

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



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DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

GAZIT-GLOBE LTD.**Directors' Report to the Shareholders**
For the period ended March 31, 2019

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

1. The Company and its Operations**1.1. Overview**

The Company, through its public and private investees¹ (collectively: the "Group"), is an owner, developer, and operator of shopping centers and retail-based mixed-use properties located in densely populated urban areas in North America, Brazil, Israel, Northern, Central and Eastern Europe. The Group continues to look for opportunities within its core business, in geographies in which it already operates as well as other regions. The Company also evaluating entry into additional types of income-producing properties.

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

Currently, the Company operates generally through two investment categories:

- Wholly-owned private subsidiaries that are consolidated in its financial statements and in which the Company outlines the strategy, is responsible for their financing activities, and oversees their operations. These operations are conducted through G Israel Commercial Centers Ltd. ("G Israel"), through the Company's subsidiaries in Brazil ("Gazit Brasil") and through Gazit Horizons Inc. ("Gazit Horizons") in the U.S.A.
- Public entities under the Company's control with a similar strategy that are consolidated in its financial statements, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. ("CTY") and through Atrium European Real Estate Limited. ("ATR").

In addition, until April 2019, the Company operated through a material interest, but not control in First Capital Realty Inc. ("FCR"). For details regarding the sale of most of the interests holdings in FCR for total consideration of NIS 3.2 billion subsequent to the reporting date, refer to Note 3b to the financial statements.

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

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

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

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**1.2. Group Properties as of March 31, 2019**

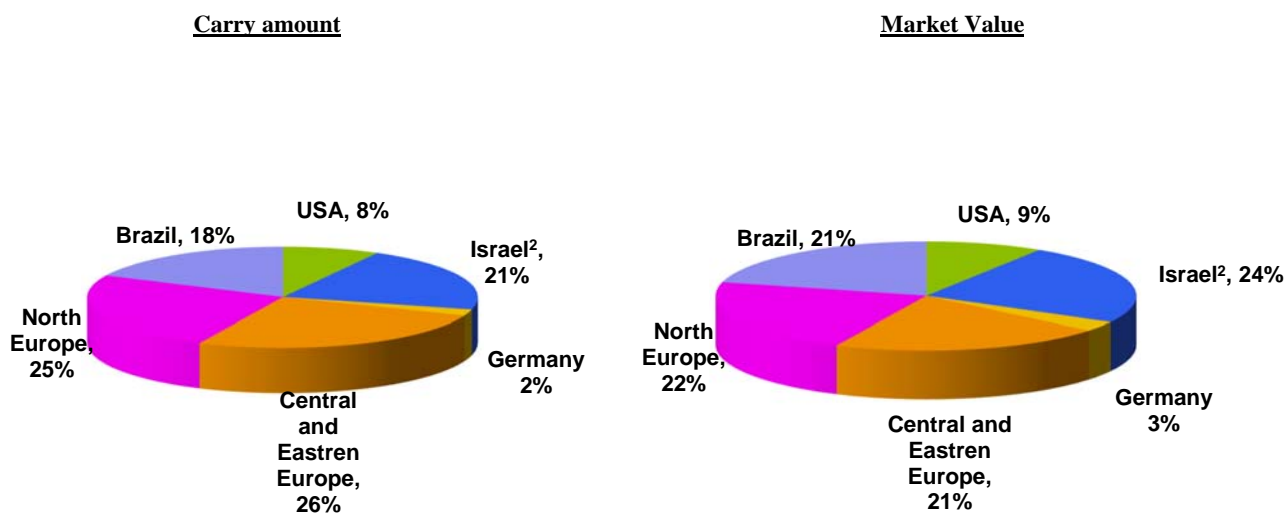
	<u>Country of operation</u>	<u>Holding interest</u>	<u>Income-producing properties</u>	<u>Properties under development</u>	<u>Other properties</u>	<u>GLA (square meters in thousands)</u>	<u>Carrying value of investment property (NIS in millions)</u>
CTY	Finland, Norway, Sweden, Estonia and Denmark	48.6%	40	1	-	1,103	17,500
ATR	Poland, Czech Republic, Slovakia and Russia	60.1%	33	-	-	950	12,222
Gazit Brasil	Brazil (Sao Paulo)	100%	7	-	1	179	3,051
G Israel	Israel	100%	10	1	-	136	3,308
	Bulgaria and Macedonia	100%	1	-	-	6	206
Gazit Horizons	USA	100%	8	-	1	27	1,042
Gazit Germany	Germany	100%	1	-	-	23	367
Total carrying value			100	2	2	2,424	37,696
Jointly controlled properties (proportionate consolidation)			3	-	-	90	2,203
Total			103	2	2	2,514	39,899

As of March 31, 2019, the Company owned 31.2% of FCR's outstanding shares. FCR owns 165 income-producing properties and one property under development, primarily supermarket-anchored shopping centers, with a total gross leasable area ("GLA") of 2.2 million square meters, and with total assets of C\$ 10.5 billion. For details regarding the sale of most of the holdings in FCR shares in consideration of NIS 3.2 billion, subsequent to the reporting date, refer to Note 3b to the financial statements.

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

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

1.3. Breakdown of the Company's Investments by Region (on an expanded solo basis) as of March 31, 2019¹:



¹ Not including the investment in FCR shares which most of the holdings in FCR shares were sold subsequent to the reporting date, refer to note 3b to the financial statements.

² Including investments in Bulgaria and Macedonia through G Israel.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**1.4. Highlights – First quarter of 2019 (the "Quarter")**

(NIS in millions, other than per share data)	March 31, 2019	December 31, 2018	
Net debt to total assets (Consolidated)	52.9%	55.3%	-
Net debt to total assets (Expanded Solo)	45.6%	53.9%	-
Equity attributable to equity holders of the Company ¹	8,540	9,301	-
Equity per share attributable to equity holders of the Company (NIS)	45.6	49.0	-
Net asset value per share (EPRA NAV) (NIS) ²	50.5	58.3	-
EPRA NNAV per share (NIS) ²	41.0	47.5	-

	3 months ended March 31,		
	2019	2018	Change
Rental income	720	711	1.3%
NOI ³	509	492	3.5%
NOI adjusted for exchange rates	509	478	6.5%
Proportionately consolidated NOI ⁴	331	305	8.5%
Cash flow from operating activities per share- Expanded Solo (NIS) ⁵	0.57	0.45	27%
Economic FFO ⁶	171	168	1.8%
Diluted Economic FFO per share (NIS) ⁶	0.91	0.87	4.6%
Economic FFO adjusted for exchange rates	171	162	5.6%
Diluted Economic FFO per share adjusted for exchange rates (NIS)	0.91	0.84	8.3%
Number of shares used in calculating the diluted Economic FFO per share (in thousands)	187,882	193,510	(2.9%)

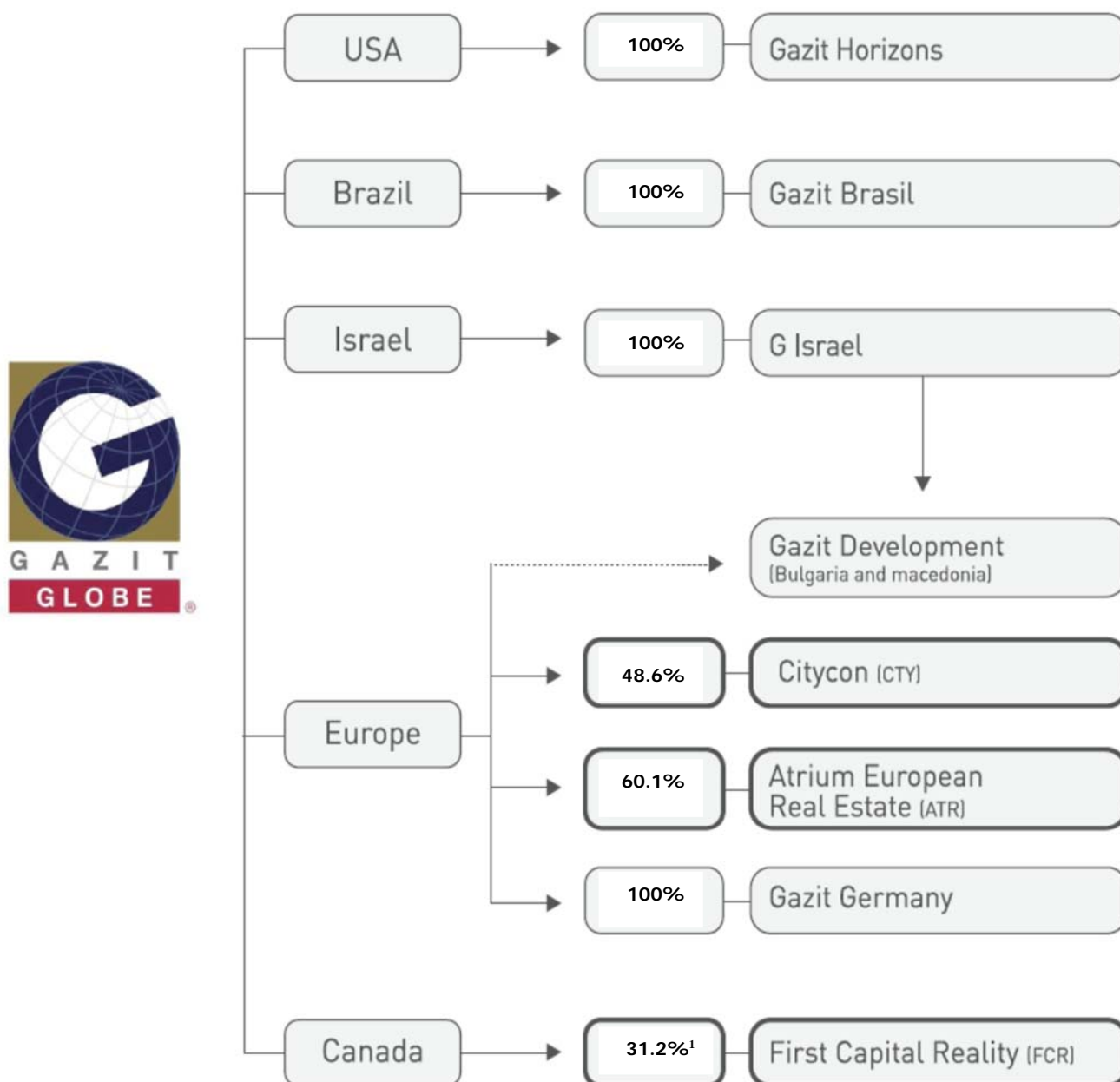
Acquisition, construction and development of investment property ⁷	546	363	-
Disposition of investment property ⁷	166	365	-
Fair value gain (loss) from investment property and investment property under development, net	(83)	48	-
Net income (loss) attributable to equity holders of the Company	42	(486)	-
Diluted net earnings (loss) per share (NIS)	0.22	(2.51)	-
Cash flows provided by (used in) operating activities	194	245	-

- 1 The decrease in shareholders' equity attributed to the Company's shareholders is mainly due to the sale of most of the interests holdings in FCR subsequent to the reporting period (refer to Note 3b to the financial statements), as well as the devaluation of the operating currencies against the NIS in the quarter.
- 2 Refer to section 2.5 below.
- 3 NOI ("Net Operating Income") – Rental income, net of property operating expenses.
- 4 For the company's proportionate share in the NOI of group 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.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

1.4. Highlights – First quarter of 2019 (the "Quarter") (Cont.)

- As of March 31, 2019, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown and the net proceeds from the sale of FCR shares subsequent to the reporting date of NIS 8.6 billion (of which NIS 5.0 billion in the Company and its wholly-owned subsidiaries).
- As a result of fluctuations in currency exchange rates of the US dollar, the Canadian dollar, the Euro, and the Brazilian real against the NIS, the equity attributable to the Company's equity holders decreased in the Quarter by NIS 330 million (net of the effect of cross-currency swap 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).
 - 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.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS
1.5. The Company's Major Holdings Are Set Forth Below (Ownership Structure and Interests as of March 31, 2019):


¹ For details regarding the sale of most of the holdings in FCR shares in consideration of approximately NIS 3.2 billion, subsequent to the reporting date, refer to Note 3b to the financial statements.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**2. Additional Information Concerning the Company's Assets and****2.1. Summary of the Company's Holdings as of March 31, 2019:**

Name of company	Type of security/ property	Amount (millions)	Holding interest (%)	Book value (NIS in millions)	Market value as of 31.3.2019 (NIS in millions)
ATR	Shares (VSX, Euronext)	227.2	60.1	4,269	3,086
CTY	Shares (OMX)	86.5	48.6	4,131	3,219
Israel	Income-producing property	-	-	2,912	-
Israel	Property under development and land	-	-	293	-
Brazil	Income-producing property and land	-	-	3,068	-
USA ¹	Income-producing property and land	-	-	1,321	-
Europe	Income-producing property	-	-	30	-
Europe	Land for future development	-	-	176	-
Total assets		-	-	16,200	-

Set forth below are the Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded solo basis") as of March 31, 2019:

	<u>NIS in millions</u>
Debentures	9,019
Debts to financial institutions	4,469
Total debentures and debts to financial institutions (*)	13,488
Other monetary liabilities	889
Total monetary liabilities	14,377
Less - monetary assets ²	6,744
Less - other investments ³	251
Monetary liabilities, net ⁴	<u><u>7,382</u></u>

(*) Maturity profile of the Company's debentures and debts to financial institutions (NIS in millions):

Year	Debentures	Financial Institutions	Total	%
2019	209 ⁵	279	488	4
2020	1,031	737	1,768	13
2021	896	1,968	2,864	21
2022	894	176	1,070	8
2023	1,106	931	2,037	15
2024	1,166	86	1,252	9
2025	997	37	1,034	8
2026	1,088	37	1,125	8
2027	906	218	1,124	8
2028	726	-	726	6
Total	9,019	4,469	13,488	100

- 1 The USA assets include an investment in a property through a joint venture presented in the financial statements using the equity method.
- 2 Including an investment in FCR shares in the amount of NIS 4,442 million (refer to Note 3b to the financial statements), cash and short-term deposits in the amount of NIS 1,262 million and financial derivatives in the amount of NIS 348 million.
- 3 Comprises primarily the investment in participation units in private equity funds and other investments.
- 4 Excludes deferred tax liability in the amount of NIS 160 million with respect to investment property and NIS 70 million for the remaining shares of FCR after the sale in April 2019 (refer to Note 3b to the financial statements), and NIS 48 million non-controlling interests in one of the Company's property.
- 5 The principal of debentures (Series J) in the amount of NIS 209 million, with coupon interest of 6.5%, which is secured by investment property, refer to section 7 below.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**2.2 Cash flows from operating activities - expanded Solo:**

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
NIS in millions (except for per share data)			
Dividends from public investees	167	201	740
EBITDA from private companies, net of Capex(*)	79	55	277
Total income	246	256	1,017
General and administrative expenses	(22)	(17)	(66)
Interest expenses, net	(110)	(148)	(522)
Taxes	(6)	(4)	(20)
Total expenses	(138)	(169)	(608)
Cash flows from operating activity before a special dividend from ATR	108	87	409
Cash flows from operating activity per share before a special dividend from ATR (NIS)	0.57	0.45	2.12
Special dividend from ATR	-	136	136
Cash flows from operating activity after a special dividend from ATR	108	223	545
Cash flows from operating activity per share after a special dividend from ATR (NIS)	0.57	1.15	2.83

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

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

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 COMPANY'S BUSINESS

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

	For the 3 months ended March 31,		For the year ended December 31,
	2019	2018	2018
	NIS in millions (except for per share data)		
Net income (loss) attributable to equity holders of the Company for the period	42	(486)	(253)
Adjustments:			
Fair value loss (gain) from investment property and investment property under development, net	83	(48)	(114)
Capital loss (gain) on sale of investment property	2	(13)	51
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	(195)	848	921
Adjustments with respect to equity-accounted investees	21	8	(43)
Loss from decrease in holding interest in investees	2	1	(3)
Deferred taxes and current taxes with respect to disposal of properties	308	(182)	(109)
Acquisition costs recognized in profit or loss	-	-	4
Loss from early redemption of interest-bearing liabilities and financial derivatives	2	3	222
Non-controlling interests' share in above adjustments	(54)	(38)	(320)
Nominal FFO (EPRA Earnings)	211	93	356
Additional adjustments:			
CPI linkage and exchange rate differences	(47)	(21)	129
Depreciation and amortization	4	4	15
Company's share in REG's Economic FFO	-	56	101
Other adjustments ⁽¹⁾	3	36	91
Economic FFO according to the management approach (Adjusted EPRA Earnings)	171	168	692
Basic and diluted Economic FFO per share according to the management approach (in NIS)	0.91	0.87	3.60
Number of shares used in the diluted Economic FFO per share calculation (in thousands)⁽²⁾	187,882	193,510	192,583

1 Income and expenses adjusted against the net income (loss) for the purpose of calculating FFO, which include the adjustment of expenses and income from extraordinary legal proceedings not related to the Reporting Periods (including a provision for legal proceedings), non-recurring expenses arising from the termination of engagements with senior Group officers, income and expenses from operations not related to income-producing property, internal costs (mainly salary) incurred in the leasing of properties, and share-based compensation expenses.

2 Weighted average for the period.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**Economic FFO guidance**

The Company as many other real estate companies in North America and Europe, presents FFO guidance. The purpose of the Company's guidance is to disclose Management's view as to the expected financial and operating performance of the Company.

Presented below is the 2019 guidance, based on publicly available information and Management's assessments, including the FFO guidance of public investees, where published, and on the following assumptions:

- Known exchange rates and interest rates as of the operating date.
- Acquisitions, sales, investments in development of properties according to the Company's plan.
- Excluding unanticipated material events that affect the Group's operations.

	<u>1-3/19</u>	<u>1-3/18</u>	<u>2019</u>	<u>2018</u>
	<u>Actual</u>	<u>Actual</u>	<u>Guidance</u>	<u>Pro-forma*</u>
Economic FFO (NIS in million)	171	168	577-592	556
Economic FFO per share (NIS)	0.91	0.87	3.58-3.62	2.89

* Pro-forma information is presented for comparison between the periods. Pro forma information for 2018 is excluding REG's results and FCR's results with respect to the shares for which the Company sold subsequent to the reporting date, refer to Note 3b to the financial statements.

The Company's Economic FFO guidance for 2019 is forward-looking information, as defined in the Securities Law, 1968, which is based on the aforementioned assumptions, including assessments and estimates by Management of the of Company and the Group companies pertaining to future events and matters whose materialization is not certain nor under the Group's control. There is no certainty that the guidance will be realized, wholly or partly, and actual results could be different from those set forth above due, inter alia, to their dependence on events that are not under the control of the Company and the Group.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

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

	3 months ended March 31,		Year ended December 31,
	2019	2018	2018
	NIS in millions		
Rental income	720	711	2,840
Property operating expenses	211	219	844
NOI for the period	509	492	1,996
Less - minority's share in NOI	(190)	(199)	(770)
Add - Company's share in NOI of associate and jointly controlled companies ¹	12	12	48
NOI for the period - the Group's proportionate share¹	331	305	1,274
Annual NOI - the Group's proportionate share¹	1,324²	1,220²	1,274

1 Excluding the Company's share in FCR's NOI.

2 Calculated by multiplying the NOI for the quarter by four.

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

Value of proportionately consolidated income-producing property in accordance with the NOI for the first quarter of 2019:

						Share price as of March 31 2019
Cap Rate:	5.75%	6.00%	6.25%	6.31%	6.50%	
Value of income-producing property (NIS in millions) (*)	23,035	22,076	21,193	20,991	20,377	17,899
Share price derived from the above Cap Rate (NIS) (**)	56.6	51.5	46.7	45.6	42.4	29.1

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

(**) Excluding the tax effect.

New properties, properties under development and land, which are not yet income-producing and which are presented at their fair values in the Group's books (according to the proportionate consolidation method) as of March 31, 2019, amounted to NIS 2,001 million.

In addition, as of the reporting date, the Company holds FCR shares presented in the Company's books in the amount of NIS 4,442 million, refer to Note 3b to the financial statements.

The Group's monetary liabilities, net of monetary assets (according to the proportionate consolidation method) as of March 31, 2019, amounted to NIS 18,892 million.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**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:

	<u>March 31,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>NIS in millions (except for per share data)</u>		
<u>EPRA NAV</u>			
Equity attributable to the equity holders of the Company, per the financial statements	8,540	9,715	9,301
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) ¹	1,011	976	1,041
Adjustments with respect to equity-accounted investees	-	659	679
Fair value asset adjustment for derivatives, net ²	(102)	(44)	83
Net asset value - EPRA NAV	9,449	11,306	11,104
EPRA NAV per share (in NIS)	50.5	58.4	58.3
<u>EPRA NNNAV</u>			
EPRA NAV	9,449	11,306	11,104
Adjustment of financial liabilities to their fair value	(864)	(1,049)	(224)
Other adjustments to provision for deferred taxes	(1,011)	(976)	(1,041)
Fair value asset adjustment for financial derivatives, net	102	44	(83)
Adjustments with respect to equity-accounted investees	-	(742)	(708)
Adjusted net asset value - EPRA NNNAV	7,676	8,583	9,048
EPRA NNNAV per share (in NIS)	41.0	44.3	47.5
Issued share capital of the Company used in the calculation (in thousands of shares)³	187,242	193,597	190,354

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

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

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

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**3. Discussion by the Board of Directors of the Company's Business Position, Results of Operations, Equity and Cash Flows**

3.1. During the quarter, the investments of the Company and its subsidiaries in the acquisition and development of new properties and in the redevelopment, expansion and construction of various properties totaled NIS 546 million. The effect of these investments on the operating results of the Group will be reflected in full during the remainder of 2019 and thereafter.

Activities in Properties

1) During the quarter, the Company and its subsidiaries acquired 4 income-producing properties, with a total GLA of 14 thousand square meters and land for future development, at a total cost of NIS 448 million. In addition, the Company and its subsidiaries have developed new properties and redeveloped existing properties at a total cost of NIS 98 million. Additionally, during the quarter, the Company and its subsidiaries disposed of non-core properties in the amount of NIS 166 million.

2) **Highlights of operational data:**

	Income producing properties ¹	GLA (in thousands of square meters)	Average basic monthly rent per square meter		Change in same property NOI ²	NOI (million)		Occupancy rate in core properties		Ratio of net debt to total assets
			31.3.2019	31.3.2018		Q1. 2019	Q1. 2018	31.3.2019	31.3.2018	
Gazit Brasil	7	179	R\$ 67	R\$ 58	10.9%	R\$ 49.6	R\$ 26.1	96.2%	97.9%	N/A
G Israel	10	136	NIS 108.3	NIS 105.7	1.1%	NIS 42.0	NIS 39.3	98.4%	96.8%	N/A
CTY	41	1,149	€23.3	€23	(0.3%)	€53.6	€53.3	95.9%	96.1%	48.7%
ATR	34	980	€14.8	€14.2	0.2% ³	€44.42	€44.4	95.0%	96.9%	37.6%

1 Includes jointly-controlled properties.

2 Change in same property NOI during the Reporting Period compared with the comparable period in the prior year.

3 Excluding Russia, the same property NOI grew by 1.4% compared to the corresponding period last year.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS3) **Data for Properties under Development, Redevelopment, and Expansion.**

Company	Properties under Development			
	No. of properties	Total investment as of March 31, 2019 (NIS in millions)	Estimated cost to complete (NIS in millions)	Area (square meters in thousands)
CTY	1	347	- ¹	44
G Israel	1	101	13	2
	2	448	13	46

¹ Negotiations regarding construction of main part of shopping center are ongoing. Impact on expected investment to be confirmed after the agreement has been signed.

Company	Properties under Redevelopment and Expansion			
	No. of properties	Total investment as of March 31, 2019 (NIS in millions)	Estimated cost to complete (NIS in millions)	Area (square meters in thousands)
ATR	3	608	151	21
G Israel	1	107	63	13
	4	715	214	34

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**4) Effect of the Macro-Economic Environment on the Group's Activity**

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

As of March 31, 2019, the Company is reporting stability in occupancy rates and an increase in average rental rates, at the Group's properties. The Company considers that the macro-economic data from the countries of operation testify to a stable environment and a forecast of further growth.

The Company's assessments regarding the impact of future macro-economic events on its operations, revenues and financial position are not certain nor are they under the Company's control, and therefore, constitute forward-looking statements.

Presented below are macro-economic data for the countries where the Group operates¹:

	Growth (GDP)		Rate of unemployment	Yield on government debentures (10 years)	Debt rating (S&P)
	2019 forecast	2018			
Norway	2.30%	1.48%	3.8%	1.67%	AAA
Sweden	1.70%	2.53%	6.7%	0.19%	AAAu
Canada	1.50%	1.80%	5.7%	1.68%	AAA
Finland	1.70%	2.30%	6.6%	0.15%	AA+
USA	2.60%	2.90%	3.6%	2.41%	AA+u
Czech Republic	2.70%	2.90%	1.9%	1.84%	AA-
Israel	3.30%	3.40%	3.9%	1.86%	AA-
Poland	3.80%	5.10%	3.4%	2.83%	A-
Russia	1.50%	2.30%	4.7%	8.16%	BBB-
Brazil	1.90%	1.10%	8.2%	8.79%	BB-

International debt rating of Group companies:

Rating Agency	Gazit-Globe ²	CTY	ATR
Moody's	ilAa3/Stable	Baa2/ Negative	Baa3/Positive
S&P	³ ilAA-/Stable	BBB-/ Stable	BBB-/Stable
Fitch	-	-	BBB/Stable
DBRS	-	-	-

¹ Data source: Bloomberg – May 2019.

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

³ The debentures (Series J) of the Company, which are secured by properties, have been rated 'ilAA' with a stable outlook by the S&P Maalot rating agency.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

3.2. Material Events at the Group During the quarter

- A. For details regarding the sale of 58 million shares of FCR for a total consideration of NIS 3.2 billion, refer to Note 3b to the financial statements.
- B. For details regarding the buyback of 2.8 million shares of the Company in the amount of NIS 79 million, refer to Note 3d to the financial statements.
- C. For details regarding the Company's decision to delist its shares from trading on the New York Stock Exchange (the "NYSE") and termination of its reporting obligations under the SEC, refer to Note 3a to the financial statements.
- D. On March 18, 2019, the Company published a tender offer for up to 10 million of its shares (constituting 5.3% of the Company's share capital) at a price of NIS 29 per share. On April 1, 2019, the Company completed the tender offer of which 2.4 million shares were purchased for total consideration of NIS 70 million.

3.3. Dividend Distribution Policy

Pursuant to the Company's policy, the Company announces every year the anticipated annual dividend. In March 2019, the Company announced that the quarterly dividend for 2019 would be NIS 0.405 per share (the total dividend to be declared for 2019 will be NIS 1.62 per share, compared with the dividend of NIS 1.52 per share in 2018).

The above is subject to the existence of sufficient distributable income at the relevant dates and is subject to the provisions of any law relating to dividend distributions and to decisions that the Company is permitted to take. This includes the appropriation of its income for other purposes and the revision of this policy.

3.4. Financial Position**Current assets**

Current assets, as of March 31, 2019, total NIS 6.2 billion, compared with NIS 3.8 billion as of December 31, 2018. The increase in current assets derives mainly from the classification of the investment in FCR shares to assets held for sale that were sold subsequent to the reporting period (refer to Note 3b to the financial statements). The said increase was offset by a decrease in cash and cash equivalents used to repay debentures.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 2,951 million as of March 31, 2019, compared to NIS 6,498 million as of December 31, 2018. The balance of this item is primarily comprised of the investment in FCR (investment in shares that were not sold subsequent to the reporting date, refer to Note 3b to the financial statements) in the amount of NIS 1,253 million, investments in property through joint ventures as recorded in the books of CTY, ATR and Gazit Horizons. The decrease in equity-accounted investees is due primarily to classification of the investment in FCR that was sold subsequent to the reporting period (refer to Note 3b to the financial statements).

Non-current Financial derivatives

The balance of financial derivatives primarily arises from cross-currency swap transactions, entered into as part of the Group's policy to correlate 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 agreements entered into with certain financial institutions in connection with the collateral with respect to the value of the financial derivatives (CSA agreement). As of March 31, 2019, the aforesaid balance of financial derivatives amounted to NIS 273 million, compared to NIS 83 million as of December 31, 2018. The increase is primarily due to the gain from the revaluation of the financial derivatives to their fair value in the quarter, primarily from the strengthening of the NIS against the Euro, U.S. dollar and the Canadian dollar.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

Investment property and investment property under development

Investment property and investment property under development (including assets held for sale that are presented under current assets), as of March 31, 2019, amounted to NIS 37.7 billion, compared to NIS 38.7 billion as of December 31, 2018.

The decrease in these balances during the quarter is primarily due to the change in foreign currency exchange rates (primarily the New Israeli Shekel against the Euro) in the net amount of NIS 1.2 billion, by the sale of none core investment property in consideration of NIS 0.2 billion and the fair value of investment property and investment property under development in the amount of NIS 83 million. The decrease was offset by the acquisition of rental properties, the development of new properties and the renovation of existing properties at a total cost of NIS 0.5 billion.

Intangible assets, net

Intangible assets, net, as of March 31, 2019, totaled NIS 692 million, compared to NIS 688 million as of December 31, 2018. The intangible assets primarily consist of goodwill in an amount of NIS 606 million as a result of CTY's acquisition of properties in Norway.

Current liabilities

Current liabilities, as of March 31, 2019, totalled NIS 3.6 billion, compared to NIS 4.3 billion as of December 31, 2018. The balance mainly includes credit from banks and others and current maturities of long-term liabilities, in the amount of NIS 2.2 billion, compared to NIS 2.6 billion as of December 31, 2018.

Non-current liabilities

Non-current liabilities, as of March 31, 2019, totaled NIS 28.0 billion, compared to NIS 28.0 billion as of December 31, 2018.

Equity attributable to the equity holders of the Company

Equity attributable to the equity holders of the Company, as of March 31, 2019, amounted to NIS 8,540 million, compared to NIS 9,301 million as of December 31, 2018. The decrease is due to a decrease in capital reserves in the amount of NIS 649 million, from buyback of shares in the amount of NIS 79 million and to the declared dividend of NIS 75 million. The aforesaid decrease was offset by the profit attributed to the Company's shareholders in the amount of NIS 42 million.

The equity per share attributable to the equity holders of the Company as of March 31, 2019 totaled NIS 45.6 per share, compared to NIS 49.0 per share as of December 31, 2018, after a dividend distribution of NIS 0.405 per share during the Reporting Period.

Non-controlling interests

Non-controlling interests, as of March 31, 2019, amounted to NIS 7.3 billion, compared to NIS 7.7 billion as of December 31, 2018. The balance is primarily composed of the interests of CTY's other shareholders comprising 51.4% of CTY's equity as well as the interests of ATR's other shareholders comprising 39.9% of ATR's equity.

The decrease in non-controlling interests in the Reporting Period is primarily due to the portion of the non-controlling interests in the dividends distributed by the subsidiaries in an amount of NIS 0.1 billion and by the portion of other shareholders in the comprehensive loss of the subsidiaries in an amount of NIS 0.3 billion.

Ratio of debt to total assets

The ratio of the Group's net interest-bearing debt to its total assets is 52.9% as of March 31, 2019, compared to 52.0% as of March 31, 2018 and 55.3% as of December 31, 2018.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**3.5 Results of Operations and Analysis****A. Results of operations are as follows:**

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
NIS in millions (except for per share data)			
Rental income	720	711	2,840
Property operating expenses	211	219	844
Net operating rental income	509	492	1,996
Fair value gain (loss) from investment property and investment property under development, net	(83)	48	114
General and administrative expenses	(92)	(95)	(375)
Other income	3	29	13
Other expenses	(233)	(48)	(126)
Company's share in earnings of equity-accounted investees, net	57	63	389
Operating income	161	489	2,011
Finance expenses	(177)	(1,115)	(2,262)
Finance income	444	57	140
Profit (loss) before taxes on income	428	(569)	(111)
Taxes on income (tax benefit)	313	(174)	(64)
Net income (loss)	115	(395)	(47)
Attributable to:			
Equity holders of the Company	42	(486)	(253)
Non-controlling interests	73	91	206
	115	(395)	(47)
Net earnings (loss) per share attributable to equity holders of the Company (NIS):			
Basic net earnings (loss)	0.22	(2.51)	(1.31)
Diluted net earnings (loss)	0.22	(2.51)	(1.32)

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**The statement of comprehensive income is as follows:**

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
Net income (loss)	115	(395)	(47)
Other comprehensive income (loss) (net of tax effect):			
<u>Amounts that will not be reclassified subsequently to profit or loss</u>			
Net gains (losses) on financial assets at fair value through other comprehensive income	3	(10)	(56)
<u>Items that are or will be reclassified to profit or loss</u>			
Exchange differences on translation of foreign operation	(984)	639	189
Net gains (losses) on cash flow hedges	(29)	18	(10)
Total other comprehensive income (loss)	(1,010)	647	123
Total comprehensive income (loss)	(895)	252	76
Attributable to:			
Equity holders of the Company	(612)	(174)	(338)
Non-controlling interests	(283)	426	414
	(895)	252	76

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

B. Analysis of results of operations for the first quarter of 2019**Rental income**

Rental income increased by 1.3% to NIS 720 million in the Quarter, compared with NIS 711 million in the corresponding quarter last year. The increase is due to development properties coming on line, by new acquisitions during the prior 12-month period, by growth in income from same properties in the Quarter compared to the comparable quarter in the prior and a rise in the average exchange rate of the Euro against the NIS. The increase was offset from the sale of property in the last 12 months.

Excluding the average exchange rates of the foregoing periods, the rental income in the Quarter increased by 4.2% compared with the corresponding quarter last year.

Property operating expenses

Property operating expenses totaled NIS 211 million in the Quarter, representing 29.3% of total rental income, compared with NIS 219 million, representing 30.8% of total rental income, in the corresponding quarter last year.

Net operating rental income (NOI)

Net operating rental income rose by 3.5% to NIS 509 million in the Quarter (70.7% of total rental income), compared with NIS 492 million (69.2% of rental income) in the corresponding quarter last year. The changes in net operating income from rental property are due to the same reasons described in the Rental Income section above.

Excluding the average exchange rates of the foregoing periods, the net operating rental income in the Quarter increased by 6.5% compared with 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 83 million, compared to a gain of NIS 48million in the corresponding quarter in the prior year. The fair value loss relates mainly to CTY.

General and administrative expenses

General and administrative expenses totaled NIS 92 million (12.8% of total revenues) in the Quarter, compared to NIS 95million (13.4%of total revenues) in the corresponding quarter in the prior year.

Other expenses

Other expenses in the Quarter amounted to NIS 233 million, compared with NIS 48 million in the quarter. Other expenses in the quarter were due mainly to a capital loss of NIS 223 million in respect of the sale of FCR shares at a price lower than its shareholders' equity as well as the balance of the remaining FCR shares, which are presented at a market value lower than FCR's equity.

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

In the Quarter, the Company's share in earnings of equity-accounted investees amounted to NIS 57 million (compared to earnings of NIS 63 million recorded in the corresponding quarter in the prior year) and is primarily comprised of FCR's earnings (NIS 50 million compared to NIS 65 million in the corresponding quarter in the prior year) and the Group's share in the net earnings of CTY, Gazit Horizons and ATR.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

Finance expenses

Finance expenses amounted to NIS 177 million in the Quarter, compared to NIS 1,115million in the comparable quarter in the prior year. The decrease in the finance expenses in the Quarter, compared to the corresponding quarter in the prior year, is primarily due to the revaluation loss of investment in REG in the amount of NIS 660 million in the corresponding quarter last year, from the revaluation loss of financial derivatives in the corresponding quarter of last year in the amount of NIS 205 million in the quarter and a decrease in interest expenses in the amount of about NIS 51 million, as a result of the refinancing of debt at a lower interest rate than the debt that was repaid.

The average interest on the Company's interest bearing liabilities (on expanded solo basis) is 3.9% compared to 4.6% in the corresponding quarter in the prior year.

Finance income

Finance income totaled NIS 444 million in the Quarter, compared to NIS 57in the corresponding quarter in the prior year. Finance income in the Quarter primarily comprises gain of NIS 390million on revaluation of financial derivatives (revaluation loss on financial derivatives in the corresponding quarter last year), gain of NIS 39million on the realization and revaluation of securities and from a dividend (income of NIS 33 million in the corresponding quarter in the prior year) and interest income of NIS 11million (income of NIS 20million in the corresponding quarter in the prior year).

Taxes on income (tax benefit)

Tax expenses totaled NIS 313 million in the Quarter, compared with tax benefit of NIS 174 million in the corresponding quarter last year. Tax expenses in the Quarter comprises primarily deferred tax expenses of NIS 283 million, arising mainly from a deferred taxes liability following the sale of FCR shares subsequent to the reporting date (refer to Note 3b to the financial statements), as well as the net changes in the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposition of properties (in the corresponding quarter last year – net deferred tax income of NIS 277 million arising primarily from the sale of REG shares and a decrease in the share price of REG). In the Quarter, the Company and its subsidiaries recorded current tax expenses in an amount of NIS 37 million, compared with current tax expense of NIS 123 million (NIS 109 million in respect of the sale of REG shares) in the corresponding quarter last year. In addition, tax income of NIS 7 million was recognized in the Quarter with respect to prior years compared with tax income in respect of prior years of NIS 20 million in the corresponding quarter last year.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

3.6. Liquidity and Capital Resources

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

The sources of the Company and its subsidiaries liquidity are the cash generated from its income-producing properties, issuing of debentures, convertible debentures and equity, 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 and the net proceeds from the sale of FCR shares subsequent to the reporting date, totaled NIS 3.7 billion as of March 31, 2019. In addition, as of March 31, 2019, the Company and its subsidiaries have binding undrawn long-term credit facilities¹ available for immediate drawdown of NIS 4.9 billion.

As of March 31, 2019, the Company and its subsidiaries have liquidity, including undrawn credit facilities¹ available for immediate drawdown (including net proceeds from the sale of FCR shares subsequent to the reporting date), of NIS 8.6 billion (of which NIS 5.0 billion is at the Company and its' wholly – owned subsidiaries).

Furthermore, as of March 31, 2019, the Company and its subsidiaries have unencumbered investment property and investment property under development, which is carried on the books at a fair value of NIS 32.5 billion (85.5% of the total investment property and investment property under development). The Company and its wholly owned subsidiaries have unencumbered investment property and investment property under development that is carried in the books at a value of NIS 6.3 billion (76% of total investment property and investment property under development).

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

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

3.7. Cash flows

Cash flows from operating activities in the quarter totaled NIS 194 million, compared with NIS 245 million in the corresponding quarter last year. The decrease in cash flows from operating activities arises mainly from differences in the timing of payments to third parties.

During the Quarter, the activities of the Company and its subsidiaries were funded the receipt of loans and credit lines in a net amount of NIS 897 million. The proceeds from these sources were primarily used for the acquisition of investment property and the development of new properties in a net amount of NIS 380 million, for the redemption of debentures in a net amount of NIS 605 million, for investments in financial assets in a net amount of NIS 719 million, for the payment of dividends by the Group companies in a net amount of NIS 177 million and the acquisition of treasury shares in an amount of NIS 79 million.

3.8. Repurchase Program

- A. On March 17, 2019, the Company's Board of Directors approved a buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 750 million, in relation to all the outstanding series of debentures. The program is in effect until March 31, 2020. Purchases will be made under the program from time to time and at the discretion of the Company's Management. To the date of publication of the report, the Company has repurchased debentures in consideration of NIS 46 million under the program.

- B. On January 11, 2019, the Company's Board of Directors approved a buyback program for the Company's shares (in place of the previous plan) in an amount of up to NIS 250 million. The program is in effect until December 31, 2019. Acquisitions will be made under the program from time to time, at the discretion of the Company's management, so long as the stock exchange price of the share reflects a significant discount on the Company's NAV, as shall be from time to time. Up to the publication date of this report, the Company acquired 1.6 million shares, in consideration of NIS 46 million, under the program (excluding the shares which acquired through the tender offer, refer to Note 3b to the financial statements).

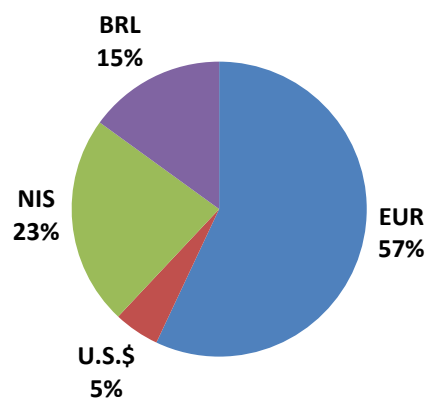
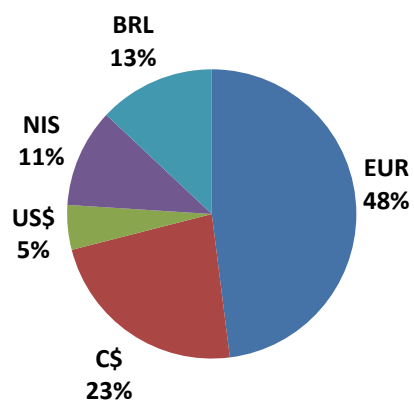
DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

4. Exposure to Market Risks and their Management

- 4.1.** The officers responsible for managing and reporting the Company's market risks are the Company's CEO and its Deputy CEO and CFO. The Group operates globally and is consequently exposed to currency risks resulting from fluctuations in exchange rates of various currencies (primarily the U.S. dollar, the Canadian dollar, the euro and the Brazilian real). Since March 17, 2019, the approval date of the Company's annual report for 2017, there has not been any material changes in the management or nature of the market risks to which the Company is exposed.
- 4.2.** During the period from January 1, 2019 through the date on which the financial statements were approved, the CEO and Executive Vice President and CFO have held and continue to hold regular discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. Furthermore, during such period, the Company's Board of Directors discussed such risks and the Company's policy with respect thereto in the meetings in which the financial statements as of December 31, 2018 and March 31, 2019 were approved.
- 4.3.** Changes in foreign currency exchange rates – during the period from January 1, 2019 through March 31, 2019, the NIS appreciated against the Euro, the Canadian dollar, the U.S. dollar and the Brazilian real by 5.0%, by 1.7%, by 3.1% and 3.9%, respectively. With regard to the impact of exchange rate changes on the Company's equity, as of March 31, 2019, refer to Appendix A of the Directors' Report. In addition, from March 31, 2019 until immediately prior to the date of approval of this report, the NIS appreciated against the Euro, the Brazilian real, the U.S. dollar and the Canadian dollar by 1.6%, by 5.9%, by 0.9% and by 0.9%, respectively.
- In addition, some of the Company's liabilities (primarily with respect to operations in Israel) are linked to changes in the Israeli consumer price index. During the period from January 1, 2019 through March 31, 2019, the Israeli consumer price index (known index) fell by 0.3%. In addition, from March 31, 2019 until immediately prior to the date of approval of this report, the Israeli consumer price index (known index) rose by 0.8%
- 4.4.** As in the past, the Company maintains a high correlation between the mix of its properties in the various functional currencies and the exposure of its equity to those currencies, by conducting hedging transactions to manage the currency exposure. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations. As a general rule, the Company attempts to hold its equity in the currencies of the various markets in which it operates, except with regard to the NIS, and in the same proportions as the assets in each such currency bear to the total assets. The Group primarily manages and hedges the economic risks to which it is exposed. For details regarding the scope of the Company's exposure to each of the functional currencies (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real), with respect to which linkage basis and cross-currency swaps have been transacted and loans taken in the various currencies, and regarding the scope of the remaining exposure after transacting cross-currency swaps, as of March 31, 2019, refer to the table attached as Appendix A of the Directors' Report.

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

The economic equity attributable to equity holders of the Company to exposure by currency, as of March 31, 2019¹ and December 31, 2018, is presented below:

March 31, 2019**December 31, 2018**

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

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS**5. Corporate Governance Aspects****Donations**

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

- A.** The majority of the Group's donations in the Quarter was directed to the field of education for the benefit of the "Supporting the South" initiative, which was established by the Company six years ago. Within the framework of the initiative, the Company supports the educational systems of periphery towns in the Negev, including providing support to elementary and high schools, as well as to several nursery schools and preschool centers.
- B.** Communal involvement – the Group supports a variety of volunteer organizations in the fields of welfare, health and culture.

During the Reporting Period, the Group's donations amounted to NIS 1.2 million.

6. Disclosure Regarding the Financial Reporting of the Company**Subsequent events**

- A.** For details regarding the sale of 58 million FCR shares in the amount of NIS 3.2 billion, refer to Note 3b to the financial statements.
- B.** For details regarding the buyback of 2.8 million shares of the Company (including through a tender offer) in the amount of NIS 80 million, refer to Note 5c to the financial statements.
- C.** For details regarding the Company's repurchase of debentures, in the amount of NIS 46 million, refer to Note 5d to the financial statements.

7. Details Concerning the Company's Publicly-Held Debt Certificates**A. Collateral for Debentures (Series J)**

The Company's commitments pursuant to the debentures (Series J) are secured by a first fixed charge on the rights relating to properties, as set out in section 1.5.2 of the Company's shelf prospectus published on May 28, 2018 (reference no. 2018-01-043740), with the information contained therein being hereby presented by means of this reference. The value of the foregoing pledged property as of December 31, 2018 is NIS 300.5 million. No material change has occurred in the value of the pledged property as of March 31, 2019 compared to its value as of December 31, 2018.

- B.** The principal covenants attaching to the debentures (Series M) of the Company are as follows:

<u>Financial ratio</u>	<u>Covenants</u>	<u>As of March 31, 2019</u>
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Higher than 800	2,351
Ratio of net interest-bearing liabilities to total consolidated assets (%)	Higher than 75	52.9
Minimum rating of the debentures	'ilBaa3'/'ilBBB-'	'ilAa3'/'ilAA-'

As of March 31, 2019, the Company complied with the covenants in respect of debentures (Series M).

May 21, 2019

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

DIRECTORS' REPORT ON THE COMPANY'S BUSINESS

Appendix A of the Directors' Report
Additional Information regarding Currency Exposure
As of March 31, 2019

The information below sets forth the scope of the Company's currency exposure (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real) in connection with the cross-currency swaps which have been transacted, and the scope of the exposure remaining after taking into account the cross-currency swaps, as of March 31, 2019. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS¹) and the percentages they represent out of the total assets and liabilities, respectively, on a proportionately consolidated basis², and the total financial adjustments made by the Company by means of cross-currency swap transactions, in order to correlate, to the extent possible, the Company's equity to the Company's assets (from a currency perspective). As illustrated by the table, the assets and liabilities for each currency do not fully correlate, and the exposure to each such currency is reflected in the differences, as presented in the table.

Data presented in millions	NIS	U.S.\$	EUR	C\$	BRL	Total in NIS
Assets in original currency	3,265	382	3,877	1,667	3,101	-
Assets in NIS	3,265	1,386	15,794	4,509	2,921	27,875
% of total assets	12	5	57	16	10	100
Liabilities in original currency	9,941	568	1,704	177	-	-
Cross-currency swap transactions in original currency	(8,781)	(319)	910	1,485	1,675	-
Liabilities in original currency	1,160	249	2,614	1,662	1,675	-
Liabilities in NIS adjusted for swaps	1,160	903	10,648	4,496	1,578	18,785
% of total liabilities	6	5	57	24	8	100
Total equity in original currency	2,105	133	1,263	5	1,426	-
Total economic equity ³ in NIS	2,105	483	5,146	13	1,343	9,090
% of total equity	23	5	57	-	15	100

1 According to currency exchange rates as of March 31, 2019.

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

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

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS**UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS FOR THE 2018 PERIODIC REPORT OF GAZIT-GLOBE LTD. (the "Company")**

Pursuant to Regulation 39A of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, details are presented below concerning material changes and developments that have taken place in the Company's business since the publication of the Company's Periodic Report for 2018 (the "Periodic Report"), for each matter required to be described in the Periodic Report.

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

- A. As of January 1, 2019 and up to the publication date of this report, the Company issued 27,652 shares to officers of the Company, employees of the Company and employees of its wholly owned subsidiaries, as a result of the vesting of convertible securities allocated to them as part of their employment conditions.
- B. For details regarding the repurchase of 5.6 million shares of the Company (including through a tender offer), in consideration of NIS 159 million, refer to Notes 3c, 3d and 5c to the financial statements.

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

- A. On April 16, 2019, the Company distributed a dividend to its shareholders in an amount of NIS 75 million (NIS 0.405 per share).
- B. For details regarding a dividend declared by the Company after the Reporting Date, refer to Note 5a to the financial statements.

Update to Section 8 – Acquisition, development and operation of shopping centers in Canada

For details regarding the sale of 58 million FCR shares for total consideration of NIS 3.2 billion, refer to Note 3b to the financial statements.

Update to Section 18 – Financing

For details regarding the repurchase of debentures (Series D and J) in an amount of NIS 46 million, refer to Note 5d to the financial statements.

Disclosure Concerning Highly Material Properties Pursuant to Chapter F of the Disclosure Guideline Regarding Investment Property Activity**G Two**

	Quarter 1 2019	2018
Value of property (NIS in 000's)	300,500	300,500
NOI in the period (NIS in 000's)	5,141	21,118
Revaluation gains (losses) in the period (NIS in 000's)	-	7,000
Average occupancy rate in the period	100%	100%
Actual rate of return (%)	6.8%	7.0%
Average annual rental per sq. meter (NIS)	881	891
Average annual rental per sq. meter in leases signed in the period (NIS)	N/R	N/R

GAZIT-GLOBE LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As of March 31, 2019

Unaudited

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

Introduction

We have reviewed the accompanying financial information of Gazit-Globe Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of March 31, 2019 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period of three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a certain subsidiary, whose assets constitute approximately 28% of total consolidated assets as of March 31, 2019, and whose revenues constitute approximately 36% of total consolidated revenues for the period of three months then ended. The condensed interim financial information of this company was reviewed by other auditors, whose review report has been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of this company, is based on the review report of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

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

Tel-Aviv, Israel
May 21, 2019

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>March 31,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in millions</u>		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	649	1,473	1,583
Short-term investments and loans	526	47	241
Financial assets	356	1,183	210
Financial derivatives	155	76	194
Trade receivables	189	128	149
Other accounts receivable	307	309	335
Current taxes receivable	7	12	13
	<u>2,189</u>	<u>3,228</u>	<u>2,725</u>
Assets classified as held for sale	<u>3,978</u>	<u>665</u>	<u>1,067</u>
	<u>6,167</u>	<u>3,893</u>	<u>3,792</u>
NON-CURRENT ASSETS			
Equity-accounted investees	2,951	6,355	6,498
Other investments, loans and receivables	66	222	97
Financial assets	202	2,235	208
Financial derivatives	273	156	83
Investment property	34,839	33,191	35,672
Investment property under development	2,016	2,138	1,965
Fixed assets, net	213	144	169
Intangible assets, net	692	734	688
Deferred taxes	46	30	42
	<u>41,298</u>	<u>45,205</u>	<u>45,422</u>
	<u>47,465</u>	<u>49,098</u>	<u>49,214</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	1,339	550	1,273
Current maturities of non-current liabilities	853	2,749	1,295
Financial derivatives	290	28	228
Trade payables	85	91	112
Other accounts payable	930	1,168	902
Current taxes payable	127	281	434
	<u>3,624</u>	<u>4,867</u>	<u>4,244</u>
Liabilities attributable to assets held for sale	22	23	32
	<u>3,646</u>	<u>4,890</u>	<u>4,276</u>
NON-CURRENT LIABILITIES			
Debentures	19,479	20,578	20,653
Interest-bearing loans from banks and others	5,651	2,920	4,885
Financial derivatives	72	13	60
Other liabilities	536	254	311
Deferred taxes	2,276	2,425	2,072
	<u>28,014</u>	<u>26,190</u>	<u>27,981</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	244	246	244
Share premium	4,861	4,915	4,860
Retained earnings	5,354	5,372	5,387
Foreign currency translation reserve	(2,466)	(1,434)	(1,827)
Other reserves	683	618	694
Treasury shares	(136)	(2)	(57)
	<u>8,540</u>	<u>9,715</u>	<u>9,301</u>
Non-controlling interests	7,265	8,303	7,656
	<u>15,805</u>	<u>18,018</u>	<u>16,957</u>
Total equity	<u>47,465</u>	<u>49,098</u>	<u>49,214</u>

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

May 21, 2019			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions (except for per share data)		
Rental income	720	711	2,840
Property operating expenses	211	219	844
Net operating rental income	509	492	1,996
Fair value gain (loss) from investment property and investment property under development, net	(83)	48	114
General and administrative expenses	(92)	(95)	(375)
Other income	3	29	13
Other expenses	(233)	(48)	(126)
Company's share in earnings of equity-accounted investees, net	57	63	389
Operating income	161	489	2,011
Finance expenses	(177)	(1,115)	(2,262)
Finance income	444	57	140
Income (loss) before taxes on income	428	(569)	(111)
Taxes on income (tax benefit)	313	(174)	(64)
Net income (loss)	115	(395)	(47)
Attributable to:			
Equity holders of the Company	42	(486)	(253)
Non-controlling interests	73	91	206
	115	(395)	(47)
Net earnings (loss) per share attributable to equity holders of the Company			
Total basic net earnings (loss)	0.22	(2.51)	(1.31)
Total diluted net earnings (loss)	0.22	(2.51)	(1.32)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
Net income (loss)	115	(395)	(47)
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	3	(10)	(56)
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations (1)	(984)	639	189
Net gains (losses) on cash flow hedges (1)	(29)	18	(10)
Total other comprehensive income (loss)	(1,010)	647	123
Comprehensive income (loss)	(895)	252	76
Attributable to:			
Equity holders of the Company (2)	(612)	(174)	(338)
Non-controlling interests	(283)	426	414
	(895)	252	76
(1) Includes Company's share in other comprehensive income (loss) of investees according to the equity method	(5)	8	(11)
(2) Breakdown of total comprehensive income (loss) attributable to equity holders of the Company:			
Net income (loss)	42	(486)	(253)
Exchange differences on translation of foreign operations	(637)	308	(31)
Net gains (losses) on cash flow hedges	(19)	9	(9)
Net gains (losses) on financial assets at fair value through other comprehensive income	2	(5)	(45)
	(612)	(174)	(338)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of December 31, 2018 (audited)	244	4,860	5,387	(1,827)	694	(57)	9,301	7,656	16,957
Net income	-	-	42	-	-	-	42	73	115
Other comprehensive loss	-	-	-	(637)	(17)	-	(654)	(356)	(1,010)
Total comprehensive income (loss)	-	-	42	(637)	(17)	-	(612)	(283)	(895)
Exercise of Company's share options into Company shares	*) -	1	-	-	(1)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(79)	(79)	-	(79)
Cost of share-based payment	-	-	-	-	2	-	2	2	4
Dividend declared **)	-	-	(75)	-	-	-	(75)	-	(75)
Capital issuance to non-controlling interests	-	-	-	-	*) -	-	*) -	2	2
Acquisition of non-controlling interests	-	-	-	(2)	5	-	3	(8)	(5)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(104)	(104)
Balance as of March 31, 2019	244	4,861	5,354	(2,466)	683	(136)	8,540	7,265	15,805

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

***) In the three months ended in March 31, 2019, the Company declared a dividend in the amount of NIS 0.405 per share (in a total amount of NIS 75 million) that was paid on April 16, 2019.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited NIS in millions								
<u>Balance as of December 31, 2017 (audited)</u>	246	4,914	5,919	(1,722)	581	(2)	9,936	8,181	18,117
Cumulative effect of first time adoption of IFRS 9	-	-	13	-	(13)	-	-	-	-
Balance as of January 1, 2018	246	4,914	5,932	(1,722)	568	(2)	9,936	8,181	18,117
Net income (loss)	-	-	(486)	-	-	-	(486)	91	(395)
Other comprehensive income	-	-	-	308	4	-	312	335	647
Total comprehensive income (loss)	-	-	(486)	308	4	-	(174)	426	252
Exercise and expiration of Company's share options into Company shares	*) -	1	-	-	(1)	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	10	-	10	2	12
Dividend declared	-	-	(74)	-	-	-	(74)	-	(74)
Capital issuance to non-controlling interests	-	-	-	-	*) -	-	*) -	2	2
Acquisition of non-controlling interests	-	-	-	(20)	37	-	17	(102)	(85)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(206)	(206)
<u>Balance as of March 31, 2018</u>	<u>246</u>	<u>4,915</u>	<u>5,372</u>	<u>(1,434)</u>	<u>618</u>	<u>(2)</u>	<u>9,715</u>	<u>8,303</u>	<u>18,018</u>

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Audited								
	NIS in millions								
<u>Balance as of December 31, 2017 (audited)</u>	246	4,914	5,919	(1,722)	581	(2)	9,936	8,181	18,117
Cumulative effect of first time adoption of IFRS 9	-	-	13	-	(13)	-	-	-	-
Balance as of January 1, 2018	246	4,914	5,932	(1,722)	568	(2)	9,936	8,181	18,117
Net income (loss)	-	-	(253)	-	-	-	(253)	206	(47)
Other comprehensive (loss)	-	-	-	(31)	(54)	-	(85)	208	123
Total comprehensive income (loss)	-	-	(253)	(31)	(54)	-	(338)	414	76
Exercise and expiration of Company's share options into Company shares	*) -	2	-	-	(2)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(113)	(113)	-	(113)
Cancellation of treasury shares	(2)	(56)	-	-	-	58	-	-	-
Cost of share-based payment	-	-	-	-	15	-	15	6	21
Dividend declared	-	-	(292)	-	-	-	(292)	-	(292)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	3	1
Acquisition of non-controlling interests	-	-	-	(74)	169	-	95	(417)	(322)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(531)	(531)
<u>Balance as of December 31, 2018 (audited)</u>	<u>244</u>	<u>4,860</u>	<u>5,387</u>	<u>(1,827)</u>	<u>694</u>	<u>(57)</u>	<u>9,301</u>	<u>7,656</u>	<u>16,957</u>

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December
	2019	2018	31,
	Unaudited		2018
			Audited
	NIS in millions		
<u>Cash flows from operating activities:</u>			
Net income (loss)	115	(395)	(47)
Adjustments required to present cash flows from operating activities:			
Adjustments to the profit or loss items:			
Finance (income) expenses, net	(267)	1,058	2,122
Company's share in earnings of equity-accounted investees, net	(57)	(63)	(389)
Fair value loss (gain) from investment property and investment property under development, net	83	(48)	(114)
Depreciation and amortization	9	6	66
Taxes on income (tax benefit)	313	(174)	(64)
Impairment loss of other assets	223	-	-
Capital loss (gain), net	5	(25)	14
Gain from a decrease in the holding rate in investees	-	-	(3)
Change in provision for legal claims, net	(1)	(95)	(124)
Cost of share-based payment	4	12	21
	312	671	1,529
Changes in assets and liabilities items:			
Increase in trade receivables and other accounts receivable	(65)	(70)	(113)
Increase (decrease) in trade and other accounts payable	(7)	25	27
Increase (decrease) in tenants' security deposits, net	3	(1)	(24)
	(69)	(46)	(110)
Net cash provided by operating activities before interest, dividend and taxes	358	230	1,372
Cash received and paid during the period for:			
Interest paid	(226)	(49)	(1,128)
Interest received	4	14	38
Dividend received	66	76	285
Taxes paid	(8)	(29)	(72)
Taxes received	-	3	3
	(164)	15	(874)
Net cash provided by operating activities	194	245	498

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from investing activities:</u>			
Investment and loans to investees	-	(15)	(190)
Acquisition, construction and development of investment property	(546)	(363)	(4,025)
Investments in fixed assets and other assets	(22)	(5)	(43)
Proceeds from sale of investment property, net of tax paid	166	365	1,130
Grant of long-term loans	-	-	(1)
Collection of long-term loans	1	1	85
Short-term investments, net	(290)	-	(185)
Investment in financial assets	(130)	(129)	(431)
Proceeds from sale of financial assets and deposits withdrawal, net of tax paid	(299)	1,071	4,397
Net cash provided by (used in) investing activities	<u>(1,120)</u>	<u>925</u>	<u>737</u>
<u>Cash flows from financing activities:</u>			
Exercise of share options into Company's shares	*) -	*) -	*) -
Purchase of treasury shares	(79)	-	(113)
Capital issuance to non-controlling interests, net	*) -	2	1
Acquisition of non-controlling interests	(5)	(85)	(322)
Dividend paid to equity holders of the Company	(73)	(68)	(287)
Dividend paid to non-controlling interests	(104)	(202)	(531)
Receipt of long-term loans	49	*) -	715
Repayment of long-term loans	(6)	(185)	(394)
Receipt (repayment) of short-term credit facilities from banks, net	859	(878)	225
Receipt (repayment) of short-term credit from banks and others, net	(5)	(20)	614
Repayment and early redemption of debentures	(605)	(63)	(4,793)
Issue of debentures	-	851	4,308
Net cash provided by (used in) financing activities	<u>31</u>	<u>(648)</u>	<u>(577)</u>
<u>Exchange differences on balances of cash and cash equivalents</u>	<u>(39)</u>	<u>(3)</u>	<u>(29)</u>
<u>Increase (decrease) in cash and cash equivalents</u>	<u>(934)</u>	<u>519</u>	<u>629</u>
<u>Cash and cash equivalents at the beginning of the period</u>	<u>1,583</u>	<u>954</u>	<u>954</u>
<u>Cash and cash equivalents at the end of the period</u>	<u>649</u>	<u>1,473</u>	<u>1,583</u>

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
(a) <u>Significant non-cash transactions:</u>			
Leases of investment property and fixed assets	301	-	40
Dividend payable to equity holders of the Company	75	74	73
(b) <u>Additional information:</u>			
Tax paid included under investing and financing activities	344	16	252

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These consolidated financial statements have been prepared in a condensed format as of March 31, 2019 and for the three months then ended (the "Reporting Period") (collectively: "Interim consolidated financial statements"). These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2018 and for the year then ended and accompanying notes, that were authorized by the Board of Directors on March 17, 2019 ("annual financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIESa. Basis of preparation of the interim condensed consolidated financial statements

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

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

Leases

As detailed in note 2b regarding the first time adoption of IFRS 16, "Leases", ("the standard"), the Company elected to apply the standard using the modified retrospective approach (without restating comparative figures).

The accounting policy applied from January 1, 2019 for leases is as follows:

a. The Group as lessee

At the commencement of the lease term, the Company recognizes a right of use asset and a corresponding lease liability, excluding short term lease agreements (up to 12 months) and leases for which the underlying asset is of low value, for which the Company elected to recognize the lease payments as expenses in the profit or loss on a straight line basis over the lease term. For measuring the liability, the Company elected the practical expedient in the standard not to separate lease components from non-lease components such as: management or maintenance services, etc', that are included in the same agreement.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined or using the Company's incremental borrowing rate. After the commencement date, the Company measures the liability using the effective interest method.

The initial value of the right of use asset is comprised from: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date; and, any initial direct transaction costs. The right of use asset is measured at cost and depreciated over the shorter of its useful life, or the lease term. The asset is reviewed for impairment whenever there is an indication that it may be impaired in accordance with IAS 36.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**b. The Group as lessor

1. Finance lease - A lease is classified as a finance lease where all the risks and rewards incident to ownership of the asset are transferred to the lessee. The leased asset is derecognized and replaced with a financial asset, "Receivables with respect to finance lease", at an amount equal to the present value of the lease payments. Subsequent to the initial recognition, lease payments are allocated between finance income and settlement of the receivables with respect to the lease.
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.

b. New standards, interpretations and amendments initially adopted by the CompanyIFRS 16, Leases:

In January 2016, the IASB issued IFRS 16, "Leases", ("the Standard"). The standard replaced IAS 17 ("the Old Standard"), IFRIC 4 and SIC 15. According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The principal effects of the Standard are as follows:

- According to the Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the Old Standard. Lessees will also recognize interest expense and depreciation expense separately.
- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.
- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.
- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).
- The accounting treatment by lessors remains substantially unchanged from the Old Standard, namely classification of a lease as a finance lease or an operating lease.

The Standard has been applied for the first time in these financial statements. As permitted by the Standard, the Company elected to use the modified retrospective approach with the right of use assets equal to the lease liabilities. According to this approach restatement of comparative figures is not required. The liability amount at the date of transition is calculated using the Company's incremental borrowing rate on that date.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For details regarding the accounting policy applied commencing the transition date, refer to note 2a above.

The main effect of the first time adoption of the Standard was regarding operating leases that existed on the transition date, where the Company is the lessee. According to the Standard, as mentioned in note 2a above, except for exceptions, the Company recognized each lease that it is the lessee as a lease liability with a corresponding right of use asset, which is opposed to the accounting policy based on the Old standard, where in lease agreement that does not transfer substantially all the risks and rewards incidental to ownership of the leased asset, the lease payments were recognized as expenses in profit or loss on a straight line basis over the lease term.

On January 1 2019, the transition date, the Company recorded right of use assets classified as investment properties and fixed assets at the amount of NIS 249 million and NIS 36 million, respectively with corresponding lease liabilities at the amount of NIS 285 million, in regards of lease agreements as specified above.

IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 – Uncertainty over Income Tax Treatments ("the Interpretation"). The Interpretation clarifies the rules pertaining to the recognition and measurement of assets and liabilities under the provisions of IAS 12, Income Taxes, where there is uncertainty concerning income tax. The Interpretation addresses and provides guidelines for the examination of a collection of uncertainties concerning income tax, the examination of the tax authorities' position, the measurement of the effects of the income tax uncertainty on the financial statements and the treatment of changes in the facts and circumstances of the uncertainty.

The Interpretation has been applied for the first time in these financial statements. The application of Interpretation did not have any material effect on the financial statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD**

- a. On February 13, 2019, the Company resolved to delist its shares from the New York Stock Exchange and terminate its obligation to report under the Securities Exchange Act of 1934. The required documentation for the delisting was filed with the SEC. The delisting and termination of reporting is effective from March 7, 2019. The deregistration of the Company's shares will be effective 90 days after the delisting subject to the right of the SEC to stop the cancellation of the registration, if the Company does not meet the conditions required by law and to instruct the Company to continue submitting the reports as a reporting corporation under this Law.
- b. On February 28, 2019, the Company and its wholly-owned subsidiary ("the Subsidiary") entered into 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% (out of 80 million shares owned by the Company), for aggregate consideration of CAD 1.195 billion (NIS 3.2 billion), as follows:

1. Conditional buy-back agreement with FCR: The Company and the Subsidiary entered into an agreement with FCR, according to which FCR will buy-back 36 million shares from the Subsidiary, constituting 14.1% of FCR's share capital ("the Buy-Back Shares") for CAD 20.60 per share ("the Buy-Back Price") for an aggregate consideration of CAD 742 million (NIS 2 billion) ("the Buy-Back Agreement").

The closing of the Buy-Back Agreement is subject to certain conditions, including the approval of the buy-back by a majority of FCR's shareholders (excluding the Company), at a shareholders meeting that expected to convene in April 2019, and the consummation of the bought deal described in section 2 below.

2. The Buy-Back Agreement is fully underwritten. Concurrently, the Company and the subsidiary have signed a binding term sheet with RBC Capital Markets, as the leader of a syndication of underwriters, for the sale of an additional 22 million FCR shares ("the Bought Deal Transaction), representing 8.7% of FCR's share capital (the Bought Deal Shares"), by way of a fully underwritten public offering ("the Bought Deal"), at a price of CAD 20.60 per share ("the Bought Deal Price"), for aggregate gross consideration of CAD 453 million (NIS 1.2 billion).
3. The closing of the Bought Deal is subject to completion of the buyback of FCR shares and is expected to be executed at that time ("the Full Transaction"). Upon completion of the buyback and the Bought Deal, the Company will hold (through the Subsidiary) 21.6 million FCR shares, which, at that time, represented 9.9% of FCR's share capital and voting rights.

After the reporting date, the conditions for the agreement were met, and the buyback was completed on April 16, 2019. As of March 31, 2019, the Company classified the FCR shares which were sold as "asset held for sale" in the balance sheet in the amount of NIS 3.2 billion, according to their fair value less costs to sell. This amount represent a loss of NIS 223 million which was recorded as other expenses. In addition, the Company recorded deferred tax expenses of NIS 263 million, which includes deferred tax expenses amounting to NIS 70 million in respect of the shares remaining in the Company's ownership. In total, the Company recognized a reduction in its shareholders' equity of NIS 486 million. In addition, on the closing of the transaction, the Company will realize a currency translation capital reserve, in the amount of NIS 64 million, as of March 31 2019, which will increase the loss to NIS 550 million.

Beginning as at the closing of the transaction, in the second quarter of 2019, the remaining FCR shares to be held by the Company will be presented in the Company's financial statements as a financial asset.

- c. On March 18, 2019, the Company published a tender offer, for up to 10 million of its shares (constituting 5.3% of the Company's share capital) at a price of NIS 29 per share. The tender was partially accepted and on April 1, 2019, the Company purchased 2.4 million of its shares in the total amount of NIS 70 million.
- d. During the reporting period, the Company repurchased approximately 2.8 million shares for consideration of NIS 79 million.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**NOTE 4:- FINANCIAL INSTRUMENTS**a. Fair value of financial instruments

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

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

	<u>March 31, 2019</u>		<u>March 31, 2018</u>		<u>December 31, 2018</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	NIS in million					
Debentures	20,292	21,283	22,575	23,693	21,474	21,831
Interest bearing loans from banks and others	5,691	5,700	3,672	3,696	5,359	5,341
	<u>25,983</u>	<u>26,983</u>	<u>26,247</u>	<u>27,389</u>	<u>26,833</u>	<u>27,172</u>

b. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, as compared with their classification as of December 31, 2018. In addition, there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to the fair value measurement of financial instruments.

NOTE 5:- EVENTS AFTER THE REPORTING DATE

- On May 21, 2019, the Company declared a dividend in the amount of NIS 0.405 (totaling NIS 75 million), payable on June 13, 2019 to the shareholders of the Company as of June 4, 2019.
- For details regarding the closing of the sale of 58 million FCR shares, refer to note 3b.
- Subsequent to the reporting date, the Company repurchased approximately 2.8 million shares (out of which 2.4 with a tender offer, refer to note 3c) for consideration of NIS 80 million.
- Subsequent to the reporting date, the Company repurchased debentures (series d and k) with a par value of NIS 37 million for a consideration of NIS 46 million. The purchase had no material impact on the Company's financial statements. The debentures were cancelled and delisted.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NOTE 6:- OPERATING SEGMENTS

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

Following the entrance to an agreement to sale most of FCR shares during the reporting period and the completion of the sale after the reporting date (see note 3b), the management ceased from analyzing FCR operation separately, therefore the investment in FCR shares is no longer an operating segment. Comparative figures were restated.

In addition, according to the management approach, operating segments in Brazil and Israel, which were previously included in "other segments", became reportable segments, comparative figures were restated.

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				Total
	Shopping centers in Northern Europe	Shopping centers in Central- Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	
	Unaudited						
	NIS in millions						
<u>For the Three months ended March 31, 2019</u>							
Segment revenues	343	271	57	53	23	(27)	720
Segment net operating rental income	225	191	42	48	13	(10)	509
Segment operating profit	199	165	38	44	6	(291)	161
Finance income, net							267
Income before taxes on income							428

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				Total
	Shopping centers in Northern Europe	Shopping centers in Central- Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	
	Unaudited						
	NIS in millions						
<u>For the Three months ended March 31, 2018</u>							
Segment revenues	363	278	54	32	15	(31)	711
Segment net operating rental income	240	200	39	28	9	(24)	492
Segment operating profit	214	191	19	26	(8)	47	489
Finance expenses, net							(1,058)
Loss before taxes on income							(569)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NOTE 6: OPERATING SEGMENTS (Cont.)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				Total
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	
	Audited						
	NIS in millions						
<u>Year ended</u>							
<u>December 31, 2018</u>							
Segment revenues	1,416	1,073	224	183	62	(118)	2,840
Segment net operating rental income	962	760	160	166	39	(91)	1,996
Segment operating profit	780	615	98	152	118	248	2,011
Finance expenses, net							(2,122)
Loss before taxes on income							(111)
<u>Segment assets</u>							
	Public subsidiaries over which the Company has control		wholly-owned subsidiaries				Total
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	
	Unaudited						
	NIS in millions						
<u>March 31, 2019</u>	19,738	13,138	3,546	3,131	1,701	6,211	47,465
<u>March 31, 2018</u>	20,676	12,959	3,152	1,973	871	9,467	49,098
<u>December 31, 2018 (Audited)</u>	20,348	13,886	3,442	3,081	1,618	6,839	49,214

GAZIT-GLOBE LTD.

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

As of March 31, 2019

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To
The Shareholders of Gazit Globe Ltd.

Dear Sirs/Mmes.,

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

Introduction

We have reviewed the separate interim financial information presented pursuant to Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970 of Gazit-Globe Ltd. ("the Company") as of March 31, 2019 and for the period of three months then ended. The Company's Board of Directors and management are responsible for the separate interim financial information. We are responsible for expressing our conclusion with regard to the separate interim financial information for this interim period, based on our review.

We did not review the separate interim financial information of a certain investee whose assets less attributable liabilities amounted to NIS 4,384 million as of March 31, 2019, and for which the Company's share of its earnings amounted to NIS 68 million in the period of three months then ended. The financial statement of this company was reviewed by other auditors, whose report has been furnished to us, and our conclusion, insofar as it relates to the financial statement with respect to this company, is based on the review report of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Tel-Aviv, Israel
May 21, 2019

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

GAZIT-GLOBE LTD.

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

Below are separate financial data and financial information from the Group's condensed consolidated interim financial statements as of September 30, 2018 published as part of the interim reports ("consolidated financial statements") attributable to the Company, presented in accordance with the Israeli Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

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

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

	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	340	180	738
Short-term investments	497	-	207
Short term loans and current maturities of long-term loans to subsidiaries	1,127	878	261
Financial derivatives	153	52	188
Other accounts receivable	6	9	7
Total current assets	2,123	1,119	1,401
NON-CURRENT ASSETS			
Financial derivatives	195	-	4
Other accounts receivable	14	-	12
Loans to subsidiaries	4,016	4,127	5,151
Investments in subsidiaries	17,744	18,026	18,744
Fixed assets and other assets, net	29	3	4
Total non-current assets	21,998	22,156	23,915
Total assets	24,121	23,275	25,316

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

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

	March 31,		December
	2019	2018	31,
	Unaudited		2018
			Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	250	-	250
Current maturities of non-current liabilities	835	2,452	1,273
Short-term loans from subsidiaries	884	439	1,026
Financial derivatives	281	24	223
Trade payables	3	2	2
Other accounts payable	47	274	131
Current taxes payable	93	57	56
Dividend payable	75	74	73
Total current liabilities	2,468	3,322	3,034
NON-CURRENT LIABILITIES			
Loans from banks and others	2,734	820	2,192
Long-term loans from subsidiaries	2,171	537	1,950
Debentures	8,206	8,876	8,837
Deferred taxes	2	5	2
Total non-current liabilities	13,113	10,238	12,981
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	244	246	244
Share premium	4,861	4,915	4,860
Reserves	(1,919)	(818)	(1,190)
Retained earnings	5,354	5,372	5,387
Total equity	8,540	9,715	9,301
Total liabilities and equity	24,121	23,275	25,316

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

May 21, 2019			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

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

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
Management fees from related companies	1	1	3
Finance income from subsidiaries	8	27	112
Other finance income	391	-	2
Other income	8	-	-
Total income	408	28	117
General and administrative expenses	11	16	52
Finance expenses	63	388	1,072
Other expenses	-	-	22
Total expenses	74	404	1,146
Loss before income from subsidiaries, net	334	(376)	(1,029)
Income (loss) from subsidiaries, net	(268)	(108)	780
Income (loss) before taxes on income	66	(484)	(249)
Taxes on income	24	2	4
Net income (loss) attributed to the Company	42	(486)	(253)

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

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

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
Net income (loss) attributable to the Company	42	(486)	(253)
Other comprehensive income (loss) attributable to the Company (net of tax effect):			
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>			
Exchange differences on foreign currency translation	(5)	64	(162)
Other comprehensive income (loss) attributed to the Company	(5)	64	(162)
Other comprehensive income (loss) attributed to subsidiaries (net of tax effect)	(649)	248	77
Total other comprehensive income (loss) attributed to the Company	(654)	312	(85)
Total comprehensive loss attributed to the Company	<u>(612)</u>	<u>(174)</u>	<u>(338)</u>

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

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

	Three months ended		Year ended
	March 31,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
<u>Cash flows from operating activities of the Company</u>			
Net income (loss) attributed to the Company	42	(486)	(253)
Adjustments required to present net cash provided by operating activities of the Company:			
Adjustments to profit and loss items of the Company:			
Depreciation	*) -	*) -	1
Finance expense (income), net	(336)	361	958
Expense (income) from subsidiaries, net	268	108	(780)
Cost of share-based payment	1	7	8
Taxes on income	24	2	4
	(43)	478	191
Changes in assets and liabilities of the Company:			
Decrease (increase) in other accounts receivable	(2)	1	(11)
Increase (decrease) in trade payables and other accounts payable	(20)	(16)	18
	(22)	(15)	7
Cash paid and received during the year by the Company for:			
Interest paid	(182)	(2)	(566)
Interest received from subsidiaries	22	39	67
Taxes paid	-	(6)	-
Dividend received from subsidiaries	57	57	232
	(103)	88	(267)
Net cash provided by (used in) operating activities of the Company	(126)	65	(322)

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

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

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

	Three months ended March 31,		Year ended December 31,
	2019	2018	2018
	Unaudited		Audited
<u>NIS in millions</u>			
<u>Cash flows from investing activities of the Company</u>			
Investment in fixed assets and other assets	(17)	*) -	(2)
Proceeds from sale of fixed assets	-	*) -	*) -
Short-term investments, net	(290)	-	(207)
Investments in subsidiaries	21	(658)	(948)
Loans repaid by subsidiaries, net	288	828	2,511
Proceeds from sale of marketable securities	13	83	613
Net cash provided by investment activities of the Company	15	253	1,967
<u>Cash flows from financing activities of the Company:</u>			
Exercise of stock options into shares	*) -	*) -	*) -
Receipt of short term credit from bank and others, net	-	-	249
Purchase of treasury shares	(79)	-	(113)
Dividend paid to equity holders of the Company	(73)	(68)	(287)
Issue of debentures less issue expenses	-	851	1,811
Repayment and early redemption of debentures	(605)	-	(2,360)
Receipt (repayment) of long-term credit facilities from banks, net	476	(1,002)	(266)
Repayment of long-term loans	-	(11)	(34)
Net cash used in financing activities of the Company	(281)	(230)	(1,000)
<u>Exchange differences on balance of cash and cash equivalents</u>	(6)	(2)	(1)
<u>Increase (decrease) in cash and cash equivalents</u>	(398)	86	644
<u>Cash and cash equivalents at the beginning of period</u>	738	94	94
<u>Cash and cash equivalents at the end of period</u>	340	180	738
<u>Significant non-cash activities of the Company:</u>			
Dividend payable to equity holders of the Company	75	74	73
Receipt of financial asset against loans from subsidiaries	-	-	374

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

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

Additional details to the Separate Financial Information

a. General

This separate financial information as of March 31, 2019 and for the nine and three-month periods then ended have been prepared in a condensed format in accordance with the provisions of Regulation 38d of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the financial information in the annual financial statements as of December 31, 2018 and for the year then ended and the accompanying notes thereto, that were authorized by the Board of Directors on March 17, 2019 and with the financial information in the interim condensed consolidated financial statements as of as of March 31, 2019.

b. As of March 31, 2019 (the "Reporting Date"), the Company has a working capital deficiency of NIS 0.3 billion. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 1.6 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.

c. Material events during the period

1. On February 13, 2019, the Company resolved to delist its shares from the New York Stock Exchange and terminate its obligation to report under the Securities Exchange Act of 1934, refer to Note 3a to the consolidated interim financial statements.
2. For details regarding the buyback of the Company's shares during the reporting period for consideration of NIS 79 million, refer to Note 3d to the consolidated interim financial statements.
3. On March 18, 2019, the Company published a tender offer, for up to 10 million of its shares (constituting 5.3% of the Company's share capital) at a price of NIS 29 per share. The tender was partially accepted and on April 1, 2019, the Company purchased 2.4 million of its shares in the total amount of NIS 70 million.
4. On April 16, 2019, the Company and its wholly-owned subsidiary ("the Subsidiary") completed the sale of 58 million shares of FCR (out of 80 million shares owned by the Company), for aggregate consideration of CAD 1,195 million (NIS 3.2 billion), for additional details refer to Note 3b to the consolidated interim financial statements.

Additional details to the Separate Financial Informationd. IFRS 7 - Financial Instruments1. Fair value of financial instruments

The carrying amount of certain financial assets and liabilities including cash, financial derivatives, trade and other receivables and trade and other payables approximate their fair value.

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

	<u>March 31, 2019</u>		<u>March 31, 2018</u>		<u>December 31, 2018</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<u>NIS in million</u>					
Debentures	9,019	9,751	10,873	11,774	9,658	9,783
Loans from banks and others	2,756	2,776	1,275	1,280	2,644	2,629
	<u>11,775</u>	<u>12,527</u>	<u>12,148</u>	<u>13,054</u>	<u>12,302</u>	<u>12,412</u>

2. Classification of financial instruments by fair value hierarchy

During the Reporting Period, there was no material change in the classification of financial assets and liabilities measured in the financial statements at their fair value, compared to their classification as of December 31, 2018. In addition there were no transfers or reclassifications with respect to fair value measurement in the financial statements of financial instruments between Level 1 and Level 2, and there were no transfers to or from Level 3 with respect to fair value measurement of financial instruments.

e. Events after the reporting date

- Subsequent to the reporting date, the Company repurchased approximately 2.8 million shares (out of which 2.4 with a tender offer, refer to Note 3c to the consolidated interim financial statements) for consideration of NIS 80 million.
- Subsequent to the reporting date, the Company repurchased debentures (series D and K) with a par value of NIS 37 million for a consideration of NIS 46 million. The purchase had no material impact on the Company's financial statements. The debentures were cancelled and delisted.

f. Dividend declared

On May 21, 2019, the Company declared a dividend in the amount of NIS 0.405 per share (totaling NIS 75 million), payable on June 13, 2019 to the shareholders of the Company on June 4, 2019.

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

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

QUARTERLY REPORT REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER THE FINANCIAL REPORTING AND THE DISCLOSURE

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

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

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

1. Chaim Katzman, CEO and Vice Chairman of the Board of Directors;
2. Adi Jemini, Executive Vice President and Chief Financial Officer;
3. Rami Vaisenberger, Vice President and Controller;
4. Lisa Haimovitz, vice president and global general counsel;

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

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

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

In the Annual Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure, which was attached to the Periodic Report for the period ended December 31, 2018 (the "Last Annual Report regarding Internal Control"), the Board of Directors and management evaluated the internal control at the Corporation. Based on this evaluation, the Corporation's Board of Directors and management reached the conclusion that the aforesaid internal control, as of December 31, 2018, is effective.

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

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

QUARTERLY REPORT REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER THE FINANCIAL REPORTING AND THE DISCLOSURE

Officers' Declarations

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

Officers' Declaration

Declaration of the Chief Executive Officer

I, Chaim Katzman, declare that:

- (1) I have examined the quarterly report of Gazit-Globe Ltd. (the "Corporation") for the first quarter of 2019 (the "Statements");
- (2) As far as I am aware, the Statements do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;
- (3) As far as I am aware, the financial statements and other financial information included in the Statements properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;
- (4) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:
 - (A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law; and-
 - (B) Any fraud, whether or not significant, wherein the Chief Executive Officer is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure ;
- (5) I, alone or together with others in the Corporation :
 - (A) Have determined controls and procedures, or have verified the determination and existence under my supervision of controls and procedures, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and-
 - (B) Have determined controls and procedures, or have verified the determination and existence under my supervision of controls and procedures, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
 - (C) No event or matter has been brought to my attention that occurred during the period between the date of the last periodic report and the date of this report, which would be enough to change the conclusion of the Board of Directors and the management with regard to the effectiveness of the internal control over the financial reporting and the disclosure of the Corporation.

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

May 21, 2019

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

QUARTERLY REPORT REGARDING EFFECTIVENESS OF INTERNAL CONTROL OVER THE FINANCIAL REPORTING AND THE DISCLOSURE

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

Officers' Declaration

Declaration of the most senior officer in the finance area

- (1) I, Adi Jemini, declare that:
- (2) I have examined the interim financial statements and other financial information included in the interim period statements of Gazit-Globe Ltd. (the "Corporation") for the first quarter of 2019 (the "Statements" or the "Statements for the Interim Period");
- (3) As far as I am aware, the financial statements and the other financial information included in the Statements for the Interim Period do not include any misrepresentation of a material fact and no representation of a material fact that is required has been omitted, so that the representations included therein, in light of the circumstances in which such representations were included, will not be misleading with reference to the period covered by the Statements;
- (4) As far as I am aware, the interim financial statements and the other financial information included in the Statements for the Interim Period properly reflect, in all material respects, the Corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the Statements relate;
- (5) I have disclosed to the Corporation's auditors, the Board of Directors and the Audit Committee of the Board of Directors, based on my most up-to-date evaluation with respect to internal control over the Corporation's financial reporting and disclosure:
- (A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent it relates to the interim financial statements and the other financial information included in the Statements for the Interim Period, which could reasonably have an adverse impact on the Corporation's ability to gather, process, summarize or report financial information in such a manner that could cause doubt with respect to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and-
- (B) Any fraud, whether or not significant, wherein the President is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;
- (6) I, alone or together with others in the Corporation:
- (A) Have determined controls and procedures, or have verified the determination and existence under our supervision of controls and procedures, which are designed to ensure that significant information relating to the Corporation, including subsidiaries as defined in the Israeli Securities Regulations (Annual Financial Statements), 2010, to the extent it is relevant to the financial statements and to other financial information included in the Statements, is brought to my attention by others in the Corporation and the subsidiaries, particularly during the period of preparation of the Statements; and-
- (B) Have determined controls and procedures, or have verified the determination and existence under my supervision of controls and procedures, which are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
- (C) No event or matter has been brought to my attention that occurred during the period between the date of the last periodic report and the date of this report, which would be enough to change the conclusion of the Board of Directors and the management with regard to the effectiveness of the internal control over the financial reporting and the disclosure of the Corporation.

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

May 21, 2019

Adi Jemini, Executive Vice President and Chief
Financial Officer