FINANCIAL REPORT as of March 31, 2014:

GAZIT-GLOBE LTD.

Directors' Report to the Shareholders
For the period ended March 31, 2014

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, 2014:

1. The Company and its Operations

1.1. Introduction

The Company, through its investees[1] (collectively: the "Group"), is the owner, operator and developer of income-producing properties in North America, Europe, Israel and Brazil. The Group focuses mainly on the supermarket-anchored shopping centers sector in urban growth markets. In addition, the Group operates in the medical office buildings sector in the United States, as well as in development and construction of primarily residential projects in Israel and in Central and Eastern Europe. Furthermore, the Group continues to explore and realize business opportunities by acquiring properties and/or companies that operate within its core business or similar fields (including with partners), both in regions where it currently operates and also in new regions.

The Company's shares are listed for trade on the Tel Aviv Stock Exchange Ltd. ("TASE" or the "TA Stock Exchange"), on the New York Stock Exchange ("NYSE"), and on the Toronto Stock Exchange ("TSX"), all under the ticker symbol "GZT".

The Company's policy, as undertaken over the years, is to focus on growing its cash flow through the proactive management of its properties. Company management believes that the long-term ownership of its properties, together with the implementation of this policy, will increase the return for shareholders.

1.2. Group Properties

As of March 31, 2014 (the "Reporting Date"), the Group owns and manages 570 properties, as follows:

- 550 shopping centers and medical office buildings of various sizes
- 9 shopping centers under development
- 11 other properties

The above properties have a gross leasable area ("GLA") of 6.6 million square meters. The properties are presented in the Company's books at their fair value of NIS 56.7 billion (NIS 76.8 billion, assuming consolidation of jointly controlled companies that are presented according to the equity method and the full inclusion of the value of properties managed by the Group) and generate gross annual rental income (based on the properties owned and based on currency exchange rates as of March 31, 2014) of NIS 4.9 billion (NIS 6.8 billion, assuming consolidation of jointly controlled companies that are presented according to the equity method and the full inclusion of the rental income from the properties managed by the Group).

In the United States, the Company operates mainly through Equity One Inc. ("EQY"), a public company listed on the NYSE. EQY is a REIT for U.S. tax purposes. As of March 31, 2014, the Company owns 45.2% of EQY's share capital. EQY's properties are located primarily in growing metropolitan areas in the southeastern United States, mainly in Florida, in the northeastern United States, mainly in the area of New York State, in Boston, Massachusetts and in Connecticut, and on the West Coast of the United States, mainly in California. EQY owns[2] 139 income-producing properties (132 shopping centers and 7 other properties), with a total GLA of 1.7 million square meters, as well as a shopping center under development.

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

[2] Includes jointly controlled properties.

In addition, EQY partly owns, through joint ventures (10%/20%), and manages 12 shopping centers and another income-producing property in the United States, with a total GLA of 176 thousand square meters.

The Company also operates in the United States through ProMed Properties Inc. ("ProMed") (100%), which is engaged in the medical office buildings sector and owns 16 medical office buildings in the United States, with a total GLA of 136 thousand square meters.

In Canada, the Company operates through First Capital Realty Inc. ("FCR"), a public company listed on the TSX. As of March 31, 2014, the Company owns 45.1% of FCR's share capital. FCR's properties are located primarily in the provinces of Ontario, Quebec, Alberta and British Columbia. FCR owns 160 shopping centers in Canada, with a total GLA of 2.2 million square meters, and 4 shopping centers under development.

In Brazil, the Company operates in the shopping centers sector through Gazit Brazil Ltda. ("Gazit Brazil") (100%). As of March 31, 2014, Gazit Brazil owns 4 commercial income-producing properties with a total GLA of 32 thousand square meters and one shopping center under development.

In Northern Europe, the Company operates through Citycon Oyj. ("CTY"), a public company, whose shares are listed on the Helsinki Stock Exchange (OMX). As of March 31, 2014, the Company owns 49.3% of CTY's share capital[1]. CTY operates in Finland, Sweden, Estonia, Lithuania and Denmark and owns[2] 68 shopping centers and other retail properties of various sizes, with a total GLA of 1.0 million square meters, as well as a shopping center under development.

In Central and Eastern Europe, the Company operates through Atrium European Real Estate Limited ("ATR"), a jointly controlled company that is presented according to the equity method and that is listed on the Vienna Stock Exchange, Austria and on the NYSE Euronext Stock Exchange, Amsterdam. As of March 31, 2014, the Company owns 39.8%[3] of ATR's share capital. ATR operates primarily in Poland, the Czech Republic, Russia and Slovakia. It owns 153 income-producing shopping centers and other retail properties of various sizes, with a total GLA of 1.3 million square meters. It also has 37 land plots for future development.

In addition, the Company also operates in Germany in the shopping centers sector, through subsidiaries ("Gazit Germany") (100%). As of March 31, 2014, Gazit Germany owns 6 shopping centers and one other income-producing property, with a total GLA of 100 thousand square meters.

In Israel, the Company operates through Gazit-Globe Israel (Development) Ltd. ("Gazit Development") (82.5%, 75% on a fully diluted basis), which is engaged in the acquisition, development and management of shopping centers, and owns 10 income-producing shopping centers in Israel, with a total GLA of 126 thousand square meters, and 2 properties under development, as well as land plots for future development. Gazit Development is also active in Bulgaria and Macedonia through subsidiaries ("Gazit Development (Bulgaria)"), where it owns a shopping center with a GLA of 7 thousand square meters and lands for future development.

In addition, Gazit Development also owns, through subsidiaries, 73.9% of the share capital of U. Dori Group Ltd. ("Dori Group"), a public company listed on the TA Stock Exchange. Dori Group is primarily engaged (including through U. Dori Construction Ltd., which is also a public company listed on the TA Stock Exchange) in the development and construction of primarily residential projects in Israel and in Central and Eastern Europe, both as developer and as operating contractor. Dori Group also owns indirectly 11.25% of Dorad Energy Ltd.

1 As to CTY announcement regarding a private issuance of shares after the reporting date, refer to section 6.1a below.

2 Include jointly controlled properties.

3 The Company has a shareholders' agreement with CPI, a Real Estate fund that is part of the Apollo Global Real Estate Management L.P. Group ("CPI") that owns, to the best of the Company's knowledge, 13.9% of the share capital of ATR.

The regions (marked) where the Company operates are shown on the following map:

Other publicly accessible data concerning the Group, including presentations, supplemental information packages regarding assets, liabilities and other information (such information does not constitute part of this report and is not included by way of reference), can be found on the Company's internet website – www.gazit-globe.com, and the internet websites of the Group's public companies:

www.equityone.net

www.firstcapitalrealty.ca

www.citycon.fi

www.aere.com

www.dori.co.il

1.3. Effects of the Financial Crisis and the Volatility in the International Capital Markets

The implications of the economic crisis that began in 2007 on the markets in which the group operates have already caused, inter alia, a certain but not material amount of adverse effect on cash flows from the Group's properties and an increase in cash flow capitalization rates. These factors resulted in the fair value of the Group's properties depreciating in 2008 and 2009. During 2010 and the beginning of 2011, it was evident that the effects of the crisis that began in 2007 were moderating. This notwithstanding, recently there have been greater volatility and uncertainty in the global financial markets, with this apparently stemming from the economic disquiet and concerns in Europe. The impact of the aforementioned volatility and uncertainty is mainly reflected, as of the approval date of the reports, on the prices of European companies' shares (that have been trading for a long period at below their net asset value).

As of March 31, 2014, the Company is reporting stability in occupancy rates in Group properties and an increase in average rental rates, and no significant delinquencies in rent payments that could materially affect the Group's rental revenues. The Company assesses that it will be able to continue financing its current operations and its investment activities from the Group's existing financing sources, namely the Group's liquid balances, its cash flows, issuances of equity and debt in the various capital markets in which the Group operates, and its unutilized approved revolving credit facilities.

Notwithstanding the situation described above, a renewed outbreak, particularly in Europe, of the global financial crisis referred to above could affect the Group's operations, its results and its financial position, including in the event of a decline in its operating results and cash flows, a fall in the value of the shares of the Group's public companies, and the ability of the Group companies to raise equity and debt from the capital markets and lenders. It could also cause a decline in the fair value of the investment property and investment property under development of the Group.

The Company's assessments regarding the impact of the aforementioned events on its operations, revenues, profits, debt- and equity-raising ability and financial position are not certain nor are under the Company's control; it therefore constitutes forward-looking statements. This assessments are based on facts and data with respect to the present position of the Company and its business, the present position of its fields of operation and the markets in which it operates, and macro-economic facts and data, all as known to the Company on the date of approval of the financial statements. In addition, the Company's said assessments are based to a material extent on its present expectations and assessments with respect to future developments in each of the said parameters, and their inter-relationship. The Company cannot be certain that its assessments will indeed be realized since it is subject to external influences that cannot be assessed in advance and that, as stated above, are not under its control.

1.4. Highlights – First quarter of 2014 (the "Reporting Period")

(NIS in millions, other than per share data)	For the 3 months ended March 31,		
	2014	2013	Change
Rental income	1,227	1,340	(8%)
NOI (Net Operating Income)	817	883	(7%)
Proportionately consolidated NOI (*)	517	528	(2%)
FFO (**)	151	150	1%
Diluted FFO per share (NIS) (**)	0.86	0.90	(5%)
The number of shares used in calculating the diluted FFO per share (in thousands)	176,014	165,530	6%

Acquisition, construction and development of investment property (***)	783	620	-
Disposal of investment property (***)	127	611	-
Fair value gain from investment property and investment property under development, net	25	185	-
Net income attributable to equity holders of the Company	204	345	-
Diluted earnings per share (NIS)	1.16	2.08	-
Cash flows from operating activities	187	64	-
Net debt to total assets	55.3%	55.6%	
Equity attributable to equity holders of the Company	8,071	7,618	-
Equity per share attributable to equity holders of the Company (NIS)	45.9	46.1	-
Net asset value per share (EPRA NAV) (NIS) (****)	57.5	58.7	-
EPRA NNNAV per share (NIS) (****)	40.8	41.2	-

(*) 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 2.3 below.

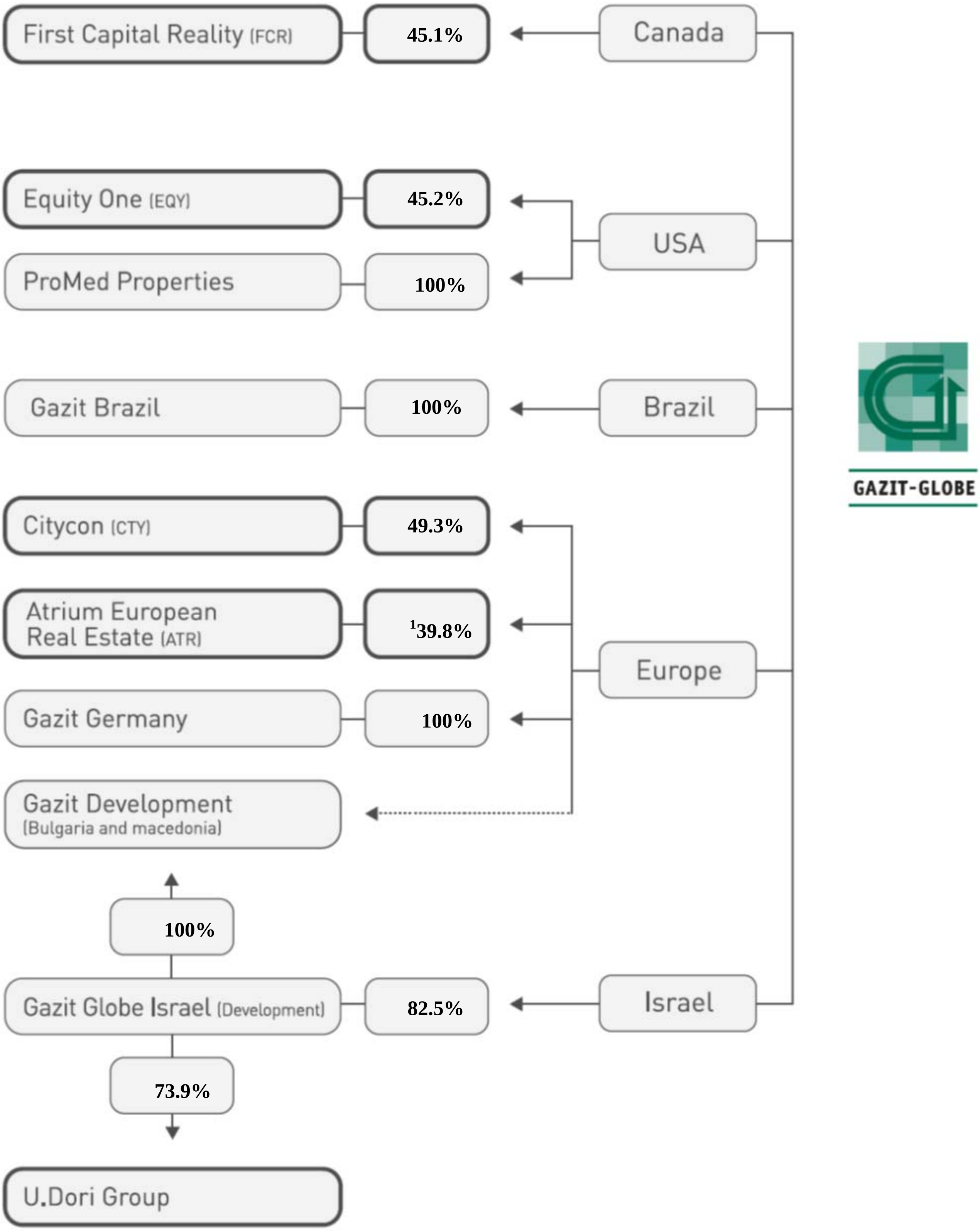
(**) The FFO is presented according to the management approach and in accordance with the EPRA guidance. For the FFO calculation, refer to section 2.2 below.

(***) The Company and its subsidiaries (excluding associates and joint ventures presented according to the equity method).

(****) Refer to section 2.4 below.

- As of March 31, 2014, the Company and its subsidiaries had liquid balances and unutilized credit facilities available for immediate drawdown amounting to NIS 9.8 billion (NIS 3.6 billion in the Company and wholly-owned subsidiaries). In addition, as of March 31, 2014, a jointly controlled company that is presented according to the equity method had cash balances amounting to NIS 1.4 billion.
- In the Reporting Period, Group companies issued debt by way of debentures in a total amount of NIS 0.9 billion.

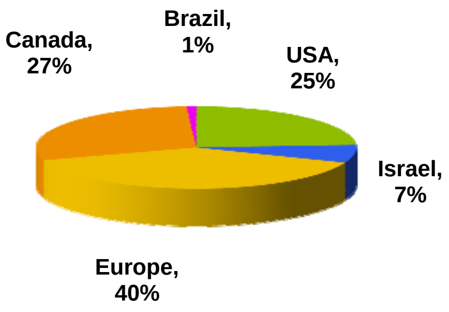
1.5. **The Company's Major Holdings are Shown Below (Ownership Structure and Interests are as of March 31, 2014):**



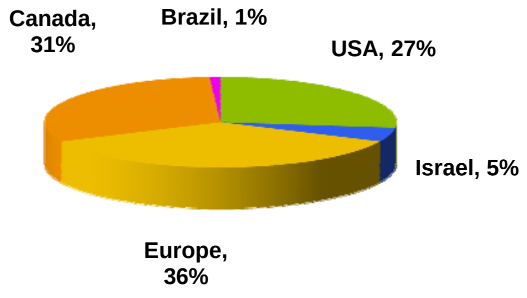
[1] A company jointly controlled together with CPI, which owns, to the best of the Company's knowledge, additional 13.9% of the share capital of ATR as of March 31, 2014.

1.6. Breakdown of Net Operating Income ("NOI"), according to the Company's operating regions[1]:

Q1 2014



Q1 2013



1 As to the Company's share ("by proportionate consolidation"), refer to section 2.3 below.

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

2.1. Summary of the Company's holdings as of March 31, 2014:

Name of company	Type of security/ property	Amount (millions)	Holding interest (%)	Book value (NIS in millions)	Market value as of 31.3.2014 (NIS in millions)
EQY	Shares (NYSE)	53.2	45.2	2,822	4,143
FCR	Shares (TSX)	94.3	45.1	4,724	5,224
CTY	Shares (OMX)	217.6	49.3	2,971	2,701
ATR	Shares (VSX, Euronext)	149.3	39.8	4,294	2,943
Dori Group[1]	Shares (TASE)	82.6	61.0	149	157
Europe	Income-producing property	-	-	894	-
Europe[2]	Property under development and lands	-	-	195	-
ProMed	Income-producing property	-	-	1,944	-
Brazil	Income-producing property and property under development	-	-	546	-
Israel[2]	Income-producing property	-	-	1,967	-
Israel[2]	Property under development and lands	-	-	207	-
Total assets		-	-	**20,713**	-

Below are the Company's monetary balances (including balances of subsidiaries that are not public companies) ("expanded separate basis") as of March 31, 2014:

	NIS in millions
Debentures[3]	10,932
Debts to financial institutions	3,274
Total debentures and debts to financial institutions (*)	14,206
Other monetary liabilities	400
Total monetary liabilities	14,606
Less - monetary assets	1,899
Less - other investments[4]	472
Monetary liabilities, net	12,235
Other liabilities[5]	407
Total liabilities, net	**12,642**

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

Year	Debentures[6]	Banks	Mortgages	Total	%
2014	256	91	372	719	5
2015	989	46	61	1,096	8
2016	980	814	35	1,829	13
2017	772	-	77	849	6
2018	1,397	28	326	1,751	12
2019	1,534	473	344	2,351	17
2020	1,196	-	24	1,220	9
2021	1,002	-	22	1,024	7
2022	894	-	291	1,185	8
2023	778	-	124	902	6
2024 and after	1,134	-	146	1,280	9
Total	**10,932**	**1,452**	**1,822**	**14,206**	**100**

1 Represents an effective indirect interest in Dori Group
2 Presented according to the proportionate consolidation method (82.5%).
3 Excludes an asset of NIS 855 million that represents the fair value of cross-currency swap derivatives, which is presented as part of the financial assets.
4 Comprised primarily of the investment in private equity funds.
5 Includes a provision for taxes, net in the amount of NIS 424 million, less intangible assets in the amount of NIS 17 million.
6 Includes a private, unsecured loan from an institutional investor in the amount of NIS 267 million.

2.2. <u>FFO (EPRA Earnings)</u>

As is the practice in the United States and in European countries, the Company customarily publishes information regarding the results of its operating activities in addition to, and without derogating 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 their "EPRA Earnings", which is 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. This measure is not based on generally accepted accounting principles.

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

In the United States, where financial statements are prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), it is customary for income-producing property companies to publish their FFO results (which is the net income attributable to its equity holders, reported after excluding income and expenses of a capital nature and with the addition of the company's share in property depreciation and other amortization), in accordance with the position paper issued by NAREIT – the U.S.-based National Association of Real Estate Investment Trusts.

EPRA Earnings are therefore similar in substance to FFO, with adjustments for the results reported under IFRS.

The Company believes that publication of FFO, which is calculated according to EPRA guidance, more correctly reflects the operating results of the Company, since the Company's financial statements are prepared according to IFRS. In addition, publication of FFO provides a better basis for the comparison of the Company's operating results in a particular period with those of previous periods and also provides a uniform financial measure for comparing the Company's operating results with those published by other European property companies. Furthermore, pursuant to the draft regulations for anchoring the disclosure provisions for investment property activity, issued by the Israel Securities Authority in December 2013, FFO 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.

The measure represents the accounting net income for the period, after excluding non-recurring revenues and expenses (including gains or losses on the revaluation of properties to their fair value), gains or losses on the sale of properties, changes in the fair value of financial instruments measured through profit or loss, and other types of gains and losses. This measure is customarily used to review the performance of income-producing property companies. The required adjustments made to the accounting net income are presented in the table below.

As clarified in the EPRA and NAREIT position papers, the EPRA Earnings and the FFO 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. Furthermore, it is clarified that these measures are not audited by the Company's independent auditors.

The table below presents the calculation of the Company's FFO, calculated according to the recommendations of EPRA and the guidelines of the Israel Securities Authority, and its FFO per share for the stated periods:

	For the 3 months ended March 31,		For the year ended December 31
	2014	2013	2013
	NIS in millions (other than per share data)		
Net income attributable to equity holders of the Company for the period	**204**	**345**	**977**
Adjustments:			
Fair value gain from investment property and investment property under development, net	(25)	*) (185)	*) (962)
Capital loss on sale of investment property	3	13	52
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	(98)	(189)	(435)
Adjustments with respect to equity-accounted investees	(62)	(6)	60
Loss from decrease in interest in investees	1	-	11
Deferred taxes and current taxes with respect to disposal of properties	75	65	272
Gain from bargain purchase	-	-	(173)
Acquisition costs recognized in profit or loss	1	4	10
Loss (gain) from early redemption of interest-bearing liabilities and financial derivatives	(3)	3	142
Non-controlling interests' share in above adjustments	12	62	368
Nominal FFO	**108**	**112**	**322**
Additional adjustments:			
CPI and exchange rate linkage differences	(57)	3	152
Depreciation and amortization	4	4	16
Adjustments with respect to equity-accounted investees	66	15	27
Other adjustments(1)	30	*) 16	*) 68
FFO according to the management approach	**151**	**150**	**585**
FFO according to the management approach per share (in NIS)	**0.86**	**0.90**	**3.42**
FFO according to the management approach per share (diluted) (in NIS)	**0.86**	**0.90**	**3.41**
Number of shares used in the basic FFO per share calculation (in thousands)(2)	**175,811**	**165,313**	**171,103**
Number of shares used in the diluted FFO per share calculation (in thousands)(2)	**176,014**	**165,530**	**171,413**

*) Reclassified, refer to Note 2d to the financial statements.

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

2 Weighted average for the period.

2.3. Additional information is presented below concerning the Company's share in the value of income-producing properties owned by the Group as of March 31, 2014, based on capitalization of net operating income methodology. The presentation of this information is intended to provide additional information, based on methodology that is generally accepted in the regions in which the Group operates, which might serve as an additional method in analyzing the value of the Company's properties on the basis of the Company's financial results for the Reporting Period. It is emphasized that this information does not in any way represent the Company's estimate of the present or future value of its assets or shares.

	For the 3 months ended March 31,		For the year ended December 31
	2014	**2013**	**2013**
		NIS in millions	
Rental income	1,227	1,340	5,146
Property operating expenses	410	457	1,689
NOI for the period	817	883	3,457
Less - minority's share in NOI	(397)	(435)	(1,687)
Add - Company's share in NOI of jointly controlled companies(1)	97	80	332
NOI for the period - the Group's proportionate share	**517**	**528**	**2,102**
NOI for the year - the Group's proportionate share	**2,068**(2)	**2,112**(2)	**2,102**

(1) Companies that are presented according to the equity method.

(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. It should be noted that 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 2014:

Cap Rate:	**6.50%**	**6.75%**	**7.00%**	**7.25%**	**7.50%**
Value of income-producing property (NIS in millions) (*)	31,840	30,661	29,566	28,546	27,595

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

New properties, properties under development and lands, which have not yet started producing income and which are presented at their fair values in the Group's books (according to the proportionate consolidation method) as of March 31, 2014, amounted to NIS 1,972 million.

The Group's liabilities, net of monetary assets (according to the proportionate consolidation method) as of March 31, 2014, amounted to NIS 23,677 million.

2.4. <u>Net Asset Value (EPRA NAV and EPRA NNNAV)</u>

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 properties to their fair value and the exclusion of the fair value of financial derivatives (with the exception of financial derivatives used for currency hedging); 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, and also with certain adjustments to the provision for deferred taxes with respect to the revaluation of properties to their fair value and with certain adjustments to the fair value of financial instruments of the kind referred to above.

In January 2014, EPRA published an update to the method for calculating the EPRA NAV and the EPRA NNNAV, which prescribes that financial derivatives used for currency hedging will not be excluded in calculating the EPRA NAV. Accordingly, in calculating the value of financial derivatives to be excluded in calculating the EPRA NAV, the Company deducts from the total value of the cross-currency swap transactions the intrinsic value of these transactions. Following the said publication, the Company has retroactively adjusted the EPRA NAV calculation as of March 31, 2013 in the amount of NIS 782 million (NIS 4.6 per share), which is the value of the financial derivatives used for currency hedging as of March 31, 2013.

The Company considers that the presentation of the EPRA NAV and the EPRA NNNAV data enables the Company’s results to be compared with those of other European real estate companies. At the same time, such data do not constitute a valuation of the Company and do not replace the data presented in the financial statements; rather, they provide an additional aspect of the Company’s net asset value (NAV) in accordance with the EPRA rules. It is clarified that such data are not audited by the Company’s independent auditors.

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

	As of March 31,		As of December 31,
	2014	2013 *)	2013
	NIS in millions		
EPRA NAV			
Equity attributable to the equity holders of the Company, per the financial statements	8,071	7,618	8,009
Exclusion of provision for tax on revaluation of investment property to fair value (net of minority's share)	2,026	2,042	2,012
Fair value asset adjustment for derivatives, net(1)	(186)	(147)	(60)
Adjustments with respect to equity-accounted investees	222	218	300
Net asset value - EPRA NAV	**10,133**	**9,731**	**10,261**
EPRA NAV per share (in NIS)	**57.5**	**58.7**	**58.3**
EPRA NNNAV			
EPRA NAV	10,133	9,731	10,261
Adjustment of financial liabilities to fair value	(1,900)	(1,714)	(1,460)
Other adjustments to provision for deferred taxes(2)	(982)	(1,103)	(979)
Fair value asset adjustment for derivatives, net	186	147	60
Adjustments with respect to equity-accounted investees	(251)	(233)	(314)
Adjusted net asset value - EPRA NNNAV	**7,186**	**6,828**	**7,568**
EPRA NNNAV per share (in NIS)	**40.8**	**41.2**	**43.0**
Issued share capital of the Company (in thousands) used in the calculation(3)	**176,085**	**165,714**	**176,094**

(1) The amount represents the fair value less the intrinsic value of the financial derivatives.

(2) This adjustment does not include a provision for deferred tax with respect to the revaluation of investment property in countries where, upon disposing of property, the Group customarily defers the payment of the capital gains tax.

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

*) Retroactively adjusted according to the new EPRA recommendations published in January 2014.

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

3.1. General

In the Reporting Period, the Group's investments in the acquisition and development of new properties and in the redevelopment, expansion and construction of various existing properties totaled NIS 783 million. The effect of these investments on the operating results of the Group will be reflected in full during 2014 and thereafter.

Property activities

1) In the Reporting Period, the Company and its subsidiaries acquired 3 income-producing properties, with a total GLA of 34 thousand square meters and lands for future development, at a total cost of NIS 575 million. In addition, the Company and its subsidiaries has developed new properties and redeveloped existing properties at a total cost of NIS 208 million.

2) **Property acquisition and sale**

	Acquisitions				Sales	
	No. of investment properties	Acquisition cost of investment properties (NIS in millions)	Acquisition of land for future development (NIS in millions)	Development, redevelopment and expansions (NIS in millions)	No. of investment properties	Proceeds from the sale of investment properties (NIS in millions)
EQY	2	360	1	8	4	88
FCR	1	169	11	130	1	12
CTY[1]	-	-	-	67	3	26
ATR[2]	-	-	-	118	1	1
Brazil	-	-	34	3	-	-

3) **Highlights of operational data:**

	Investment properties[1]	GLA (in thousands of square meters)	Average basic monthly rent per square meter		Change in same property NOI [3]	Occupancy rate in core properties		Net debt to total assets
			31.3.2014	31.3.2013		31.3.2014	31.3.2013	
EQY	139	1,665	$U.S 14.7	$U.S 13.5	2.4%	93.9%	91.8%	36.1%
FCR	160	2,215	$C 16.2	$C 15.7	1.2%	95.3%	95.1%	43.6%
CTY	68	1,048	€ 21.7	€ 21.3	3.9%	95.5%	95.0%	50.3%
ATR	153	1,313	€ 12.1	€ 11.7	2.6%	97.4%	97.4%	17.2%

1 Includes jointly-controlled properties.

2 Represents 100% of ATR.

3 Change in same property NOI in the Reporting Period compared with the corresponding quarter last year.

4) **Data of properties under development, redevelopment, and expansion**

	Properties under Development			
Company	**No. of properties**	**Total investment as of March 31, 2014 (NIS in millions)**	**Cost for completion (NIS in millions)**	**Area (square meters in thousands)**
FCR	4	849	31	74
EQY	1	124	108	14
CTY	1	98	162	34
Gazit Development	2	85	101	12
Gazit Brazil	1	165	427(*)	32(*)
	9	**1,321**	**829**	**166**

(*) Initial assessment.

	Properties under Redevelopment and Expansion			
Company	**No. of properties**	**Total investment as of March 31, 2014 (NIS in millions)**	**Cost for completion (NIS in millions)**	**Area (square meters in thousands)**
FCR	14	3,271	466	288
EQY	8	74	180	36
CTY	3	110	424	32
ATR	1	117	107	17
	26	**3,572**	**1,177**	**373**

3.2. Material events during the reporting period

Financing activity

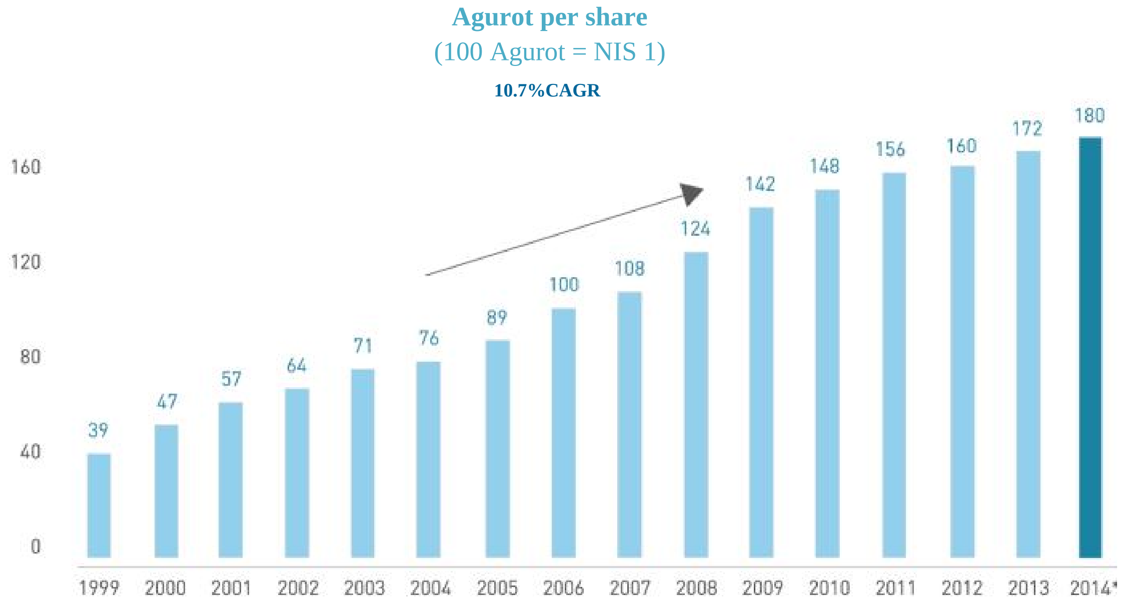
For details regarding debt issuances by FCR in the amount of C$ 300 million by way of debentures, refer to Note 3 to the financial statements.

3.3. Dividend Distribution Policy

Pursuant to the Company's policy, the Company announces at the end of each year the anticipated dividend for the following year. In November 2013, the Company announced that the dividend to be declared in 2014 would not be less than NIS 0.45 per share per quarter (NIS 1.80 per share on an annualized basis).

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

The Company's dividend growth in the years 1999-2014 is shown in the graph below:



* Projected, assuming the decision of the Company's Board of Directors regarding the dividend distribution rate for 2014 is applied as stated above.

3.4. Financial Position

Current assets

Current assets, as of March 31, 2014, total NIS 4.4 billion, compared with NIS 4.1 billion as of December 31, 2013. The increase is due primarily to the total of properties classified by FCR as "Assets held for sale" being higher than at the end of 2013.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS 5,961 thousand as of March 31, 2014, compared with NIS 5,919 thousand as of December 31, 2013. The balance of this item as of March 31, 2014 comprises mainly an investment in 149 million ATR shares in the amount of NIS 4,294 million, compared with an investment in 149 million ATR shares in the amount of NIS 4,277 million as of December 31, 2013. Additionally, the balance comprises investments in investment property, in FCR, CTY and EQY's books, made through joint ventures, as well as an investment by Dori Group in Dorad Energy and in Ronson.

Financial derivatives

The balance of financial derivatives arises mainly from cross-currency swap transactions, performed as part of the Group's policy to maintain as close a correlation as possible between the currency in which properties are acquired and the currency in which the liabilities to finance the acquisition of those properties are incurred (on a proportionate consolidation basis), and are presented at fair value. As of March 31, 2014, financial derivatives amounted to NIS 838 million, compared with NIS 769 million as of December 31, 2013. The increase is due mainly to the revaluation of the financial derivatives to their fair value in the Reporting Period.

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 March 31, 2014, amounted to NIS 56.5 billion, compared with NIS 56.4 billion as of December 31, 2013.

The change in these balances in the Reporting Period is due to the acquisition of investment property and land for future development, the development of new properties and redevelopment of existing properties in the net amount of NIS 0.7 billion and an increase in the value of investment property and investment property under development in the net amount of NIS 25 million. The increase was offset by the change in currency exchange rate (mainly due to the weakening of the Canadian Dollar against the New Israeli Shekel) in an amount of NIS 0.6 billion.

Current liabilities

Current liabilities, as of March 31, 2014, totaled NIS 5.6 billion, compared with NIS 5.8 billion as of December 31, 2013; the balance is comprised primarily of current maturities of non-current liabilities in the amount of NIS 2.4 billion, compared with NIS 2.9 billion as of December 31, 2013. The decrease is due mainly to the settlement of liabilities whose repayment date fell during the Reporting Period.

As of March 31, 2014, the Group had a negative working capital balance of NIS 1.2 billion. Excluding the inventory of buildings for sale, net of advances received from apartment buyers having a projected life term of more than a year, the Group has negative economic working capital of NIS 1.4 billion. The current assets of NIS 4.4 billion, the approved unutilized long-term credit facilities of NIS 8.4 billion, as well as the cash flows provided by operating activities, in aggregate, are significantly greater than the amount of the current liabilities, and thus Company management believes the balance of current liabilities as of March 31, 2014 can be settled with these resources (refer also to section 3.6 below).

Non-current liabilities

Non-current liabilities, as of March 31, 2014, totaled NIS 39.8 billion, compared with NIS 39.5 billion as of December 31, 2013. The increase in non-current liabilities is due mainly to the change in currency exchange rates of the U.S. Dollar, the Canadian Dollar and the Euro against the New Israeli Shekel, which amounted to NIS 0.3 billion. In addition, in the Reporting Period, Group companies issued debentures in the amount of NIS 0.9 billion, for use in the Group's operating activities (including for the repayment of interest-bearing liabilities to financial institutions and to others.

Equity attributable to the equity holders of the Company

Equity attributable to the equity holders of the Company, as of March 31, 2014, amounted to NIS 8,071 million, compared with NIS 8,009 million as of December 31, 2013. The increase is mainly due to the net income attributable to the equity holders of the Company amounting to NIS 204 million. The increase was offset by a reduction in the capital reserves line item of NIS 63 million (primarily with respect to foreign currency translation adjustments of foreign operations resulting from changes in the exchange rates of the Euro, the U.S. Dollar and the Canadian Dollar against the New Israeli Shekel), and by the dividends declared amounting to NIS 79 million.

The equity per share attributable to the equity holders of the Company as of March 31, 2014 totaled NIS 45.9 per share, compared with NIS 45.6 per share as of December 31, 2013, after a dividend distribution of NIS 0.45 per share in the Reporting Period.

Non-controlling interests

Non-controlling interests, as of March 31, 2014, amounted to NIS 14.6 billion, compared with NIS 14.8 billion as of December 31, 2013. the balance is mainly comprised of the interests of EQY’s other shareholders at a rate of 54.8% of EQY’s equity; the interests of FCR’s other shareholders at a rate of 54.9% of FCR’s equity; and also the interests of CTY’s other shareholders at a rate of 50.7% of CTY’s equity.

The reduction in non-controlling interests in the Reporting Period is mainly due to the share of the non-controlling interests in the dividends distributed by the subsidiaries amounting to NIS 0.3 billion. The aforesaid reduction was partially offset by the interests of the other shareholders in the comprehensive income of subsidiaries amounting to NIS 0.1 billion.

Ratio of debt to total assets

The ratio of the Group’s net interest-bearing debt to its total assets stood at 55.3% as of March 31, 2014 compared with 55.6% as of March 31, 2013 and 55.0% as of December 31, 2013.

The ratio of the Group’s interest-bearing debt to its total assets stood at 56.3% as of March 31, 2014, compared with 57.1% as of March 31, 2013 and 56.1% as of December 31, 2013.

3.5 Results of Operations

A. Results of operations are as follows:

	Three months ended March 31,		Year ended December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions (except for per share data)		
Rental income	1,227	1,340	5,146
Property operating expenses	410	457	1,689
Net operating rental income	817	883	3,457
Revenues from sale of buildings, land and construction works performed	391	427	1,794
Cost of buildings sold, land and construction works performed	416	396	1,667
Gross profit (loss) from sale of buildings, land and construction works performed	(25)	31	127
Total gross profit	792	914	3,584
Fair value gain from investment property and investment property under development, net	25	*) 185	*) 962
General and administrative expenses	(147)	*) (155)	*) (611)
Other income	4	5	218
Other expenses	(5)	(17)	(74)
Company's share in earnings of equity-accounted investees, net	86	58	161
Operating income	755	990	4,240
Finance expenses	(379)	(477)	(2,185)
Finance income	120	213	549
Profit before taxes on income	496	726	2,604
Taxes on income	63	74	294
Net income	433	652	2,310
Attributable to:			
Equity holders of the Company	204	345	977
Non-controlling interests	229	307	1,333
	433	652	2,310
Net earnings per share attributable to equity holders of the Company:			
Basic net earnings	1.16	2.09	5.70
Diluted net earnings	1.16	2.08	5.64

*) Reclassified, refer to Note 2d to the financial statements.

The statement of comprehensive income is as follows:

	Three months ended March 31,		Year ended December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions		
Net income	433	652	2,310
Other comprehensive income (loss) (net of tax effect):			
Items that are or will be reclassified to profit and loss:			
Exchange differences on translation of foreign operations	(212)	(1,090)	(2,455)
Gains (losses) on cash flow hedges	(21)	52	239
Gains (losses) on available-for-sale financial assets	4	(6)	(4)
	(229)	(1,044)	(2,220)
Items not to be reclassified to profit or loss:			
Loss on revaluation of fixed assets of a joint transaction	-	(6)	(6)
Total other comprehensive (loss)	(229)	(1,050)	(2,226)
Total comprehensive income (loss)	204	(398)	84
Attributable to:			
Equity holders of the Company	138	(139)	(2)
Non-controlling interests	66	(259)	86
	204	(398)	84

B. Analysis of results of operations for the first quarter of 2014

Rental income

Rental income decreased by 8% to NIS 1,227 million in the Reporting Period, compared with NIS 1,340 million in the corresponding quarter last year. The decrease is due mainly to a decrease in the average exchange rates of the U.S. Dollar, the Canadian Dollar and the Euro against the New Israeli Shekel and the sale of properties in 2013 and 2014, and was offset against the initial operation of properties the development of which was completed, the operation of additional properties acquired in 2013 and 2014, and growth in income from existing properties.

Assuming the average exchange rates of the corresponding quarter last year, the rental income remained unchanged compared with the corresponding quarter last year.

Property operating expenses

Property operating expenses totaled NIS 410 million in the Reporting Period, representing 33.4% of total rental income, compared with NIS 457 million, representing 34.1% of total rental income, in the corresponding quarter last year.

Net operating rental income (NOI)

Net operating rental income decreased by 7% to NIS 817 million in the Reporting Period (66.6% of rental income), compared with NIS 883 million (65.9% of rental income) in the corresponding quarter last year.

Assuming the average exchange rates of the corresponding quarter last year, the net operating rental income increased by 1% compared with the corresponding quarter last year.

Revenues from sale of buildings, land and construction works performed

Revenues from the sale of buildings, land and construction works performed totaled NIS 391 million in the Reporting Period (revenues of NIS 427 million in the corresponding quarter last year), comprising NIS 46 million from the sale of buildings and land (revenues of NIS 70 million in the corresponding quarter last year) and NIS 345 million from construction works performed (revenues of NIS 357 million in the corresponding quarter last year).

The gross loss from this activity amounted to NIS 25 million in the Reporting Period, compared with a gross profit of NIS 31 million in the corresponding quarter last year. The gross loss arose from activity in the field of construction works performed, mainly due to an accumulation of unanticipated project completion expenses adjacent to the projects' delivery dates. In addition, NIS 8 million of the gross loss recognized as aforesaid in the Reporting Period, is due to correcting an error (that is not material for the Group) in estimating the completion costs of construction work performed in 2013 (the effect of the error on the net income attributable to the equity holders of the Company amounts to NIS 1 million.

Fair value gain from investment property and investment property under development, net

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Group recognized, in the Reporting Period, a fair value gain on its properties in a gross amount of NIS 25 million, compared with a gain of NIS 185 million, in the corresponding quarter last year. The gain from investment property and investment property under development in the Reporting Period is due mainly to CTY and EQY, deriving mainly from a moderate decrease in capitalization rates and an improvement in the cash flows during the Report Period. The gain was offset by a fair value loss from investment property and investment property under development that was recorded primarily at FCR.

As to the recording of internal costs that were incurred in the leasing of properties as part of "General and administrative expenses", in the Reporting Period, instead of including them as a reduction of the fair value gains from investment property, and the reclassification of the comparative data for the corresponding quarter last year and for 2013, refer to Note 2d to the financial statements.

General and administrative expenses

General and administrative expenses totaled NIS 147 million (9.1% of total revenues) in the Reporting Period, compared with NIS 155 million (8.8% of total revenues) in the corresponding quarter last year. The decrease in general and administrative expenses is due mainly to a decrease in the average exchange rates of the U.S. Dollar, the Canadian Dollar and the Euro against the New Israeli Shekel in the Reporting Period, compared with the corresponding quarter last year.

As to the recording of internal costs that were incurred in the leasing of properties as part of "General and administrative expenses", in the Reporting Period, instead of including them as a reduction of the fair value gains from investment property, and the reclassification of the comparative data for the corresponding quarter last year and for 2013, refer to Note 2d to the financial statements.

Other income

Other income amounted to NIS 4 million in the Reporting compared with NIS 5 million in the corresponding quarter last year, and was due mainly to a capital gain on the sale of properties.

Other expenses

Other expenses amounted to NIS 5 million in the Reporting Period, compared with NIS 17 million in the corresponding quarter last year and were due mainly to a capital loss (including sale expenses) at EQY on the disposal of properties.

Company's share in earnings of equity-accounted investees

In the Reporting Period, this line item amounted to earnings of NIS 86 million (earnings of NIS 58 million in the corresponding quarter last year) and is comprised mainly of the Company's share in ATR's earnings, in the amount of NIS 49 million (earnings of NIS 48 million in the corresponding quarter last year). In addition, earnings of NIS 33 million were recorded in the Reporting Period from investment property revaluation gain in a joint venture of CTY.

Finance expenses

Finance expenses amounted to NIS 379 million in the Reporting Period, compared with NIS 477 million in the corresponding quarter last year. Finance expenses in the Reporting Period include a gain of NIS 62 million from the 0.7% decline in the known consumer price index, compared with a loss of NIS 3 million in the corresponding quarter last year.

In the Reporting Period, finance expenses reflect average nominal annual interest of 4.3% on the interest-bearing debt of the Company and its subsidiaries compared with 4.7% in the corresponding quarter last year.

Finance income

Finance income totaled NIS 120 million in the Reporting Period, compared with NIS 213 million in the corresponding quarter last year. Finance income in the Reporting Period was mainly comprised of a NIS 93 million gain on the revaluation of financial derivatives, primarily with respect to cross-currency swap hedging transactions (in the corresponding quarter last year – a gain of NIS 187 million); interest income of NIS 19 million (in the corresponding quarter last year – income of NIS 22 million) and income of NIS 7 million from the realization of securities and dividend income (in the corresponding quarter last year – income of NIS 4 million).

Taxes on income

Taxes on income in the Reporting Period are mainly comprised of deferred tax expenses of NIS 47 million (in the corresponding quarter last year – expenses of NIS 96 million); the decrease in deferred taxes arises mainly from the fair value gains on investment property and the gains on the revaluation of financial derivatives being lower in the Reporting Period than in the corresponding quarter last year. In addition, in the Reporting Period, the Group companies recorded current tax expenses in an amount of NIS 16 million, compared with current tax expenses of NIS 9 million in the corresponding quarter last year. Moreover, tax income of NIS 31 million was recorded in the corresponding quarter last year by Group companies, with respect to prior years.

3.6. Liquidity and Sources of Finance

The Group has 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 Group's liquid assets are cash generated from its income-producing properties, credit facilities, mortgages and long-term loans and raisings of debentures, convertible debentures and equity. The Group uses these liquid sources for the acquisition, development and redevelopment of income-producing properties, the settlement of liabilities, investments in investees, other investments and the payment of dividends.

The liquid assets available to the Company and its subsidiaries, including short-term investments, totaled NIS 1.5 billion as of March 31, 2014, and NIS 1.6 billion at the end of 2013. In addition, as of March 31, 2014, the Company and its subsidiaries have unutilized approved long-term credit facilities available for immediate drawdown of NIS 8.4 billion, compared with NIS 8.0 billion as of December 31, 2013.

As of March 31, 2014, the Company and its subsidiaries have unutilized approved long-term credit facilities available for immediate drawdown and liquid balances totaling NIS 9.8 billion (NIS 3.6 billion in the Company and wholly-owned subsidiaries). In addition, as of March 31, 2014, a jointly-controlled company presented according to the equity method has a cash balance totaling NIS 1.4 billion.

As of March 31, 2014, the Company and its subsidiaries also have unencumbered investment property and investment property under development, which is carried in the books at its fair value of NIS 39.7 billion (70.0% of the total investment property and investment property under development). In addition, as of March 31, 2014, a jointly-controlled company presented according to the equity method has unencumbered investment property and investment property under development which is carried in the books at its fair value of NIS 8.4 billion.

As of March 31, 2014, the Company had negative economic working capital[1] of NIS 1.4 billion according to its consolidated financial statements. However, the Company has at its disposal, on a consolidated and on a separate basis (including wholly-owned subsidiaries), unutilized approved long-term credit facilities, which are available for immediate drawdown, amounting to NIS 8.4 billion and NIS 3.2 billion, respectively. In line with Group policy, the Group customarily finances its activities through revolving credit facilities, and raises equity and long-term debt from time to time, in accordance with the market conditions. The Company's Board of Directors has examined the existence of the negative economic working capital as aforesaid and has determined that, in light of the scope of the above sources that are available to the Group and to the Company and the positive cash flow from operating activity, its existence is not sufficient to indicate that the Company or the Group has a liquidity problem.

In addition, as of March 31, 2014, the Company has, according to its separate financial statements, continuous negative cash flows from operating activities. This, together with negative working capital, constitutes a warning sign according to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, which consequently requires a disclosure be made regarding the forecasted cash flows, which is attached as Appendix C of the Directors' Report.

3.7. Cash flows

Cash inflows from operating activities in the Reporting Period totaled NIS 187 million compared with NIS 64 in the corresponding period last year. The increase in the operating cash flows is mainly due to timing differences with respect to third-party receipts and payments, which was partly offset by the negative cash flows from activity in the field of construction works performed in the Reporting Period being higher than in the corresponding quarter last year.

In the Reporting Period, the activities of the Company and its subsidiaries were funded by means of issuance of debentures in a net amount of NIS 918 million, and by means of collection of long-term loans granted in a net amount of NIS 190 million. The proceeds from the above sources were used primarily for the acquisition and development of new investment property in a net amount of NIS 656 million, for the repayment of loans credit facilities in a net amount of NIS 447 million and for the payment of dividends by Group companies in an amount of NIS 275 million.

[1] Excluding the inventory of buildings for sale having a projected realization date of more than a year, in a net amount of NIS 201 million from the negative accounting working capital of NIS 1,192 million.

3.8. Repurchase Program

On September 13, 2011, the Company's Board of Directors approved a program to repurchase Company debentures. Pursuant to the repurchase program, as updated from time to time, and most recently on August 26, 2013, the Company may purchase debentures of the outstanding series in the par value amount of NIS 100 million. The program is in effect until August 2014. Acquisitions will be made under the program from time to time and at the discretion of the Company's management. As of March 31, 2014 and immediately prior to the publication date of this report, the Company had repurchased debentures with a par value of NIS 5.5 million under the aforementioned program. For further details regarding the repurchase program, refer to the Immediate Reports that the Company issued on September 13, 2011 (Reference No.: 2011-01-273129), January 4, 2012 (Reference No.: 2012-01-006039), August 21, 2012 (Reference No.: 2012-01-215097) and August 27, 2013 (Reference No.: 2013-01-127176).

4. Reporting of Exposure to Market Risks and their Management

4.1. The individuals responsible for managing and reporting the Company's market risks are the President and the Senior Executive Vice President and CFO of the Company. Since March 25, 2014, the approval date of the Company's annual report for 2013, there have not been any material changes in the nature of the market risks to which the Company is exposed and their management.

4.2. During the period from January 1, 2014 through the date on which the financial statements were signed, the officers responsible for reporting and managing the Company's market risks (the Company's President and its Senior Executive Vice President and CFO) have held and continue to hold regular weekly discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. In addition, during the above period, the Company's Board of Directors discussed the said risks and the corresponding Company policies during the meetings at which the financial statements as of December 31, 2013 and March 31, 2014 were approved.

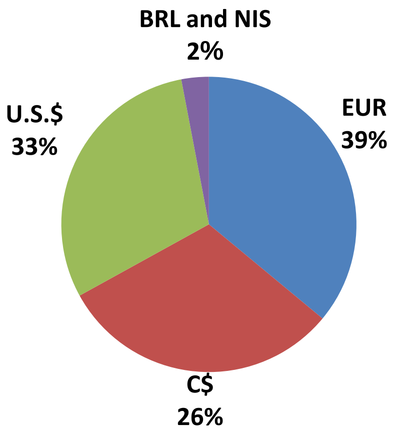
4.3. Changes in foreign currency exchange rates – From January 1, 2014 through March 31, 2014, the New Israeli Shekel devalued against the U.S. Dollar, the Euro and the Brazilian Real by 0.5%, 0.6% and 4.6%, respectively, and appreciated against the Canadian Dollar by 3.2%. With regards to the effect of exchange rate changes on the Company's equity, as of March 31, 2014, refer to Appendix A of the Director's Report. In addition, from March 31, 2014 until immediately prior to the date of approval of this report, the New Israeli Shekel devalued against the U.S. Dollar, the Canadian Dollar and the Brazilian Real by 0.1%, 1.4% and 0.7%, respectively, and appreciated against the Euro by 1.2%.

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. From January 1, 2014 through March 31, 2014, the (known) consumer price index fell by 0.7%. As to the effect of changes in the consumer price index on the equity of the Company as of March 31, 2014, 2013, refer to the attached Appendix A of the Directors' Report. In addition, from March 31, 2014 until immediately prior to the date of approval of this report, the (known) consumer price index increase by 0.4%.

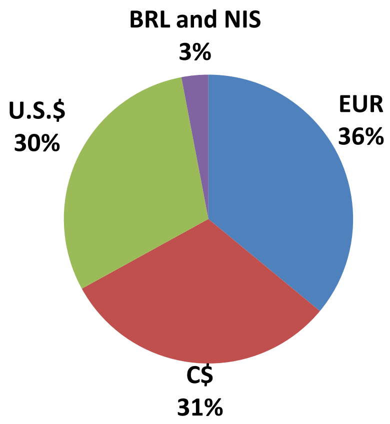
4.4. As in the past, the Company maintains as high a correlation as possible between the currency in which properties are acquired and the currency in which the liabilities to finance those acquisitions of those properties are assumed. Management regularly evaluates the linkage bases report and takes 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, while making occasional hedging transactions to mitigate the aforementioned exposure to changes in foreign currency exchange rates. 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 currencies to which it is exposed (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, 2014, refer to the table attached as Appendix B of the Directors' Report.

As of March 31, 2014[1] and December 31, 2013, the economic exposure of the equity attributable to the equity holders of the Company to the various currencies is distributed as follows.

March 31, 2014



December 31, 2013



[1] Also refer to Appendix B of the Directors' Report.

5. Corporate Governance Aspects

5.1. Donations

The Group considers itself bound to concern itself with and to assist the communities in which it operates, in accordance with the social investment policy approved by the Company's management. In the Reporting Period, the Group made donations to a variety of projects in the fields of education, culture, welfare and health in the various countries in which the Company operates.

A. The majority of the Group's social investment in the Reporting Period was directed to the education field for the benefit of the "Supporting the South" initiative, which had been established by the Company some two years earlier. Within the framework of the initiative the Company supports the education systems of periphery towns in the Negev, including providing support for schools, granting scholarships to students, and supporting youth centers.

B. Communal involvement – The Group supports a variety of social organizations in the fields of welfare, health, culture, assistance to soldiers, Diaspora Jews and the environment.
In the Reporting Period, the Group's donations amounted to NIS 2.7 million.

6. Disclosure Regarding the Financial Reporting of the Company

6.1. Additional Information and Events Subsequent to the Reporting Date

A. On May 13, 2014, CTY announced that it was to make a private offering in a total amount of EUR 206.4 million (EUR 2.65 per share) to CPP Investment Board European Holdings S.àr.l ("CPPIBEH"), a wholly-owned subsidiary of Canada Pension Plan Investment Board, subject to obtaining the approval of the extraordinary general meeting of CTY's shareholders (the "Private Offering"). In addition, the Company entered into an agreement with CPPIBEH that prescribes arrangements for the appointment of directors of CTY, and has also undertaken to grant CPPIBEH a tag-along right under certain conditions in the event of a sale of CTY shares.

Moreover, on the same date, CTY announced a rights issuance of shares to all the shareholders following the closing of the Private Offering, in a maximum amount of up to EUR 196.5 million, subject to obtaining the approval of the general meeting of CTY's shareholders (the "Rights Issuance").

The Company has provided an undertaking to CTY to acquire all the shares it is to be offered within the framework of the rights issuance (amounting to EUR 82.4 million) and has also undertaken to acquire additional rights, if these are not exercised by their holders, with the amount to be so taken up totaling up to a further EUR 42.6 million. CPPIBEH has given an undertaking to acquire all the shares it is to be offered and to also acquire additional rights and exercise them in a total amount of up to EUR 56.5 million, subject to the fulfillment of certain conditions and subject to closing the Private Offering.

B. For details regarding an issuance of debentures (Series L) in April 2014, in a total amount of NIS 445 million, by way of expanding the series, refer to Note 5a to the financial statements.

6.2. Critical Accounting Estimates

In the closing process of the financial statements for the Reporting Period, an error was found in a subsidiary in the field of construction works, which is not material to the Group, in estimating the completion costs of construction works performed, in the annual financial statement of 2013. For further information, refer to section 3.5B above. For additional information regarding critical accounting estimates, refer to Note 2b to the financial statements for the year ended December 31, 2013.

7. Details Concerning the Company’s Publicly-Held Commitment Certificates

A. Collateral for debentures (Series J)

The Company’s commitments pursuant to the debentures (Series J) are secured by a fixed, first-ranking charge on the rights relating to properties, as detailed in the Company’s immediate report from January 18, 2009 (reference no. 2009-01-016440) (the “preliminary report”) and in the shelf offer report from February 19, 2009 (reference no. 2009-01-040392) (the “shelf offer report”; the information contained in the preliminary report and in the shelf offer report is hereby presented by means of this reference). The value of the aforementioned pledged properties in the Company’s financial statements as of December 31, 2013 is NIS 1,127 million No material changes have occurred in the value of the pledged properties as of March 31, 2014, compared with their value as of December 31, 2013.

B. For details regarding an issuance of debentures (Series L) in April 2014, in a net amount of NIS 445 million, by way of expanding the series, refer to Note 5a to the financial statements.

May 27, 2014		
Date of Approval of Directors’ Report	Chaim Katzman Chairman of the Board of Directors	Aharon Soffer President

Appendix A of the Directors' Report

Linkage Bases Report

	March 31, 2014							
	NIS - linked to the Israeli CPI	In or linked to U.S.$	In or linked to C$	In or linked to Euro	In NIS - unlinked	Other	Unlinked	Total
	NIS in millions							
Assets								
Cash and cash equivalents	-	221	304	162	119	115	-	921
Short-term deposits and loans	100	78	268	-	4	-	-	450
Trade and other accounts receivable	6	163	115	63	110	593	124	1,174
Long-term investments and loans	157	204	208	91	34	539	-	1,233
Total monetary assets	263	666	895	316	267	1,247	124	3,778
Other financial assets (1)	-	-	-	-	-	-	1,439	1,439
Other assets (2)	-	16,005	23,537	13,589	3,425	6,049	213	62,818
Total assets	**263**	**16,671**	**24,432**	**13,905**	**3,692**	**7,296**	**1,776**	**68,035**
Liabilities								
Short-term credit from banks and others	-	-	65	232	209	-	-	506
Trade payables and other accounts payables	174	180	588	254	712	167	141	2,216
Liabilities attributable to assets held for sale	-	-	119	-	-	-	-	119
Debentures (3)	9,712	2,695	6,835	3,310	1,211	-	-	23,763
Convertible debentures	-	-	1,184	-	-	-	-	1,184
Interest-bearing loans from financial institutions and others	623	4,731	3,969	3,104	42	1,424	-	13,893
Other liabilities	2	72	65	25	14	6	9	193
Total financial liabilities	10,511	7,678	12,825	6,925	2,188	1,597	150	41,874
Other liabilities (1)	-	-	-	-	-	-	3,473	3,473
Total liabilities	**10,511**	**7,678**	**12,825**	**6,925**	**2,188**	**1,597**	**3,623**	**45,347**
Assets, net of liabilities	**(10,248)**	**8,993**	**11,607**	**6,980**	**1,504**	**5,699**	**(1,847)**	**22,688**

(1) Mainly financial instruments at fair value.

(2) Mainly investment property, investment property under development, fixed assets and deferred taxes.

(3) As of the reporting date, the Company has linkage basis and cross-currency swaps from CPI-linked NIS to foreign currency totalling NIS 4,019 million and other cross-currency swaps from non-linked NIS to foreign currency totalling NIS 1,810 million.

Appendix B of the Directors' Report
Additional Information regarding Currency Exposure
as of March 31, 2014

Presented below are details regarding the scope of the Company's exposure to each currency to which it is exposed (the Euro, the U.S. Dollar, the Canadian Dollar, New Israeli Shekel and Brazilian Real) with respect to which cross-currency swaps have been transacted, and regarding the scope of the remaining exposure after transacting the cross-currency swaps, as of March 31, 2014. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS(1)) and the percentages that they represent of the total assets and liabilities, respectively, on a proportionate consolidation basis(2), and the total financial adjustments made by the Company by means of cross-currency swap transactions, 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 particular currency do not fully correlate, and the exposure to each such currency is reflected in the differences, as presented in the table.

Data presented in millions	**NIS**	**U.S.$**	**EUR**	**C$**	**BRL**	**Total in NIS**
Assets in original currency	2,736	2,404	2,977	3,320	377	-
Assets in NIS	2,736	8,382	14,328	10,485	580	36,511
% of total assets	7	23	39	29	2	100
Liabilities in original currency	10,923	1,295	1,254	1,687	-	-
Cross-currency swap transactions in original currency	(8,087)	133	900	787	163	-
Liabilities in original currency	2,836	1,428	2,154	2,474	163	-
Liabilities in NIS adjusted for swaps	2,836	4,979	10,366	7,814	251	26,246
% of total liabilities	11	19	39	30	1	100
Total equity in original currency	(100)	976	823	846	214	-
Total economic equity(3) in NIS[3]	(100)	3,403	3,962	2,671	329	10,265
% of total equity	(1)	33	39	26	3	100

1 According to currency exchange rates as of March 31, 2014.

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 according to the Company's interest in each of the subsidiaries 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.

Appendix C of the Directors' Report

Disclosure Regarding Forecasted Cash Flows

The Company's Board of Directors has examined the criteria relating to a corporation's warning signs, as set forth in the Securities Regulations (Periodic and Immediate Reports), 1970. As of March 31, 2014, based on its separate financial statements (in accordance with Regulation 38D of the aforementioned regulations), the Company has a working capital deficit and also continuous negative cash flows from operating activities, which constitutes one of the warning signs pursuant to the regulations, and thus requires disclosure of the Company's forecasted cash flows.

Presented below is a disclosure regarding the forecasted cash flows as of March 31, 2014, which includes the existing and anticipated liabilities that the Company has to settle during the two years from the reporting date, as well as details of the financial sources from which the Company expects to settle the aforesaid liabilities, **without assuming the raising of equity or debt and the making of additional investments, apart from investments to which the Company had committed and debt actually raised through the approval date of the financial statements:**

	1.4.2014 through 31.12.2014	1.1.2015 through 31.12.2015	1.1.2016 through 31.3.2016
		NIS in millions	
Balance of liquid assets at the beginning of the period (1)	**2,497**	**2,121**	**1,876**
Separate sources:			
From operating activities of investees (2)	489	1,603	235
Issuance of debentures	445	-	-
Total sources	**934**	**1,603**	**235**
Separate applications:			
Cash outflows for operating activities (3) (5)	(404)	(605)	(263)
Cash outflows for financing activities (4) (5)	(67)	(927)	(8)
Investment in subsidiary	(602)	-	-
Anticipated dividend distributions (6)	(237)	(316)	(79)
Total applications	**(1,310)**	**(1,848)**	**(350)**
Balance of liquid assets at the end of the period	**2,121**	**1,876**	**1,761**

As of March 31, 2014, the Company and the Company's private subsidiaries have unencumbered property and marketable securities amounting to NIS 4.9 billion.

The principal working assumptions used by the Company in presenting the forecasted cash flows are as follows:

(1) The balance of liquid assets (comprising cash, cash equivalents, short-term bank deposits and credit facility balances available for immediate drawdown) relates solely to the Company. In addition, as of March 31, 2014, the Company's wholly-owned subsidiaries have at their disposal approved, unutilized credit facilities available for immediate drawdown and liquid balances totaling NIS 1.1 billion. Thus, the balance of the liquid assets of the Company and the Company's wholly-owned subsidiaries at the end of the periods presented in the above table is NIS 3.2 billion, NIS 3.0 billion and NIS 2.9 billion, respectively.

(2) Includes dividends, interest, loan repayments and redemption of preferred shares. It is assumed that the public subsidiaries (CTY, FCR, EQY and ATR) will continue to distribute dividends in accordance with their dividend distribution policy.

(3) Includes interest payments, tax payments and general and administrative expenses.

(4) Redemption of principal of debentures in accordance with the debenture terms and unwinding of swaps performed through the approval date of the financial statements.

(5) Based on currency exchange rates and variable interest rates according to bank forecasts and a 2% annual rise in the consumer price index. Changes in these assumptions could have an effect on principal and interest payments.

(6) Refer to Note 5b to the financial statements and the assumption of the acquisition of additional rights that will not be utilized by their holders.

(7) In accordance with the Company's dividend distribution policy, as updated in November 2013.

Forward-looking information:

The assumptions and the estimated forecasted cash flows set forth above are forward-looking information since they include, inter alia, forecasts, assessments and estimates and other information relating to future events or matters, whose materialization is not certain and does not depend solely on the Company, but on many additional factors.

The forward-looking information is based to a large extent, in addition to information in the possession of the Company at the time of preparing this report, on the Company's current expectations and assessments regarding the state of the markets in which the Group operates, on additional macroeconomic data published and being published by various external sources, the contents of which have not been independently authenticated by the Company, and on future developments in each of the aforementioned parameters and on the integration of such developments with each other.

The aforesaid information might not materialize, wholly or partly, or might materialize in a substantially different manner than that expected. The factors that could affect this are, inter alia, changes and developments in the economic environment and the markets in which the Group operates, including changes in the parameters described above and the materialization of all or some of the risk factors that characterize the Group's activities, including a renewed outbreak of the financial crisis, a deterioration in the commercial and economic terms for realizing business opportunities, etc.

UPDATE TO THE DESCRIPTION OF THE COMPANY’S BUSINESS FOR THE 2013 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 2013 (the “Periodic Report”), for each matter that has to be described in the Periodic Report.

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

A. On April 23, 2014, the Company distributed a dividend to its shareholders in the amount of NIS 79 million (NIS 0.45 per share).

B. For details regarding a dividend declared by the Company subsequent to the reporting date, refer to Note 5c to the financial statements.

Update to Section 7 – Acquisition, development and operation of shopping centers in Canada

For details regarding the public offering in Canada made by FCR of C$ 300 million par value of unsecured debentures (Series R) bearing annual interest at the rate of 4.79%, refer to Note 3 to the financial statements.

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

On May 13, 2014, CTY announced a private offering of 77.9 million shares (constituting 15% of CTY’s share capital following the offering) for a total consideration of EUR 206.4 million (EUR 2.65 per share) to CPP Investment Board European Holdings S.àr.l (“CPPIBEH”), a wholly-owned subsidiary of Canada Pension Plan Investment Board, subject to obtaining the approval of the extraordinary general meeting of CTY’s shareholders (the "Private Offering"). At the same time as CTY and CPPIBEH entered into the Private Offering agreement, the Company entered into a governance agreement with CPPIBEH, as described below in the Update to Section 23.

Moreover, on the same date, CTY announced a rights issuance of shares to all the shareholders as they will be upon the closing of the private offering, with a maximum scope of 74.2 million new shares, at a price of EUR 2.65 per share, and in a total amount of up to EUR 196.5 million, subject to obtaining the approval of the general meeting of CTY’s shareholders (the "Rights Issuance").

The Company has provided an undertaking to CTY to acquire all the shares it is to be offered within the framework of the Rights Issuance (amounting to EUR 82.4 million) and has also undertaken to acquire additional rights, if these are not exercised by their holders, with the amount to be so taken up totaling up to a further EUR 42.6 million (the Additional Rights"), subject to the fulfillment of certain terms and subject to the closing of the Private Offering. Likewise, CPPIBEH has given an undertaking to acquire all the shares it is to be offered within the framework of the Rights Issuance, in accordance with its share following the Private Offering in amount of EUR 29.4 million, and has also undertaken to acquire additional rights, should these not be utilized either by their holders or by the Company (in accordance with its aforementioned undertaking) and exercise them in an additional amount of EUR 27.1 million (and a total amount of up to EUR 56.5 million), subject to the fulfillment of certain conditions.

Another material shareholder of CTY, holding 9% of its share capital, has also undertaken that it will support the resolutions on the agenda of the general meeting and that it will exercise all the rights that it will be allotted in the Rights Issuance.

Upon closing the Private Offering, the Company would hold approximately 42% of CTY’s share capital and voting rights, and after the closing of the Rights Issuance (assuming that the Company fully exercises its Additional Rights) the Company’s interests in CTY’s share capital and voting rights is expected to be approximately 45%.

Update to Section 10 – Development and construction of residential projects

A. On April 7, 2014, Dori Group announced that it was examining the performance of an exchange offer to repurchase all the shares of Dori Construction, in whose issued share capital the Dori Group has a 59.7% interest. Pursuant to the offer to all Dori Construction’s shareholders, Dori Group is offering to purchase all the Dori Construction shares that they hold in exchange for Dori Group ordinary shares, in accordance with the terms prescribed in the tender offer report, if and when such document is published (the “Exchange Offer”), At the time of publishing the above notice, Dori Group announced that it intended to set the exchange ratio at 1.95 Dori Group shares for every Dori Construction share. Dori Group also clarified that the Exchange Offer (including its terms) is in accordance with the preparations made as of the date of the notice and is therefore subject to changes, and that it is also not certain to take place and is contingent, inter alia, on being approved by the authorized organs of the Dori Group and on executing the actions required by law.

On May 27, 2014, Dori Group announced its intentions to purchase and/or exchange Dori Construction's debentures (Series A), in order to delist them.

B. In April 2014, Gazit Development increased the credit facility granted to Dori Construction by a further NIS 55 million (to a total of NIS 130 million), under the existing terms, and, in May 2014, Gazit Development granted an undertaking that, should Dori Construction not have the resources to repay the credit facility, it would act – at Dori Construction’s request – to extend the credit facility or to make a new credit facility available through May 2015.

Update to Section 19 – Financing

For details regarding a public offering of NIS 414 million par value of unsecured debentures (Series L), by way of expanding a listed series, for a net consideration of NIS 445 million, refer to Note 5a to the financial statements.

Update to Section 23 – Material agreements and strategic partnership agreements

On May 13, 2014, the Company entered into a governance agreement with CPPIBEH with regard to their holdings in CTY. The agreement prescribes, inter alia, arrangements for the appointment of directors to the Board of CTY, pursuant to which the Company has undertaken to support the appointment of up to two directors who will be recommended by CPPIBEH, with at least one of these being independent of both CTY and CPPIBEH, and CPPIBEH has undertaken to support the appointment of up to three directors who will be recommended by the Company. The Company has also undertaken to grant CPPIBEH a tag-along right in the event of a sale of CTY shares in an amount exceeding 5% of CTY’s share capital during a twelve-month period. The agreement will terminate on the earliest of: (1) at the end of 10 years from the date of its signature; (2) upon CPPIBEH holding less than 10% of CTY’s share capital; or (3) upon the Company holding less than 20% of CTY’s share capital.

Disclosure Concerning Very Material Properties Pursuant to Chapter F of the Disclosure Guideline Regarding Investment Property Activity

G CINEMA

	Quarter 1 2014	As of December 31, 2013 and for the year then ended
Value of property (NIS in 000’s)	462,027	462,027
NOI in the period (NIS in 000’s)	8,586	32,214
Revaluation gains (losses) in the period (NIS in 000’s)	(2)	9,966
Average occupancy rate in the period	100%	100%
Rate of return (%)	7.1%	7.0%
Average annual rental per sq. meter (NIS)	1,478	1,456
Average annual rental per sq. meter in leases signed in the period (NIS)	-	5,020

G TWO

	Quarter 1 2014	As of December 31, 2013 and for the year then ended
Value of property (NIS in 000’s)	261,730	261,730
Land reserve and building rights (NIS in 000’s)	45,000	45,000
NOI in the period (NIS in 000’s)	4,754	19,503
Revaluation gains (losses) in the period (NIS in 000’s)	(492)	1,728
Average occupancy rate in the period	99%	100%
Rate of return (%)	7.2%	7.5%
Average annual rental per sq. meter (NIS)	861	867
Average annual rental per sq. meter in leases signed in the period (NIS)	-	-

G ONE

	Quarter 1 2014	As of December 31, 2013 and for the year then ended
Value of property (NIS in 000’s)	292,500	292,500
Building rights and other adjustments (NIS in 000’s)	15,600	15,600
NOI in the period (NIS in 000’s)	5,388	21,287
Revaluation gains (losses) in the period (NIS in 000’s)	-	5,693
Average occupancy rate in the period	99%	100%
Rate of return (%)	7.3%	7.3%
Average annual rental per sq. meter (NIS)	855	841
Average annual rental per sq. meter in leases signed in the period (NIS)	-	-

GAZIT-GLOBE LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2014

Unaudited

INDEX

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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, 2014 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 statements of a certain jointly controlled company accounted for using the equity method. The investment in this jointly controlled company amounted to approximately NIS 4,329 million as of March 31, 2014, and the Group's share in its earnings amounted to approximately NIS 49 million for the period of three months then ended. The condensed interim financial statements 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 statements 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 27 , 2014

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31,		December 31,
	2014	**2013**	**2013**
	Unaudited		**Audited**
		NIS in millions	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	921	1,914	1,018
Short-term deposits and loans	450	422	504
Marketable securities	109	76	100
Financial derivatives	54	96	39
Trade receivables	872	736	831
Other accounts receivable	282	275	298
Inventory of buildings and apartments for sale	737	699	703
Income taxes receivable	20	23	19
	3,445	4,241	3,512
Assets classified as held for sale	931	1,267	611
	4,376	5,508	4,123
NON-CURRENT ASSETS			
Equity-accounted investees	5,961	5,181	5,919
Other investments, loans and receivables	423	739	659
Available-for-sale financial assets	438	330	435
Financial derivatives	838	1,073	769
Investment property	53,114	54,193	53,309
Investment property under development	2,504	2,318	2,479
Non-current inventory	4	23	23
Fixed assets, net	162	183	160
Intangible assets, net	104	112	106
Deferred taxes	111	186	106
	63,659	64,338	63,965
	68,035	69,846	68,088

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2014	March 31, 2013	December 31, 2013
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	506	479	257
Current maturities of non-current liabilities	2,441	2,591	2,914
Financial derivatives	19	28	32
Trade payables	888	754	936
Other accounts payable	1,291	1,340	1,253
Advances from customers and buyers of apartments	267	260	259
Income taxes payable	37	35	34
	5,449	5,487	5,685
Liabilities attributed to assets held for sale	119	142	73
	5,568	5,629	5,758
NON-CURRENT LIABILITIES			
Debentures	22,891	18,750	22,231
Convertible debentures	1,184	1,341	1,221
Interest-bearing loans from financial institutions and others	12,324	17,928	12,692
Financial derivatives	177	391	169
Other liabilities	193	363	198
Deferred taxes	3,010	3,045	3,000
	39,779	41,818	39,511
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	229	219	229
Share premium	4,295	3,810	4,288
Retained earnings	5,503	4,973	5,378
Foreign currency translation reserve	(2,068)	(1,417)	(2,006)
Other reserves	133	54	141
Loans granted for purchase of Company's shares *)	-	-	-
Treasury shares	(21)	(21)	(21)
	8,071	7,618	8,009
Non-controlling interests	14,617	14,781	14,810
Total equity	22,688	22,399	22,819
	68,035	69,846	68,088

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

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

May 27, 2014			
Date of approval of the financial statements	Chaim Katzman Chairman of the Board	Aharon Soffer President	Gil Kotler Executive Vice President and CFO

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31, 2014	Three months ended March 31, 2013	Year ended December 31, 2013
	Unaudited	Unaudited	Audited
	NIS in millions (except for per share data)		
Rental income	1,227	1,340	5,146
Property operating expenses	410	457	1,689
Net operating rental income	817	883	3,457
Revenues from sale of buildings, land and construction works performed	391	427	1,794
Cost of buildings sold, land and construction works performed	416	396	1,667
Gross profit (loss) from sale of buildings, land and construction works performed	(25)	31	127
Total gross profit	792	914	3,584
Fair value gain from investment property and investment property under development, net	25	*) 185	*) 962
General and administrative expenses	(147)	*) (155)	*) (611)
Other income	4	5	218
Other expenses	(5)	(17)	(74)
Company's share in earnings of equity-accounted investees, net	86	58	161
Operating income	755	990	4,240
Finance expenses	(379)	(477)	(2,185)
Finance income	120	213	549
Income before taxes on income	496	726	2,604
Taxes on income	63	74	294
Net income	433	652	2,310
Attributable to:			
Equity holders of the Company	204	345	977
Non-controlling interests	229	307	1,333
	433	652	2,310
Net earnings per share attributable to equity holders of the Company:			
Basic net earnings	1.16	2.09	5.70
Diluted net earnings	1.16	2.08	5.64

*) Reclassified, refer to Note 2d.

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31,		Year ended December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions		
Net income	433	652	2,310
Other comprehensive income (loss) (net of tax effect):			
Items that are or will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations (1)	(212)	(1,090)	(2,455)
Net gains (losses) on cash flow hedges (1)	(21)	52	239
Net gains (losses) on available-for-sale financial assets	4	(6)	(4)
	(229)	(1,044)	(2,220)
Items not to be reclassified to profit or loss:			
Loss on revaluation of fixed assets in joint venture	-	(6)	(6)
Total other comprehensive loss	(229)	(1,050)	(2,226)
Total comprehensive income (loss)	204	(398)	84
Attributable to:			
Equity holders of the Company (2)	138	(139)	(2)
Non-controlling interests	66	(259)	86
	204	(398)	84
(1) Includes Group's share in other comprehensive loss of equity-accounted investees	(23)	(3)	(19)
(2) Breakdown of total comprehensive income (loss) attributable to equity holders of the Company:			
Net income	204	345	977
Exchange differences on translation of foreign operations	(62)	(504)	(1,093)
Net gains (losses) on cash flow hedges	(8)	31	123
Net gains (losses) on available-for-sale financial assets	4	(5)	(3)
Loss on revaluation of fixed assets in joint venture	-	(6)	(6)
	138	(139)	(2)

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	Loans granted to purchase shares	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited									
	NIS in millions									
Balance as of January 1, 2014 (audited)	229	4,288	5,378	(2,006)	141	*) -	(21)	8,009	14,810	22,819
Net income	-	-	204	-	-	-	-	204	229	433
Other comprehensive income (loss)	-	-	-	(62)	(4)	-	-	(66)	(163)	(229)
Total comprehensive income (loss)	-	-	204	(62)	(4)	-	-	138	66	204
Exercise, expiry and forfeiture of Company's share options	*) -	7	-	-	(7)	-	-	*) -	-	*) -
Revaluation of loans to purchase shares	-	-	*) -	-	-	*) -	-	-	-	-
Cost of share-based payment	-	-	-	-	3	-	-	3	6	9
Dividend declared **)	-	-	(79)	-	-	-	-	(79)	-	(79)
Capital issuance to non-controlling interests	-	-	-	-	*) -	-	-	*) -	41	41
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(2)	(2)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(304)	(304)
Balance as of March 31, 2014	229	4,295	5,503	(2,068)	133	*) -	(21)	8,071	14,617	22,688

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

**) On March 25, 2014 the Company declared a dividend in amount of NIS 0.45 per share (a total of approximately NIS 79 million), that was paid on April 23, 2014 to the shareholders of the Company on April 7, 2014.

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**	**Loans granted to purchase shares**	**Treasury shares**	**Total**	**Non-controlling interests**	**Total equity**
	Unaudited									
	NIS in millions									
Balance as of January 1, 2013 (audited)	219	3,805	4,699	(913)	60	*) -	(21)	7,849	14,800	22,649
Net income	-	-	345	-	-	-	-	345	307	652
Other comprehensive income (loss)	-	-	-	(504)	20	-	-	(484)	(566)	(1,050)
Total comprehensive income (loss)	-	-	345	(504)	20	-	-	(139)	(259)	(398)
Exercise of share options into Company's shares	*) -	5	-	-	(5)	-	-	*) -	-	*) -
Repayment of loans to purchase shares	-	-	-	-	-	*) -	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	2	-	-	2	7	9
Dividend paid	-	-	(71)	-	-	-	-	(71)	-	(71)
Capital issuance to non-controlling interests	-	-	-	-	(25)	-	-	(25)	531	506
Acquisition of non-controlling interests	-	-	-	-	2	-	-	2	(35)	(33)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(263)	(263)
Balance as of March 31, 2013	219	3,810	4,973	(1,417)	54	*) -	(21)	7,618	14,781	22,399

*) Represents 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 CHANGES IN EQUITY

	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Loans granted to purchase shares	Treasury shares	Total	Non-controlling interests	Total equity
	Audited									
	NIS in millions									
Balance as of January 1, 2013	219	3,805	4,699	(913)	60	*) -	(21)	7,849	14,800	22,649
Net income	-	-	977	-	-	-	-	977	1,333	2,310
Other comprehensive income (loss)	-	-	-	(1,093)	114	-	-	(979)	(1,247)	(2,226)
Total comprehensive income (loss)	-	-	977	(1,093)	114	-	-	(2)	86	84
Issue of shares net of issuance expenses	10	479	-	-	-	-	-	489	-	489
Exercise of share options into Company's shares	*) -	4	-	-	(4)	-	-	*) -	-	*) -
Revaluation of loans to purchase shares	-	-	*) -	-	-	*) -	-	-	-	-
Repayment of loans to purchase shares	-	-	-	-	-	*) -	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	10	-	-	10	21	31
Dividend paid	-	-	(298)	-	-	-	-	(298)	-	(298)
Capital issuance to non-controlling interests	-	-	-	-	(37)	-	-	(37)	634	597
Acquisition of non-controlling interests	-	-	-	-	(2)	-	-	(2)	(35)	(37)
Issue, redemption and re-purchase of convertible debentures and warrants expiry in subsidiaries	-	-	-	-	-	-	-	-	(8)	(8)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	(688)	(688)
Balance as of December 31, 2013	229	4,288	5,378	(2,006)	141	*) -	(21)	8,009	14,810	22,819

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions		
Cash flows from operating activities:			
Net income	433	652	2,310
Adjustments required to present net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Finance expenses, net	259	264	1,636
Company's share in earnings of equity-accounted investees, net	(86)	(58)	(161)
Fair value gain from investment property and investment property under development, net	(25)	**) (185)	**) (962)
Depreciation and amortization	8	9	34
Taxes on income	63	74	294
Impairment loss of other assets	-	-	2
Capital loss, net	2	17	53
Change in employee benefit liability, net	-	1	-
Loss from decrease in holding interest and disposal of investees, net	1	*) -	11
Gain from bargain purchase	-	-	(198)
Cost of share-based payment	9	9	41
	231	131	750
Changes in assets and liabilities items:			
Decrease (increase) in trade receivables and other accounts receivable	15	(59)	(260)
Increase in inventories of buildings and land less advances from customers and buyers of apartments, net	(18)	(28)	(34)
Decrease in trade and other accounts payable	(67)	(225)	(53)
Increase (decrease) in tenants' security deposits, net	(5)	*) -	8
	(75)	(312)	(339)
Net cash provided by operating activities before interest, dividend and taxes	589	471	2,721
Cash received and paid during the year for:			
Interest paid	(468)	(446)	(1,843)
Interest received	7	14	218
Dividend received	70	32	155
Taxes paid	(11)	(7)	(69)
Taxes received	-	-	7
	(402)	(407)	(1,532)
Net cash provided by operating activities	187	**) 64	**) 1,189

*) Represent an amount of less than NIS 1 million.
**) Reclassified, refer to Note 2d.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2014	Three months ended March 31, 2013	Year ended December 31, 2013
	Unaudited	Unaudited	Audited
	NIS in millions		
Cash flows from investing activities:			
Proceeds from sale of investees	-	-	54
Investment and loans to investees, net	(6)	(695)	(1,275)
Acquisition, construction and development of investment property	(783)	**) (620)	**) (2,994)
Investments in fixed assets	(2)	(1)	(50)
Proceeds from sale of investment property	127	611	2,136
Proceeds from sale of fixed assets	1	-	38
Grant of long-term loans	(28)	(53)	(181)
Collection of long-term loans	218	5	329
Short-term investments, net	(13)	130	(30)
Investment in financial assets	(29)	(1)	(345)
Proceeds from sale of financial assets	23	5	110
Net cash used in investing activities	(492)	**) (619)	**) (2,208)
Cash flows from financing activities:			
Issue of shares net of issuance expenses	-	-	489
Repayment of loans granted for purchase of Company's shares	-	*) -	*) -
Exercise of share options into Company's shares	*) -	*) -	*) -
Capital issuance to non-controlling interests, net	10	470	536
Acquisition of non-controlling interests	(2)	(33)	(102)
Dividend paid to equity holders of the Company	-	-	(298)
Dividend paid to non-controlling interests	(275)	(148)	(698)
Receipt of long-term loans	292	757	1,429
Repayment of long-term loans	(822)	(1,359)	(4,820)
Repayment of long-term credit facilities from banks, net	(181)	(72)	(1,084)
Short-term credit from banks and others, net	264	178	(83)
Repayment and early redemption of debentures and convertible debentures	(31)	(21)	(1,366)
Issue of debentures and convertible debentures	949	1,044	6,033
Unwinding of hedging transactions	-	-	392
Net cash provided by financing activities	204	816	428
Exchange differences on balances of cash and cash equivalents	4	(30)	(74)
Increase (decrease) in cash and cash equivalents	(97)	231	(665)
Cash and cash equivalents at the beginning of the period	1,018	1,683	1,683
Cash and cash equivalents at the end of the period	921	1,914	1,018

*) Represent an amount of less than NIS 1 million.
**) Reclassified, refer to Note 2d.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,		Year ended December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions		
(a) Significant non-cash transactions:			
Conversion and interest payment of convertible debentures into subsidiary's shares	31	31	67
Dividend payable to equity holders of the Company	79	71	-
Dividend payable to non-controlling interests	102	199	77

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

NOTE 1:- GENERAL

a. These condensed interim consolidated financial statements have been prepared in a condensed format as of March 31, 2014 and for the three months then ended ("condensed 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, 2013 and for the year then ended and accompanying notes, authorized by the board of directors on March 25, 2014 ("annual financial statements").

b. As of March 31, 2014 (the "reporting date"), the Group has a working capital deficiency of New Israeli Shekels ("NIS") 1.2 billion. The Group has unused approved credit facilities in the amount of NIS 8.4 billion available for immediate drawdown. Furthermore, subsequent to the reporting date the Company raised long-term debt at the net amount of NIS 445 million, also refer to Note 5a. The Company's management believes that these sources, as well as the positive cash flow provided by operating activities, will allow each of the Group's companies to repay their current liabilities when due.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

The condensed interim consolidated 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.

b. New standards, interpretations and amendments initially adopted by the Company:

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, except for the noted below:

Amendments to IAS 36, Impairment of Assets

In May 2013, the IASB published amendments to IAS 36, Impairment of Assets (the “Amendments”) dealing with disclosure requirements with regard to fair value less costs of disposal of assets. The Amendments include additional disclosure requirements regarding the recoverable amount and the fair value.

The Amendments are effective prospectively beginning from January 1, 2014. The initial adoption of the Amendments had no material impact on the Company's financial statement.

International Financial Reporting Clarification No. 21 (IFRIC 21), Levies

In May 2013, the IASB published International Financial Reporting Clarification No. 21 (IFRIC 21 (the “Interpretation”) regarding levies that are imposed by a government through legislation. Pursuant to the Interpretation, an obligation for the payment of a levy will only be recognized upon the occurrence of the event creating the payment obligation. The Interpretation is effective from January 1, 2014.

The initial adoption of the Interpretation had no material impact on the Company's financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Disclosure of new IFRS's in the period prior to their adoption

Amendment to IAS 40, Investment Property

The amendment clarifies that, at the time of determining whether an acquired investment property is an asset or a business (with regard to the existence of a business combination), no reliance is to be placed on the “ancillary services” characteristic referred to in IAS 40; instead, use should be made of the criteria for the existence of a business referred to in IFRS 3 (section B7 - Inputs, outputs and processes). The “ancillary services” characteristic is intended only to differentiate between investment property and property used by its owners.

The amendment is effective prospectively for annual periods beginning on or after July 1, 2014. The Company examines the effect of the amendment on the financial statements.

Amendments to IFRS 11, "Joint Arrangements", regarding the acquisition of interests in a joint operation in which the activity constitutes a business as defined in IFRS 3:

On May 6, 2014, the IASB issued amendments to IFRS 11, "Joint Arrangements" ("the Amendment") that prescribe the accounting treatment of the acquisition of interests in a joint operation in which the activity constitutes a business as defined in IFRS 3.
The Amendment requires the acquirer of interests in such a transaction to account for the transaction as a business combination in accordance with IFRS 3 and with other relevant IFRSs.

The Amendment will be adopted prospectively from the financial statements for annual periods beginning on January 1, 2016 or thereafter. Earlier application is permitted.

d. Reclassification

In March 2014, the IFRIC published a clarification pursuant to which internal fixed costs are not to be considered as incremental costs and are thus not to be considered as incremental costs for the purposes of IAS 17, Leases. As a result of the aforesaid clarification, the Group classifies internal costs that were incurred in the leasing of properties (primarily salary expenses) as part of “General and administrative expenses”, instead of capitalizing them to “Investment property” and immediately amortizing them to fair value gain from investment property line item. The reclassification impact totaled to an amount of NIS 8 million and NIS 29 million in the three-month period ended March 31, 2013 and in the year ended December 31, 2013, respectively. In addition, the Company reclassified the cash flow statements of the aforementioned periods and in the same amounts, decreasing the cash flow provided by operating activities against a decrease in the cash flow used in investing activities. It is clarified that the aforementioned reclassification has no effect on the Group's net income and financial position.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

Debenture raising by the Group

During the first quarter of 2014, FCR issued to the public in Canada C$ 300 million par value (NIS 949 million) unsecured debentures (series R), by way of an expansion of a listed series. The debentures bear a fixed annual interest rate of 4.79% and are payable in one installment on August 30, 2024.

NOTE 4:- FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

	March 31, 2014		March 31, 2013		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures	23,763	25,824	19,774	21,612	23,070	24,598
Convertible debentures	1,184	1,244	1,525	1,637	1,221	1,273
Interest bearing loans from financial institutions and others	14,012	14,356	19,453	19,988	14,767	15,090
	38,959	41,424	40,752	43,237	39,058	40,961

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, comparing to their classification as of December 31, 2013. 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.

NOTE 5:- EVENTS AFTER THE REPORTING DATE

a. In April 2014, the Company issued to the public NIS 414 million par value unsecured debentures (series L), by way of an expansion of a listed series for net consideration of NIS 445 million.

The parent company purchased, as part of the issuance, NIS 27 million par value unsecured debentures (series L) for consideration of NIS 29 million.

b. On May 13, 2014, CTY announced that it is undertaking a private offering of approximately 77.9 million shares (that will constitute 15% of CTY's shares after the offering), for approximately € 206.4 million (at € 2.65 per share), to CPP Investment Board European Holdings S.àr.l (“CPPIBEH”), a wholly owned subsidiary of the Canada Pension Plan Investment Board, subject to authorization of the extraordinary general meeting (EGM) of CTY's shareholders (the “Private Offering”).
Simultaneously, the Company has entered into an agreement with CPPIBEH, which provides arrangements for the appointment of directors for the board of directors of CTY, and that the Company shall grant CPPIBEH a tag-along right for a sale of CTY shares under certain conditions.

In addition, at the same date, CTY has announced that it will undertake a rights issuance to its shareholders immediately upon completion of the Private Offering, at a price of € 2.65 per share, for an aggregate amount of approximately € 196.5 million (the “Rights Issuance”). The Rights Issuance is also subject to approval at the EGM.

NOTE 5:- EVENTS AFTER THE REPORTING DATE (Cont.)

The Company had undertaken to purchase its pro rata portion in the Rights Issuance (in an amount of approximately € 82.4 million) and had further undertaken to purchase an additional amount of approximately € 42.6 million in case it will not be purchased by other shareholders (the "Additional Rights"). CPPIBEH had undertaken to purchase its pro rata portion in the Rights Issuance and additional amount for a total aggregate amount of up to € 56.5 million, subject to certain conditions and the completion of the Private Offering.

Following the closing of the Private Offering and the Rights Issuance, the Company's interest in CTY is expected to decrease to approximately 45% to 42%, pursuant to the extent of exercise of Additional Rights by the Company. The transaction is not expected to change the company's assessment regarding its continuous effective control over CTY.

c. On May 27, 2014 the Company declared a dividend in the amount of NIS 0.45 per share (a total of approximately NIS 79 million), payable on July 8, 2014 to the shareholders of the Company on June 25, 2014.

NOTE 6:- OPERATING SEGMENTS

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

	Shopping centers in U.S.	Shopping centers in Canada	Shopping centers in North Europe	Shopping centers in central-eastern Europe	Development and performance of construction works	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the Three months ended March 31, 2014								
Segment revenues	324	512	344	344	388	128	(422)	1,618
Segment results	147	283	209	210	(41)	83	(136)	755
Finance expenses, net								(259)
Income before taxes on income								496

	Shopping centers in U.S.	Shopping centers in Canada	Shopping centers in North Europe	Shopping centers in central-eastern Europe	Development and performance of construction works	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
For the Three months ended March 31, 2013								
Segment revenues	321	580	363	341	394	133	(365)	1,767
Segment results	*) 114	*) 328	210	193	16	71	*) 58	990
Finance expenses, net								(264)
Income before taxes on income								726

*) Reclassified, refer to Note 2d.

NOTE 6:- OPERATING SEGMENTS (Cont.)

	Shopping centers in U.S.	Shopping centers in Canada	Shopping centers in North Europe	Shopping centers in central-eastern Europe	Development and performance of construction works	Other segments	Consolidation adjustments	Total
	Audited							
	NIS in millions							
Year ended December 31, 2013								
Segment revenues	1,201	2,216	1,406	1,345	1,691	526	(1,445)	6,940
Segment results	*) 420	*) 1,275	884	743	62	326	*) 530	4,240
Finance expenses, net								(1,636)
Income before taxes on income								2,604

*) Reclassified, refer to Note 2d.

Segment assets

	Shopping centers in U.S.	Shopping centers in Canada	Shopping centers in North Europe	Shopping centers in central-eastern Europe	Development and performance of construction works	Other segments	Consolidation adjustments	Total
	Unaudited							
	NIS in millions							
March 31, 2014	10,798	24,011	16,072	14,487	1,957	6,369	(5,659)	68,035
March 31, 2013	11,327	26,071	15,452	13,258	1,704	6,453	(4,419)	69,846
December 31, 2013 (Audited)	10,702	24,438	15,865	14,339	1,911	6,289	(5,456)	68,088

NOTE 7:- ATTACHMENT OF FINANCIAL STATEMENTS OF JOINTLY CONTROLLED COMPANY

The Company is attaching the financial statements of ATR, a jointly controlled company, which is being reported according to the equity method.

The financial statements of ATR are prepared according to IFRS as endorsed by the European Union ("EU"). The effect of the adjustment of ATR's financial statements from IFRS as endorsed by the EU to IFRS as published by the IASB, is not material.

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GAZIT-GLOBE LTD.

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

As of March 31, 2014

Unaudited

INDEX

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To
The Shareholders of Gazit Globe Ltd.
1 HaShalom Rd. Tel-Aviv.

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, 2014 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 4,329 million as of March 31, 2014, and for which the Company's share of its earnings amounted to NIS 49 million in the period of three months then ended. The financial statements of this company were reviewed by other auditors, whose report has been furnished to us, and our conclusion, insofar as it relates to the financial statements 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 27 , 2014

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 is separate financial data and financial information from the Group's consolidated interim financial statements as of March 31, 2014, published as part of the interim reports ("consolidated financial statements") attributable to the Company, presented in accordance with Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

Significant accounting policies applied for presentation of these financial data were set forth in Note 2 to the 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, 2014	March 31, 2013	December 31, 2013
	Unaudited	Unaudited	Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	148	33	474
Current maturities of long-term loans to subsidiaries	102	204	363
Financial derivatives	24	93	17
Other accounts receivable	3	115	4
Total current assets	277	445	858
NON-CURRENT ASSETS			
Long-term loans	*) -	*) -	*) -
Available for sale marketable securities	111	-	108
Financial derivatives	830	1,060	743
Loans to subsidiaries	6,441	6,675	6,267
Investments in subsidiaries	12,042	11,430	12,120
Fixed assets, net	6	7	6
Deferred costs	-	1	-
Total non-current assets	19,430	19,173	19,244
Total assets	19,707	19,618	20,102

*) 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 Financial Position attributed to the Company

	March 31,		December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current maturities of debentures	264	731	256
Financial derivatives	10	-	-
Trade payables	3	1	4
Other accounts payable	91	86	181
Current tax payable	9	1	8
Dividend payable	79	71	-
Total current liabilities	456	890	449
NON-CURRENT LIABILITIES			
Loans from banks and others	764	1,877	1,154
Debentures	10,390	9,075	10,464
Deferred taxes	26	158	26
Total non-current liabilities	11,180	11,110	11,644
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	229	219	229
Share premium	4,295	3,810	4,288
Reserves	(1,956)	(1,384)	(1,886)
Retained earnings	5,503	4,973	5,378
Total equity	8,071	7,618	8,009
Total liabilities and equity	19,707	19,618	20,102

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

May 27, 2014			
Date of approval of the financial statements	Chaim Katzman Chairman of the Board	Aharon Soffer President	Gil Kotler Executive Vice President and CFO

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

	Three months ended March 31, 2014	Three months ended March 31, 2013	Year ended December 31, 2013
	Unaudited	Unaudited	Audited
	NIS in millions		
Management fees from related companies	*) -	*) -	2
Finance income from subsidiaries	66	82	330
Other finance income	95	183	412
Total income	161	265	744
General and administrative expenses	18	17	79
Finance expenses	74	112	671
Other expenses	-	*) -	*) -
Total expenses	92	129	750
Gain (loss) before income from subsidiaries, net	69	136	(6)
Income from subsidiaries, net	144	246	929
Income before taxes on income	213	382	923
Taxes on income (tax benefit)	9	37	(54)
Net income attributed to the Company	204	345	977

*) 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 Consolidated Statements of Comprehensive Income attributed to the Company

	Three months ended March 31,		Year ended December 31,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions		
Net income attributed to the Company	204	345	977
Other comprehensive income (loss) attributed to the Company (net of tax effect):			
Items that are or will be reclassified to profit or loss:			
Exchange differences on foreign currency translation	45	(12)	(59)
Gain on available for sale securities	4	-	3
Other comprehensive income (loss) attributed to the Company	49	(12)	(56)
Other comprehensive loss attributed to subsidiaries (net of tax effect)	(115)	(466)	(917)
	(66)	(478)	(973)
Items not to be reclassified to profit or loss:			
Loss on revaluation of fixed assets attributable to subsidiary	-	(6)	(6)
Total other comprehensive loss attributed to the Company	(66)	(484)	(979)
Total comprehensive income (loss) attributed to the Company	138	(139)	(2)

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,
	2014	2013	2013
	Unaudited		Audited
	NIS in millions		
Cash flows from operating activities of the Company			
Net income attributed to the Company	204	345	977
Adjustments required to present net cash provided by operating activities of the Company:			
Adjustments to profit and loss items of the Company:			
Depreciation	*) -	*) -	2
Finance income, net	(87)	(153)	(71)
Income from subsidiaries, net	(144)	(246)	(929)
Cost of share-based payment	3	2	10
Taxes on income (Tax benefit)	9	37	(54)
	(219)	(360)	(1,042)
Changes in assets and liabilities of the Company:			
Decrease (increase) in other accounts receivable	2	(13)	(4)
Increase (decrease) in trade payables and other accounts payable	(4)	6	-
	(2)	(7)	(4)
Cash paid and received during the year by the Company for:			
Interest paid	(232)	(171)	(491)
Interest received	1	1	191
Interest received from subsidiaries	33	73	233
Taxes paid	(8)	(1)	(33)
Dividend received from subsidiary	157	-	113
	(49)	(98)	13
Net cash used in operating activities of the Company	(66)	(120)	(56)

*) 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, 2014	Three months ended March 31, 2013	Year ended December 31, 2013
	Unaudited	Unaudited	Audited
	NIS in millions		
Cash flows from investing activities of the Company			
Acquisition of fixed assets	*) -	(1)	(2)
Proceeds of sale of fixed assets	-	-	*) -
Investments in subsidiaries	(54)	(497)	(1,200)
Redemption of preferred shares of subsidiary	-	-	231
Loans repaid by (granted to) subsidiaries, net	134	(57)	212
Investment in available for sale securities	-	-	(105)
Net cash provided by (used in) investment activities of the Company	80	(555)	(864)
Cash flows from financing activities of the Company:			
Issue of shares less issue expenses	-	-	489
Exercise of share options into shares	*) -	*) -	*) -
Repayment of loans for purchase of company shares	-	*) -	*) -
Dividend paid to equity holders of the Company	-	-	(298)
Issue of debentures less issue expenses	-	-	1,670
Repayment and early redemption of debentures	-	-	(885)
Repayment of long-term credit facilities from banks, net	(341)	(72)	(753)
Unwinding of hedge transaction	-	-	392
Net cash provided by (used in) financing activities of the Company	(341)	(72)	615
Exchange differences on balance of cash and cash equivalents	1	-	(1)
Decrease in cash and cash equivalents	(326)	(747)	(306)
Cash and cash equivalents at the beginning of period	474	780	780
Cash and cash equivalents at the end of period	148	33	474
Significant non-cash activities of the Company:			
Dividend payable to equity holders of the Company	79	71	-
Exchange of loans granted to subsidiaries for share issuance	-	-	214

*) 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 information

a. General

This separate financial information as of March 31, 2014 and for the three month 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, 2013 and for the year then ended and accompanying notes thereto, authorized by the board of directors on March 25, 2014 and with financial information in the interim condensed consolidated financial statements as of March 31, 2014.

b. As of March 31, 2014 (the "reporting date"), the Company has a working capital deficiency of NIS 179 million. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 3.2 billion available for immediate drawdown. Furthermore, subsequent to the reporting date the Company raised long-term debt at a net amount of NIS 445 million, also see section e below. 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

In the first quarter of 2014, CTY declared a dividend amounting to EUR 66 million. The Company's share of this dividend, paid in March 2014, amounted to NIS 157 million.

d. IFRS 7 - Financial Instruments

1. 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:

	March 31, 2014		March 31, 2013		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures	10,654	12,069	9,806	10,826	10,720	11,866
Loans from banks and others	764	776	1,877	1,894	1,154	1,175
	11,418	12,845	11,683	12,720	11,874	13,041

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, comparing to their classification as of December 31, 2013. 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

1. For information regarding issuance of debentures (series L) by way of expansion of listed series in April 2014 at an amount of NIS 445 million, refer to Note 5a to the condensed consolidated interim financial statements.

2. For information regarding CTY's announcement in May 2014, of private offering of 77.9 million shares (constitute 15% of CTY's shares after the issuance) for total consideration of € 206.4 million (€ 2.65 per share), and of a rights issuance for a total consideration of € 196.5 million with the Company's participation, refer to Note 5b to the condensed consolidated interim financial statements.

f. Dividend declared

On May 27, 2014, the Company declared a dividend in the amount of NIS 0.45 per share (a total of approximately NIS 79 million), payable on July 8, 2014, to the shareholders of the Company on June 25, 2014.

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Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure in Accordance with 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. Aharon Soffer, President;
2. Gil Kotler, Senior Executive Vice President and Chief Financial Officer;
3. Varda Zuntz, Head of Corporate Responsibility;
4. Rami Vaisenberger, Vice President and Controller;
5. Ronen Geles, Vice President Finance.

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 President 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, 2013 (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, 2013, 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.

EFFECTIVENESS OF INTERNAL CONTROL OVER THE FINANCIAL REPORTING AND THE DISCLOSURE

Officers' Declarations

A) Declaration of the President in accordance with Regulation 38C(d)(1):

Officers' Declaration

Declaration of the President

I, Aharon Soffer, declare that:

(1) I have examined the quarterly report of Gazit-Globe Ltd. (the "Corporation") for the first quarter of 2014 (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 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 ;

(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 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 27, 2014

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Aharon Soffer, President

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

Officers' Declaration

Declaration of the most senior officer in the finance area

I, Gil Kotler, declare that:

(1) 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 2014 (the **"Statements"** or the **"Statements for the Interim Period"**);

(2) 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;

(3) 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;

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

(A) All significant deficiencies and material weaknesses in the determination or operation of internal control over financial reporting and disclosure to the extent it relates to the 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;

(5) 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 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 27, 2014

Gil Kotler, Senior Executive Vice President and CFO