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PERIODIC REPORT FOR 2021

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PERIODIC REPORT DESCRIBING THE COMPANY'S BUSINESS¹

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 private and public investees (collectively: "**the Group**"), operates in purchasing, improvement, developing and managing of an income-producing real estate for mixed-use, including commercial, residential and office 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.

In accordance with the Company's strategy, in recent years the Company made efforts to increase the rate of its private real estate (i.e., operations not held through public companies), by disposing of its holdings in public companies in North America in the amount of NIS 9.6 billion and establishing wholly owned private platforms (including with partners) and increasing the property portfolio held through the Company's private subsidiaries.

As part of this, in February 2022, the Company completed a transaction to buy out the minority interests in Atrium European Real Estate Limited ("**ATR**"), which was a public company controlled by the Company, and to delist its shares from trading on the stock exchange. As at date of publication of the Report, the Company holds 100% of ATR. For further information, see section 7.1 of the Report.

Due to implementing the foregoing strategy, as at the date of publication of this Report, 85% of the Company's properties are held by the Company and its wholly owned private companies in which the Company exclusively directs the strategy, is responsible for financing their operations and oversees their management. This operation is carried out in Israel directly by the Company², and through its subsidiaries: ATR that operates in Central and Eastern Europe, its subsidiaries in Brazil ("**Gazit Brazil**"), Gazit Horizons Inc. in the US ("**Gazit Horizons**") and a subsidiary operating in Canada ("**Gazit Canada**"), including through Partnership Gazit Tripllle.

Furthermore, the Company operates in Northern Europe through Citycon Oyj ("**CTY**"), a public company controlled by the Company that has a similar strategy and in which the Company is the largest shareholder.

The Company's operations in Israel, as well as ATR, Gazit Brazil, Gazit Horizons and CTY are consolidated in the Company's financial statements, each one constituting a separate operating segment.

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 and 2021, 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 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 addition, as of the end of February 2022, a conflict has developed between Russia and Ukraine, due to which heavy sanctions were imposed on Russia. For further information regarding the effects of the war on the Group's operations, see section 1.3 of the Board of Directors' Report.

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.

² On April 20, 2021, the statutory merger into the Company of G Israel Shopping Centers Ltd., which was a wholly owned subsidiary of the Company, was completed. Until then, this activity in Israel was carried out through G Israel ("**G Israel**").

DESCRIPTION OF THE COMPANY'S BUSINESS

In order to deal with the COVID-19 crisis and its consequences, the Company implemented proactive measures to strengthen its capital structure, 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 disposed³ of properties for an amount of NIS 1.1 billion.
- 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. On April 20, 2021, also the statutory merger between the Company and G Israel was completed and registered with the Registrar of Companies.

1.2. The Company assets as of December 31, 2021:

	<u>Country of operation</u>	<u>Holding interest</u>	<u>Income-producing properties</u>	<u>Properties under development</u>	<u>Other properties</u>	<u>GLA (thousands of square meters)</u>	<u>Carrying value of investment property and investment property under development (NIS millions)</u>
CTY	Finland, Norway, Sweden, Estonia and Denmark	52.1%	37	1	-	1,121	15,277
ATR	Poland, Czech Republic, Slovakia and Russia	74.8%	25	-	-	780	9,097
Gazit Brasil	Brazil (Sao Paulo)	100.0%	7	-	1	179	2,258
G Israel	Israel	100.0%	13	-	-	160	4,279
	Bulgaria	100.0%	1	-	-	6	91
Gazit Horizons	USA	100.0%	10	3	1	65	2,070
Gazit Canada	Canada	100.0%	1	-	-	18	196
Total carrying value			94	4	2	2,329	33,268
Jointly controlled properties (proportionate consolidation)			8	-	-	109	2,024
Total			102	4	2	2,438	35,292

*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, 2021, the Company does not have a principal tenant⁴, and as of that date, the tenants 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 2021 and S-Group, a Finnish chain that engages, among other things, in the travel, supermarket and hospitality sectors, the income from which represented 2.0% of the total rental income in 2021.

³ Including a secured loan on a property in Manhattan, New York, in the amount of USD 134 million in exchange for exercising it.

DESCRIPTION OF THE COMPANY'S BUSINESS**1.3. Description of the Company's business and business development in the different territories in which it operates:****Private holdings:**

Israel – As at the date of publication⁵ of the Report, the Company owns 12 G Malls in Israel worth NIS 4,279 million, focusing in Gush Dan area, as set out in section 8. In addition, the Company has development projects for offices and retail spaces in existing properties of the Company, which are in the planning and execution stages. In the Reporting Period the Company began construction on a high-rise office tower in Rishon Lezion in the Company's G City complex, and a development project of a property in Savyon, and received permits for developing the property in Kfar Saba. In addition, the Company won a tender for purchasing land for the construction of a rental housing project in Tel Hashomer. The Company also completed the sale of land in Israel for consideration of NIS 216 million, and land in Macedonia for consideration of NIS 72 million.

Central and Eastern Europe - In Central and Eastern Europe the Group operates through ATR, which was listed on the Vienna Stock Exchange (VSE) in Austria and on the NYSE Euronext in Amsterdam, the Netherlands, until February 18, 2022. ATR Operates mainly in Warsaw, Poland and Prague, the Czech Republic. In the Reporting Period ATR continued to implement its strategy to increase activity in the rental housing sector, and purchased its first residential property in Krakow, which contains 100 housing units, and in addition it is in the process of purchasing an additional 550 housing units in Warsaw for a total amount of EUR 53 million. ATR has also begun the development of 200 housing units adjacent to one of its flagship properties in Warsaw. As at Reporting Date, ATR is in the process of purchasing 1,100 housing units through acquisitions or development of properties. In addition, ATR holds properties in Russia in a scope that is not material to the Group. For further information concerning the consequences of the war between Russia and Ukraine, see section 1.3 of the Board of Directors' Report.

In October 2021, a wholly owned subsidiary of the Company (below in this section: the "Subsidiary") engaged in a merger agreement with ATR, under which the Subsidiary acquired all the shares of ATR that were not held by the Company (which constituted 25% of the share capital of ATR), at a price of EUR 3.36 per share and for a total cash consideration of EUR 376 million (NIS 1.4 billion). The proposed price was adjusted for the distribution of a special dividend that ATR distributed in February 2022, at EUR 0.6 per share. On February 18, the merger between ATR and the Subsidiary was completed, and as of that date the ATR shares were delisted from trading on the stock exchanges in Amsterdam and Vienna and ATR became a private company wholly owned by the Company⁶.

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, Miami and Philadelphia. As of the Report Date, it owns (including with partners) 14 income-producing properties worth approximately USD 759 million (as detailed in Section 10 below). In the Reporting Period, Gazit Horizons acquired a rental residential building in the Brickel district in Miami, USA, which contains 262 rental housing units, for consideration of USD 102 million, and in addition, subsequent to the Reporting Period it received permits to increase the scope of construction on the plot of land it owns in the Brickel district in Miami to 504 housing units, and purchased another commercial property opposite the foregoing plot that it owns.

Brazil - Gazit Brasil holds 7 income-producing properties in São Paulo worth BRL 4,048 million. In the Reporting Period, Gazit Malls FII⁷ ("Gazit Malls"), a real estate investment fund that is owned and wholly controlled by the Company, completed debt raising secured with a lien, in an amount of BRL 650 million (NIS 405 million) by way of private placement to institutional investors. As at Reporting Date, Gazit Malls holds five of Gazit Brazil's properties in Brazil, worth a total amount of BRL 2.6 billion (NIS 1.5 billion). For further information see section 9 below.

In addition, in the Reporting Period, Gazit Malls submitted a draft public prospectus to the Securities Authority of Brazil for initial listing of its participating units for trade on the Sao Paulo stock exchange, by means of a tender offer of 25% - 49% of the holdings of Gazit Malls (indirectly). Nonetheless, due to the market conditions in Brazil and the recommendation of the IPO lending bank, Gazit Malls decided not to publish the final prospectus. Gazit Malls intends to act to renew the IPO when the market conditions in Brazil are more favorable.

Canada - As 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 143 million Canadian dollar, including 33% of a property, in which a wholly owned subsidiary of the Company holds an additional 33%, and the rest is held by a third party, as described 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 continued to develop the property in Lippulavia that is planned

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to open in the second quarter of 2022, and at the same time it sold four non-core assets (3 in Sweden and one in Finland) at a higher price than their book value, for a consideration of EUR 253 million, and acquired, using part of the proceeds, 10 million CTY shares for an amount of EUR 69 million, reflecting a price lower than its share capital. In addition, subsequent to Reporting Date, CTY sold two additional properties in Norway for an amount of EUR 145 million and acquired a rental apartment building in Stockholm, Sweden, for EUR 70 million.

Furthermore, the Company expanded its operations in the renewable energy sector through a partnership with a leading organization in the energy industry that will initiate solar energy projects in Israel and later in the countries in which the Company operates.

Moreover, in the Reporting Period, the Company set up the initial infrastructure for harnessing SPAC (Special Purpose Acquisition Company) in the US with the intention of raising capital to invest in FinTech, PropTech and RetailTech companies that operate in the real estate sector. In view of the market conditions, at this time, the Company has abandoned this direction.

Group structure

For a description of the structure of the principal companies in the Group as of December 31, 2021, see Section 1.8 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.

4 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)

5 Until December 31, 2021, the Company operated in Israel through a wholly owned subsidiary, G Commercial Centers Ltd., and after the completion of the merger between the Company and G Centers, the operations in Israel are carried out by the Company.

6 For further information, see the Company's immediate reports dated October 18, December 23, and January 16-17, 2021, and February 2, and February 20, 2022 (Ref. No.: 2021-01-088855, 2021-01-184080, 2022-01-007039, 2022-01-007825, 2022-01-014128, 2022-01-020059, respectively), whereby the information contained therein is noted below by way of reference.

7 Formerly, Internacional Shopping FII.

DESCRIPTION OF THE COMPANY'S BUSINESS**2.3. Investments in the Company's capital and transactions in its shares in the last two years**

2.1. On February 6, 2022, the Company's Board of Directors approved a private placement of 12.5 million ordinary shares of NIS 1 par value each, of the Company, at a price of NIS 32.5 per ordinary share and of 6.25 million options (non-marketable) that are exercisable for 6.25 million ordinary shares of the Company, for three classified investors. The options will be exercisable over a period of 24 months from the date of allotment, for an exercise price of NIS 40 per option, subject to adjustments (i.e., until February 15, 2024).

2.2. In addition, at the same time, the Company's Board of Directors also approved a private allotment to the controlling shareholder of the Company, Norstar Holdings Inc. ("Norstar") (through its wholly owned subsidiary, Norstar Israel Ltd.), of 2 million ordinary shares of the Company and 1 million options (non-tradable), at the same terms as those for the allotment to the classified investors, as stated above. The allotment to Norstar is subject to the approval of the general meeting that convened subsequent to the date of publication of the Report. For further information, see immediate reports dated February 6, 2022, February 13, 2022 and February 14, 2022 (Ref. No.: 2022-01-015769, 2022-01-017671 and -2016-01-078952, respectively) presented here by way of reference.

2.3. For further information regarding the vesting of the convertible securities allotted to employees and officers of the Company and its subsidiaries, see Note 26 to the financial statements.

2.4. For information regarding the plan to buy back shares and debentures of the Company, as well as buybacks performed by the Company, including through a tender offer, refer to Section 3.8 of the Directors' Report. In the reporting year, no acquisitions were made under these plans.

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.

3.2. For further information regarding the dividends distributed by the Company to its shareholders from January 1, 2020 through to 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, where the provisions therein are included below by way of reference.

3.3. The outstanding distributable profits (in accordance with the profit test as defined in the Companies Law, 1999) as of December 31, 2021, amounted to NIS 5,226 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 and P), as set out below:

Under the provisions of the deeds of trust for the Debentures (Series M, N, O and P), 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 equity⁸ 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, O and P); 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; or if the Company does not meet the distribution criteria set forth in the Companies Law, including the liabilities criterion (with regard to Series N, O and P).

⁸ 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.

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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, 2021

	Northern Europe	Central and Eastern Europe	Israel	Brasil	United States	Other segments	Consolidation adjustments (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,169	737	249	138	92	34	(123)	2,296
Percentage operating segment revenues	51%	32%	11%	6%	4%	1%	(5%)	100%
Operating segment costs	500	342	117	51	73	25	(672)	436
Operating profit attributable to the Company's shareholders	329	296	132	87	14	9	415	1,282
Operating profit attributable to non-controlling interests	340	99	-	-	5	-	134	578
Total assets attributable to the operating segment	17,062	9,902	4,428	2,320	2,392	381	4,588	41,073
Total liabilities attributable to the operating segment	463	433	83	25	23	24	26,467	27,518

*) 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, 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(loss) 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	742	1,722	40,391
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

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For the year ended December 31, 2019

	Northern Europe	Central and Eastern Europe	Israel	Brasil	United States	Other segments	Consolidation adjustments (*)	Consolidated
	NIS millions							
Operating segment revenues from external sources	1,299	1,009	234	218	90	26	(124)	2,752
Percentage operating segment revenues	47%	37%	9%	8%	3%	1%	(5%)	100%
Operating segment costs	493	429	87	41	56	12	196	1,314
Operating profit attributable to the Company's shareholders	392	349	147	177	31	14	(21)	1,089
Operating profit attributable to non-controlling interest	414	231	-	-	3	- **)	(299)	349

*) 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 2021 and 2020, see the Directors Report.

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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 1.3 of the Directors' Report. Furthermore, at the end of February 2022, a conflict erupted between Russia and Ukraine, due to which various financial and economic sanctions were imposed on Russia and Belarus, as well as on corporations, individuals and Russian businessmen, and following which the ruble lost its value and the interest rate in Russia rose sharply. Furthermore, the Russian government has imposed various restrictions on the movement of capital from Russia. The Group owns properties in Russia, which are held through ATR, which amount to EUR 284 million, and which generated in 2021 NOI in an amount of EUR 28.4 million. The Company believes that these sanctions, as well as the uncertainty and ongoing military conflict, may adversely affect the value of the Group's assets in Russia, and its revenues from these assets, as described in section 1.3 of the Board of Directors' Report

The Group operates in geographical regions with different market characteristics, different macroeconomic environments, including 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 assessment on the impact of future macroeconomic events and of the impact of COVID-19 and the global economic crisis caused by it, as well as the impact of the conflict between Russia and Ukraine, or other 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. These assessments 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. 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, as well as the impact of the conflict between Russia and Ukraine, could cause a significant deterioration in the Group's business and financial results.

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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.
- The extent of the chances of obtaining the approval of the authorities for constructing additions to an existing property or, alternatively, the demolition of the property and construction of another property under it.
- 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 soundness 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.

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- 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 Group 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 incompatibility of these properties 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.

C. Description of the Company's operating segments.6. Acquisition, development and operation of shopping centers in Northern Europe6.1. 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 38⁹ income-producing properties with a GLA of 1.1 million square meters and a shopping center under development.

share), as well as raising debt during the reporting period and thereafter, as set forth in Section 6.11 below.

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. Furthermore, CTY is working to identify potential development of residential buildings in existing properties and utilization of existing building rights, with the aim of promoting organic development of its existing properties and creating attractive properties for residential use, work and leisure.

As of December 31, 2021, the Company directly holds 52.1% of CTY's issued share capital and voting rights. In the Reporting Period, CTY focused on implementing the changes in its strategy to develop its existing properties and essential retail-based centers and to turn them into mixed-use properties that will constitute urban centers, by focusing on increasing the share of the residential real estate sector in its asset portfolio, while simultaneously reducing the rate of non-essential retail stores, such as fashion. In this context, CTY focuses on further improving its asset portfolio, while continuing to invest in the development of the Lippulavia project

DESCRIPTION OF THE COMPANY'S BUSINESS

in Helsinki, Finland, which is a mixed-use urban project of commerce and residence, that will include a subway station (development is expected to be completed in the second quarter of 2022)¹⁰. At the same time, during the Reporting Period CTY sold four properties (three in Sweden and one in Finland), for total proceeds of EUR 253.2 million.

Subsequent to Reporting Date, CTY acquired a rental apartment building in Sweden, with 200 rental apartments for an amount of EUR 70 million and sold two properties in Norway that are not part of its core business for proceeds of EUR 145 million. CTY has opportunities for growth in line with its existing portfolio of assets, including construction rights at a total estimated value of EUR 275 million.

CTY's assets are anchored mainly in urban services, everyday and essential consumer services and supermarkets, which are robust lessees that constitute more than 35% of CTY's asset portfolio, as is reflected in CTY's 2021 results. CTY has a diverse rental mix. CTY's principal customers are supermarkets, retail stores (domestic and international), banks, pharmacies and local authorities. One of CTY's lessees is the Finnish chain, S-Group, which has more than 1,800 branches throughout Finland and engages, among other things, in the travel, supermarket and hospitality sectors, and 4.1% of CTY's rental revenues in 2021 are due to its contracts with S-Group (4.0% in 2020). Another lessee of CTY is Kesko, a leading Nordic supermarket chain, with stores across Finland, Sweden, Norway, Estonia and Denmark, and 4.1% of CTY's rental income in 2021 are from its engagements with various chains owned by Kesko (4.8% in 2021).

Usually, under the agreements between CTY and its tenants, the tenants undertake to pay the operating costs incurred by CTY for maintaining the property, in addition to rent (which is linked to the cost of living index in the various countries accordingly, or are updated annually by a minimum rate). Furthermore, as of December 31, 2021, 66% of CTY's rental contracts contain a rental fee component that is based on a certain percentage of the tenants' turnover in addition to the fixed rental (this component does not constitute a material part of CTY's total revenue from rent).

During the Reporting Period, CTY continued to adopt measures to strengthen its balance sheet, including with the objective of maintaining its investment rating. In this context, CTY recycled debt through early redemption of debentures that were due for repayment starting in 2022, and the issue of debt of longer duration. In the Reporting Period, CTY also raised hybrid debt, and executed a buyback of CTY shares at a price lower than its share capital, as described in section 6.11 below.

In April 2021, the governance agreement between the Company and CPPIBEH, regarding their holdings in CTY, expired and this in view of the sale of CTY shares by CPPIBEH. The agreement set out arrangements for mutual support in appointment of directors to the board of directors of CTY and tag along rights that the Company granted to CPPIBEH in the event that the Company will sell CTY shares.

⁹ Including Kista Galleria, 50% of which is held by CTY and is jointly controlled with a third party.

¹⁰ 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. During the reporting period, CTY carried out reserves share split, in which all 5 shares were consolidated into 1 share.

DESCRIPTION OF THE COMPANY'S BUSINESS6.2. Summary results of operation

Following are the summary results in the operating segment for the years ended December 31, 2021, 2020 and 2019 (NIS thousands and EUR thousands):

	For the year ended December 31					
	2021	2020	2019	2021	2020	2019
	In NIS thousands			In EUR thousands		
Total rental income (consolidated)	1,117,522	1,159,778	1,234,642	292,267	295,586	309,162
Gains (losses) from revaluations (consolidated)	179,673	(574,852)	(482,461)	48,588	(146,943)	(121,947)
Operating profit (consolidated)(*)	622,837	599,965	713,194	162,940	153,054	178,385
Same property NOI (consolidated)	600,333	625,060	-	157,001	159,321	-
Same property NOI (Company's share)	295,285	307,447	-	77,224	78,365	-
Total NOI (consolidated)	773,574	805,887	868,141	202,306	205,402	217,432
Total NOI (Company's share)	380,497	393,724	421,867	99,508	100,351	105,660

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

DESCRIPTION OF THE COMPANY'S BUSINESS

6.3. Economic data regarding geographic regions

The table below provides the macroeconomic characteristics¹¹ of CTY's main operating regions:

Macro-economic parameters	Finland			Sweden			Norway		
	As of December 31			As of December 31			As of December 31		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Gross domestic product (PPP)	USD 293 billion	USD 275 billion	USD 280 billion	USD 609 billion	USD 565 billion	USD 574 billion	USD 378 billion	USD 354 billion	USD 353 billion
GDP per capita (PPP)	USD 53,084	USD 49,806	USD 50,737	USD 57,425	USD 52,479	USD 55,656	USD 69,859	USD 65,840	USD 65,899
GDP growth rate per capita (PPP)	3.00%	(2.90%)	(1.30%)	4.00%	(2.80%)	3.07%	3.00%	(1.46%)	2.96%
Inflation rate	1.90%	1.21%	1.14%	2.00%	0.90%	1.72%	2.60%	2.00%	1.37%
Yield on long-term government debt ¹²	0.091%	(0.42%)	(0.05%)	0.24%	0.03%	0.17%	1.72%	0.87%	1.46%
Rating of long-term government debt ¹³	AA+/Aa1	AA+/Aa1	AA+/Aa1	AAA/Aa a	AAA/Aa a	AAA/Aa a	AAA/Aa a	AAA/Aa a	AAA/Aa a
Consumer confidence index ¹⁴	(3.5)	(5.9)	(4.2)	98.3	92.0	94.1	11	-	-
Unemployment rate ¹⁵	6.70%	8.42%	6.54%	7.30%	8.67%	6.77%	3.40%	4.50%	3.73%
USD exchange rate as of December 31 ¹⁶	USD / Euro 1.1324	USD / Euro 1.228	USD / Euro 1.120	USD / SEK 0.110	USD / SEK 0.122	USD / SEK 0.107	EUR / USD USD / NOK 0.113	EUR / USD USD / NOK 0.117	EUR / USD USD / NOK 0.114

¹¹ 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 2021 are based on IMF projections as of October 2021. 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.

¹² Based on a Trading Economics publication (www.tradingeconomics.com), with respect to the yield on 10-year government bonds.

¹³ According to a S&P or Moody's rating (www.standardandpoors.com / www.moodys.com).

¹⁴ According to Trading Economics data (www.Tradingeconomics.com).

¹⁵ According to IMF publications (www.imf.org).

¹⁶ According to Oanda data (www.oanda.com). Representative exchange rate as of December 31, 2018, December 31, 2019 and December 31, 2020.

DESCRIPTION OF THE COMPANY'S BUSINESS

Additional macroeconomic data

The worldwide outbreak of the Covid-19 pandemic has led to an economic slowdown and affected the business and general environment of the countries in which the CTY operates.

At the end of the third quarter of 2021, governments in the regions in which CTY operates lifted most of the restrictions and opened the market following the vaccines and booster shots that were given, but in late 2021 and early 2022, the spread of the Omicron variant led to the re-imposition of various restrictions in the operating regions.

In Finland, the economic and health crises were less significant, as the number of victims in the country was among the lowest in Europe, and the volume of trade and retail sales remained relatively stable. During the third quarter of 2021, the government decided to implement regional and national recommendations to prevent the spread of the virus, according to the morbidity situation in each region, where during the third quarter, due to the spread of the Omicron variant, new restrictions were imposed on restaurants and places of entertainment that are high-risk for infection.

In Sweden, the pandemic affected the retail and restaurant sectors, causing a decrease in sales and visitor volume. The Swedish government announced the content of support for property owners and subsidized part of the rental discounts that property owners give to their tenants. CTY applied for such subsidy. Following the spread of the Omicron variant, restrictions were imposed on crowding in restaurants as well as public and private places, which were lifted at the beginning of February 2022.

In Norway, the acceleration of vaccination, low infection rates and gradual lifting of restrictions, led to a sharp increase in economic activity in 2021. Preventive measures and travel restrictions that were imposed affected consumption patterns. Thus, households spend less on services and more on essential retail commodities. In general, the larger shopping centers were more negatively affected by the situation, while local shopping centers, such as CTY's properties, were less affected. At the same time, the rapid spread of the Omicron variant led to various restrictions being imposed and even the obligation to work from home, where these restrictions were lifted at the beginning of February 2022.

In Estonia, most of the restrictions were lifted during September, however at the end of 2021, the government imposed new restrictions in view of the increase in morbidity, although some are being lifted as there is a decrease in the morbidity.

In Denmark, the government lifted the restrictions imposed in September 2021, but after the outbreak of the Omicron variant in late 2021, new restrictions were imposed, including restrictions on the number of visitors to shopping centers, stores and restaurants. In January 2022 the government of Denmark adopted a number of concessions with regard to these restrictions.

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. For more information regarding the effect of the COVID-19 pandemic on the Group's operations, see Section 1.2 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 Galeria¹⁷, 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.

¹⁷ Kista Galeria, in which CTY holds 50%, is located in Stockholm, Sweden, and has an area of 92.5 thousand square meters. As at December 31, 2020, the fair value of the property was EUR 550 million.

DESCRIPTION OF THE COMPANY'S BUSINESS

.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, 2021 and 2020 (in square meter thousands):

Region		As of December 31			
		2021		2020	
			As a percentage of total property GLA		As a percentage of total property GLA
Finland	Consolidated	350	31.2%	362	30.4%
	Company's share	182		177	
Sweden and Denmark	Consolidated	209	18.7%	269	22.6%
	Company's share	109		132	
Norway	Consolidated	459	40.9%	459	38.4%
	Company's share	239		224	
Estonia	Consolidated	103	9.2%	103	8.6%
	Company's share	54		50	
Total	Consolidated	1,121	100%	1,193	100%
	Company's share	584		583	

.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, 2021 and December 31, 2020:

Region		As of December 31			
		2021		2020	
			As a percentage of total property value		As a percentage of total property value
Finland (in EUR thousands)	Consolidated	1,255,073	31.7%	1,324,079	32.9%
	Company's share	653,338		647,387	
Sweden and Denmark (in SEK thousands)	Consolidated	8,207,539	20.2%	9,321,594	23.1%
	Company's share	4,272,502		4,557,640	
Norway (in NOK thousands)	Consolidated	15,763,955	39.9%	15,286,076	36.2%
	Company's share	8,206,056		7,473,875	
Estonia (in EUR thousands)	Consolidated	323,643	8.2%	316,923	7.8%
	Company's share	168,475		154,954	
Total (in NIS thousands)	Consolidated	13,930,856	100%	15,894,413	100%
	Company's share	7,251,219		7,770,987	

DESCRIPTION OF THE COMPANY'S BUSINESS**.6.4.3 NOI**

The table below provides data about CTY's NOI for 2021 - 2019:

Region		2021		2020		2019	
			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	64,430	31.9%	66,241	32.2%	72,155	33.2%
	Company's share	31,691		32,363		35,063	
Sweden and Denmark (in SEK thousands)	Consolidated	397,384	19.4%	466,326	21.7%	501,241	21.8%
	Company's share	195,462		227,824		243,576	
Norway (in NOK thousands)	Consolidated	791,203	38.5%	794,078	36.1%	743,130	34.7%
	Company's share	389,163		387,951		361,115	
Estonia (in EUR thousands)	Consolidated	20,816	10.2%	20,636	10.0%	22,479	10.3%
	Company's share	10,261		10,082		10,923	
Total (in NIS thousands)	Consolidated	773,574	100.0%	805,887	100.0%	868,141	100.0%
	Company's share	380,497		393,724		421,867	

.6.4.4 Revaluation gains (losses)

The table below provides data about CTY's revaluation gains (losses) for the years 2019-2021:

Region		2021		2020		2019	
			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	(1,164)	(2.4%)	(84,047)	57.1%	(51,034)	42.0%
	Company's share	(572)		(41,067)		(24,800)	
Sweden and Denmark (in SEK thousands)	Consolidated	303,643	61.6%	(567,806)	36.9%	(342,905)	26.7%
	Company's share	149,352		(277,407)		(166,632)	
Norway (in NOK thousands)	Consolidated	162,306	32.9%	(56,549)	3.6%	(329,213)	27.5%
	Company's share	79,833		(27,627)		(159,979)	
Estonia (in EUR thousands)	Consolidated	3,856	7.9%	(3,456)	2.4%	(4,663)	3.8%
	Company's share	1,897		(1,688)		(2,266)	
Total (in NIS thousands)	Consolidated	179,673	100.0%	(574,852)	100.0%	(482,461)	100.0%
	Company's share	88,376		(280,850)		(234,448)	

DESCRIPTION OF THE COMPANY'S BUSINESS**.6.4.5 Average rent per square meter**

The table below provides data about CTY's average monthly rent per square meter for 2021 and 2020:

Region	For the year ended December 31	
	2021	2020
Finland (in EUR)	25.4	26.5
Sweden and Denmark (in SEK)	236.2	217.6
Norway (in NOK)	209.7	212.2
Estonia (in EUR)	22.5	21.2

.6.4.6. Average occupancy rates

The table below provides data about the occupancy rates of CTY's properties as of December 31, 2021, and average occupancy rates for the years 2021 and 2020:

Region	As of December 31, 2021	For the year ended December 31, 2021(*)	For the year ended December 31, 2020(*)
Finland	94.5%	94.4%	93.8%
Sweden and Denmark	92.5%	92.4%	93.8%
Norway	92.3%	92.3%	93.1%
Estonia	96.5%	96.2%	97.9%

(*) 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, 2021 and 2020:

Region	For the year ended December 31	
	2021	2020
Finland	10	10
Sweden and Denmark	7	10
Norway	18	18
Estonia	2	2
Total	37	40

DESCRIPTION OF THE COMPANY'S BUSINESS**.6.4.8, Average yields**

The table below provides data about CTY's actual average yields as of December 31, 2021 and 2020 (based on property value at the end of the year):

Region	For the year ended December 31	
	2021	2020
Finland	5.0%	5.3%
Sweden and Denmark	5.5%	5.7%
Norway	5.4%	5.6%
Estonia	6.7%	6.6%

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

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (estimate) (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in square meter thousands)
2022	Quarter 1	66,151	2,603	530	76
	Quarter 2	29,973	3,817	401	47
	Quarter 3	65,090	3,951	301	74
	Quarter 4	71,846	7,022	287	88
2023		163,763	5,114	614	162
2024		148,296	3,752	528	138
2025		108,419	3,831	303	119
2026 and thereafter		211,570	4,527	362	237
Total		865,108	34,617	3,326	941

^(*) 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.

DESCRIPTION OF THE COMPANY'S BUSINESS6.6. 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		
		2021	2020	2019
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)	62.3	44.3	44.3
	Total costs invested in the current period (consolidated) (in EUR thousands)	138,467	121,500	41,227
	The amount at which the properties are stated in the financial statements at the end of the period (consolidated) (in EUR thousands)	382,453	271,967	169,000
	Construction budget during the subsequent period (estimate) (consolidated) (in EUR thousands)	71,400	- ¹	- ¹
	Total balance of estimated construction budget for completion of the construction works (estimate for the end of the period) (consolidated) (in EUR thousands)	104,400	- ¹	- ¹
	Percentage of the GLA under construction with respect to which lease agreements have been signed	65%	67%	55%
	Expected annual revenue (consolidated) (in EUR thousands)	9,779	-	-

(*) This figure refers to total estimated annual income expected from projects for which construction is expected to be completed in the following year and for which agreements have been signed for the leasing of 50% or more of their total area.

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, 2021 and 2020, CTY did not own plots of land that are listed in the Company's books as land for investment.

DESCRIPTION OF THE COMPANY'S BUSINESS

6.8. Acquisition and sale of properties (aggregate)

The table below provides data about properties sold and acquired by CTY in 2021 - 2019:

			For the year ended December 31,		
Region			2021	2020	2019
Finland	Properties sold	Number of properties were sold during the period	1	-	2
		Proceeds from the realization of properties sold in the period (consolidated) (in EUR thousands)	106,200	-	76,776
		Area of properties sold in the period (consolidated) (in square meter thousands)	22.5	-	28.9
		NOI of properties sold (consolidated) (in EUR thousands)	4,976	-	2,467
		Loss recorded from the sale of properties (consolidated) (in EUR thousands)	(1,488)	-	(976)
	Properties acquired	Number of properties acquired during the period	1	1	-
		Cost of properties acquired during the period (consolidated) (in EUR thousands)	681	2,596	-
		NOI of properties acquired (consolidated) (in EUR thousands)	(17)	(155)	-
		Area of properties acquired during the period (consolidated) (in square meter thousands)	1	6	-
Sweden and Denmark	Properties sold	Number of properties sold in the period	3	-	-
		Proceeds from the realization of properties sold in the period (consolidated) (in SEK thousands)	1,417,178	-	-
		Area of properties sold in the period (consolidated) (in square meter thousands)	57.9	-	-
		NOI of properties sold (consolidated) (in SEK thousands)	25,645	-	-
		Profit recorded from the sale of properties (consolidated) (in SEK thousands)	(43,360)	-	-
Norway	Properties sold	Number of properties sold in the period	-	1	-
		Proceeds from the realization of properties sold in the period (consolidated) (in NOK thousands)	-	12,000	-
		Area of properties sold in the period (consolidated) (in square meter thousands)	-	10.7	-
		Profit (loss) recorded from the sale of properties (consolidated) (in NOK thousands)	-	1,499	-
	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 EUR thousands)	-	1,600	-

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

DESCRIPTION OF THE COMPANY'S BUSINESS

6.9. The table below presents data regarding Iso Omena, a material property of the Group as of December 31, 2021:

Iso Omena -material income-producing property

Iso Omena (*)		Please note- EUR million unless 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)	Occupancy 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' main assumption Cap rate
Location	Espoo, Finland	2021	2,640	750.2	33.2	31.4	4.2 %	4.3 %	4.8 %	0%	4.2	98.2 %	34.0	3,769.3	31/12/2021	JLL The appraiser from JLL has an experience of over 10 years	DCF	4.5%
Functional Currency	EUR																	
Primary use	Retail (Shopping Centre)	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	31/12/2020		DCF	4.6%
Construction on cost (EUR million)	657.5																	
Company's share in the property (%) (capital rights)	fully owned through subsidiary held at 48.9%																	
Gross area (sq.m.)	101,800	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	31/12/2019		DCF	4.5%
Retail GLA, sq.m. commerce	84,400																	

(*) 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.

DESCRIPTION OF THE COMPANY'S BUSINESS**.6.10. Human capital**

.6.10.1. As of December 31, 2021, CTY (and its wholly-owned subsidiaries) has 251 employees (264 employees in 2020), as follows: Norway – 80; Finland and Estonia – 56; Sweden and Denmark – 66; and 49 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 8f3 to the financial statements.

For details regarding buybacks of 18,293 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.

.6.11. Credit and financing

.6.11.1. **Credit rating** – CTY is rated as Baa3 (stable outlook) by Moody's and as BBB- (stable outlook) by S&P. In addition, and a rating of BBB- (Stable outlook) by Fitch.

.6.11.2. Financing from financial institutions -

As of December 31, 2021, CTY has no loans from financial institutions, except for a renewable line of credit provided to CTY and its wholly owned subsidiaries for the amount of EUR 500 million (NIS 1.8 billion), half of which is secured by a lien, and was renewed and extended in November 2020 and is valid until 2024 (as at Reporting Date, CTY has not used this line of credit). In October 2021, CTY Pharaoh traded securities amounting to about EUR 70 million.

.6.11.3. **Debentures** - As of December 31, 2021, CTY has unsecured debentures in the amount of EUR 1,835 million. The debentures bear fixed interest at an annual rate ranging 1.26% to 4.5% and are due for repayment between 2023 and 2028. In March 2021, CTY issued debentures in an amount of EUR 350 million. In October 2021, CTY made early redemption of debentures that were repayable starting from 2022, in an amount of EUR 161.7 million, and as a result thereof and of the repayment of the commercial securities, as aforesaid, CTY does not have any significant repayments until 2024. For the debenture ratings, refer to section 6.11.1 above. For further details regarding CTY's debentures, see Notes 19c and 37c to the financial statements.

.6.11.4. **Hybrid bonds** - in June 2021 CTY issued hybrid bonds amounting to EUR 350 million.

.6.11.5. 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, 2021:

	Balance (EUR in millions)	Weighted interest rate (*)	Average repayment period (years) (**)
Debentures at fixed interest – EUR	1,526.2	2.00%	4.6
Debentures at variable interest - NOK	79.8	3.17%	1.9
Debentures at fixed interest - NOK	229.3	3.40%	3.7
Total	1,835.3		

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

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

DESCRIPTION OF THE COMPANY'S BUSINESS**.6.11.6. 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, 2021 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 until February 18, 2022 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 buildings¹⁸ with a GLA of 0.8 million square meters as well as plots of land, while 34% of the asset portfolio in Poland is located in Warsaw and about 67% of the portfolio in the Czech Republic, is located in Prague.

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, 2021, the Company held 75% of ATR's issued share capital and voting rights.

On February 18, 2022, the merger of ART and a wholly owned subsidiary of the Company was completed and from that date ATR shares were delisted from trading on the stock exchange and ATR is a wholly owned subsidiary of the Company (ATR has debentures listed for trading on the Luxembourg Stock Exchange). For further information, see Note 5c8 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.

During the Reporting Period ATR continued to implement this strategy by purchasing its first residential building in Krakow, which includes 100 housing units, and is in the process of acquiring 550 apartments in Warsaw for a total amount of EUR 53 million, which will be completed during 2022-2023¹⁹. In addition, ATR began development of 200 housing units adjacent to its flagship Atrium Promenada shopping center in Warsaw, Poland.

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 2021, ATR's largest tenant was LPP, which has several stores and fashion brands, the revenue from which was approximately 3.0% of all ATR's rental revenues. ATR managed almost all of its properties.

The Group operates in Central and Eastern Europe through ATR, which is incorporated in Jersey Island and that until February 18, 2022, was 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 Europe cities - primarily in Warsaw, Poland, and Prague, Czech Republic, as well as in Russia and Slovakia, and as of December 31 2021 it owns 26 income-producing properties with GLA of 0.8 million square meters as well as plots of land, while 34% of the portfolio in Poland is located in Warsaw and about 67% of the portfolio in the Czech Republic, is located in Prague.

¹⁸ Including one jointly controlled property in which ATR holds 75% of the rights.

¹⁹ ATR's estimates regarding the dates of completion of the acquisition of the properties, 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 acquisition, and are not under the control of the Company.

DESCRIPTION OF THE COMPANY'S BUSINESS**7.2. Results of operations**

Following is a summary of the results of operations in the operating segment for the years ended December 31, 2021, 2020 and 2019 (NIS thousands and in EUR thousands):

	For the year ended December 31					
	2021	2020	2019	2021	2020	2019
	In NIS thousands			In EUR thousands		
Total rental income (consolidated)	702,408	765,323	968,987	184,023	195,073	242,553
Gains (losses) from revaluations (consolidated)	148,027 ^(*)	(908,607) ^(*)	(52,046)	41,911 ^(*)	(231,008) ^(*)	(13,495)
Operating profit (consolidated) (**)	423,596 ^(*)	444,924	604,344	111,193	113,317	151,210
Same property NOI (consolidated)	432,063	444,427	-	112,995	113,280	-
Same property NOI (Company's share)	323,283	332,535	-	84,546	84,760	-
Total NOI (consolidated)	485,535	511,746	671,529	127,250	130,488	168,010
Total NOI (Company's share)	363,293	341,863	403,678	95,213	87,171	100,997

(*) Includes adjustment resulting from consolidation of ATR reports.

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

(*) Including adjustments due to the consolidation of ATR in the financial statements.

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

DESCRIPTION OF THE COMPANY'S BUSINESS

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								
	2021	2020	2019	2021	2020	2019	2021	2020	2019
GDP (PPP)	USD 1,412 billion	USD 1,296 billion	USD 1,317 billion	USD 469 billion	USD 436 billion	USD 457 billion	USD 4,447 billion	USD 4,100 billion	USD 4,174 billion
GDP per capita (PPP)	USD 37,322	USD 34,165	USD 34,688	USD 43,713	USD 40,792	USD 42,963	USD 30,431	USD 28,052	USD 28,449
GDP growth rate per capita (PPP)	5.10%	(2.27%)	6.01%	3.80%	(5.80%)	4.16%	4.70%	(3.00%)	3.15%
Inflation rate	4.40%	2.23%	3.40%	2.70%	3.20%	3.21%	5.90%	3.77%	3.05%
Yield on long-term government debt(**)	3.66%	1.25%%	2.11%	2.98%	1.20%	1.63%	8.42%	5.88%	6.14%
Rating of long-term government debt(***)	A-/A2	A-/A2	A-/A2	AA-/Aa3	AA-/Aa3	AA-/Aa3	BBB-/Baa3	BBB-/Baa3	BBB-/Baa3
USD / local currency exchange rate as of December 31 (****)	PLN / USD 0.247	PLN / USD 0.270	PLN / USD 0.263	CZK / USD 0.046	CZK / USD 0.049	CZK / USD 0.044	RUB / USD 0.013	RUB / USD 0.013	RUB / USD 0.016
Unemployment rate	5.40%	3.77%	3.28%	3.50%	3.10%	2.00%	4.30%	5.60%	4.60%

(*) Unless stated otherwise, the data in the table below are based on publications of the IMF World Economic Outlook Database, October 2021. Notably, IMF data for 2021 are based on projections by the IMF as of October 2021. Additionally, GDP data presented for 2019-2021, 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.moody.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.

DESCRIPTION OF THE COMPANY'S BUSINESS

Additional macroeconomic data

Poland - Poland's economy recovered in the first half of 2021, with GDP returning to pre-pandemic levels. Following the easing and gradual removal of government restrictions, business and consumer confidence increased. Despite disruptions in the supply of goods and rising commodity prices, which created difficulties for industries in various sectors, in the second half of 2021 there was an increase in GDP of 5.7% and local economic activity strengthened, due to an increase in the labor market and consumer spending and the forecast is that the economic growth will continue in 2022 so that GDP is expected to grow above 5.5%. At the same time, inflation is expected to accelerate and increase to 6.8% due to the increase in energy prices and labor costs, and the inflation is expected to fall in 2023.

As at Reporting Date, there are 550 shopping centers in Poland and during the reporting year, 15 plans for opening new centers or expanding existing shopping centers commenced, reflecting an increase of 8% compared to 2020. The development is based on projected growth in retail sales in the coming years. For example, in 2023, there is an expectation of a 5% increase in retail sales, positioning Poland at the forefront of EU countries.

Although at the beginning of 2021 certain shopping centers were closed due to the restrictions imposed due to the Covid-19 pandemic, during 2021 the restrictions were lifted and the number of visitors to the centers returned to almost pre-pandemic levels. Accordingly, customer turnover also relatively strong compared to the decrease in the number of visitors during the entire pandemic period.

In 2021, transactions for the purchase of residential real estate were executed for an amount exceeding EUR 600 million.

In the third quarter of 2021, apartment sales in Warsaw, Poland's main residential market, declined significantly compared to previous quarters, with just over 4,000 apartments sold. The decline appears to be due to a lack of supply, in such a way that at the end of September 2021 there were only 11,500 units for sale, which is not a sufficient for the next three quarters, given the current demand. Such demand causes an annual increase in the average price per meter by 11%. On the other hand, the rise in inflation that affects the supply chain of building materials, costs, interest rate hikes and the ability of developers to launch new projects, have an adverse effect on the residential real estate market.

Czech Republic - Although the Czech economy has started to recover since the outbreak of the Covid-19 pandemic in 2020, supply chain disruptions have limited GDP growth so that there has been an increase of only 3.3% in 2021. The economic activity is expected to grow in the first half of 2022, in such a way that GDP will grow at a rate of 4.4% due to both domestic and foreign demand, as well as public investment. Inflation is expected to increase and peak at 5.8% in 2022, due to rising energy prices, with supply bottleneck against strong demand, but it is estimated that afterwards there will be a slowdown.

The retail market in the Czech Republic is approaching completion and includes 2.5 million square meters of retail space, with another 14.5 million square meters shopping center expected to open in the coming months. The restrictions imposed on shopping center activity in the first half of 2021 affected the number of visitors and the sales of lessees. In the first nine months of 2021, the number of visitors and the turnover of the lessees' were 70% and 75%, respectively, of the levels in 2019, before the outbreak of the pandemic. Annual growth forecast for retail sales in 2021 is 4.5%.

Russia - Despite the low vaccination rate, GDP in Russia has increased above its pre-pandemic level, growing by 4.5% in 2021. Private consumption grew in 2021, partly due to the real increase in wages. At the same time, the forecast is that the purchasing power of households in 2022 is expected to be adversely affected due to inflation, and the increase in investment is expected to be moderate and slow, reflecting long-term weakness in the business climate, including due to the ongoing conflict between Russia and Ukraine, which erupted in February 2022. Due to Russia's invasion of Ukraine, some Western countries united and imposed various financial and economic sanctions were imposed on Russia and Belarus, as well as on corporations, individuals and Russian businessmen. As a result, the economic markets have taken a step back from Russia, the ruble has depreciated considerably and the interest rate in Russia has risen sharply. For further information see section 1.3 to the Board of Directors Report.

The foregoing description is based on reports for 2021 as ATR published on February 24, 2022, with regard to the Reporting Period. Nonetheless, the ongoing conflict between Russia and Ukraine and global sanctions imposed on Russia because of it, as well as the continuing spread of the COVID-19 pandemic worldwide, 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 required to resume normal routines, the manner and scope of the impact of the war and the pandemic, and the economic crises caused by it, in the long term, the Company is unable to evaluate the scope of its exposure, including the possibility of adverse changes in the Company's business and finance results. For more information regarding the effect of the COVID-19 pandemic on the Group's operations, see Section 1.3 of the Directors' Report.

DESCRIPTION OF THE COMPANY'S BUSINESS7.4. 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 2019-2021, ATR's properties in Slovakia.

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, 2021 and 2020 (in square meter thousands):

Region		As of December 31			
		2021		2020	
			As a percentage of total property GLA		As a percentage of total property GLA
Poland	Total GLA owned by ATR	431	55.5%	433	55.5%
	Company's share	322		299	
Czech Republic	Total GLA owned by ATR	61	7.8%	61	7.8%
	Company's share	46		42	
Russia	Total GLA owned by ATR	239	30.7%	239	30.6%
	Company's share	179		165	
Other	Total GLA owned by ATR	47	6.0%	47	6.1%
	Company's share	35		33	
Total	Total GLA owned by ATR	778	100.0%	780	100.0%
	Company's share	582		539	

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, 2021 - 2020:

Region		2021		2020	
			As a percentage of total property value		As a percentage of total property value
Poland (in EUR thousands)	Consolidated	1,611,817	68.9%	1,658,659	70.4%
	Company's share	1,206,300		1,143,939	
Czech Republic (in EUR thousands)	Consolidated	351,498	15.0%	341,090	14.4%
	Company's share	263,065		235,242	
Russia (in EUR thousands)	Consolidated	258,752	11.1%	237,659	10.1%
	Company's share	193,652		163,908	
Other (in EUR thousands)	Consolidated	118,000	5.0%	119,156	5.1%
	Company's share	88,312		82,179	
Total (in NIS thousands)	Consolidated	8,236,805	100.0%	9,294,524	100.0%
	Company's share	6,164,504		6,410,218	

DESCRIPTION OF THE COMPANY'S BUSINESS

7.4.3. NOI

The table below provides data about ATR's NOI for 2021 - 2019:

Region		2021		2020		2019	
			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	73,605	57.8%	77,040	59.0%	102,002	60.7%
	Company's share	55,074		51,465		61,317	
Czech Republic (in EUR thousands)	Consolidated	17,508	13.8%	17,307	13.3%	19,335	11.5%
	Company's share	13,100		11,562		11,623	
Russia (in EUR thousands)	Consolidated	28,388	22.3%	28,027	21.5%	35,563	21.2%
	Company's share	21,241		18,723		21,378	
Other (in EUR thousands)	Consolidated	7,749	6.1%	8,115	6.2%	11,110	6.6%
	Company's share	5,798		5,421		6,679	
Total (in NIS thousands)	Consolidated	485,535	100.0%	511,746	100.0%	671,529	100.0%
	Company's share	363,293		341,863		403,678	

7.4.4. Revaluation gains (losses)

The table below provides data about ATR's revaluation gains (losses) for the years 2019-2021:

Region		2021 ^(*)		2020 ^(*)		2019	
			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	21,917	55.9%	(139,670)	66.0%	(3,750)	64.5%
	Company's share	16,399		(93,304)		(2,254)	
Czech Republic (in EUR thousands)	Consolidated	458	1.2%	(13,448)	6.3%	1,585	(27.3%)
	Company's share	343		(8,984)		953	
Russia (in EUR thousands)	Consolidated	18,933	48.3%	(56,265)	26.5%	(45)	0.8%
	Company's share	14,166		(37,587)		(27)	
Other (in EUR thousands)	Consolidated	(2,130)	(5.4%)	(2,632)	1.2%	(3,600)	62.0%
	Company's share	(1,593)		(1,758)		(2,164)	
Total (in NIS thousands)	Consolidated	149,808	100.0%	(831,793)	100.0%	(23,197)	100.0%
	Company's share	112,092		(555,666)		(13,945)	

(*) Includes adjustment resulting from consolidation of ATR reports.

DESCRIPTION OF THE COMPANY'S BUSINESS**7.4.5. Average rent per square meter**

The table below provides data about ATR's average monthly rent for 2021 and 2020:

Region	For the year ended December 31	
	2021	2020
Poland (in EUR)	20.0	20.0
Czech Republic (in EUR)	33.5	35.0
Russia (in EUR)	14.7	15.0
Other (in EUR)	21.6	22.3

7.4.6. Average occupancy rates

The table below provides data about the occupancy rates in ATR's properties as of December 31, 2021 and the average occupancy rates in each of the years 2021 and 2020:

Region	As of December 31, 2021	For the year ended December 31, 2021(*)	For the year ended December 31, 2020(*)
Poland	93.7%	92.1%	94.3%
Czech Republic	94.0%	93.6%	95.0%
Russia	94.4%	93.5%	93.3%
Other	99.0%	98.9%	99.8%

(*) 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, 2021 and 2020:

Region	For the year ended December 31	
	2021	2020
Poland	15	15
Czech Republic	2	2
Russia	7	7
Other	1	1
Total	25	25

7.4.8. Average yields

The table below provides data about ATR's actual average yields as of December 31, 2021 and 2020 (based on property value at the end of the year):

Region	As of December 31	
	2021	2020
Poland	6.0%	5.6%
Czech Republic	6.2%	5.5%
Russia	12.6%	11.4%
Other	7.3%	7.2%

DESCRIPTION OF THE COMPANY'S BUSINESS7.5. 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)
2022	Quarter 1	123,799	6,934	145	22
	Quarter 2	123,799	6,934	145	22
	Quarter 3	123,799	6,934	145	22
	Quarter 4	123,799	6,934	145	22
2023		415,338	26,441	358	90
2024		339,607	26,705	347	67
2025		266,383	25,928	259	59
2026 and thereafter		1,030,729	26,772	493	218
Total		2,547,253	133,582	2,037	522

(*) 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.

* 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 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 2019-2021, ATR did not have any income-producing properties under construction.

DESCRIPTION OF THE COMPANY'S BUSINESS

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	
		2021	2020
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)	46,164	55,462
	The total area of plots of land at the end of the period (in square meter thousands)	294	399
	Total construction rights on land, according to approved plans (in square meter thousands) (*)	26	539
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
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)	24,875	23,373
	The total area of plots of land at the end of the period (in square meter thousands)	596	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)	79,482	83,472
	The total area of plots of land at the end of the period (in square meter thousands)	216	216

(*) 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 2019- 2021(*):

			For the year ended December 31,		
Region			2021	2020	2019
Poland	Properties acquired	Number of properties acquired during the period	-	-	1
		Cost of properties acquired during the period (consolidated) (in EUR thousands)	-	-	43,501
		NOI of properties acquired (consolidated) (in EUR thousands)	-	-	1,469
		Area of properties acquired during the period (consolidated) (in square meter thousands)	-	-	7,136
	Properties sold	Number of properties sold during the period	1	6	2
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	9,939	37,700	298,700
		Area of properties sold during the period (consolidated) (in square meter thousands)	29	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)	(257)	(1,155)	6,208
Other	Properties sold	Number of properties sold during the period	1	2	-
		Proceeds from the realization of properties sold during the period (consolidated) (in EUR thousands)	3,700	40,300	-
		Area of properties sold during the period (consolidated) (in square meter thousands)	61	47,395	-
		Profit (loss) recorded from the sale of properties (consolidated) (in EUR thousands)	(354)	-	-

DESCRIPTION OF THE COMPANY'S BUSINESS**7.9. Human capital**

7.9.1. As of December 31, 2021, ATR (and its wholly-owned subsidiaries) has 376 employees (377 in 2020). 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

Until the date of completion of the merger between ATR and the wholly owned subsidiary of the Company, ATR had five share-based compensation plans for directors, employees, managers and key personnel, under which shares, convertible options or restricted stock units of ATR shares were allotted. Once the merger transaction was completed, part of the allotments under these plans were canceled or expired without additional consideration and in some cases maturity of the securities was accelerated, after which the Company redeemed the rights of the offerees in exchange for a monetary grant (this in accordance with the terms of the securities and their exercise price). For further information concerning the allotment of securities under the foregoing compensation plans, see Note 8c to the financial statements.

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** – In January 2021 ATR and its debentures were downgraded rated BB (Stable Outlook) by Fitch, BBB- (stable outlook) due to the merger transaction, following which the Company's leverage increased. Baa3 (negative outlook) by Moodys remains unchanged at Baa3. Moody's announced that it was placing ATR's rating on credit review with negative outlook.

7.10.2. **Financing from financial institutions** – As of December 31, 2021, ATR and its wholly owned subsidiaries have two long-term loans totaling (including current liabilities) an amount of EUR 295 million (NIS 1,036 million), and a renewable line of credit for an amount of EUR 300 million (NIS 1.1 billion) with repayment date in 2023, and with possibility of extension until May 2024 (as at Reporting Date, this line of credit has not been utilized).

7.10.3. **Debentures** – As of December 31, 2021, ATR has unsecured debentures amounting to EUR 938 million. The debentures bear fixed interest at an annual rate ranging between 2.625% and 3.625% and are redeemable from 2022 through 2027. For the debenture ratings, refer to section 7.10.1 above. In January 2021, a subsidiary of ATR issued EUR 300 million in green bonds, bearing interest of 2.625% which is due to be repaid in 2027. The proceeds for the debentures will be invested for financing or debt recycling of the residential properties defined as "eligible properties" in accordance with ATR's green financing framework. In the Reporting Period, ATR carried out a buyback of its debentures in an amount of EUR 78 million.

7.10.4. **Hybrid Debentures** – In May 2021 ATR issued hybrid green debentures in an amount of EUR 350 million, at annual fixed interest of 3.625% (that can be revised once every five years). The bonds are perpetual without redemption date, but ATR has the right to redeem the bonds at the end of five years from date of issue (November 2026) and thereafter at any date of payment of the annual interest. These bonds are considered part of ATR's shareholders' equity (and accordingly, any principal and interest payment is deducted from ATR's equity), and are inferior to any other debt of ATR. Holders of such hybrid bonds do not have similar rights to the rights of shareholders.

7.10.5. The following table presents the long-term credit and loans received by ATR to finance its operations, as of December 31, 2021:

	Balance (EUR in thousands)	Weighted interest rate (*) (EUR in thousands)	Average repayment period (years)(**)
Secured loans at variable interest	294,494	2.14%	5.3
Unsecured debentures at fixed interest	937,932	2.99%	3.8
Total	1,232,426		

(*) 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, 2021 and immediately prior to the approval date of this report, ATR is in compliance with all the specified covenants.

DESCRIPTION OF THE COMPANY'S BUSINESS**.8.1. G Israel**

.8.1.1. As of December 31, 2020, the Company is engaged in the field of shopping centers anchored by supermarkets in Israel through its subsidiary, G Israel (100%) G Israel Commercial Centers Ltd. As from January 1, 2021, the operations of G Israel Commercial Centers Ltd. were merged into the Company and on April 20, 2021, the merger was registered with the Registrar of Companies, thus completing the merger of G Israel Commercial Centers Ltd. with and into the Company. The Company's real estate operation in Israel will be referred to hereunder as "G Israel".

.8.1.2. In Israel, the Company rents, manages, develops, and enhances commercial centers, which include malls and open shopping centers. The shopping centers owned by the Company in Israel serve as shopping, leisure, and entertainment centers for their customers. In addition, in the reporting period, the Company entered the housing rental sector, and won a tender to buy land for the construction of a long-term rental apartment complex in the Tel Hashomer area. The Company is building a high-rise office building in Rishon Lezion, and expanding the complex in Savyon. The company has completed the construction of the water plant project near the G Mall in Kfar Saba, as described below. As of December 31, 2021, the Company has 12 income-producing properties and land in Israel, owned by G Israel, mainly in the Gush Dan area. Bulgaria²⁰.

Most of the properties in Israel are neighborhood centers in main cities, in areas with high entry barriers, high socioeconomic status (average cluster 8.1) and high accessibility based on existing and expected public transport as well as many parking spaces. The property 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, and post offices. The properties include two properties which serve as big commercial centers that provides a response to a wide radius of the residents in the area and around it, including movie theaters and restaurants.

As part of the Company's operations in Israel, the Company examines the purchase of properties in urban areas, including purchase of land for construction of rental housing and offices.

As part of the Company's strategy, the Company works to maximize 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 of office towers for mixed-use in part of the assets of G Israel's activities. The activities are made to response to the needs of the market and for the purpose of betterment of G Israel properties. In this context, in the reporting period, the Company started to build an office tower in the CITY complex in Rishon Lezion, on an area of 64,000 sq. m. as of the reporting date, G Israel has main construction rights of existing assets of a total volume of approximately 118 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 March 2022, the Company won a tender for the purchase of the land on which Beit Cal is located in the Korazin compound in Givatayim, covering an area of 0.7 hectare, that is zoned for commerce, employment and residential purposes. In consideration for the property, the Company will pay a total amount of NIS 336 million plus VAT and betterment levies.

As part of implementation of the Group's strategy to increase the component of rental housing properties in the reporting period, the Company won the "apartment for rent" tender for the acquisition of a few plots in Ramat Gan (south of Sheba Medical Center, Tel Hashomer), for the construction of a long-term rental apartment complex of 243 apartments on a total area of 23.3 thousand sq.m. and service areas on 7.3 thousand sq.m (before additional rights/betterment exemptions). Half of the apartments will be designated for controlled rental housing for those entitled, under the terms of the ILA, and the Company will rent the other half on the open market for expected consideration of NIS 559 million (including purchase tax, levies and VAT).

Concurrently, the Company is assessing the disposal of properties that are not part of its core operation and that do not comply with the definition of its strategy, with the aim optimal recycling of the Company's capital.

In this context, in December 2020, the Company completed a sale of land in Macedonia for a consideration of EUR 18.3 million, and in the reporting period, the Company also completed the sale its part (50%) of a plot in Ramat Aviv for a consideration of NIS 216 million.

For information regarding the Company's investment plans in Israel see section 25.2 below.

For information regarding the properties pledged in favor of the holders of Debentures (Series O) of the Company, see Appendix B to the Directors' Report.

²⁰ The Company's properties in Bulgaria are owned through wholly-owned subsidiaries.

DESCRIPTION OF THE COMPANY'S BUSINESS**.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, 2021, 2020 and 2019 (in NIS thousands):

	For the year ended December 31		
	2021	2020	2019
Total income from operation	249,475	231,841	234,403
Gains (losses) from revaluations	212,159	(111,866)	113,312
Profit from operation (*)	135,200	122,896	147,457
NOI from same assets	129,240	125,752	-
Total NOI	155,693	147,287	171,349

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

.8.3. Economic data regarding geographic regions

For information regarding the impact of COVID-19 on the Company's operations in Israel, see Section 1.3 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,		
	2021	2020	2019
Gross domestic product (PPP)	USD 421 million	USD 280 million	USD 384 million
GDP per capita (PPP)	USD 44,965	USD 41,271	USD 42,429
GDP growth rate (PPP)	7.10%	(2.20%)	5.29%
Inflation rate	1.40%	1.09%	1.09%
Yield on long-term government debt(2)	1.03%	0.88%	0.79%
Rating of long-term government debt(3)	AA-/A1	AA-/A1	AA-/A1
Exchange rate of local currency to USD as of December 31(4)	NIS - USD 0.321	NIS - USD 0.311	NIS - USD 0.288
Unemployment rate (5)	4.10%	5.99%	3.80%

(1) Unless stated otherwise, the data provided in the table are based on the IMF - World Economic Outlook Database, October 2021. Note that the International Monetary Fund data for 2021 are based on projections of the IMF as of October 2021. In addition, the product data presented for 2019-2021, which are taken from a 2021 publication of the International Monetary Fund, are in terms of 2020, 2021.

(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, 2019, December 31, 2020 and December 31, 2021.

(5) According to the publication of the IMF - World Economic Outlook Database, October 2021.

DESCRIPTION OF THE COMPANY'S BUSINESS**.8.4. Principal aggregate data about the activity of G Israel's properties**

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

	As of December 31	
	2021	2020
Total GLA of income-producing properties (consolidated) (in square meter thousands)	166	162
Fair value of income-producing properties (consolidated) (in NIS thousands)	3,685,841	3,380,774
Average monthly rent per square meter (in NIS)	109.5	108.4
Actual average occupancy rate(**)	For 2021: 97.9%	For 2020: 98.1%
	As of December 31, 2021: 97.6%	As of December 31, 2020: 97.7%
Number of income-producing properties	14	13
Actual average yields according to value at the end of the year	4.3%	4.8%

(*) 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.

.8.5. 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)
2022	Quarter 1	46,313	1,965	51	4
	Quarter 2	44,310	1,874	32	4
	Quarter 3	43,583	1,782	22	1
	Quarter 4	43,148	1,690	14	1
2023		170,350	10,840	85	8
2024		163,931	10,267	61	6
2025		154,190	9,666	82	5
2026 and thereafter		1,148,645	80,014	430	117
Total		1,814,470	118,098	777	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 1.3 of the Board of Directors' report.

DESCRIPTION OF THE COMPANY'S BUSINESS**.8.6. Aggregate data about the activity of investment properties under construction of G Israel**

The table below provides aggregate data about the activity of 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		
	2021	2020	2019
Number of properties under construction at the end of the period	-	1	2
Total GLA under construction (planned) at the end of the period (in square meter thousands)	-	2	17
Total costs invested in the current period (consolidated) (in NIS thousands)	-	8,206	54,709
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
Construction budget during the subsequent period (estimate) (consolidated) (in NIS thousands)	-	15,891	49,048
Total balance of estimated construction budget for completion of the construction works (estimate as of the end of the period) (consolidated) (in NIS thousands)	-	15,891	67,945
Percentage of the GLA under construction with respect to which lease agreements have been signed	-	61%	79%
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.

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

The table below provides aggregate data about the operation of 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	
	2021	2020
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 – 578,478 Bulgaria – 62,858	Israel –260,205 Bulgaria and Macedonia –59,342
The total area of plots of land at the end of the period (in square meter thousands)	Israel – 34 Bulgaria – 186	Israel –9 *) Bulgaria and Macedonia –186
Total construction rights on land according to approved plans (in square meter thousands)	Israel - 38 Bulgaria - 0	Israel –38 Bulgaria – 0

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

DESCRIPTION OF THE COMPANY'S BUSINESS

.8.8. Acquisition and sale of properties

The table below provides data about properties sold and acquired under the activity of G Israel in each of the years 2021, 2020 and 2019:

		For the year ended December 31		
		2021	2020	2019
Properties sold (*)	Number of properties sold during the period	1	1	-
	Proceeds from properties sold during the period (consolidated) (in NIS thousands)	215,555	71,980	-
Properties acquired (**)	Number of properties acquired during the period	1	1	2
	Cost of properties acquired during the period (in NIS thousands)	559,020	89,312	108,091

.8.9. Human capital

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

.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, 2021, Gazit Brasil focuses its activities in São Paulo metropolis, where it owns and controls six dominant assets²¹, another asset which it holds approximately 33% in one of the São Paulo's lucrative shopping centers, two lands for future development, 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 in respect of such).

For information on the investment plans of the Company in relation to Gazit Brasil, see Section 25.2 below. In the reporting period, Gazit Malls FII,²² a real estate investment fund (in this section, "Gazit Malls") wholly owned and controlled by the Company (indirectly), which was incorporated in Brazil and holds five of the Group's properties in Brazil, at fair value of BRL 2,635 million (NIS 1,470 million), completed a debt raising secured by a lien in the amount of BRL 650 million (NIS 405 million), by way of a private offer to institutional investors, through the securitization company. The debt has an average maturity of 4.9 years, linked to the CPI in Brazil (IPCA) and bears fixed annual interest at a rate of 5.89%.

The debt is secured by a lien on Gazit Malls' rights to apartment rentals, dividends, and other receipts arising from all the properties. Gazit Malls also undertook to comply with standard covenants, including maintaining a debt to value of the properties ratio in an amount that will not exceed 50%, and it undertook that if additional property is acquired, the debt for it will not exceed 40% of the value of the acquired property²².

In addition, in the reporting period, Gazit Malls submitted a public draft prospectus to the Securities Authority in Brazil for an IPO of its participation units (Quotas) on the stock exchange in São Paulo, Brazil (B3), by way of a tender offer of 25% - 49% of the Company's holdings in the Issuer (indirectly). However, in view of the market conditions in Brazil and the recommendation of the lending bank for the IPO, Gazit Malls decided not to publish the final prospectus²³.

²¹ Wholly owned assets of the Company, other than one asset held at a rate of 98% by Gazit Brasil and another asset held at a rate of 80.1% by Gazit Brasil.

²² Formerly Internacional Shopping Fii ; 'FII' – Fundo De Investimento Imobiliário.

²³ Gazit Malls is 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 Gazit Malls, as recorded periodically, plus success fees at an amount contingent on achieving accepted objectives set in the management agreement.

DESCRIPTION OF THE COMPANY'S BUSINESS

.9.2. Summary of activity results

The following is a summary of the results of operations for the years ending December 31, 2021, 2020 and 2019 (in NIS thousands and in BRL):

	For the year ended December 31					
	2021	2020	2019	2021	2020	2019
	In NIS thousands			In BRL thousands		
Total rental income	137,716	139,028	217,937	229,718	203,936	241,052
Gains (losses) from revaluations	(99,573)	37,456	586,900	(163,547)	87,331	690,223
Operating profit (*)	87,073	93,595	177,346	144,066	134,461	196,215
Same property NOI	88,514	93,120	-	147,299	133,778	-
Total NOI	108,249	105,264	198,778	180,141	151,319	219,938

* 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		
	2021	2020	2019
Gross domestic product (PPP)	USD 3,437 billion	USD 3,153 billion	USD 3,247 billion
GDP per capita (PPP)	USD 16,168	USD 14,890	USD 15,453
GDP growth rate (PPP)	5.2%	(4.1%)	1.4%
Inflation rate	7.7%	1.98%	4.31%
Yield on long-term government debt ⁽²⁾	10.31%	7.23%	6.80%
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⁾	0.179	0.192	0.248
Unemployment rate ⁽⁵⁾	11.6%	13.37%	11.93%

(1) Unless stated otherwise, the data provided in the table are based on the IMF Economic Outlook Database, October 2021. 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 2019-2021 which are taken from a 2021 publication of the International Monetary Fund, are in terms of 2021 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.moody.com/ / www.standardandpoors.com).

(4) According to Oanda data (www.oanda.com/), representative exchange rate as of December 31, 2019, December 31, 2020 and December 31, 2021.

(5) According to the publications of the IMF - World Economic Outlook Database, October 2021.

The description refers to 2021. 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 1.3 of the Directors' report.

DESCRIPTION OF THE COMPANY'S BUSINESS**.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	
	2021	2020
Total GLA of income-producing properties (in square meter thousands)	179.4	178.9
Fair value of income-producing properties (in BRL thousands)	3,911,453	4,036,155
Average monthly rent per square meter (in BRL)	69.0	65.3
Actual average occupancy rate (**)	For 2021: 94.5%	For 2020: 97.2%
	As of December 31 2021: 95.5%	As of December 31 2020: 97.0%
Number of income-producing properties	7	7
Actual average yields according to value at the end of the year (***)	5.2%	4.0%

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

(**) Average yields as of December 31, 2021 and December 31, 2020 do not include an asset with an holding of 33% that is not managed by the Company. Average yields as of December 31, 2021 and 2020, including these two assets are 4.8% and 3.7%, respectively.

.9.5. Expected rental income from signed leases

Period of recognition of income		Income from fixed components (in NIS thousands)	Income from variable components (estimate) (in NIS thousands)	Number of terminating lease agreements	Area in the terminating agreements (in sq. m. thousands)
2022	Quarter 1	22,013	2,441	31	3
	Quarter 2	22,529	2,612	39	7
	Quarter 3	37,265	2,472	73	3
	Quarter 4	52,803	3,336	99	4
2023		116,948	11,241	115	18
2024		103,528	11,607	168	19
2025		83,153	11,984	139	13
2026 and thereafter		270,606	80,539	252	92
Total		708,845	126,232	916	159

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 2019-2021, Gazit Brasil did not had any income-producing properties under development.

DESCRIPTION OF THE COMPANY'S BUSINESS**.9.7. Aggregate data about plots of land for investment in the field of operation**

As of December 31, 2021 and December 31, 2020 Gazit Brasil has 3 plots of land and 2 plots for investment in the amounts of BRL 108.6 million and BRL 87.4 million, respectively.

.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 2021, 2020 and 2019:

		For the year ended December 31		
		2021	2020	2019
Properties acquired(*)	Number of properties acquired during the period	1	-	1
	Cost of properties acquired during the period (consolidated) (in BRL thousands)	18,447	-	159,646
	NOI of properties acquired (in BRL thousands) (**)		-	11,576
	Area of properties acquired during the period (in square meter thousands) (**)	8	-	8

*) For the year ended December 31, 2019 and 2021, including additional rights purchased in existing asset.

**) For income-producing properties only.

.9.9. Human capital

As of December 31, 2021, in its headquarters, Gazit Brasil has 46 full time employees (43 employees in 2020), as follows: management and administration – 1 employee; accounting and finance department – 24 employees; operating and properties department – 9 employees, legal department – 5 employees, IT department - 2 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 and from the issuance of debentures to investors amounting to BRL 650 million (as set out above).

10. Gazit Horizons

As of 2017, the company has had income-producing real estate operations (commercial centers, offices and rental housing) in the US through its subsidiary, Gazit Horizons (100%). 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. As at Reporting Date, Gazit Horizons holds 14 properties (including 5 properties held jointly with third parties).

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.

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.

As part of the Group's strategy, during the Reporting Period, Gazit Horizons acquired a residential building (Maizon) in Brickell, Miami, that has 262 rental apartments, for an amount of USD 102 million. Maizon is located adjacent to another Gazit Horizons property and is earmarked for future mixed-use development. The development property, known as Brickell Gateway, is expected to include 504 apartments and commercial space, as described below).

DESCRIPTION OF THE COMPANY'S BUSINESS

Subsequent to the Reporting Period, Gazit Horizons acquired another commercial property in Brickell, Miami, of an area of 840 sq. m. on a 0.133 hectare plot of land, opposite the project Brickell Gateway, for an amount of USD 20 million.

.10.1. Summary of activity results

The following is a summary of the results of operations for the years ending December 31, 2021, NIS thousands and in USD thousands) (*):

	For the year ended December 31					
	31.12.2021	31.12.2020	31.12.2019	31.12.2021	31.12.2020	31.12.2019
	In NIS thousands			In USD thousands		
Total rental income	68,839	73,632	70,503	21,344	21,357	19,823
Gains from revaluations	184,360	34,377	5,985	57,329	9,680	1,684
Operating profit (**)	43,849	21,239	41,565	13,583	6,117	11,765
Same property NOI	19,553	18,777	-	6,063	5,446	-
Total NOI	46,857	49,785	49,774	14,530	14,456	14,001

*) 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 1.3 to the Directors' report.

Macro-economic parameters-USA	Year ended		
	2021	2020	2019
Gross domestic product (PPP)	USD 22,940 million	USD 20,893 million	USD 21,372 million
GDP per capita (PPP)	USD 69,375	USD 63,358	USD 65,051
GDP growth rate per capita (PPP)	6.00%	(3.40%)	3.98%
Inflation rate	4.30%	2.12%	2.07%
Yield on long-term government debt(2)	1.15%	1.65%	2.39%
Rating of long-term government debt(3)	AA+ \Aaa	AA+ \Aaa	AA+ \Aaa
Exchange rate of NIS to USD as of Dec. 31(4)	0.321	0.315	0.288
Unemployment rate (5)	3.90%	8.89%	3.73%

(1) Unless stated otherwise, the data provided in the table are based on the IMF Economic Outlook Database, October 2021. Note that the International Monetary Fund data for 2021 are based on projections of the IMF as of October 2021. Additionally, the product data presented for 2019-2020 are in terms of 2021 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, 2021.

(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, 2019, December 31, 2020 and December 31, 2021.

(5) According to the publication of the IMF World Economic Outlook Database, October 2021.

The description refers to 2021. 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.

DESCRIPTION OF THE COMPANY'S BUSINESS**10.2.1. Principal aggregate data about Gazit Horizon's properties (*)**

	As of	As of
	31.12.2021	31.12.2020
Total GLA of income-producing properties (in thousands of sq. m.)	64.8	44.1
Fair value of income-producing properties (in USD thousands)	386,515	357,223
Average monthly rent per square meter (USD)	(**51	49
Actual average occupancy rate	As of December 31, 2021: 93.3%	As of December 31, 2020: 90.7%
	For 2021: 90.1%	For 2020: 88.2%
Number of income-producing properties	10	10
Average yields according to value at year end	4.25%	486%

*) 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.

**) The figure for rent does not include rent received from rental housing.

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.)
2022	Quarter 1	17,134	76	7
	Quarter 2	18,138	76	6
	Quarter 3	18,464	51	4
	Quarter 4	18,978	49	4
2023		39,479	46,762	15
2024		36,529	65,534	4
2025		55,249	63,999	2
2026 and thereafter		778,694	750,702	28
Total		953,656	999,711	301

*) 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 10.4 and section 1.3 of the Board of Directors' report.

10.2.3. In 2019-2021, Gazit Horizons did not have any income-producing properties under construction.

DESCRIPTION OF THE COMPANY'S BUSINESS

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

Area	Parameters	Date	
		31.12.2021	31.12.2020
United States	Amount of lands in the financial statements at the end of the period (consolidated) (in USD millions)	33	28
	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

^(*) Subsequent to Reporting Date, approval was received for expanding the building rights to 40.5 (sq. m. thousands).

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 December 31		
		31.12.2021	31.12.2020	31.12.2019
Properties acquired	Number of properties acquired during the period	2	1	3
	Cost of properties acquired during the period (in USD thousands)	119,837	45,168	164,610
	NOI of properties acquired (in USD thousands)	2,450	93	4,727
	Area of properties acquired during the period (thousands of sq. m.)	21	4	17

In 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, 2021, Gazit Horizons has 15 employees (15 employees in 2020).

The 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 as of December 31, 2021 amounted to USD 272 million at variable interest at a weighted rate of 3.2%, with an average repayment period of 3.25 years. In the reporting period, Gazit Horizons took out a secured loan of USD 134 million on the Company's property in Manhattan, New York, at annual interest at a fixed rate of 3.295%, with an average maturity of 17.8 years and a balloon payment of USD 45 million at the end of the loan life. The Company provided a limited guarantee in the amount of USD 25 million for this loan.

DESCRIPTION OF THE COMPANY'S BUSINESS

In addition, to finance the acquisition of the property in Brickell, Miami (as described in section 10 above), Gazit Horizons took out a loan of USD 63.8 million, secured by the property, at annual interest at a fixed rate of 2.71%, the final repayment date of which is 2028.

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, 2021 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**

Between 2006 and 2021, the Company operated 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 the reporting period, it completed the sale of the last remaining income-producing property under its ownership for a consideration of EUR 87 million (NIS 343 million).

.11.2. Gazit Canada

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

The Joint Venture is owned by the Company (60%) which invested CAD 60 million in the partnership, and by Dori Segal (40%), a former director and CEO of the Company who invested at the stage CAD 40 million in the partnership through a company under his control. In addition, the Company thorough its Canadian Subsidiary 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.

DESCRIPTION OF THE COMPANY'S BUSINESS12. **Required adjustments at the Company level****Reconciliation to the statement of financial position**

		As of December 31	
		2021	2020
		(consolidated) (in NIS thousands)	
Presentation in the description of the Company's business	Total investment properties whose development was completed in Northern Europe (consolidated)	13,930,856	15,894,413
	Total investment properties whose development was completed in Central and Eastern Europe (consolidated)	8,236,805	9,294,524
	Total investment properties whose development was completed in Israel (consolidated)	3,685,841	3,380,774
	Total investment properties whose development was completed in Gazit Brasil (consolidated)	2,181,808	2,497,371
	Total investment properties whose development was completed in Gazit Canada (consolidated)	196,177	201,030
	Total investment properties whose development was completed in Gazit Germany (consolidated)	-	362,459
	Total investment properties whose development was completed in Gazit Horizons (consolidated)	1,202,062	1,148,472
	Total investment properties under development in Northern Europe (consolidated)	1,345,508	1,072,238
	Total investment properties under development in Gazit Horizons (consolidated)	763,486	278,419
	Total investment properties under development in Central and Eastern Europe (consolidated)	330,387	-
	Total plots of land classified as investment properties under development in Central and Eastern Europe (consolidated)	529,816	640,463
	Total plots of land classified as investment properties under development in Israel (consolidated)	638,337	102,092
	Total plots of land classified as investment properties under development in Gazit Brasil (consolidated)	71,565	57,729
	Total plots of land classified as investment properties under development in Gazit Horizons (consolidated)	104,045	90,020
	Total plots of land classified as investment properties in Israel (consolidated)	3,000	217,455
	Total (consolidated)	33,219,693	35,237,459
Presentation in the statement of financial position	"Investment property" item in the statement of financial position (consolidated)	28,902,512	31,827,981
	"Investment property" classified as property held for sale (consolidated)	531,037	952,899
	"Investment property under development" item in the statement of financial position (consolidated)	2,439,381	1,348,821
	Plots of lands	1,343,763	890,303
	Plots of land classified as property held for sale	3,000	217,455
	Total	33,219,693	35,237,459

Adjustment to FFO

For information about FFO for the years ended on December 31, 2021, 2020 and 2019, see Section 2.3. of the Directors' Report.

DESCRIPTION OF THE COMPANY'S BUSINESS

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, Wereldhave, Atrium Ljungberg, that compete with CTY; Unibail-Rodamco, Klepierre, ECE Projektmanagement, that compete with ATR; and Melisron, Big, amot, 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 7,350 thousand lease agreements, and the rental income from the largest tenant represents 2.0% of the total rental income in the report year (2.2% in 2020); 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

DESCRIPTION OF THE COMPANY'S BUSINESS

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 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, 2021, the Company and its wholly-owned subsidiaries (which are not separately presented in this report) have 103 full-time permanent employees, as follows: 25 employees in Israel, of which, 24 employees in the headquarter division and 71 employees in the real estate operations division²⁴ (92 employees in 2020); who primarily work in the controllership, finance and legal departments, analysis and business development, as well as in administration and the headquarters, and 8 employees in the United States (9 employees in 2020).

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 CFO, Deputy CEO and COO, VP and Comptroller, VP Investments, and 60 other division VPs.

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 17.7 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, as approved, see report regarding convention of a meeting dated February 9, 2020 (reference no.: 2020-01-014232).

With respect to, 2021, 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 2021	Minimum value for 2021
FFO per share (in NIS) ^(*)	20%	2.32
Performance of the Company's shares compared with relevant indices ²⁵	20%	0%
Debentures (Series N) margin	15%	4.05
Discretion of the Board of Directors	25%	-

** 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.

²⁴ As part of the merger with the subsidiary G Israel with and into the Company, as from 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 properties in Israel.

²⁵ The comparison was made against Israeli real estate traded companies.

DESCRIPTION OF THE COMPANY'S BUSINESS

- 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.
- 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

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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, securities, and information securities.

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, 2021, 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 4.3 billion, trade and other receivables in the amount of NIS 0.7 billion and held-for-sale assets in the amount of approximately NIS 0.5 billion. On the liabilities side, the working capital of the Company and its subsidiaries comprises mainly short-term credit and current maturities of liabilities in the total amount of approximately NIS 2.0 billion, and trade and other payables in the amount of approximately NIS 1.1 billion.

As of December 31, 2021, 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 8.0 billion (of which NIS 3.1 billion in the Company and its wholly-owned subsidiaries which include cash and cash equivalents and short-term deposits and investments of NIS 2.3 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, Euro US dollar and Canadian dollar), bearing fixed or variable interest. In the event that the Company takes loans in a different currency from the investment currency, the Company conducts hedging transactions, 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 subsidiaries level as well as data on the Company and its wholly-owned subsidiaries. For data on financing activity at the Company's subsidiaries 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 1.3 to the Directors Report.

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

As of December 31, 2021, the interest-bearing liabilities of the Company and its subsidiaries to banks and others totaled NIS 23.9 billion (as of December 31, 2020– NIS 24.4 billion; as of December 31, 2019– NIS 22.3 billion).

As of December 31, 2021, the Company and its subsidiaries have revolving credit facilities in the total amount of approximately NIS 4.9 billion, of which it had utilized a total of approximately NIS 1.2 billion at that date.

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

As of December 31, 2021, 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 2.0, of which NIS 1.2 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 (CTY) and non tradable shares (including ATR) 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, 2021 of 2.45%. As of

DESCRIPTION OF THE COMPANY'S BUSINESS

December 31, 2021, the Company has pledged in favor of the aforesaid credit facilities 86.1 million shares of CTY (representing 51.2% of its share capital) and 106 million shares of ATR (representing 35.3% 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 NIS 2.0 billion, out of which NIS 1.0 has been utilized for said date and deposited in bank deposits, and the Company has pledged in favor of the aforesaid credit facilities 86.1 million shares of CTY (representing 35.23 of its share capital), and 106 million shares of ATR (representing 54.5% of its share capital).

For details regarding the expected regulatory changes for replacing the benchmark IBORs interest rates 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, 2021, the Company has debentures in the amount of NIS 7.2 billion which are unsecured and debentures of NIS 0.3 billion secured by a lien on properties in Israel and debentures in the amount of NIS 0.8 billion secured by a lien on ATR shares. During the reporting period, the Company issued debentures of NIS 1.1 billion par value (with a gross consideration of NIS 1.1 billion) as follows:

- Expansion of debentures (Series N) in the amount of NIS 273 million par value.
- IPO and expansion of debentures (Series P) secured by a lien on ATR shares in the amount of NIS 780 million par value.

Pursuant to the rating report of January 2022, S&P Maalot downgraded the ratings for the Company's debentures (Series D, K, L, M, N and P) to a rating of ilA+ from ilAA- and changed the outlook from negative outlook to stable outlook, and the rating for Debentures (Series O) to ilAA-.

According to a rating report of January 2022, Midroog placed all the debenture series (Series D, K, L, M, N and P) that were rated Aa3.il on credit review with negative outlook, and rated Debentures (Series O) as Aa2.il.

For information regarding the Company's debentures, including about the financial covenants for the debentures (Series K, L, M, N, O and P), 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.

The Company has a buy-back plan of debentures, as set out in section 3.8 of the Board of Directors' report, but during the reporting period, it did not buy back any of its debentures.

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. Mortgage loans and lines of credit against mortgaging of real estate in Israel:

The Company's total liabilities in the G Israel operating segment that are secured by liens on the Company's assets in Israel, as of December 31, 2021, amounted to NIS 1,984 million (as at December 31, 2020, they were NIS 1,361 million). The foregoing debt is at fixed interest of 1.66% and average repayment period of 4.2 years. These liabilities include a loan in the amount of up to NIS 1 billion from an institutional investor in Israel (of which, as at Reporting Date, amounts to NIS 880 million), which is secured by first degree lien on the Company's interests in G-City, which is to be repaid in December 2029, as well as a loan of NIS 503 million from an Israeli bank and which is secured by development land in Tel Hashomer, and which is due in November 2023.

For further information regarding Debentures (Series O) of the Company that are secured by a lien on the Company's assets in Israel, see section 7 and Appendix B to the Board of Directors' Report.

In addition, the Company has commercial securities in the amount of NIS 167 million, which are rated ilA-1 by S&P Maalot and P-1.il by Midroog.

DESCRIPTION OF THE COMPANY'S BUSINESS

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 utilize the credit from them once again.

In addition, as part of the Company's obligations in favor of the holders of Debentures (Series N) that are secured by a lien on ATR shares, the Company undertook to refrain from distribution a dividend in ATR depending on its leverage ratio.

As of December 31, 2021, 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, 2021, 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, O and P), in the event of calling for the immediate repayment of essential bank financing.

DESCRIPTION OF THE COMPANY'S BUSINESS19.8. 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, 2021:

	Balance (NIS in millions)	Weighted interest rate	Effective interest rate	Average repayment period (years)(*)
Secured loans from financial institutions at variable interest	1,829	1.23%	1.23%	1.14
Secured loans from financial institutions at fixed interest	2,336	2.69%	2.69%	10.39
Unsecured loan from financial institutions at fixed interest	454	5.85%	5.85%	4.26
Secured debentures at fixed interest	1,115	1.20%	1.29%	5.71
Unsecured debentures at fixed interest	7,178	3.42%	3.32%	3.83
Total	12,912	2.87%	2.83%	4.81

(*) 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, 2021:

	The Company (*)	CTY	ATR (**)	Total
Outstanding debentures (tradable and non-tradable)	8,293	6,460	3,301	18,054
Outstanding bank credit(***)	4,785	-	1,038	5,823
Total liabilities	13,078	6,460	4,339	23,877
Approved revolving credit facilities	2,001	1,820	1,056	4,877
Utilized credit facilities(****)	1,198	-	-	1,198
Balance for utilization	803	1,820	1,056	3,679
Guarantees in the ordinary course of business	309	327	-	636

(*) 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

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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 subsidiaries aspire to conduct their business in an environmentally and community friendly manner according to existing principles and believe that sustainable business success is built in the long term, and therefore, they invest resources in protecting the environment and constructing environmentally friendly shopping centers. The Company and its subsidiaries believe that in the long term, consumers, retailers and companies will benefit from this course of action. Thus, for example, the use of green energy and recycling of various materials will benefit the community, preserve the environment, and save costs for the Company in the long term. In addition, the Company and its subsidiaries believe that the growing awareness of the need to preserve the environment will make the population prefer visiting "green" shopping centers over regular shopping centers, thereby increasing the value of the Group companies' properties.

21.2. 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 Ma'ale rating since 2006 and as at the date of the report, carries a platinum plus rating. Since 2011, the Company publishes a corporate responsibility (ESG) report according to GRI principles, that also reflects the operations of the subsidiaries ATR and CTY, which also publish a separate corporate responsibility report.

In the reporting period, the Company promoted several environmental projects in Israel, mainly the construction of an office tower in Rishon Lezion according the LEED Gold standard, installation of solar panels on the roofs of its properties, completion of the installation of electric car charging stations at its properties, switching to LED light bulbs and installation of motion sensor lighting. Furthermore, the Company examines various possible green energy efficient solutions for its properties, including with respect to waste treatment, water saving, recycling and replacement of air-condition systems.

In Europe, the subsidiaries ATR and CTY operate according to long-term target-based programs and have gained recognition and a high rating for their operations in that area from leading organization, as set out below.

21.3. CTY strives to be a groundbreaker in the management of sustainable properties, is considered among Nordic companies a pioneer in applying sustainability principles in its shopping centers, and also receives recognition and awards in this regard. CTY has a goal-oriented program aimed at promoting and controlling parameters such as waste management, recycling, construction materials, efficient use of resources (energy and water), air quality, etc. CTY's sustainability policy sets out challenging targets and goals to be achieved by the year 2030, in order to better reflect its priorities and impact on its surrounding community. Among other things, CTY's sustainability report for 2020 was declared one of the best in the industry and received the EPRA Gold Award for Sustainability Best Practices for the ninth consecutive time. Since 2016, CTY integrated the use of the BREEAM certificate, a certificate awarded for compliance with an external benchmark that defines environmental criteria, with the aim of assisting in improving the environmental performance of existing buildings. As of December 31, 2021, 77% of CTY's shopping centers inspected under this benchmark were awarded a BREEAM certificate. CTY owns the largest portfolio of properties that has been awarded BREEAM certificates in Nordic countries.

21.4. ATR strives to streamline its operations and properties to operate in the spirit of the sustainability principles. In 2021, for the sixth consecutive time ATR received the EPRA Gold Award for Sustainability Best Practices. In May 2021, ATR became a member of the Polish Green Building Council (PLGBC). This is the sixth year

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that ATR volunteered to participate in the Global Real Estate Sustainability Benchmark (GRESB) survey and was awarded the 5 Green Star award

- 21.5. The Company and its subsidiaries, 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 subsidiaries to sell, rent or pledge the properties at which such hazards are found, and could even result in a lawsuit. As of December 31, 2021, the Company and its subsidiaries 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, 2021, 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 subsidiaries.

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 accessibility, 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 companies²⁶, 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. The Company also has a code of ethics and a bribery and corruption prevention policy.

- 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"²⁷ 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 requires the ordinance²⁸ 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.

²⁶ In February 2022, ATR was delisted from trading following its merger into a wholly-owned subsidiary of the Company.

²⁷ Refer to the update of significant real corporations list and the concentrated entities list published by the committee to reduce concentration in August, 2021.

²⁸ The regulator qualified to allocate rights in certain resources

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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.

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

23.1. **Reorganization agreement with Norstar Group**

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 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).

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24. Legal proceedings

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

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

25.1. The Company and its subsidiaries have 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 subsidiaries, 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 high population areas, if possible, upon or shortly after connection to public transport (such as railway stations, buses, etc.), and high walkability index, 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 subsidiaries strive to ensure that development operations 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 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 allow 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 subsidiaries, 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 subsidiaries 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 subsidiaries, and for the creation of value for their shareholders.

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- 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 2021-2022, focusing on Sao Paulo, 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, prior to 2021, the Company decided to operate to strengthen its capital structure, *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. As at the date of the report, the Company and its private subsidiaries disposed²⁹ of assets in the amount of NIS 1.1 billion (for further information, see section 1 of the report).

The Company's estimates regarding implementation of the above strategic plan, is considered forward-looking information, as defined in the Securities Law – 1968. These estimates are based on the Company's plans and its assumptions as at this date. These estimates are uncertain and may not materialize or may materialize in part, and the Company's management may deviate from them or change them, depending on various factors, including macroeconomic conditions beyond the Company's control, such as the effects of the Covid-19 epidemic and war between Russia and Ukraine, and their effects on the global economic situation.

- 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 and completed the conditions. 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).

- 25.4. 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 effect of the Covid pandemic and the related economic crisis as well as the Russia-Ukraine war on the Group's operations, as set forth in Section 1.3 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. As well as the Russia- Ukraine war. 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.

²⁹ Including a loan secured by a property in Manhattan, New York, in the amount of USD 134 million

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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 subsidiaries in the acquisition of properties and marketable securities of the Group companies as well as other investments 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 subsidiaries be impaired, their operations could be significantly limited.

The business results of the Company and its subsidiaries 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 subsidiaries could be affected by various reasons including an unavailability or a shortage of external financing sources, changes in existing financing terms, changes in the results of operation, legislative changes (including regulatory limitations on the Group's credit balances, as detailed in section 23.3 above) and deterioration of the economic situation in their operating regions. Furthermore, the operating results of the subsidiaries could be affected by changes in interest rates, (including due to the Covid-19 pandemic or the war between Russia and Ukraine, and their impact on the markets, as set out in section 1.3 of the Board of Directors' Report), 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 subsidiaries 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, the Company has CPI-linked NIS-denominated liabilities and thus has an exposure to CPI changes. The Company routinely conducts swap transactions for part of the CPI-linked liabilities, replacing the CPI linkage with fixed interest. 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 subsidiaries, and restrictions with respect to change of control (including the possibility that calling for immediate repayment pursuant to one financing agreement will lead to other credit being called for immediate repayment), 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 subsidiaries could affect their access to financial markets and increase their borrowing costs. Market conditions or other factors could affect the ability of the Company and its subsidiaries 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 weakening 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

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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** – Part of the Company's assets comprises shares of CTY, a public company 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. Furthermore, the Company's debentures (Series P) are secured by a lien over ATR shares held by the Company, and in the event of occurrence of certain events, the Company could be required to provide additional collateral to the debenture holders depending on the carrying amount of ATR shares. Upon delisting of ATR (as set out in section 7 of the report), the Company's holdings of securities of public companies decreased substantially.
- 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, Miami, 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. Among other things, the Russia-Ukraine war and the sanctions imposed as a result may impair the value of ATR's properties in Russia and therefore, the revenues from them (as set out in section 1.3 of the Directors' Report).
- 28.1.5. **Risk of war, terror attacks, natural disasters and uninsured risks** – Terror attacks and war could adversely affect the Group's properties. Among other things, as aforesaid ATR holds properties in Russia, which are exposed to the effects of the Russia-Ukraine war and the resulting sanctions imposed on Russia, as set out in section 1.3 of the Directors' Report. Furthermore, the Israeli economy as well as the economy in Poland and elsewhere in general, and the shopping center operations in particular, are impacted by the prevailing security and political situation. Political instability in the Middle East (as well as other regions where the Group operates) may have a significant adverse impact on the state of the economy, which may lead to impairment of the Company's business results in Israel and other relevant territories. 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. In addition, some of the Group's assets are located in areas exposed to natural disasters, climate change and other risks that may adversely affect the Group's lessees or visitors to its malls, and which are not insurable or are not fully covered by the Group's insurance policies. The availability of insurance coverage for these and other risks could decrease, and its premium cost could increase, in a manner that could lead to limited insurance coverage of Group companies.
- 28.1.6. **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. The outbreak of the Coronavirus, as well as the uncertainty regarding the spread of the virus and the various countries' guidelines with respect to dealing with the epidemic, have led to a global economic crisis, which is expressed, inter alia, in a sharp decline in stock exchanges around the world, changes in interest rates in several countries and volatility in foreign currencies (as set forth in Section 1.3 of the Directors' Report). The Company estimates that prolongation of the economic crisis caused by the Covid pandemic has a significant, lasting and cumulative negative effect on the retail real estate industry and the Group's operations, among other things, due to the risk of closing the Company's commercial compounds, a decrease in the number of visitors to the properties, a decline in consumption and impairment of the economic strength of the tenants (in the short- and long-term),

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which will lead to a downturn in the Company's revenues, current cash flow, occupancy rate and the value of its assets, all of which may affect the Company's accessibility to capital and debt markets. The vaccination rate of the population in the different countries, the ability to administer medical care to Covid patients and discovery of new variants of the virus are variables that materially affect the nature and realization rate of the foregoing trends. In addition, these all have an impact on the Company's projects under development, which might not be completed at the expected costs and within the expected schedules. As at the date of this report, there is still uncertainty regarding the Covid pandemic and its potential implications for the markets in which the Group operates. The effects 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 (including due to the Russia-Ukraine war, as set forth above).

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), 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 pandemic and led to a material increase in e-commerce during 2021. 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, war and supply chain disruptions 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 shutdown of shopping centers. The Company cannot evaluate the impact of the Corona epidemic on the leisure and consumption habits in the long term.

DESCRIPTION OF THE COMPANY'S BUSINESS

- 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, ATR³⁰) 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 the environment and business licensing** - 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.), business licensing provisions, and provisions requiring the adaptation of buildings to provide convenient access for the people with disabilities, 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, 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 operations** – 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

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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. Furthermore, due to the Covid pandemic in certain regions and periods, there is a shortage of labor and raw materials in a manner that may affect development costs.

- 28.2.7. **Risks inherent in the management of the Group'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 (e.g., the Russia-Ukraine war and its implications, as set out in section 1.3 of the Board of Directors' Report), 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, property and transfer 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.

³⁰ As of February 2022, ATR shares were delisted from the stock exchange due to its merger with the Company's subsidiary. ATR has debentures listed on the Luxembourg Stock Exchange.

DESCRIPTION OF THE COMPANY'S BUSINESS

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 Group companies, 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. Among other things, the Company's entry into the rental housing sector involves risks inherent in the development, operation and management of the properties.

28.3.5. **Failure to implement acquisition strategy** – The Company and its subsidiaries 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 subsidiaries 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 and as at the publication date of the report, CTY is a significant part of its share capital owned by the public, as well as by other significant shareholders. Until February 2022, a substantial part of ATR's share capital was held by the public and presently, its debentures are held by the public and listed on the Luxembourg Stock Exchange. As reporting companies, these companies are subject to legal and regulatory limitations that are customary for public companies. The Company, despite being the controlling shareholder in CTY, may find itself unable to take specific courses of action without the required approval from other

DESCRIPTION OF THE COMPANY'S BUSINESS

shareholders in the above subsidiary (whether by law or by virtue of shareholders' agreements or incorporation documents). The existence of other shareholders in the said company could limit the Company's ability to take certain actions, including to increase the percentage of its interests in that company, 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. In addition, CTY is listed on the Nasdaq Helsinki, Finland (OMX) and is 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, legal proceedings relating to ATR, and a motion for appointment of a trustee for the Company pursuant to the provisions of the Market Concentration Law, 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 and personal 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, collection activities and the ongoing operation of its properties, 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, including terror attacks due to being an Israeli company. 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 subsidiaries invest, from time to time, in security systems and updates and in backup mechanisms and recovery procedures, in order to reduce this risk. 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 fully deal 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.

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

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

Risk factor	Major effect	Medium effect	Minor effect
Macro risks:			
Financing	+		
Changes in exchange rates	+		
Changes in capital markets	+		
Economic conditions that affect geographical regions		+	
Risk of terror attacks, war, 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			+
The Group's holding structure		+	
Legal proceedings			+
Cyber and data leak threats		+	

CHAPTER B**DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS****TABLE OF CONTENTS**

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GAZIT-GLOBE LTD.

Directors' Report to the Shareholders
For the year ended December 31, 2021

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, 2021 (the "Reporting Date"):

1. The Company and its Operations

1.1. Overview

The Company, directly and through its public and private investees¹ (collectively: the "**Group**"), engages in acquisition, improvement, development and operating of income-producing properties for mixed-use, including retail, office and residential located in North America, Israel, Brazil, Northern, Central and Eastern Europe with 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 its wholly-owned private subsidiaries that are consolidated in its financial statements and in which the Company outlines the strategy, is responsible for their financing activities, and oversees their operations. These operations are conducted through the Company² (the Company's activity in the field of real estate in Israel will hereinafter be referred to as "**G- Israel**"), through Atrium European Real Estate Limited. ("**ATR**")³, 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 Triplle"

Additionally, Public entity operates 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**").

In accordance with this strategy, on February 18, 2022, a wholly owned subsidiary of the Company (collectively: "the Subsidiary") merged into ATR, a wholly owned subsidiary of the Company under which the subsidiary acquires all ATR shares not owned by the Company, constituting 25% ATR's share capital at a price of EUR 3.63 per share and an estimated total consideration of EUR 376 million (NIS1.4 billion) in cash payment. The proposed price was adjusted for the distribution of a special dividend which ATR distributed in the amount of EUR 0.6 per share. For further details, refer to Note 8c5 to the financial statements.

During the reporting period the Group also increased the scope of its activities in the field of long-term rental housing. As part of this, the group purchased a residential building in Brick, Miami, including 262 housing units for rent for total consideration of USD 102 million (located next to another property of the group's future development for mixed uses which is expected to include 500 housing units and commercial space), and the company won the tender for rental housing in Tel Hashomer in the amount of 243 housing units in total consideration of NIS 548 million (including purchase tax and VAT). ATR also has a rental housing project of 650 housing units, as part of its strategy, ATR has declared to invest in rental housing with the goal that by 2025 it will constitute 40% of its property portfolio and for CTY a rental housing project in development stages in Helsinki, Finland.

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 April 20, 2021, the merger of G-Israel Commercial Centers Ltd. into the Company was completed.

³ For details regarding the acquisition of ATR's minority shareholders and its transformation into a private company, in February 2022, refer to Note 8c5 to the financial statements.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**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 rapid outbreak of the virus in various ways, mainly by imposing a partial or complete lockdown on the population. 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.

Effects of the investment property activities

During the first reporting period, gradual lockdown of some of the Group's companies compounds took place, the compounds were opened and closed intermittently and depending on the disease situation in the various countries, when in some territories, even during the period when they were open, the opening was partial some of the time and instructions were issued to dilute the number of visitors. Essential enterprises, including supermarkets, pharmacies, banks, clinics and food stores that provided deliveries continued to operate throughout the aforesaid periods, including in closed compounds. After the reporting period, the morbidity trend began in Europe, including in the areas where the group operates.

As of December 31, 2021 and as of the date of publication of this report all of the Group's trading compounds were open.

In the operational aspect, at the end of the 2021, the Group's companies reported high occupancy rates in the assets (for details, see section 3.1(1) below). In addition, with regard to the number of incoming visitors to the property (Footfall), during the period ATR reported an increase of 8% in the number of visitors and 15% in tenant redemptions compared to 2020. During the reporting period, CTY reported 1.6% decrease in visitors numbers and a 3.8% increase in tenant's redemptions compared to the corresponding period last year. Gazit Brasil also reported a 29% increase in tenant redemptions compared to 2020, while in Israel a 2.7% increase in tenant's redemptions was reported compared to 2020.

During the reporting period, 367 new tenancy agreements were signed, including realization of options in the company's private commercial properties, for a total GLA of 62,000 square meters and a weighted average rent exceeding 8.2% of the rent paid for those areas.

In addition, during the reporting period, 197 new tenancy agreements were signed, including realization of options in the company's private rental properties, for a total GLA of 11,000 square meters and a weighted average rent exceeding 22% of the rent paid for those areas.

Fair value adjustment of investment property

During the reporting period, an increase was recorded in the value of the Group's income-producing properties, which partially offset the impairment of the Group's properties in 2020.

Impact on financial position, cash flows and liquidity

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

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

Continuation of the economic crisis due to the Covid-19 Pandemic has a material negative continuous and cumulative impact on the retail real estate sector and the Group's activities, inter alia, because of the risk of partial or full lockdown of the Company's commercial compounds, a decrease in the number of visitors to the properties, a decline or change in demand and the volume of specific products consumed, and impairment of the economic robustness of the tenants (short and long term), which will lead to a decrease in the Company's revenue, current cash flow, occupancy rate and the value of its properties. The rate of population immunization in the various countries, ability of medical treatment of Covid-19 patients and 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.

Nevertheless, with the passage of time since the outbreak of the epidemic, and in light of the improvement in the ability to cope with the epidemic (especially in view of the improvement in immunization and treatment against it), its effects on economic activity appear to be moderating.

Additionally, as of the date of publication of the report, the Company believes that the proven effect of the vaccine against the corona virus and some of its variants as well as the improvement in the ability to treat the disease will lead to reduction in negative effects on the company's complex activities. This is especially considering the company's and group companies' experience when the compounds open, the return rate of visitors was very fast, in light of the return to routine in the company's compounds in the various territories with dramatic drop in morbidity in the country.

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

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

1.3. The impact of the war between Russia and Ukraine on the group's activities

In February 2022, the Russian army invaded Ukraine in order to occupying it and as of the date of this report, fighting is taking place between the parties. In response to the invasion, Western countries banded together and imposed a series of different financial and economic sanctions on Russia and Belarus, as well as on Russian companies, individuals and businessmen. These new sanctions join international sanctions that were already in force, but currently it is characterized by a substantial, almost unprecedented aggravation, creating a new economic, commercial and political reality in Europe.

As part of this, sanctions were imposed on trade with Russia, restrictions on the financial system in Russia, including disconnection of Russian banks from the clearing system (Swift) and a ban on transactions with the Central Bank of Russia (CBR), restrictions on technology exports to Russia and transportation restrictions, including "Closing the sky" in Europe to the Russian national airline. At the same time, many private entities (including banks and credit card companies) have announced the severance or termination of commercial relations with entities in Russia and Belarus. As a result, the ruble's exchange rate against the dollar decreased by 40% and the Central Bank of Russia raised the interest rate to 20%. The Russian government also imposed various restrictions on capital movements from Russia (including restrictions on dividend distribution, a ban on repaying foreign currency debt).

The nature and extent of the restrictions vary daily, and further sanctions may be imposed during events, including on additional territories, as far as these are occupied by Russia. There is also a concern the war will lead to the involvement of other countries.

The Group has properties in Russia, held through ATR, amounting EUR 284 million (2.4% of the Company's total properties) which in 2021 generated NOI amounting EUR 28.4 million (for further details on ATR assets in Russia refer to section 7 of the description of the Company's business). At this early stage of the situation, and as a rolling and evolving event, the company is unable to assess its impact on the company and its operations in Russia.

However, in the Company's view, in the event that the war between Russia and Ukraine continues and economic sanctions continue for a long time and even aggravate, as described above, they are highly likely to adversely affect the value of the Group's assets in Russia (including interest rate hikes). Outside Russia. Also, the sanctions imposed on Russia and the erosion of the ruble exchange rate, could lead to an economic crisis in Russia, and adversely affect the rate of revenue in assets, and accordingly the expected revenues from them.

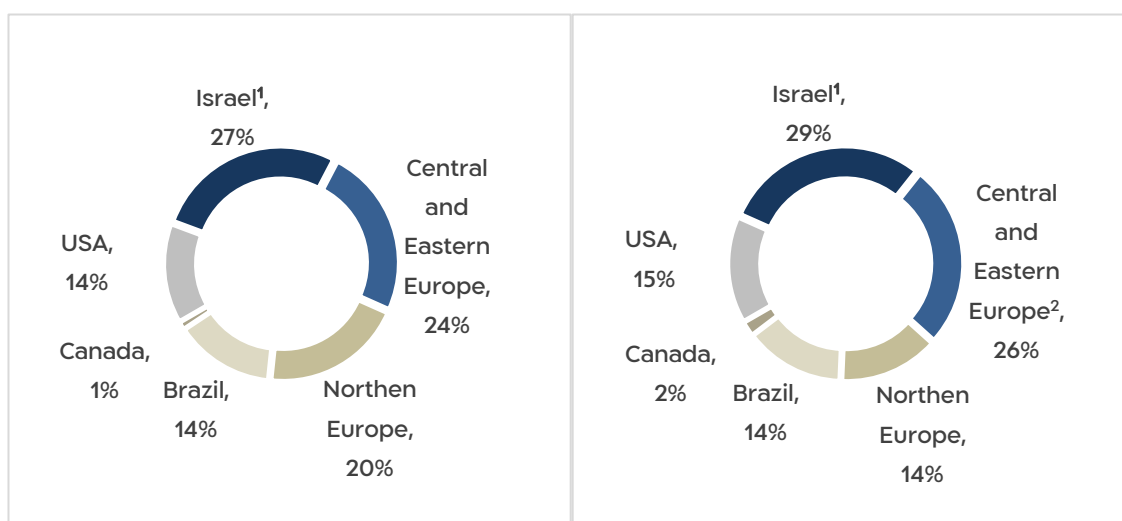
Nevertheless, in the Company's view, in the event the war between Russia and Ukraine continues and economic sanctions continue, even worsen, as described above, they are highly likely to adversely affect the value of the Group's assets in Russia (including due to the increase in the interest rate), as well as ATR's ability to transfer receipts outside Russia. Also, the sanctions imposed on Russia and fluctuation of the ruble exchange rate, could lead to an economic crisis in Russia, and adversely affect the rate of revenue in assets, and accordingly the expected revenues from them.

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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**1.4. Group Properties as of December 31, 2021**

	<u>Country of operation</u>	<u>Holding interest</u>	<u>Income-producing properties</u>	<u>Properties under development</u>	<u>Other properties</u>	<u>GLA (square meters in thousands)</u>	<u>Carrying value of investment property and under development (NIS in millions)</u>
CTY	Finland, Norway, Sweden, Estonia and Denmark	52.1%	37	1	-	1,121	15,277
ATR	Poland, Czech Republic, Slovakia and Russia	74.8%	25	-	-	780	9,097
Gazit Brasil	Brazil (primarily in Sao Paulo)	100.0%	7	-	1	179	2,258
G Israel	Israel	100.0%	13	-	-	160	4,279
	Bulgaria	100.0%	1	-	-	6	91
Gazit Horizons	USA	100.0%	10	3	1	65	2,070
Gazit Canada	Canada	100.0%	1	-	-	18	196
			94	4	2	2,329	33,268
Total carrying value							
Jointly controlled properties (proportionate consolidation)			8	-	-	109	2,024
Total			102	4	2	2,438	35,292

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.

1.5. Breakdown of the Company's investments by regions (on an expanded Solo basis) as of December 31, 2021:**Carrying amount****Market Value**

¹ Including investments in Bulgaria.

² The investment market value in Central and Eastern Europe is presented in accordance with the balance in the books following the acquisition of ATR's minority and its transformation into a private company.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**1.6. Highlights– 2021 (the “Reporting Period”)**

(NIS millions, other than per share data)	December 31		
	2021	2020	
Net debt to total assets (expanded Solo)	63.2%	61.8%	-
Net debt to total assets (consolidated) ¹	53.3%	58.9%	-
Equity attributable to the shareholders of the Company	5307	5562	-
Equity per share attributable to the shareholders of the Company (NIS)	35.0	36.8	-
Net asset value per share (EPRA NAV) (NIS) ²	42.0	42.5	-
EPRA NNNAV per share (NIS) ²	25.9	37.1	-

	For the year ended December 31		Change
	2021	2020	
Rental income and others	2,296	2,406	(4.6%)
NOI ³	1,582	1,646	(3.9%)
NOI adjusted for exchange rates changes	1,582	1,596	(0.9%)
Proportionately consolidated NOI ⁴	1,101	1,090	1.0%
Proportionately consolidated NOI adjusted for exchange rates	1,101	1,056	4.3%
Cash flows from operating activities per share - expanded Solo (NIS) ⁵	2.84	2.46	15.4%
Economic FFO ⁶	417	469	(11.1%)
Diluted economic FFO per share (NIS) ⁶	2.75	2.81	(2.1%)
Economic FFO adjusted for exchange rates	417	436	(4.4%)
Economic FFO per share adjusted for exchange rates changes (NIS)	2.75	2.61	5.4%
Number of shares used in calculating the diluted FFO per share (in thousands)	151,976	167,414	(9.2%)

Acquisition, construction and development of investment property ⁷	1972	1134	-
Disposal of investment property ⁷	1492	492	-
Fair value gain from investment property and investment property under development, net	621	(1,534)	-
Net income (loss) to shareholders of the Company	646	(653)	-
Diluted net earnings (loss) per share (NIS)	4.25	(3.92)	-
Cash flows from operating activities	461	397	-

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

² Refer to section 2.5 below.

³ NOI (“Net Operating Income”) – Rental income, net of property operating expenses.

⁴ The Company's proportionate share in the NOI of the Group's companies in accordance with its interest in the equity of each of the Group companies, refer to section 2.4 below.

⁵ Refer to section 2.2 below.

⁶ The Economic FFO is presented according to the management approach and in accordance with the EPRA rules. For the Economic FFO calculation, refer to section 2.3 below.

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

1.6. Highlights– 2021 (the “Reporting Period”) (cont.)

- As of December 31, 2021, the Company and its subsidiaries have liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 8.0 billion (of which NIS 3.1 billion in the Company and wholly-owned subsidiaries which includes cash and cash equivalents, trade securities and short-term deposits of NIS 2.3 billion). In addition, as of the date of publication of the report the Company and its private companies (including ATR), have liquidity including revolver undrawn credit facilities available for an immediate drawdown in the amount of NIS 4.5 billion.
- During the Reporting period, the Group's companies raised debentures in the amount of NIS 3.5 million (NIS 2.7 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 2021 by NIS 221 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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**1.7. Highlights– Fourth Quarter of 2021 (the "Quarter")**

(NIS millions, other than per share data)	For the 3 months ended December 31		Change
	2021	2020	
Rental income and others	583	603	(3.3%)
NOI	377	372	1.3%
NOI, adjusted for exchange rates changes	377	341	10.6%
Proportionately consolidated NOI ¹	270	244	10.7%
Proportionately consolidated NOI adjusted for exchange rates	270	224	20.5%
Cash flows from operating activities per share - expanded Solo (NIS) ²	0.62	0.65	4.6%
Economic FFO ³	98	105	(6.7%)
Economic FFO per share (NIS) ³	0.65	0.70	(7.1%)
Economic FFO adjusted for exchange rates changes	98	93	5.4%
Diluted Economic FFO per share adjusted for exchange rates changes (NIS)	0.65	0.61	6.6%
Number of shares used in calculating the diluted FFO per share (in thousands)	152,143	151,719	0.3%
Acquisition, construction and development of investment property ⁴	864	424	-
Disposal of investment property ⁴	377	81	-
Fair value gain from investment property and investment property under development, net	517	(664)	-
Net income (loss) attributable to shareholders of the Company	320	(163)	-
Diluted net earnings (loss) per share (NIS)	2.10	(1.09)	-

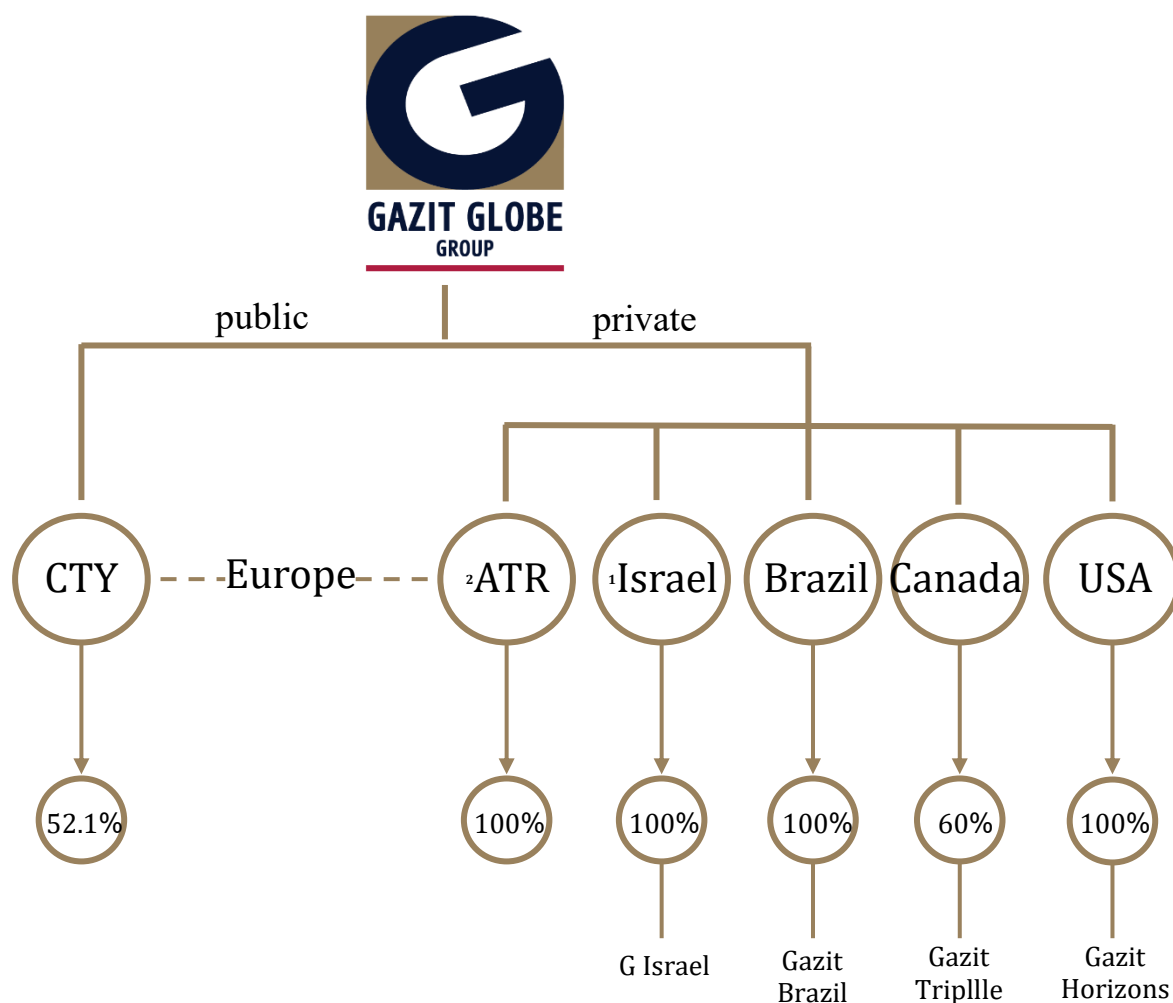
¹ The Company's proportionate share in the NOI of the Group Companies in accordance with its interest in the equity of each of the Group companies, refer to section 2.4 below.

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.

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 decreased in the Quarter by NIS 76 million (net of the effect of hedging transactions).

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**1.7. The Company's Major Holdings (holding structure and interests as of December 31, 2021):**

¹ On April 20, 2021, the merger of G Israel Shopping Centers Ltd. in the Company (a wholly owned subsidiary of the Company on the eve of the merger).

² On February 2022, the merger of a wholly owned subsidiary of the company and ATR was completed, after the merger the company holds full shares in ATR (100%).

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**2. Additional Information Concerning the Company's Assets and Liabilities****2.1. Summary of the Company's holdings as of December 31, 2021:**

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)	299.7	74.8	3,989	-
CTY	Shares (OMX)	87.6	52.1	3,254	2,157
Israel	Income-producing property and land	-	-	4,277	-
Brazil	Income-producing property and land	-	-	2,267	-
Canada	Income-producing property	-	-	241	-
USA	Income-producing property and land	-	-	2,336	-
Europe	Income producing property and land	-	-	91	-
Total assets				16,455	

The Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded Solo") as of December 31, 2021 (NIS millions):

	NIS in millions
Debentures	8,292
Debts to financial institutions	4,786
Total debentures and debts to financial institutions (*)	13,078
Other monetary liabilities	424
Total monetary liabilities	13,502
Less - monetary assets ³	2,879
Less - other investments ⁴	220
Total liabilities, net ⁵	10,403

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

Year	Debentures	Financial Institutions	Mortgages	Total	%
2022	785	378	23	1,186	9
2023	967	432	832	2,231	17
2024	1,152	691	57	1,900	15
2025	1,059	32	98	1,189	9
2026	1,097	41	136	1,274	10
2027	1,208	201	29	1,438	11
2028	1,050	24	216	1,290	10
2029	668	28	128	824	6
2030 onwards	306	322	1,118	1,746	13
Total	8,292	2,149	2,637	13,078	100

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

² On February 2022 the merger of a wholly owned subsidiary of the Company, with and into ATR was completed, after the merger the Company holds full shares in ATR (100%).

³ Including cash and cash equivalents, traded securities and short term deposits in the amount of NIS 2.3 billion.

⁴ Comprises primarily of the investment in participation units in private equity funds and other investments.

⁵ Excludes primarily deferred tax liability of NIS 541 million related to investment property and other investments and NIS 204 million non-controlling interests in part of the Company's properties.

⁶ Including commercial papers in the amount of NIS 167 million.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**2.2. Cash flows from operating activities - expanded Solo:**

	Year ended December 31		For the 3 months ended December 31	
	2021	2020	2021	2020
	NIS millions (other than per share data)			
Dividends from public investees	*434	461	*75	115
EBITDA from private companies, net of Capex**	476	391	111	63
Total income	910	852	186	178
General and administrative expenses	(72)	(68)	(21)	(17)
Interest expenses, net	(363)	(395)	(91)	(104)
Taxes	(44)	23	20	41
Total expenses	(479)	(440)	(92)	(80)
Cash flows from operating activity	431	412	94	98
Cash flows from operating activity per share (NIS)	2.84	2.46	0.62	0.65

* Including dividend in the amount of NIS 37 million (0.24 NIS per share) from ATR in respect of the fourth quarter of 2021, which was distributed to ATR's shareholders in February 2022 in accordance with the merger agreement with ATR (refer to Note 8c5 to the financial statements).

** Including capital expenditures (CAPEX) in the amount of NIS 28 million for years 2020 and 2021 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.

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

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	
	2021	2020	2019	2021	2020
	(NIS millions, other than per share data)				
Net income (loss) attributable to shareholders of the Company for the period	646	(653)	655	320	(163)
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	(621)	1,533	(164)	(517)	663
Capital loss (gain) on disposition of investment property	43	21	(31)	17	(4)
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	(580)	161	(808)	(276)	(199)
Adjustments with respect to equity-accounted investees	(15)	57	49	(13)	9
Loss (gain) from decrease in holding interest in investees	-	-	345	-	-
Deferred taxes and current taxes with respect to disposal of properties	629	(119)	408	431	(7)
Acquisition costs recognized in profit or loss	4	21	1	2	17
Loss from early redemption of interest-bearing liabilities and financial derivatives	39	35	236	14	4
Non-controlling interests' share in above adjustments	83	(567)	(279)	100	(214)
Nominal FFO (EPRA Earnings)	228	489	412	78	106
Additional adjustments:					
CPI Linkage and exchange rate differences	212	(38)	45	22	-
Amortization and depreciation	20	17	17	6	4
The Company's share in Economic FFO of FCR	-	6	61	-	-
Other adjustments ⁽¹⁾	29	26	65	16	3
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	489	500	600	122	113
Economic FFO per share adjusted for exchange rates according to the management approach (NIS)	3.23	3.00	3.24	0.81	0.75
Coupon for hybrid bonds	(72)	(31)	-	(24)	(8)
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	417	469	600	98	105
Economic FFO per share according to the management approach (in NIS)	2.75	2.81	3.24	0.65	0.70
Economic FFO adjusted for exchange rates according to the management approach (NIS)	417	436	-	98	93
Economic FFO per share adjusted for exchange rates according to the management approach (NIS)	2.75	2.61	-	0.65	0.61
Number of shares used in calculating the diluted Economic FFO per share (in thousands) ⁽²⁾	151,976	167,414	185,714	152,143	151,719

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.

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

- 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, 2021, based on capitalization of net operating income ("NOI"). The information below is based on a methodology that is generally accepted in the markets in which the Group operates and is intended to provide an additional method of analyzing the value of the Company's properties on the basis of the Company's financial results for the 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	
	2021	2020	2021	2020
	NIS in millions			
Rental income	583	603	2,296	2,406
Property operating expenses	206	231	714	760
NOI for the period	377	372	1,582	1,646
Less - minority's share in NOI	(116)	(138)	(530)	(603)
Plus- Company's share in NOI of associated and jointly controlled companies	9	10	49	47
NOI for the period - the Group's proportionate share	270	244	1,101	1,090
Annual NOI - the Group's proportionate share	¹1,080	¹976	1,101	1,090

1) Calculated by multiplying the NOI for the Quarter by four. For clarification, the data is not an NOI forecast.

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, 2021:

	<u>Equity per share as of December 31 2021</u>				<u>Share price as of December 31 2021</u>	
Cap Rate:	<u>5.75%</u>	<u>5.76%</u>	<u>6.00%</u>	<u>6.25%</u>	<u>6.29%</u>	<u>6.50%</u>
Value of income-producing property (NIS in millions) (*)	<u>18,770</u>	<u>18,737</u>	<u>17,988</u>	<u>17,268</u>	<u>17,158</u>	<u>16,604</u>
Share price derived from the above Cap Rate (NIS) (**)	<u>35.2</u>	<u>35.0</u>	<u>30.0</u>	<u>25.3</u>	<u>24.6</u>	<u>20.9</u>

(*) 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, 2021, amounted to NIS 3,440 million.

The Group's financial liabilities monetary properties (by way of relative consolidation) as of December 31, 2021, amounted to NIS 16,868 million.

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

	2021	2020
	NIS in millions (other than per share data)	
<u>EPRA NAV</u>		
Equity attributable to the shareholders of the Company, per the financial statements	5,307	5,562
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) ¹	1,306	891
Fair value asset adjustment for financial derivatives, net ²	(207)	7
Net asset value - EPRA NAV	6,406	6,460
EPRA NAV per share (in NIS)	42.0	42.5
<u>EPRA NNNAV</u>		
EPRA NAV	6,406	6,460
Adjustment of financial liabilities to fair value	(1,355)	75
Other adjustments to deferred tax liability ³	(1,306)	(891)
Fair value asset adjustment for financial derivatives, net	207	(7)
Adjusted net asset value - EPRA NNNAV	3,952	5,637
EPRA NNNAV per share (in NIS)	25.9	37.1
Number of issued shares of the Company used in the calculation (in thousands)³		
	152,508	151,900

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).

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**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. Investments and realizations of investment real**

- During the reporting period, Gazit Horizons acquired a residential building for rent in the Brickell district of Miami, USA that includes 262 apartments for rent, in consideration of USD 102 million.
- The company began constructing an office tower in Rishon LeZion of 67,000 square meters in the G CITY complex in Rishon LeZion.
- During the reporting period, ATR purchased its first residential building for rent in Krakow, Poland, which includes 100 housing units, and is also in the process of purchasing 550 housing units in Warsaw, Poland
- During the reporting period, the Company completed the transaction for the sale of the last property held in Germany in consideration of EUR 87 million, similar to the value of the property in the Company's books as of December 31, 2020.
- During the reporting period, the Company completed the transaction for the sale of land in Israel in the amount of NIS 216 million.
- During the reporting period, CTY completed the sale of 4 non-core properties of 81,000 square meters in the amount of EUR 253 million.
- During the quarter, the company won a tender for an 'apartment for rent' for the purchase of land in Ramat Gan (south of Sheba Medical Center, Tel Hashomer), for the construction of a long-term rental residential complex of 243 housing units with a total area of 23.3 thousand square meters and 7.3 thousand Sqm of service areas (before additional rights / reliefs), where half of the housing units will be designated for housing at a supervised rent for those entitled in accordance with RMI conditions, and the other half will be rented by the company in the free market, for NIS 559 million (including tax Purchase and VAT).

The effect of the investments on the operating results of the Group will be reflected in full in 2022 onwards.

Property activities**1) Highlights of operational data:**

	Income producing properties ¹	GLA (in thousands of square meters)	Occupancy rate in core properties	
			31.12.2021	31.12.2020
G Israel	13	160	97.6%	97.7%
Gazit Brasil	7	179	95.5%	97.0%
Gazit Horizons	11	79	93.3%	90.7%
CTY	38	1,167	93.4%	93.6%
ATR	26	809	93.9%	92.3%

	Average basic monthly rent per square meter		Change in same property NOI ²		NOI (million)	
	31.12.2021	31.12.2020	Reporting period	Quarter ²	Q4. 2021	Q4. 2020
G Israel	NIS 109.5	NIS108.4	2.8%	74.1%	NIS 30.0	NIS 20.7
Gazit Brasil	R\$ 69.0	R\$ 65.3	10.1%	119.7%	R\$ 43.5	R\$ 23.2
Gazit Horizons	\$ 51.7	\$ 50.4	11.3%	5.2%	\$ 4.3	\$ 3.7
CTY	€ 22.6	€ 22.1	(1.5%)	2.9%	€ 49.3	€ 49.9
ATR	€ 14.4	€ 13	(0.3%)	14.1%	€ 33.9	€ 30.2

¹ Includes jointly controlled properties.

² Change in same property NOI in the reporting period and in the quarter compared with the corresponding period last year.

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

2) Projects in construction and development Stage in the Private Companies (Gross)

Commercial and Office Projects		Gross GLA Area (SQM)	Gazit Globe Share	Completion	Fair Value As of 30.09.21 (100%, Million NIS)	Cost to Complete (100%, Million NIS)	Expected Annual NOI (100%, NIS Million)
The Project	Plan						
Savyon Water Plant Kfar Saba	Expanding commercial and office area: Construction started in June 2021.	5500	1	Q4-22	55	35	44385
	Completing the water plant project, 2 commercial floors Office Tower:	13100	0.255	Q4/21/Q2- 23	143	82	9.5-10
G City Rishon Lezion	Excavation and deepening work have been completed. Foundation works have started in March 2022.	64000	1	Q4-25	121	723	65-70
G Kfar Saba	Expanding commercial area: The project is in planning and licensing stage.	6000	0.51	Will be updated	24	155	8-8.5
G Kfar Saba	Office Tower: City zoning plan has been approved for an office tower. The project in currently at the first stage of planning, the company is looking to change the zoning to a residential tower.	25500	0.51	Will be updated	22	355	27-29
Market Place, Boston	Adding 9,300 SQM approx. 7 stories of office space above the existing 3-story building.	9300	0.65	2024	-	346	37
Promenada, Warsaw	Expansion of the existing mall, adding approx. 13,000 sqm of commercial areas and 8,000 sqm of office areas.	Commercial 13,000 Office 8,000	1	Q4-24	127	419	27
Total 100%					371	1,966-2,071	182-191
Company Share					331	1,613-1,673	144-152

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

Residential for Rent Projects		Gross GLA Area (SQM)	Gazit Globe Share	Completion	Fair Value As of 30.09.21 (100%, Million NIS)	Cost to Complete (100%, Million NIS)	Expected Annual NOI (100%, NIS Million)
The Project	Plan						
Tel Hashomer 'Apartment for Rent'	Construction of 4 residential apartment buildings with 243 apartments for rent (before right additions/Shabas reliefs) for long-term leasing, for a period of 20 years.	30,670	100%	Q2-25	529	325	21
Brickell, Miami	Constructing a 52-story tower above the commercial floors, approx. 350 units for rent, a request was submitted to expand the building right to approx.500 units.	40,000	100%	2025	107	539	36
Promenada, Warsaw	A residential leasing project, adjacent to the existing mall Atruim Promenada. The project will be built on a land of approx.9,300 sqm owned by the company.	63,000	100%	Q4-23 200 units Q3-24 460 units 2027 1,200 units	109	373	25
Rubikon, Warsaw	A residential leasing project which includes approx. 541 units, located in the western side of Warsaw in Wtochy square.	15,970	100%	Q4-22	106	28	7
Raclawicka, Krakow	A residential leasing project which includes approx. 109 units, in the northern area of Krakow in Krowdrza square.	4,676	100%	Q3-22	46	7	4
Total Share 100%					894	1,363	96

The information above includes information regarding projects under planning and construction (including additional projected area, projected time to complete, cost to complete and projected annual NOI), which constitutes a forward-Looking Statements, as defined under Israeli Securities Law – 1968. Such information is based on the Company's estimations as of the date of this presentation and might change in the future. For additional information please see page 2 of the presentation.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**3) 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	^{2,3} ilAa3	Baa3/ Stable	Baa3
S&P	² ilA+/ Stable	BBB-/ Stable	-
Fitch	-	BBB-/ Stable	BB/ Stable

^{1.} The Company has a short-term issuer rating of 'ilA-I' and 'P-I.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.} Following the completion of the acquisition of the minority shares in ATR, and the subsequent increase in leverage, the rating agency Midroog entered the company's ratings in a watch list with negative outlook, also the rating company Moody's entered the ATR rating for follow-up with negative outlook.

3.2 Material Events in the Group in the Reporting Period

- A.** For details regarding the completion of the acquisition of the minority shares in ATR, by way of merger, refer to Note 8c5 to the financial statements.
- B.** For details regarding the purchase of 20.4 ATR debentures, by the Company's wholly owned subsidiary, in the amount of EUR 55.6 million, refer to Note 3b2 to the financial statements.
- C.** For details regarding the completion of debt raising in Brazil, in the amount of BRL 650 million (NIS 405 million), refer to Section 9.1 to the description of the Company's business.
- D.** For details regarding debt raising, by ATR, in the amount of EUR 300 million, refer to Note 19e2 to the financial statements.
- E.** For details regarding hybrid debt raising, by ATR, in the amount of EUR 350 million, refer to Note 8c4 to the financial statements.
- F.** For details regarding buyback of ATR's debentures in the amount of EUR 78 million, refer to Note 19e3 to the financial statements.
- G.** For details regarding debt raising, by CTY, in the amount of EUR 350 million, refer to Note 19d2 to the financial statements.
- H.** For details regarding hybrid debt raising, by CTY, in the amount of EUR 350 million, refer to Note 8d4 to the financial statements.
- I.** For details regarding buyback of CTY debentures in the amount of EUR 95 million, refer to Note 19d3 to the financial statements.
- J.** For details regarding the issuance of debentures (Series P) by the Company secured by ATR shares in the amount of NIS 447 million and its expansion in the amount of NIS 333 million, together with the expansion of debentures (Series O) in the amount of 274 NIS million, refer to Notes 19c1 and 19c3 to the financial statements.

3.3 Dividend Distribution Policy

Pursuant to the Company's policy, the Company announces every year the anticipated annual dividend.

As part of expansion activities to strengthen its capital structure on August 2020 the Company updated 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).

On March 2022, the Board of Directors approved that the anticipated quarterly dividend for 2022 of NIS 0.32 per share (NIS 1.28 per year, compared to a dividend of NIS 1.20 per share distributed in 2021).

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

The balance of current assets, as of December 31, 2021, total NIS 5.6 billion, compared with NIS 3.3 billion as of December 31, 2020. The increase in current assets derives mainly from an increase in cash and cash equivalents and financial assets as a result of receipts for the issuance of hybrid debt in ATR and CTY at the end of the second quarter this year. The aforesaid increase was offset by a decrease in the held assets for sale that were sold during the reporting period.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 1.5 billion as of December 31, 2021, compared to NIS 1.4 billion as of December 31, 2020. 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 derivatives

The balance of financial derivatives primarily arises from cross-currency swap transactions, entered into as part of the Group's policy to correlate as closely as possible the currency in which properties are acquired and the currency in which the liabilities are undertaken to finance the respective acquisitions of such properties are incurred (on a proportionately consolidated basis), and are presented at fair value. The balance of the financial derivatives is presented net of amounts received under CSA (Credit Support Annex) agreements entered into with certain financial institutions that establish settlement mechanisms between the Company and the banking institution with which the swap transaction is being carried out with respect to the value of the financial derivatives (CSA agreement). As of December 31, 2021, the aforesaid balance of financial derivatives amounted to NIS 200 million, similar to NIS 359 million as of December 31, 2020.

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, 2021, amounted to NIS 33.2 billion, compared with NIS 35.2 billion as of December 31, 2020.

The decrease in these balances during the Reporting Period is primarily due to the sale of none core investment property in consideration of NIS 1.5 billion and from fluctuation in exchange rates (mainly the NIS compared to the BRL and EUR) in net amount of NIS 1.1 billion. The aforesaid decrease is offset by the acquisition of income-producing properties, the development of new properties and the renovation of existing properties at a total cost of NIS 2.0 billion and from adjustments in fair value of investment property and investment property under development in the amount of NIS 621 million.

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

	Northern Europe	Central- Eastern Europe	Israel	Brazil	USA
December 31, 2021	5.4	6.8	6.4	7.2	4.6
December 31, 2020	5.6	6.8	6.5	6.8	4.6

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

Intangible assets, net

The balance of intangible assets, net, as of December 31, 2021, totaled NIS 512 million, compared with NIS 602 million as of December 31, 2020. The balance of intangible assets mainly consists of goodwill attributable to properties in Norway held by CTY in the amount of NIS 512 million.

Current liabilities

The balance of current liabilities, as of December 31, 2021, totaled NIS 3.1 billion, similar to NIS 3.1 billion as of December 31, 2020. The balance primarily includes credit from banking institutions and others, and current maturities for long-term liabilities in the amount of NIS 2.0 billion, similar to NIS 2.0 billion as of December 31, 2020.

Non-current liabilities

The balance of non-current liabilities, as of December 31, 2021, totaled NIS 24.4 billion, compared to NIS 24.8 billion as of December 31, 2020. The decrease in non-current liabilities is primarily due to interest-bearing loans from banking institutions and others, and from the issuance of debentures, as well as the change in exchange rates (mainly the Euro against the NIS).

Equity attributable to equity holders of the Company

Equity attributable to the shareholders of the Company, as of December 31, 2021, amounted to NIS 5,307 million, compared with NIS 5,562 million as of December 31, 2020. The decrease arises from decrease in capital reserves in the amount of NIS 720 million (mainly from foreign currency translation reserve) and by dividend declared of NIS 181 million. The aforesaid decrease is offset by a gain attributed to the Company's shareholders in the amount of NIS 646 million.

The equity per share attributable to the shareholders of the Company as of December 31, 2021 totaled NIS 35.0 per share, compared with NIS 36.8 per share as of December 31, 2020, after a dividend distribution of NIS 1.20 per share in the Reporting Period.

Non-controlling interest

The balance of non-controlling interests, as of December 31, 2021, amounted to NIS 8.2 billion, compared with NIS 7.0 billion as of December 31, 2020. The balance mainly comprises of interests of CTY's other shareholders at a rate of 47.9% of CTY's equity and the interests of ATR's other shareholders at a rate of 25.2% of ATR's equity

The increase in non-controlling interests in the Reporting period is primarily due to the issuance of hybrid debentures in ATR and CTY in the amount of NIS 2.7 billion. The aforesaid increase was offset by the portion of other shareholders in dividends declared by the subsidiaries in an amount of NIS 0.3 billion, by acquisition of the Group companies' shares from non-controlling interests in the amount of NIS 0.6 billion and from a total loss attributed to non-controlling interests in the amount of NIS 0.5 billion.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**3.5 Operating Results****A. Following are the summary results of operations for 2019-2021:**

	Year ended December 31,		
	2021	2020	2019
	NIS in millions		
Rental and other income	2,296	2,406	2,752
Property operating and other expenses	714	760	777
Total gross profit	1,582	1,646	1,975
Fair value gain (loss) from investment property and investment property under development, net	621	(1,534)	164
General and administrative expenses	(342)	(352)	(360)
Other income	16	18	35
Other expenses	(58)	(36)	(413)
Company's share in earnings (losses) of equity-accounted investees, net	41	(78)	37
Operating income (loss)	1,860	(336)	1,438
Finance expenses	(1,017)	(806)	(1,118)
Finance income	886	109	963
Income (loss) before taxes on income	1,729	(1,033)	1,283
Taxes on income (tax benefit)	690	(147)	467
Net income (loss)	1,039	(886)	816
Attributable to:			
Equity holders of the Company	646	(653)	655
Non-controlling interests	393	(233)	161
	1,039	(886)	816
Net earnings (loss) per share attributable to equity holders of the Company (NIS):			
Total basic net earnings (loss)	4.26	(3.91)	3.52
Total diluted net earnings (loss)	4.25	(3.92)	3.50

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**Statement of Comprehensive Income for 2019-2021:**

	Year ended		
	December 31,		
	2021	2020	2019
	NIS in millions		
Net income (loss)	1,039	(886)	816
Other comprehensive income (loss) (net of tax effect *):			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
Net losses on financial assets at fair value through other comprehensive income	27	(74)	(39)
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations	(1,862)	(1,175)	(2,055)
Net losses on cash flow hedges	57	(41)	(45)
Realization of capital reserves of company previously accounted for using the equity method	-	-	73
Total other comprehensive income (loss)	(1,778)	(1,290)	(2,066)
Comprehensive income (loss)	(739)	(2,176)	(1,250)
Attributable to:			
Equity holders of the Company (1)	(222)	(1,974)	(653)
Non-controlling interests	(517)	(202)	(597)
	(739)	(2,176)	(1,250)

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

B. Analysis of operating results for 2021**Rental income and others**

Excluding the change in the average exchange rates, the rental income and others in 2021 decreased by 1.8% compared with the corresponding period last year. The decrease is primarily due to the restrictions imposed by governments in countries which the company operates following the Covid-19 pandemic from the sale of non-core properties during the past 12 months.

Rental income and others decreased by 4.6% to NIS 2,296 million in 2021, compared with NIS 2,406 million in the corresponding period last year.

Property operating and other expenses

Property operating and other expenses and others totalled NIS 714 million in the Reporting Period, representing 31.1% of total rental and other income, compared to NIS 760 million, representing 31.6% of total rental and other income, in the corresponding period last year. The decrease in property operating expenses and others is due to the reduction management expenses and the reason described in section rental income and others.

Net operating income (NOI)

Excluding the change in the average exchange rates the net operating income in the Reporting Period decreased by 0.9%, compared with the corresponding period 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 epidemic and from the sale of non-core assets during the past 12 months.

Net operating income decreased by 3.9% to NIS 1,582 million in the Reporting Period (68.9% of rental income), compared to NIS 1,646 million (68.4% of rental income) in the corresponding period last year.

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

The Group applies the fair value model, as prescribed in IAS 40 (Revised), Investment Property. As a result of implementing this standard, the Group recognized, in the Reporting Period, a fair value gain on its properties in a gross amount of NIS 621 million, compared to a loss of NIS 1,534 million, in the corresponding period last year.

General and administrative expenses

General and administrative expenses totalled NIS 342 million (14.9% of total revenues) in 2021, compared with NIS 352 million (14.6% of total revenues in 2020).

The aforementioned amounts include general and administrative expenses at the level of the Company and its wholly-owned companies which were included in its FFO calculation (excluding general and administrative expenses of the private operating subsidiaries), which amounted to NIS 68 million in 2021 compared with NIS 61 million in 2020.

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

In 2021, this item amounted to a gain of NIS 41 million (loss of NIS 78 million was recorded in 2020) and primarily comprised of the Group's shares in a net gain of CTY, Gazit Horizons, ATR and Gazit Canada (Gazit Tripllle).

Financing expenses

Financing expenses amounted to NIS 1,017 million in 2021, compared with NIS 806 million in 2020. The increase in financing expenses in 2021 compared with the corresponding period last year is primarily due to an increase in the linkage differences expenses in respect of a debt linked to the CPI, which amounted to NIS 213 million in 2021 compared to income from indexation differences in 2020 in the amount of NIS 35 million.

The average interest rate on the interest-bearing liabilities of the Company level on expanded Solo basis is 3.37% compared with 3.50% as of December 31, 2020.

Financing income

Financing income totaled NIS 886 million in 2021, compared with NIS 109 million in 2020. The financing income in 2021 primarily comprises a gain of NIS 581 million on the revaluation of financial derivatives compared to a revaluation gain of NIS 36 million recorded in 2020, income from the gain on realization of securities and dividend in the amount of NIS 261 million (an income of NIS 39 million in 2020), and interest income of NIS 42 million (an income of NIS 34 million in 2020).

Taxes on income (tax benefit)

Tax expenses totaled NIS 690 million in 2021, compared with tax income of NIS 147 million in 2020. Tax expenses in 2021 mainly comprises of deferred tax income of NIS 520 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 (net deferred tax income of NIS 135 in 2020 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 the disposal of properties).

In 2021, the Group companies recorded current tax expenses of NIS 197 million compared to current tax expenses of NIS 89 in 2020. In addition, tax income of NIS 27 million was recognized in respect of previous years in 2021, compared with tax income of NIS 101 million in respect of previous years in 2020.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**C. Operating results for 2021, on a quarterly basis:**

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021
	NIS in millions					
Rental income and others	603	585	557	571	583	2,296
Property operating expenses and others	231	197	163	148	206	714
Total gross profit	372	388	394	423	377	1,582
Fair value gain (loss) from investment property and investment property under development, net	(664)	16	(49)	137	517	621
General and administrative expenses	(110)	(83)	(86)	(86)	(87)	(342)
Other income	6	-	16	-	-	16
Other expenses	(2)	(23)	(14)	(1)	(20)	(58)
Company's share in earnings (loss) of equity-accounted investees, net	(18)	3	4	8	26	41
Operating income	(416)	301	265	481	813	1,860
Finance expenses	(196)	(220)	(310)	(290)	(219)	(1,017)
Finance income	251	238	145	203	332	886
Profit (loss) before taxes on income	(361)	319	100	394	916	1,729
Taxes on income (tax benefit)	(56)	123	15	131	421	690
Net income (loss)	(305)	196	85	263	495	1,039
Attributable to:						
Equity holders of the Company	(163)	137	(18)	207	320	646
Non-controlling interest	(142)	59	103	56	175	393
	(305)	196	85	263	495	1,039

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**Comprehensive income for 2021 on a quarterly basis:**

	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021
NIS in millions						
Net income (loss)	<u>(305)</u>	<u>196</u>	<u>85</u>	<u>263</u>	<u>495</u>	<u>1,039</u>
Other comprehensive income (loss) (net of tax effect):						
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>						
Net gain (losses) on financial assets at fair value through other comprehensive income	<u>1</u>	<u>9</u>	<u>3</u>	<u>7</u>	<u>8</u>	<u>27</u>
<u>Amounts that will be or that have been reclassified to profit or loss:</u>						
Exchange differences on translation of foreign operations	<u>(5)</u>	<u>10</u>	<u>22</u>	<u>(877)</u>	<u>(1,017)</u>	<u>(1,862)</u>
Net gain (loss) for cash flow hedges	<u>11</u>	<u>29</u>	<u>4</u>	<u>10</u>	<u>14</u>	<u>57</u>
Total other comprehensive income (loss)	<u>7</u>	<u>48</u>	<u>29</u>	<u>(860)</u>	<u>(995)</u>	<u>(1,778)</u>
Total comprehensive income (loss)	<u>(298)</u>	<u>244</u>	<u>114</u>	<u>(597)</u>	<u>(500)</u>	<u>(739)</u>
Attributable to:						
Equity holders of the Company	<u>(140)</u>	<u>156</u>	<u>133</u>	<u>(327)</u>	<u>(184)</u>	<u>(222)</u>
Non-controlling interest	<u>(158)</u>	<u>88</u>	<u>(19)</u>	<u>(270)</u>	<u>(316)</u>	<u>(517)</u>
	<u>(298)</u>	<u>244</u>	<u>114</u>	<u>(597)</u>	<u>(500)</u>	<u>(739)</u>

D. Analysis of operating results for the fourth quarter of 2021**Rental income and others**

Excluding the average exchange rates, the rental income and others in the Quarter increased by 5.2% compared with the corresponding quarter last year. The increase is primarily due to the restrictions imposed by governments in countries which the company operates following the Covid-19 pandemic and from the sale of non-core properties during the past 12 months.

Rental income and others decreased by 3.3% to NIS 583 million in the Quarter, compared with NIS 603 million in the corresponding quarter last year.

Property operating expenses and others

Property operating expenses and others totaled NIS 206 million in the Quarter, representing 35.3% of total rental income and others, compared with NIS 231 million, representing 38.3% of total rental income and others in the corresponding quarter last year. The decrease in property operating expenses and others is due to the reduction management expenses and the reason described in section rental income and others.

Net operating income (NOI)

Excluding the change in the average exchange rates, the net operating rental income in the Quarter increased by 10.6% compared with the corresponding quarter last year. The increase in net operating income is due to the effects of the Covid-19 pandemic in the corresponding quarter last year as well as from investments in properties during the reporting period. The aforesaid increase was offset by the sale of non-core assets during the reporting period.

Net operating rental income decreased by 1.3% to NIS 377 million in the Quarter (64.7% of total rental income), compared with NIS 372 million (61.7% of rental income) in the corresponding quarter last year.

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

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Company and its subsidiaries recognized in the Quarter a fair value loss on its properties in a gross amount of NIS 517 million, compared to fair value loss of NIS 664 million in the corresponding quarter last year.

General and administrative expenses

General and administrative expenses totaled NIS 87 million (14.9% of total revenues) in the Quarter, compared with NIS 110 million (18.2% of total revenues) in the corresponding quarter last year.

The decrease in general and administrative expenses is due to efficiencies in the Group's companies during the reporting period.

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

In the Quarter, this item amounted to a gain of NIS 26 million (losses of NIS 18 million were recorded in the corresponding quarter last year) and is primarily comprised of the Group's shares in the net gain of comprehensive companies ATR, Gazit Horizons, CTY and Gazit Canada (Gazit Tripllle).

Financing expenses

Financing expenses in the Quarter amounted to NIS 229 million, compared with NIS 196 million in the corresponding quarter last year. The increase in the financing expenses primarily arises from the expenses of indexation differences in the amount of NIS 42 million in the quarter, compared with NIS 1 million in the corresponding quarter last year.

Financing income

Financing income in the Quarter totaled NIS 332 million, compared with NIS 251 million in the corresponding quarter last year. Financing income in the Quarter primarily comprises of earnings from revaluation of financial derivatives in the amount of NIS 269 million (expenses of NIS 51 million in the corresponding quarter last year), income from revaluation and realization of securities and dividends in the amount of NIS 55 million (income of NIS 187 million in the corresponding quarter last year) and interest income of NIS 9 million (income of NIS 9 million in the corresponding quarter last year).

Taxes on income (tax benefit)

Tax expenses totaled NIS 421 million in the Quarter, compared with tax income of NIS 56 million in the corresponding quarter last year.

Tax expenses were recorded in the Quarter by deferred tax expenses of NIS 321 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 (deferred tax expenses of NIS 58 million, in the corresponding quarter last year). Current tax expenses in the Quarter was recorded by the Group's companies of NIS 127 million compared with current tax income of NIS 11 million in the corresponding quarter last year.

In addition, tax income of NIS 27 million was recorded in the Quarter regarding prior years, compared with NIS 103 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 4.3 billion as of December 31, 2021. In addition, as of December 31, 2021, the Company and its subsidiaries have binding undrawn¹ long-term credit facilities available for immediate drawdown of NIS 3.7 billion.

As of December 31, 2021, the Company and its subsidiaries have liquidity, including undrawn¹ long-term credit facilities available for immediate drawdown and liquid balances totaling NIS 8.0 billion (of which NIS 3.1 billion at the Company and wholly-owned subsidiaries which includes cash and cash equivalents, tradable securities and short-term deposits of NIS 2.3 billion). In addition, as of the date of publication of the report the Company and its private companies (including ATR), have liquidity including revolver undrawn credit facilities available for an immediate drawdown in the amount of NIS 4.5 billion.

Furthermore, as of December 31, 2021, the Company and its subsidiaries have unencumbered investment property and investment property under development, which is carried on the financial statements at a fair value of NIS 22.3 billion (67.1% of the total investment property and investment property under development).

As of December 31, 2021, the Company had a negative working capital balance of NIS 39 billion under its separate reports (solo), a negative working capital in the amount of NIS 0.8 billion and negative cash flow from operating activities in addition, the Company's (expanded solo) has a positive cash flow from operating activities, refer to Section 2.2 above. On the other hand, the Company has at its disposal in the consolidated and expanded solos has approved long-term credit facilities¹, available for immediate drawdown on a consolidation basis and on an expanded solo basis (including in companies that are fully owned by the Company), in the amount of NIS 3.7 billion and NIS 0.8 billion, respectively. The policy of the Company is to finance its operations with revolving credit facilities and by raising long-term debt from time to time, depending on market conditions. The Board of Directors has concluded that, in view of the resources that are available to the Group and to the Company, including non-pledged assets, as described above, and considering the positive cash flow from operating activities on consolidation and on expanded solo, including forecast cash flow, its existence is not indicative of a liquidity problem in the Company or its subsidiaries.

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

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**3.7 Cash Flows**

Cash flows from operating activities in 2021 totaled NIS 461 million, compared with NIS 397 million in 2020.

In 2021, the Company and its subsidiaries financed their operations thorough issuance of debentures and hybrid debentures in net amount of NIS 4,438 million. These cash flows were primarily used for the acquisition of investment property and development of new properties at a net amount of NIS 480 million, for dividend payments by the Company and its subsidiaries in the amount of NIS 425 million, for loans repayments and credit lines in the in the net amount of NIS 348 million, for investments in financial properties in the net amount of NIS 125 million, for acquisition of shares of the Group's companies in the amount of NIS 443 million and for investments and loans to investees in the amount of NIS 88 million.

3.8 Purchase plan

- A. On March 23, 2022, 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, 2023. 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 which was not utilized in the reporting period.
- B. On May 23, 2022, 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, 2023. 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 which was not utilized in the reporting period.

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, by conducting hedging transactions to manage the currency exposure. However, considering recent fluctuations in foreign exchange rates against the NIS in the last two years, on November 2021 the Company's Board of Directors decided to conduct hedging transactions to increase the exposure of the NIS equity, so that the equity ratio exposed to the shekel will be up to 40% of equity. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations.

For details regarding the scope of the Company's exposure to each of the functional currencies (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real), with respect to which linkage basis and cross-currency swaps have been transacted and loans taken in the various currencies, and regarding the scope of the remaining exposure after transacting cross-currency swaps, as of December 31, 2021, refer to the table attached as Appendix A of the Directors' Report.

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

- 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, 2021, 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, 2021, banks have deposited to the Company NIS 354 million (in U.S.\$/Euro currencies) that constitutes collateral.
- f. **Price risk:** As of December 31, 2021, 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 2021, there were no significant changes to the Company's market risks management policy.

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

4.4. Changes in foreign currency exchange rates – From January 1, 2021 through December 31, 2021, the NIS appreciated against the Euro, the U.S. dollar, the Brazilian Real and the Canadian Dollar by 10.8%, 3.3%, 9.9% and 3.1%, respectively. With regard to the effect of exchange rate changes on the Company's equity as of December 31, 2021, refer to Appendix A of the Directors' Report. In addition, from December 31, 2021 until immediately prior to the date of approval of this report, the NIS depreciated against the Euro, the Brazilian Real, the U.S dollar and the Canadian dollar, by 0.8% ,15.9%, 3.7% and 4.9%, 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, 2021 through December 31, 2021, the (known) consumer price index rose by 2.4%. In addition, from December 31, 2021 until immediately prior to the date of approval of this report, the (known) consumer price index rose by 1.2%.

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, 2021 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, 2021, June 30, 2021, September 30, 2021, December 31, 2021 and June 2021, were approved.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**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 2021, 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 – 2021 was the eleventh operating year of the initiative. During the year, the Company invested NIS 1 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 2021, the fourth class specializing in real estate completed their MBA program, the fifth class completed their first year of studies and the sixth 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 2021 amounted to NIS 2.5 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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**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 2021 is based on a risk survey since January 2021. 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 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 2021 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 abroad. In 2021, the internal auditor conducted an internal audit of the activity of the private companies 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 serve 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 of 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 2021, 2,255 hours were spent on internal audit activity, in accordance with the breakdown presented in the table below.

	Work hours
Internal audit in Israel	1,380 hours
Internal audit of the Company's private subsidiaries abroad	875 hours
Total	2,255 hours

The number of the auditor's work hours was set at 2,255 hours, based on the audit subjects that were determined for examination in 2021, compared with 1,850 internal audit hours in 2020. It should be noted that the scope of the internal auditor's engagement is flexible, meaning that, as 2021 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.

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

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 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 2021, the internal auditor submitted an audit report on the subject of "merging the accounting system" in the company
- b. In May 2021, the internal auditor has submitted an audit report on the subject of "cash flow management" in the company.
- c. In August 2021, the internal auditor submitted an audit report on "salary" in the company.
- d. In August 2021, the internal auditor submitted an audit report on the subject of "Survey of fraud and embezzlement risks in the real estate division" of the company.
- e. In August 2021, the internal auditor submitted an audit report on "Security of means of payment" at Gazit Brasil.
- f. In August 2021, the internal auditor has submitted an audit report on "collection" at Gazit Horizons.
- g. In November 2021, the internal auditor submitted an audit report on "transactions with stakeholders and material transactions" in the company.
- h. In November 2021, the internal auditor submitted an audit report on the subject of "use of the aircraft" in the company.
- i. In November 2021, the internal auditor submitted an audit report on "Management of Development Projects in the Real Estate Division" of the Company.
- j. In November 2021, the internal auditor submitted an audit report on "ongoing management of properties in the real estate division" of the company.
- k. In November 2021, the Internal Auditor has submitted an audit report on "Collection and handling of tenant debts" at Gazit Brasil.
- l. In January 2022, the Internal Auditor submitted an audit report on "ongoing asset management" at Gazit Brasil.
- m. In January 2022, the Internal Auditor submitted an audit report on "ongoing asset management" at Gazit Horizons.
- n. In January 2022, the Internal Auditor submitted a report on "Monitoring the activity of internal auditors in the group".
- o. In January 2022, the internal auditor submitted a report on "Update on the Control Risk Survey" at the Company.
- p. In January 2022, the Internal Auditor submitted a report on "Correcting deficiencies and monitoring the implementation of recommendations."

The Audit Committee discussed the foregoing reports in its meetings on May 23 2021, August 15 2021, November 14 2021 and January 12, 2022.

The audit reports on "Information Security and Cyber" and "Mapping Knowledge Centers in the Real Estate Division" of the Company, and the Audit Report on "Salary" at Gazit Brasil, for which the audit work was performed, mainly in 2021, were submitted to the Company and discussed by the Audit Committee on March 21, 2022.

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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**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	
	2021	2020
	NIS thousands	
Fees for audit and related services	3,061	3,081
Other fees	<u>771</u>	<u>817</u>
Total	<u>3,898</u>	<u>3,832</u>

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	
	2021	2020
	NIS thousands	
Fees for audit and related services	<u>3,648</u>	<u>4,409</u>
Other fees	<u>1,078</u>	=
Total	<u>4,726</u>	<u>4,409</u>

C. Ernst & Young Canada (Gazit Canada Inc. and Gazit America):

	For the year ended December 31	
	2021	2020
	NIS thousands	
Consulting fees and tax services	<u>150</u>	<u>194</u>
Total	<u>150</u>	<u>194</u>

D. Ernst & Young Brazil:

	For the year ended December 31	
	2021	2020
	NIS thousands	
Fees for audit and related services	303	385
Consulting fees and tax services	<u>119</u>	<u>64</u>
Total	<u>422</u>	<u>449</u>

E. PWC Poland (ATR):

	For the year ended December 31	
	2021	2020
	NIS thousands	
Fees for audit and related services	3,193	5,371
Others	<u>1,166</u>	<u>1,435</u>
Total	<u>4,358</u>	<u>6,832</u>

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 completion of the merger of a wholly owned subsidiary of the Company with and within ATR, refer to Note 8c5 to the financial statements.
- B.** For details regarding private capital offer to institutional entities and Norstar Holdings Inc., the controlling owner of the company, in the amount of NIS 471 million, refer to Note 25i to the financial statements.
- C.** For details regarding the acquisition of ATR's debentures and hybrid debentures by the Company, in the amount of EUR 37 million, refer to Note 37f to the financial statements.

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

7. Details Concerning the Company's Publicly-Held Commitment Notes

A. As of December 31, 2021, there were six series of listed debentures issued by the Company as follows:

	Issue date	Par value Date of issue	Par value of debentures as of 31/12/2021	Par value of debentures, plus linkage differences as of December 31, 2021	Total accumulated interest as of December 31, 2021	Presented in the financial statements as of December 31, 2021	Market value as of December 31, 2021	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 K)	September 2011 ⁽¹⁾	2,653,181	1,077,937	1,143.2	15.4	1164	1,274.3	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 ⁽²⁾	2,957,801	2,939,707	3,004.2	-	3044	3,401.2	Fixed 4.00%	5 installments with the first installment in June 2023 at the rate of 10%, the second and third installments in June 2024-2025 at the rate of 15% each, and the fourth and fifth installments in June of the years 2026-2027 at the rate of 30% each.	Paid twice a year on June 30 and December 31	The principal and the interest are linked to the increase in the consumer price index
Debentures (Series M)	February 2018 ⁽³⁾	1,801,110	1,782,900	1,757.1	-	1751	1,905.6	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 ⁽⁴⁾	1,272,890	1,253,540	1,276.0	3.9	1219	1,275.9	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 ⁽⁵⁾	328,000	328,000	336.2	0.9	333	367.4	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
Debentures (Series P)	August 2021 ⁽⁶⁾	780,189	780,189	784.0	2.2	782	820.5	Fixed 1.25%	4 installments with the first installment in March 2024 at the rate of 12.5%, the second installment in March 2027 at a rate of 25%, the third installment in March 2028 at a rate of 20% and the fourth installment in March 2029 at a rate of 42.5%.		

(1) 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.

(2) 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.

(3) 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.

(4) 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).

(5) Debentures (Series O) were first issued in October 2020. The debentures (Series O) secured by properties in Israel, refer to Section [] above.

(6) Debentures (Series P) were first issued in August 2021, pursuant to a shelf offering, when NIS 453 million par value were issued. In October 2021, the Company issued, by means of extending the series, NIS 327 million par value.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**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 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
Debentures (Series P)	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 K)	September 2011	A+/ Positive	Aa3	A+/ Stable	Aa3/Watch Negative	20/01/2022 Ref: 2022-01-009844	25/01/2022 Ref: 2022-01-011221
Debentures (Series L)	October 2013	AA-/Stable	Aa3	A+/ Stable	Aa3/Watch Negative	20/01/2022 Ref: 2022-01-009844	25/01/2022 Ref: 2022-01-011221
Debentures (Series M)	February 2018	AA-/Stable	Aa3/Stable	A+/ Stable	Aa3/Watch Negative	20/01/2022 Ref: 2022-01-009844	25/01/2022 Ref: 2022-01-011221
Debentures (Series N)	January 2020	AA-/Stable	Aa3/Stable	A+/ Stable	Aa3/Watch Negative	20/01/2022 Ref: 2022-01-009844	25/01/2022 Ref: 2022-01-011221
Debentures (Series O)	October 2020	AA/ Negative	Aa2/ Negative	A+/ Stable	Aa3/Watch Negative	20/01/2022 Ref: 2022-01-009844	25/01/2022 Ref: 2022-01-011221
Debentures (Series P)	August 2021	AA-/Watch Negative	Aa3/ Negative	A+/ Stable	Aa3/Watch Negative	20/01/2022 Ref: 2022-01-009844	25/01/2022 Ref: 2022-01-011221

(*) 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.

(****) The debentures (Series P) are secured by a lien on ATR shares owned by the subsidiaries, wholly owned by the company.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**D. Details concerning the credit rating history:**

<u>S & P Maalot</u>		<u>Midroog</u>	
<u>Date</u>	<u>Rating</u>	<u>Date</u>	<u>Rating</u>
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	27/07/21	Aa3 Stable
8/08/21	AA-/Watch Negative		
20/01/22	A+/Stable		

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

- E. On December 31, 2021 and during 2021, 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, 2021 is NIS 478 million. The valuation of the pledged properties as of December 31, 2021 is attached to the Periodic Report. For details regarding the Company's right to issue additional debentures from the series and to exchange, sell or release the pledged assets for the benefit of Series O debenture holders subject to certain conditions being met, including compliance with a weighted ratio, as defined in the trust deed (Series O), which is lower or equal to -1, and everything as specified in sections 5.6 to 5.9 of the trust deed, attached to the Company's shelf prospectus published on October 22, 2020 (Reference No. 2020-01-106162), which is stated therein, is included below by way of reference.
- 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, N and O).
- G. The Company's commitments pursuant to the debentures (Series P) are secured by a first-degree fixed lien on account of the pledged shares (ATR shares) and all the rights of the lien company in the account of the pledged shares. For details regarding a parallel debt agreement between the Company and the Trustee, as well as a control agreement signed between the Company, the Trustee and the custodian in connection with the account of the pledged shares, as well as further details regarding the Treasury Trust Fund's provisions, refer to Note 3a to the financial statements. The trust deed also includes mechanisms for adding, removing, selling or exchanging liens and delisting the pledged shares from trading as well as the Company's right to issue additional debentures (Series P), as set out in sections 5.6-5.11 of the trust deed attached to the Company's shelf offer report published on August 22, 2021 (Reference No. 2021-01-068740) in which the information contained herein is hereby incorporated by reference.
- For further details regarding ATR, refer to ATR's financial statements published on February 24, 2022 (Reference No. 2022-01-022438) in which the information contained herein is hereby incorporated by reference and section 8 to the corporation's business description chapter.
- H. As of December 31, 2021, the total commitments of the Company, pursuant to each series: debentures (Series L) (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.
- I. On March 31, 2021, the Company fully repaid debentures (Series D) in accordance with the maturity dates of the aforesaid debentures.
- J. On July 1, 2021, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ilAA-' with a negative outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'ilAA', with a negative outlook.

Following the acquisition of the minority shares in ATR, as detailed in Note 8c5 to the financial statements, and the possibility increase in leverage, on January 20, 2022, the S&P Maalot rating agency entered the Company's credit rating into negative creditwatch rating for all series of the company's debentures that are not secured by a pledge at a rating level of '+ ilA' with a stable outlook, as well as the credit rating for the debentures (Series O) of the company guaranteed by a pledge at a rating level of 'ilAA' with stable outlook.

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

- K. On July 27, 2021, the Midroog rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'Aa3.il' with a negative outlook and the credit rating of the Company's debentures (Series O), which are secured by a pledge, at a rating level of 'Aa2.il', with a negative outlook.

Following the completion of the acquisition of the minority shares in ATR, as described in Note 8c5 to the financial statements and the subsequent increase in leverage rate, on January 25, 2022, Midroog rating agency reaffirmed the issuer rating and credit rating for all series of debentures with negative outlook.

- L. For details regarding the issuance of debentures (Series P) secured by a pledge of ATR shares and its expansion together with the expansion of debentures (Series N), refer to Notes 19c1 and 19c3 to the financial statements.
- M. The principal covenants attaching to the debentures (Series K, L, M, N, O and P) of the Company are as follows:

<u>Financial ratio</u>	<u>Covenants</u>	<u>As of December 31, 2021</u>
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Series K-Higher than 500, during 4 consecutive quarters Series L-Higher than 650, during 3 consecutive quarters Series M-Higher than 800, during 3 consecutive quarters Series N, O and P -Higher than 850, during 3 consecutive quarters	1,706
Minimum shareholders' equity (less non-controlling interests) during one quarter (dollars in millions)	Series M,N,O - Higher than 400 Series P – Higher than 450	1,706
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%	153.6%
And Minimum rating of the debentures	Series K,L and M-'ilBaa3'/'ilBBB-'	'ilAa3'/'ilA+'
Ratio of net interest-bearing debt to total consolidated assets	Series N,O and P -lower than 75%	53.3%
Minimum rating of the debentures	Series N,O -'ilBaa3'/'ilBBB-'	'ilAa3'/'ilA+'

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

March 23, 2022

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, 2021

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, 2021. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS⁽¹⁾) and the percentages 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	4,769	1,085	4,251	135	4,325	-
Assets in NIS	4,769	3,373	14,962	331	2,410	25,845
% of total assets	19	13	58	1	9	100
Liabilities in original currency	10,530	654	2,085	83	722	-
Cross-currency swap transactions in original currency	(6,757)	(563)	1,648	60	2,652	-
Liabilities in original currency	3,773	91	3,733	143	3,374	-
Liabilities in NIS adjusted for swaps	3,773	283	13,140	349	1,880	19,425
% of total liabilities	19	1	68	2	10	100
Total equity in original currency	996	994	518	(8)	951	-
Total economic equity ⁽³⁾ in NIS ³	996	3,090	1,822	(18)	530	6,420
% of total equity	16	48	28	-	8	100

(1) According to currency exchange rates as of December 31, 2021.

(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, 2021
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. ³ and the Company's rights in the said complex were transferred to it as part of the statutory merger dated April 20, 21.
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 34,000 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.
Financial statement presentation method	Fair value

³ 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. It will also be clarified that on 20.4.2021 G. Israel (which was a wholly owned subsidiary of the company) merged with and into the company Ltd. Statutory merger. As of this date, the transfer of rights in the name of the company at the Land Registry has not yet been completed.

<p>Status of registration of legal rights</p>	<p>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.</p> <p>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.</p> <p>Unlimited second 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.</p> <p>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.</p> <p>Unlimited second 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.</p> <p>The company 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").</p> <p><u>In parts 55 and 63 of block 6691:</u></p> <ol style="list-style-type: none"> (1) On the rights of Savyon Offices in the plots, a first-degree and unrestricted mortgage is registered in favor of Reznik Paz Nevo Trusts Ltd. ². (2) G Israel registered a second 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 Globe, Savyon Offices and Super Gadol. (3) The transfer or transfer through inheritance of the leasing rights to the above parts are limited. (4) A non-adjustment section 29 notice is registered in favor of the local Mitpe Afek planning and building council.
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DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS

	<p><u>In part 147:</u></p> <ol style="list-style-type: none"> (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. <p>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.</p> <p>Refer to the details below regarding the pledge recorded on the Company's rights in the above property.</p>
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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.

² Reznik Paz Nevo Trusts Ltd. serves as a trustee for the debentures (Series X) of the Company, which are secured by a lien on some of the Company's assets.

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

c. Principal data

	Year 2021	Year 2020	Year 2019	At property acquisition date	
Fair value at end of period (NIS thousands)					
Income-producing portion	77,340	74,100	76,575		
Fair value of land at end of period	67,340	46,000	² 42,225		
Total fair value (NIS thousands)	144,680	120,100	118,800	Acquisition cost (NIS thousands) (including adjacent area and building rights)	117,150
Revaluation profit (loss) – excluding amortization of paid acquisition tax (in NIS thousands)	(313)	(3,206)	1,725	Acquisition date	August 21, 2018
Average occupancy rates (%)	94.3%	98.5%	100%		
Actual areas leased (sq. meters)	3,071	3,217	3,265		
Total revenues (NIS thousands)	6,239	5,482	5,604		
Average annual rental per sq. meter (per month) (NIS)	129	125	126	-	
Average monthly rental per sq. meter for leases signed in the period (NIS)	-	104	126		
NOI (NIS thousands)	4,468	4,055	4,834		
Adjusted NOI³ (NIS thousands)	4,497	4,473	4,834		
Actual rate of return – yielding section (%)	5.8%	5.5%	6.3%		
Adjusted rate of return – yielding section (%)	5.8%	6.0%	6.3%		
No. of tenants as at end of reporting year	28	32	32		
Average turnover (per month) per sq. meter⁴	-	-	-		

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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRSAnalysis of revenues and cost structure

Data at 100% level	Year 2021	Year 2020	Year 2019
	NIS thousands		
Revenues:			
From rentals – Fixed	4,739	4,841	4,941
From management fees	608	641	663
From rentals - Variable	892	-	-
Total revenues	6,239	5,482	5,604
Costs:			
Management, maintenance and operation before head office allocation ¹	1,771	1,427	770
Total costs	1,771	1,427	770
NOI	4,468	4,055	4,834

¹ Including provision for doubtful debts for debts of tenants for 2021.

D. Principal tenants in the property

	% 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	1.3/5	5	Linked to CPI	Bank guarantee	-
Tenant B	12%	Yes	No	Supermarket	1.5/3	-	Linked to CPI	-	-

E. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026 and after
	NIS thousands				
Fixed components	4,556	1,817	891	789	1,094
Variable components (estimate)	-	-	-	-	-
Total	4,556	1,817	891	789	1,094

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRSF. 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 July 2020, a building permit was obtained for the development of the area and the construction of the parking lot. In July 2020, a building permit was obtained for the development of the area and the construction of the parking lot. In June 2021, a building permit was received for the addition of commercial and office space in an area of approximately 4,000 square meters and approximately 1,600 square meters of service.
Building budget	Total (excluding cost of land)	56 ¹
Share of added area for which rental agreements have been signed		18%
Anticipated increase in NOI (annualized) (in NIS millions)		8.5
Execution status		in process
Expected completion date		2023, subject to conclusion of procedures vis-à-vis the Israel Lands Authority.

¹ As at December 31, 2021, NIS 26.6 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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRSG. Pledges and material legal restrictions on property

Type	Detail	Amount pledged by pledge as at December 31, 2021 (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	Limit on transfer of leasing rights of Savyon Offices' real estate and no limit in the amount in favor of Reznik Paz Nevo Trusts Ltd.	Unlimited
Unlimited first degree mortgage	Limit on transfer of leasing rights of Super Gadol real estate and no limit in the amount in favor of Reznik Paz Nevo Trusts Ltd.	Unlimited
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 April 20, 2021 pledge no. 95 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 95).	Unlimited
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	

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**H. Details regarding the valuation**

		<u>31/12/2021</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
The determined value as at the end of the period (NIS thousands)		144,680	120,100	118,800
Identity of appraiser		Sefi Raviv	Sefi Raviv	Sefi Raviv
Is the appraiser independent		Yes	Yes	Yes
Is there an indemnification agreement ⁴		Yes	Yes	Yes
Effective date of valuation		31/12/2021	31/12/2020	31/12/2019
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	3,258	3,241	3,265
	Occupancy rate in year +1 (%)	93%	94%	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	130.8	129.4	126.5
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	129.0	129.8	127.1
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	129.0	129.8	127.1
	Weighted rate of return for valuation purposes (%)	6.3%	6.5%	6.5%
	Representative NOI	4,939	4,911	5,036

<u>Sensitivity analyses of the value</u>		<u>Change in value in (NIS thousands)</u>		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(4,762)	(4,615)	(4,615)
Cap rates	Rise of 0.25%	(2,992)	(2,798)	(2,870)
	Fall of 0.25%	(3,240)	3,022	3,099
Average rental per Sq. m	Rise of 5%	4,003	3,883	3,832
	Fall of 5%	(4,003)	(3,883)	(3,832)

⁴ 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.

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 – 51%)	As of December 31, 2021
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 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 and were transferred to the company as part of the statutory merger dated 20.4.2021
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 1,200 m for shopping and office use.
Financial statement presentation method	Fair value
Status of registration of legal rights	<p>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).</p> <p>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.</p> <p>On December 1, 2020, an unlimited first-degree mortgage was registered in the amount of the ownership rights of G Israel in plot 243 in favor of Reznik Paz Nevo Trusts Ltd. according to Bill No. 50868/2020/1.</p> <p>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. On March 7, 211, an unlimited first-degree mortgage was registered in the amount on the lease rights of G Israel in plots 242 and 244 according to Bill No. 11931/2021/1.</p> <p>Item (f) below details the mortgages and pledges registered on the Company's rights in the property.</p>

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**B. Principal data**

Data at 100% level (Company's share in property – 51%)	Year 2021	Year 2020	Year 2019	At property acquisition date	
Fair value at end of period (NIS thousands)	228,652	216,635	238,420		
Fair value of building rights (NIS thousands)	6,497	8,750	6,000		
Total fair value (NIS thousands)	235,149	225,385	244,420	117,150	
Revaluation profit (loss) (in NIS thousands) – Company's share	933	(13,230)	(11,740)	Acquisition date	June 1, 2005
Average occupancy rates (%)	96.4%	97.5%	97.8%		
Actual areas leased (sq. meters)	12,722	12,726	12,669		
Total revenues (NIS thousands)	18,900	17,902	22,496		
Average annual rental per sq. meter (per month) (NIS)	89	74	96		
Average monthly rental per sq. meter for leases signed in the period (NIS) ¹	89	106	100		
NOI (NIS thousands)	8,410	7,159	12,714		
Adjusted NOI (NIS thousands)	10,018	9,725	13,160		
Actual rate of return (%)	3.7%	3.3%	5.3%		
Adjusted rate of return (%) ²	4.4%	4.5%	5.5%		
No. of tenants as at end of reporting year	87	91	94		
Average turnover (per month) per sq. meter ³	1,414	1,429	1,989		

¹ The above refers to rented areas, for shopping or office in the property.

² Including, among other things, exclusion of provision for doubtful debts of tenants for the year 2020 and 2021.

³ The data for turnover of the tenants in the property is partial data for certain tenants, for about 57% of the property's area, that report their monthly turnover to the Company and that make up about 39% of the property's area as at December 31, 2021. 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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRSAnalysis of revenues and cost structure

Data at 100% level	Year 2021	Year 2020	Year 2019
	NIS thousands		
Revenues:			
From rentals – Fixed	12,050	11,195	14,559
From management fees	5,368	5,487	6,355
From rentals - Variable	1,482	1,220	1,582
Total revenues	18,900	17,902	22,496
Costs:			
Management, maintenance and operation before head office allocation ¹	10,490	10,743	9,782
Total costs	10,490	10,743	9,782
NOI	8,410	7,159	12,714

¹ Including provision for doubtful debts for debts of tenants for 2020 and 2021.

C. 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	5%	Yes	No	Fashion	4.5 / 5	15	Linked to CPI	Deposit	-
Tenant B	11%	Yes	No	Sport and gym	8.8 / 12	5	Linked to CPI	Bank guarantee	-
Tenant C	5%	Yes	No	Pharma	8 / 12.4	10	Linked to CPI	-	-

D. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026 and after
	NIS thousands				
Fixed components	11,897	8,471	7,176	5,981	16,079
Variable components (estimate)	1,210	1,605	4,602	1,577	5,633
Total	13,107	10,077	8,777	7,558	21,712

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRSE. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as at December 31, 2021 (in NIS millions)
Unlimited first degree pledge	On April 20, 2121, a permanent pledge number 70 was registered with the Registrar of Companies according to the creation date of January 4, 2010 in favor of Rit1 Ltd. ("Rit1") in connection with the acquisition of Rit1's rights in G Rothschild (all as specified in Pledge 70)	Unlimited
Mortgage unlimited first degree pledge	Unlimited first degree mortgage of the Gazit Israel'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.	
Mortgage unlimited first degree pledge	In plots 242 and 244 in block 3934, a first-degree mortgage is registered without an amount in the amount on the rights of G-Israel in favor of Reznik Paz Nevo Trusts Ltd. according to bill number 11931/2021/1 dated 7.3.2021	
Unlimited first degree pledge	On April 20, 211, a permanent pledge number 96 was registered with the Registrar of Companies according to the creation date from December 1, 2020, in favor of Reznik Paz Nevo Trusts Ltd. (all as specified in lien number 96)	
Unlimited first degree pledge	On April 20, 211, permanent lien number 102 was registered with the Registrar of Companies according to the creation date of March 7, 211 in favor of Reznik Paz Nevo Trusts Ltd. (all as specified in lien number 102)	
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). On February 28, 2121, the municipality's consent was obtained to register the liens in favor of Reznik Paz Nevo Trusts Ltd.	
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.	

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

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.	

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**F. Details regarding the valuation**

Data at 100% level (Company's share in property 51%)	<u>31/12/2021</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
The determined value as at the end of the period (NIS thousands)	235,149	225,385	244,420
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	31/12/2020	31/12/2019
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	13,193	13,057	12,954
	Occupancy rate in year +1 (%)	94%	93%	96%
	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	87.0	82.9	86.6
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	88.7	92.8	89.0
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	93.5	99.0	99.0
	Weighted rate of return for valuation purposes (%)	7.05%	7.2%	7.2%
	Representative NOI	16,551	16,617	17,596

Change in value in (NIS thousands)**Sensitivity analyses of the value**

		The property at 100%	The property at 100%	The property at 100%
Occupancy rates				
	Fall of 5%	(11,348)	(11,111)	(11,111)
Cap rates	Rise of 0.25%	(8,040)	(7,745)	(8,201)
	Fall of 0.25%	8,631	8,302	8,791
Average rental per Sq. m	Rise of 5%	10,495	10,530	10,689
	Fall of 5%	(10,495)	(10,530)	(10,689)

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.

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

The difference between the NOI of the property in the first year of cash flows used for the valuation (NIS 13.0 million) and the representative NOI as shown in the assessment as at December 31, 2021 (NIS 1.0 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 1.1 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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**G Kokhav HaTzafon****A. Presentation of the property**

Information on 100% level (Company's share of property – 100%)	As of December 31, 2021
Name of property	<u>G Kokhav HaTzafon</u>
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 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. The company's rights in the said complex were transferred to it as part of the statutory merger dated April 20, 2021.
Details of legal title to the property	Gazit Israel is registered as the leaseholder of part 28 in block 7186, except in the area of the electricity room and the areas of 50 parking spaces which were allocated to the rights holders in plot 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	<p>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.</p> <p>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 transformer room ("the electricity room") to the electric company, was registered.</p> <p>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.</p> <p>The real estate rights include a public-usage note in favor of the public.</p> <p>Item (f) below details the mortgages and pledges registered on the Company's rights in the property.</p>

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.

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

B. Principal data

Data at 100% level	Year 2021	Year 2020	Year 2019	At property acquisition date	
Fair value at end of period (NIS thousands)	104,000	103,200	105,200		
Revaluation profit (loss) (in NIS thousands) – excluding amortization of paid acquisition tax	664	(4,562)	(5,253)		
Average occupancy rates (%)	90.9%	91.6%	-	Acquisition costs (NIS thousands) (including adjacent lot and building rights)	105,000
Actual areas leased (sq. meters)	2,113	2,100	-	Acquisition date	July 18, 2017
Total revenues (NIS thousands)	6,504	5,349 ¹	-		
Average annual rental per sq. meter (per month) (NIS)	222	237	-		
Average monthly rental per sq. meter for leases signed in the period (NIS)	-	267	-		
NOI (NIS thousands)	4,781	3,197	-		
Adjusted NOI ² (NIS thousands)	4,645	3,790	-		
Actual rate of return – yielding section (%)	4.6%	3.1%	-		
Adjusted rate of return yielding section (%)	4.5%	3.7%	-		
No. of tenants as at end of reporting year	25	27	-		
Average turnover (per month) per sq. meter ³	3,309	3,144 ⁴	-		

1 The compound was opened at the end of 2019 and is being occupied in 2020.

2 Including, among other things, the neutralization of VAT expenses in respect of the tenants' debts from 2020 and 2021.

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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**C. Analysis of revenues and cost structure**

Data at 100% level	Year 2021	Year 2020	Year 2019
	NIS thousands		
Revenues:			
From rentals – Fixed	5,406	4,478	-
From management fees	882	772	-
From rentals - Variable	216	99	-
Total revenues	6,504	5,349	-
Costs:			
Management, maintenance and operation before head office allocation ¹	1,723	2,152	-
Total costs	1,723	2,152	-
NOI	4,781	3,197	-

¹ Including provision for doubtful debts for debts of tenants for 2020 and 2021.

D. Principal tenants in the property

	% 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	2.6/5	19.9	Linked to CPI	-	-
Tenant B	12%	Yes	No	Catering	2.8/5	10	Linked to CPI	Bank guarantee	-

E. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026 and after
	NIS thousands				
Fixed components	5,377	4,481	2,929	236	61
Variable components (estimate)	-	-	-	-	-
Total	5,377	4,481	2,929	236	61

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRSF. Improvements and changes planned in the property

Type	Detail	Amount pledged by pledge as at December 31, 2021 (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 Gazit Israel's rights in part 28, block 7186.	Unlimited
Unlimited first degree pledge	On April 20, 211, lien number 97 was registered with the Registrar of Companies according to the creation date of December 2, 2020, in favor of Resnik Paz Nevo Trusts Ltd. (all as specified in lien number 97)	Unlimited
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.	

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

G. Details regarding the valuation

Data at 100% level	31/12/2021	31/12/2020	31/12/2019
The determined value as at the end of the period (NIS thousands)	104,000	103,200	105,200
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	31/12/2021	31/12/2020	31/12/2019
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	2,325	2,294	2,257
	Occupancy rate in year +1 (%)	90%	89%	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	235.4	211.6	231.4
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	241.8	235.2	236.5
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	241.8	235.2	236.5
	Weighted rate of return for valuation purposes (%)	6.0%	6.0%	6.0%
	Representative NOI	6,521	6,498	6,405

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%	(5,000)	(4,615)	(5,000)
Cap rates	Rise of 0.25%	(4,348)	(3,702)	(4,270)
	Fall of 0.25%	4,726	3,998	4,641
Average rental per Sq. m	Rise of 5%	5,622	4,980	5,339
	Fall of 5%	(5,622)	(4,980)	(5,339)

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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**G Horev Center****A. Presentation of the property**

Information on 100% level (Company's share of property – 50%)	As of December 31, 2021
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)	<p>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.</p> <p>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.</p> <p>Block 10782 part 67 – registered area of 383 m. Not built on.</p> <p>Block 10782 part 71 – registered area of 881 m. Not built on.</p> <p>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.</p> <p>Block 10782 part 77 - registered area of 865 m. Not built on.</p> <p>Block 10782 part 83 - registered area of 96 m. Not built on.</p>
Holding structure of property	50% 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

<p>Status of registration of legal rights</p>	<p>All the Company's rights to the real estate known as block 10782, part of parts 134⁵ 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 below⁵ are registered.</p> <p>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.</p> <p>The Company'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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 Office⁴.</p> <p>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.</p> <p>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.</p> <p>The ownership in parts 67, 71, 74-77 in block 10782 which is shared between Gazit Israel and N.T.M. is registered.</p> <p>The ownership in part 83 in block 10782 which is shared between Gazit Israel, N.T.M. and third parties is registered.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS

	<p>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.</p> <p>Note 1985/1958/100 dated April 29, 1958 registered benefit orders which allow access rights through part 83 block 10782 to part 67.</p> <p>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 block 10782 for a period of 999 years (above and below: “City of Haifa Real Estate”).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p> <p>Item (f) below details the mortgages and pledges registered on the Company’s rights in the property.</p>
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1 On April 20, 2121, G Israel was merged with and into the company in a statutory merger. As of this date, the transfer of rights in the name of the company at the Land Registry has not yet been completed.

2 Part 74 block 10782 is registered as a shared building in the Land Registration Office.

3 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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**B. Principal data**

Data at 100% level (Company's share of property – 50%)	Year 2021	Year 2020	Year 2019	At property acquisition date	
Fair value at end of period (NIS thousands)	216,836	170,495	173,894		
Fair value of adjacent parts at end of period (NIS thousands)	25,500	25,500	25,500		
Total fair value (NIS thousands)	242,336	195,995	199,394		
Revaluation profit (loss) (in NIS thousands) – Company share	23,098	(2,420)	1,443	Acquisition date	July 26, 2006
Average occupancy rates (%)	94.6%	94.5%	87.2%		
Actual areas leased (sq. meters)¹	11,905	11,952	10,987		
Total revenues (NIS thousands)	19,214	16,559	16,822		
Average annual rental per sq. meter (per month) (NIS)	104	99	110		
Average monthly rental per sq. meter for leases signed in the period (NIS)³	75	112	77		
NOI (NIS thousands)	9,240	9,249	9,492		
Adjusted NOI ⁴(NIS thousands)	12,572	10,417	9,492		
Actual rate of return (%)	4.7%	5.4%	5.5%		
Adjusted rate of return (%)	5.8%	6.1%	5.5%		
No. of tenants as at end of reporting year	51	58	62		
Average turnover (per month) per sq. meter	2,000	1,894 ²	1,699 ²		

1 Including areas of 2,550 owned by third parties

2 The above refers to rented out areas of the property, for trade and offices.

3 Including, among other things, exclusion of provision for doubtful debts of tenants for the year 2020.

4 The data for turnover of the tenants in the property is partial data for certain tenants, for about 36% of the property's area, that report their monthly turnover to the Company and that make up about 31% 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.

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**D. Analysis of revenues and cost structure**

Data at 100% level (Company's share in the property - 50%)	Year 2021	Year 2020	Year 2019
	NIS thousands		
Revenues:			
From rentals – Fixed	12,034	11,177	11,176
From management fees	7,180	5,382	5,646
From rentals - Variable	-	-	-
Total revenues	19,214	16,559	16,822
Costs:			
Management, maintenance and operation before head office allocation ¹	9,974	7,310	7,330
Total costs	9,974	7,310	7,330
NOI	9,240	9,249	9,492

¹ Including provision for doubtful debts for debts of tenants for 2020 and 2021.

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	20%	Yes	No	Health	4.7/5	9.9	Linked to CPI	-	-
Tenant B	5%	Yes	No	Health	4.7/5	9.9	Linked to CPI	-	-
Tenant C	5%	Yes	Yes	Pharma	3.8/5	9.9	Linked to CPI	-	-

F. Anticipated revenues from signed leases (assuming that tenants' option period is not exercised)

	Year 2021	Year 2023	Year 2024	Year 2025	Year 2026 and after
	NIS thousands				
Fixed components	10,856	9,722	8,842	7,596	24,489
Variable components (estimate)	780	248	596	521	-
Total	11,636	9,970	9,438	8,116	24,489

DIRECTORS' REPORT ON THE STATE OF THE COMPANY'S AFFAIRS**G. Pledges and legal restrictions on the property**

Type	Detail	Amount pledged by pledge as at December 31, 2021 (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 unlimited first degree pledge	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.	unlimited
Mortgage unlimited first degree pledge	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.	unlimited
Mortgage unlimited first degree pledge	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.	unlimited
Mortgage unlimited first degree pledge	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.	unlimited
Mortgage unlimited first degree pledge	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.	unlimited
Mortgage unlimited first degree pledge	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.	unlimited
Mortgage unlimited first degree pledge	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.	unlimited
Mortgage unlimited first degree pledge	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
Unlimited first degree pledge	On April 20, 211, pledge number 93 was registered with the Registrar of Companies according to the creation date from November 9, 2020, in favor of Reznik Paz Nevo Trust Ltd. (all as specified in lien number 93)	unlimited
Unlimited first degree pledge	On April 20, 211, pledge number 94 was registered with the Registrar of Companies according to the creation date from November 9, 2020, in favor of	unlimited

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

	Resnik Paz Nevo Trusts Ltd. (all as specified in lien number 94)	
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		31/12/2021	31/12/2020	31/12/2019
The determined value as at the end of the period (NIS thousands)		242,336	195,995	199,392
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		31/12/2021	31/12/2020	31/12/2019
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	9,821	10,034	10,049
	Occupancy rate in year +1 (%)	93%	94%	89%
	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	96.81	98.8	101.3
	Basic average monthly rentals per sq. m leased (NIS) in year + 2 for valuation purposes – excluding units without metreage	99.1	100.6	102.0
	Basic average monthly rentals per sq. m leased (NIS) for valuation purposes – excluding units without metreage	104.7	105.6	103.3
	Weighted rate of return for valuation purposes (%)	7.1%	7.1%	7.1%
	Representative NOI	15,359	12,432	12,549

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

<u>Sensitivity analyses of the value</u>		<u>Change in value in (NIS thousands)</u>		
Occupancy rates		The property at 100%	The property at 100%	The property at 100%
	Fall of 5%	(9,859)	(9,859)	(9,859)
Cap rates	Rise of 0.25%	(7,358)	(5,956)	(6,012)
	Fall of 0.25%	7,895	6,391	6,450
Average rental per Sq. m	Rise of 5%	8,688	8,951	8,774
	Fall of 5%	(8,688)	(8,951)	(8,774)

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, 2021

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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, 2021 and 2020 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, 2021. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of a certain subsidiary whose assets constitute approximately 29% and 28% of total consolidated assets as of December 31, 2021 and 2020 respectively, and whose revenues constitute approximately 31%, 32% and 35% of total consolidated revenues for the years ended December 31, 2021, 2020 and 2019, 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, 2021 and 2020 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, 2021 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, 2021, and our report dated March 23, 2022 expressed an unqualified opinion thereon.

Tel-Aviv, Israel
March 23, 2022

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

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, 2021. Control components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of the components of internal control over financial reporting included in the accompanying periodic report for said date. Our responsibility is to express an opinion on the Company and subsidiaries' components of internal control over financial reporting based on our audit.

We did not audit the effectiveness of the components of internal control over financial reporting of a certain subsidiary, whose assets and revenues constitute approximately 29% and 31% of the related totals in the consolidated financial statements as of December 31, 2021 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, 2021.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2021, and 2020 and for each of the three years in the period ended December 31, 2021 and our report dated March 23, 2022 expressed an unqualified opinion thereon based on our audits and the reports of the other auditors.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2021	2020
	Note	NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	3,373	742
Short-term investments and loans	4	30	147
Financial assets	10	855	693
Financial derivatives	34c	96	37
Trade receivables	5	169	206
Other accounts receivable	6	490	308
Income taxes receivable		8	7
		5,021	2,140
Assets classified as held for sale	7	534	1,170
		5,555	3,310
NON-CURRENT ASSETS			
Equity-accounted investees	8	1453	1,440
Other investments, loans and receivables	9	298	230
Financial assets	10	153	145
Financial derivatives	34c	200	359
Investment property	11	28,903	31,828
Investment property under development	12	3,783	2,239
Fixed assets, net	13	153	172
Intangible assets, net	14	512	602
Deferred taxes	23q	63	66
		35,518	37,081
		41,073	40,391

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2021	2020
	Note	NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	15	167	1,366
Current maturities of non-current liabilities	16	1,794	622
Financial derivatives	34c	36	89
Trade payables	17	181	131
Other accounts payable	18	792	752
Income taxes payable		117	73
		3,087	3,033
Liabilities attributed to assets held for sale	7	-	24
		3,087	3,057
NON-CURRENT LIABILITIES			
Debentures	19	16,723	16,734
Interest-bearing loans from banks and others	20	5,193	5,680
Financial derivatives	34c	83	165
Other liabilities	21	375	404
Deferred taxes	23q	2,057	1,772
		24,431	24,755
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	25		
Share capital		204	204
Share premium		4,078	4,063
Retained earnings		5,226	4,761
Foreign currency translation reserve		(5,352)	(4,307)
Other reserves		1,152	842
Treasury shares		(1)	(1)
		5,307	5,562
Non-controlling interests	25e	8,248	7,017
Total equity		13,555	12,579
		41,073	40,391

March 23, 2022

Date of approval of the
financial statementsEhud Arnon
Chairman of the BoardChaim Katzman CEO
And Vice Chairman of
the BoardAdi Jemini
Executive Vice President
and CFO

CONSOLIDATED STATEMENTS OF INCOME

	Note	Year ended December 31,		
		2021	2020	2019
		NIS in millions		
		(except for per share data)		
Rental and other income	28	2,296	2,406	2,752
Property operating and other expenses	29	714	760	777
Total gross profit		1,582	1,646	1,975
Fair value gain (loss) from investment property and investment property under development, net	11,12	621	(1,534)	164
General and administrative expenses	30	(342)	(352)	(360)
Other income	31a	16	18	35
Other expenses	31b	(58)	(36)	(413)
Company's share in earnings (losses) of equity- accounted investees, net	8b	41	(78)	37
Operating income (loss)		1,860	(336)	1,438
Finance expenses	32a	(1,017)	(806)	(1,118)
Finance income	32b	886	109	963
Income (loss) before taxes on income		1,729	(1,033)	1,283
Taxes on income (tax benefit)	23r	690	(147)	467
Net income (loss)		1,039	(886)	816
Attributable to:				
Equity holders of the Company		646	(653)	655
Non-controlling interests		393	(233)	161
		1,039	(886)	816
Net earnings (loss) per share attributable to equity holders of the Company (NIS):	33			
Total basic net earnings (loss)		4.26	(3.91)	3.52
Total diluted net earnings (loss)		4.25	(3.92)	3.50

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2021	2020	2019
	NIS in millions		
Net income (loss)	1,039	(886)	816
Other comprehensive income (loss) (net of tax effect) *):			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
Net losses on financial assets at fair value through other comprehensive income	27	(74)	(39)
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations	(1,862)	(1,175)	(2,055)
Net losses on cash flow hedges	57	(41)	(45)
Realization of capital reserves of company previously accounted for using the equity method	-	-	73
Total other comprehensive income (loss)	(1,778)	(1,290)	(2,066)
Comprehensive income (loss)	(739)	(2,176)	(1,250)
Attributable to:			
Equity holders of the Company (1)	(222)	(1,974)	(653)
Non-controlling interests	(517)	(202)	(597)
	(739)	(2,176)	(1,250)
(1) Breakdown of total comprehensive income (loss) attributable to equity holders of the Company:			
Net income (loss)	646	(653)	655
Exchange differences on translation of foreign operations	(940)	(1,223)	(1,313)
Net losses on cash flow hedges	46	(32)	(27)
Net gains (losses) on financial assets at fair value through other comprehensive income	26	(66)	(41)
Realization of capital reserves of company previously accounted for using the equity method	-	-	73
	(222)	(1,974)	(653)

*) 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
	NIS in millions							
Balance as of January 1, 2021	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017
Loss	-	-	646	-	-	-	646	393
Other comprehensive loss	-	-	-	(940)	72	-	(868)	(910)
Total comprehensive loss	-	-	646	(940)	72	-	(222)	(517)
Exercise and expiration of Company's share options into Company's shares	*) -	15	-	-	(15)	-	*) -	-
Cost of share-based payment	-	-	-	-	9	-	9	10
Reclassification of share based payment to a cash settlement	-	-	-	-	-	-	-	(9)
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(100)
Issuance of hybrid debentures to non controlling interests	-	-	-	-	-	-	-	2,682
Dividend declared (Note 26g)***)	-	-	(181)	-	-	-	(181)	-
Acquisition of non-controlling interests and equity issuance in a subsidiary	-	-	-	(105)	244	-	139	(582)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(253)
Balance as of December 31, 2021	204	4,078	5,226	(5,352)	1,152	(1)	5,307	8,248

*) 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, 2021 the Company declared a dividend in the amount of NIS 1.20 per share (in a total amount of NIS 181 million). NIS 45 million (NIS 0.30 per share) was paid on April 12, 2021, NIS 45 million (NIS 0.30 per share) was paid on June 15, 2021, NIS 46 million (NIS 0.30 per share) was paid on September 9, 2021 and NIS 45 million (NIS 0.30 per share) was paid on January 3, 2022.

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
	NIS in millions							
Balance as of January 1, 2020	237	4,656	5,740	(3,077)	635	-	8,191	8,135
Net income	-	-	(653)	-	-	-	(653)	(233)
Other comprehensive loss	-	-	-	(1,223)	(98)	-	(1,321)	31
Total comprehensive income (loss)	-	-	(653)	(1,223)	(98)	-	(1,974)	(202)
Exercise and expiration of Company's share options into Company's shares	*) -	6	-	-	(6)	-	*) -	-
Purchase of treasury shares	-	-	-	-	-	(633)	(633)	-
Cancellation of treasury shares	(33)	(599)	-	-	-	632	-	-
Interest on hybrid debentures paid to non-controlling interests	-	-	-	-	-	-	-	(16)
Cost of share-based payment	-	-	-	-	10	-	10	5
Reclassification of realized financial assets at fair value through other comprehensive income reserve to retained earning	-	-	(62)	-	62	-	-	-
Dividend declared	-	-	(264)	-	-	-	(264)	-
Acquisition of non-controlling interests	-	-	-	(7)	239	-	232	(579)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(326)
Balance as of December 31, 2020	204	4,063	4,761	(4,307)	842	(1)	5,562	7,017

*) 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							Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves **)	Treasury shares	Total		
	Convenience translation into U.S. dollars (Note 2d(1))								
	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 (loss)	-	-	655	-	-	-	655	161	816
Other comprehensive income (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	-	-	-
Reclassification of realized financial assets at fair value through other comprehensive income	-	-	(3)	-	3	-	-	-	-
Issuance of hybrid debantures to non controlling interests	-	-	-	-	-	-	-	1,346	1,346
Cost of share-based payment	-	-	-	-	7	-	7	4	11
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.

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31,		
	2021	2020	2019
	NIS in millions		
<u>Cash flows from operating activities:</u>			
Net income (loss)	1,039	(886)	816
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance expenses, net	131	697	155
Company's share in earnings (losses) of equity-accounted investees, net	(41)	78	(37)
Fair value gain (losses) from investment property and investment property under development, net	(621)	1,534	(164)
Depreciation and amortization	27	28	31
Taxes on income (tax benefit)	690	(147)	467
Capital (gain) loss, net	32	(6)	(16)
Loss (gain) from decrease in holding interest and sale of an associate	-	-	345
Change in provision for legal claims, net	(5)	(1)	(2)
Cost of share-based payments	19	15	11
	232	2,198	790
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	(115)	(194)	(48)
Increase in trade and other accounts payable	56	28	11
	(59)	(166)	(37)
Net cash provided by operating activities before interest, dividend and taxes	1,212	1,146	1,569
Cash received and paid during the year for:			
Interest paid	(742)	(821)	(963)
Interest received	20	32	90
Dividend received	59	66	250
Taxes paid	(101)	(45)	(45)
Taxes received	13	19	9
	(751)	(749)	(659)
Net cash provided by operating activities	461	397	910

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31,		
	2021	2020	2019
	NIS in million		
<u>Cash flows from investing activities:</u>			
Proceeds from sale of an associate	-	302	2,839
Investment and loans to investees	(88)	(42)	(100)
Acquisition, construction and development of investment property	(1,972)	(1,134)	(2,052)
Investments in fixed assets and other assets	(20)	(15)	(61)
Proceeds from sale of investment property, net of tax paid	1,492	492	1,479
Proceeds from sale of fixed assets	-	-	13
Grant of long-term loans	-	(112)	-
Collection of long-term loans	33	31	19
Short-term investments, net	-	9	(53)
Investment in financial assets	(3,025)	(1,279)	(496)
Proceeds from sale of financial assets and deposits withdrawal net of tax paid	2,900	1,471	112
Net cash provided by (used in) investing activities	(680)	(277)	1,700
<u>Cash flows from financing activities:</u>			
Exercise of share options into Company's shares	*) -	*) -	*) -
Purchase of treasury shares	-	(633)	(158)
Acquisition of non-controlling interests and equity issuance in a subsidiary	(443)	(347)	122
Dividend paid to equity holders of the Company	(182)	(293)	(298)
Dividend paid to non-controlling interests	(243)	(326)	(403)
Receipt of long-term loans	1,556	1,010	705
Repayment of long-term loans	(143)	(44)	(128)
Receipt (Repayment) of long-term credit facilities from banks and others, net	(577)	(946)	153
Receipt (Repayment) of short-term credit from banks and others, net	(1,184)	568	(247)
Repayment and early redemption of debentures and convertible debentures	(1,767)	(2,556)	(4,133)
Issuance of debentures	3,523	3,198	-
Issuance of hybrid bonds to non-controlling interests	2,682	-	1,346
Interest on hybrid debentures paid to non-controlling interests	(100)	(16)	-
Net cash used in financing activities	3,122	(385)	(3,041)
Exchange differences on balances of cash and cash equivalents	(272)	(56)	(89)
Increase (decrease) in cash and cash equivalents	2,631	(321)	(520)
Cash and cash equivalents at the beginning of the year	742	1,063	1,583
Cash and cash equivalents at the end of the year	3,373	742	1,063

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

The accompanying notes are an integral part of these consolidated financial

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended December 31,		
	2021	2020	2019
	NIS in million		
(a) <u>Significant non-cash transactions:</u>			
Acquisition of investment property under lease	-	-	301
Sale of investment property against receivables	75	-	155
Sale of an investee against receivables	-	-	335
Dividend payable to equity holders of the Company	46	45	75
Sale of financial assets against receivables	-	31	-
Purchase of financial assets against payables	43	-	-
Issue of debentures against receivables	-	90	-
Dividend payable to non-controlling interests	10	-	-
(b) <u>Additional information:</u>			
Tax paid included under investing and financing activities	30	357	344

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

NOTES TO 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, residential and office 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".

On April 20, 2021, A merger between the Company and G Israel (a wholly owned subsidiary of the Company) was recorded in the Registrar of companies, and with that, the merger was finalized. Upon completion of the merger, all of the assets and liabilities of G Israel, were transferred to the Company, without consideration, and all of its business will be concentrated under the Company's operations and real estate division.

On October 17, 2021, the Company's wholly owned subsidiary engaged in a merger agreement with ATR, whereas the subsidiary will acquire all of ATR's shares it does not currently own, which represent approximately 25% of ATR's share capital. On December 23, 2021, ATR shareholders approved the merger and it was completed on February 18, 2022. For details refer to note 8c5.

b. Corona virus effects on the Group's activityGeneral

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 rapid outbreak of the virus in various ways, mainly by imposing a partial or complete lockdown on the population. 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.

Effects of the investment property activities

During the reporting period, gradual lockdown of some of the Group's companies compounds took place, the compounds were opened and closed intermittently and depending on the disease situation in the various countries, when in some territories, even during the period when they were open, the opening was partial some of the time and instructions were issued to dilute the number of visitors. Essential enterprises, including supermarkets, pharmacies, banks, clinics and food stores that provided deliveries continued to operate throughout the aforesaid periods, including in closed compounds. After the reporting period, the morbidity trend began in Europe, including in the areas where the group operates. As of December 31, 2021 and as of the date of publication of this report all of the Group's trading compounds were open.

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 are recognized on a straight-line basis over the remaining lease term.

The total arrangements in rental fees with tenants as a results of negotiations, or which are obligatory in accordance with legislation in the various countries, that are recognized on a straight-line basis over the lease term, as well as the decrease in the value of tenant debts during the lockdown periods, amounted to NIS 109 million during the reporting period, out of which, and out of deferred arrangements from the previous year, NIS 97 was recognized in the reporting period, reducing the company's net operating income.

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 lockdown of the Company's commercial compounds, a decrease in the number of visitors to the properties, a decline or change in demand and the volume of specific products consumed, and impairment of the economic robustness of the tenants (short and long term), which will lead to a decrease in the Company's revenue, current cash flow, occupancy rate and the value of its properties. The rate of population immunization in the various countries, ability of medical treatment of Covid-19 patients and 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.

Nevertheless, with the passage of time since the outbreak of the epidemic, and in light of the improvement in the ability to cope with the epidemic (especially in view of the improvement in immunization and treatment against it), its effects on economic activity appear to be moderating.

c. The impact of the war between Russia and Ukraine on the group's activities

In February 2022, the Russian army invaded Ukraine in order to occupying it and as of the date of this report, fighting is taking place between the parties. In response to the invasion, Western countries banded together and imposed a series of different financial and economic sanctions on Russia and Belarus, as well as on Russian companies, individuals and businessmen. These new sanctions join international sanctions that were already in force, but currently it is characterized by a substantial, almost unprecedented aggravation, creating a new economic, commercial and political reality in Europe.

As part of this, sanctions were imposed on trade with Russia, restrictions on the financial system in Russia, including disconnection of Russian banks from the clearing system (Swift) and a ban on transactions with the Central Bank of Russia (CBR), restrictions on technology exports to Russia and transportation restrictions, including "Closing the sky" in Europe to the Russian national airline. At the same time, many private entities (including banks and credit card companies) have announced the severance or termination of commercial relations with entities in Russia and Belarus. As a result, the ruble's exchange rate against the dollar decreased by 40% and the Central Bank of Russia raised the interest rate to 20%. The Russian government also imposed various restrictions on capital movements from Russia (including restrictions on dividend distribution, a ban on repaying foreign currency debt. The nature and extent of the restrictions vary daily, and further sanctions may be imposed during events, including on additional territories, as far as these are occupied by Russia. There is also a concern the war will lead to the involvement of other countries.

The Group has properties in Russia, held through ATR, amounting EUR 284 million (2.4% of the Company's total properties) which in 2021 generated NOI amounting EUR 28.4 million (for further details on ATR assets in Russia refer to section 7 of the description of the Company's business). At this early stage of the situation, and as a rolling and evolving event, the company is unable to assess its impact on the company and its operations in Russia.

However, in the Company's view, in the event that the war between Russia and Ukraine continues and economic sanctions continue for a long time and even aggravate, as described above, they are highly likely to adversely affect the value of the Group's assets in Russia (including interest rate hikes). Outside Russia. Also, the sanctions imposed on Russia and the erosion of the ruble exchange rate, could lead to an economic crisis in Russia, and adversely affect the rate of revenue in assets, and accordingly the expected revenues from them.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (Cont.)

d. 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 to their 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, 2021.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

<u>Topic</u>	<u>Main Considerations</u>	<u>Reference/Possible Effect</u>
Existence of effective control	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> o Location of the property under development in a developed and liquid market o Existence of a reliable estimate of the construction costs o Availability of relevant regulatory consent for the utilization of the land rights, and applicable zoning, city plan and building permits exist o 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 49.2% in CTY during the reporting year, 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.

On November 2021, following a share buyback performed by CTY (refer to note 8d), the Company's holdings in CTY has increased, and as of 31 December 2021, the Group was holding 52.1% of CTY share capital and voting rights.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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:

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.

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.

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.

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.

3. Derecognition of financial assets:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

7. Embedded derivatives:

According to the provisions of IFRS 9, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

Acquisitions of subsidiaries that are not business combinations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

the practical expedient in IFRS 16 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 IFRS 16:

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

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. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

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. 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,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

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.

The Company is presently reviewing all of its contracts which could be affected by the IBOR reform.

2. Additional amendment in April 2021 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 "2020 Amendment"). The objective of the 2020 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 2020 Amendment applies solely to lessees.

Originally the 2020 Amendment was applicable only to a reduction in lease payments due on or before June 30, 2021. However, since the Covid-19 pandemic has continued beyond the period envisaged, the IASB updated the condition for lessees to apply the relief to a reduction in lease payments due on or before June 30, 2022 (the "2021 Amendment"). The other criteria for application of the 2020 Amendment remain unchanged.

The 2021 Amendment applies to annual reporting periods beginning on or after April 1, 2021. Early application is permitted.

The application of the 2021 Amendment did not have a material impact on the Company's financial statements.

Disclosure of new IFRSs, interpretations and amendments in the period prior to their adoption

1. 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.

The Amendment includes the following clarifications:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

- 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. Early application is permitted

The Company is evaluating the possible impact of the Amendment on its current loan agreements.

2. Amendments to IFRS 3, "Business Combinations"

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework which are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements.

The IASB added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately

According to the exception, liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21 will be recognized on the acquisition date according to the criteria in IAS 37 or IFRIC 21 and not according to the Conceptual Framework.

The Amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

3. Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors"

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

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

The Company is evaluating the effects of the Amendment on its financial statements.

4. Amendment to IAS 12, "Income Taxes"

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont)

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities in respect of certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.

The Company estimates that the initial application of the Amendment is not expected to have a material impact on its financial statements.

NOTE 3: - CASH AND CASH EQUIVALENTS

a. Composition

	December 31	
	2021	2020
	NIS in millions	
Cash in banks and on hand	2,321	671
Cash equivalents - short-term deposits	1,052	71
	<u>3,373</u>	<u>742</u>

- b. Cash in banks carry a negligible interest rate.
- c. Two main deposits of NIS 355 million and NIS 524 million denominated in the US dollar and the Euro, respectively, included interest-bearing deposits at negligible rates.
- d. Of the total cash and cash equivalents, a total of NIS 1,871 million is denominated in Euro, NIS 690 million is denominated in Euro, NIS 251 million is denominated in non-linked NIS, NIS 202 million is denominated in CAD, and NIS 176 million is denominated in PLN.

NOTE 4: - SHORT-TERM INVESTMENTS AND LOANS

a. Composition

	December 31	
	2021	2020
	NIS in millions	
Current maturities of long-term loans	-	15
Short term loans to partners	2	-
Restricted cash in banks	28	132
	<u>30</u>	<u>147</u>

NOTE 5: - TRADE RECEIVABLES

a. Composition

December 31	
2021	2020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		NIS in millions	
		2021	2020
Open accounts, net (see c and d below)		169	206
b.	Of the trade receivables, NIS 92 million are denominated in Euro, NIS 43 million are denominated in non-linked NIS and NIS 33 million are denominated in Brazilian real.		
c.	There are no significant past due and impaired receivables except those that have been included in		
d.	<u>Movement in allowance for doubtful accounts</u>		
		December 31	
		2021	2020
		NIS in millions	
At the beginning of the year		132	53
Provision during the year		63	102
Repayment during the year		(18)	(7)
Write-down of accounts		(43)	(12)
Translation differences		(11)	(4)
At the end of the year		123	132

NOTE 6: - OTHER ACCOUNTS RECEIVABLE

a.	<u>Composition</u>		
		December 31	
		2021	2020
		NIS in millions	
Government institutions		121	66
Prepaid expenses		168	78
Receivables from sale of real estate		85	23
Interest receivable from joint ventures		26	22
Others		90	119
		490	308

NOTE 7: - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

a.	<u>Composition of assets held for sale</u>		
		December 31	
		2021	2020
		NIS in millions	
Investment property *)		531	953
Land		3	217
		534	1,170

*) The balance of assets held is mainly comprised of non-core income producing properties in CTY.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - INVESTMENT IN INVESTEEES

- a. Composition of the investment in entities accounted for by the equity method (including purchase accounting adjustments):

	December 31	
	2021	2020
	NIS in millions	
Joint ventures (1)	993	1,021
Associates	*)	*)
	993	1,021
Loans (2)	460	419
	1,453	1,440

(1) Includes, inter alia, joint ventures that manage, operate and develop income producing properties, and as of the reporting date includes NIS 679 million in Czech Republic (2020- NIS 733 million), NIS 23 million in Sweden (2020- NIS 49 million), NIS 238 million in the United States (2020- NIS 191 million) and NIS 45 million in Canada (2020- NIS 38 million).

(2) Includes mainly a loan of EUR 96.7 million (NIS 341 million) which bears a fixed annual interest rate of 6% and matures on January 2023, loan of EUR 21.7 million (NIS 76 million) which bears a fixed annual interest rate of 4% and matures on January 2031 that granted to joint venture in Sweden. In addition includes a loan of CAD 17.5 million (NIS 43 million) which bears a fixed annual interest rate of 5% and matures on November 2028.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - INVESTMENT IN INVESTEEES (Cont.)

- 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		
	2021	2020	2019
	NIS in millions		
Net income (loss)	41	(78)	47
Other comprehensive loss	5	(7)	-
Comprehensive income (loss)	46	(85)	47

Associates (1) (2)

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Comprehensive income	-	-	(10)

- (1) In 2019-2021, there is no other comprehensive income components in an equity-accounted investees.
- (2) In 2020-2021, the other comprehensive income in an equity-accounted investees is less than a million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - INVESTMENT IN INVESTEEES (Cont.)

Additional information regarding investees:c. Investment in ATR (a subsidiary)

1. As of December 31, 2021, the Company owned 75% interest in ATR's share capital and voting rights. ATR's shares are listed for trading on the Vienna Stock Exchange and on the Euronext Stock Exchange in Amsterdam. As of December 31, 2021, the market price of ATR share was EUR 3.595 and ATR has approximately 391 million shares outstanding. In February 2022, ATR merger transaction with a wholly-owned subsidiary of the Company was completed, from which date ATR's shares were delisted from trading (see section 5 below).

Carrying amount and market value of the investment in ATR:

	December 31, 2021		December 31, 2020	
	Carrying amount	Market value	Carrying amount	Market value
	NIS in millions			
Shares	3,989	3,793	4,044	2,677

2. Summarized financial information of ATR

Summarized statement of financial position -

	December 31	
	2021	2020
	NIS in millions	
Current assets	1,926	361
Non-current assets	9,946	10,881
Current liabilities	(839)	(629)
Non-current liabilities *)	(4,453)	(4,721)
Net assets	6,580	5,892

Allocated to:

Equity holders of the Company	3,989	4,044
Non- controlling interests	2,591	1,848
	6,580	5,892

*) Including acquisition-adjustments, net

	118	117
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - INVESTMENT IN INVESTEEES (Cont.)

Summarized statements of comprehensive income -

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Revenues	702	765	969
Net income (loss) *)	317	(619)	344
Other comprehensive income (loss)	38	(38)	(43)
Total comprehensive income	355	(657)	301
Allocated to:			
Equity holders of the Company	241	(438)	180
Non- controlling interests	114	(219)	121
	355	(657)	301
Dividends to Non- controlling interests	81	139	162
Interest paid on hybrid debentures to non-controlling interests **)	23	-	-
*) Includes acquisition- adjustments amortization	1	10	(15)

**) See section 4 below.

Summarized cash flows statements –

	Year Ended December 31		
	2021	2020	2019
	NIS in millions		
Net cash provided by operating activities	267	180	380
Net cash provided by (used in) investing activities	(89)	195	638
Net cash provided by (used in) financing activities	1,525	(648)	(668)
Exchange differences on balances of cash and cash equivalent	(1)	(8)	4
Increase (Decrease) in cash and cash equivalents	1,702	(281)	354

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

3. During the reporting period, a wholly-owned subsidiary of the Company purchased 20.4 million ATR shares in consideration of EUR 55.6 million (NIS 219 million). According to ATR's general meeting, for the first three quarters of 2021, the shareholder were able to choose to receive the quarterly dividend in one of two ways: (1) in cash; (2) in ATR's shares according with an agreed quarterly discount to the share price (scrip dividend). Consequently, ATR issued 9.4 million shares alternatively to cash dividend, out of which 8.4 million shares were issued to the Company. As a result of the described purchases and issuance, the interest of the Company in ATR rose up to 74.84% and the Group recognized an increase of NIS 81 million in equity attributable to equity holders of the Company, which was carried to capital reserves.

4. In May, 2021, ATR issued EUR 350 million hybrid bond. The hybrid bond is treated as shareholder's equity in ATR's consolidated financial statements prepared in accordance with IFRS and as non-controlling interests in the Company's financial statements.
The hybrid bond does not confer on their holders the rights of a shareholder nor they dilute the holdings of the current shareholders.
The hybrid bond carry a fixed interest rate of 3.625% per year until the date of the first interest reset date, and the issuance price was 98.197%. ATR can redeem the hybrid bond for the first time on August 4, 2026, representing five years from the issuance date and in any other interest payment date afterwards.
The hybrid bonds are treated as an equity in ATR's consolidated financial statements which prepared in accordance with International Financial Reporting Standards (IFRS). These bonds are unsecured and are inferior to other liabilities other than share capital. In addition, the Hybrid bonds do not give their shareholders the rights of a shareholder, or dilute the existing shareholders.

5. On October 17, 2021, the Company's wholly-owned subsidiary engaged in a merger agreement with ATR, whereas the subsidiary will acquire all of ATR's shares it does not currently own, which represent approximately 25% of ATR's share capital, at a price of EUR 3.63 per share which equates to total consideration of EUR 376 million (approximately NIS 1.4 billion), to be paid in cash. The suggested price will be adjusted for a special dividend that ATR intends to distribute of EUR 0.6 per share. This price reflects a premium of 23.9% over ATR's closing price before the proposal.
On December 23, 2021, ATR shareholders approved the merger, the transaction was completed on February 18, 2022. In accordance with the merger agreement, the transaction price was adjusted to a special dividend of EUR 0.6 per share, ATR announced the special dividend on February 4, 2022, and the dividend paid on February 8, 2022.
In addition, on February 4, 2022, ATR announced on a dividend of EUR 0.036 per share which paid on February 23, 2022.
The total consideration of the merger transaction, including transaction costs and after a special dividend, amounted to approximately EUR 315 million (NIS 1.1 billion).
The effect of the transaction on the share capital attributed to the Company's shareholders is not material.

6. Pursuant to the Companies Merger Agreement (see section 5 above), all existing share-based compensation plans for ATR's employees and directors, were fully vested and converted to cash settlement. As a result, a share-based payment fund that was listed in ATR reserves was reclassified to liabilities.

7. In respect of lawsuits filed against ATR, refer to Note 24d2.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

d. Investment in CTY (a subsidiary)

- As of December 31, 2021, the Company owns 52.06% interest in CTY's share capital and voting rights (51.79% on a fully diluted basis). CTY's shares are listed for trading on the Helsinki Stock Exchange, Finland (OMX). As of December 31, 2021 the market price of CTY share was EUR 7.00 and CTY has 178 million shares outstanding.

	December 31, 2021		December 31, 2020	
	Carrying amount	Market value	Carrying amount	Market value
	NIS in millions			
Shares	3,254	2,157	3,473	2,722

2. Summarized IFRS financial information of CTY

Summarized statements of financial position -

	December 31	
	2021	2020
	NIS in millions	
Current assets	1,041	897
Non-current assets	15,865	17,560
Current liabilities	(468)	(1,400)
Non-current liabilities	(7,676)	(8,514)
Net assets	8,762	8,543
Allocated to:		
Equity holders of the company	3,254	3,473
Non-controlling interests	5,508	5,070
	8,762	8,543

Summarized cash flow statements -

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Net cash provided by operating activities	484	493	541
Net cash provided used in investing activities	(39)	(610)	(137)
Net cash provided by (used in) financing activities	(412)	158	(392)
Exchange differences on balances of cash and cash equivalents	1	4	(1)
Increase in cash and cash equivalents	34	45	11

- CTY have several share compensation plans based on restricted share units (RSUs) for managers and key employees of up to 905 thousands shares which will be paid primarily in shares, but also partly in cash upon meeting certain conditions. During 2021, approximately 114 thousands shares were allotted under these plans (including share compensation plans that ended during 2021).

NOTE 8: - INVESTMENT IN INVESTEES (Cont.)

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.

In June, 2021, 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 and as non-controlling interests in the Company's financial statements.

The hybrid bond does not confer on their holders the rights of a shareholder nor they dilute the holdings of the current shareholders.

The hybrid bond carry a fixed interest rate of 3.625% per year until the date of the first interest reset date. CTY can redeem the hybrid bond for the first time on September 10, 2026.

The hybrid bonds are treated as an equity in CTY's consolidated financial statements which prepared in accordance with International Financial Reporting Standards (IFRS). These bonds are unsecured and are inferior to other liabilities other than share capital. In addition, the Hybrid bonds do not give their shareholders the rights of a shareholder, or dilute the existing shareholders.

5. In November and December 2021, CTY made share buyback amounting to approximately 9.8 million shares, for a total consideration of approximately EUR 68.5 million (approximately NIS 241 million). As a result of the share buyback, the Company's holding in CTY increased from 49.19% to 52.06%. As a result of the share buyback, the Company recognized an increase in the equity attributable to the Company's shareholders of approximately NIS 60 million, which was carried to capital reserves.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: - INVESTMENT IN INVESTEEES (Cont.)

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.

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.

In total, the Company recognized a reduction in its shareholders' equity of NIS 527 million.

After the completion of the transaction the Company held (through a wholly-owned subsidiary) approximately 21.6 million FCR shares represented 9.9% of FCR voting rights, and 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 for a total consideration of NIS 771 million.

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, 2021 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:-

	December 31	
	2021	2020
	NIS in millions	
Loans to co-owners in development projects and to others	72	118
Other non-current deposits	129	14
Tenants and Others	97	113
	298	245
Less - current maturities	-	15
	298	230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: - FINANCIAL ASSETS

	December 31	
	2021	2020
	NIS in millions	
<u>Financial assets at fair value through other comprehensive income</u>		
Marketable shares (1)	32	33
Participating units in private equity funds (2)	91	89
	<u>123</u>	<u>122</u>
Classified within current assets	32	33
Classified within non-current assets	91	89
	<u>123</u>	<u>122</u>
<u>Financial assets at fair value through profit and loss</u>		
Marketable shares (1)	740	647
Marketable debentures (1)	12	13
Marketable mutual funds (1)	71	-
Participating units in private equity funds (2)	62	56
	<u>885</u>	<u>716</u>
Classified within current assets	823	660
Classified within non-current assets	62	56
	<u>885</u>	<u>716</u>
Total financial assets	<u>1,008</u>	<u>838</u>

- (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) (level 3 in the fair value hierarchy).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: - INVESTMENT PROPERTY

a. Movement

	December 31	
	2021	2020
	NIS in millions	
Balance as of January 1	32,781	33,837
Acquisitions and capital expenditures	797	1,377
Transfer from investment property under development, net	(722)	32
Dispositions	(1,341)	(315)
Valuation gains (loss), net	682	(1,389)
Foreign exchange differences	(2,763)	(761)
Balance as of December 31	29,434	32,781
Composition:		
Investment property	28,903	31,828
Assets classified as held for sale (Note 7)	531	953
	29,434	32,781

- 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 (97.58% as of December 31, 2021 and 98.96% during 2021 - 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 Chartered 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 2021, there were no transfers of investment property from level 3 and to level 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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
<u>Average cap rates</u>					
December 31, 2021	5.4	6.8	6.4	7.2	4.6
December 31, 2020	5.6	6.8	6.5	6.8	4.6

	EUR	EUR	NIS	BRL	U.S.\$
<u>Monthly average market rent per square meters</u>					
December 31, 2021	26	15	137	69	42
December 31, 2020	26	16	136	69	50

*) 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
<u>December 31, 2021</u>	NIS in millions				
Increase of 25 basis points in capitalization rate	(617)	(300)	(131)	(42)	(74)
Decrease of 25 basis point in capitalization rate	677	325	142	43	84
Increase of 5% in net operating rental income (NOI)	697	405*)	174	116	60
Increase of 5% in average market rent	927	405*)	191	77	81

*) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: - INVESTMENT PROPERTY UNDER DEVELOPMENT

a. Movement and composition

	December 31	
	2021	2020
	NIS in millions	
Balance as of January 1	2,456	2,233
Acquisitions and development costs	1,256	531
Transfers to investment property, net	722	(32)
Dispositions	(302)	(109)
Valuation losses, net	(61)	(145)
Foreign exchange differences	(285)	(22)
Balance as of December 31	3,786	2,456
Composition:		
Lands held for sale (note 7)	3	217
Land for future development	1,333	890
Investment property under development	2,450	1,349
	3,786	2,456

- 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 (32.9% 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 2021 there were no transfers of investment property under development and lands from level 3 and to level 3.

As of December 31, 2021, the fair value of approximately 55.0% of the investment property under development and lands has been assessed by external appraisers (approximately 83.0% during 2021), and the remainder was performed internally using standard valuation techniques, inter alia, based on market inputs received from the external appraisers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: - INVESTMENT PROPERTY UNDER DEVELOPMENT (cont.)

- c. During 2021, the Group capitalized to property under development borrowing costs amounting to NIS 28 million (in 2020 - NIS 25 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	Israel	United States
<u>December 31, 2021</u>				
Increase of 5% in expected project cost	(18)	(14)	-	(12)
Increase of 5% in expected NOI	86	20	-	50
Increase of 25 basis points in capitalization rate	(94)	(4)	-	(26)
Decrease of 25 basis points in capitalization rate	105	14	-	9
Increase of 5% in the selling price per sq.m	-	9	32	-

- e. In respect of charges, refer to Note 27.

NOTE 13: - FIXED ASSETS, NET

Fixed assets include mainly office buildings partly in use by the Group companies, which are not defined as investment property, construction equipment and others.

a. Composition

	December 31	
	2021	2020
	NIS in millions	
Buildings	38	39
Software, computers and office equipment	55	63
Right of use assets	21	24
Other (mainly leasehold improvements)	39	46
	<u>153</u>	<u>172</u>

- b. Regarding depreciation expenses recognized in profit and loss, refer to note 30.
- c. As for charges, refer to Note 27.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: INTANGIBL

Composition

	December 31	
	2021	2020
	NIS in millions	
Goodwill (1) (2)	512	556
Value attributed to assets managed and leased (3)	-	46
	<u>512</u>	<u>602</u>

- (1) The carrying amount of goodwill as of December 31, 2021 and 2020 attributed to assets in Norway

Movement in goodwill for the year ended December 31, 2021

	<u>NIS in millions</u>
Balance as of January 1	556
Foreign exchange differences	(44)
Balance as of December 31	<u>512</u>

- (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:

	Denomination	Weighted average interest rate	December 31	
		December 31	2021	2020
		2021*)	NIS in millions	
Credit from banks:	EUR	-	-	339
Credit from other financial institutions:	Unlinked NIS	0.8	167	167
	EUR	-	-	791
	Swedish Krona	-	-	69
			<u>167</u>	<u>1,366</u>
Total short-term credit			<u>167</u>	<u>1,366</u>

*) Variable interest

- b. As for charges, see 27

NOTE 16: - CURRENT MATURITIES OF NON-CURRENT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Composition:

	Refer to Note	December 31	
		2021	2020
		NIS in millions	
Current maturities of debentures	19	1,331	478
Current maturities of interest bearing non-current liabilities	20	463	144
		<u>1,794</u>	<u>622</u>

NOTE 17: - TRADE PAYABLESComposition

	December 31	
	2021	2020
	NIS in millions	
Open accounts and accrued expenses	169	114
Checks payable	12	17
	<u>181</u>	<u>131</u>

NOTE 18: - OTHER ACCOUNTS PAYABLEa. Composition

	December 31	
	2021	2020
	NIS in millions	
Interest payable	129	132
Government institutions	84	48
Deferred income and deposits from tenants	125	122
Employees	70	60
Dividend payable to non-controlling interests	10	-
Other provisions (including for legal proceedings)	16	73
Accrued expenses	203	180
Dividend payable to shareholders of the Company	46	45
Other payables	109	92
	<u>792</u>	<u>752</u>

- b. Out of the total balance of other accounts payable, an amount of NIS 341 million is denominated in Euro, NIS 120 million is denominated in non-linked NIS and NIS 98 million is denominated in SEK.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: - DEBENTURES

a. Composition

			Outstandin g par value amount	Nominal Interest rate	Effective interest rate	Carrying amount December 31	
			NIS			2021	2020
item	Denomination		in millions	%	%	NIS in millions	
<u>The Company:</u>							
Debentures (series D)		Israeli CPI	-	-	-	-	257
Debentures (series K)	c6	Israeli CPI	1,078	5.35	4.27	1,164	1,147
Debentures (Series L)	c5	Israeli CPI	2,940	4.00	3.67	3,044	2,987
Debentures (Series M)	c4	Israeli CPI	1,783	2.78	2.90	1,751	1,798
Debentures (Series N)	c3	Israeli CPI	1,254	1.29	2.27	1,219	919
Debentures (Series O)	c2	Israeli CPI	328	1.08	1.30	333	324
Debentures (Series P)	c1	Israeli CPI	780	1.25	1.29	782	-
Total of the Company						8,293	7,432
<u>Consolidated companies:</u>							
CTY debentures	d	EUR	5,456	2.00	2.32	5,372	5,643
		Norwegian					
CTY debentures	d	Krone	810	3.40	3.41	807	862
		Norwegian					
CTY debentures	d	Krone	282	3.17	3.17	281	432
ATR debentures	e	EUR	3,301	2.99	3.31	3,301	2,843
						18,054	17,212
Less - current maturities of debentures						1,331	478
						16,723	16,734

*) As for cross-currency swap transactions entered in respect of part of the debentures, see Note 34c.

**) Variable interest

Maturity dates

Denomination	December 31, 2021						Total
						Year 6 and thereafter	
	Year 1	Year 2	Year 3	Year 4	Year 5		
	NIS in millions						
NIS linked to Israeli CPI	786	967	1,152	1,059	1,098	3,231	8,293
EUR	545	-	1,906	1,724	1,213	3,285	8,673
Norwegian Krone	-	281	-	807	-	-	1,088
	1,331	1,248	3,058	3,590	2,311	6,516	18,054

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: - DEBENTURES (Cont.)

b. Additional information on the Company's debentures

1. In August 2021, the Company issued, by way of a shelf offer, NIS 453 million par value debentures (Series P), for a net consideration of NIS 447 million, representing effective interest rate of 1.47%. In October 2021, the Company issued, by way of expanding tradable series NIS 447 million par value (Series P) secured in ATR shares, for a net consideration of NIS 333.1 million, representing effective interest rate of 1.03% (linked).

The debentures are linked to the increase in the consumer price index, and bear fixed annual interest at the rate of 1.25% that is payable twice a year on March 31 and September 30 in each of the years 2021 to 2029 (inclusive) and mature as follows: the first installment (12.5% of the principal) is payable on March 31, 2024, the second installment (25% of the principal) is payable on March 31, 2027, the third installment (20% of the principal) is payable on March 31, 2028, and the fourth installment (42.5% of the principal) is payable on March 31, 2029. To secure the debentures (series P), a fixed charge was placed on ATR shares held by a wholly owned subsidiary of the Company Which at this date constitute 25.2% of the issued and paid-up capital of ATR, on the account in which the shares are deposited as well as all the ancillary rights of the companies encumbered accordingly and all deposited on the encumbered, except exceptions ("the lien"), all as specified in section 5 of the trust deed.

The scope of the pledge is determined according to the debt-to-value ratio (LTV) ratio of 65%, which is calculated in accordance with the net asset value (EPRA NRV) of ATR share, as specified in the trust deed. The Company is required to comply with the LTV as aforesaid at specific inspection dates specified in the deed, including deletion of the pledged shares from trading, expansion of series, sale of pledged shares, exchange of pledges, and distribution of a special dividend in ATR (higher than the monetary threshold set in the deed).

Accordingly, with the deletion of ATR shares from trading and the distribution of the dividend on the date of completion of the ATR merger transaction, additional ATR shares were pledged in favor of the bondholders (Series P).

The company has the option of mortgaging shares and financial collateral for the benefit of the debentures (Series P).

In parallel, the Company engaged with the trustee in a parallel debt agreement, and to create a valid lien under Swiss law, according to which the Company undertook to the trustee, in a separate and independent obligation as a direct creditor of the Company, to pay amounts equal to the amounts be paid to the debentures holders and on the same dates.

In addition, the Company and its subsidiary entered into a control agreement with the trustee and custodian in connection to the account of the pledged shares and anything in it, according to which the custodian will act solely in accordance with the trustee's instructions regarding the assets deposited in this account.

As part of the issuance of the debentures (Series P), the Company has undertaken, inter alia, to comply with the following main covenants, the breach of which will entitle the holders of the debentures (series P): (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 450 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 Baa3 by Midroog.

The Company has also made other undertakings to the holders of the debentures (series P), 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, a going concern notice for two consecutive quarters, events involving the wholly owned subsidiary holding the pledged

shares, 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.

with the transformation of ATR into a private company and the delisting of its shares from trading, the Company also undertook not to distribute a dividend in ATR, to the extent that the leverage ratio of the ATR Group shortly after the distribution date exceeds 0.6; And the leverage ratio (which will be tested twice a year) shall not exceed 0.6, subject to a remedy period of two consecutive quarters after the relevant examination date.

It was also determined that a decrease in the credit rating below (-il.BBB) of S&P Maalot, or a corresponding rating of another rating company, will result in an increase in interest rates by a total of up to 3% on the terms and steps set out in the bond.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: - DEBENTURES (Cont.)

2. The Company has outstanding debentures (Series O) which are guaranteed by a permanent lien registered on 4 real estate assets owned by the Company, the aggregate value of which at the date of the report is approximately NIS 478 million.

As part of the issuance of the debentures (Series O), the Company has undertaken, inter alia, to comply with the following covenants: (a) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 850 million for three consecutive quarters; (b) the consolidated equity (excluding non-controlling interests) is to be maintained at a minimum amount of USD 400 million for one quarter; (c) the ratio of interest-bearing liabilities, net to total assets will not exceed 75% for three consecutive quarters; (d) the debentures rating will be higher than BBB- by S&P Maalot and less than Baa3 by Midroog.

The Company has also made other undertakings to the holders of the debentures (Series O), the breach of which will entitle the holders of the debentures to call for the immediate redemption of the debentures, including: change of control in the Company, in the event that another marketable series of debentures of the Company is called for immediate redemption or in the event of the calling for the immediate repayment of non-marketable debentures or a loan from a financial institution of 10% or more of the total gross financial liabilities of the Company as per its reviewed consolidated financial statements (at the end of remedy period), insolvency, change of activity and sale of the Company assets, etc.

The Company has also undertaken not to make a distribution if, among others, the Company's equity decreases below an amount in NIS equals to USD 1 billion as per its consolidated financial statements audited or reviewed.

Additionally, it has been determined that a reduction of the credit rating below il.BBB- of S&P Maalot, or an equivalent rating of another rating agency, will cause the raising of the interest at a total rate of up to 3%, subject to the terms and the margins set out in the debenture.

3. The Company has outstanding debentures (Series N), in which the Company has agreed to comply with the following primary covenants,

the Company outstanding debentures (Series N), in which the Company has agreed to comply with the following primary 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. In 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: - DEBENTURES (Cont.)

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.

On October 2021 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 273.8 million, Under the same conditions as the series bond terms in circulation.

4. 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. In 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.

5. 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.
6. 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;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: - DEBENTURES (Cont.)

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.

7. On March 23, 2022, 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, 2023. 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 21 2021, in the amount of up to NIS 450 million par value, which was in effect until March 31 2022, the Company did not acquired debentures 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.
In addition, S&P Maalot determines the credit rating for bonds (P Series) of the Mortgage Guarantee Company at the 'ilAA-' rating level, with a negative rating outlook.
Following a proposal by a wholly owned subsidiary of the company to purchase the non-controlling interests in ATR, which was completed in 2022, as described in Note 8c5, and the possibilities for increased leverage, the rating company S&P Maalot put the company's ratings on a watch list with negative consequence.
9. On August 19, 2021, the rating company Midroog confirmed the issuer's rating and credit rating for all series of the Company's debentures that are not secured by the 'Aa3.il' rating level, with a negative rating outlook, and also approved the credit rating for debentures (O Series). Of the company secured by a lien at the Aa2.il rating level with a negative rating outlook. In addition, the rating company set the credit rating for the company's debentures (O Series) secured by the 'Aa3.il' rating level, with a negative rating outlook.
10. On October 20, 2021, as part of the expansion of debentures (P N Series), the rating company Midroog confirmed the credit rating for all series of debentures of the company that are not secured by a lien at the rating level 'Aa3.il' with a negative rating outlook. In addition, the rating company confirmed the credit rating for the debentures (O Series) of the company that are secured by a mortgage of real estate in Israel at the level of the rating 'Aa2.il'.
11. On October 20, 2021, as part of the expansion of debentures (series Yad VTZ), the rating company S&P Maalot confirmed the credit rating for all series of the company's debentures that are not secured by the 'ilAA-' rating level with a negative rating Outlook. In addition, the rating company has confirmed the credit rating for the debentures (Series 10) of the company that are secured by the lien of real estate in Israel at the 'ilAA' rating level.
12. After the reporting date, following the completion of the merger with ATR as described in Note 8C5, on January 20, 2022, the rating company S&P Maalot downgraded the credit rating for all series of the Company's debentures not secured by the '+ ilA' rating level, with a stable rating horizon. , As well as the credit rating for debentures (Series 10) of the company guaranteed in the lien to the 'ilAA' rating level with a stable rating outlook.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: - DEBENTURES (Cont.)

13. After the reporting date, following the completion of the merger with ATR, as described in Note 8c5, on January 25, 2022, the rating company Midroog placed under examination with negative implications the credit rating for all series of the Company's debentures.

c. CTY debentures

1. Within the framework of the debenture offering, CTY committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 65% and 25%, respectively. In addition, change of control as defined in the debentures agreement will entitle the holders the right of early redemption of the debentures. As of the reporting date, CTY is in compliance with these covenants.
2. In 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.
3. In March 2021, CTY repurchased by a tender offer, debentures with a par value of EUR 95 million (NIS 375 million) with original maturity date in 2022.
4. On October 19, 2021, CTY exercised its right to redeem its outstanding 2022 notes, which carries an annual interest of 2.375%, at a total amount of EUR 161.7 million (NIS 600 million).

d. ATR debentures

1. As part of the debenture offering, ATR committed to maintain a ratio of total debt to total value of assets and a ratio of secured debt to total value of assets that will not exceed 60% and 40%, respectively. In addition, the minimum consolidated debt coverage ratio (adjusted EBITDA to interest expenses) will be no less than 1.5. Further, for debentures with a maturity date in 2020, a ratio of consolidated unencumbered assets to consolidated unsecured debt will be no less than 150%. As of the reporting date, ATR is in compliance with these covenants.
2. 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.
3. During the report period, ATR repurchased by a tender offer, debentures with a par value of EUR 78 million (NIS 308 million) with original maturity date in 2022.
4. Following the reporting date, following the completion of the acquisition of the ATR Merger, as described in Note 8C5, on January 17, 2022, the rating company Fitch downgraded the long-term ATR issuer rating from 'BBB' to 'BB', with Stable horizon.
5. Regarding the acquisition of ATR debentures by a wholly owned subsidiary of the Company after the reporting date, see Notes 37e.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	In BRL	Total
NIS in millions								
December 31, 2021								
Banks	-	838	133	1,013	1,277	-	-	3,261
Other financial institutions	1,191	-	-	836	-	-	368	2,395
Total	1,191	838	133	1,849	1,277	-	368	5,656
Current maturities	23	180	-	142	118	-	-	463
Net of current maturities	1,168	658	133	1,707	1,159	-	368	5,193
December 31, 2020								
Total	1,187	487	117	923	2,733	377	-	5,824
Net of current maturities	1,165	482	117	820	2,719	377	-	5,680

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	In BRL	Total
NIS in millions							
December 31, 2021							
Fixed interest rate	1,191	-	-	1,232	-	368	2,791
Weighted average effective interest rate (%)	1.4	-	-	4.2	-	5.9	
Variable interest rate	-	838	133	617	1,277	-	2,865
Weighted average effective interest rate (%)	-	1.9	3.7	2.9	2.2	-	

b. Maturity dates

	In NIS linked to CPI	In NIS non linked	In CAD	In USD	In EUR	In BRL	Total
NIS in millions							
December 31, 2021							
Year 1 - current maturities	23	180	-	142	118	-	463
Year 2	332	503	-	265	13	1	1,114
Year 3	13	155	20	417	149	2	756
Year 4	13	-	2	113	18	3	149
Year 5	13	-	2	149	570	20	754
Year 6 and thereafter	797	-	109	763	409	342	2,420
	1,168	658	133	1,707	1,159	368	5,193
Total	1,191	838	133	1,849	1,277	368	5,656

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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 77.5%, based on the equity method accounting.
- e) 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%.
- f) 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.
- g) 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%.
- h) 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.
- i) The ratio of CTY shares held directly and indirectly by the Company shall not be less than 30% of the share capital of CTY.
- j) Ratio of CTY's EBITDA (with certain adjustments) to CTY's net financial expenses shall not be less than 1.6.
- k) 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.
- l) Debt coverage ratios not less than 1.2-1.3.
- m) Debt ratio to annual NOI not exceeding 6.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: - INTEREST-BEARING LOANS FROM BANKS AND OTHERS (Cont.)

- n) The Company and the investee companies have other acceptable financial criteria, such as interest and / or principal coverage ratios, leverage ratios, net operating income ratio (NOI) to debt and other accepted criteria.
- o) Some of the credit documents of the Company and its investees include generally accepted conditions for immediate repayment of the credit, including: non-payment, change of control of the Company or companies whose securities are pledged to secure the credit, restructuring, certain material legal proceedings (including in the context of liquidation and realization proceedings). Assets and execution), cessation of the company's activities, change of the main activity of the company, cessation of trading in the securities secured by the credit or of the company, cross default in certain terms and conditions, holding a minimum amount of shares held by the company, minimum value of unencumbered assets in relation For utilized debt, tenure of certain officers and more.
- p) Some of the Company's financing agreements (which do not amount to material credit) include criteria and additional conditions (such as reasons in connection with trading in shares used as collateral and the Company's shares and their price, rating, change of control, etc.). Stipulated in the agreement, and in the event that it does not do so to the financial institution will have the right to make the financing immediately repayable. In some of the aforesaid agreements, in the event that the Company again meets the criteria set forth in the agreement, it will be entitled to re-utilize the credit by virtue of them.

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.

3. ATR

Financial ratios such as loan to value and interest service ratios.

As of December 31, 2021, and the date of the financial report the Company and its subsidiaries are in compliance with all the aforementioned covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21: - OTHER LIABILITIESComposition

	December 31	
	2021	2020
	NIS in millions	
Tenants' security deposits (1)	47	42
Lease liabilities (2)	296	355
Other liabilities	32	7
	<u>375</u>	<u>404</u>

- (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 141 million in Polish Zloty, NIS 101 million in Norwegian Krone, NIS 23 million in SEK and NIS 15 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TAEXS ON INCOME

a. Tax laws applicable to the Group in Israel1. 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 2019-2021 is 23%.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TAEXS ON INCOME (Cont.)

c. Taxation in Canada

The taxable income of the Group companies is subject to the effective corporate tax (Federal and Provincial) which ranges between 23% 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 2021 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.

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 starting from 2019 is 22%. 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 2021 is 20.6%. The rate of withholding tax for dividend distribution by a Swedish resident company under the domestic law is 30%. Generally, dividend distribution to a company similar to a Swedish limited liability company, and which is not considered as a company registered in a tax shelter, is not subject to withholding tax (except in specific instances).

g. Taxation in Netherlands

In 2021 the corporate tax rate in the Netherlands on an income greater than EUR 245,000 is 25% (the corporate tax rate on an income less than EUR 245,000 is 15%).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TAEXS ON INCOME (Cont.)

h. Taxation in Germany

Generally, the corporate tax rate (including the solidarity tax) in Germany is 15.825% (assuming that the company is not subject to trade tax, otherwise – 30%). Distribution of profits from a German resident partnership to the Dutch resident company partners is not taxable in Germany according to domestic law. Payment of interest to a foreign resident from Germany is exempt from withholding tax in Germany according to the domestic law, except under certain circumstances. Capital gains on the disposal of shares of a German company may be taxable in Germany, however, 95% of the gain may be tax exempt in Germany, if the conditions of the German participation exemption apply.

i. Taxation in Jersey Island

The corporate tax rate on the Island of Jersey is 0% (except in relation to specific fields of activity which are subject to tax at a rate of 10% or 20%). The 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 the corporate tax rate is 20%.

Starting from 2019, Jersey Islands applies laws and regulations relates to the Economic Substance. According to the new legislation, companies and partnerships incorporated in the Island will be required to report, among other things, about their type of activity, and to keep the Economic Substance rules on the land of Jersey Islands (I.e., employees, offices, management, level of expenses, etc.) subject to their type of activity.

j. Taxation in Poland

Operations in Poland are carried out through Polish companies indirectly 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. The withholding tax rules are effective starting from January 1, 2022.

In addition, several indirect subsidiaries 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TAEXS ON INCOME (Cont.)

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 through 2016.

On December 28, 2021, the Company received a tax assessments (best judgment assessments) for the years 2016-2018, the main issues are attribution of financing expenses and the classification of redemption of Preferred shares as a dividend. The company disputes the assessments and believes that it has good claims against it. The company intends to submit an objection on it.

The Company and its consultants assume that the tax assessments do not materially affect the Company's financial statements.

On December 30, 2021, a fully owned subsidiary, which was merged with and into the Company (see section p below), received a tax assessment (best judgment assessments) for 2016, the main issue is attribution of financing expenses. The company disputes the assessments and believes that it has good claims against it. The company intends to submit an objection on it.

The Company and its consultants assume that the tax assessments do not materially affect the Company's financial statements.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TAXES ON INCOME (Cont.)

q. Carry-forward losses for tax purposes as at December 31, 2021

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 306 million as at the reporting date (in 2020, NIS 401 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 7 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 551 million (in 2020, NIS 564 million), for which deferred tax assets have been recognized at an amount of NIS 113 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 2020, NIS 1 billion), for which deferred tax assets have been recognized at an amount of NIS 31, million.

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			
<u>Balance as of January 1, 2019</u>	(2,397)	413	(46)	(2,030)
Amounts carried to foreign currency translation reserve	201	(4)	(18)	179
Amounts carried to other comprehensive loss	-	-	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
<u>Balance as of December 31, 2019</u>	(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
<u>Balance as of December 31, 2020</u>	(2,118)	554	(142)	(1,706)
Amounts carried to foreign currency translation reserve	238	(16)	6	228
Amounts carried to other comprehensive income	-	-	4	4
Amounts carried to income statement	(284)	(86)	(150)	(520)
<u>Balance as of December 31, 2021</u>	(2,164)	452	(282)	(1,994)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TAXES ON INCOME (Cont.)

The deferred taxes are calculated at tax rates ranging between 19% and 29.85% (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:

Deferred taxes are presented as follows

	December 31	
	2021	2020
	NIS in millions	
Within non-current assets	63	66
Within non-current liabilities	(2,057)	(1,772)
	<u>(1,994)</u>	<u>(1,706)</u>

s. Taxes on income (tax benefit) included in the income statements

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Current taxes (1) (2)	197	89	403
Taxes in respect of prior years	(27)	(101)	(8)
Deferred taxes	<u>520</u>	<u>(135)</u>	<u>72</u>
	<u>690</u>	<u>(147)</u>	<u>467</u>

(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.

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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: - TAXES ON INCOME (Cont.)

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Income before taxes on income	1,729	(1,033)	1,283
Statutory tax rate	23.0%	23.0%	23.0%
Tax calculated using statutory tax rate	398	(237)	295
Increase (decrease) in taxes resulting from permanent differences - the tax effect:			
Tax exempt income, income subject to special tax rates and nondeductible expenses	16	(41)	(163)
Change in taxes resulting from carry-forward tax losses and other temporary differences for which no deferred taxes were provided, net	331	22	390
Deferred taxes and other temporary differences with respect to prior years	15	76	(62)
Deferred taxes with respect of tax rate changes	3	-	-
Taxes with respect to prior years	(29)	(101)	(8)
Taxes with respect to Company's share in earnings of equity-accounted investees, net	1	(9)	(10)
Difference in tax rate applicable to income of foreign companies and other differences	(45)	143	25
Taxes on income (tax benefit)	690	(147)	467
Effective tax rate	39.9%	-	36.4%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS

a. Engagements1. 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.

After the reporting period, ATR merger transaction with a wholly-owned subsidiary was completed, for further details see Note 8c'5.

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.

In April 2021, the agreement expired in accordance with its terms, as a result of sale of part of CPPIBEH 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
	2021
	NIS in
Year 1	1,113
Years 2 to 5	2,959
Year 6 and thereafter	2,864
Total	<u>6,936</u>

4. For information about engagements with related parties, see Note 35.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

b. Guarantees

1. As at December 31, 2021, 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 636 million (as at December 31, 2020, 678 million).
2. The Company guarantees an unlimited amount to banks to secure credit received by wholly-owned subsidiaries of the Company. Total guaranteed credit facilities and loans (principal) as at December 31, 2021 and 2020 amounted to NIS 513 million and NIS 1,845 million, respectively. Total utilized credit facilities and the loans (principal) as at December 31, 2021 and 2020 amounted to NIS 188 million and NIS 1,398 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, 2021, amounted to NIS 411 million (as at December 31, 2020, NIS 917 million).
2. As of the reporting date, CTY has a contingent liability to refund input VAT received of approximately NIS 381 million (as at December 31, 2020, NIS 360 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 and 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 2.7 million.
Additionally, to date, the criminal proceedings against Julius Meinel 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

It is uncertain whether this legislation, which came into effect in 2006, applies to ATR. In any event, ATR believes that it should not be held accountable for the aforesaid events and therefore intends to actively defend itself against these proceedings.

3. In July and August 2014, a number of lawsuits were filed with the Economic Affairs Division of the Tel Aviv District Court to certify lawsuits as class actions, against U.Dori Construction Ltd. (“Dori Construction”), U.Dori Ltd. (“Dori Group” presently – Amos Luzon Development and Energy Group Ltd.), their directors and officers and their auditors, as well as against G Israel and the Company. The motions deal with damage allegedly caused to the public that have invested in Dori Construction and/or Dori Group, as the case may be, as a result of the publication of allegedly misleading information in the reporting of Dori Construction, including in its financial statements, and as a result of failing to report, at the appointed time, material adverse information concerning the financial results and the financial position of Dori Construction, and consequently, concerning the financial results of Dori Group.

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.

In April 2021, the Insolvency Court rejected the petition and ruled that it was not possible to continue the proceedings in the case of Dori Construction.

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. In November 2021, the Supreme Court denied the request to appeal, after ruling that the hearing was superfluous.

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 and the court granted it.

Accordingly, the court ordered the claimants to file an amended petition for approval of a class action, which would address the insurer's alleged liability, and an amended petition as well as the claimants response to the answers filed.

In December 2021, another hearing was held before the court, in which the court tried to bring the parties to compromise-based agreements reached by the parties in 2019 (as detailed above).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24: - CONTINGENT LIABILITIES AND COMMITMENTS (Cont.)

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.

After the reporting date, in February 2022, the parties agreed to the court's proposal, and are now working to draft and sign on a settlement agreement.

4. In February 2022, an application was submitted to the Tel Aviv District court under the Promotion of Competition and Reduction of Centralization, 2013 law, for the appointment of a trustee to buy the Company's control. The matter of the application is an agreement signed between Mr. Chaim Katzman, the company's CEO and controlling shareholder, and related parties, for the sale of Norstar shares to Israel Canada (TR) Ltd., and the transformation of the Katzman Group and Israel Canada into joint shareholders in Norstar following this agreement. Therefore, and bearing in mind that Israel Canada is also a public company whose shares are traded on the Tel Aviv Stock Exchange, it has been argued that section 21 of the Centralization Law has been violated, prohibiting the existence of control pyramids in which more than two "stratification companies" (as defined in the Centralization Law). Along with the Company, the other respondents to the application for the appointment of a trustee are Mr. Katzman, Norstar Holdings Inc., Israel Canada and the official receiver of the State of Israel. As part of the application for the appointment of a trustee, additional remedies were also requested, including the provision of voting rights in the company as long as a trustee was not appointed, and a statement that Katzman and Israel Canada jointly control Norstar. On February 3, 2022, the court ordered the respondents to file their response within 60 days.

e. VAT assessments

On August 1, 2021, the Company's received VAT assessments (best judgment assessments) for the years 2017-2020, mainly regarding the issue of "import" financing services in relation to loans from Foreign subsidiaries, and in addition regarding offsetting VAT inputs as "Holding Company". The Company disputes the VAT assessments and believes that it has good claims against it. The company submitted an objection on it.

The Company and its consultants assume that the assessments issued do not materially affect the Company's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: - EQUITY

a. Composition

	December 31, 2021		December 31, 2020		January 1, 2020	
	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	(* 151,820,662)	500,000,000	(* 151,402,135)	500,000,000	184,459,510

b. Movement in issued and outstanding share capital

	2021	2020	2019
	Number of Shares		
Balance as of January 1 *)	151,402,135	184,459,510	191,842,812
Exercise of share options (employees and officers)	-	-	3,748
Vesting of RSUs (employees and officers)	287,403	99,584	65,422
Issue of shares (employees and officers)	131,124	-	16,109
Issue of restricted shares (employees and officers)	-	-	103,096
Cancellation of shares held by the Company	-	(33,156,959)	(7,571,677)
Balance as of December 31 *)	151,820,662	151,402,135	184,459,510

*) As of December 31, 2021 and December 31, 2020 of which NIS 56,430 par value of shares held by the Company.

c. Composition of other capital reserves:

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Financial assets at fair value through other comprehensive income	24	(* -	11
Transactions with controlling shareholder	147	147	147
Transactions with non-controlling interests	984	734	482
Share-based payment	29	35	30
Revaluation reserve of cash flow hedges	(32)	(74)	(35)
	1,152	842	635

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

d. Supplementary information regarding to other comprehensive income (loss)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: - EQUITY (Cont.)

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Exchange differences on translation of foreign operations			
from continuing operations	(1,862)	(1,182)	(2,100)
Realization of capital reserves on sale of an associate	-	-	68
Tax effect	-	7	45
	(1,862)	(1,175)	(1,987)
Gain (loss) with respect to cash flow hedges from continuing operations	58	(34)	(40)
Realization of capital reserves on sale of an associate	-	-	5
Company's share in other comprehensive income (loss) of equity-accounted investees	5	(7)	(5)
Tax effect	(6)	-	-
	57	(41)	(40)
Loss with respect to Financial assets at fair value through other comprehensive income	16	(82)	(39)
Tax effect	11	8	-
	27	(74)	(39)
Total other comprehensive income (loss)	(1,778)	(1,290)	(2,066)

e. Composition of non-controlling interests

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Share in equity of subsidiaries *)	4,526	5,568	2,017
Hybrid bonds issued to non-controlling interests **)	3,707	1,425	-
Share options, warrants and capital reserve from share-based payment in subsidiaries	15	24	-
	8,248	7,017	2,017

*) Including capital reserves and acquisition-adjustments.

**) For further details regarding the issuance of hybrid bonds to non-controlling interests, refer to Note 8c5 and Note 8d4.

f. Dividends

Pursuant to the Company's policy, the Company announces every year the anticipated annual dividend. In March 2022, the Company announced that the quarterly dividend for 2022 would be NIS 0.32 per share (total amount of dividend to be declared in 2022 would be NIS 1.28 per share, instead of a dividend of NIS 1.2 per share in 2021).

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.

In 2021, the Company declared and paid dividends in the total amount of NIS 181 million (NIS 1.2 per share), in 2020, NIS 264 million (NIS 1.59 per share), in 2019, NIS 299 million (NIS 1.62 per share).

For information about the declaration of a dividend subsequent to the reporting date, refer to Note 37a.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: - EQUITY (Cont.)

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 March 23, 2022, the Company's Board of Directors resolved to adopt a new plan for the buy-back of the Company's shares in an amount of up to NIS 250 million, valid until March 31, 2023. 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).

The plan replacing the former plan from March 22, 2021, in an amount of up to NIS 250 million valid until March 31, 2022. No shares were purchased under the former plan.

i. Issue of shares and warrants after the reporting period

In February 2022, according to a shelf prospectus, the Company issued 12.5 million ordinary shares of the Company of NIS 1 par value each and 6.25 million warrants (non-marketable) to institutional investors. The consideration for the issue, less issue expenses, amounted to approximately NIS 406 million.

In addition, the Company's Board of Directors approved a private issue to the Company's controlling shareholder, Norstar, an allotment of 2 million ordinary shares and 1 million warrants, subject to the approval of the Company's General Meeting (by a majority of minority shareholders) on the same terms as institutional investors.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2021, 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:

	2021		2020	
	Number of	Weighted	Number of	Weighted
	options	average	options	average
		exercise		exercise
		price		price
		NIS		NIS
Share options at beginning of year	8,605,564	32.77	4,361,927	38.93
Share options granted	130,163	20.41	4,436,201	26.54
Share options canceled	-	-	(119,637)	31.13
Share options forfeited	(7,216)	33.35	(60,091)	22.76
Share options expired	(859,579)	33.26	(12,836)	37.38
Share options at end of year	<u>7,868,932</u>	<u>32.51</u>	<u>8,605,564</u>	<u>32.77</u>
Share options exercisable at end of year	<u>1,532,234</u>	<u>28.41</u>	<u>970,513</u>	<u>33.49</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26: - SHARE-BASED COMPENSATION (Cont.)

- d. The following table presents the movement in units of the Company RSUs and PSUs:

	2021	2020
	RSUs	RSUs
Units at beginning of the year	652,216	171,711
Units granted	82,548	612,096*)
Units canceled	-	(21,386)
Units forfeited	(2,292)	(10,621)
Units Vested	(287,403)	(99,584)
Units at end of year	445,069	652,216

- *) 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 2021, approximately 229 thousand shares were allotted according to this plan (in 2020- approximately 98 thousand restricted shares which realized during 2021), according to the terms of the plan.

In May 2021, the Company granted to a CEO of a subsidiary the right to receive Company's shares at a value of USD 0.8 million, the vesting period set to one year starting from the equity compensation grant date.

As at the reporting date, the maximum value remaining is for 101 thousand shares.

- f. The expenses recognized in the income statement for the share-based compensation in 2021, 2020 and 2019, amounted to NIS 9 million, NIS 10 million and NIS 7 million, respectively.

g. Cash-settled transactions

As of the reporting date there is no RSUs that are settled in cash (as at December 31, 2020, 60 thousand RSUs).

As of December 2021, there is no liability relating to cash settled compensation. (in 2020, NIS 1 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	
	2021	2020
	NIS in millions	
Non-current liabilities (including current maturities)	5,200	3,889
Debentures (including current maturities) (1)	1,110	324
	<u>6,310</u>	<u>4,213</u>

NOTE 28: - RENTAL INCOME

In 2019-2021, 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		
	2021	2020	2019
	NIS in millions		
Salaries and related expenses	71	76	81
Property tax and other fees	82	86	87
Maintenance and repairs	174	173	196
Utilities	144	147	188
Insurance and security	71	71	79
Allowance for bad debts	40	95	12
Others	132	112	134
	<u>714</u>	<u>760</u>	<u>777</u>

NOTE 30: - GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Salaries and management fees (1)	226	199	208
Professional fees	47	60	64
Depreciation	26	25	24
Other (including office maintenance) (2)	43	68	64
	<u>342</u>	<u>352</u>	<u>360</u>

- (1) As for salaries and management fees to related parties, see 35b
 (2) Net of income management fees from related party, 35a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 31: - OTHER INCOME AND EXPENSES

a. Other income

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Capital gain on assets disposal	-	6	20
Others	16	12	15
	<u>16</u>	<u>18</u>	<u>35</u>

b. Other expenses

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Loss from decrease in holding interest, revaluation and realization of associate, net	-	-	345*)
Capital loss (including transaction expenses)	32	-	4
Other **)	<u>26</u>	<u>36</u>	<u>64</u>
	<u>58</u>	<u>36</u>	<u>413</u>

*) For details regarding the recorded loss in the sale of 58 million FCR's shares, see Note 8e

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 32: - FINANCE EXPENSES AND INCOME

a. Finance expenses:

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Finance expenses on debentures	563	502	591
Finance expenses on loans from financial institutions and others	165	186	189
Loss from early redemption of borrowings and derivatives	39	31	236
Finance expenses on lease transactions	7	20	25
Loss from investments in securities	-	29	-
Finance expenses in respect of CPI linkage differences	213	(35)	31
Exchange rate differences and others	62	98	59
Finance expenses capitalized to real estate under development	(32)	(25)	(13)
	<u>1,017</u>	<u>806</u>	<u>1,118</u>

b. Finance income:

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Gain from investments in securities	234	-	16
Dividend income	27	39	64
Interest income from investees	27	22	21
Interest income	15	12	39
Revaluation of derivatives *)	581	36	808
Exchange rate differences and others	2	-	15
	<u>886</u>	<u>109</u>	<u>963</u>

*) Mainly from swap hedging transactions.

NOTE33: - NET EARNINGS PER SHARE

Details about the number of shares and net income used in calculation of net earnings per share:

	Year ended December 31,					
	2021		2020		2019	
	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	151,604	646	166,983	(653)	185,254	655
Effect of dilutive potential ordinary shares	442	-	-	(2)	460	(6)
For the calculation of diluted net earnings per share	<u>152,046</u>	<u>646</u>	<u>166,983</u>	<u>(655)</u>	<u>185,714</u>	<u>649</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 light of the fluctuations in foreign exchange rates relative to the NIS in the past two years, the Company's Board of Directors has decided to apply hedging transactions to increase equity exposure to the NIS, so that the equity ratio exposed to the NIS will be up to 40% of equity. Also, the Company management examining the currency linkage balance on an ongoing basis and responds in accordance with developments in exchange rates, 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, 94.9% of the Group's liabilities (86.1% excluding interest rate swaps) bear fixed interest (as at December 31, 2020 - 86.2%, 76.3% excluding interest rate swaps). For further information about regarding interest rates and the maturity dates, see also Notes 19 and 20.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

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, 2021 is NIS 855 million (as at December 31, 2020, NIS 693 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.

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 signed 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

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, 2021		December 31, 2020	
	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
NIS in millions					
<u>Financial assets</u>					
Non-current deposits and loans	3	106	106	129	129
<u>Financial liabilities</u>					
Debentures	1/2	18,054	18,973	17,212	17,309
Interest-bearing loans from banks and others	2	5,656	5,853	5,824	5,714
		23,710	24,826	23,036	23,023
Total financial liabilities, net		(23,604)	(24,720)	(22,907)	(22,894)

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, 2021, the fair value of debentures in a total amount of NIS 3.4 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, 2020, NIS 2.9 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 valuers, 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

- *) 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	
	2021	2020
	NIS in millions	
<u>Balance at beginning of the year</u>	145	269
Additions	8	-
Capital return	(5)	(5)
Classification to other investments, loans and receivables	-	(70)
Gain through profit or loss	4	7
Revaluation through capital reserve	(1)	-31
Translation adjustments from foreign operations	2	(25)
<u>Balance at end of the year</u>	<u>153</u>	<u>145</u>

The balance represents the participation certificates in private equity funds. For further information refer to Note 10.

In 2021, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	
		31.12.21	31.12.20				31.12.21	31.12.20
<u>Cross currency swaps</u>	EUR-NIS	3,948	4,071	CPI linked, 1.29%-5.78%	Fixed, 2.12%-6.26%	3.6	1,275	580
		-	8	Nominal, 0.71%	Fixed, 1.24%	-	-	(2)
		-	60	Nominal, 2.63%	Variable, L	-	-	12
	USD-NIS	622	635	CPI linked, 1.29%-2.80%	Fixed, 5.84%	4.4	138	49
		-	34	Variable, L	Fixed, 0.43%	-	-	(15)
	CAD-NIS	297	297	Nominal, 4.00%	Fixed, 4.95%	3.8	69	57
				-	-			
	BRL- NIS			CPI linked, 2.60%	CPI linked, 3.45%			
	NOK-EUR			Fixed, 2.38%	Fixed, 4.00%			
	SEK-EUR	1,108	1,241	Fixed, 1.25%	Fixed, 1.18%-1.27%	4.7	8	(15)
<u>Linkage bases swaps</u>	EUR	1,760	-	CPI linked, 4.40%	Fixed, 2.12%-2.86%	2.8	(183)	-
<u>Interest rate swaps fixed/variable</u>	EUR	1	1,180	Variable	Fixed	5.3	(42)	(90)
	USD	664	686	Variable	Fixed	8.6	(1)	(27)
	CAD	114	118	Variable	Fixed	7.8	(3)	(11)
	NOK	282	445	Variable	Fixed	1.9	5	1
<u>Forward contracts</u>	Different currencies	1,134	7,637			short term	2	(41)
<u>Options</u>	EUR-NIS	-	-			short term	(15)	-
							1,253	498
<u>CSA cash collateral, net</u>							(1,076)	(356)
							177	142

*) "L" represents Interbank base-rate related to the currency of the transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Below is the fair value of derivatives designated for hedge accounting included in the above table:

	December 31	
	2021	2020
	NIS in millions	
Assets	44	1
Liabilities	(42)	(95)
	2	(94)

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, 2021

	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)	168	-	-	-	168
Trade payables	182	-	-	-	182
Other accounts payable	721	-	-	-	721
Debentures	1,831	5,187	6,380	6,788	20,186
Interest-bearing loans from financial institutions and others	604	2,135	1,116	2,873	6,728
Lease liabilities	35	73	65	791	964
Other financial liabilities	26	-	-	47	73
	3,567	7,395	7,561	10,499	29,022

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

e. Sensitivity analysis of market risks

Sensitivity analysis of financial balances to absolute changes in interest rates				
	USD interest	CAD interest	EUR interest	NIS interest
	NIS in millions			
<u>Impact on pre-tax income (loss) for the year of a 1% increase in interest rates</u>				
31.12.2021	-	(1)	(13)	(8)
31.12.2020	4	(1)	(40)	(5)

Sensitivity analysis of financial balances of absolute changes in Consumer Price Index				
	+2%	+1%	-1%	-2%
	NIS in millions			
<u>Effect on pre-tax income (loss)</u>				
31.12.2021	(190)	(95)	95	190
31.12.2020	(86)	(173)	173	86

Sensitivity analysis for financial derivative absolute changes in Consumer Price Index				
	+2%	+1%	-1%	-2%
	NIS in millions			
<u>Effect on pre-tax income (loss)</u>				
31.12.2021	56	28	(28)	(56)
31.12.2020	108	54	(54)	(108)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

Effect on pre-tax income (loss)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	+5%	-5%	-10%
	NIS in millions			
<u>31.12.2021</u>				
Change in exchange rate of EUR	(135)	(84)	113	237
Change in exchange rate of USD	170	85	(85)	(170)
Change in exchange rate of CAD	(28)	(14)	14	28
Change in exchange rate of BRL	(148)	(74)	74	148
Change in exchange rate of SEK	(124)	(62)	62	124
Change in exchange rate of NOK	(107)	(53)	53	107
<u>31.12.2020</u>				
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
Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives- relative changes in exchange rates			
	+10%	+5%	-5%	-10%
	NIS in millions			
<u>31.12.2021</u>				
Change in exchange rate of EUR	(86)	(43)	43	86
Change in exchange rate of USD	(118)	(59)	59	118
Change in exchange rate of CAD	10	5	(5)	(10)
<u>31.12.2020</u>				
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)

*) Represent amount less than NIS 1 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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			
<u>31.12.2021</u>				
Change in interest on ERU	395	203	(217)	(449)
Change in interest on USD	147	77	(84)	(175)
Change in interest on CAD	35	18	(19)	(40)
Change in nominal interest on NIS	(25)	(13)	14	28
Change in real interest on NIS	(398)	(203)	210	429
Change in interest on SEK	102	52	(56)	(114)
<u>31.12.2020</u>				
Change in interest on EUR	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)

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis for financial derivatives- absolute changes in interest rates			
	+2%	+1%	-1%	-2%
	NIS in millions			
<u>31.12.2021</u>				
Change in interest on EUR	106	54	(58)	(119)
Change in interest on USD	2	1	(1)	(2)
Change in interest on NOK	9	5	(5)	(10)
<u>31.12.2020</u>				
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)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34: - FINANCIAL INSTRUMENTS (Cont.)

In addition:

1. The sensitivity analysis for changes in interest rates of monetary balances was performed on long-term liabilities with variable interest as at the reporting date.
2. According to the Company's policy, as discussed in section a above, the Company generally hedges its main exposures to foreign currency, among others, through maintaining a high correlation between the currency in which its assets are purchased and the currency in which the liabilities are assumed. Accordingly, economic exposure of assets net of financial balances to changes in foreign currency exchange rates is fairly limited in scope. Nonetheless, there is accounting exposure to changes in foreign currency and interest rates with respect to cross currency swap transactions which were not designated for hedge accounting, as presented in the above table.
3. The main accounting exposure in respect of derivative financial instruments is in respect of fair value changes due to changes in interest, CPI and currency which may have an effect on the profit or loss or directly on equity due to transactions that do not qualify for accounting hedge and transactions that do qualify for accounting hedge, respectively.
4. Cash and cash equivalents, including financial assets that are deposited or maintained for less than one year, were not included in the analysis of exposure to changes in interest.

f. Changes in liabilities from financing activities:

Following is reconciliation between the opening balance and closing balance of liabilities for which the cash flows due to them are classified or will be classified as cash flows from financing activities:

December 31, 2021:

	January 1, 2021	Cash Flow	Foreign exchange movement	Other Changes	December 31, 2021
			NIS in millions		
Short-term loans	1,366	(1,184)	(17)	2	167
Long-term loans	5,824	836	(269)	(735)	5,656
Debentures	17,212	1,756	(960)	46	18,054
Total liabilities from financing activity	24,402	1,408	(1,246)	(687)	23,877

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	4	700	5,824
Debentures	16,405	642	85	80	17,212
Total liabilities from financing activity	22,259	1,230	133	780	24,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Income

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Management fees from the parent company (section e)	1.6	1.7	1.7
Interest income from investees	27	22	21
Dividend income from associates	28	25	145

b. Other expenses and payments

	Year ended December 31					
	2021		2020		2019	
	Number of people	NIS in millions	Number of people	NIS in millions	Number of people	NIS in millions
Directors' fees (1)	6	1.5	7	1.6	9	2.4
Salaries and related expenses (2)	2	8.2	2	7.9	2	7.4

(1) In 2021-2019 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 agreements1. Vice Chairman of the Board of Directors, CEO and the Controlling Shareholder, Mr. Chaim Katzman

- a) As of February 1, 2018, Mr. Katzman serves as Deputy Chairman of the Board and CEO of the Company. Until February 2021 set the terms of Katzman's employment in the group for an agreement approved in June 2018 approved by the General Assembly the terms of employment of Mr. Katzman in the group, after receiving approval from the Compensation Committee and the company's board, which was valid for a period of three. It is the right of each party to cancel the agreement with 180 days' notice ("2018 Agreement").

According 2018 agreement, 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 (in this subsection "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 (in this subsection "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.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

- b) In April 2021, the Company's General Meeting approved the renewal of Mr. Katzman's employment agreement (after receiving approval from the Remuneration Committee and the Company's Board of Directors), for a period of three years, beginning February 1, 2021, subject to each party's right to cancel the agreement 180 days in advance. ("2021 Agreement"). The 2021 agreement stipulates that the remuneration to be awarded to Mr. Katzman will also include a component of an annual grant dependent on measurable performance (replaced by part of the fixed remuneration), as detailed in this section below.

The maximum total annual transaction cost to be paid to Mr. Katzman under the 2021 agreement will not exceed NIS 5.6 million index-linked (in this paragraph "the compensation ceiling") assuming payment of the maximum grant for a relevant year and together with the payments to him for his tenure in subsidiaries. Full of the company, as they will be from time to time.

In respect of his tenure in the Company, Mr. Katzman is entitled to a fixed and ancillary salary as well as an annual grant as detailed below:

Fixed salary - the fixed salary to be paid to Mr. Katzman from the Solo Company (in this paragraph "the fixed salary from the Company") will be calculated as an amount equal to 60% of the difference (in this paragraph "the cost of annual employment in the group") between the compensation ceiling (ie, 5.6 NIS million) and the total cost of the benefits to be paid to Mr. Katzman in practice by the subsidiaries that are not fully owned by the company, as they will be from time to time.

Target-based annual grant - as part of the remuneration ceiling, Mr. Katzman will be entitled to an annual grant of 40% of the annual employment cost of the group, as it will be from time to time up to a maximum of NIS 2,240,000 (assuming Solo will bear the full remuneration ceiling), which will be paid In the following manner and conditions:

Half of the grant (ie, up to a maximum amount of NIS 1,120 thousand) which will be paid in each year in which the annual FFO return on the company's capital (the "return") exceeds 6%.

The balance of the grant, which was not paid in any annual measurement, will be paid at the end of the 3 years of the agreement, if and to the extent that the average annual return during the period of the three years exceeded 6%.

In accordance with the yield data for 2021, Mr. Katzman is entitled to an annual cash grant of NIS 841 thousand for 2021, which includes the balance of the grant of NIS 421 thousand which will be deferred until the end of the agreement period, and subject to meeting the average annual yield, as stated above.

Accordingly, in 2021 Mr. Katzman was entitled to an annual salary reflecting an annual cost to the Company (solo, as of December 31, 2021, based on Mr. Katzman's remuneration data from the Company's subsidiaries in 2021, as set forth below) in the amount of NIS 2,309 thousand.

In addition to the fixed salary, according to the 2018 agreement and the 2021 agreement, Mr. Katzman is entitled to sick and recovery days in accordance with the provisions of the law and 30 days of vacation per year, all provided that the annual employment cost does not exceed the maximum annual employment cost as defined above.

In the event of termination of the transaction or non-renewal of the agreement Mr. Katzman will be entitled to various benefits at a value that can reach up to the sum of the cost of the annual transaction.

In addition, Mr. Katzman is entitled to an exemption, indemnity and insurance on the same terms as the other officers in the company.

In respect of his aforesaid tenure, Mr. Katzman is not entitled to capital compensation.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

- 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 2021, 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 2020 - EUR 165 thousand).

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 2021, Zvi Gordon received a cash bonus of USD 192 thousands (according to the new employment agreement).

In addition, pursuant to the new employment agreement with Mr. Gordon, in March 2021, 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.

NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)

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 allotted to him before their vesting 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.

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 thousand), 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, bookkeeping 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**NOTE 35: - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont.)**e. Entering into an agreement with Moshe Redman

During the reporting period, the company entered into a services agreement with Moshe Redman, who currently serves as a director of the company.

According to the agreement, Mr. Redman provides the company with consulting services to assimilate the field of innovation in the group in the amount of up to 25 monthly hours (on average), and in exchange for 800 NIS per hour plus VAT.

The agreement is for a period of one year, and the company has the right to extend it for another year, as well as each of the parties the right to terminate it with 30 days' notice.

In 2021 the Company has not recorded expenses in respect of this agreement.

f. Balances with related parties

	December 31	
	2021	2020
	NIS in millions	
Interest receivable from joint ventures and equity-accounted investees (Note 6)	26	22
Long term loans to equity-accounted investees (Note 8a)	460	419

g. Subsidiaries:

For details regarding transactions and balances with subsidiaries, see Note 8.

NOTE 36: - SEGMENT INFORMATIONa. 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 and Canada (starting from November 2019).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 36: - SEGMENT INFORMATION(.Cont)

b. Financial information by operating segmentsAs of and for the year ended December 31, 2021

	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							
<u>Segment revenues</u>								
External revenues (2)	1,169	737	249	138	92	34	(123)	2,296
<u>Segment results:</u>								
Gross profit (loss) (3)	798	519	155	108	61	20	(79)	1,582
Depreciation and amortization (3)	7	13	3	*)	*)	*)	4	27
Share in earnings of investees	1	-	-	-	-	-	40	41
Operating income (4)	669	395	132	87	19	9	549	1,860
Revaluation gain (loss) (4)	175	163	213	(100)	206	(3)	(654)	-
<u>Segment assets:</u>								
Current Operating assets (5)	824	129	77	52	2	15	4,456	5,555
Non-current Operating assets (5)	16,223	9,773	4,357	2,268	2,377	361	(1,294)	34,065
Investments in investees	15	-	(6)	-	13	5	1,426	1,453
Total assets	17,062	9,902	4,428	2,320	2,392	381	4,588	41,073
Investments in non-current assets (6)	870	117	641	48	440	-	25	2,141
Segment liabilities (7)	463	433	83	25	23	24	26,467	27,518

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 36: - SEGMENT INFORMATION(.Cont)

As of 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							
<u>Segment revenues</u>								
External revenues (2)	1,218	805	232	139	94	49	(131)	2,406
<u>Segment results:</u>								
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 (loss) (4)	745	452	123	94	16	29	(1,795)	(336)
Revaluation gain (loss) (4)	(702)	(904)	(112)	37	40	(11)	1,652	-
<u>Segment assets:</u>								
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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 36: - SEGMENT INFORMATION(Cont.)

As of and for the year ended December 31, 2019

	Public subsidiaries over which the Company has control		<u>Wholly - owned subsidiaries</u>				Adjustments for consolidated (2)-(7)	<u>Consolidated</u>	
	Northern Europe (1)	Central- Eastern Europe (1)	Israel	Brasil	Unites States (1)	Other segments (1)			
	NIS in millions								
<u>Segment revenues</u>									
External revenues (2)	1,299	1,009	234	218	90	26	(124)	2,752	
<u>Segment results:</u>									
Gross profit (loss) (3)	907	705	171	199	61	16	(84)	1,975	
Depreciation and amortization (3)	6	9	2	*)	*)	*)	3	20	
Share in earnings (losses) of investees	(9)	-	(5)	-	-	-	51	37	
Operating income (4)	806	580	147	177	34	14	(320)	1,438	
Revaluation gain (loss) (4)	(553)	(37)	113	587	17	(13)	(114)	-	

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

c. Notes to segment information

- 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. 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.
- The Group has no intersegment revenues. Adjustments with respect to segment revenues primarily includes Joint Ventures as referred to above.
- Consolidation adjustments in the gross profit and depreciation and amortization items include the effect of the adjustments, as mentioned above.
- 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 78 million, NIS 83 million and NIS 86 million and unallocated net other expense (income) of NIS 2 million, NIS 24 million and NIS 380 million, for 2021, 2020 and 2019, respectively.
- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 36: - SEGMENT INFORMATION(.Cont)

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 23, 2022, the Company declared the distribution of a dividend in the amount of NIS 0.32 per share (a total of NIS 46 million), payable on April 12, 2022 to the shareholders of the Company on the record date (April 4, 2022).
- b. For information regarding issue of 12.5 million shares and 6.25 warrants after the reporting period, refer to Note 25i.
- c. For information regarding the board of directors approval of privet issue to the Company's parent company, Norstar, of 2 million shares and 1 million warrants subject to the approval of the Company's general meeting (by a majority of the minority shareholders), refer to Note 25i,
- d. For details regarding the completion of ATR merger with the Company's wholly-owned subsidiary after the reporting period, refer to Note 8c5.
- e. For details regarding an application the appoint a trustee to buy the Ccompany's control, under the Promotion of Competition and Reduction of Centralization, 2013 law, after the reporting period, refer to Note 24d4.
- f. After the reporting period, a wholly-owned subsidiary of the Company purchased ATR debentures in the amount of approximately 37 million par value for a total consideration of approximately EUR 37 million (NIS approximately 133 million). The impact of the purchase on the Company's financial reports is immaterial.
- g. Regarding the downgrading of the credit rating for all series of the Company's debentures by the S&P Maalot rating company and placing the credit rating of all series of the Company's debentures under examination with negative implications by Midroog rating company, following the completion of ATR merger as described in Note 8c5, after the reporting date, See Notes 19c12 and 19c13.
- h. Regarding the downgrading of ATR long term issuer rating by Fitch rating company, after the reporting period, following the completion of ATR merger as described in Note 8c5, after the reporting date, See Note 19e4.

APPENDIX A TO CONSOLIDATED FINANCIAL STATEMENTS

LIST OF MAJOR GROUP INVESTEEES AS OF DECEMBER 31, 2021 (1)

	Holding interest as of		Note	Incorporated in	Additional
	December 31,				information
	2021	2020			in Note
	%				
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	
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	52.1	48.9	(2)	Finland	8d
Gazit Europe (Netherlands) BV	100	100	(2)	Netherlands	
Gazit Europe (Asia) BV	100	100	(2)	Netherlands	
Gazit Germany Beteiligungs GmbH & Co. KG	100	100	(3)	Germany	
Gazit Brasil L.P.	100	100	(4)	USA	
Gazit Brasil Ltda.	100	100	(3)	Brazil	
Gazit Gaia Limited	100	100	(2)	Jersey	
Gazit Midas Limited	100	100	(2)	Jersey	
Atrium European Real Estate Limited	74.8	69.3	(3)	Jersey	8c

- (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

CHAPTER D – ADDITIONAL DETAILS REGARDING THE COMPANY

Company's Name:	Gazit-Globe Ltd. (the "Company" or the "Corporation")
Company's Registered No.:	520033234
Address:	8 Aharon St., Tel-Aviv 6964316
E-mail Address:	IR@gazitgroup.com
Telephone:	03-6948000
Facsimile:	03-6961910
Financial Statement Date:	December 31, 2021
Reporting Date:	March 30, 2022

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 10A: CONDENSED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME

For condensed statements of comprehensive income for 2022 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 August 2021 the Company issued NIS 477 million par value Debentures (Series 16), secured by a lien on ATR shares; in October 2021, the Company issued NIS 274 million par value Debentures (Series 14) and NIS 333 million par value Debentures (Series 16) by way of expansion of the series. In the Shelf Offering Memoranda the Company noted that the proceeds of the issue will be used to recycle existing financial debt and to finance its ongoing operations, in accordance with the decisions of the Company management as may be 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 Memoranda.

ADDITIONAL DETAILS ABOUT THE COMPANY**REGULATION 11: LIST OF INVESTMENTS IN SUBSIDIARIES AND IN AFFILIATES**

Presented below is a listing of the Company's investments in each of its subsidiaries and related companies as of the date of the statement of financial position:

Company name	Class of security and par value	Quantity owned	Value in the financial statements (NIS in thousands) ^(*)	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. (In voluntary liquidation)	Share NIS 1	432	(171,754)	100	100	-
	Deferred shares	1	-			
G. Globe Development Ltd.	Share NIS 0.01	100	(81,371)	100	100	-
Acad Building and Investments Ltd.	Share NIS 1	12,076	(18,738)	100	100	-
	Management shares NIS 1	500	-	100	100	-
	Special share NIS 1	1	-	100	100	-
Horev Center Management Company Ltd.	Share NIS 1	5,000	(5,617)	50	50	-
J.L.I - Property Management Ltd.	Share NIS 1	602,000	(4,559)	100	100	-
MGN (USA) Inc. (1)	Share USD 1	2,142	2,409,896	100	100	-
Gazit Canada Inc.(2)	Shares CAD 0.01	1,206	1,539,106	100	100	-
Gazit America Inc. (2)	Share CAD 1	100	-	100	100	-
Gazit Europe (Netherlands) B.V.(3)	Share EUR 1	18,500	254,989	100	100	-
Gazit Europe (Asia) B.V.(4)	Share USD 1	18,000	119,110	100	100	-
Gazit Midas Limited(6)	Share EUR 1	1,000	1,827,599	100	100	-
Gazit Gaia Limited(7)	Share EUR 1	1,000	-	100	100	-
Gazit Brasil Ltda.(8)	Participation units and shares	-	1,837,880	100	100	-
Gazit Europe (2019) B.V	Share EUR 1	100	(1,665)	100	100	-
Investments in public companies (some of which are owned by the private subsidiaries detailed above)						
Citycon Oyj. ("CTY") ⁽⁹⁾	Share EUR 0.27	87,559,016	3,254,268	52.1	52.1	EUR 7
Atrium European Real Estate Limited ("ATR") ⁽¹⁰⁾⁽¹¹⁾	Share EUR 1	299,743,869	-	74.8	74.8	EUR 3.595

(*)In merger proceedings with and within the company

ADDITIONAL DETAILS ABOUT 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) G- Netherlands B.V owns companies in Bulgaria and Macedonia that are not presented separately.
- (6) Gazit Midas Limited owns 28% of the share capital of ATR.
- (7) Gazit Gaia Limited owns 46.9% of the share capital of ATR. Gazit Gaia's value in the financial statements is included the balance of value of Gazit Midas.
- (8) U.S. partnership owned 94% by the Company and 6% by a wholly-owned subsidiaries which owns Gazit Brasil Ltda. and in FIM Norstar.
- (9) The holding in CTY shares is direct. CTY has private subsidiaries that are not presented separately in the table.
- (10) The holding in ATR is through Gazit Gaia and Gazit Midas. ATR has private companies that are not presented separately in the table.
- (11) In February 2022 a merger was completed between ATR and a company wholly owned by the Company (in which ATR is the surviving company). For further information, see section 7 to the Description of the Corporation's Businesses.

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, 2021 (NIS in million)	Repayment years (as per the agreement)
MGN (USA) Inc.	USD	LIBOR+ 1.25%	91	2025
Gazit Midas Limited	EUR	EURIBOR+1.5%	306	2023
Gazit Gaia Limited	EUR	EURIBOR+1.5%	1,593	2023
Gazit Germany	EUR	EURIBOR+2%	1	2022
Gazit Europe (Netherlands) B.V.	EUR	Capital note without interest	9	2022
G- Netherlands B.V.	EUR	5%	38	2023
G. Globe Development Ltd.	NON LINKED	Without interest	81	(*)
Gazit Globe Holdings (1992) Ltd. (In voluntary liquidation)	NON LINKED	Without interest	172	(*)
J.L.I - Property Management Ltd.	NON LINKED	Without interest	5	(*)
Acad Building and Investments Ltd.	NON LINKED	Without interest	19	(*)

(*) 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.

ADDITIONAL DETAILS ABOUT THE COMPANY

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
03/21	Acquisition of shares on the Stock Exchange	Citycon Oyj.	Ordinary share	529,519	15,455	EUR 7.43
01/21	Acquisition of shares on the Stock Exchange	Atrium European Real Estate Limited	Ordinary share	11,817,706	118,349	EUR 2.55
04/21	Acquisition of shares on the Stock Exchange	Atrium European Real Estate Limited	Ordinary share	650,000	7,030	EUR 2.76
05/21	Acquisition of shares on the Stock Exchange	Atrium European Real Estate Limited	Ordinary share	7,885,478	94,090	EUR 3.00
03/21	Dividend in shares (Scrip dividend)	Atrium European Real Estate Limited	Ordinary share	4,292,198	-	-
06/21	Dividend in shares (Scrip dividend)	Atrium European Real Estate Limited	Ordinary share	4,125,413	-	-
1-12/21	Return of investment (**)	Gazit Brasil Ltda., FIM Norstar	Participation units	641,790,000	363,096	BRL 1.00

(*) Excludes negligible investments in establishing inactive subsidiaries in the reporting period.

(**) Refer to footnote (8) to Regulation 11. The investment specified above includes the investment of the Company and investment of Gazit South America Inc.

ADDITIONAL DETAILS ABOUT THE COMPANY
REGULATION 13: INCOME FROM SUBSIDIARIES AND AFFILIATES AND INCOME THEREFROM

Presented below are details of the 2021 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)
G.Globe Development Ltd.	(2)	-	(2)	-	-	-
Gazit Globe Holdings (1992) Ltd. (In voluntary liquidation)	(67)	-	(67)	-	-	-
Acad Building and Investments Ltd.	(4)	-	(4)	-	-	-
J.L.I - Property Management Ltd.	(1)	-	(1)	-	-	-
MGN (USA) Inc. ⁽¹⁾	297,615	1,750	299,365	-	517	(5,188)
Gazit Canada Inc.	68,959	12,191	81,161	1,883,883	-	(90,378)
Gazit America Inc.						
Citycon Oyj.	180,566	70,337	250,904	164,656	-	-
Gazit Europe (Netherlands) B.V. ⁽²⁾	(8,380)	-	(8,380)	-	-	807
G- Netherlands B.V. ⁽³⁾	(6,866)	-	(6,866)	-	-	1,750
Gazit Europe (Asia) B.V.	(8,826)	25,351	16,525	-	-	(1,249)
Gazit Brasil Ltda. ⁽⁴⁾	(75,685)	-	(75,685)	-	-	-
Gazit Midas Ltd. ⁽⁵⁾	169,668	28,433	198,101	-	-	5,796
Gazit Gaia Ltd. ⁽⁵⁾				-	-	16,111
Gazit Hercules 2020 Ltd.	(72)	-	(72)	-	-	-
Gazit Europe (2019) B.V. ⁽⁶⁾	(414)	-	(414)	-	-	-

⁽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 the G-Bulgaria EAD, G-Plovdiv EAD, and G-Macedonia LTD.

⁽⁴⁾ 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).

⁽⁵⁾ The income includes the results of Gazit Gaia Limited and Gazit Midas Limited.

⁽⁶⁾ Results for Gazit Europe (2019) B.V. include the results of NB (2019) B.V.

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 20: STOCK EXCHANGE TRADING

During the reporting year 418,527 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 exercising of options by directors, officers and employees at the Company and at the private subsidiaries.

For information regarding the debentures (Series 14, and 16) that were listed for trading in the reporting period, see Regulation 10C above and Appendix B to the Board of Directors' Report.

In 2021, stock exchange trading in the Company's securities was not suspended. On March 31, 2021, the Company's Debentures (Series D) were fully redeemed.

REGULATION 21: COMPENSATION OF INTERESTED PARTIES AND SENIOR OFFICERS

Presented below are details of the compensation paid for 2021 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 ownership in the corporation	Salary ⁽¹⁾	Bonus	Share-based payment	Consultancy fees	Other	Total
Liad Barzilai	CEO of ATR	Full-time	0.00%	1,877	1,650	5,153	-	-	8,680
Adi Jemini	Vice President and CFO	Full-time	0.08%	2,691	1,475	3,035	-	667 ⁽²⁾	7,868
Rianne Lee	CFO of ATR	Full-time	-	1,906	1,036	3,442	-	-	6,384
Jeffrey Mooallem	CEO of Gazit Horizons	Full-time	0.18%	1,649	1,454	2,126	-	763 ⁽²⁾	5,992
Mia Stark	CEO of Gazit Brasil	Full-time	-	1,619	1,260	114	-	2,882 ⁽²⁾	5,875
Chaim Katzman	Vice Chairman of the Board and President of the Company, Chairman of the Board of CTY and ATR,	-	0.03% ⁽³⁾	2,100	841 ⁽⁴⁾	-	2,676	-	5,617
Oren Hod	Deputy CEO and COO	Full-time	0.03%	1,945	1,260	1,860	-	360 ⁽²⁾	5,425
Rami (Romano) Vaisenberger	Vice President and Controller	Full-time	0.05%	1,568	762	1,672	-	-	4,002
Zvi Gordon	VP Investments	Full-time	0.02%	1,081	672	869	-	-	2,572
Ehud Arnon ⁽⁷⁾	Chairman of the Board of Directors	-	0.01%	191	-	34	-	-	225
Roni Bar-On ⁽⁷⁾	External Director, Director - Gazit Brasil	-	0.0%	229	-	34	-	-	263

(1) Regarding the Company's directors, cash compensation to directors for 2021 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) Half of the bonus amount is in respect of a deferred bonus to which Mr. Katzman will be eligible, subject to meeting the FFO goal over three years, as set out below

(5) Excluding reimbursement of travel expenses.

ADDITIONAL DETAILS ABOUT THE COMPANY

A. Additional details and explanations to the table - General

1. The compensation amounts are in terms of cost to the Company or to the subsidiary, as the case may be. The salary amounts include the cost of salary-related components.
2. The 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.
3. The compensation to which Mr. Chaim Katzman was entitled during the Reporting period 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. 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

For further information concerning Mr. Katzman's employment agreement that was in effect until January 31, 2021, see section B of Regulation 21 in Chapter D, that is included in the Company's Periodic Report for 2020, as published on March 22, 2021 (Ref. No.: 2021-01-040485) ("2020 Periodic Report"), which present information included below by way of reference.

In April 2021, the general meeting approved renewing Mr. Katzman's employment agreement, after receiving the approval of the Company's Compensations Committee and Board of Directors. The employment agreement is for a period of three years, commencing on February 1, 2021, subject to the right of either of the parties to terminate it with advance notice of 180 days.

The maximum annual employment for Mr. Katzman under the agreement will not exceed NIS 5.6 million, linked to the CPI ("Maximum Compensation"), on the assumption that payment of the maximum bonus for a given year, together with the compensation to be paid to him for his term in office in subsidiaries that are not wholly owned by the Company, as may be from time to time⁶.

Accordingly, in 2021, Mr. Katzman was eligible for an annual salary that reflects the cost to the Company (Separate Financial Information, as of December 31, 2021, based on the compensation data of Mr. Katzman from the Company's subsidiaries in 2020) in an amount of NIS 2,309 million, as described below.

For his service in the Company, Mr. Katzman is entitled to a fixed salary and ancillary benefits, as well as an annual bonus as set out below:

⁶ It is hereby clarified that if Mr. Katzman is entitled to compensation for his term in office in the subsidiaries that are not wholly owned by the Company, then the Company will separately bear the full annual cost of employment in the Group (i.e., NIS 3,360 thousand) and may bear the full Maximum Compensation alone (assuming payment of the full annual bonus for any given year).

ADDITIONAL DETAILS ABOUT THE COMPANY

- (a) **Fixed salary** - the fixed salary to be paid to Mr. Katzman by the Company, separately (the "Fixed Salary from the Company") will be calculated as an amount equivalent to 60% of the difference ("Annual Employment Cost of the Group") between the Maximum Compensation (i.e., NIS 5.6 million) and the total cost of the compensation to be actually paid to Mr. Katzman by the subsidiaries that are not wholly owned by the Company, as may be from time to time.
- (b) **Goal-based annual bonus** - as part of the Maximum Compensation, Mr. Katzman will be eligible for an annual bonus equivalent to 40% of the Annual Employment Cost of the Group, as may from time to time, up to the maximum amount of NIS 2,240 thousand (assuming that the Company bears the full Maximum Compensation), which will be paid according to the following manner and conditions:
- (1) Half of the bonus (i.e., up to a maximum amount of NIS 1,120 thousand), will be paid every year in which the annual FFO return⁷ on equity of the Company⁸ ("the Return") exceeds 6%.
 - (2) The balance of the bonus that is not paid in any annual assessment, will be paid at the end of the 3 years of the agreement, if the average annual return during the period of the three years exceeded 6%.

Accordingly, Mr. Katzman is eligible for an annual cash bonus in the amount of NIS 841 for the year 2021, half of which is paid and half is deferred until the end of the agreement period, and subject to compliance with the average annual return condition, as noted above.

In addition to the fixed salary, Mr. Katzman will be entitled to sick leave and convalescence days as stipulated by law and to 30 vacation days per year, which may be accumulated up to 60 days, and ancillary benefits as customary in the Company, and all provided that the total annual cost of employment in the Company does not exceed the Maximum Compensation as defined above.

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.

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.

For his aforementioned service, Mr. Katzman is not eligible for 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).

⁷ The FFO is FFO to be published by the Company in its Board of Directors' Reports for 2021 through 2023.

⁸ "Company equity" will be the Company's known equity as per its consolidated financial statements (excluding minority interests) on the date on which the foregoing conditions come into force (i.e., December 31, 2020), with the addition of capital raising and less any special dividends during the period, and time weighted.

ADDITIONAL DETAILS ABOUT THE COMPANY

1. Details of the compensation of Mr. Katzman from ATR

Mr. Katzman, who is serving as Chairman of ATR's Board of Directors, provides consulting services to ATR 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. In return for the consultancy services, Mr. Katzman is entitled to an annual consideration that amounted to EUR 700 thousand in 2021. 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).

2. Details of the directors' compensation of Mr. Katzman from CTY

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 2021, Mr. Katzman is entitled to annual compensation of EUR 165 thousand. 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.

3. 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. 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 that amounted to EUR 581 in 2021. 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 692 thousand in 2021. As part of the completion of the merger transaction with ATR the vesting of the securities allotted to Mr. Barzilai was accelerated in accordance with their terms.

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.**

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 (the "2020 Agreement"). For his aforementioned appointment, Mr. Jemini will be entitled to a monthly salary of USD 12,450, and social and fringe benefits as customary.

Under the 2020 Agreement Mr. Jemini is entitled 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 100% 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 442 thousand for 2021, in accordance with the 2020 Agreement.

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.

2. 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 (the "2020 Subsidiary Agreement"). For his aforementioned appointment, Mr. Jemini is entitled to a monthly

ADDITIONAL DETAILS ABOUT THE COMPANY

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.

Under the 2020 Subsidiary Agreement, Mr. Jemini is entitled 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, and the discretion of the Company's Compensation Committee and Board of Directors, and the target bonus shall be 100% of his annual salary. For 2021, Mr. Jemini was granted an annual bonus in the amount of NIS 1,033 thousand' in accordance with the 2020 Subsidiary Agreement.

3. Under the employment agreements set out above, 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 agreements 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 was 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.
4. Furthermore, in October 2021, the Company's Board of Directors approved a one-time special bonus for Mr. Jemini, equivalent to 3 monthly salaries (i.e., an amount of NIS 402 thousand).
5. In addition, under the employment agreements, Mr. Jemini is also entitled to indemnification, exemption and insurance as customary at the Company.
6. Under the engagements with Mr. Jemini, he was granted equity compensation, as described in section 8 below.
7. 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.

ADDITIONAL DETAILS ABOUT THE COMPANY

Grant date	Quantity	Exercise price	Value and comments
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). The options that were allocated will vest in 5 equal tranches, starting upon the elapse of one year from the grant date. The options granted under the 2020 Agreement with the Company were granted pursuant to Section 102 of the Income Tax Ordinance for the capital gains track (with a trustee). 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 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 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 Ms. Rianne Lee, CEO of ATR

Ms. Lee served as the CFO of ATR from February 2015. According to the employment agreement between Ms. Lee and ATR, Ms. Lee is entitled to a fixed salary including fringe benefits that amounted to EUR 680 in 2021. In addition, Ms. Lee 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 418 thousand in 2021. As part of the completion of the merger transaction with ATR the vesting of the securities allotted to Ms. Lee was accelerated in accordance with their terms.

F. Additional details and explanations to the table - Details regarding Mr. Jeffrey Mooallem, CEO of the consolidated subsidiary, Gazit Horizons

- As of May 2017, Mr. Jeffrey Mooallem has served as the CEO of Gazit Horizons, under an employment agreement dated April 3, 2017, as amended in March 2021. The agreement remains in force until April 30, 2022, 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 450 thousand for 2021.

In addition, aside from the annual bonus mentioned above, on the date of drawing up of the foregoing agreement, Mr. Mooallem received a one-time bonus of USD 236 thousand.

Under the employment agreement, Mr. Mooallem is entitled to allocation of equity compensation, as described in section 2 below.

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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 vested 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 was allotted 131,124 shares of the Company worth USD 800 thousand; (iv) in May 2022 - Mr. Mooallem will be eligible for an allotment of Company shares worth up to USD 800 thousand. The value of the RSUs and shares allocated to Mr. Mooallem shall be determined according to the average share price on the stock exchange during the thirty trading day preceding each allocation

G. Additional details and explanations to the table - Details regarding Mia Stark, CEO of the consolidated subsidiary Gazit Brasil

1. Ms. Mia Stark has served as the CEO of Gazit Brasil since April 2013 and as Director of Business Development of a private subsidiary of the Company (100%) (in this section: "Gazit USA"). Below is a breakdown of the highlights of Ms. Stark's employment agreements with these companies.
2. Under the employment agreement for her service as CEO of Gazit Brasil from October 2021 (which replaced an earlier agreement between the parties), Ms. Stark is eligible for a base monthly salary of BRL 81,000 (CPI linked), including social benefits, Company car and reimbursement of expenses, as generally accepted. Under her employment agreement, Ms. Stark may be eligible for a goal-based annual bonus, of up to 10 monthly salaries. Ms. Stark was granted an annual bonus of BRL 899 thousand for 2021.
Either party may bring terminate the agreement with prior notice of 120 day. In the event of the termination of Ms. Stark's employment by the Company (other than for grounds), Ms. Stark will be entitled to the annual bonus for the period of her employment. In addition, in the event of termination of Ms. Stark's employment for any reason, she will be eligible for travel expenses in an amount of BRL 116 thousand.
3. Under the employment agreement for her service as Director of Business Development at Gazit USA from October 2021 (which replaced an earlier agreement between the parties), Ms. Stark is eligible for a base annual salary of USD 220,000 (until August 2021 Ms. Stark's annual salary amounted to USD 200,000) and a goal-based annual bonus of up to 100% of annual salary. Ms. Stark was granted an annual bonus of USD 220 thousand for 2021.
The employment agreement is valid until August 2023, and either of the parties may terminate the agreement with prior notice of 120 days. In the event of a change in control of the Company, Ms. Stark will be eligible for a bonus equivalent to 12 months salary.
Under her current employment agreement Ms. Stark is eligible for a retention bonus of USD 500,000, of which USD 250,000 was paid in October 2021 and the balance will be paid in August 2023, provided Ms. Stark will still be employed in Gazit USA and will reside in Brazil until that date.
Under the current employment agreement, Ms. Stark will be eligible for a USD 3.3 million sale bonus that will be paid proportionally to the sale of up to 49% of Gazit Brasil's assets.

ADDITIONAL DETAILS ABOUT THE COMPANY**H. Additional details and explanations to the table - Details regarding EVP and COO of the Company, Oren Hod**

- 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 1,260 thousand for 2021.
- 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.
- 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.
- Mr. Hod, was granted equity compensation, as set out in section 6 below.
- 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.
- 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 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.

- 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.

ADDITIONAL DETAILS ABOUT THE COMPANY

- (b) 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.

In the Reporting Period, Mr. Hod served as a director of ATR. As at this date, for his foregoing service, Mr. Hod did not received directors compensation.

I. 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. For further information concerning Mr. Vaisenberger's previous employment agreement that was in force until February 2021, see section I in Regulation 21 of Chapter D to the Periodic Report for 2020, where the provisions therein are presented below by way of 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, in accordance with the Company's compensation policy (see section 16 to the Description of the Company's Businesses). Mr. Vaisenberger was granted an annual bonus for 2021 in a total amount of NIS 762 thousand.
4. 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, as set out in the table in section 6 below.
5. 4. Under the engagements with Mr. Vaisenberger, he was granted equity compensation, as described in section 6 below.
6. 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).
7. 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.
8. 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.
9. 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:

ADDITIONAL DETAILS ABOUT THE COMPANY

Grant date	Quantity	Exercise price	Value
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. Vaisenberg'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. Vaisenberg 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. Vaisenberg'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.
- (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. Vaisenberg 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.
- (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.

J. 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). 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 192 thousand for 2021.

ADDITIONAL DETAILS ABOUT THE COMPANY

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 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;

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. 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
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

- (a) 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.
- (b) 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. Subsequent to the Reporting Period, the per-meeting compensation was adjusted to EUR 800. Such compensation is offset from the salary to which Mr. Gordon is entitled from the Company.

ADDITIONAL DETAILS ABOUT THE COMPANY**K. Additional details and explanations to the table - Details regarding directors' fees**

1. As of May 1, 2022, 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" as set in the Companies Regulations (Regulations for Compensation and Expenses of an External Director), 2000, (the "Compensation Regulations"), based on the ranking of the Company; and (2) equity compensation - for every year in office, each of the aforesaid directors will be issued 1,500 Restricted Share Units ("RSUs"), in accordance with the Company's Compensation in Securities Plan from 2011 ("the 2011 Plan"), or another plan, as shall be in effect on the relevant dates, and under the material terms specified below: the RSUs will vest over a period of two years from their grant date. A director whose office ends in the course of a year of office or prior to the vesting of a specific 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 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. As of May 1, 2022, the compensation for the directors of the Company will be revised, as may be from time to time, in such a way that the annual compensation paid to directors of the Company will be equivalent to the maximum annual compensation permitted for an expert director. The board meeting compensation paid to the directors of the Company will not change, and will be in an amount equivalent to the compensation set under the Compensation Regulations, based on the rank of the Company. Furthermore, as of said date, no equity-based compensation will be paid to the directors of the Company.
 3. In addition to the above, Mr. Bar On 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 3021, the Company paid NIS 15 thousand to Mr. Bar On for his service at Gazit Brasil, and NIS 13 thousand to Ms. Cohen for her service in Gazit Horizons.
 4. In June 2018, Mr. Arnon's employment terms as Chairman of the Company's Board of Directors were approved at the general meeting (after receiving the approval of the Compensation Committee and the Company's Board of Directors). Mr. Arnon is entitled to: (1) annual compensation equal to 130% of the annual compensation paid to a director with accounting and financial expertise at the Company, as occurring from time to time; (2) compensation for meeting participation equal to the participation compensation to which all directors with accounting and financial expertise are entitled at the Company, as occurring from time to time (for details, see section 1 above). Until May 1, 2022, Mr. Arnon was also entitled to a once-a-year grant of 1,500 Restricted share units (RSU) according to the Company's compensation 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.
 5. On December 27, 2018, the general meeting approved (following approval by the Audit and Compensation Committee and the Board of Directors of the Company) a grant to the directors of the Company (who are not external directors or independent directors or directors who are also controlling shareholders of the Company) who also serve as directors for the subsidiaries that are wholly owned and controlled by the Company, as 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. To date, none of the directors are eligible for compensation under this section.
- L.** On December 28, 2021, Mr. Moshe Rodman was appointed as a director of the Company. Mr. Rodman provides the Company consultation services for assimilating the innovation segment in the Group. The agreement includes a one-time payment in the amount of NSI 25 thousand (with addition of VAT), and consultation services of up to an average 25 hours per month

ADDITIONAL DETAILS ABOUT THE COMPANY

(calculated annually) in return for an hourly rate of NIS 250 with the addition of VAT (without any commitment from the Company to a minimum number of hours). The consultancy services will be provided for a period of one year, and the Company has the option of extending the agreement by another year.

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 (14.19% of Norstar's issued share capital (13.68% fully diluted) and 14.38% of the voting rights therein (13.64% fully diluted)), as well as through First US Financial LLC⁴ (which owns approximately 10.74% of Norstar's share capital (10.38% fully diluted) and 10.88% of the voting rights therein (10.51% 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 2.96% of Norstar's issued share capital (3.72% fully dilutes) and 3% of the voting rights therein (3.77% 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 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, and a director of CTY, 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.
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 by the Company's plane 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 Company's 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. On February 6, 2022, the Company's Board of Directors approved a private placement of 2,000,000 ordinary shares of the Company and 1,000,000 options (non-negotiable) exercisable for 1,000,000 ordinary shares of the Company, to the controlling shareholder of the Company, Norstar Holdings Inc. (through a wholly owned subsidiary, Norstar Israel Ltd.). The foregoing allotment is subject to the approval of the general meeting of shareholders that convened subsequent to publication date. For further information, see the report for convening of a general meeting of the Company's shareholders issued on February 14, 2022 (Ref. No.: 2022-01-018115), whereby the information therein is noted below by way of reference.

ADDITIONAL DETAILS ABOUT THE COMPANY

⁴ 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%.

8. 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:

- 8.1. 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.
- 8.2. 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 6, 2022 regarding the status of interested parties' holdings in the Company (reference no.: 2022-01-003415), and the report regarding changes in interested parties' holdings dated February 1, 2022 (reference no.: 2022-01-013615) and the immediate reports about who has become an interested party as from February 17, 2022 (reference nos.: 2022-01-019657 and 2022-01-019651). 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:

Owner's name	Name and class of securities	Quantity of securities	Percentage of holding		Percentage of holding (fully diluted)	
			Capital	Voting	Capital	Voting
Chaim Katzman	Citycon Oyj, Ordinary share	155,799	0.09%	0.09%	0.09%	0.09%

REGULATION 24A: REGISTERED CAPITAL, ISSUED CAPITAL AND CONVERTIBLE SECURITIES

For information about the Company's shareholders register, see the Company's immediate report of March 1, 2022 (reference no.: 2022-01-024775), which is included below by way of reference.

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).

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 26: DIRECTORS OF THE CORPORATION

Presented below are details of the members of the Board of Directors, to the best of the Company's knowledge:

Name:	Ehud Arnon, Chairman of the Board of Directors
Identity no.:	50001239
Date of birth:	May 9, 1950
Address for serving legal documents:	15 Tchernichovsky Street, Jerusalem 92531
Nationality:	Israeli, Austrian
Membership of Board sub-committees:	No
Serves as external director:	No
Possesses accounting and financial expertise or a professional qualification:	Yes
Is an independent director:	No
Employee of the Company, a subsidiary, a related company or an interested party (detail the position(s) held):	No
Date of appointment:	March 28, 2018
Education:	BA in Economics and International Relations, Hebrew University; MBA in Business Administration, Hebrew University
Employment over the past five years:	President and CEO of Bank Discount New York (2011-2017)
Companies of which he is a director (other than the Company):	Hertz Properties Group Limited
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	Chaim Katzman - Vice Chairman of the Board and 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), Equity one Inc. (and following the completion of the merger with Regency Centers 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 First capital Inc.
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)

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	Ronnie Bar-On
Identity no.:	008516262
Date of birth:	June 2, 1948
Address for serving legal documents:	2 Hashaked Street, Motza Illit, 90820
Nationality:	Israeli
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee (Chairman of the Audit and Compensation Committee), 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., TerminalX Online Ltd., Tamar Petroleum Ltd., Gazit Brasil
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, 22 nd 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 in Gazit Horizons
Date of appointment:	March 8, 2016
Education:	B.A. in Accounting from Duquesne University; an MBA in Finance from the University of Pittsburgh, and an MA in Accounting from the University of Pennsylvania, U.S.A.
Employment over the past five years:	Lecturer on accounting and finance – Wharton School, Pennsylvania University; CEO of Apax Partners Israel Ltd.
Companies of which he is a director (other than the Company):	Apax Partners Israel Ltd., Apax Partners LLP, AP, Amy Consulting Ltd., Ten Petroleum Company Ltd., Swan Debtco Ltd., Swan Holdco Ami Ltd., Swan Topco Ltd., Zebra Holdco Ltd., Zebra Midco Ltd., Zebra Topco Ltd., Tiger Topco Ltd., Tiger Midco Ltd. Tiger Holdco Ltd., Moose Topco Ltd. Moose Midco Ltd. Moose Holdco Ltd., Gorilla Topco Ltd., Gorilla Midco Ltd., Gorilla Holdco Ltd., 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, 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.. Coy Holdco Ltd, Globetrotter Holding GP2 LLP., Native Systems Ltd.
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:	The Company's Audit, Balance Sheet and Compensation Committee, Nominating and Corporate Responsibility Committees and Corporate Governance, and Committee for the Affairs of Gazit Canada.
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:	LLB, 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, Coaching Course at The Co-Active Institute
Employment over the past five years:	Head of the Capital Market, Companies and Securities Department at Law Offices of Matry, Meiri & Co.; member of the Administrative Council and Chairperson of the Board of Directors of ProWoman Association; co-founder and member of the board of directors of IMFA that established a private integrative rehabilitation hospital (Medical Care); member of the Board of the Nachum Gutman Museum; mentor and coach of managers and entrepreneurs
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:	The Company's 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:	Chairperson of the Israel Securities Authority; Vice President and Professor of Finance at the Ono Academic Campus; Full Professor of Finance at the School of Management at Ben-Gurion University; Chairperson 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 of the Israel Democracy Institute, member of the Board of Etoro, partner in Quantex Expected Return, CEO and owner of Nerativ Ltd.
Companies of which he is a director (other than the Company):	Alrov Real Estate and Hotels Ltd. (until 2021), 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 serving legal documents:	16 Harechesh Street, Tel-Aviv
Nationality:	Israeli
Membership of Board sub-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 over the past five years:	Founder and CEO of KBIS Ltd.; dean of the School of Business Management and Head of Information Systems - College of Academic Studies
Companies of which he is a director (other than the Company):	Bina Consulting and Management Services Ltd., Getter Tech Ltd.; KBIS Ltd.
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY

Name:	Modi Kingsberg
Identity no.:	007715915
Date of birth:	December 30, 1946
Address for serving legal documents:	8 Hapardes Street, Kiryat Ono
Nationality:	Israeli
Membership of Board sub-committees:	Audit, Balance Sheet and Compensation Committee of the Company
Serves as external director:	Yes
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:	January 1, 2022
Education:	BA in Economics, Tel Aviv University
Employment over the past five years:	External director, chairperson of the audit committee and member of the investment committee of the Gal and Kalanit provident funds of the teachers' union; external director and member of the audit, investment and budget committees of the Jewish Agency's pension and budget funds; external director on the audit committee and member of the investment committee of the Machar provident fund
Companies of which he is a director (other than the Company):	Gal and Kalanit Provident Fund Management, The Management Company of the Provident and Pension Fund of the Jewish Agency for Israel Ltd.
Relative of another of the Company's interested parties:	No

ADDITIONAL DETAILS ABOUT THE COMPANY**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 and Gazit USA, Market Risks Officer, together with the President of the Company; Director in 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:	Position 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

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:	Deputy CEO and VP Operations,
Date of appointment:	June 2020
Education:	Civil engineer (construction and transportation) - Technion
Employment over the past five years:	CEO of Africa Israel Residential Ltd., Chairperson of the Board of G Israel Commercial Centers 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:	Rami (Romano) Vaisenberger
Identity no.:	016708695
Date of birth:	January 29, 1973
Position held in the Company, in a subsidiary, in a related company or in an interested party:	Vice President and Controller; Controller of 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, Controller in Norstar Holdings Inc., Director in the Company's private subsidiaries and Norstar Holdings Inc.
Interested party in the Company or a relative of a senior officer of the Company or of another interested party in the Company:	No

Name:	Zvi Gordon
Identity no.:	332533710
Date of birth:	October 15, 1985
Position held in the Company, in a subsidiary, in a related company or in an interested party:	VP Investments at the Company, VP Mergers & Acquisitions at Gazit USA, head investments manager at Norstar Holdings Inc., controlling shareholder of the Company, CEO of Norstar Israel Ltd. (a company wholly-owned by Norstar Holdings Inc.); 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., Chief Investments Officer at Norstar Holdings Inc. (previously served as chief administrative officer); 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 Zvi Gordon is Chaim Katzman's son-in-law.

ADDITIONAL DETAILS ABOUT THE COMPANY

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:	VP Headquarters, Legal Counsel and Company Secretary
Date of appointment:	June 1, 2015
Education:	LLB and BBA from the Hebrew University of Jerusalem
Employment over the past five years:	CEO, 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

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:	July 22, 2019
Education:	CPA, BA in Business Administration, Academic Track, College of Management
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

ADDITIONAL DETAILS ABOUT THE COMPANY

REGULATION 26B: AUTHORIZED SIGNATORY FOR THE COMPANY

As of the date of the report, the Company has no independent authorized signatories.

REGULATION 27: AUDITORS OF THE COMPANY

Kost Forer Gabbay & Kasierer, CPAs, 144 Menachem Begin Road, Tel-Aviv.

REGULATION 28: AMMENDMENT OF THE MEMORANDUM OR ARTICLES OF ASSOCIATION

None.

REGULATION 29: RECOMMENDATIONS AND RESOLUTIONS OF THE DIRECTORS

A. Payment of a dividend or making of a distribution, as defined in the Companies Law, by any other means, or the distribution of a stock dividend: for information about the distribution of a dividend in the reporting period, see the consolidated statements of changes in equity and Note 25f to the financial statements.

Buyback of the Company's shares: None

Change in the Company's authorized or issued capital:

Change in registered capital – None .

Change in issued capital – Refer to Regulation 20 above.

B. Amendment of the memorandum or articles of association: None

C. Redemption of redeemable securities: None.

Early redemption of debentures: None

Transaction between the Company and an interested party not conducted on market terms: None

D. Resolutions of the general meeting on the matters detailed in sections A through E above that are not in accordance with the recommendations of the Board of Directors: None

E. Resolutions by an annual extraordinary general meeting:

1. On April 20, 2021, the following resolutions were passed (see the complementary immediate report regarding convening of a special general meeting dated March 25, 2021 (reference no.: 2021-01-047766) and the immediate report regarding the results of the general meeting dated April 21, 2021 (reference no.: 2021-01-067503)), containing information presented hereby by way of reference:

1.1 Approval of the terms of office and employment of the Company's CEO, Chaim Katzman, the controlling shareholder of the Company;

1.2 Approval of an exemption for Chaim Katzman

1.3 Approval of an undertaking for indemnification for Chaim Katzman

2. On December 28, 2021, the following resolutions were passed (see the immediate report regarding convening of a general and special general meeting dated November 22, 2021 (reference no. 2021-01-100489) and the immediate report on the results of the general meeting on December 28, 2021 (reference number: 2021-01-186393)), containing information presented hereby by way of reference:

2.1 Reappointment of the Company's independent auditor

2.2 Reappointment of directors serving in the Company: Ehud Arnon, Chaim Katzman, Zehavit Cohen, Aviad Armoni

2.3 Reappointment of the Company's external directors: Limor Shofman Gutman and Shmuel Hauser

2.4 Appointment of Modi Kingsberg as an external director of the Company

2.5 Appointment of Moshe Radman as a director of the Company

2.6 Renewal of the D&O framework policy (as set out in Regulation 29A below).

ADDITIONAL DETAILS ABOUT THE COMPANY

3. On February 14, 2022, the Company issued a notice convening a special general meeting on March 30, 2022, to approve a private allotment of shares and options (non-marketable) to the controlling owner of the Company, Norstar Holdings Inc. (through its wholly owned subsidiary, Norstar Israel Ltd.).

REGULATION 29A: RESOLUTIONS OF THE COMPANY

- A. Approval of acts pursuant to Section 255 of the Companies Law: None.
- B. Acts pursuant to Section 254(a) of the Companies Law that have not been approved, whether or not such acts have been presented for the approval referred to in Section 255 of the Companies Law: None.
- C. Transactions requiring special approval pursuant to Section 270(1) of the Companies Law, provided that these are exceptional transactions, as defined in the Companies Law, which have been approved during the reporting year: On October 10, 2021, the Company's Board of Directors approved (subsequent to receiving the approval of the Company's Audit Committee) the Company's merger transaction with ATR (for information regarding the merger transaction of ATR, see section 7 to Chapter A of the Periodic Report for 2021), noting that Chaim Katzman, the Company's CEO and controlling shareholder, and Oren Hod serve as officers in ATR, and that Modi Katzman and his family hold shares and options of ATR, which, in full dilution, represent 0.015% of the issued and paid-up share capital of ATR.
- D. Exemption, insurance or an undertaking to indemnify officers, as is defined in the Companies Law, that is valid at the reporting date:
 - **Insurance:** At the reporting date, all the Company's officers were covered by insurance, which was last renewed in April 2021 and the Company is taking steps to renew it. The aforementioned insurance was renewed pursuant to the decision of the general meeting on November 22, 2016, which approved expanding the limitations of the insurance coverage to the 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 50 million (per event and per year). The insurance policy underlying the resolution of the general meeting will be renewed from time to time for additional insurance periods, but no more than five years from the renewal date of the policy for the first time under the resolution (meaning, until January 2028 (inclusive)).

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 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 of 7 years (meaning, up to March 11, 2026).

Pursuant to the provisions of Section 275 of the Companies Law, which set forth, inter alia, that transactions involving the service and employment terms of a controlling shareholder will be approved once every three years, on April 20, 2021 and March 15, 2020, respectively, as part of the approval of the terms of office and employment by the general meeting of Chaim Katzman, who serves as chairperson of the Board of Directors and CEO of the Company, and Zvi Gordon, the son-in-law of Chaim Katzman, who serves as VP Investments of the Company and VP Mergers & Acquisitions in Gazit USA, a wholly-owned subsidiary of the Company, the general meeting approved (after the approval of the Company's Board of Directors and Compensation Committee) the application of the D&O insurance and the run-off policy for Chaim Katzman and Zvi Gordon in at the same terms as the other officers of the Company (for further information, see the Company's immediate reports of April 21, 2021 and February 9, 2020 (reference numbers: 2021-01-067503 and 2020-01-014232, respectively)).

On December 28, 2021, the general meeting of the Company (after approval by the Company's Compensation Committee and Board of Directors) approved the acquisition of D&O insurance within the maximum liability limit of USD 125 million (per case and per year). The insurance policy underlying the decision of the general meeting will be renewed from time to time for additional insurance periods, with the last renewal underlying this resolution being for an insurance period ending no later than five years from January 12, 2023 (meaning, January 2028 (inclusive)). The agreement for the insurance policy will be on market terms and it is not likely to have a material

ADDITIONAL DETAILS ABOUT THE COMPANY

effect on the Company's profitability, property, or liabilities. In this regard, the Compensation Committee will confirm, when renewing the policy, that the cost of the insurance premium and deductible for the Company will be in accordance with market conditions at the time of preparing the policy and that the cost of the policy is not material to the Company, based on the information submitted to them by the Company's insurance consultants.

- **Indemnification** - Pursuant to the provisions of the Company's articles of association, and pursuant to the resolution of the Company's general meeting from December 31, 2006, December 13, 2011 and October 17, 2017, the Company undertook to indemnify in advance anyone serving as an officer of the Company (including directors), including an officer in the Company serving on behalf of the Company or at its request as an officer in another company (meaning, a subsidiary of the Company, a related corporation of the Company or another corporation whatsoever (including a foreign corporation) which the Company owns and/or shall own from time to time through its securities and/or through its voting rights and/or through its right to appoint directors therein) and additional position holders at the Company or at a different company of the Company. The undertaking to indemnify was provided with respect to liabilities and expenses, pursuant to the provisions of the Companies Law, with regard to a series of events (the indemnification causes) specified in the indemnification statement. The maximum accumulated indemnification amount which the Company might pay any officer, as aforesaid, will be no greater than 25% of the Company's shareholders' equity according to its last financial statements published prior to the actual indemnification payment. Pursuant to the terms of tenure of Chaim Katzman, the Vice Chairperson of the Board, Company CEO and Controlling Shareholder, he is entitled to a letter of indemnity as is standard in the Company.
- **Exemption** - In addition, the Company resolved to exempt in advance the aforesaid officers (including directors) from liability for damage caused and/or that will be caused to the Company by the officers due to breach of the duty of care owed to it, other than in the case of a breach of the duty of care in making a distribution, as defined in the Companies Law. According to the Company's updated compensation policy, letters of exemption, if granted (as from the date of adoption of such policy) will not apply to a resolution or transaction in which the controlling shareholder or any officer in the Company (including an officer other than the officer to which the letter of exemption relates) has a personal interest (with the exception of a personal interest resulting from service as an officer in both the Company and in a related company of the Company). Such an exemption was also granted to Chaim Katzman, Deputy Chairperson of the Board, the Company's CEO and controlling shareholder, and Zvi Gordon, Chaim Katzman's son-in-law, who serves as VP of Mergers & Acquisitions in Gazit USA, a wholly-owned subsidiary of the Company, and as the Company's VP of Investments, within the terms of their employment with the Company.

For details and the wording of the undertaking to indemnify and the exemption, see the report of the summons to the general meeting dated October 17, 2017 (Reference number: 2017-01-078685) and the corrected report of the summons to the general meeting dated December 24, 2018 (Reference number: 2018-01-126159).

March 25, 2020

Date

Gazit-Globe Ltd.

Name of Company

Names of Signatories:

Ehud Arnon

Chaim Katzman

Position:

Chairman of the Board of Directors

Vice Chairman of the Board of
Directors and President

ADDITIONAL DETAILS ABOUT THE COMPANY

CORPORATE GOVERNANCE QUESTIONNAIRE – GAZIT-GLOBE

INDEPENDENCE OF THE BOARD OF DIRECTORS			
		Correct	Incorrect
1.	<p>In every reporting year, two or more External Directors served with the Corporation</p> <p>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):</p> <p>Director A: Ronnie Bar-On Director B: Shmuel Hauser Director C: Limor Shofman Guttman</p> <p>Number of External Directors serving with the Corporation as of the date of publishing this questionnaire: 3</p>	√	

ADDITIONAL DETAILS ABOUT THE COMPANY

2.	<p>Ratio¹ of Independent Directors² serving with the Corporation as of the date of publishing this questionnaire: 66%</p> <p>Ratio of Independent Directors prescribed by the Articles³ of the Corporation⁴: 33%</p> <p><input type="checkbox"/> Not relevant (not prescribed in the Articles).</p>	_____	_____
3.	<p>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.</p>	√	
4.	<p>None of the Directors who served with the Corporation during the Reporting Year are answerable⁵ to the CEO, directly or indirectly (except for a Director who is an employee representative, if the Corporation has such employee representation).</p> <p>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: _____.</p>	√	

¹ In this questionnaire, “Ratio” is the particular number out of the total, for example 3/8.

² Including “External Directors” as defined in the Companies Law.

³ 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).

⁴ A debenture company is not required to answer this section.

⁵ 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.

ADDITIONAL DETAILS ABOUT THE COMPANY

5.	<p>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):</p> <p>If you answer “Incorrect” –</p> <p>Was it in order for the Director to present a particular topic in accordance with the provisions at the end of Section 278(a):</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (Place an X in the appropriate box).</p> <p>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: _____.</p>	√	
6.	<p>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.</p> <p>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:</p> <p>Identity:</p> <p>Position in the Corporation (if any):</p> <p>Details of the Interest vis-à-vis the Controlling Shareholder (if the person present is not the Controlling Shareholder himself):</p> <p>Was the person attending in order to present a particular topic: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (Place an X in the appropriate box).</p> <p>Rate of attendance⁶ at the meetings of the Board of Directors held in the Reporting Year in order to present a particular topic: Attendance for other purposes:</p> <p><input type="checkbox"/> Not applicable (the Corporation does not have a Controlling Shareholder).</p>	√	

⁶ Differentiating between the Controlling Shareholder, his Relative and/or anyone acting on his behalf.

ADDITIONAL DETAILS ABOUT THE COMPANY

EXPERTISE AND QUALIFICATIONS OF THE DIRECTORS					
				Correct	Incorrect
7.		<p>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)⁷.</p> <p>If you answer "Incorrect" (i.e., such a restriction does exist), state –</p>			√
	A.	The time period prescribed in the By-Laws for a Director's service: in-between annual general meetings of the shareholders of the Company.			
	B.	The required majority prescribed in the By-Laws for terminating the service of the Directors: A Special Resolution of the General Meeting, viz. 75% or more of the voting power of all the shares whose holders were present and voted on said Resolution.			
	C.	Legal quorum prescribed in the By-Laws at the General Meeting for the purpose of terminating the service of the Directors: A legal quorum will exist at General Meetings of the Company when at least two shareholders with voting rights (personally or through proxies) are present, who together hold at least 30% of the Company's voting rights.			
	D.	The required majority to change these provisions in the By-Laws: A majority of the shareholders who hold shares that confer on them 60% or more of the voting rights of all the shares whose holders were present and voted on said Resolution (except for abstentions), either personally or through proxies, including a voting paper.			

ADDITIONAL DETAILS ABOUT THE COMPANY

8.		<p>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.</p> <p>If you answer "Correct" – state whether the program was in operation in the Reporting Year: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (Place an X in the appropriate box).</p>	√	
9.	A.	<p>The Corporation has prescribed the minimum number of Directors on the Board of Directors that are required to possess Accounting and Financial Expertise.</p> <p>If you answer "Correct" – state the minimum number prescribed: Three directors</p>	_____	_____
	B.	<p>Number of Directors that served with the Corporation during the Reporting Year - Possessing Accounting and Financial Expertise⁸: Ten Directors</p> <p>Possessing Professional Qualifications⁹: --</p> <p>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.</p>		

⁷ A debenture company is not required to answer this section.

⁸ 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.

⁹ See footnote 9.

ADDITIONAL DETAILS ABOUT THE COMPANY

10.		A.	<p>In each Reporting Year, the composition of the Board of Directors included members of both sexes.</p> <p>If you answer “Incorrect” – state the time period (in days) during which the aforesaid did not apply: ____.</p> <p>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: ____.</p>	√	
		B.	<p>Number of Directors of each sex serving on the Board of Directors of the Corporation as of the date of publishing this questionnaire:</p> <p>Men: 7, Women: 2</p>	_____	_____

ADDITIONAL DETAILS ABOUT THE COMPANY

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 (2021):	4				
			Second quarter:	5				
			Third quarter:	7				
			Fourth quarter:	9				
		B.	<p>Against the name of each of the Directors who served with the Company during the Reporting Year, state the attendance rate¹⁰ 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):</p> <p>(Additional rows should be added in accordance with the number of Directors.)</p> <p>* 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.</p>					
			Name of Director	Attendance rate at meetings of the Board of Directors	Attendance rate at meetings of the Audit Committee ¹¹	Attendance rate at meetings of the Financial Statements Review Committee ¹²	Attendance rate at meetings of the Compensation Committee ¹³	Attendance rate at meetings of other Committees of the Board of Directors of which he is a member (noting the name of the Committee)
			Ehud Arnon	96%				

ADDITIONAL DETAILS ABOUT THE COMPANY

			Chaim Katzman	100%						
			Ronnie Bar-On	100%	100%			Nominations and Corporate Governance Committee – 100%		
								Corporate Responsibility Committee – 100%		
			Aviad Armoni	100%	92%					
			Zehavit Cohen	100%	100%			Nominations and Corporate Governance Committee – 100%		
								Corporate Responsibility Committee – 100%		
			Shmuel Hauser	100%	100%			Nominations and Corporate Governance Committee – 100%		
								Corporate Responsibility Committee – 100%		
			Limor Shofman Guttman	100%	100%			Nominations and Corporate Governance Committee – 100%		

ADDITIONAL DETAILS ABOUT THE COMPANY

								Corporate Responsibility Committee – 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.							√	

¹⁰ For a Director who is a member of said Committee.

¹¹ For a Director who is a member of said Committee.

¹² For a Director who is a member of said Committee.

¹³ For a Director who is a member of said Committee.

ADDITIONAL DETAILS ABOUT THE COMPANY

SEPARATION OF THE FUNCTIONS OF THE CEO AND THE CHAIRMAN OF THE BOARD OF DIRECTORS				
			Correct	Incorrect
13.		<p>Throughout the Reporting Year, a Chairman of the Board of Directors served with the Corporation.</p> <p>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: ____.</p>	√	
14.		<p>In each Reporting Year, a CEO served with the Corporation.</p> <p>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: ____.</p>	√	
15.		<p>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 Law¹⁴.</p> <p>× Not applicable (so long as the aforesaid dual service does not exist in the Corporation).</p>		

¹⁴ In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

ADDITIONAL DETAILS ABOUT THE COMPANY

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 ¹⁵ : <input type="checkbox"/> Yes <input type="checkbox"/> No (<i>Place an X in the appropriate box.</i>)	_____	_____
17.		A Controlling Shareholder or his Relative does not serve as CEO or as a Senior Officer of the Corporation, except as a Director. <input type="checkbox"/> Not applicable (the Corporation does not have a Controlling Shareholder).		√

¹⁵ In a debenture company – approval pursuant to Section 121(d) of the Companies Law.

ADDITIONAL DETAILS ABOUT THE COMPANY

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. <input type="checkbox"/> 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. <input type="checkbox"/> 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: _____.	√	

ADDITIONAL DETAILS ABOUT THE COMPANY

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.	√	

ADDITIONAL DETAILS ABOUT THE COMPANY

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 (2021): 1 Second quarter report: 1 Third quarter report: 1 Annual report: 1	_____	_____
	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 (2021): 2 Second quarter report: 2 Third quarter report: 2 Annual report: 2		
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: _____.		√	

ADDITIONAL DETAILS ABOUT THE COMPANY

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: _____.		_____	_____

ADDITIONAL DETAILS ABOUT THE COMPANY

COMPENSATION COMMITTEE					
				Correct	Incorrect
28.		<p>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).</p> <p><input type="checkbox"/> Not relevant (no discussion was held).</p>		√	
29.		<p>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.</p>		√	
30.		<p>The following did not serve on the Compensation Committee in the Reporting Year –</p>		—	—
		A.	<p>The Controlling Shareholder or his Relative.</p> <p><input checked="" type="checkbox"/> Not relevant (the Corporation does not have a Controlling Shareholder) .</p>	√	
		B.	<p>The Chairman of the Board of Directors.</p>	√	
		C.	<p>A Director who is employed by the Corporation or by the Controlling Shareholder of the Corporation or by a Corporation under his Control.</p>	√	
		D.	<p>A Director who regularly provides services to the Corporation or to the Controlling Shareholder of the Corporation or to a Corporation under his Control.</p>	√	
		E.	<p>A Director whose main source of income is the Controlling Shareholder.</p> <p><input checked="" type="checkbox"/> Not relevant (the Corporation does not have a Controlling Shareholder).</p>	√	

ADDITIONAL DETAILS ABOUT THE COMPANY

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.	<p>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.</p> <p>If you answer “Incorrect”, state –</p> <p>Type of transaction approved as aforesaid: _____</p> <p>Number of occasions when use was made of said powers in the Reporting Year: _____</p>	√	
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.	<p>The Chairman of the Board of Directors or the Audit Committee approved the work plan in the Reporting Year.</p> <p>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).</p>	√	
35.	The scope of the Internal Auditor’s work in the Corporation in the Reporting Year (in hours ¹⁶): 2,255.	_____	_____
	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.	√	

ADDITIONAL DETAILS ABOUT THE COMPANY

TRANSACTIONS WITH INTERESTED PARTIES			
		Correct	Incorrect
37.	<p>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.</p> <p>If you answer “Incorrect” (i.e., the Controlling Shareholder or his Relative is employed by the Corporation or provides it with management services), state –</p> <ul style="list-style-type: none"> - 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: <p>× Yes</p> <p><input type="checkbox"/> No</p> <p>(Place an X in the appropriate box.)</p> <p><input type="checkbox"/> Not applicable (the Corporation does not have a Controlling Shareholder) .</p>		√
38.	<p>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)¹⁷.</p> <p>If you answer “Incorrect” – state whether an arrangement has been prescribed to delineate Transactions between the Corporation and its Controlling Shareholder:</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>(Place an X in the appropriate box.)</p> <p><input type="checkbox"/> Not applicable (the Corporation does not have a Controlling Shareholder) .</p>	√	

ADDITIONAL DETAILS ABOUT THE COMPANY

Chairman of the Board:

Ehud Arnon

**Chairman of the Audit Committee and the Financial Statements Review
Committee:** Roni Bar-On

¹⁶ Includes work hours invested in investee corporations and in overseas auditing, as the case may be.

¹⁷ 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, 2021

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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, 2021 and 2020 and for each of the three years, the last of which ended December 31, 2021, 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 4,106 million and NIS 4,161 million as of December 31, 2021 and 2020, 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, 2021, 2020 and 2019 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 23, 2022

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, 2021, 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**

		December 31,	
	Additional	2021	2020
	informatio	NIS in millions	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	a	1,073	305
Sort-term investments	b	-	90
Short-term loans and current maturities of long-term loans to subsidiaries	e	11	277
Financial Assets	b	133	266
Financial derivatives	b,c	93	36
Other accounts receivable		72	7
Trade Receivables		42	-
Income taxes receivable		2	-
Total current assets		1,426	981
Assets classified as held for sale		3	-
		1,429	981
NON-CURRENT ASSETS			
Financial assets		8	-
Financial derivatives	b,c	150	311
Investment property		3,658	80
Investment property under development		575	-
Other accounts receivable	b	27	23
Loans to subsidiaries	e	2,304	3,614
Investments in subsidiaries		10,831	14,181
Fixed and other assets, net		40	2
Total non-current assets		17,593	18,211
Total assets		19,022	19,192

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**

		December 31,	
		2021	2020
	Additional information	NIS in millions	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	c	167	208
Current maturities of non-current liabilities	c	1,131	368
Short-term loans from subsidiaries	e	-	30
Financial derivatives	c	17	55
Trade payables	c	24	2
Other accounts payable	c	83	68
Current tax payable		-	19
Dividend payable		46	45
Total current liabilities		1,468	795
NON-CURRENT LIABILITIES			
Loans from banks and others	c	2,786	2,050
Long-term loans from subsidiaries	e	1,517	3,670
Debentures	c	7,507	7,085
Other liabilities	c	16	-
Deferred taxes	d	421	30
Total non-current liabilities		12,247	12,835
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		f	
Share capital		204	204
Share premium		4,078	4,063
Retained earnings		5,226	4,761
Foreign currency translation reserve		(5,352)	(4,307)
Other reserves		1,152	842
Treasury shares		(1)	(1)
Total equity		5,307	5,562
Total liabilities and equity		19,022	19,192

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

March 23, 2022			
Date of approval of the financial statements	Ehud Arnon Chairman of the board	Chaim Katzman CEO and Vice Chairman of the board	Adi Jemini Executive Vice President and CFO

**Details of Financial Information out of Consolidated Statements of Income
Attributed to the Company**

	Additional information	Year ended December 31		
		2021	2020	2019
		NIS in millions		
Rental income		247	2	-
Property operating expenses		94	1	-
Total gross profit		153	1	-
Fair value gain (loss) from investment property, net		212	(9)	-
General and administrative expenses		(63)	(44)	(44)
Other income (expenses), net		6	(17)	(60)
Management fees from related companies	e	2	3	3
Income (loss) from subsidiaries, net		617	(325)	607
Operating income (loss)		927	(391)	506
Finance expenses		(523)	(345)	(605)
Finance income		631	40	815
Finance income from subsidiaries, net	e	(72)	(22)	94
Income (loss) before taxes on income (tax benefit)		963	(718)	810
Taxes on income (tax benefit)	d	317	(65)	108
Net income (loss) attributed to the Company		646	(653)	702

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		
	2021	2020	2019
	NIS in millions		
Net income (loss) attributed to the Company	646	(653)	655
Other comprehensive income attributed to the Company (net of tax effect):			
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>			
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations	32	(8)	56
Realization of capital reserves of company previously accounted for using the equity method	-	-	68
Total other comprehensive income (loss) attributed to the Company	32	(8)	124
Other comprehensive loss attributed to subsidiaries (net of tax effect)	(900)	(1,313)	(1,432)
Total other comprehensive loss attributed to the Company	(868)	(1,321)	(1,308)
Total comprehensive loss attributed to the Company	(222)	(1,974)	(653)

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		
	2021	2020	2019
	NIS in millions		
<u>Cash flows from operating activities of the Company:</u>			
Net income (loss) attributed to the Company	646	(653)	655
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	2	1	1
Finance expenses (income), net	(36)	327	(257)
Fair value gain (loss) from investment property, net	(212)	9	-
Loss (income) from subsidiaries, net	(617)	325	(607)
Realization of capital reserves of company previously accounted for using the equity method	-	-	68
Cost of share-based payment	6	5	4
Taxes on income (Tax benefit)	317	(65)	108
	(540)	602	(683)
Changes in assets and liabilities of the company:			
Decrease (increase) in other accounts receivable	21	2	(10)
Increase (decrease) in trade payables and other accounts payable	(12)	26	(17)
	9	28	(27)
Cash paid and received during the year by the company for:			
Interest paid	(460)	(529)	(476)
Interest received	19	51	88
Taxes paid	-	(3)	(5)
Taxes refund received	-	-	9
Dividend received	9	9	-
Dividend received from subsidiaries	162	184	223
	(270)	(288)	(161)
Net cash used in operating activities of the Company	(155)	(311)	(216)

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		
	2021	2020	2019
	NIS in millions		
<u>Cash flows from investment activities of the Company:</u>			
Investment in fixed and other assets	(1)	-	(37)
Acquisition of investment property	(628)	(88)	-
Proceeds from sale of investment property, net of tax paid	216	-	-
Merger of G Israel into the Company (see note f below)	32	-	-
Short-term investments, net	-	-	(53)
Return on Investments (Investments) in subsidiaries	326	85	21
Loans repaid by (granted to) subsidiaries, net	(159)	1,306	2,852
Repayment of a loan granted	32	-	-
Proceeds from sale (investment) of marketable securities, net	132	(228)	(8)
Net cash provided by (used in) investment activities of the Company	(50)	1,075	2,775
<u>Cash flows from financing activities of the Company:</u>			
Exercise of share options into shares	*) -	*) -	*) -
Receipt of short term credit from banks and others	(41)	(42)	-
Purchase of treasury shares	-	(633)	(158)
Dividend paid to equity holders of the Company	(182)	(293)	(298)
Issuance of debentures less issuance expenses	1,054	1,422	-
Repayment and early redemption of debentures	(348)	(844)	(3,095)
Receipt (repayment) of long-term credit facilities from banks, net	27	(79)	353
Repayment of long-term loans	(41)	(20)	(21)
Receipt of long-term loans	502	-	-
Net cash provided (used in) by financing activities of the Company	971	(489)	(3,219)
Exchange differences on balances of cash and cash equivalents	2	(41)	(7)
Increase (decrease) in cash and cash equivalents	768	234	(667)
Cash and cash equivalents at the beginning of year	305	71	738
Cash and cash equivalents at the end of year	1,073	305	71
<u>Significant non-cash activities of the Company:</u>			
Dividend payable to equity holders of the Company	46	45	75
Dividend received from a subsidiary against repayment of loans from a subsidiary	1,884	-	1,719
Issue 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.

ADDITIONAL DETAILS TO 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	
	2021	2020
	NIS in millions	
<u>Financial assets at fair value through profit or loss:</u>		
Tradable shares (1)	120	253
Tradable debentures (1)	13	13
Participating units in private equity funds (2)	8	-
	<u>141</u>	<u>266</u>
Classifies within current assets	133	266
Classifies within non-current assets	8	-
	<u>141</u>	<u>266</u>

(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) (level 3 in the fair value hierarchy).

c. Disclosure regarding financial liabilities attributed to the Company
1. Other accounts payable attributed to the Company

	December 31	
	2021	2020
	NIS in millions	
Accrued expenses	18	8
Interest payable	31	36
Employees	-	1
Other provisions (including for legal proceedings)	5	-
Other payable	<u>29</u>	<u>23</u>
	<u>83</u>	<u>68</u>

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

 2. Composition of short term credit from banks and others

As of December 31 2021, Short term credit from banks and others is comprised of NIS 167 million par value of commercial securities that were issued in August 2018.

 3. Non-current liabilities attributed to the Company
Composition

	December 31	
	2021	2020
	NIS in millions	
Loans from banks and others (1)	3,131	2,050
Debentures (2)(3)	8,293	7,085
	<u>11,424</u>	<u>9,135</u>

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION
c. Disclosure regarding financial liabilities attributed to the Company (Cont.)
(1) Composition of loans from banks and others

	Interest rate	December 31	
	%	2021	2020
		NIS in millions	
In NIS non linked *)	1.88%	838	314
NIS linked	1.40%	1,201	-
In USD *)	2.87%	578	-
In USD	5.85%	454	489
In CAD *)	3.06%	20	-
In EUR *)	2.25%	58	1,279
		3,149	2,082
Less - deferred expenses		(18)	(11)
		<u>3,131</u>	<u>2,071</u>
Less - current maturities		(345)	(21)
		<u>2,786</u>	<u>2,050</u>

*) 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.

For further information regarding the terms and conditions of the debentures, rating, financial covenants, expansion of debentures, and the issuances of the debentures during the reporting period, refer to Note 19 to the consolidated financial statements.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)
(3) Maturities

	Loans from banks	Debentures
	NIS in millions	
Year 1 - current maturities	345	786
Year 2	1,098	967
Year 3	617	1,152
Year 4	44	1,059
Year 5	44	1,098
Year 6 there after	983	3,231
	2,786	7,507
	3,131	8,292

(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.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

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 maintain 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 light of the fluctuations in foreign exchange rates relative to the NIS in the past two years, the Company's Board of Directors has decided to apply hedging transactions to increase equity exposure to the NIS, so that the equity ratio exposed to the NIS will be up to 40% of equity. Also, the Company management examines the currency linkage balance on an ongoing basis and responds in accordance with developments in exchange rates, 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, 91.1% of the Company's liabilities (%85.7 excluding interest rate swap transactions) bear fixed interest rates (87.9% as of December 31, 2020, 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.

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.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)6) Liquidity risk

The Company's policy is to maintain a certain balance between obtaining long-term financing inter alia, bank loans and debentures and the use of revolving lines of credit from Israeli and international banks for period of 2 to 4 years in which the company can utilize credit for different periods.

As of December 31, 2021 ("the Reporting Date"), the Company has a working capital deficiency of NIS 39 million. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 0.8 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.

In connection with cross-currency swap transactions of liabilities (see section e below), with respect to part of the swaps, the Company entered into credit support annex agreements ("CSA") of current settlement mechanisms with respect to the fair value of the transactions. Accordingly, the Company may be required to transfer the bank significant amounts from time to time, depending on the fair value of these transactions.

Following is the contractual maturity schedule of the financial liabilities of the Company (including interest) at undiscounted amounts:

As of December 31, 2021

	Less than one year	2 to 3 years	4 to 5 years	Over 5 years	Total
NIS in millions					
Credit from banks and others	167	-	-	-	167
Trade payables	24	-	-	-	24
Other accounts payable	83	-	-	-	83
Debentures	1,047	2,522	2,374	3,357	9,300
Loans from banks	424	1,812	135	1,035	3,406
	1,745	4,334	2,509	4,392	12,980

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 others	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

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION
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, 2021		December 31, 2020	
	amount	Fair value	amount	Fair value
	NIS in millions			
<u>Financial liabilities</u>				
Debentures (1)	8,293	9,023	7,432	7,452
Loans from banks and others (2)	3,131	3,242	2,071	2,091
Total financial liabilities	11,424	12,265	9,503	9,543

- (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 2021, 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.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

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	
		31.12.21	31.12.20								31.12.21	31.12.20
<u>Cross currency swaps</u>	EUR-NIS	3,948	4,071	CPI								
		-	8	Linked	5.78% -	1.29%	Fixed	6.26% -	2.12%	3.6	1,275	580
		-		Nominal	0.71%		Fixed	1.24%		-	-	(2)
	USD-NIS	-	60	Nominal	2.63%		Variable	L		-	-	12
		622	635	CPI								
<u>Linkage bases swaps</u>	USD-NIS	-	34	Linked	2.80% -	1.29%	Fixed	5.84% -	4.00%	4.4	138	49
		-		Variable	L		Fixed	0.43%		-	-	(15)
	CAD-NIS	297	297	Nominal	4.00%		Fixed	4.95%		3.8	69	57
				CPI								
	EUR	1,760	-	Linked	4.40%		Fixed	2.86% -	2.27%	2.8	(183)	-
<u>Interest rate swaps fixed/variable</u>	USD	622	643	Variable			Fixed			9.0	1	(23)
<u>Cross currency options</u>	EUR- NIS	3,248	-							0.3	(15)	-
<u>Forward contracts</u>	Different currencies	5,847	6,383							Short term	18	(10)
											<u>1,303</u>	<u>648</u>
<u>Net proceeds from SWAP CSA transactions</u>											<u>(1,077)</u>	<u>(356)</u>
											<u>226**)</u>	<u>292**)</u>

*) "L" represents Interbank base-rate related to the currency of the transaction.

**) NIS 44 million is presented at fair value through other comprehensive income (2020, liability of NIS 2 million)
NIS 182 million is presented at fair value through profit or loss (2020, NIS 294 million)

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION**c. Disclosure regarding financial liabilities attributed to the Company (Cont.)**

- 1) 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.

a) Sensitivity analysis of market risks

Impact on pre-tax gain (loss) for the year of a 1% increase in interest rate *)	Sensitivity analysis of financial balances to absolute changes in interest rates			
	USD	CAD	EUR	NIS
	interest	interest	interest	interest
	NIS in millions			
31.12.2021	-	-	(1)	-
31.12.2020	7	-	(13)	(3)

*) Decrease in interest rates would affect profit or loss by the same amounts, but in the opposite direction.

Effect on pre-tax income (loss)	Sensitivity analysis of financial balances to absolute changes in Consumer Price Index			
	+ 2%	+ 1%	- 1%	- 2%
	NIS in millions			
31.12.2021	(190)	(95)	95	190
31.12.2020	(173)	(86)	86	173

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION
c. Disclosure regarding financial liabilities attributed to the Company (Cont.)

Effect on pre-tax income (loss)	Sensitivity analysis of derivatives – absolute changes in Consumer Price Index			
	+ 2%	+ 1%	- 1%	- 2%
	NIS in millions			
31.12.2021	56	28	(28)	(56)
31.12.2020	108	54	(54)	(108)

Effect on pre-tax income (loss)	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
	+ 10%	+ 5%	- 5%	- 10%
	NIS in millions			
<u>31.12.2021</u>				
Change in exchange rate of EUR	(365)	(199)	228	466
Change in exchange rate of USD	170	85	(85)	(170)
Change in exchange rate of CAD	(28)	(14)	14	28
Change in exchange rate of BRL	(148)	(74)	74	148

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

Effect on pre-tax equity (accounting hedge)	Sensitivity analysis of financial derivatives – relative changes in exchange rates			
	+ 10%	+ 5%	- 5%	- 10%
	NIS in millions			
<u>31.12.2021</u>				
Change in exchange rate of EUR	(82)	(41)	41	82
Change in exchange rate of USD	(118)	(59)	59	118
Change in exchange rate of CAD	10	5	(5)	(10)

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)

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

Effect on pre-tax income (loss)	Sensitivity analysis of financial derivatives – absolute changes in interest rates			
	+ 2%	+ 1%	- 1%	- 2%
	NIS in millions			
<u>31.12.2021</u>				
Change in interest on EUR	293	151	(161)	(334)
Change in interest on USD	147	77	(84)	(175)
Change in interest on CAD	19	10	(10)	(22)
Change in interest on NIS - nominal	(25)	(13)	14	28
Change in interest on NIS - real	(398)	(203)	210	429
<u>31.12.2020</u>				
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

Key assumptions for sensitivity analysis of financial instruments

Refer to Note 34e to the consolidated financial statements.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

a. Disclosure regarding balances of deferred tax assets / liabilities attributed to the Company, and disclosure regarding tax revenues / expenses attributed to the CompanyTaxes 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.

On December 28, 2021, the Company received a tax assessment (best judgment assessments) for the years 2016-2018, the main issues are attribution of financing expenses and the classification of redemption of Preferred shares as a dividend. The company disputes the assessments and believes that it has good claims against it. The company intends to submit an objection on it.

The Company and its consultants assume that the tax assessments do not materially affect the Company's financial statements.

On December 30, 2021, a fully owned subsidiary, which was merged with and into the Company (see section p below), received a tax assessment (best judgment assessments) for 2016, the main issue is attribution of financing expenses. The company disputes the assessments and believes that it has good claims against it. The company intends to submit an objection on it.

The Company and its consultants assume that the tax assessments do not materially affect the Company's financial statements.

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

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

(Development) Ltd., G. West Ltd. and G. Kfar Saba Ltd. ("the Transferring Companies"), pursuant to which the Transferring Companies will transfer all of their assets and liabilities, including all employees and related obligations, to the Absorbing Company, resulting in their winding-up without liquidation, and in consideration for the allotment to the Company of shares in the Absorbing Company (the "Merger" or the "Restructuring"). The Merger was scheduled for December 31, 2016.

The Tax Ruling determines conditions and restrictions concerning the future sale of shares of the Absorbing Company and of the assets that are transferred as part of the Merger, as well as restrictions on the offsetting of losses accumulated prior to the Merger date and in relation to losses that were grossed-up in the transferring assets and the Transferring Companies.

Additionally, the tax ruling is conditional upon the full compliance with all other terms that are set out in the Tax Ruling and subject to the provisions of Part E-2 of the Ordinance.

5. 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.

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 306 million (2020 – NIS 106 million), which have been offset against the deferred tax liability of the Company.

7. Deferred taxes attributed to the Company

Composition

	December 31	
	2021	2020
	NIS in millions	
Revaluation of financial investments to fair value	(274)	(169)
Carry-forward losses	306	139
Revaluation of investment property and investment property under development	(453)	-
	<u>(421)</u>	<u>(30)</u>

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.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION**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		
	2021	2020	2019
	NIS in millions		
Current taxes	94	29	83
Deferred taxes	242	(6)	34
Prior years taxes	(19)	(88)	(9)
	<u>317</u>	<u>(65)</u>	<u>108</u>

9. In 2021, there is no current taxes recorded in other comprehensive income. 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.

b. Loans, balances and material engagements with subsidiaries1. Balances with subsidiariesa) Composition

	December 31	
	2021	2020
	NIS in millions	
<u>Current assets</u>		
Current maturities of long-term loans *)	11	277
<u>Non-current assets</u>		
Investments in subsidiaries	10,831	14,181
Long-term loans and debt *)	2,304	3,614
<u>Current liabilities</u>		
Current maturities of long-term loans *)	-	30
<u>Non-current liabilities</u>		
Long-term loans *)	1,517	3,670

*) see section 4 below.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION**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 513 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 188 million.

2. Transactions with related companies

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Management fees income 3(a) and 3(b)	2	3	3
Finance income	(72)	(22)	47

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 2021, 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.
- c)

4. Loans to Subsidiaries

	Linkage basis	Interest rate %	December 31	
			2021	2020
			NIS in millions	
Wholly-owned subsidiaries in USA	USD	L+ 1.25	91	6
Wholly-owned subsidiaries in Germany	EUR	E+ 2	1	123
Wholly-owned subsidiary in the Netherlands	EUR	None	9	2
Wholly-owned subsidiary in the Netherlands	EUR	None	-	394
Wholly-owned subsidiary in the Netherlands	EUR	5	38	-
Wholly-owned subsidiaries in the Jersey island	EUR	E +1.5	1,899	1,747
G Israel *)	NIS	4.6	-	775
	Linked NIS	4-4.5	-	550
Wholly-owned subsidiaries in Israel	NIS	None	277	294
			2,315	3,891

*) see section d5 above.

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION
e. Loans, balances and material engagements with subsidiaries (Cont.)
5. Loans from Subsidiaries

	Linkage basis	Interest rate %	December 31	
			2021	2020
			NIS in millions	
Wholly-owned subsidiaries in USA	USD	L+ 1.25	-	329
G Israel *)	EUR	None	-	4
Wholly-owned subsidiary in Canada	EUR	C+ 1.3- 2	1,484	3,341
Wholly-owned subsidiary in the Netherlands	NIS	L+ 2	33	26
			<u>1,517</u>	<u>3,700</u>

*) see section d5 above.

**) Loans from subsidiaries will mature in 2023. The balance includes a loan with maturity date in 2022, however the loan classified in the long term since the two parties intend to extend the loan maturity date.

6. Maturities

	NIS in millions
Year 1	11
Year 2	1,936
Year 3	-
Year 4	91
Year 5	-
Year 6 and thereafter	-
Renewable annually *)	277
	<u>2,315</u>

*) 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.

7. Dividends received from subsidiaries

	Year ended December 31		
	2021	2020	2019
	NIS in millions		
Citycon OYJ	162	184	222
Canada	1,884	-	1,809
	<u>2,046</u>	<u>184</u>	<u>2,031</u>

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION**f. Merger of subsidiary**

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

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

Set forth is a reconciliation between the balances of assets and liabilities attributable to the Company, as of December 31, 2020 as reported in the Annual Financial Statements of 2020 and the balances as of January 1, 2021 after the merger with G-Israel.

The adjustments include eliminating intercompany balances between the company and G-Israel that existed at the time of the merger.

	December 31, 2020		January 1, 2021
	As reported	Adjustments	After Merger
	NIS in millions		
ASSETS			
<u>CURRENT ASSETS</u>			
cash and cash equivalents	305	32	337
short term investments	90	-	90
Short term loans and current maturities of long-term loans to subsidiaries	277	(211)	66
Financial assets	266	-	266
Financial derivatives	36	-	36
Other accounts receivable	-	45	45
trade receivables	7	14	21
	981	(120)	861
Assets held for sale	-	217	217
Total current assets	981	97	1,078
<u>NON-CURRENT ASSETS</u>			
Financial derivatives	311	-	311
Investment property	80	3,272	3,352
Investment property in development	-	43	43
Other accounts receivable	23	28	51
Loans to subsidiaries	3,614	(980)	2,634
Investments in subsidiaries	14,181	(890)	13,291
Fixed assets and other assets, net	2	39	41
Total non-current assets	18,211	1,512	19,723
Total assets	19,192	1,609	20,801

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION**f. Merger of subsidiary (Cont.)**

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

ADDITIONAL DETAILS TO THE SEPARATE FINANCIAL INFORMATION

g. 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 issue of 12.5 million shares and 6.25 warrants after the reporting period, refer to Note 25i to the consolidated financial statements.
3. For information regarding the board of directors approval of privet issue to the Company's parent company, Norstar, of 2 million shares and 1 million warrants subject to the approval of the Company's general meeting (by a majority of the minority shareholders), refer to Note 25i to the consolidated financial statements.
4. For an update on dividend distribution policy of the Company, refer to Note 25f to the consolidated financial statements.

h. 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 December 27, 2021, the Company signed an agreement to sell approximately 17.3 million CTY shares held directly by the Company, to a wholly-owned subsidiary. Existence of the sale transaction is conditional on finding a Custodian agreed upon by both parties.
Pursuant to the agreement, the transaction price set as the average CTY share price per the day of payment (VWAP). As of the reporting date, the expected consideration from the transaction is approximately NIS 435 million.
3. On August 1, 2021, the Company's received VAT assessments (best judgment assessments) for the years 2017-2020, mainly regarding the issue of "import" financing services in relation to loans from Foreign subsidiaries, and in addition regarding offsetting VAT inputs as "Holding Company". The Company disputes the VAT assessments and believes that it has good claims against it. The company submitted an objection on it.
The Company and its consultants assume that the assessments issued do not materially affect the Company's financial statements.
4. For information regarding the effects of the COVID-19 pandemic on the Company, refer to Note 1b to the consolidated financial statements.
5. For information regarding the effects of Russia- Ukraine on the Company, refer to Note 1c to the consolidated financial statements.

i. Events subsequent to the reporting date

1. On March 23, 2022, the Company declared a dividend of NIS 0.32 per share (aggregating NIS 46 million), payable on April 12, 2022, to the equity holders of the Company as of April 4, 2022.
2. For details regarding an application the appoint a trustee to buy the Company's control, under the Promotion of Competition and Reduction of Centralization, 2013 law, after the reporting period, refer to Note 24d4 to the consolidated financial statements.

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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;

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, 2021, is effective.

Officers' Declarations**A. Declaration of the CEO in accordance with Regulation 9B(d)(1):****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 2021 (the "Statements");**
- (2) As far as I am aware, the Statements do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;**
- (3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;**
- (4) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:**
 - (A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -**
 - (B) Any fraud, whether or not significant, wherein the 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 23, 2022

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 2021 (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 23, 2022

Adi Jemini, Vice President and CFO