time to time for further periods of one year each time, unless either of the parties gives notice of its desire not to renew the agreement, at least 3 months prior to the end of the relevant period. In return for the consultancy services, Mr. Katzman is entitled to an annual consideration that amounted to EUR 700thousand in 2020. In addition, Mr. Katzman is also entitled to reimbursement for expenses incurred in connection with the provision of the services (Mr. Katzman is not entitled to directors' fees from ATR).

3. <u>Details of the directors' compensation of Mr. Katzman from CTY</u>

   Commencing from June 2010, Mr. Katzman has been serving as Chairman of the Board of Directors of CTY. For his service as Chairman of the Board of Directors of CTY in 2020, Mr. Katzman is entitled to annual compensation of EUR 165 thousand.

4. In addition, Mr. Katzman is entitled to indemnification and insurance arrangements from the Company and its subsidiaries in which he serves as a director, in accordance with such arrangements as they apply to other members of the board of directors of such companies. As aforesaid, the Company is acting to renew the exemption and indemnity arrangements.

C. <u>Additional details and explanations to the table - Details regarding Scott Ball, CEO of the consolidated subsidiary CTY</u>

1. Mr. Ball acts as the CEO of CTY since January 2019. According to the employment agreement between Mr. Ball and CTY, Mr. Ball is entitled to an annual basic salary of EUR 625 thousand and standard ancillary benefits (including living expenses). Mr. Ball is also entitled to compensation by virtue of short- and long-term compensation plans, based on CTY's performance. Accordingly, Mr. Ball is entitled to an annual measurable target-based bonus in a maximum amount of EUR 540 thousand, when in respect of 2020, he was granted an annual bonus of EUR 507.6 thousand. In addition, in December 2020, CTY's Board of Directors approved granting of one-time compensation of EUR 100 thousand to Mr. Ball.
2. Mr. Ball is also entitled to equity compensation under the CEO Restricted Share Plan 2018-2021 of CTY, under which he is entitled to an allocation of 120 thousand CTY shares which will vest in three equal tranches over a period of three years. Until the vesting date, the shares are entitled to payment in lieu of dividend distribution to CTY shareholders . According to the terms of the plan, Mr. Ball is required to acquire CTY shares at the net value of the shares allocated to him.
3. In addition, Mr. Ball is entitled to retirement terms according to the provisions of the law in Sweden.

D. Additional details and explanations to the table - Details regarding Mr. Adi Jemini, Vice President and CFO of the Company

1. Since September 2015, Mr. Jemini has been serving as CFO of the Company, and in January 2017 he was also appointed as Vice President of the Company.
2. On June 2020, the employment agreement with Mr. Jemini was renewed, valid for a period of 5 years as of June 15, 2020, subject to the right of either of the parties to terminate the agreement with an advance notice of 180 days. For his aforementioned appointment, Mr. Jemini will be entitled to a monthly salary of USD 12,450, and social and fringe benefits as customary.
   Mr. Jemini's current employment may entitle him to an annual bonus that is not to exceed 100% of his annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Company's Compensation Committee and Board of Directors, and the target bonus shall not exceed 75% of his annual salary, in accordance with the Company's compensation policy (see section 17 of the chapter Description of the Company's Business).

   Mr. Jemini was granted a bonus of USD 498 thousand for 2020.
   In addition, Mr. Jemini is entitled to special reimbursement for expenses for his stay in Israel to cover housing expenses and Subsistence allowance , in an amount of USD 33,600 per year (not grossed), which will be paid monthly in equal installments.
   In 2019, following the approval by the Compensation Committee, the Company's Board of Directors approved grossing up the tax liability which Mr. Jemini is required to pay in the USA for the options granted to him. If Mr. Jemini exercises the options, he will refund the accrued tax benefit to the Company. The grossing up for 2020 amounted to USD 96 thousand.
3. As of September 2018, Mr. Jemini has also served as CEO of the wholly owned subsidiary of the Company (hereinafter in this section the "Subsidiary") under an employment agreement for a period of 5 years, commencing on June 15, 2020, subject to the right of either of the parties to terminate the agreement with an advance notice of 180 days. For his aforementioned appointment, Mr. Jemini is entitled to a monthly salary of USD 29,050 and standard fringe benefits (including car expenses and life and health insurance coverage as customary in the United States). In addition, Mr. Jemini is entitled to reimbursement for special expenses related to his travel, of approximately USD 79,200 per year and reimbursement of the cost of a car.
   Mr. Jemini's employment agreement with the Subsidiary may entitle him to an annual bonus that is not to exceed 100% of his annual salary. The bonus shall be determined on the basis of measurable targets of the Subsidiary, determined by the Company's Compensation Committee and Board of Directors, and the target bonus shall be 75% of his annual salary.
4. For information about the employment agreements of Mr. Jemini with the Company and the subsidiary that were in force until June 2020, see Regulation 21 in Chapter D of the Company's period report for 2019 published by the Company on April 7, 2020 (reference no.: 2020-01-037542) ("Periodic Report for 2019").
   .
5. In accordance with the aforesaid employment agreements and the previous employment agreements with Mr. Jemini, he is entitled to a retention bonus subject to his continued employment at the Company or at the Subsidiary, as applicable, throughout the period of the relevant employment agreement as follows: : (a) Under the previous employment agreement with Mr. Jemini, he is entitled to a retention bonus to be paid in three equal tranches, and in each tranche he will be paid an amount equal to 2 monthly salaries (the last tranche will be paid in September 2021); b) under the current employment agreement, Mr. Jemini is entitled to a retention bonus to be paid in three equal tranches, as of July 2022, after the elapse of two, three and four years from entry into force of the current agreement, and in each tranche he will be paid an amount equal to 2 monthly salaries. Should Mr. Jemini decide to terminate his employment prior to the end of the relevant agreement period, he will be required to refund to the Company or the Subsidiary, as applicable, the full amounts paid to him on account of the retention bonus until such date.
6. In addition, under the employment agreements, Mr. Jemini is also entitled to indemnification, exemption and insurance as customary at the Company.
7. Under the engagements with Mr. Jemini, he was granted equity compensation, as described in section 9 below.
8. In the event that the employment agreements with Mr. Jemini are not renewed, he shall be entitled to payment in the amount of his salary according to the relevant agreement that was not renewed, with the addition of the social and fringe benefits in the relevant agreement for an additional nine months. Additionally, should the Company or the Subsidiary, as relevant, seek to terminate the employment of Mr. Jemini (other than termination for cause) Mr. Jemini

shall be entitled to the following compensation: (a) advance-notice period of 180 days, during which he shall be entitled to receive his full salary and all attaching benefits, with the addition of an amount equal to four monthly salaries, including social benefits; (b) an additional payment in an amount that is the lower of: his monthly salary (excluding fringe benefits) for 12 additional months or his monthly salary (excluding fringe benefits) for the period remaining until the end of the agreement period, with the addition of three months; (c) the proportionate share of the annual bonus to which he is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components allocated to him that have not yet vested.

In the event of the termination of Mr. Jemini's employment with the Company or the Subsidiary, as relevant, during the 12-month period following an event of change of control in the Company (as defined in the agreement), Mr. Jemini shall be entitled to the following compensation (in lieu of the compensation described in this section above): acceleration of the vesting period of all components of equity compensation granted to him that have not yet vested, as well as a bonus that is equal to 200% of his base annual salary for the year of completion of the change of control, provided that this bonus does not exceed an amount that reflects his base salary for the period remaining until the end of the employment agreement, with the addition of 3 months.

9. The table below includes the cost recorded in the reporting year in the Company's financial statements for options and RSUs (non-marketable) under the Share-Based Payment column.

Grant date	Quantity	Exercise price	Value and comments
September 2018	358,911 options (of which 215,347 were allocated under the employment agreement with the subsidiary and 143,564 under the employment agreement with the Company) (1)	NIS 31.127	Fair value of option - NIS 5.4535 * In June 2020, Mr. Jemini relinquished 119,637 options from these options.
	64,159 Restricted share units (RSU) (of which 38,495 were allocated under the employment agreement with the subsidiary and 25,664 under the employment agreement with the Company) (2)		allocated at a value of NIS 31.13 per unit. * In June 2020, Mr. Jemini relinquished 21,386 RSUs of these RSUs.
June 2020	2,205,659 options (661,698 were allocated under the employment agreement with the Company and 1,543,961 under the employment agreement with the subsidiary) (1)	NIS 22.762	Fair value of option - NIS 1.972
	231,014 Restricted share units (RSU) (61,304 were allocated under the employment agreement with the Company and 161,710 under the employment agreement with the subsidiary) (2)	NIS 19.83	allocated at a value of NIS 19.83 per unit.

(1) Additional information regarding the options: The exercise price shown in the table is linked to the Israeli Consumer Price Index and is subject to customary adjustments (including with respect to distribution of bonus shares issuance of rights and a dividend, except for options allocated in June 2020, which are not adjusted to dividends). The options allocated in January 2017 and September 2018 will vest in 3 equal tranches and the options allocated in June 2020 will vest in 5 equal tranches, starting upon the elapse of one year from the grant date. The options granted under the employment agreement with the Company were granted pursuant to Section 102 of the Income Tax Ordinance for the capital gains track. Options that have not been exercised within 90 days of the date of the termination of Mr. Jemini's engagement with the Company will expire. The final expiry date of the options allocated in January 2017 and September 2018 is at the end of 4 years from their grant date and the final expiry date of the options allocated in June 2020 is 6 years from their grant date. The options will also be exercisable by means of a cashless exercise.

(2) Additional information regarding the Restricted share units (RSU): The RSUs allocated in January 2017 and September 2018 will vest in three equal tranches starting upon the elapse of one year from the grant date and the RSUs allocated in June 2020 will vest in 5 equal tranches. In the event of a dividend distribution, Mr. Jemini shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on the dividend distribution date.

E. Additional details and explanations to the table - Details regarding Mr. Jeffrey Mooallem, CEO of the consolidated subsidiary, Gazit Horizons

1. As of May 2017, Mr. Jeffrey Mooallem has served as the CEO of Gazit Horizons, under an employment agreement dated April 3, 2017. The employment agreement is for a period of four years, commencing on May 1, 2017, subject to the right of either of the parties to terminate the agreement by 30 days' notice. According to the said agreement, Mr. Mooallem's base annual salary is USD 450 thousand as well as social benefits and fringe benefits as is the practice at Gazit USA.
According to his employment terms, Mr. Mooallem is entitled to an annual bonus equal to at least 80% of his annual salary, and not exceeding 125% of his aforementioned annual salary. The annual bonus is determined on the basis of measurable targets and the discretion of the Gazit Horizon's Board of Directors and the Company's Compensation Committee and shall not exceed 50% of the bonus. Mr. Mooallem was granted a bonus of USD 472,500 for 2020.
In addition, aside from the annual bonus mentioned above, Mr. Mooallem received a one-time signing bonus of USD 250 thousand, which was paid in an allocation of RSUs that vested in two equal tranches in April 2018 and April 2019. Accordingly, in April 2018, 13,124 shares of the Company were allocated to Mr. Mooallem and in April 2019, an additional 16,109 shares were allocated to him.
Under the employment agreement, Mr. Mooallem is entitled to allocation of equity compensation, as described in section 2 below.
In the event of the termination of Mr. Mooallem's employment agreement at the Company's discretion, or due to a decision by Mr. Mooallem under circumstances delineated in the employment agreement, or during the twelve-month period after a change in control of the Company (as defined in the agreement), Mr. Mooallem shall be entitled to the following payments: (i) payments for the base annual salary until the end of the original agreement period; (ii) the proportionate share of the annual bonus to which he is entitled; (iii) the balance of the one-time signing bonus and acceleration of the related vesting period; (iv) severance compensation equal to 150% of his base annual salary plus 150% of the annual bonus to which he was entitled for that year; (v) participation in the cost of health insurance for a period of up to one year following the termination of his employment; (vi) acceleration of the vesting period for all of the equity compensation components allocated to him, which have not yet reached their vesting date.
2. In addition, Mr. Mooallem is entitled to equity compensation, including by means of the Company's securities, that shall be allocated according to the decision of the Board of Directors of Gazit Horizons and the Company's Compensation Committee, provided that Mr. Mooallem is still employed by Gazit Horizons at the date that they are granted, as aforementioned: (i) In April 2019 - 103,096 RSUs were allocated at a value of USD 800 thousand. The RSUs as aforesaid in this section will vest in two equal tranches, one and two years after the grant date; (ii) in April 2020 - 98,275 RSUs were allocated at a value of USD 800 thousand, which will vest in full in April 2021; (iii) in April 2021 - Mr. Mooallem is entitled to an allocation of RSUs in the value of USD 800 thousand.
The value of the RSUs and the shares allocated to Mr. Mooallem shall be determined according to the average share price on the stock exchange during the thirty trade days preceding each allocation.

F. Additional details and explanations to the table - Details regarding Liad Barzilai, CEO of the consolidated subsidiary ATR

Mr. Barzilai has served as the CEO of ATR since December 2016. According to the employment agreement between Mr. Barzilai and ATR, Mr. Barzilai is entitled to a fixed salary including fringe benefits in the amount of EUR 581 per year. In addition, Mr. Barzilai is entitled to an annual bonus as well as equity compensation (granted to him by means of allocation of ATR shares), according to the discretion of ATR's Board of Directors. The foregoing annual bonus and equity compensation amounted to EUR 669 thousand in 2020.

G. **Additional details and explanations to the table - Details regarding EVP and COO of the Company, Oren Hod**

1. As of June 2020, Mr. Hod has served as EVP and COO of the Company.
   Mr. Hod's employment agreement is valid as of June 15, 2020, for a period of 3 years, subject to the right of either of the parties to terminate the agreement by 180 days' notice. For his foregoing tenure, Mr. Hod will be entitled to a monthly salary of NIS 120,000 as well as social benefits, a company car and the standard fringe benefits. In addition, Mr. Hod may be entitled to an annual bonus in a total amount not exceeding 100% of his annual salary, which will be determined on the basis of measurable targets and the discretion of the Company's Compensation Committee and Board of Directors, when the target for Mr. Hod's annual bonus will be 75% of his annual salary, in accordance with the Company's compensation policy (see section 16 of the Description of the Company's Business). Mr. Hod was granted an annual bonus of approximately NIS 782 thousand for 2020.
2. According to the employment agreement, Mr. Hod is entitled to a signing bonus of 6 monthly salaries to be paid to him in two equals tranches in the amount of 3 monthly salaries, in September 2020 and December 2021.
3. The employment agreement also entitles Mr. Hod to an indemnity undertaking, exemption and directors and officers liability insurance coverage as is standard in the Company.
4. Under the agreement with Mr. Hod, he was granted equity compensation, as set out in section 6 below.
5. In the event that the employment agreement with Mr. Hod are not renewed, he will be entitled to payment in the amount of his monthly salary as well as the social benefits and fringe benefits attached to the agreement, for an additional six months. Additionally, in the event of termination of Mr. Hod's employment initiated by the Company (other than termination for cause), he will be entitled to the following compensation: (a) 180 days' notice, during which he will be entitled to receive his full salary and all social and fringe benefits; (b) an additional payment in an amount that is the lower of: his monthly salary (excluding fringe benefits) for an additional 6 months or his monthly salary (excluding fringe benefits) for the period remaining to the end of the agreement period plus three months; (c) the proportionate share of the annual bonus to which he is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components allocated to him that have not yet vested.
   In the event of termination of Mr. Hod's employment in the Company, in a period of 12 months after a change in control of the Company (as defined in the agreement), he will be entitled to the following compensation (in lieu of the compensation described in this section above): (a) acceleration of the vesting period of all equity compensation components allocated to him that have not yet vested; and (b) the lower of: (1) a bonus that is equal to 200% of his base annual salary for the year of completion of the change of control,; or (2) the monthly salary for the period remaining to the end of the update employment agreement plus three months, provided that Mr. Hod has been employed in the Company for a period of at least two years up to the date of termination of his employment as aforesaid.
6. The table below includes the cost recorded in the reporting year in the Company's financial statements for options and RSUs (non-marketable) under the Share-Based Payment column:

Grant date	Quantity	Exercise price	Value
June 2020	648,980 options (1)	NIS 22.762	Fair value of option - NIS 3.3283
	114,711 RSUs (2)	---	At a value of NIS 19.83 per share

Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights and a dividend distribution). The options will vest in three equal tranches, starting from the elapse of one year from the grant date. The options allocated under the employment agreement with the Company were allocated according to the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Hod's employment in the company will expire. The final expiry date of all options is at the end of four years from their grant date. The options will also be exercisable by means of a cashless exercise.

(1) Additional information regarding the Restricted share units (RSU): The RSUs will vest in three equal tranches starting upon the elapse of one year from the grant date. In the event of a dividend distribution, Mr. Hod shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on the dividend distribution date.

H. Additional details and explanations to the table - Details regarding Mr. Romano (Rami) Vaisenberger, VP and Accountant of the Company

1. Mr. Vaisenberger has been employed in the Company as of 2004 and has been serving as VP and Accountant of the Company since April 2011. Under Mr. Vaisenberger's current employment agreement with the Company, which expired in February 2021 ("**the Current Employment Agreement**"), in addition to a gross monthly salary of NIS 75 thousand (linked to the annual increase of the Consumer Price Index), he was entitled to the standard social benefits and fringe benefits as customary.
   In accordance with the Current Employment Agreement, Mr. Vaisenberger was granted an annual bonus in total amount of NIS 684 thousand in 2020, which was determined on the basis of measurable targets and the discretion of the Company's Compensation Committee and Board of Directors, in accordance with the Company's compensation policy (see section 17 of the Description of the Company's Business).
   For further information regarding Mr. Vaisenberger's Current Employment Agreement, see Regulation 21 in Chapter D of the periodic report for 2019, which is hereby incorporated by reference.
2. On March 1, 2021, a new employment agreement with Mr. Vaisenberger entered into force ("**the New Employment Agreement**"), under which he is entitled to a gross monthly salary of NIS 85 thousand (linked to the annual increase of the Consumer Price Index), social benefits, a company car, standard fringe benefits, exemption, an indemnification undertaking and directors and officers insurance coverage as is customer in the Company.
3. Mr. Vaisenberger's New Employment Agreement is for a period of four years as of March 2021, subject to the right of either of the parties to terminate the agreement by 180 days' notice. According to his New Employment Agreement, Mr. Vaisenberger is entitled to an annual bonus in an amount that is not to exceed 75% of his annual salary. The bonus is determined on the basis of measurable targets and based on the discretion of the Company's Compensation Committee and Board of Directors, which is not to exceed 50% of the bonus, in accordance with the Company's compensation policy.
   In addition, Mr. Vaisenberger may be entitled to a retention bonus valued at NIS 680 thousand, which will be paid by allocation of 35,070 RSUs. The RSUs will vest in one tranche at the end of four years from entry into force of the New Agreement, provided that Mr. Vaisenberger is employed until the end of the aforementioned agreement period.
4. Under the engagements with Mr. Vaisenberger, he was granted equity compensation, as described in section 6 below.
5. In the event that the New Agreement comes to an end and a new employment agreement has not been signed with Mr. Vaisenberger, he shall be entitled to 3 additional monthly base salaries, including all related social benefits (and shall not be entitled to payment for the advance-notice period).
   Additionally, should the Company terminate the employment of Mr. Vaisenberger (other than termination for cause), he shall be entitled to the following compensation: (a) 180 days' notice period for which he shall be entitled to receive his full salary and all attaching benefits; (b) an additional payment in an amount that is the lower of: His monthly salary (without any additional terms and/or benefits) or his monthly salary (without any additional terms and/or benefits) for the period remaining until the end of the employment agreement plus three months; (c) the proportionate share of the annual bonus to which he is entitled under the compensation policy; (d) acceleration of the vesting period of all equity compensation components.
   In the event of termination of Mr. Vaisenberger's employment in the Company in a period of 12 months after a change in control of the Company (as defined in the agreement) he shall be entitled to the following compensation (in lieu of the compensation described in this section above): (a) acceleration of the vesting period of all equity compensation components allocated to him that have not yet vested; and (b) the lower of: (1) a bonus that is equal to 200% of his base annual salary for the year of completion of the change of control ; or (2) his monthly salary for the period remaining to the end of the update employment agreement plus three months.

6. The table below includes the cost recorded in the reporting year in the Company's financial statements for options and RSUs (non-marketable) under the Share-Based Payment column:

Grant date	Quantity	Exercise price	Value
March 2017	145,113 options (non-marketable) (1)	NIS 37.383	Fair value of option - NIS 6.047
	24,477 Restricted share units (RSU) (1)		At a value of NIS 36.68 per unit
March 2018	22,211 options (non-marketable) (1)	NIS 35.039	Fair value of option - NIS 6.078
	3,924 Restricted share units (RSU) (2)		At a value of NIS 35.40 per unit
	13,081 Restricted share units (RSU) (3)		At a value of NIS 35.40 per unit
June 2020	308,452 options (non-marketable) (2)	NIS 22.762	Fair value of option - NIS 3.3283
	54,520 Restricted share units (RSU) (2)		At a value of NIS 19.83 per unit
March 2021	130,163 options (non-marketable) (4)	NIS 20.406	Fair value of option - NIS 5.732
	38,478 Restricted share units (RSU) (5)		At a value of NIS 20.39 per unit
	35,070 Restricted share units (RSU) (6)		At a value of NIS 20.39 per unit

(1) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of bonus shares, issuance of rights and a dividend distribution). The options will vest in three equal tranches, starting from the elapse of one year from the grant date. The options allocated were allocated according to the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Vaisenberger's employment in the company will expire. The final expiry date of all options is at the end of four years from their grant date. The options will also be exercisable by means of a cashless exercise.

(2) Additional information regarding the Restricted share units (RSU): The RSUs will vest in three equal tranches starting upon the elapse of one year from their grant date. In the event of a dividend distribution, Mr. Vaisenberger shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on dividend distribution date.

(3) Restricted share units (RSU) which were allocated as a retention bonus, and vested in one tranche three years after their grant date.

(4) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of benefit shares, issuance of rights and a dividend distribution). The options will vest in four equal tranches, starting from the elapse of one year from the grant date. The options allocated were allocated according to the provisions of Section 102 of the Income Tax Ordinance under capital gains tracks. Options that are not exercised within 90 days of the date of termination of Mr. Vaisenberger's employment in the company will expire. The final expiry date of all options is at the end of five years from their grant date. The options will also be exercisable by means of a cashless exercise. Allocation of the options is subject to obtaining TASE approval.

(5) Additional information regarding the Restricted share units (RSU): The RSUs will vest in four equal tranches starting upon the elapse of one year from their grant date. In the event of a dividend distribution, Mr. Vaisenberger shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on dividend distribution date. Allocation of the options is subject to obtaining TASE approval.

(6) Restricted share units (RSU), which were allocated in March 2021 as a retention bonus and will vest in a single tranche four years after their grant date.

ADDITIONAL DETAILS ABOUT THE COMPANY

I. Additional details and explanations to the table - Details regarding Mr. Zvi Gordon, VP Investments of the Company

1. Mr. Gordon, who is Mr. Katzman's son-in-law, has served as the VP Investments of the Company since June 2017. According to Mr. Gordon's current employment agreement, as approved in March 2020 by the Company's general meeting (following approval by the Compensation Committee and Board of Directors), which is valid for three years as of March 15, 2020, he is entitled to a salary of USD 250,000 (linked to the annual increase in the US CPI) (according to the previous employment agreement, until March 2020, Mr. Gordon was entitled to a salary of USD 200,000). Mr. Gordon is also entitled to an annual cash bonus, in total amount of which shall not exceed 75% of his base annual salary for any year whatsoever, for achieving 100% of the targets in a specific year. Mr. Gordon was granted an annual bonus of USD 116 thousand for 2020.

   It is clarified as follows: (a) the annual bonus will be paid to Mr. Gordon according to meeting of measurable targets that will be determined according to the Company's indexes only, as approved and determined by the Compensation Committee and Board of Directors uniformly and the same as for all Company officers, at the beginning of each year, according to the Company's indexes set out in its compensation policy; (b) the amount of the bonus to other Company officers may be substantially higher than the potential bonus to Mr. Gordon from those targets; (c) the cost of the bonus attributed to the controlling shareholder of the Company, Mr. Chaim Katzman, considering the rate of his holding in the Company, will be significantly higher than the amount of the bonus to which Mr. Gordon will be entitled in the event that 100% of the targets set for him are met.
   Mr. Gordon is also entitled to the standard social benefits and fringe benefits as customary (and the Company will bear the tax gross up for such benefits) as well as indemnity, exemption and insurance as is standard in the Company. For information about the employment agreement with Mr. Gordon that was in force until March 2020, see Regulation 21 in Chapter D of the Company's periodic report for 2019.
   In accordance with the employment agreement with Mr. Gordon, he was granted equity compensation, as set out in section 2 below.
   In the event of the termination of Mr. Gordon's employment before the end of three years (other than under circumstances that give the Company cause to terminate the agreement without entitlement to severance pay), as well as in the event of resignation that is deemed by law as dismissal, or in the event of death or loss of working capacity, Mr. Gordon shall be entitled to the following: (a) advance-notice period of 90 days, during which Mr. Gordon shall be entitled to receive the fixed salary and the benefits to which he is entitled during the notice period; and (b) the proportionate amount of the annual bonus to which Mr. Gordon would have been entitled for the year during which his term ended.
   In the event of the termination of Mr. Gordon's employment with the Company during a 12-month period following an event of change of control in the Company (as defined in the agreement), Mr. Gordon shall be entitled to (in lieu of the compensation described in this section above): acceleration of the vesting period of all components of equity compensation granted to him that have not yet vested, as well as a bonus that is equal to 200% of his base annual salary for the year of completion of the change of control, provided that such grant does not exceed an amount that reflects his base salary for the period remaining to the end of the employment agreement, with the addition of 3 months.

2. The table below includes the cost recorded in the reporting year in the Company's financial statements for options and RSUs (non-marketable) under the Share-Based Payment column:

Grant date	Quantity	Exercise price	Value
October 2017	224,848 options (1)	NIS 34.308	Fair value of option - NIS 2.9153
	19,985 Restricted share units (RSU) (2)		At a value of NIS 33.80 per unit
March 2020	972,656 options (1)	NIS 39.99	Fair value of option - NIS 1.058
	39,873 Restricted share units (RSU) (2)		At a value of NIS 26.76 per unit

(1) Additional information regarding the options: The exercise price in the table is linked to the Israeli consumer price index and subject to customary adjustments (including with respect to distribution of benefit shares, issuance of rights, but excluding adjustment in respect of a dividend). The options will vest in three equal tranches, starting from the elapse of one year from the grant date. Options that are not exercised within 90 days of the date of termination of Mr. Gordon's employment in the company will expire. The final expiry date of all options is at the end of four years from their grant date. The options will also be exercisable by means of a cashless exercise.

(2) Additional information regarding the Restricted share units (RSU): The RSUs vest in three equal tranches starting upon the elapse of one year from the grant date. In the event of a dividend distribution, Mr. Gordon shall be entitled to remuneration that reflects the benefit relating to the dividend distribution in respect of the RSUs that have not yet vested on dividend distribution date.

If the new employment agreement with Mr. Gordon is not renewed at the end of three years, he will be entitled to vesting of the last equity compensation tranche granted under the proposed employment terms, pursuant to its terms (i.e. The last tranche will vest on June 19, 2023), provided that Mr. Gordon was employed in the Company for the entire agreement period.

3. Compensation for Mr. Gordon's tenure as a director in CTY
As of June 2020, Mr. Gordon has been serving as a director in CTY. For such tenure, Mr. Gordon is entitled to the standard directors compensation at CTY, in an amount of EUR 50,000 per year and per-meeting compensation of EUR 600. Such compensation is offset from the salary to which Mr. Gordon is entitled from the Company, and therefore, it is not included in the above table.

J. Additional details and explanations to the table - Details regarding directors' fees

1. In respect of their tenure in the Company, the external directors in the Company, as well as the other directors in the Company who do not hold an additional position in the Company and are not considered as controlling shareholders of the Company, are entitled to a monetary compensation and an equity compensation as follows: (1) monetary compensation - compensation in the amount of the "fixed compensation" according to Compensation Regulations, based on the ranking of the Company; and (2) equity compensation - for every year in office, each of the aforesaid directors will be issued 1,500 Restricted Share Units ("RSUs"), in accordance with the Company's Compensation in Securities Plan from 2011 ("the 2011 Plan"), or another plan, as shall be in effect on the relevant dates, and under the material terms specified below: the RSUs will vest over a period of two years from their grant date. A director whose office ends in the course of a year of office or prior to the vesting of a specific tranche shall be entitled to the vesting of the proportionate share of such tranche (subject to the payment of the par value of the exercise shares). In addition, the directors shall be entitled to various defenses under the 2011 Plan, including in relation to dividends. Pursuant to said defense, in the event of the payment of a cash dividend by the Company to the holders of its ordinary shares during the vesting period, no adjustment will be made in respect of the dividend, however each of the directors shall be entitled to a cash grant in a (gross) amount that is equal to the amount of the dividend that would have been paid to the director for the holding of ordinary shares in the number of the RSUs that have not yet vested on the date of the dividend distribution.
2. In addition to the above, Mr. Bar On, Mr. Sesler and Ms. Cohen, who serve, on behalf of the Company, as directors at Gazit Brasil and Gazit Horizons, respectively, are entitled to compensation that shall not exceed the lower of these

two amounts: (1) an amount calculated based on the number of meetings of the Board of Directors of the relevant subsidiary attended, with the compensation for each meeting not exceeding the total amount per meeting stated in the compensation regulations, according to the rank of the relevant subsidiary; or (2) the fixed annual compensation as set forth in the compensation regulations according to the subsidiary's rank. In 2020, the Company paid NIS 8,066 to Mr. Bar On for his service at Gazit Brasil, NIS 3,987 to Mr. Sesler for his service at Gazit Horizons and NIS 7,227 to Ms. Cohen for her service in Gazit Horizons.

3. In June 2018, Mr. Arnon's employment terms as Chairman of the Company's Board of Directors were approved at the general meeting (after receiving the approval of the Compensation Committee and the Company's Board of Directors). Mr. Arnon is entitled to: (1) annual compensation equal to 130% of the annual compensation paid to a director with accounting and financial expertise at the Company, as occurring from time to time; (2) compensation for meeting participation equal to the participation compensation to which all directors with accounting and financial expertise are entitled at the Company, as occurring from time to time (for details, see section 1 above). Mr. Arnon is also entitled to a once-a-year grant of 1,500 Restricted share units (RSU)according to the 2011 plan and under the terms at which they are granted to all of the Company's directors. Mr. Arnon is also entitled to directors' and officers' insurance, exemption and a letter of indemnification, worded as customary at the Company.
4. On December 27, 2018, the general meeting approved (following approval by the Audit and Compensation Committee and the Board of Directors of the Company) a grant to the directors of the Company (who are not external directors or independent directors or directors who are also controlling shareholders of the Company) who also serve as directors for the subsidiaries that are wholly owned and controlled by the Company, as it will be from time to time, compensation which is similar (with necessary changes) to the compensation which is granted and/or will be granted to external directors who serve in additional position at the Company, as it will be from time to time.

REGULATION 21A: CONTROLLING SHAREHOLDER OF THE COMPANY

The controlling shareholder of the Company is Norstar Holdings Inc. ("Norstar"), a foreign resident company registered in Panama, whose shares are listed on the Tel Aviv Stock Exchange Ltd.

To the best of the Company's knowledge, the controlling shareholder of Norstar is Mr. Chaim Katzman, who owns, directly and indirectly, Norstar shares through private companies wholly owned by him and by members of his family (approximately 20.01% of Norstar's issued share capital (17.94% fully diluted) and 20.29% of the voting rights therein (18.16% fully diluted)), as well as through First US Financial LLC[18] (which owns approximately 14.89% of Norstar's share capital (13.54% fully diluted) and 15.10% of the voting rights therein (13.71% fully diluted) ("FUF", collectively with Mr. Katzman below: the "Katzman Group").

In addition, Katzman Group is considered as "jointly owning," as this term is defined in the Securities Law, with the Katzman Family Foundation, which owns approximately 5.61% of Norstar's issued share capital (5.90% fully dilutes) and 5.69% of the voting rights therein (5.98% fully diluted).

REGULATION 22: TRANSACTIONS WITH A CONTROLLING SHAREHOLDER

1. Agreement with Norstar - For details regarding the agreement between the Company and Norstar and a wholly owned subsidiary of Norstar, see section 23.1 of Chapter A of the Periodic Report.
2. For details regarding the employment and compensation agreements of the Company's controlling shareholder, Mr. Chaim Katzman, with the Group's companies, see the details presented under Regulation 21 above.
3. For details regarding the employment agreement with Mr. Zvi Gordon, the son-in-law of Mr. Chaim Katzman, who is the Vice Chairman of the Board of Directors, CEO of the Company and its controlling shareholder, as Vice President of Mergers & Acquisitions at Gazit USA, a wholly owned subsidiary of the Company, see Regulation 21 above.
4. For details regarding officers' insurance, exemption and indemnification undertaking, pursuant to which Messrs. Chaim Katzman, the controlling shareholder of the Company, and Zvi Gordon, Mr. Katzman's son-in-law, are also beneficiaries, see the details presented under Regulation 29a below.

18 Katzman has an irrevocable power of attorney from FUF that allows him to vote all of FUF's shares in the Company according to his discretion. FUF is a foreign company registered in Nevada, United States, and is owned by Mr. Katzman (including through private companies wholly owned by him and his family members, directly and indirectly) 72.8% and Martin Klein, 27.2%.

5. In February 2016, the Company's Board of Directors, following the approval by the Audit Committee, approved a procedure regarding joining of passengers who are not involved in the business of the Group (as updated from time to time), whether or not these are "relatives" of any of the controlling shareholder, to exclusively business-related travel conducted for the purposes of the Company (including private companies that it owns). Pursuant to the procedure, the relevant officer will bear the costs for the passenger that joined him based on the mechanism outlined in the procedure, provided that the total related value of use of the airplane in a calendar year does not exceed NIS 1 million. Upon Mr. Katzman's appointment as CEO of the Company, the procedure was updated so that the payment mechanism shall not apply to Mr. Katzman's wife and her joining to Mr. Katzman's business trips, made for the Company's needs.
6. In 2018, the Company's Board of Directors approved, following approval by the Audit Committee, a procedure for leasing the Company plane to Norstar, from time to time, subject to the plane's availability and the Company's needs. The cost of the lease shall be determined according to a price list, determined by the plane's external management company, in a manner identical to third parties that lease the plane. In the reporting period, the Company's plane was not chartered for use by Norstar.
7. Negligible transactions: As resolved by the Company's Board of Directors, the following transactions are to be considered negligible transactions for the purpose of Regulation 41(a)(6)(1) of the Securities Regulations (Annual Financial Statements), 2010:

    7.1. The lease of properties, during the normal course of business and at market terms, to an interested party (including a controlling shareholder), to companies under his control or to companies in which he is an interested party (all of these are referred to below as "Related Parties"), when the revenues from the annual rental of the properties do not exceed (in the aggregate) 0.1% of the annual rental income in the Company's consolidated financial statements.

    7.2. An engagement made by the Company to jointly acquire, together with Related Parties, goods or services from a third party, when such engagement is made during the normal course of the Company's business and at market terms, and with regard to which the Audit Committee has determined that the allocation of the costs and expenses in the engagement is fair and equitable taking into account the circumstances of the matter, and while the annual expenses with respect to such engagements (in the aggregate) do not exceed 0.1% of the annual gross expenses presented in the Company's consolidated financial statements for the year preceding the date of the engagement.

In the Company's opinion, the scope of the aforesaid transactions is negligible in relation to the scope of the Company's operations, and accordingly complies with the requirements of the aforementioned Regulation 41(a)(6)(1).

REGULATION 24: HOLDINGS OF INTERESTED PARTIES

For an updated description regarding interested parties' holdings in the Company in shares or other securities of the Company, see the immediate report dated January 7, 2021 regarding the status of interested parties' holdings in the Company (reference no.: 2021-01-109360), and the immediate reports regarding changes in interested parties' holdings dated January 3, 2021 and February 2, 2021 (reference nos.: 2021-01-000141 and 2021-01-024951, respectively). The information set out in these reports is hereby incorporated by means of reference.

Presented below are the details, to the best of the Company's knowledge, of the shares and other securities owned by interested parties that are not members of an institutional reporting group, in each of the Company's subsidiaries, immediately prior to the date of the report:

<table>
<tr><th rowspan="2">Owner's name</th><th rowspan="2">Name and class of securities</th><th rowspan="2">Quantity of securities</th><th colspan="2">Percentage of holding</th><th colspan="2">Percentage of holding (fully diluted)</th></tr>
<tr><th>Capital</th><th>Voting</th><th>Capital</th><th>Voting</th></tr>
<tr><td rowspan="3">Chaim Katzman</td><td>Atrium European Limited, ordinary shares</td><td>374,119</td><td>0.10%</td><td>0.10%</td><td rowspan="2">0.14%</td><td rowspan="2">0.14%</td></tr>
<tr><td>Atrium European Limited Options</td><td>190,000</td><td>-</td><td>-</td></tr>
<tr><td>Citycon Oyj, Ordinary share</td><td>155,799</td><td>0.09%</td><td>0.09%</td><td>0.09%</td><td>0.09%</td></tr>
</table>

The Company's share capital includes 56,430 treasury shares that are held by the Company.

REGULATION 24A: REGISTERED CAPITAL, ISSUED CAPITAL AND CONVERTIBLE SECURITIES

For details regarding the registered capital and the issued capital of the Corporation immediately prior to the date of the report, refer to Note 25 to the financial statements.

For details regarding the convertible securities of the Corporation immediately prior to the date of the report, refer to Note 26 to the financial statements.

REGULATION 24B: COMPANY SHAREHOLDERS REGISTER

For details regarding the Company's shareholders' register, refer to the immediate report of the Company dated March 2, 2021 (reference no.: 2021-01-024945).

REGULATION 26: DIRECTORS OF THE CORPORATION

Presented below are details of the members of the Board of Directors, to the best of the Company's knowledge:

Name:	**Ehud Arnon, Chairman of the Board of Directors**
Identity no.:	50001239
Date of birth:	May 9, 1950
Address for serving legal documents:	15 Tchernichovsky Street, Jerusalem 92531
Nationality:	Israeli, Austrian
Membership of Board sub-committees:	No
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	March 28, 2018
Education:	BA in Economics and International Relations, Hebrew University; MBA in Business Administration, Hebrew University
Employment over the past five years:	President and CEO of Bank Discount New York (2011-2017)
Companies of which he is a director (other than the Company):	Hertz Properties Group Limited
Relative of another of the Company's interested parties:	No

Name:	**Chaim Katzman - Vice Chairman of the Board and CEO of the Company**
Identity no.:	030593859
Date of birth:	November 4, 1949
Address for serving legal documents:	1696 NE Miami Gardens, North Miami Beach, FL 33179, USA
Nationality:	Israeli, American
Membership of Board sub-committees:	Investments Committee
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	CEO of the Company. See the details below regarding his tenure as Chairman of the Board of Directors and as a director of various subsidiaries of the Company
Date of appointment:	May 1, 1995
Education:	LLB, Tel-Aviv University
Employment over the past five years:	Vice Chairman of the Board and CEO of the Company and Norstar Holdings Inc. Chairman of the Board of Directors of the following companies: The Company (until January 2018): ATR, CTY, Norstar Holdings Inc. (until January 2018), EQY (and following the completion of the merger with REG and until February 2018, Vice Chairman of the Board of REG), and private subsidiaries of these companies and of the Company, including Gazit Horizons, G Israel and Gazit Brasil; Former director of FCR
Companies of which he is a director (other than the Company):	Norstar Holdings Inc., ATR, CTY, and private subsidiaries of these companies and of the Company, as well as the Katzman Family Foundation, Koah (2000) Holdings Ltd. and Ganei Binyamina Ltd. Mr. Katzman also serves as a director in foreign companies through which he holds control of Norstar Holdings Inc.
Relative of another of the Company's interested parties:	No (however, his son-in-law, Mr. Zvi Gordon, serves as VP Investments at the Company)

Name:	**Ronnie Bar-On**
Identity no.:	008516262
Date of birth:	June 2, 1948
Address for serving legal documents:	2 Unitzman Street, Tel-Aviv
Nationality:	Israeli
Membership of Board sub-committees:	Chairman of the Audit, Balance Sheet and Compensation Committee, member of the Nominating and Corporate Governance Committee, Corporate Responsibility Committee, Gazit Canada's subjects Committee.
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director in Gazit Brazil
Date of appointment:	May 1, 2013
Education:	LLB (Hebrew University, Jerusalem); member of the Israel Bar Association since 1974
Employment over the past five years:	Director in public companies
Companies of which he is a director (other than the Company):	Alrov Real Estate and Hotels Ltd., Delek Drilling Limited Partnership, Gazit Brazil
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name	**Zehavit Cohen**
Identity no.:	058344797
Date of birth:	November 16, 1963
Address for serving legal documents:	4 Berkovich St., Museum Tower, 22nd Floor, Tel Aviv 6423806
Nationality:	Israeli, American
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee, Nominating and Corporate Governance Committee, Corporate Responsibility Committee, Investments Committee.
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	Director of Gazit Horizons
Date of appointment:	March 8, 2016
Education:	B.A. in Accounting from Duquesne University; an MBA in Finance from the University of Pittsburgh, U.S.A. and an MA in Accounting from the University of Pennsylvania, U.S.A.
Employment over the past five years:	CEO of Apax Partners Israel Ltd; Lecturer on accounting and finance - Wharton School, Pennsylvania University.
Companies of which he is a director (other than the Company):	Apax Partners Israel Ltd., Apax Partners LLP, AP. TN Ltd., Ami Consulting Ltd., Ten - Petroleum Company Ltd., Zap Group Ltd., Swan Debtco, Swan Debtco Ltd., Swan Holdco Ltd., Swan Holdco Ami Ltd., Swan Topco Ltd., Zebra Holdco Ltd., Zebra Midco Ltd., Zebra Topco Ltd., Tiger Topco Ltd., Tiger Midco Ltd. Tiger Holdco Ltd., Moose Topco Ltd. Moose Midco Ltd. Moose Holdco Ltd., Gorilla Topco Ltd., Gorilla Midco Ltd., Gorilla Holdco Ltd., Attenti Electronic Monitoring Group Ltd., Attenti electronic Monitoring Ltd., Attenti EM Ltd., Go Global Travel Ltd., Max Management Israel Ltd., Goor Topco Ltd, Goor Holdco Ltd., Global-E Online Ltd., Rot Topco Ltd., Rot Midco Ltd., Rot Holdco Ltd., Ramet-Trom Ltd., Mac Topco Ltd., Rich Topco Ltd., S.R Accord Ltd., Gazit Horizons Inc.
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Limor Shofman Guttman**
Identity no.:	024388191
Date of birth:	August 27, 1969
Address for serving legal documents:	136 Ehad Ha'am Street, Tel-Aviv
Nationality:	Israeli
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee, Corporate Responsibility Committee, Nominating and Corporate Governance Committee and Gazit Canada's subjects Committee.
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	January 1, 2019
Education:	B.A. in Law, Bar Ilan University; Certificate in Positive Psychology, Maytiv Center for the Research and Application of Positive Psychology and the School of Psychology at IDC Herzliya
Employment over the past five years:	Head of the Capital Market, Companies and Securities Department at Law Offices of Matry, Meiri & Co (2015-2019).; Partner and Deputy Head of the Capital Market Department at Law Offices of Goldfarb, Zeligman & Co. (1997-2015); Chairman of ProWoman; founder and member of the Board of Directors of IMFA, member of the Shevion advisory committee.
Companies of which he is a director (other than the Company):	Nahum Gutman Museum
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Shmuel Hauser**
Identity no.:	053488342
Date of birth:	May 13, 1955
Address for serving legal documents:	19 Amirim St., Savion
Nationality:	Israeli
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee, Investments Committee, Nominating and Corporate Governance Committee, Corporate Responsibility Committee.
Serves as external director:	Yes
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes (external director)
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	January 1, 2019
Education:	BA in Statistics and Economics, Hebrew University; MA in Finance, Hebrew University; PhD, Temple University, Philadelphia, USA
Employment over the past five years:	Chairman of the Israel Securities Authority; Vice President and Professor of Finance at Ono Academic College; Professor of Finance at the School of Management of Ben-Gurion University; Chairman of Pocketful Ltd.; Co-Chair of the Israeli Accounting Standards Board; member of the advisory committee of the Supervisor of Banks at Bank of Israel; member of the licensing committee of the Supervisor of Banks at Bank of Israel; member of the advisory committee of the Capital Market, Insurance and Savings Authority; member of the debt settlement committee of the Ministry of Finance; Member of the Investment Committee - Israel Democracy Institute; Member of the advisory committee of Cyber Regtech; Consultant to Etoro Ltd., director and partner in Quantex Expected Return.
Companies of which he is a director (other than the Company):	Alrov Real Estate and Hotels Ltd., Cellcom Ltd., Pocketful Ltd.
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Aviad (Adi) Armoni**
Identity no.:	055992598
Date of birth:	July 7, 1959
Address for service of process:	16 Harechesh Street, Tel-Aviv
Nationality:	Israeli
Membership of Board committees:	Audit, Balance Sheet and Compensation Committee of the Company
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	Yes
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	May 26, 2020
Education:	PhD in Business Management and Information Systems (Tel Aviv University); MBA in Finance (Tel Aviv University); B,Sc in Industrial Engineering and Management (Tel Aviv University).
Employment in the past five years:	Founder and CEO of KBIS Ltd.; Dean of the School of Business Management and Head of Information Systems field - The College of Management Academic Studies (Colman)
Companies of which he is a director (other than the Company):	A. Bina Consulting and Management Services Ltd., Getter Tech Ltd.; KBIS Ltd.
Relative of another of the Company's interested parties:	No

REGULATION 26A: SENIOR OFFICERS

Presented below are details of the senior officers of the Company, who do not serve as directors, to the best of the Company's knowledge:

Name:	**Adi Jemini**
Identity no.:	032862443
Date of birth:	March 19, 1978
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Vice President and CFO of the Company, Responsible for Market Risks management, together with the CEO of the Company; Director in G. Israel Commercial Centers Ltd., Gazit Horizons, and Gazit Brasil; manager and director in additional private subsidiaries of the Company
Date of appointment:	January 16, 2016
Education:	B.Sc. in Accounting from Virginia Polytechnic Institute
Employment over the past five years:	His positions in the Group, as set out above.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Oren Hod**
Identity no.:	023836588
Date of birth:	August 21, 1968
Position held in the Company, in a subsidiary, in a related company or in an interested party:	EVP and COO, Chairman of the Board of G Israel Commercial Centers Ltd., director in ATR.
Date of appointment:	June 2020
Education:	Civil engineer (construction and transportation) - Technion
Employment in the past five years:	CEO of Africa Israel Residences Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	**Rami (Romano) Vaisenberger**
Identity no.:	016708695
Date of birth:	January 29, 1973
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Vice President and Accountant; Accountant at Norstar Holdings Inc.; Director in the Company’s private subsidiaries and Norstar Holdings Inc.
Date of appointment:	July 1, 2004
Education:	B.A. in Accounting and Business Administration (College of Management)
Employment over the past five years:	His current position, Accountant at Norstar Holdings Inc., Director in the Company’s private subsidiaries and Norstar Holdings Inc.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Zvi Gordon**
Identity no.:	332533710
Date of birth:	October 15, 1985
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP Investments at the Company, VP Mergers & Acquisitions at Gazit USA, head investments manager at Norstar Holdings Inc., controlling shareholder of the Company, CEO of Norstar Israel Ltd. (a company wholly owned by Norstar Holdings Inc.); director at CTY.
Date of appointment:	June 19, 2017
Education:	MBA from MIT Sloan School of Management, BA in Philosophy, Politics and Law from State University of New York Binghamton
Employment over the past five years:	VP Mergers & Acquisitions at Gazit USA Inc., head investments manager at Norstar Holdings Inc. (Previously head administrative manager); Director at CTY.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	Yes. Mr. Gordon is Mr. Katzman's son-in-law.

Name:	**Liza Haimowitz**
Identity no.:	059754382
Date of birth:	August 15, 1965
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP and International Legal Advisor
Date of appointment:	January 1, 2019
Education:	LLB in Law and MBA in Business Administration, Tel Aviv University
Employment over the past five years:	Legal Counsel and Company Secretary at Israel Chemicals Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	**Revital Kahlon**
Identity no.:	036307221
Date of birth:	June 12, 1979
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Legal Counsel and Company Secretary
Date of appointment:	June 1, 2015
Education:	LLB and BA from the Hebrew University of Jerusalem
Employment over the past five years:	Legal Counsel and Company Secretary
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

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Name:	**Eli Mualem**
Identity no.:	040015968
Date of birth:	June 9, 1980
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Accountant
Date of appointment:	April 1, 2018
Education:	BA in Accounting and Economics - Tel Aviv University. MBA in Business Administration - Tel Aviv University.
Employment over the past five years:	Accountant at the Company; accountant at Gilat Satellite Networks Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	**Doron Cohen**
Identity no.:	028015592
Date of birth:	October 10, 1970
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Internal auditor of the Company and of Norstar Holdings Inc.
Date of appointment:	22.7.2019
Education:	CPA, BA in Business Administration (Ono Academic College)
Employment over the past five years:	Partner and Audit Manager in Fahn Kanne Control Management Ltd.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

REGULATION 26B: AUTHORIZED SIGNATORY FOR THE COMPANY

As of the date of the report, the Company has no independent authorized signatories.

REGULATION 27: AUDITORS OF THE COMPANY

Kost Forer Gabbay & Kasierer, CPAs, 144 Menachem Begin Road, Tel-Aviv.

REGULATION 28: AMMENDMENT OF THE MEMORANDUM OR ARTICLES OF ASSOCIATION

None.

REGULATION 29: RECOMMENDATIONS AND RESOLUTIONS OF THE DIRECTORS

A. Payment of a dividend or distribution, as defined in the Companies Law, by any other means, or distribution of benefit shares:

   For information regarding the distribution of dividend in the reporting period, see details on changes in Company capital in the consolidated statements and in Note 25F to the financial statements.

   During the reported period and afterwards, the Company purchased ordinary shares of the Company, as part of its buyback plans of Company shares, that were valid during the reported period, as set out in section 3.8 of the Directors' Report. The Company also purchased 20,000,000 additional shares of the Company, as part of its buy-back tender offer published in July 2020.

   Change in the Company's registered or issued capital:

   Change in registered capital - None.

   Changes in issued capital - Refer to Regulation 20 above.

B. Amendment of the memorandum or articles of association: None.

C. Redemption of redeemable securities: None.

   Early redemption of debentures: None. However, it is noted that during the reporting period, the Company made a buyback of debentures under purchase plan of Company securities that was approved by its Board of Directors in March 2020, as set out in section 3.8 of the Directors' Report.

D. Transaction between the Company and an interested party which is not accordance with market terms: None.

E. Resolutions of the general meeting on the matters detailed in sections A through E above that were received not accordingly with the recommendations of the Board of Directors: None.

F. Resolutions by a special and annual general meeting:

   1. On March 15, 2020, the following resolutions were received (see the immediate report regarding convening of a special general meeting dated February 9, 2020 (Reference no.: 2020-01-014232) and the immediate report regarding the results of the general meeting dated March 16, 2020 (Reference no.: 2020-01-01-025020), the information contained in the aforesaid immediate reports is hereby incorporated by means of reference:

      1.1 Approval of the Company's officers compensation policy;

      1.2 Approval of the terms of tenure and employment of Zvi Gordon, who serves as the VP Investments of the Company;

      1.3 Approval of compensation to Zehavit Cohen for her tenure as director in the subsidiary Gazit Horizons Inc.

   2. On November 5, 2020, the following resolutions were received (see the immediate report regarding convening of a annual and special general meeting dated September 30, 2020 (reference no.: 2020-01-097744); amended report dated November 1, 2020 (reference no.: 2020-01-109012)) and immediate report regarding the results of the general meeting dated March 16, 2020 (reference no. 2020-01-025020)), the information contained in the aforesaid immediate reports is hereby incorporated by means of reference:

      2.1 Re appointment of the Company's CPA auditor.

      2.2 Re appointment of directors serving in the company: Ehud Arnon, Chaim Katzman, Zehavit Cohen, Aviad Armoni.

2.3 Approval of engagement with Norstar Holdings Inc. for the provision of services and non-competition (as specified in section 23.1 of the chapter Description of the Company's business)

3. On March 14, 2021, the Company published a report regarding the convening of a special general meeting on April 20, 2021, for approval of the terms of tenure of Chaim Katzman, Vice Chairman of the Board, CEO of the Company and its Controlling Shareholder. For information, see the report regarding the convening of a general meeting dated March 14, 2021 (reference no.: 2021-01-033795).

REGULATION 29A: RESOLUTIONS OF THE COMPANY

A. Approval of acts pursuant to Section 255 of the Companies Law: None.

B. Act pursuant to Section 254(a) of the Companies Law that have not been approved, whether or not such act have been presented for the approval referred to in Section 255 of the Companies Law: None.

C. Transactions requiring special approval pursuant to Section 270(1) of the Companies Law, provided that these are exceptional transactions, as defined in the Companies Law, which have been approved during the reporting year:
In April 2020, the Company's Board of Directors approved (following approval by the Audit and Compensation Committee) provision of a loan to the VP and CFO of the Company. The loan is in the amount of USD 600,000 for a period of up to six years, bears interest at market conditions, which will be paid annually, whereas the loan principal will be repaid in full at the end of the loan period.

D. Exemption, insurance or an undertaking to indemnify, to an officer, as defined in the Companies Law, that is valid at the reporting date:

- **Insurance**: At the reporting date, the Company has an insurance policy to an officers, which was last renewed in April 2020 and the Company is acting to renew it. This policy was renewed pursuant to the decision of the general meeting dated November 22, 2016, which approved purchasing insurance policy to an officers with maximum coverage limit of USD 125 million (per event and per year). Pursuant to a resolution of the Company's Board of Directors, at the reporting date the coverage limit is USD 70 million (per event and per year). Pursuant to the general meeting resolution, the insurance policy will be renewed from time to time for additional insurance periods, but for no longer than five years from the date of the first policy renewal pursuant to the said resolution. In addition, following the delisting of the Company’s shares from trade on the Toronto and New York stock exchanges, the Company purchased a Run-Off insurance policy for director and officer liability up to the liability limit of USD 100 million (the liability limit in the existing policy), plus reasonable legal expenses exceeding the liability limit in accordance with section 66 of the Insurance Contract Law - 1981. The aforementioned insurance policy will cover the liability of the officers and directors currently in office and who served at the Company up to the date of the expiration of the existing insurance policy (March 12, 2019), for their actions or faults during the period of their service at the Company until the aforementioned date, for listing the Company’s shares for trade on the New York and Toronto stock exchanges (NYSE and TSX). The policy will be for a period ending after 7 years, beginning on March 12, 2019.
  Pursuant to the provisions of Section 275 of the Companies Law, which set forth, inter alia, that transactions involving terms of service and employment of a controlling shareholder will be approved once every three years. On March 8, 2019, the Company’s Board of Directors (following approval by the Company’s Compensation Committee) approved to apply the insurance policy, as purchased from time to time by the Company, and the Run-Off policy, to the controlling shareholder of the Company, Mr. Chaim Katzman, who also serves as the Vice Chairman of the Board of Directors and as the CEO of the Company, and to Mr. Zvi Gordon, son-in-law of Mr. Katzman, who serves as the VP Investments of the Company and the VP Mergers & Acquisitions in Gazit USA, a wholly owned subsidiary of the Company, for their service as officers at the Company, under terms that are identical to those of the other officers in the Company (starting from March 12, 2019).
- **Indemnity**: Pursuant to the provisions of the Company's articles of association, and pursuant to the resolution of the Company's general meeting dated December 31, 2006, December 13, 2011 and October 17, 2017, the Company undertook to indemnify in advance anyone serving as an officer of the Company (including directors), including an officer in the Company which is serving on behalf of the Company or at its request as an officer in another company (meaning, a subsidiary of the Company, a related corporation of the Company or another corporation whatsoever (including a foreign corporation) which the Company owns and/or shall own from time to time through its securities and/or through its voting rights and/or through its right to appoint directors therein) and additional position holders at the Company or at a different company of the Company. The undertaking to indemnify was provided with respect to liabilities and expenses, pursuant to the provisions of the Companies

Law, with regard to a series of events (the indemnification causes) specified in the indemnification letter, as well as indemnification according to the limitations permitted under the Streamlining of ISA Enforcement Procedures Law (Legislative Amendments) - 2011. The maximum cumulative indemnification amount which the Company might pay any officer, as aforesaid, according to the letter of commitment, will be no greater than 25% of the Company's shareholders' equity according to its last financial statements published prior to the actual indemnification payment. Under the terms of employment of Mr. Katzman, Vice Chairman of the Board, CEO of the Company and its Controlling Shareholder, he is entitled to a letter of indemnity as is standard in the Company (for information regarding renewal of Mr. Katzman's employment agreement, subject to the approval of the Company's general meeting, including renewal of the letter of exemption and indemnity thereunder, see Section B to Regulation 21 above).

- **Exemption**: The Company resolved to exempt in advance the aforesaid officers (including directors) from accountability for damage caused and/or that will be caused to the Company by the officer due to breach of the duty of care towards it, other than in the case of a breach of the duty of care in distribution, as defined in the Companies Law. According to the Company's updated compensation policy, letters of exemption, if granted (from the date of adoption of such policy) will not apply to a decision or transaction in which the controlling shareholder or any officer in the Company (also a different officer to the officer to which the letter of exemption is granted) has a personal interest (except a personal interest arising from service as an officer in the Company and an officer in a company affiliated to the Company). Such exemption was also granted to Mr. Chaim Katzman, Vice Chairman of the Board of Directors, CEO of the Company and its controlling shareholder, and Mr. Zvi Gordon, Mr. Katzman's son-in-law who serves as Vice President of Mergers & Acquisitions at Gazit USA, a wholly owned subsidiary of the Company, and the VP Investments of the Company, as part of the terms of their employment in the Company. For information regarding renewal of Mr. Katzman's employment agreement, subject to the approval of the Company's general meeting, including renewal of the letter of exemption and indemnity thereunder, see Section B to Regulation 21 above.

For details and the wording of the undertaking to indemnify and exemption, see the complementary report regarding convening of a general meeting dated November 10, 2016 (Reference no.: 2016-01-076413), the report regarding convening of a general meeting dated October 17, 2017 (Reference no.: 2017-01-078685) and the amended report regarding convening of a general meeting dated December 24, 2018 (Reference no.: 2018-01-126159).

March 21, 2021	Gazit-Globe Ltd.
Date	Name of Company

<u>Names of Signatories:</u>	<u>Position:</u>
Ehud Arnon	Chairman of the Board of Directors
Chaim Katzman	Vice Chairman of the Board of Directors and CEO

CORPORATE GOVERNANCE QUESTIONNAIRE – GAZIT-GLOBE

INDEPENDENCE OF THE BOARD OF DIRECTORS

			Correct	Incorrect
1.		In every reporting year, two or more External Directors served with the Corporation This question can be answered “Correct” if the time period during which two External Directors did not serve does not exceed 90 days, as stated in Section 363A(b)(10) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which two or more External Directors did not serve with the Corporation in the Reporting Year (including also the period of service approved retroactively, distinguishing between the various External Directors): Director A: Yair Orgler (served as a director of the Company until November 27,2019) Director B: Ronnie Bar-On Director C: Shmuel Hauser Director D: .Limor Shofman Guttman Number of External Directors serving with the Corporation as of the date of publishing this questionnaire: 3	√	

2.		Ratio [19] of Independent Directors [20] serving with the Corporation as of the date of publishing this questionnaire: 71% Ratio of Independent Directors prescribed by the Articles[21] of the Corporation[22]: 33% ☐ Not relevant (not prescribed in the Articles).	____	____
3.		A check was performed in the Reporting Year on the External Directors (and the Independent Directors) and it was found that, in the Reporting Year, they were in compliance with the provisions of Section 240(b) and (f) of the Companies Law with regard to the External (and Independent) Directors serving with the Corporation not having an Interest, and also that the conditions necessary for them to serve as an External (or Independent) Director had been fulfilled.	√	
4.		None of the Directors who served with the Corporation during the Reporting Year are answerable[23] to the CEO, directly or indirectly (except for a Director who is an employee representative, if the Corporation has such employee representation). If you answer "Incorrect" (i.e., the Director is answerable to the CEO, as stated) – state the ratio of Directors who failed to meet the aforesaid restriction: ____.	√	

19 In this questionnaire, "Ratio" is the particular number out of the total, for example 3/8.

20 Including "External Directors" as defined in the Companies Law.

21 For the purposes of this question – "Articles" includes in accordance with a specific statutory provision applicable to the Corporation (in the case of a banking corporation for example – the directives of the Supervisor of Banks).

22 A debenture company is not required to answer this section.

23 For the purposes of this question - serving as a Director of an affiliate that is controlled by the Corporation shall not be deemed as being "answerable". On the other hand, the serving of a Director of the Corporation who serves as an Officer (other than Director) and/or is employed in an affiliate that is controlled by the Corporation shall be deemed as being "answerable" for the purposes of this question.

5.		All Directors who disclosed having a Personal Interest in the approval of a transaction on the agenda of the meeting did not attend the discussion and did not participate in the aforesaid vote (other than a discussion and/or a vote in circumstances which comply with Section 278(b) of the Companies Law): If you answer "Incorrect" – Was it in order for the Director to present a particular topic in accordance with the provisions at the end of Section 278(a): ☐Yes ☐ No (Place an X in the appropriate box). Note the rate of meetings in which the aforesaid Directors attended the discussion and/or participated in the vote other than in circumstances as provided in subsection a: ________.	√	
6.		A Controlling Shareholder (including his Relative and/or anyone acting on his behalf), who is not a Director or another Senior Officer of the Corporation, was not present at the meetings of the Board of Directors held in the Reporting Year. If you answer "Incorrect" (i.e., a Controlling Shareholder and/or his Relative and/or anyone acting on his behalf, who is not a member of the Board of Directors and/or a Senior Officer of the Corporation was present at the aforesaid meetings of the Board of Directors) – the following details regarding the presence of any additional person at the aforesaid meetings of the Board of Directors are to be provided: Identity: Position in the Corporation (if any): Details of the Interest vis-à-vis the Controlling Shareholder (if the person present is not the Controlling Shareholder himself): Was the person attending in order to present a particular topic: ☐ Yes ☐ No (Place an X in the appropriate box). Rate of attendance[24] at the meetings of the Board of Directors held in the Reporting Year in order to present a particular topic:. Attendance for other purposes:	√	

24 Differentiating between the Controlling Shareholder, his Relative and/or anyone acting on his behalf.

		□ Not applicable (the Corporation does not have a Controlling Shareholder).		

EXPERTISE AND QUALIFICATIONS OF THE DIRECTORS					
				Correct	**Incorrect**
7.		The Corporation's By-Laws do not contain a provision restricting the possibility of immediately terminating the service of all the Corporation's Directors, who are not External Directors (for this purpose – a decision by a simple majority is not considered a restriction)25. If you answer "Incorrect" (i.e., such a restriction does exist), state –			√
		A.	The time period prescribed in the By-Laws for a Director's service: in-between annual general meetings of the shareholders of the Company.		
		B.	The required majority prescribed in the By-Laws for terminating the service of the Directors: A Special Resolution of the General Meeting, viz. 75% or more of the voting power of all the shares whose holders were present and voted on said Resolution.		
		C.	Legal quorum prescribed in the By-Laws at the General Meeting for the purpose of terminating the service of the Directors: A legal quorum will exist at General Meetings of the Company when at least two shareholders with voting rights (personally or through proxies) are present, who together hold at least 30% of the Company's voting rights.		

[25] A debenture company is not required to answer this section.

		D.	The required majority to change these provisions in the By-Laws: A majority of the shareholders who hold shares that confer on them 60% or more of the voting rights of all the shares whose holders were present and voted on said Resolution (except for abstentions), either personally or through proxies, including a voting paper.		

8.			The Corporation has taken action to prepare a training program for new Directors, in relation to the Corporation's business and in relation to the law applicable to the Corporation and the Directors, as well as having taken action to prepare a continuing training program for serving Directors, that is customized, inter alia, to the duties that the Director performs at the Corporation. If you answer "Correct" – state whether the program was in operation in the Reporting Year: ☒Yes ☐No (Place an X in the appropriate box).	√	
9.		A.	The Corporation has prescribed the minimum number of Directors on the Board of Directors that are required to possess Accounting and Financial Expertise. If you answer "Correct" – state the minimum number prescribed: Three directors	_____	_____
		B.	Number of Directors that served with the Corporation during the Reporting Year - Possessing Accounting and Financial Expertise[26]: Ten Directors Possessing Professional Qualifications[27]: -- In the event of there being changes in the number the aforesaid Directors in the Reporting Year, the figure to be provided will be the lowest number (except in the 60-day time period from the occurrence of the change) of Directors of each type who served in the Reporting Year.		

26 As assessed by the Board of Directors, in accordance with the provisions of the Companies Regulations (Terms and Tests for Director Possessing Accounting and Financial Expertise and for a Director Possessing Professional Qualifications), 2005.

27 See footnote 9.

10.		A.	In each Reporting Year, the composition of the Board of Directors included members of both sexes. If you answer "Incorrect" – state the time period (in days) during which the aforesaid did not apply: ____. This question can be answered "Correct" if the time period in which Directors of both sexes were not serving does not exceed 60 days, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which Directors of both sexes were not serving with the Corporation: ____.	√	
		B.	Number of Directors of each sex serving on the Board of Directors of the Corporation as of the date of publishing this questionnaire: Men: 5, Women: 2	_____	_____

MEETINGS OF THE BOARD OF DIRECTORS (AND CONVENING A GENERAL MEETING)

				Correct	Incorrect
11.		A.	Number of meetings of the Board of Directors held during each quarter of the Reporting Year: First quarter (2019): 10 Second quarter: 7 Third quarter: 6 Fourth quarter: 5	____	____
		B.	Against the name of each of the Directors who served with the Company during the Reporting Year, state the attendance rate[28] at meetings of the Board of Directors (in this subsection – include meetings of Committees of the Board of Directors of which the Director is a member, as stated below) that were held during the Reporting Year (in relation to his period of service): (Additional rows should be added in accordance with the number of Directors.) * As the Audit Committee also acts as the Financial Statements Review Committee, attendance rates at meetings of the Audit Committee also relate to its meetings as the Financial Statements Review Committee. In addition, from July 2017 the Audit Committee also acts as the Compensation Committee. The data relating to the presence of the Compensation Committee that existed until the date of its unification with the Compensation Committee.	____	____

Name of Director	Attendance rate at meetings of	Attendance rate at meetings of	Attendance rate at meetings of	Attendance rate at meetings of the	Attendance rate at meetings of **other Committees of the**

28 See footnote 2.

				the **Board of Directors**	the **Audit Committee**[29]	the **Financial Statements Review Committee**[30]	**Compensation Committee**[31]	**Board of Directors of which he is a member** (noting the name of the Committee)		
			Ehud Arnon	100%						
			Chaim Katzman	100%						
			Ronnie Bar-On	100%	100%			Nominations and Corporate Governance Committee – 100% Corporate Responsibility Committee – 100%		
			Aviad Armoni	100%	88%					
			Douglas Sesler	79%						

29 For a Director who is a member of said Committee.

30 For a Director who is a member of said Committee.

31 For a Director who is a member of said Committee.

			Zehavit Cohen	100%	100%					
			Shmuel Hauser	100%	100%					
			Limor Shofman Guttman	100%	100%					
12.		In the Reporting Year, the Board of Directors held at least one discussion regarding the management of the Corporation's business by the CEO and the Officers answerable to him, without them being present, and they were given an opportunity to express their position.							√	

SEPARATION OF THE FUNCTIONS OF THE CEO AND THE CHAIRMAN OF THE BOARD OF DIRECTORS

			Correct	Incorrect
13.		Throughout the Reporting Year, a Chairman of the Board of Directors served with the Corporation. This question can be answered "Correct" if the time period in which a Chairman of the Board of Directors was not serving with the Corporation does not exceed 60 days, as referred to in Section 363A(2) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which a Chairman of the Board of Directors was not serving with the Corporation, as stated: ____.	√	
14.		In each Reporting Year, a CEO served with the Corporation.	√	

		This question can be answered "Correct" if the time period in which a CEO was not serving with the Corporation does not exceed 90 days, as referred to in Section 363A(6) of the Companies Law, but whatever the answer (Correct/Incorrect), the time period (in days) is to be stated during which a CEO was not serving with the Corporation, as stated: ____.		
15.		In a Corporation in which the Chairman of the Board of Directors also serves as the CEO of the Corporation and/or exercises the powers thereof, the dual service was approved pursuant to the provisions of Section 121(c) of the Companies Law[32]. × Not applicable (so long as the aforesaid dual service does not exist in the Corporation).		

16.		The CEO is not a Relative of the Chairman of the Board of Directors. If you answer "Incorrect" (i.e., the CEO is a Relative of the Chairman of the Board of Directors) –	√	
	A.	State the family relationship between the parties: ________.	_____	_____
	B.	The service was approved pursuant to Section 121(c) of the Companies Law[33]: ☐ Yes ☐ No *(Place an X in the appropriate box.)*	_____	_____
17.		A Controlling Shareholder or his Relative does not serve as CEO or as a Senior Officer of the Corporation, except as a Director. ☐ Not applicable (the Corporation does not have a Controlling Shareholder).		√

32 In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

33 In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

AUDIT COMMITTEE

				Correct	Incorrect
18.		The following did not serve on the Audit Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. □ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	
		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. □ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	
19.		A person not entitled to be a member of the Audit Committee, including a Controlling Shareholder or his Relative, was not present in the Reporting Year at meetings of the Audit Committee, except in accordance with the provisions of Section 115(e) of the Companies Law.		√	
20.		A legal quorum for holding discussions and taking decisions at each of the meetings of the Audit Committee held in the Reporting Year was a majority of the Committee's members, with the majority of those present being Independent Directors and at least one of whom was an External Director. If you answer "Incorrect" – state the ratio of meetings at which the aforesaid requirement was not fulfilled: ____.		√	

21.	The Audit Committee held at least one meeting in the Reporting Year, in the presence of the Internal Auditor and the Independent Auditor and without the presence of the Corporation's Officers who are not members of the Committee, with regard to defects in the Corporation's business management.	√	
22.	At each meeting of the Audit Committee at which a person not entitled to be a member of the Committee was present, this was with the approval of the Chairman of the Committee and/or at the request of the Committee (with regard to the Corporation's Legal Counsel and its Corporate Secretary who is not a Controlling Shareholder or his Relative).	√	
23.	In the Reporting Year, arrangements, which had been prescribed by the Audit Committee, were in force regarding the manner of handling complaints from the Corporation's employees in connection with defects in its business management and regarding the protection given to employees revealing the aforesaid.	√	
24.	The Audit Committee (and/or the Committee for the Review of the Financial Statements) was satisfied that the scope of the work of the Independent Auditor and his professional fees in relation to the financial statements in the Reporting Year were adequate for the performance of suitable audit and review work.	√	

DUTIES OF THE FINANCIAL STATEMENTS REVIEW COMMITTEE (HEREAFTER – THE COMMITTEE) IN ITS WORK PRIOR TO THE APPROVAL OF THE FINANCIAL STATEMENTS

			Correct	Incorrect
25.	A.	Note the length of time (in days) prescribed by the Board of Directors as being a reasonable time for the sending of the Committee's recommendations prior to the discussion at the Board of Directors on approving the financial statements: Between two and four days, depending on circumstances.	_____	_____
	B.	Number of days that actually elapsed between the date of sending the recommendations to the Board of Directors and the date of the discussion at the Board of Directors on approving the financial statements: First quarter report (2020): 1 Second quarter report: 1 Third quarter report: 2 Annual report: 3	_____	_____
	C.	Number of days that elapsed between the date of sending the draft financial statements to the Directors and the date of the discussion at the Board of Directors on approving the financial statements: First quarter report (2020): 2 Second quarter report: 2 Third quarter report: 4 Annual report: 4		
26.		The Independent Auditor of the Corporation participated in all the meetings of the Committee and the Board of Directors, at which discussions took place regarding the Corporation's financial statements relating to the periods included in the Reporting Year. If you answer "Incorrect" – state the ratio of meetings attended by the Independent Auditor: ____.	√	

27.	Throughout the Reporting Year and until the publication of the annual report, the Committee fulfilled all the conditions detailed below:		_____	_____
	A.	Its members numbered at least three (at the date of the discussion by the Committee and the approval of the aforesaid Reports).	√	
	B.	All the conditions prescribed in Section 115(b) and (c) of the Companies Law (regarding the service of members of the Audit Committee) were fulfilled.	√	
	C.	The Chairman of the Committee is an External Director.	√	
	D.	All its members are Directors and a majority of its members are Independent Directors.	√	
	E.	All its members are capable of reading and understanding financial statements and at least one of the Independent Directors possesses Accounting and Financial Expertise.	√	
	F.	The members of the Committee provided a Declaration prior to their appointment.	√	
	G.	A legal quorum for holding discussions and taking decisions at the Committee was a majority of the its members, provided that the majority of those present were Independent Directors and among them was at least one External Director.	√	
	If you answer "Incorrect" with regard to one or more of the subsections to this question, note with respect to which report (periodic/quarterly) the aforesaid condition was not fulfilled and also which condition was unfulfilled: _______.		_____	_____

COMPENSATION COMMITTEE

				Correct	Incorrect
28.		The Committee comprised, in the Reporting Year, at least three members and the External Directors constituted the majority thereof (on the date of the discussion at the Committee). ☐ Not relevant (no discussion was held).		√	
29.		The terms of service and employment of all members of the Compensation Committee in the Reporting Year are in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses for External Directors), 2000.		√	
30.		The following did not serve on the Compensation Committee in the Reporting Year –		_____	_____
		A.	The Controlling Shareholder or his Relative. ☐ Not relevant (the Corporation does not have a Controlling Shareholder) .	√	
		B.	The Chairman of the Board of Directors.	√	
		C.	A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.	√	
		D.	A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.	√	
		E.	A Director whose main source of income is the Controlling Shareholder. ☐ Not relevant (the Corporation does not have a Controlling Shareholder).	√	
31.		A Controlling Shareholder or his Relative was not present in the Reporting Year at meetings of the Compensation Committee, unless determined by the Chairman of the Committee that any of them is needed in order to present a particular topic.		√	

32.	The Compensation Committee and the Board of Directors did not make use of their powers pursuant to Sections 267A(c), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or a compensation policy, over the objections of the General Meeting. If you answer "Incorrect", state – Type of transaction approved as aforesaid: _____ Number of occasions when use was made of said powers in the Reporting Year: _____	√	
INTERNAL AUDITOR			
		Correct	**Incorrect**
33.	The Chairman of the Board of Directors or the CEO of the Corporation has organizational responsibility for the Internal Auditor in the Corporation.		√
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the Reporting Year. In addition, note the audit topics dealt with by the Internal Auditor in the Reporting Year: see section 5.2 to the Directors' Report (Place an X in the appropriate box).	√	
35.	The scope of the Internal Auditor's work in the Corporation in the Reporting Year (in hours[34]): 1,850.	_____	_____
	In the Reporting Year, a discussion was held (at the Audit Committee or at the Board of Directors) with regards to the Internal Auditor's findings.	√	
36.	The Internal Auditor is not an Interested Party in the Corporation, his Relative, an Independent Auditor or anyone acting on its behalf and also does not maintain material business relations with the Corporation, its Controlling Shareholder, his Relative or corporations under their Control.	√	

34 Includes work hours invested in investee corporations and in overseas auditing, as the case may be.

TRANSACTIONS WITH INTERESTED PARTIES

		Correct	Incorrect
37.	The Controlling Shareholder or his Relative (including a company under his Control) is not employed by the Corporation nor does he provide it with management services. If you answer “Incorrect” (i.e., the Controlling Shareholder or his Relative is employed by the Corporation or provides it with management services), state – - The number of Relatives (including the Controlling Shareholder) employed by the Corporation (including companies under their Control and/or by means of management companies): 2 - Have the employment and/or management services agreements with the aforesaid been approved by the organs prescribed by law: × Yes ☐ No (Place an X in the appropriate box.) ☐ Not applicable (the Corporation does not have a Controlling Shareholder) .		√
38.	To the best of the Corporation’s knowledge, the Controlling Shareholder does not have other businesses in the Corporation’s field of activity (in one or more fields). [22] If you answer “Incorrect” – state whether an arrangement has been prescribed to delineate Transactions between the Corporation and its Controlling Shareholder: ☐ Yes ☐ No (Place an X in the appropriate box.) ☐ Not applicable (the Corporation does not have a Controlling Shareholder) .	√	

Chairman of the Board:	**Ehud Arnon**	**Chairman of the Audit Committee and the Financial Statements Review Committee:**	**Roni Bar-On**

22 For details regarding non compete agreement between the Company and its controlling shareholder, Norstar Holdings Inc, see Section 22.1 of the Description of the Company's Business. In addition, Mr. Katzman, the Company's controlling shareholder, has personal holdings in residence buildings in a non material manner, which are not in the Company's locations of business.

CHAPTER F

GAZIT-GLOBE LTD.

Presentation of Financial Information from
Consolidated Financial Statements attributed to the Company

As of December 31, 2020

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Building a better
working world

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To
The Shareholders of Gazit Globe LTD.
8 Aharon Beker St, Tel-Aviv

Dear Sirs/Mmes.,

Re: Special auditors' report of the separate financial information in accordance with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the separate financial information presented pursuant to regulation 9c of the Securities Regulations (Periodic and Immediate Reports), 1970, of Gazit Globe Ltd. ("the Company") as of December 31, 2020 and 2019 and for each of the three years, the last of which ended December 31, 2020, which was included in the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion on the separate financial information based on our audits.

We have not audited financial information from financial statements of an investee, for which the assets net of liabilities attributed thereto, net amounted to NIS 4,161 million and NIS 4,112 million as of December 31, 2020 and 2019, respectively, and for which the Company's share of its earnings (losses) amounted to NIS (423) million, NIS 204 million and NIS 154 million for the years ended December 31, 2020, 2019 and 2018 respectively. The financial statements of this company were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for this company, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial information. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall separate financial information presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the separate financial information referred to above is prepared, in all material respects, in conformity with Regulation 9c to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
March 21, 2021

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

GAZIT-GLOBE LTD.

Financial Information and Financial Data from Consolidated Financial Statements Attributed to the Company

Below is financial data and separate financial information from the Group's consolidated financial statements as of December 31, 2020, published as part of the periodic reports ("consolidated financial statements") attributed to the Company itself, presented in accordance with Regulation 9c of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

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

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

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2020	December 31, 2019
		NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	a	305	71
Sort-term investments	b	90	-
Short-term loans and current maturities of long-term loans to subsidiaries	e	277	42
Financial Assets	b	266	14
Financial derivatives	b,c	36	64
Other accounts receivable	b	7	10
Total current assets		981	201
NON-CURRENT ASSETS			
Financial derivatives	b,c	311	240
Investment property		80	-
Other accounts receivable	b	23	23
Loans to subsidiaries	e	3,614	5,275
Investments in subsidiaries		14,181	15,855
Fixed and other assets, net		2	20
Total non-current assets		18,211	21,413
Total assets		19,192	21,614

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

Details of Financial Information out of Consolidated Statements of Financial Position Attributed to the Company

	Additional information	December 31, 2020	December 31, 2019
		NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	c	208	250
Current maturities of non-current liabilities	c	368	500
Short-term loans from subsidiaries	e	30	1,374
Financial derivatives	c	55	51
Trade payables	c	2	3
Other accounts payable	c	68	54
Current tax payable		19	89
Dividend payable		45	75
Total current liabilities		795	2,396
NON-CURRENT LIABILITIES			
Loans from banks and others	c	2,050	1,936
Long-term loans from subsidiaries	e	3,670	2,678
Debentures	c	7,085	6,316
Other liabilities	c	-	61
Deferred taxes	d	30	36
Total non-current liabilities		12,835	11,027
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	f		
Share capital		204	237
Share premium		4,063	4,656
Reserves		(3,466)	(2,442)
Retained earnings		4,761	5,740
Total equity		5,562	8,191
Total liabilities and equity		19,192	21,614

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

March 21, 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

Details of Financial Information out of Consolidated Statements of Income Attributed to the Company

	Additional information	2020	2019	2018
		Year ended December 31		
		NIS in millions		
Management fees from related companies	e	3	3	3
Rental income		2	-	-
Finance income from subsidiaries	e	-	47	112
Other finance income		40	815	2
Other income		-	8	-
Total income		45	873	117
Property operating expenses		1	-	-
Fair value loss from investment property, net		9	-	-
General and administrative expenses		44	44	52
financing expenses from subsidiaries		22	-	-
Finance expenses		345	605	1,072
Other expenses		17	68	22
Total expenses		438	717	1,146
Income (loss) before income from subsidiaries, net		(393)	156	(1,029)
Income (loss) from subsidiaries, net		(325)	607	780
Income (loss) before taxes on income (tax benefit)		(718)	763	(249)
Taxes on income (tax benefit)	d	(65)	108	4
Net income (loss) attributed to the Company		(653)	655	(253)

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

Details of Financial Information out of Consolidated Statements of Comprehensive Income Attributed to the Company

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Net income (loss) attributed to the Company	(653)	655	(253)
Other comprehensive income (loss) attributed to the Company (net of tax effect):			
<u>Items that are or will be reclassified to profit or loss:</u>			
Exchange differences on foreign currency translation	(8)	56	(162)
Realization of capital reserves of company previously accounted for using the equity method	-	68	-
Other comprehensive income (loss) attributed to the Company	(8)	124	(162)
Other comprehensive income (loss) attributed to subsidiaries (net of tax effect)	(1,313)	(1,432)	77
Total other comprehensive loss attributed to the Company	(1,321)	(1,308)	(85)
Total comprehensive loss attributed to the Company	(1,974)	(653)	(338)

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

Details of Financial Information out of Consolidated Statements of Cash Flows Attributed to the Company

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Cash flows from operating activities of the Company:			
Net income (loss) attributed to the Company	(653)	655	(253)
Adjustments required to present net cash provided by operating activities of the Company:			
Adjustments to profit and loss items of the Company:			
Depreciation and amortization	1	1	1
Finance expenses (income), net	327	(257)	958
Fair value loss from investment property, net	9	-	-
Loss (income) from subsidiaries, net	325	(607)	(780)
Realization of capital reserves of company previously accounted for using the equity method	-	68	-
Cost of share-based payment	5	4	8
Taxes on income (Tax benefit)	(65)	108	4
	602	(683)	191
Changes in assets and liabilities of the company:			
Decrease (increase) in other accounts receivable	2	(10)	(11)
Increase (decrease) in trade payables and other accounts payable	26	(17)	18
	28	(27)	7
Cash paid and received during the year by the company for:			
Interest paid	(529)	(476)	(566)
Interest received	51	88	67
Taxes paid	(3)	(5)	-
Taxes refund received	-	9	-
Dividend received	9	-	-
Dividend received from subsidiaries	184	223	232
	(288)	(161)	(267)
Net cash used in operating activities of the Company	(311)	(216)	(322)

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

Details of Financial Information out of Consolidated Statements of Cash Flows
Attributed to the Company

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Cash flows from investment activities of the Company:			
Investment in fixed and other assets	-	(37)	(2)
Acquisition of investment property	(88)	-	-
Short-term investments, net	-	(53)	(207)
Return on Investments (Investments) in subsidiaries	85	21	(948)
Loans repaid by subsidiaries, net	1,306	2,852	2,511
Proceeds from sale (investment) of marketable securities, net	(228)	(8)	613
Net cash used in investment activities of the Company	1,075	2,775	1,967
Cash flows from financing activities of the Company:			
Exercise of share options into shares	*) -	*) -	*) -
Receipt of short term credit from banks and others	(42)	-	249
Purchase of treasury shares	(633)	(158)	(113)
Dividend paid to equity holders of the Company	(293)	(298)	(287)
Issuance of debentures less issuance expenses	1,422	-	1,811
Repayment and early redemption of debentures	(844)	(3,095)	(2,360)
Receipt (repayment) of long-term credit facilities from banks, net	(79)	353	(266)
Repayment of long-term loans	(20)	(21)	(34)
Net cash provided (used in) by financing activities of the Company	(489)	(3,219)	(1,000)
Exchange differences on balances of cash and cash equivalents	(41)	(7)	(1)
Increase (decrease) in cash and cash equivalents	234	(667)	644
Cash and cash equivalents at the beginning of year	71	738	94
Cash and cash equivalents at the end of year	305	71	738
Significant non-cash activities of the Company:			
Dividend payable to equity holders of the Company	45	75	73
Receipt of financial asset against loans from subsidiaries	-	-	374
Dividend received from a subsidiary against repayment of loans From a subsidiary	-	1,719	-
Issuance of debentures against receivables	90	-	-

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

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

a. Cash and cash equivalents attributed to the Company

As of the reporting date, the balance of cash and cash equivalents primarily consists of foreign currency.

b. Disclosure regarding financial assets attributed to the Company in accordance with IFRS 7

	December 31	
	2020	2019
	NIS in millions	
Financial assets at fair value through profit or loss:		
Derivatives	347	304
Marketable securities	266	14
Financial liabilities at fair value through profit or loss:		
Derivatives	(53)	(38)
Financial assets (liabilities) at fair value through other comprehensive income:		
Derivatives	(2)	(13)
Short-term investments	90	-
Loans and receivables	30	33
Loans and receivables - subsidiaries	3,891	5,317
Loans from subsidiaries	(3,700)	(4,052)
	869	1,565

c. Disclosure regarding financial liabilities attributed to the Company

1. Other accounts payable attributed to the Company

	December 31	
	2020	2019
	NIS in millions	
Accrued expenses	8	7
Interest payable	36	46
Employees	1	1
Government authorities	-	-
Other payable	23	-
	68	54

2. Composition of short term credit from banks and others

As of December 31 2020, Short term credit from banks and others is comprised of NIS 208 million par value of commercial securities that were issued in August 2018.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

3. Non-current liabilities attributed to the Company

Composition

	December 31	
	2020	2019
	NIS in millions	
Loans from banks and others (1)	2,050	1,936
Debentures (2)(3)	7,085	6,316
	9,135	8,252

(1) Composition of loans from banks and others

	Interest rate	December 31	
		2020	2019
	%	NIS in millions	
In NIS non linked *)	2.54%	314	243
In USD *)		-	432
In USD	5.84%	489	546
In CAD *)		-	109
In EUR *)	2.54%	1,279	640
		2,082	1,970
Less - deferred expenses		(11)	(13)
		2,071	1,957
Less - current maturities		(21)	(21)
		2,050	1,936

*) Variable interest.

To secure credit obtained from banks the Company and its wholly-owned subsidiaries have pledged shares of subsidiaries. Furthermore, sometimes the Company /the Company's wholly-owned subsidiaries have provided cross guarantees to secure the credit obtained from banks; also refer to Note 24b1 to the consolidated financial statements.

(2) Composition of debentures

For details in respect of the composition of Debentures, refer to Note 19 to the consolidated financial statements.

During 2020, the Company repurchased debentures with a par value of NIS 334 million (Series D, K, L, M and N) for a consideration of NIS 373 million. As a result, the Company recorded loss from early redemption of approximately NIS 8 million. The repurchased debentures were cancelled and delisted.

For further information regarding the terms and conditions of the debentures, rating, financial covenants, and the issuances of the debentures during the reporting period, refer to Note 19 to the consolidated financial statements.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

(3) Maturities

	Loans from banks	Debentures
	NIS in millions	
Year 1 - current maturities	21	347
Year 2	398	723
Year 3	761	908
Year 4	635	994
Year 5	31	1,036
Year 6 there after	225	3,424
	2,050	7,085
	2,071	7,432

(4) Financial instruments attributed to the Company

a) Classification of financial liabilities attributed to the Company

All financial liabilities, other than financial derivatives, are measured at amortized cost. Financial derivatives are measured at fair value through profit or loss or other comprehensive income, see sections c and d below.

b) Financial risk factors attributed to the Company

The Company's global operations expose it to various financial risk factors, such as market risk (including foreign exchange risk, CPI risk, interest risk and price risk), credit risk and liquidity risk. The Company’s comprehensive risk management plan is focused on steps intended to minimize potential negative impacts on its financial results. The Company uses financial derivatives in order to hedge certain risk exposures.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

Following is additional information about financial risks and their management:

1) Foreign currency risk

The Company operates in a large number of countries and is therefore exposed to currency risks resulting from exposure to fluctuations in exchange rates of different currencies. Company's policy is to generally maintains a correlation between the currency mix of the various properties (mainly the EUR, USD, CAD, NIS and BRL) and the currency exposure of its equity to those currencies, through hedge transactions and currency exposure management. However, in view of a change in the Company's asset mix and an increase in exposure to the EUR, during the reporting period, the Company's board of Directors decided to make additional hedges to reduce the exposure of the EUR in such a way that the exposed equity ratio to the euro will be up to 50% of the assets exposed to the euro. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations. For further information, see section e below.

2) CPI risk

The Company has issued debentures linked to changes in the Consumer Price Index in Israel. For more details regarding the financial instruments that are linked to the CPI in which the Company has exposure to changes in CPI, refer to section f below.

3) Interest risks

Liabilities bearing variable interest rates expose the Company to interest rate risk in respect of cash flow and liabilities bearing fixed interest rates expose the Company to interest rate risk in respect of fair value. As part of the risk management strategy, the Company maintains a proper mix between exposure to fixed interest rate and exposure to variable interest rate. From time to time and according to market conditions, the Company enters into interest rate swaps in which it exchanges variable interest with fixed interest and vice-versa, to hedge its liabilities against changes in interest rates (see section e below). As of the reporting sheet date, 87.9% of the Company's liabilities (81.6% excluding interest rate swap transactions) bear fixed interest rates (75.0% as of December 31, 2019, and 81.6% excluding interest rate swap transactions). For additional details regarding interest rates and maturities, see section c(3) above.

4) Price risk

The Company has investments in marketable financial instruments traded on stock exchanges, classified as financial assets at fair value through profit or loss, and financial derivatives which expose the Company to risk resulting from fluctuations in the fair value of securities based on market prices.

c. **Disclosure regarding financial liabilities attributed to the Company (Cont.)**

5) Credit risk

The Company is not exposed to significant concentrations of credit risk. Cash and deposits are deposited with major financial institutions. Company management estimates that the risk that these parties will fail to meet their obligations is remote, since they are financially sound.

6) Liquidity risk

The Company's policy is to maintain a certain balance between obtaining long-term financing inter alia, bank loans and debentures and the use of revolving lines of credit from Israeli and international banks for period of 2 to 4 years in which the company can utilize credit for different periods.

In connection with cross-currency swap transactions of liabilities (see section e below), with respect to part of the swaps, the Company entered into credit support annex agreements ("CSA") of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

Following is the contractual maturity schedule of the financial liabilities of the Company (including interest) at undiscounted amounts:

As of December 31, 2020

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and	209	-	-	-	209
Trade payables	2	-	-	-	2
Other accounts payable	86	-	-	-	86
Debentures	600	2,070	2,303	3,586	8,559
Loans from banks	89	1,264	713	250	2,316
	986	3,334	3,016	3,836	11,172

As of December 31, 2019

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
	NIS in millions				
Credit from banks and	251	-	-	-	251
Trade payables	3	-	-	-	3
Other accounts payable	143	-	-	-	143
Debentures	741	1,441	1,913	3,917	8,012
Loans from banks	98	1,099	727	321	2,245
	1,236	2,540	2,640	4,238	10,654

c. **Disclosure regarding financial liabilities attributed to the Company (Cont.)**

c) Fair value attributed to the Company

Below is the carrying amount and fair value of the groups of financial instruments that are presented in the financial statements not at fair value:

	December 31, 2020		December 31, 2019	
	amount	Fair value	amount	Fair value
	NIS in millions			
Financial liabilities				
Debentures (1)	7,432	7,452	6,795	7,605
Loans from banks and others (2)	2,071	2,091	1,957	2,008
Total financial liabilities	9,503	9,543	8,752	9,613

(1) The fair value is based on quoted prices on an active market as of the reporting date, according to level 1 in the fair value hierarchy.

(2) The fair value for fixed interest loans is based on valuation techniques, according to level 2 in the fair value hierarchy. The fair value of variable interest loans approximates their nominal value. For additional information, refer to Notes 2k and 34b to the consolidated financial statements.

The carrying amount of cash and cash equivalents, other accounts receivable, long-term loans and deposits, credit and loans from banks, trade payables and other accounts payable approximate their fair value.

d) Classification of financial instruments attributed to the Company by fair value ranking

Financial instruments presented at fair value on the balance sheet are classified, by groups having similar attributes, on the following fair value ranking, determined in accordance with the source of data used in determination of fair value:

Level 1: Prices quoted (un-adjusted) on active markets of similar assets and liabilities.
Level 2: Data other than quoted prices included in Level 1, which may be directly or indirectly observed.
Level 3: Data not based on observable market information (valuation techniques not involving use of observable market data).

During 2020, there were no transfers with respect to fair value measurement of any financial instrument between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of any financial instrument.

c. **Disclosure regarding financial liabilities attributed to the Company (Cont.)**

e) Derivatives and hedges

1) The following tables present information about cross-currency swaps, interest rate swaps and forward contracts:

Transaction type	Denomination	Outstanding notional amount - NIS in millions		Linkage basis/ Interest receivable *)	Linkage basis / Interest payable *)	Remaining average effective duration	Fair value - NIS in millions	
		31.12.20	31.12.19				31.12.20	31.12.19
Cross								
	EUR-NIS	4,071	4,068	CPI linked, 1.29%-5.78%	Fixed, 2.21%-6.26%	4.2	580	803
		8	74	Nominal, 0.71%	Fixed, 1.24%	0.3	(2)	8
		60	371	Nominal, 2.63%	Variable, L	0.3	12	84
	USD-NIS	635	649	CPI linked, 1.29%-2.80%	Fixed, 4.00%-5.84%	4.4	49	68
		34	219	Variable, L	Nominal, 0.43%	0.3	(15)	(3)
	CAD-NIS	-	311			-	-	100
		297	1,114	Nominal, 4.00%	Fixed, 4.95%	4.5	57	220
Linkage bases swaps	EUR	-	5,429			-	-	(57)
Interest rate swaps fixed/variable	USD	643	-	Variable	Fixed	9.2	(23)	-
Cross currency options	BRL- USD	-	354			-	-	1
Israeli government bonds derivatives	NIS	-	200			-	-	(18)
Forward contracts	Different currencies	6,383	3,341			Short term	(10)	(41)
							648	1,165
Net proceeds from SWAP CSA transactions							(356)	(912)
							292	253

*) "L" represents Interbank base-rate related to the currency of the transaction.
**) Represent an amount of less than NIS 1 million.

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

2) The Company has loans denominated in foreign currency and forward currency contracts, which were designated by the company as hedge instrument for spot and forward hedges. In addition, the Company has cross currency swap transactions as well as cross currency options designed to hedge its exposure to exchange rates fluctuations. Swap transactions terms have been aligned with the respective periods of the Company's foreign currency cash flows exposures. Although the swap transactions are defined as economic hedges these transactions were not designated as accounting hedges. From time to time, as part of its risk management strategy, the company considers entering into hedging transactions to reduce exposure to fluctuations in the exchange rates of foreign currencies.

f) Sensitivity analysis of market risks

	Sensitivity analysis of financial balances to absolute changes in interest rates			
Impact on pre-tax gain (loss) for the year of a 1% increase in interest rate *)	**USD interest**	**CAD interest**	**EUR interest**	**NIS interest**
	NIS in millions			
31.12.2020	7	-	(13)	(3)
31.12.2019	(6)	(1)	(10)	(2)

*) Decrease in interest rates would affect profit or loss by the same amounts, but in the opposite direction.

	Sensitivity analysis of financial balances to absolute changes in Consumer Price Index			
Effect on pre-tax income (loss)	**+ 2%**	**+ 1%**	**- 1%**	**- 2%**
	NIS in millions			
31.12.2020	(173)	(86)	86	173
31.12.2019	(151)	(76)	76	151

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

	Sensitivity analysis of derivatives – absolute changes in Consumer Price Index			
Effect on pre-tax income (loss)	+ 2%	+ 1%	- 1%	- 2%
	NIS in millions			
31.12.2020	108	54	(54)	(108)
31.12.2019	(23)	(12)	12	23

	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
Effect on pre-tax income (loss)	+ 10%	+ 5%	- 5%	- 10%
	NIS in millions			
31.12.2020				
Change in exchange rate of EUR	(405)	(202)	202	405
Change in exchange rate of USD	79	39	(39)	(79)
Change in exchange rate of CAD	(31)	(15)	15	31
Change in exchange rate of BRL	(142)	(71)	71	142
31.12.2019				
Change in exchange rate of EUR	(449)	(224)	224	449
Change in exchange rate of USD	37	14	(7)	(14)
Change in exchange rate of CAD	(138)	(69)	69	138
Change in exchange rate of BRL	(90)	(46)	53	114

	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
Effect on pre-tax equity (accounting hedge)	+ 10%	+ 5%	- 5%	- 10%
	NIS in millions			
31.12.2020				
Change in exchange rate of EUR	219	105	(97)	(185)
Change in exchange rate of USD	(175)	(88)	88	175
Change in exchange rate of CAD	23	11	(11)	(23)
31.12.2019				
Change in exchange rate of EUR	(179)	(90)	90	179
Change in exchange rate of USD	(45)	(22)	22	45
Change in exchange rate of CAD	(25)	(13)	13	25

	Sensitivity analysis of financial derivatives – absolute changes in interest rates			
Effect on pre-tax income (loss)	+ 2%	+ 1%	- 1%	- 2%
	NIS in millions			
31.12.2020				
Change in interest on EUR	353	182	(194)	(401)
Change in interest on USD	172	90	(98)	(204)
Change in interest on CAD	26	14	(14)	(30)
Change in interest on NIS - nominal	(32)	(16)	17	36
Change in interest on NIS - real	(479)	(245)	256	524
31.12.2019				
Change in interest on EUR	438	227	(244)	(507)
Change in interest on USD	64	33	(35)	(73)
Change in interest on CAD	117	60	(64)	(133)
Change in interest on NIS - nominal	(108)	(55)	59	122
Change in interest on NIS - real	(550)	(282)	295	605

Key assumptions for sensitivity analysis of financial instruments

Refer to Note 34e to the consolidated financial statements.

d. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company

Taxes on income attributed to the Company

1. For information regarding tax laws applicable to the Company, refer to Note 23a to the consolidated financial statements.

2. Tax assessments attributed to the Company

The Company has received assessments deemed final through 2015.

3. Tax Ruling to restructure the Gazit Canada and USA group

On March 31, 2015, the Israel Taxes Authority gave its approval for a restructuring of the Gazit entities in Canada and certain Gazit entities in the United States, as follows: in the first stage, Hollywood Properties Ltd. (“Hollywood”) made a tax-free transfer of 92.5% of the shares of Gazit Canada Inc. (“Gazit Canada”) to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance (New Version), 1961 (“Income Tax Ordinance”).

In the second stage, Golden Oak Inc. (“Golden”) made a tax-exempt transfer of 33.33% of the shares of MGN (USA) Inc. (“MGN”) to the Company, pursuant to the provisions of Section 104C of the Income Tax Ordinance.

In the third stage, the Company transferred all of its interests in the shares of Gazit 2003 Inc. (“Gazit 2003”) to Gazit Canada in return for an issuance of shares, pursuant to the provisions of Section 104A of the Income Tax Ordinance.

In the fourth stage, Gazit Canada and Gazit 2003 were amalgamated; within the framework of the amalgamation, Gazit 2003 transferred all its assets and liabilities to Gazit Canada.

As part of the tax ruling, terms and restrictions were prescribed in relation to a future sale of transferred shares and the manner for offsetting losses with respect to the sale of the transferred shares. Pursuant thereto, it was prescribed that the date of the restructuring would be the actual share transfer date. Criteria were also set with regard to the original price of the transferred shares following the transfer and also with regard to the profits available for distribution at each of the companies. Likewise, the tax decision is contingent on full compliance with the rest of the terms set forth in the tax decision, and is also subject to the conditions of Part Two of the Income Tax Ordinance.

4. Tax Ruling concerning the merger of Israeli subsidiaries

On January 7, 2018, the Israeli Taxes Authority approved the merger ("the Tax Ruling"), under the provisions of Section 103C of the Income Tax Ordinance (New Version), 1961 ("the Ordinance"), between G. Israel Commercial Centers Ltd. ("the Absorbing Company") and the three companies, Gazit Globe Israel (Development) Ltd., G. West Ltd. and G. Kfar Saba Ltd. ("the Transferring Companies"), pursuant to which the Transferring Companies will transfer all of their assets and liabilities, including all employees and related obligations, to the Absorbing Company, resulting in their winding-up without liquidation, and in consideration for the allotment to the Company of shares in the Absorbing Company (the "Merger" or the "Restructuring"). The Merger was scheduled for December 31, 2016.

The Tax Ruling determines conditions and restrictions concerning the future sale of shares of the Absorbing Company and of the assets that are transferred as part of the Merger, as well as restrictions on the offsetting of losses accumulated prior to the Merger date and in relation to losses that were grossed-up in the transferring assets and the Transferring Companies.

Additionally, the tax ruling is conditional upon the full compliance with all other terms that are set out in the Tax Ruling and subject to the provisions of Part E-2 of the Ordinance.

d. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company (Cont.)

5. Tax Ruling, subsidiary in Israel

On July 28, 2020, the Israeli Tax Authorities approved the merger (the "Tax Ruling") of G Israel Commercial Centers Ltd. ("G Israel"), a wholly owned subsidiary of Gazit Globe Ltd. ("The Company"), with and into the Company (as an absorbing company) in accordance with section 103C of the Israeli Tax Ordinance ("ITO"). The date of the restructuring, according to the Tax Ruling is December 31, 2018.

In accordance with the Tax Ruling, G Israel will transfer its all assets and liabilities including all its employees into the Company, while eliminating G Israel without liquidation, in accordance with the first chapter of part 8 of the Israeli Companies Law ("Statutory Merger").

The Tax Ruling is conditional on compliance with the conditions set forth in the ITO and the Tax Ruling, inter alia, the cost of the company's investment in G Israel shares, will be deleted and fully canceled. Regarding the transferred real estate assets, a reduced purchase tax rate of 0.5% will apply. Furthermore, the Tax ruling sets limitations about offset of losses relates to the transferred assets and the participating companies.

Following the merger, the Company recognize a tax income of NIS 33 million.

6. Carry-forward losses for tax purposes attributed to the Company

The Company has carry-forward losses for tax purposes. With respect to the tax benefit associated with these losses, the Company has recognized deferred tax assets that their balance as of the reporting date was NIS 106 million (2019 – NIS 113 million), which have been offset against the deferred tax liability of the Company.

7. Deferred taxes attributed to the Company

Composition

	December 31	
	2020	2019
	NIS in millions	
Revaluation of financial investments to fair value	(169)	(139)
Carry-forward losses	106	113
Creation of tax asset following a merger *)	33	-
Investment in subsidiary	-	(10)
	(30)	(36)

The deferred taxes have been computed in accordance with the tax rate of 23%, which is the tax rate that is expected at the time of exercise and with respect of consolidated entities at the tax rate that is applicable with respect to the timing difference, as applicable.

*) Refer to d5 above.

d. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the Company (Cont.)

8. Taxes on income attributed to the Company included in profit or loss

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Current taxes	29	83	7
Deferred taxes	(6)	34	(3)
Prior years taxes	(88)	(9)	-
	(65)	108	4

9. In 2020 and 2019, NIS 7 million and NIS (45) million current income tax expenses (tax benefit) were recorded directly to equity in currency translation reserve, respectively.

e. Loans, balances and material engagements with subsidiaries

1. Balances with subsidiaries

a) Composition

	December 31	
	2020	2019
	NIS in millions	
Current assets		
Current maturities of long-term loans *)	277	42
Non-current assets		
Investments in subsidiaries	14,181	15,855
Long-term loans and debt *)	3,614	5,275
Current liabilities		
Current maturities of long-term loans *)	30	1,374
Non-current liabilities		
Long-term loans *)	3,670	2,678

*) see section 4 below.

e. Loans, balances and material engagements with subsidiaries (Cont.)

b) The Company provided unlimited guarantees to secure credit obtained by wholly-owned subsidiaries of the Company, whose total facility principal as of the reporting date amounts to NIS 1,845 million. For more information, refer to Note 24b(2) to the consolidated financial statements.

As of the reporting date, total debt of the wholly-owned subsidiaries of the Company guaranteed by the Company amounts to NIS 1,398 million.

2. Transactions with related companies

	Year ended December 31		
	2020	**2019**	**2018**
	NIS in millions		
Management fees income 3(a) and 3(b)	3	3	3
Finance income	(22)	47	112

3. Engagements

a) The Company has entered into agreements with foreign subsidiaries, whereby the Company would provide them with in exchange for a fixed fee. The fees charged by the Company to these subsidiaries in 2020 and 2019 amounted to NIS 1 million.

b) For information regarding management fees from Norstar Israel, refer to Note 35d to the consolidated financial statement.

e. **Loans, balances and material engagements with subsidiaries (Cont.)**

4. Loans to Subsidiaries

	Linkage basis	Interest rate	December 31 2020	December 31 2019
		%	NIS in millions	
Wholly-owned subsidiaries in USA	USD	L+ 1.5-2.55	6	1,130
Wholly-owned subsidiaries in Germany	EUR	E + 2-2.55	123	123
Wholly-owned subsidiary in the Netherlands	EUR	None	2	-
	EUR	None	394	889
Wholly-owned subsidiaries in the Jersey island	EUR	E +1.5	1,747	766
G Israel	NIS	4.6	775	1,268
	Linked NIS	4-4.5	550	888
Wholly-owned subsidiaries in Israel	NIS	None	294	253
			3,891	5,317

Loans from subsidiaries

	Linkage basis	Interest rate	2020	2019
Wholly-owned subsidiaries in USA	USD	L + 1.25	329	2,505
G Israel	NIS	None	4	-
Wholly-owned subsidiaries in Canada	CAD	C + 2-2.5	3,341	1,469
Wholly-owned subsidiary in the Netherlands	USD	L+2	26	27
	EUR	E+2	-	51
			3,700	4,052

e. Loans, balances and material engagements with subsidiaries (Cont.)

5. Maturities

Loans to Subsidiaries (wholly owned)

	NIS in millions
Year 1	277
Year 2	-
Year 3	2,141
Year 4	-
Year 5	-
Year 6 and thereafter	1,220
Renewable annually *)	253
	3,891

*) Loans to subsidiaries renew for an additional 1-year term, unless either party announces that the loan would not be renewed, pursuant to provisions of the agreement.

Loans from Subsidiaries (wholly owned)

	NIS in millions
Year 1	30
Year 2 *)	3,341
Year 3	329
Year 4	-
Year 5 and thereafter	-
	3,700

*) Loans due in 2020, the Company intends to extend the loans contractual term.

6. Dividends received from subsidiaries

	Year ended December 31		
	2020	2019	2018
	NIS in millions		
Citycon OYJ	184	222	232
Canada	-	1,809	51
	184	2,031	283

f. Equity attributed to the Company's shareholders

1. For information regarding a grant of equity instruments to Company employees and officers subsequent to the reporting date, refer to Note 26 to the consolidated financial statements.

2. For information regarding share buybacks during 2020, refer to Note 25h to the consolidated financial statements.

3. For an update on dividend distribution policy of the Company, refer to Note 25f to the consolidated financial statements.

g. Additional Information

1. For details concerning of the terms of employment of Mr. Chaim Katzman, the Company's Vice Chairman, Controlling shareholder and CEO, refer to Note 35c1 of the consolidated financial statements, respectively.

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

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

4. On October 12, 2020, upon the issuance of debentures (series O), the Midroog rating agency reaffirmed the credit rating of all the outstanding unsecured series of debentures of the Company at a rating level of 'Aa3.il' with negative outlook. In addition, the rating agency determined the credit rating for the series of debentures (series O) which is secured by investment properties in Israel at a rating level of 'Aa2.il'.

5. On October 19, 2020, upon the issuance of debentures (series O), the S&P Maalot rating agency reaffirmed the credit rating of all the outstanding unsecured series of debentures of the Company at a rating level of 'ilAA-' with negative outlook. In addition, the rating agency determined the credit rating for the series of debentures (series O) which is secured by investment properties in Israel at a rating level of 'ilAA'.

6. On July 2020, the Israeli tax authority approved the merger of G Israel, a wholly owned subsidiary of the Company into the Company (as the surviving company). Therefore, all the conditions for the merger, according to the Company's Board of Directors approval in December 2018, were met. According to the tax ruling, the merger is effective retroactively from December 31, 2018.

7. For information regarding the effects of the COVID-19 pandemic on the Company, refer to Note 1b to the consolidated financial statements.

h. Events subsequent to the reporting date

1. On March 21, 2021, the Company declared a dividend of NIS 0.3 per share (aggregating NIS 45 million), payable on April 12, 2021 to the equity holders of the Company as of April 5, 2021.

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CHAPTER G

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

In Accordance with Regulation 9B of the Israeli Securities Regulations

Attached herewith is the Annual Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in accordance with Regulation 9B of the Israeli Securities Regulations, 1970:

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

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

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

2. Adi Jemini, Executive Vice President and CFO;

3. Oren Hod, Executive Vice President and COO;

4. Rami Vaisenberger, Vice President and Controller;

5. Lisa Haimovitz, vice president and global general counsel;

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

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

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

Management, under the supervision of the Board of Directors, performed an examination and evaluation of the internal control over the Corporation's financial reporting and of disclosure and its effectiveness.

The evaluation of the effectiveness of the internal control over the financial reporting and the disclosure, which management performed, under the supervision of the Board of Directors, included: assessing the financial reporting and disclosure risks at the consolidated Corporation level, assessing the processes and determining which of these are the most material for financial reporting and disclosure, assessing the relevant business units for the purpose of evaluating the effectiveness of internal control, documenting the Corporation's existing controls, evaluating the effectiveness of control planning and analyzing the existing control gaps, remedying control planning deficiencies and testing compensatory controls, evaluating the effectiveness of the operation of the controls and evaluating the overall effectiveness of internal control.

The internal control components are: entity level controls (ELC), controls over the process of preparing the financial statements and their closing, and IT general controls (ITGC). The processes identified by management as highly material processes with respect to financial reporting and disclosure are as follows: the appraisal of investment property process, the rental income process and the treasury process.

Based on the effectiveness evaluation performed by management under the supervision of the Board of Directors as described above, the Corporation's management and Board of Directors reached the conclusion that internal control over the Corporation's financial reporting and disclosure, as of December 31, 2020, is effective.

Officers' Declarations

A. Declaration of the CEO in accordance with Regulation 9B(d)(l):

Officers' Declaration

Declaration of the CEO

I, Chaim Katzman, declare that:

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

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

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

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

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

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

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

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

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

(C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, and I have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of internal control as stated as of the date of the Statements.

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

March 21, 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 Regulation 9B(d)(2):

Officers' Declaration

Declaration of the most senior officer in the finance area

I, Adi Jemini, declare that:

(1) I have examined the financial statements and other financial information included in the statements of Gazit-Globe Ltd. (the "Corporation") for 2020 (the "Statements");

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

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

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

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

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

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

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

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

(C) Have evaluated the effectiveness of internal control over financial reporting and disclosure, to the extent it relates to the financial statements and to the other financial information included in the Statements as of the date of the Statements; my conclusions regarding my evaluation as stated were presented to the Board of Directors and management and are included in this report.

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

March 21, 2021

Adi Jemini, Vice President and CFO