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

GAZIT GLOBE
GROUP

QUARTERLY REPORT as of September 30, 2019:

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GAZIT-GLOBE LTD.

Directors' Report to the Shareholders
For the period ended September 30, 2019

The Board of Directors of Gazit-Globe Ltd. (the "Company") is pleased to present the Directors' Report of the Company for the period ended September 30, 2019 (the "Reporting Date):

1. The Company and its Operations

1.1. Overview

The Company, through its public and private investees[1] (collectively: the "**Group**"), is an owner, developer, and operator of income-producing properties or designated for income-producing for mixed-use, including retail, office and residential located in densely populated urban cities in North America, Brazil, Israel, Northern, Central and Eastern Europe. In addition, the Company evaluates from time to time opportunities within its core business, in other regions.

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

Currently, the Company operates generally through two investment categories:

- Wholly-owned private subsidiaries that are consolidated in its financial statements and in which the Company outlines the strategy, is responsible for their financing activities, and oversees their operations. These operations are conducted through G Israel Commercial Centers Ltd. ("**G Israel**"), through the Company's subsidiaries in Brazil ("**Gazit Brasil**") and through Gazit Horizons Inc. ("**Gazit Horizons**") in the U.S.A.
- Public entities under the Company's control with a similar strategy that are consolidated in its financial statements, in which the Company is the largest shareholder. These operations are conducted through Citycon Oyj. ("**CTY**") and through Atrium European Real Estate Limited. ("**ATR**"). For details regarding the Company's ATR's minority share purchase agreement which was cancelled after the reporting date, due to failure to obtain the special majority required for approval by ATR's General Meeting, refer to Note 3b4 to the financial statements.

In addition, until April 2019, the Company operated through a material interest, but not control in First Capital Realty Inc. ("**FCR**"). For details regarding the sale of most of the holdings in FCR for total consideration of NIS 3.2 billion subsequent to the reporting date, refer to Note 3b2 to the financial statements.

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

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

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

1.2. Group Properties as of September 30, 2019

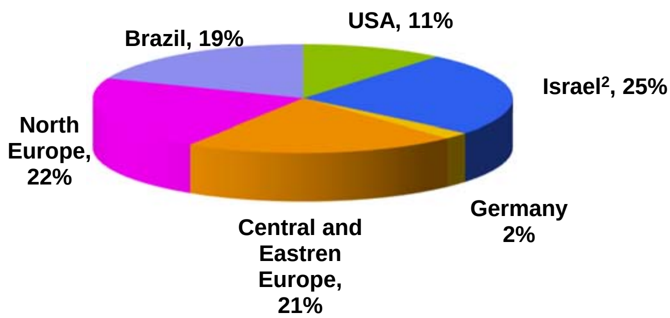
	Country of operation	Holding interest	Income-producing properties	Properties under development	Other properties	GLA (square meters in thousands)	Carrying value of investment property (NIS in millions)
CTY	Finland, Norway, Sweden, Estonia and Denmark	48.6%	38	1	-	1,078	15,819
ATR	Poland, Czech Republic, Slovakia and Russia	60.1%	31	-	-	842	10,559
Gazit Brasil	Brazil (Sao Paulo)	100%	7	-	1	179	2,793
G Israel	Israel	100%	10	1	-	137	3,478
	Bulgaria and Macedonia	100%	1	-	-	6	183
Gazit Horizons	USA	100%	10	-	1	40	1,404
Gazit Germany	Germany	100%	1	-	-	23	343
Total carrying value			**98**	**2**	**2**	**2,305**	**34,579**
Jointly controlled properties (proportionate consolidation)			3	-	-	91	1,994
Total			**101**	**2**	**2**	**2,396**	**36, 573**

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

1.3. Breakdown of the Company's Investments by Region (on an expanded solo basis) as of September 30, 2019[1]:

Carry amount

Market Value



[1] Not including the investment in FCR shares were sold in April 2019, refer to Note 3b2 of the financial statements.

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

1.4. Highlights – Third Quarter of 2019 (the "Quarter")

(NIS in millions, other than per share data)	September 30, 2019	December 31, 2018	
Net debt to total assets (Expanded Solo)	49.5%	53.9%	-
Net debt to total assets (Consolidated)[1]	54.0%	55.3%	-
Equity attributable to equity holders of the Company [2]	7,862	9,301	-
Equity per share attributable to equity holders of the Company (NIS)	42.6	49.0	-
Net asset value per share (EPRA NAV) (NIS) [3]	46.5	58.3	-
EPRA NNNAV per share (NIS) [3]	36.2	47.5	-

	3 months ended September 30,		
	2019	2018	Change
Rental income	660	685	(3.6%)
NOI [4]	479	492	(2.6%)
NOI adjusted for exchange rates	479	461	3.9%
Proportionately consolidated NOI [5]	318	317	0.3%
Proportionately consolidated NOI adjusted for exchange rates	318	300	6.0%
Cash flow from operating activities per share- Expanded Solo (NIS) [6]	0.28	0.58	(51.7%)
Economic FFO [7]	138	173	(20.2%)
Economic FFO per share (NIS) [7]	0.75	0.90	(16.7%)
Economic FFO, excluding FCR and REG adjusted for exchange rates	138	131	5.3%
Economic FFO per share excluding FCR and REG adjusted for exchange rates (NIS)	0.75	0.68	10.3%
Number of shares used in calculating the Economic FFO per share (in thousands)	184,715	192,013	(3.8%)

Acquisition, construction and development of investment property [8]	336	889	-
Disposition of investment property [8]	1,038	459	-
Fair value loss from investment property and investment property under development, net	(26)	(105)	-
Net income attributable to equity holders of the Company	474	1	-
Diluted net earnings per share (NIS)	2.57	0.01	-
Cash flows provided by (used in) operating activities	359	(24)	-

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

2 The decrease in shareholders' equity attributed to the Company's shareholders is mainly due to the devaluation of the Group's operating currencies against the NIS, as well as the sale of most of the interests holdings in FCR (refer to Note 3b2 to the financial statements).

3 Refer to section 2.5 below.

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

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

6 Refer to section 2.2 below. Cash flow from operating activities for the quarter does not include a dividend for the third quarter of 2019 in the amount of NIS 60 million (NIS 0.32 per share) from ATR, which wasn't distributed to the shareholders, in accordance with the Company's ATR share purchase agreement (refer to Note 3b4 to the financial statements). ATR's Board announced that the board is reviewing the dividend distribution policy and intends to make further announcement before the end of 2019. The cash flow from operating activities in the quarter, including the aforesaid dividend in the amount of NIS 0.60 per share.

7 The Economic FFO is presented according to the management approach and in accordance with the EPRA rules. For the Economic FFO calculation, refer to section 2.3 below. The decrease in economic FFO and economic FFO per share is due to the sale of most of the holding in FCR (refer to Note 3b2 to the financial statements) and from the sale of REG shares in 2018.

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

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

- As of September 30, 2019, the Company and its subsidiaries had liquidity including revolver undrawn credit facilities available for an immediate drawdown of NIS 7.7 billion (of which NIS 3.7 billion in the Company and its wholly-owned subsidiaries including cash and cash equivalents, traded securities and short-term deposits in the amount of NIS 1.2 billion).
- As a result of fluctuations in currency exchange rates of the US dollar, the Euro, and the Brazilian real against the NIS, the equity attributable to the Company's equity holders decreased in the Quarter by NIS 480 million (net of the effect of cross-currency swap transactions).
- In general, fluctuations in the exchange rates of the US dollar, the Euro and the Brazilian real against the shekel have the following effect:
  - The appreciation of these currencies against the shekel has a positive effect on the Company's assets, shareholders' equity, NOI and economic FFO due to the translation of the foreign currency into shekels at higher rates. On the other hand, the appreciation will result in a negative impact on the Company's net income through the increase in financing expenses due to the revaluation loss on the hedging instruments (the financial derivatives).
  - A devaluation of these currencies against the shekel has a negative effect on the on the Company's assets, shareholders' equity, NOI and Economic FFO and, on the other hand, a positive effect on the Company's net income through the decrease in financing expenses due to the revaluation gain on the hedging instruments.

1.5. Highlights- Third quarter of 2019 (the "Reporting Period")

(NIS in millions, other than per share data)	9 months ended September 30,		
	2019	2018	Change
Rental income	2,082	2,106	(1.1%)
NOI	1,502	1,488	0.9%
NOI adjusted for exchange rates	1,502	1,418	5.9%
Proportionately consolidated NOI[1]	987	942	4.8%
Proportionately consolidated NOI adjusted for exchange rates	987	900	9.7%
Cash flow from operating activities per share-Expanded Solo (NIS) [2]	1.36	1.50	(9.3%)
Economic FFO[3]	456	516	(11.6%)
Economic FFO per share (NIS)[3]	2.46	2.67	(7.9%)
Economic FFO excluding FCR and REG adjusted for exchange rates	425	351	21.1%
Economic FFO per share excluding FCR and REG adjusted for exchange rates (NIS)	2.30	1.82	26.4%
Number of shares used in calculating the FFO per share (in thousands)	185,783	192,968	(3.7%)

Acquisition, construction and development of investment property [4]	1,567	2,475	-
Disposition of investment property [4]	1,455	1,055	-
Fair value loss from investment property and investment property under development, net	(199)	(182)	-
Net income (loss) attributable to equity holders of the Company	433	(413)	-
Diluted net income (loss) per share (NIS)	2.33	(2.16)	-
Cash flows from operating activities	695	162	-

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

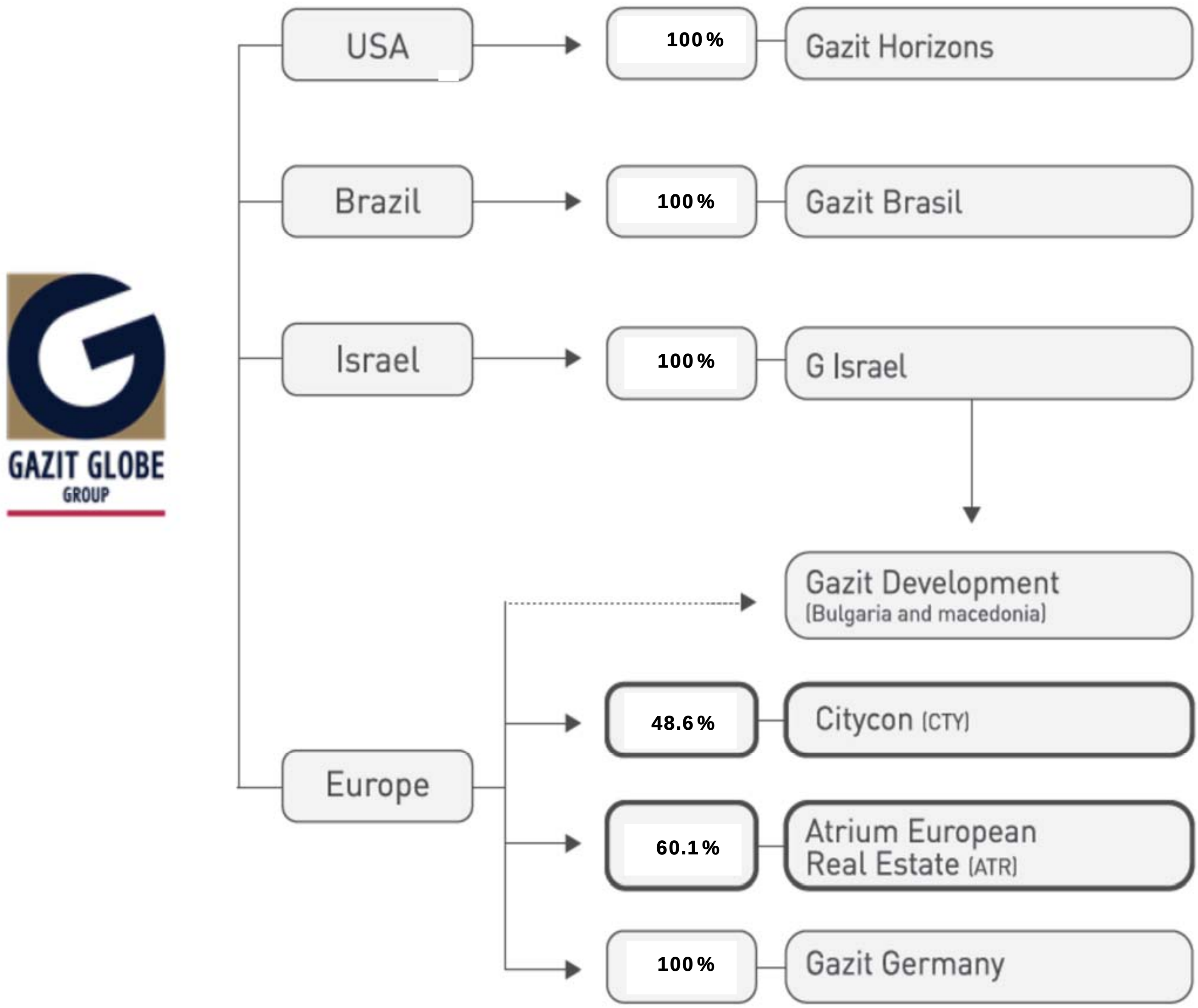
2 Refer to section 2.2 below. Cash flow from operating activities in the Reporting period does not include a dividend for the third quarter of 2019 in the amount of NIS 60 million (NIS 0.32 per share) from ATR which wasn't distributed to the shareholders, in accordance with the Company's ATR share purchase agreement (refer to Note 3b4 to the financial statements). ATR's Board announced that the board is reviewing the dividend distribution policy and intends to make further announcement before the end of 2019. The cash flow from operating activities in the reporting period, including the aforesaid dividend in the amount of NIS 1.68 per share.

3 The Economic FFO is presented according to the management approach and in accordance with the EPRA guidance. For the Economic FFO calculation, refer to section 2.2 below. The decrease in Economic FFO and Economic FFO per share is mainly due to the sale of most of the holdings in FCR (refer to Note 3b2 to the financial statements) and from the sale of REG shares in 2018.

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

- As a result of fluctuations in currency exchange rates of the U.S. dollar, the Euro and the Brazilian real against the NIS, the equity attributable to the Company's equity holders decreased in the Reporting Period by NIS 880 million (net of the effect of cross-currency swap transactions).

1.6. <u>The Company's Major Holdings Are Set Forth Below (Ownership Structure and Interests as of September 30, 2019):</u>



2. Additional Information Concerning the Company's Assets and

2.1. Summary of the Company's Holdings as of September 30, 2019:

Name of company	Type of security/ property	Amount (millions)	Holding interest (%)	Book value (NIS in millions)	Market value as of 30.9.2019 (NIS in millions)
ATR[1]	Shares (VSX, Euronext)	227.2	60.1	3,994	3,164
CTY	Shares (OMX)	86.5	48.6	3,730	3,168
Israel	Income-producing property	-	-	3,142	-
Israel	Property under development and land	-	-	146	-
Brazil	Income-producing property and land	-	-	2,806	-
USA[2]	Income-producing property and land	-	-	1,674	-
Europe	Income-producing property	-	-	372	-
Europe	Land for future development	-	-	154	-
Total assets		**-**	**-**	**16,018**	**-**

Set forth below are the Company's monetary balances (including balances of its privately-held subsidiaries) ("expanded solo basis") as of September 30, 2019:

	NIS in millions
Debentures	7,985
Debts to financial institutions	2,826
Total debentures and debts to financial institutions (*)	10,811
Other monetary liabilities	1,012
Total monetary liabilities	11,823
Less - monetary assets[3]	3,599
Less - other investments[4]	298
Monetary liabilities, net[5]	**7,926**

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

Year	Debentures	Financial Institutions	Total	%
2019	-	273[6]	273	3
2020	676	296	972	9
2021	431	921	1,352	12
2022	885	256	1,141	11
2023	1,097	719	1,816	17
2024	1,157	82	1,239	11
2025	1,004	35	1,039	10
2026	1,093	35	1,128	10
2027	910	209	1,119	10
2028	732	-	732	7
Total	**7,985**	**2,826**	**10,811**	**100**

1 For details regarding the Company's ATR's minority share purchase agreement, which was cancelled after the reporting date due to failure to obtain the special majority required for approval by ATR's general Meeting, refer to Note 3b4 to the financial statements.

2 The USA assets include an investment in a property through a joint venture presented in the financial statements using the equity method.

3 Including an investment in FCR shares in the amount of NIS 1,254 million, cash and cash equivalents, traded securities and deposits in the amount of NIS 1,198 million and financial derivatives in the amount of NIS 442 million.

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

5 Excludes primarily deferred tax liability in the amount of NIS 185 million with respect to investment property and NIS 79 million for the equity investment of FCR.

6 Includes commercial paper in the amount of NIS 250 million

2.2 Cash flows from operating activities - expanded Solo:

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	NIS in millions (except for per share data)				
Dividends from public investees (*)	366	570	68	171	740
EBITDA from private companies, net of Capex (**)	263	197	99	79	277
Total income	**629**	**767**	**167**	**250**	**1,017**
General and administrative expenses	(56)	(52)	(16)	(15)	(66)
Interest expenses, net	(294)	(405)	(86)	(123)	(522)
Taxes	(27)	(20)	(13)	(1)	(20)
Total expenses	**(377)**	**(477)**	**(115)**	**(139)**	**(608)**
Cash flows from operating activity before a special dividend from ATR	**252**	**290**	**52**	**111**	**409**
Cash flows from operating activity per share before a special dividend from ATR (NIS)	**1.36**	**1.50**	**0.28**	**0.58**	**2.12**
Special dividend from ATR	-	136	-	-	136
Cash flows from operating activity after a special dividend from ATR	**252**	**426**	**52**	**111**	**545**
Cash flows from operating activity per share after a special dividend from ATR (NIS)	**1.36**	**2.21**	**0.28**	**0.58**	**2.83**

(*) Excludes a dividend in the amount of NIS 60 million (NIS 0.32 per share) from ATR, which wasn't distributed to the shareholders for the third quarter of 2019 in accordance with the ATR share purchase agreement (refer to Note 3b4 to the financial statements). ATR's Board announced that the board is reviewing the dividend distribution policy and intends to make further announcement before the end of 2019. Cash flow from operating activities, including the aforesaid dividend in the amount to NIS 1.68 per share and NIS 0.60 per share, respectively, in the Reporting Period and in the Quarter.

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

2.2. FFO (EPRA Earnings)

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

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

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

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

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

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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	NIS in millions (other than per share data)				
Net income (loss) for the period attributable to equity holders of the Company	**433**	**(413)**	**474**	**1**	**(253)**
Adjustments:					
Fair value loss (gain) from investment property and investment property under development, net	199	182	26	105	(114)
Capital loss on disposition of investment property	(32)	35	(40)	31	51
Changes in the fair value of financial instruments, including derivatives, measured at fair value through profit or loss	(606)	683	(475)	(19)	921
Adjustments with respect to equity-accounted investees	36	(44)	4	(52)	(43)
Loss (gain) from decrease in holding interest in investees	2	(3)	-	(6)	(3)
Deferred taxes and current taxes with respect to disposition of properties	392	(151)	152	(13)	(109)
Acquisition costs recognized in profit or loss	1	1	-	-	4
Loss from early redemption of interest-bearing liabilities and financial derivatives	52	220	48	214	222
Non-controlling interests' share in above adjustments	(157)	(258)	(54)	(131)	(320)
Nominal FFO (EPRA Earnings)	**320**	**252**	**135**	**130**	**356**
Additional adjustments:					
CPI linkage and exchange rate differences	46	88	(39)	13	129
Depreciation and amortization	12	12	4	4	15
Company's share in FCR's Economic FFO (REG in 2018)	45	101	19	7	101
Other adjustments[(2)]	33	63	19	19	91
Economic FFO according to the management approach (Economic Adjusted EPRA Earnings)	**456**	**516**	**138**	**173**	**692**
Economic FFO per share according to the management approach (in NIS)	**2.46**	**2.67**	**0.75**	**0.90**	**3.60**
Economic FFO excluding FCR and REG adjusted for exchange rates according to the management approach	**425**	**351**	**138**	**131**	
Economic FFO per share excluding FCR and REG adjusted for exchange rates according to the management approach (NIS)	**2.30**	**1.82**	**0.75**	**0.68**	
Number of shares used in the Economic FFO per share calculation (in thousands)[(3)]	**185,783**	**192,968**	**184,715**	**192,013**	**192,583**

The decrease in the Economic FFO and the Economic FFO per share in the Quarter and in the Reporting Period, compared with the comparable periods in the prior year is due to the sale of FCR shares in April 2019 (refer to Note 3b2 to the financial statements) and from the sale of REG shares in 2018.

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

2 Weighted average for the period.

Economic FFO guidance

The Company as many other real estate companies in North America and Europe, presents FFO guidance. The purpose of the Company's guidance is to disclose Management's view as to the expected financial and operating performance of the Company.
Presented below is the 2019 guidance, based on publicly available information and Management's assessments, including the FFO guidance of public investees, where published, and on the following assumptions:

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

	1-9/19	7-9/19	2019		2018
	Actual	Actual	Current Guidance	Previous Guidance	Pro-forma*
Economic FFO (NIS in million)	456	138	590-601	577-592	556
Economic FFO per share (NIS)	2.46	0.75	3.18-3.24	3.10-3.18	2.89

* Pro-forma information is presented for comparison between the periods. Pro forma information for 2018 is excluding REG's results and FCR's results with respect to the shares for which the Company sold subsequent to the reporting date, refer to Note 3b2 to the financial statements.

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

2.4. Additional information is presented below regarding the Company’s pro rata share in the value of income-producing properties owned by the Group as of September 30 2019, based on capitalization of net operating income (“NOI”). The information below is based on a methodology that is generally accepted in the markets in which the Group operates and is intended to provide an additional method of analyzing the value of the Company’s properties on the basis of the Company’s financial results for the quarter. This information is not intended to represent the Company’s estimate of the present or future value of its assets or shares.

	3 months ended September 30,		Year ended December 31,
	2019	**2018**	**2018**
	NIS in millions		
Rental income	660	685	2,840
Property operating expenses	181	193	844
NOI for the period	479	492	1,996
Less - minority's share in NOI	(171)	(187)	(770)
Add - Company's share in NOI of associate and jointly controlled companies [1]	10	12	48
NOI for the period - the Group's proportionate share[1]	**318**	**317**	**1,274**
Annual NOI - the Group's proportionate share[1]	**1,272**[2]	**1,268**[2]	**1,274**

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

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

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

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

				Equity per share		**Share price as of September 30 2019**
Cap Rate	**5.75%**	**6.00%**	**6.25%**	**6.47%**	**6.50%**	**6.97%**
Value of income-producing property (NIS in millions) (*)	22,130	21,208	20,359	19,667	19,576	18,256
Share price derived from the above Cap Rate (NIS) (**)	56.0	51.0	46.4	42.6	42.1	35.03

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

(**) Excluding the tax effect.

New properties, properties under development and land, which are not yet income-producing and which are presented at their fair values in the Group’s books (according to the proportionate consolidation method) as of September 30, 2019, amounted to NIS 2,186 million.

The Group’s monetary liabilities, net of monetary assets (according to the proportionate consolidation method) as of September 30, 2019, amounted to NIS 13,987 million.

2.5. Net Asset Value (EPRA NAV and EPRA NNNAV)

As is customary in the European countries in which the Group operates, and in line with the EPRA position paper, the objective of which is to promote greater transparency, uniformity and comparability of the financial information reported by real estate companies, the Company publishes net asset value data (EPRA NAV), which is a measure that reflects the net asset value of the Company, as reflected by the Company's statement of financial position with certain adjustments, e.g., the exclusion of deferred taxes with respect to the revaluation of investment properties and investment properties under development to their fair value and the exclusion of the fair value of financial derivatives (with the exception of financial derivatives used for currency hedging with respect to which the difference between the fair value and intrinsic value is excluded); the Company also publishes EPRA NNNAV data, which is another measure reflecting net asset value (EPRA NAV), adjusted for the fair value of financial liabilities, as well as certain adjustments to the provision for deferred taxes with respect to the revaluation of investment properties and investment properties under development to their fair value, and certain additional adjustments to the fair value of the above-referenced financial derivatives.

The Company considers that the presentation of the EPRA NAV and the EPRA NNNAV data enables the Company's net asset value data to be compared to those of other European real estate companies. At the same time, such data does not constitute a valuation of the Company and does not replace the data presented in the financial statements; rather, such data provides an additional mechanism for evaluating the Company's net asset value (NAV) in accordance with the EPRA recommendations. Such data is not audited by the Company's independent auditors.

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

	September 30,		December 31,
	2019	2018	2018
	NIS in millions		
EPRA NAV			
Equity attributable to the equity holders of the Company, per the financial statements	7,862	9,040	9,301
Exclusion of deferred tax liability on revaluation of investment property to fair value (net of minority's share) [1]	934	979	1,041
Adjustments with respect to equity-accounted investees	-	690	679
Fair value asset adjustment for derivatives, net[2]	(205)	21	83
Net asset value - EPRA NAV	**8,591**	**10,730**	**11,104**
EPRA NAV per share (in NIS)	**46.5**	**55.9**	**58.3**
EPRA NNNAV			
EPRA NAV	8,591	10,730	11,104
Adjustment of financial liabilities to their fair value	(1,172)	(932)	(224)
Other adjustments to provision for deferred taxes	(934)	(979)	(1,041)
Fair value asset adjustment for financial derivatives, net	205	(21)	(83)
Adjustments with respect to equity-accounted investees	-	(710)	(708)
Adjusted net asset value - EPRA NNNAV	**6,690**	**8,088**	**9,048**
EPRA NNNAV per share (in NIS)	**36.2**	**42.1**	**47.5**
Issued share capital of the Company used in the calculation (in thousands of shares)[3]	**184,796**	**191,944**	**190,354**

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

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

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

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

3.1. During the Reporting Period, the investments of the Company and its subsidiaries in the acquisition and development of new properties and in the redevelopment, expansion and construction of various properties totaled NIS 1,567 million. The effect of these investments on the operating results of the Group will be reflected in full during the remainder of 2019 and thereafter.

Activities in Properties

1) During the Reporting Period, the Company and its subsidiaries acquired 6 income-producing properties, with a total GLA of 32 thousand square meters and land for future development, at a total cost of NIS 1,025 million. In addition, the Company and its subsidiaries have developed new properties and redeveloped existing properties at a total cost of NIS 542 million. Additionally, during the Reporting Period, the Company and its subsidiaries disposed of non-core properties in the amount of NIS 1,455 million.

2) **Highlights of operational data:**

	Income producing properties[1]	GLA (in thousands of square meters)	Average basic monthly rent per square meter		Change in same property NOI [2]	NOI (million)		Occupancy rate in core properties		Ratio of net debt to total assets
			30.9.2019	30.9.2018		Q3. 2019	Q3. 2018	30.9.2019	30.9.2018	
Gazit Brasil	7	179	R$ 77	R$ 63	21.5%	R$ 59.1	R$ 49.4	95.2%	95.0%	N/A
G Israel	10	137	NIS 109.5	NIS 106.7	3.3%	NIS 44.8	NIS 39.1	98.8%	97.5%	N/A
CTY	39	1,125	€ 23.1	€ 23.1	0.4%	€ 54.2	€ 53.6	95.3%	96.1%	49.6%
ATR	32	872	€ 15.1	€ 13.3	1.6%[3]	€38.9	€ 40.7	95.9%	96.9%	33.5%

1 Includes jointly-controlled properties.

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

3 Excluding Russia. Including Russia the same property NOI grew by 0.3% compared to the corresponding period last year.

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

	Properties under Development			
Company	**No. of properties**	**Total investment as of September 30, 2019 (NIS in millions)**	**Estimated cost to complete (NIS in millions)**	**Area (square meters in thousands)**
CTY	1	412	-[1]	44
G Israel	1	113	4	2
	2	**525**	**4**	**46**

[1] Subsequent to the Reporting date, CTY signed the agreement with the contractor.

	Properties under Redevelopment and Expansion			
Company	**No. of properties**	**Total investment as of September 30, 2019 (NIS in millions)**	**Estimated cost to complete (NIS in millions)**	**Area (square meters in thousands)**
ATR	1	388	46	21
G Israel	2	148	77	17
	3	**536**	**123**	**38**

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

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

As of September 30, 2019, the Company is reporting stability in occupancy rates and an increase in average rental rates, at the Group’s properties.

The Macro-Economic data below and the Company’s assessments regarding the impact of future macro-economic events on its operations, revenues and financial position are not certain nor are they under the Company’s control, and therefore, constitute forward-looking statements as defined in the Securities Law, 1968.

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

	Growth (GDP)				
	2019 forecast	2018	Rate of unemployment	Yield on government debentures (10 years)	Debt rating (S&P)
Norway	2.50%	1.30%	3.5%	1.57%	AAA
Sweden	1.40%	2.40%	6.6%	0.044%	AAAu
Canada	1.70%	1.90%	5.7%	1.58%	AAA
Finland	1.30%	1.70%	6.7%	-%0.03	AA+
USA	2.30%	2.90%	3.7%	1.94%	AA+u
Czech Republic	2.50%	3.00%	1.9%	1.51%	AA-
Israel	3.20%	3.70%	4.0%	0.93%	AA-
Poland	4.20%	5.10%	5.3%	2.17%	A-
Russia	1.10%	2.30%	4.6%	6.37%	BBB-
Brazil	1.00%	1.10%	11.9%	6.66%	BB-

International debt rating of Group companies:

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

1. Data source: Bloomberg – November 2019.
2. The Company has a short-term issuer rating of 'ilA-1+' and 'P-1.il' by S&P Maalot and Midroog, respectively.
3. ATR under credit watch with negative implications following the publication of the purchase of its Minority Shares by the Company and becoming a private company, which was cancelled after the preconditions terms were not met (refer to Note 3b4 to the financial statements).

3.2. Material Events at the Group During the quarter

A. For details regarding the sale of 58 million shares of FCR for a total consideration of NIS 3.2 billion, refer to Note 3b2 to the financial statements.

B. For details regarding the buyback of 5.6 million shares of the Company (including tender offer) in the amount of NIS 158 million, refer to Note 3b3 to the financial statements.

C. For details regarding the buyback of debentures by the Company (primarily through tender offer) in the amount of NIS 945 million, refer to Note 3a to the financial statements.

D. For details regarding the Company’s decision to delist its shares from trading on the New York Stock Exchange (the "NYSE") and termination of its reporting obligations under the SEC, refer to Note 3b1 to the financial statements.

E. For details regarding the Company's agreement to purchase minority shares in ATR, which was cancelled due to failure to obtain the special majority required for approval by ATR's General Meeting, refer to Note 3b4 to the financial statements.

F. On July 25, 2019, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ílAA-', with a stable outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating and the Company's commercial papers rating at a rating level of 'ílA-1+'.

G. On July 18, 2019, Midroog rating agency reaffirmed the short term rating for the Company's commercial papers at a rating level of 'P-1.il'.

3.3. Dividend Distribution Policy

Pursuant to the Company’s policy, the Company announces every year the anticipated annual dividend. In March 2019, the Company announced that the quarterly dividend for 2019 would be NIS 0.405 per share (the total dividend to be declared for 2019 will be NIS 1.62 per share, compared with the dividend of NIS 1.52 per share in 2018). On November 2019 the Company decided that the dividend for 2020 will be in the amount of NIS 1.72 per share (NIS 0.43 per share in the Quarter) as of the first Quarter of 2020.

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

3.4. Financial Position

Current assets

Current assets, as of September 30, 2019, total NIS 3.7 billion, compared with NIS 3.8 billion as of December 31, 2018. The decrease in current assets derives mainly from the sale of the investment property to assets held for sale. The aforesaid decrease was offset from the balance of the remain consideration from the sale of FCR shares in the amount of CAD 125 million, which will be accepted upon April 2020 according to the sale of FCR share agreement.

Equity-accounted investees

The balance of equity-accounted investees amounted to NIS1.6 billion as of September 30, 2019, compared to NIS 6.5 billion as of December 31, 2018. The balance of this item is primarily comprised of investments in property through joint ventures as recorded in the books of CTY, ATR and Gazit Horizons. The decrease in equity-accounted investees is due primarily to the sale of FCR shares in the reporting period (refer to Note 3b2 to the financial statements).

Long term financial assets

Long term financial assets amounted to NIS 1,449 million as of September 30, 2019, compared to NIS 208 million as of December 31, 2018. The increase in long term financial assets is primarily due to the balance of the remain FCR shares (refer to Note 3b2) in the amount of NIS 1,254 million.

Non- current Financial derivatives

The balance of financial derivatives primarily arises from cross-currency swap transactions, entered into as part of the Group's policy to correlate as closely as possible the currency in which properties are acquired and the currency in which the liabilities are undertaken to finance the respective acquisitions of such properties are incurred (on a proportionately consolidated basis), and are presented at fair value. The balance of the financial derivatives is presented net of amounts received under agreements entered into with certain financial institutions in connection with the collateral with respect to the value of the financial derivatives (CSA agreement). As of September 30, 2019, the aforesaid balance of financial derivatives amounted to NIS 329 million, compared to NIS 83 million as of December 31, 2018. The increase is primarily due to the gain from the revaluation of the financial derivatives to their fair value in the reporting period, primarily from the strengthening of the NIS against the Euro, U.S. dollar and the Canadian dollar offset by proceeds due to CSA agreements.

Investment property and investment property under development

Investment property and investment property under development (including assets held for sale that are presented under current assets), as of September 30, 2019, amounted to NIS 34.5 billion, compared to NIS 38.7 billion as of December 31, 2018.

The decrease in these balances during the Reporting Period is primarily due to the change in foreign currency exchange rates (primarily the Euro and the Brazilian real against the New Israeli Shekel) in the net amount of NIS 4.1 billion, by the sale of none core investment property in consideration of NIS 1.5 billion and the fair value changes of investment property and investment property under development in the amount of NIS 199 million. The decrease was offset by the acquisition of rental properties, the development of new properties and the renovation of existing properties at a total cost of NIS 1.6 billion.

Intangible assets, net

Intangible assets, net, as of September 30, 2019, totaled NIS 643 million, compared to NIS 688 million as of December 31, 2018. The intangible assets primarily consist of goodwill in an amount of NIS 556 million relates to properties in Norway own by CTY.

Current liabilities

Current liabilities, as of September 30, 2019, totalled NIS 4.5 billion, compared to NIS 4.3 billion as of December 31, 2018. The balance mainly includes credit from banks and others and current maturities of long-term liabilities, in the amount of NIS 3.1 billion, compared to NIS 2.6 billion as of December 31, 2018.

As of September 30, 2019, the Group had a negative working capital of NIS 0.8 billion. The Company and its subsidiaries have approved long-term credit facilities available for immediate drawdown in the amount of approximately NIS 5.7 billion, and the cash flows from operating activities significantly exceed total current liabilities. Accordingly, management of the Company believes that these can be used to repay the balance of current liabilities as of September 30, 2019 (refer also to section 3.6 below).

Non-current liabilities

Non-current liabilities, as of September 30, 2019, totaled NIS 23 billion, compared to NIS 28 billion as of December 31, 2018. The decrease in non-current liabilities is primarily due to the decrease in debentures which were repaid during the Reporting Period, the increase in current maturities of debentures in accordance with its maturity dates as well as a decrease in Interest-bearing loans from banks and others that were repaid from the proceeds received from the sale of FCR shares and from sale of assets in Poland by ATR.

Equity attributable to the equity holders of the Company

Equity attributable to the equity holders of the Company, as of September 30, 2019, amounted to NIS 7,862 million, compared to NIS 9,301 million as of December 31, 2018. The decrease is due to a decrease in capital reserves in the amount of NIS 1,490 million (mainly from foreign currency translation reserve), from buyback of shares in the amount of NIS 158 million and to the declared dividend of NIS 224 million. The decrease was offset by net income attributed to the Company's shareholders in the amount of NIS 433 million.

The equity per share attributable to the equity holders of the Company as of September 30, 2019 totaled NIS 42.6 per share, compared to NIS 49.0 per share as of December 31, 2018, after a dividend distribution of NIS 1.22 per share during the Reporting Period.

Non-controlling interests

Non-controlling interests, as of September 30, 2019, amounted to NIS 6.6 billion, compared to NIS 7.7 billion as of December 31, 2018. The balance is primarily composed of the interests of CTY's other shareholders comprising 51.4% of CTY's equity as well as the interests of ATR's other shareholders comprising 39.9% of ATR's equity.

The decrease in non-controlling interests in the reporting period is primarily due to the portion of the non-controlling interests in the dividends distributed by the subsidiaries in an amount of NIS 0.3 billion and by the portion of other shareholders in the comprehensive loss of the subsidiaries in an amount of NIS 0.7 billion.

Ratio of debt to total assets

The ratio of the Group's net interest-bearing debt to its total assets is 54.0% as of September 30, 2019, compared to 55.3% as of December 31, 2018.

3.5 Results of Operations and their analysis

A. Results of operations are as follows:

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in millions (except for net earnings (loss) per share data)				
Rental income	2,082	2,106	660	685	2,840
Property operating expenses	580	618	181	193	844
Net operating rental income	1,502	1,488	479	492	1,996
Fair value gain (loss) from investment property and investment property under development, net	(199)	(182)	(26)	(105)	114
General and administrative expenses	(266)	(263)	(84)	(76)	(375)
Other income	41	15	34	5	13
Other expenses	(379)	(88)	(15)	(43)	(126)
Company's share in earnings of equity- accounted investees, net	53	276	4	132	389
Operating income	752	1,246	392	405	2,011
Finance expenses	(756)	(1,761)	(221)	(485)	(2,262)
Finance income	1,057	114	524	68	140
Profit (loss) before taxes on income	1,053	(401)	695	(12)	(111)
Taxes on income (tax benefit)	434	(111)	173	(4)	(64)
Net income (loss)	619	(290)	522	(8)	(47)
Attributable to:					
Equity holders of the Company	433	(413)	474	1	(253)
Non-controlling interests	186	123	48	(9)	206
	619	(290)	522	(8)	(47)
Net earnings (loss) per share attributable to equity holders of the Company (in NIS):					
Total basic net earnings (loss)	2.34	(2.14)	2.57	0.01	(1.31)
Total diluted net earnings (loss)	2.33	(2.16)	2.57	0.01	(1.32)

The statement of comprehensive income is as follows:

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
	Unaudited				**Audited**
	NIS in millions				
Net income (loss)	619	(290)	522	(8)	(47)
Other comprehensive income (loss) (net of tax effect):					
Amounts that will not be reclassified subsequently to profit or loss:					
Net gains (losses) on cash flow hedges	21	(47)	(36)	(12)	(56)
Amounts that will not be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(2,433)	(88)	(1,323)	(196)	189
Net gains (losses) on cash flow hedges	(68)	13	(16)	3	(10)
Realization of capital reserves on sale of an associate	73	-	-	-	-
Total other comprehensive income (loss)	(2,407)	(122)	(1,375)	(205)	123
Total comprehensive income (loss)	(1,788)	(412)	(853)	(213)	76
Attributable to:					
Equity holders of the Company	(1,059)	(703)	(403)	(160)	(338)
Non-controlling interests	(729)	291	(450)	(53)	414
	(1,788)	(412)	(853)	(213)	76

B. Analysis of Results of Operations for the Reporting Period

Rental income

Excluding the change in the average exchange the rate rental income in the Reporting Period increased by 3.7% as compared to the corresponding period last year. The increase is due mainly to development properties coming on line, new acquisitions during the prior 12-month period and the increase in same-property income. The aforesaid increase was offset due to the sale of non-core properties in the prior 12-month period.

Rental income decreased by 1.1% to NIS 2,082 million in the Reporting Period, compared to NIS 2,106 million in the comparable period in the prior year.

Property operating expenses

Property operating expenses totalled NIS 580 million in the Reporting Period, representing 27.9% of total rental income, compared to NIS 618 million, representing 29.3% of total rental income, in the comparable period in the prior year.

Net operating rental income (NOI)

Excluding the change in the average exchange rates the net operating rental income in the Reporting Period increased by 5.9%, compared with the same period in the prior year. The increase is due to development properties coming on line, new acquisitions during the prior 12-month period, and growth in NOI from same properties in the Reporting Period compared to the comparable period in the prior year. The aforesaid increase was offset by the disposition of non-core properties during the prior 12-month period and the devaluation in the average exchange rate of the euro.

Net operating rental income increased by 0.9% to NIS 1,502 million in the Reporting Period (72.1% of rental income), compared to NIS 1,488 million (70.7% of rental income) in the comparable period in the prior year.

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

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Group recognized, in the Reporting Period, a fair value loss on its properties in a gross amount of NIS 199 million, compared to a loss of NIS 182 million, in the comparable period in the prior year. Most of the fair value loss in the Reporting Period arose at CTY which was offset by fair value increase in assets in Israel.

General and administrative expenses

General and administrative expenses totaled NIS 266 million (12.8% of total revenues), in the Reporting Period, compared to NIS 263 million (12.5% of total revenues) in the comparable period in the prior year.

Other expenses

Other expenses in the Reporting Period amounted to NIS 379 million, compared with NIS 88 million in the comparable period in the prior year. Other expenses in the Reporting period were due mainly to a capital loss of NIS 272 million in respect of the sale of FCR shares at a price lower than its shareholders' equity as well as the balance of the remaining FCR shares, which upon the sale completion the share price was lower than its shareholders' equity, and the loss from realization of capital reserves (mainly currency translation reserve) in the amount of NIS 73 million.

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

In the Reporting Period, the Company’s share in earnings of equity-accounted investees amounted to NIS 53 million (compared to earnings of NIS 276 million recorded in the comparable period in the prior year) and is primarily comprised of the Company’s share in FCR’s earnings until April 2019 (in which most of FCR shares were sold, refer to Note 3b2) of NIS 47 million (compared to NIS 144 million in the comparable period in the prior year) and the Group’s share in the earnings of CTY's, ATR's and Gazit Horizons' equity-accounted investees. The decrease in the Company's share in the earnings of equity-accounted investees is mainly due to sale of most of FCR's holdings in April 2019.

Finance expenses

Finance expenses amounted to NIS 756 million in the Reporting Period, compared to NIS 1,761 million in the comparable period in the prior year. The decrease in the finance expenses in the Reporting Period, compared to the corresponding Reporting Period in the prior year, is primarily due to the revaluation loss of investment in REG in the amount of NIS 610 million in the corresponding Reporting Period in prior year, from the revaluation loss of financial derivatives in the corresponding Reporting Period in prior year in the amount of NIS 88 million compared to revaluation gain in the Reporting Period, a loss from early redemption of interest bearing debt and financial derivatives in the corresponding reporting period in the prior year in the amount of NIS 220 million compared to a loss in the amount of NIS 54 million in the Reporting Period and a decrease in interest expenses in the amount of NIS 127 million, as a result of the refinancing of debt at a lower interest rate than the debt that was repaid.

The average interest on the Company's interest bearing liabilities (on expanded solo basis) is 3.8% compared to 4.1% in the corresponding quarter in the prior year.

Finance income

Finance income totaled NIS 1,057 million in the Reporting Period, compared to NIS 114 million in the comparable period in the prior year. Finance income in the Reporting Period primarily comprises a gain of NIS 932 million on the revaluation of financial derivatives compared to a revaluation loss recorded in finance expenses in the comparable period in the prior year, income from the gain on realization of securities and dividend in the Reporting Period of NIS 69million, (compared to income of NIS 66 million in the comparable period in the prior year) and interest income of NIS 44 million (compared to interest income of NIS 45 million in the comparable period in the prior year).

Taxes on income (tax benefit)

Taxes expenses totaled NIS 434 million in the Reporting Period, compared to tax income of NIS 111 million in the same period in the prior year. Tax expenses in the Reporting Period consists primarily of deferred tax expenses in the amount of NIS 137 million relating primarily to deferred taxes relates to FCR shares held by the Company and presented as a financial asset (refer to note 3b2 to the financial statements) and the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposal of properties (in the comparable period in the prior year – net deferred tax income of NIS 632 million relating primarily to the sale of REG shares and the net changes in the balances of the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposal of properties). In the Reporting Period, Group companies recorded current tax expenses of NIS 315 million (approximately NIS 182 million relating to the sale of FCR shares), as compared to current tax expenses of NIS 569 million (due mainly to the sale of shares in REG) in the comparable period in prior year. In addition, in the Reporting Period, tax income of NIS 18 million were recognized with respect to prior years, as compared to tax income of NIS 48 million with respect to prior years recognized in the comparable period last year.

C. Analysis of results of operations for the third quarter of 2019

Rental income

Excluding the average exchange rates the rental income in the Quarter increased by 2.9% compared with the corresponding quarter last year. The increase is due to a decline in the average exchange rate of the Euro against the NIS and the sale of property in the last 12 months. The decrease was offset from development properties coming on line, by new acquisitions during the prior 12-month period and by growth in income from same properties in the Quarter compared to the comparable quarter in the prior year.

Rental income decreased by 3.6% to NIS 660 million in the Quarter, compared with NIS 685 million in the corresponding quarter last year.

Property operating expenses

Property operating expenses totaled NIS 181 million in the Quarter, representing 27.4% of total rental income, compared with NIS 193 million, representing 28.2% of total rental income, in the corresponding quarter last year.

Net operating rental income (NOI)

Excluding the average exchange rates the net operating rental income in the Quarter increased by 3.9% compared with the corresponding quarter last year. The changes in net operating income from rental property are due to the same reasons described in the Rental Income section above.

Net operating rental income increased by 2.6% to NIS 479 million in the Quarter (72.6% of total rental income), compared with NIS 492 million (71.8% of rental income) in the corresponding quarter last year.

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

The Group applies the fair value model, as prescribed in IAS 40 (Revised), *Investment Property*. As a result of implementing this standard, the Company and its subsidiaries recognized in the Quarter a fair value loss on its properties in a gross amount of NIS 26 million, compared to fair value loss of NIS 105 million in the corresponding quarter in the prior year. The fair value loss relates mainly to CTY which was offset by fair value increase in assets in Israel.

General and administrative expenses

General and administrative expenses totaled NIS 84 million (12.7% of total revenues) in the Quarter, compared to NIS 76 million (11.1% of total revenues) in the corresponding quarter in the prior year. The increase in general and administrative expenses in the Quarter compared to the corresponding Quarter last year is due to non-recurring reorganization expenses in CTY.

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

In the Quarter, the Company’s share in gain of equity-accounted investees amounted to NIS 4 million (compared to earnings of NIS 132 million recorded in the corresponding quarter in the prior year) and is primarily comprised of the Group’s share in the net earnings of CTY, Gazit Horizons and ATR. In the corresponding quarter last year, the Company's share in earnings of equity-accounted investees included the Company's share in FCR's earnings in the amount of NIS 121 million.

Finance expenses

Finance expenses amounted to NIS 221 million in the Quarter, compared to NIS 485 million in the comparable quarter in the prior year. The decrease in the finance expenses is due to a loss from an early redemption of interest-bearing debt and financial derivatives in the corresponding quarter last year, in the amount of NIS 216 million, compared with a loss of NIS 48 million in the quarter and due to the CPI linkage expenses which decreased by 0.7% in the quarter, compared to an increase of 0.2% in the corresponding quarter last year and by decrease in interest expenses in the amount of about NIS 39 million, as a result of the refinancing of debt at a lower interest rate than the debt that was repaid and the decrease in the interest bearing debt.

Finance income

Finance income totaled NIS 524 million in the Quarter, compared to NIS 68 million in the corresponding quarter in the prior year. Finance income in the Quarter primarily comprises a gain from revaluation of financial derivatives in the amount of NIS 482 million (revaluation gain on financial derivatives in the corresponding quarter last year of NIS 51 million), gain of NIS 21 million on the realization and revaluation of securities dividend (income of NIS 1 million in the corresponding quarter in the prior year) and interest income of NIS 13 million (income of NIS 13 million in the corresponding quarter in the prior year).

Taxes on income (tax benefit)

Tax expenses totaled NIS 173 million in the Quarter, compared with tax income of NIS 4 million in the corresponding quarter last year. Tax expenses in the Quarter comprises primarily deferred tax expenses of NIS 77 million, arising mainly as the net changes in the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposition of properties (in the corresponding quarter last year – net deferred tax income of NIS 268 million arising primarily from the sale of REG shares and as the net changes in the temporary differences between the tax base and the fair value of investment property and investment property under development, including due to the disposition of properties). In the Quarter, the Company and its subsidiaries recorded current tax expenses in an amount of NIS 96 million, compared with current tax expense of NIS 275 million (NIS 263 million in respect of the sale of REG shares) in the corresponding Quarter last year. In addition, tax income of NIS 11 million was recognized in the corresponding Quarter last year with respect to prior years.

3.6. Liquidity and Capital Resources

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

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

The liquid assets available to the Company and its subsidiaries, including short-term investments, totaled NIS 2.0 billion as of September 30, 2019. In addition, as of September 30, 2019, the Company and its subsidiaries have binding undrawn long-term credit facilities[1] available for immediate drawdown of NIS 5.7 billion.

As of September 30, 2019, the Company and its subsidiaries have liquidity, including undrawn credit facilities[1] available for immediate drawdown, of NIS 7.7 billion (of which NIS 3.7 billion, including cash and cash equivalents, traded securities and short-term deposits in the amount of NIS 1.2 billion, is at the Company and its' wholly – owned subsidiaries).

Furthermore, as of September 30, 2019, the Company and its subsidiaries have unencumbered investment property and investment property under development, which is carried on the books at a fair value of NIS 29.7 billion (85.3% of the total investment property and investment property under development).

The Company and its wholly owned subsidiaries have unencumbered investment property and investment property under development that is carried in the books at a value of NIS 6.7 billion (79% of total investment property and investment property under development).

As of September 30, 2019, the Company had a negative working capital balance of NIS 0.8 billion under its consolidated financial statements. In opposition, the Company (in consolidation and on an expanded solo basis – including in companies that are fully owned by the Company) has approved long-term credit facilities[1], available for immediate drawdown, in the amount of NIS 5.7 billion and NIS 2.5 billion, respectively. The policy of the Company is to finance its operations with revolving credit facilities and by raising long-term debt from time to time, depending on market conditions. The Board of Directors examined the existence of negative working capital, as above, and has concluded that, in view of the volume of the resources that are available to the Group and to the Company, as described above, and considering the positive cash flow from operating activities, its existence is not indicative of a liquidity problem in the Company or in the Group.

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

3.7. Cash flows

Cash flows generate from (used in) operating activities in the Reporting Period and in the Quarter totalled NIS 695 million and NIS 359 million, respectively, compared to NIS 162 million and NIS (24) million, respectively, in the comparable periods in the prior year.

During the Reporting Period, the activities of the Company and its subsidiaries were funded from the realization of FCR shares in the amount of NIS 2,839 million. The proceeds from these sources were primarily used for the acquisition of investment property and the development of new properties in a net amount of NIS 112 million, for investment in finance assets in the amount of NIS 680 million, for the redemption of debentures in a net amount of NIS 1,551 million, of the repayment of loans and credit lines in a net amount of NIS 390 million, for the payment of dividends by Group companies in a net amount of NIS 561 million, and for the buyback of the Company's shares in an amount of NIS 158 million.

During the Quarter, the activities of the Company and its subsidiaries were funded from the disposal of investment property in a net amount of NIS 702 million, by receiving of loans and credit lines in a net amount of NIS 44 million and from the realization of financial assets in the net amount of NIS 38 million. These cash flows were primarily used for the redemption of debentures in a net amount of NIS 900 million, for the payment of dividends by Group companies in an amount of NIS 135 million and for the buyback of the Company's shares in an amount of NIS 48 million.

3.8. Repurchase Program

A. On March 17, 2019, the Company’s Board of Directors approved a buyback program for the Company's debentures (in place of the previous program) with a par value of up to NIS 750 million, in relation to all the outstanding series of debentures. The program is in effect until March 31, 2020. Purchases will be made under the program from time to time and at the discretion of the Company’s Management. To the date of publication of the report, the Company has repurchased debentures in consideration of NIS 80 million under the program (excluding the debentures (Series D) which acquired through the tender offer, refer to Note 3a to the financial statements).

B. On November 18, 2019, the Company’s Board of Directors approved a new buyback program for the Company’s shares (in place of the previous plan) in an amount of up to NIS 250 million. The program is in effect until December 31, 2020. Acquisitions will be made under the program from time to time, at the discretion of the Company’s management, so long as the stock exchange price of the share reflects a significant discount on the Company’s NAV, as shall be from time to time. Up to the publication date of this report, the Company acquired 1.6 million shares, in consideration of NIS 46 million, under the previous program (excluding the shares which acquired through the tender offer, refer to Note 3b3 to the financial statements).

4. Exposure to Market Risks and their Management

4.1. The officers responsible for managing and reporting the Company’s market risks are the Company’s CEO and its Deputy CEO and CFO. The Group operates globally and is consequently exposed to currency risks resulting from fluctuations in exchange rates of various currencies (primarily the U.S. dollar, the euro and the Brazilian real). Since March 17, 2019, the approval date of the Company’s annual report for 2017, there has not been any material changes in the management or nature of the market risks to which the Company is exposed.

4.2. During the period from January 1, 2019 through the date on which the financial statements were approved, the CEO and Executive Vice President and CFO have held and continue to hold regular discussions concerning the exposure to market risks, including changes in exchange rates and interest rates. Furthermore, during such period, the Company’s Board of Directors discussed such risks and the Company’s policy with respect thereto in the meetings in which the financial statements as of December 31, 2018 March 31, 2019, September 30, 2019 and as of September 30, 2019 were approved.

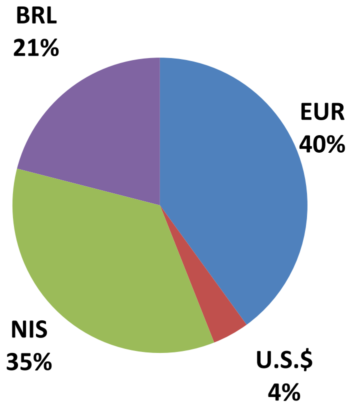
4.3. Changes in foreign currency exchange rates – during the period from January 1, 2019 through September 30, 2019, the NIS appreciated against the Euro, the U.S. dollar and the Brazilian real by 11.3%, by 7.1% and 13.1%, respectively. With regard to the impact of exchange rate changes on the Company's equity, as of September 30, 2019, refer to Appendix A of the Directors’ Report. In addition, from September 30, 2019 until immediately prior to the date of approval of this report, the NIS depreciated against the Euro, by 0.7% and appreciated against the Brazilian real and the U.S. dollar by 1.3% and by 0.1%, respectively.

In addition, some of the Company’s liabilities (primarily with respect to operations in Israel) are linked to changes in the Israeli consumer price index. During the period from January 1, 2019 through September 30, 2019, the Israeli consumer price index (known index) rose by 0.5%. In addition, from September 30, 2019 until immediately prior to the date of approval of this report, the Israeli consumer price index (known index) increased by 0.2%

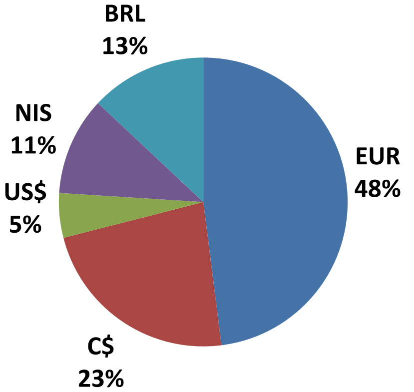
4.4. The Company maintains a correlation between the mix of its properties in the various functional currencies and the exposure of its equity to those currencies, by conducting hedging transactions to manage the currency exposure. However, in view of a change in the group's asset mix and an increase in exposure to the euro, during the reporting period, the company's board of Directors decided to make additional hedges to the euro exposure in such a way that the exposed equity ratio to the euro will be up to 50% of the assets exposed to the euro. Management regularly evaluates the linkage bases report and takes appropriate action in accordance with exchange rate fluctuations. For details regarding the scope of the Company’s exposure to each of the functional currencies (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real), with respect to which linkage basis and cross-currency swaps have been transacted and loans taken in the various currencies, and regarding the scope of the remaining exposure after transacting cross-currency swaps, as of September 30, 2019, refer to the table attached as Appendix A of the Directors’ Report.

The economic equity attributable to equity holders of the Company to exposure by currency, as of September 30, 2019[1] and December 31, 2018, is presented below:

September 30, 2019



December 31, 2018



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

5. Corporate Governance Aspects

Donations

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

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

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

During the Reporting Period, the Group’s donations amounted to NIS 3.8 million.

6. Disclosure Regarding the Financial Reporting of the Company

Subsequent events

A. On November 18, 2019, the Company, through a wholly owned subsidiary (collectively: the “Subsidiary”), entered into agreements to establish a joint venture to locate, acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Totonto (collectively: the “Joint Venture”). The new joint venture will be owned by the Company (60%) which will invest, at this point, C$ 60 million, and by Mr Dori Segal, who serves as a director of the Company (40%) which will invest, at this point, C$ 40 million thorough a company under his control. In addition, the Subsidiary will grant a loan to the Joint Venture in a total of up-to C$ 50 million, with market interest rate. Mr Dori Segal will be the CEO of the Joint Venture for annual management fees as is customary for similar positions in similar real estate companies. The management fees are subject to the approval of the majority of the Company’s shareholders. Due to the establishment of Joint Venture Mr. Dori Segal will cease to serve on the Company's board of directors. Canada Joint Venture establishes continued implementation of the Company's Board of Directors strategy to expand the Group's private real estate component and focus on urban density areas in major cities and the partnership intends to invest over C$ 1 billion mixed use properties over the next five years. Among other things, through the taking of local debt (in Canadian currency) at an acceptable leverage for similar transaction. Canada partnership is currently entering into an agreement to purchase an asset for commercial use for approximately C$ 7 million and is in advanced stages to purchase another asset in Toronto.

B. For details regarding the Company's tender offer for the debentures (Series K) in the amount of NIS 1.4 billion, refer to Note 5c to the financial statements.

C. For details regarding repurchase of debentures and capital securities raising by CTY, refer to Notes 5e and 5f to the financial statements.

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

Collateral for Debentures (Series J)

A. On October 2, 2019, the Company repaid the debentures (Series J) in full in accordance with the dates of repayment of the debentures and the pledge was removed on the property which was used as collateral for the said bonds, which its fair value was NIS 300 million.

B. For details regarding the Company's buyback debentures during the Reporting Period through its purchase program and publication of its tender offer, refer to Section 3.8 and Note 3a to the financial statements.

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

Financial ratio	Covenants	As of September 30, 2019
Minimum shareholders' equity (less non-controlling interests) (dollars in millions)	Series K-Higher than 500 Series L-Higher than 650 Series M-Higher than 800	2,258
Ratio of net interest-bearing liabilities to total consolidated assets	Series K and L-lower than 80% Series M-lower than 75%	54.7%[1]
And Minimum rating of the debentures	'ilBaa3'/'ilBBB-'	'ilAa3'/'ilAA'-

As of September 30, 2019, the Company complied with the covenants in respect of its debentures.

November 18, 2019		
Date of Approval of Directors' Report	Ehud Arnon Chairman of the Board of Directors	Chaim Katzman Vice Chairman of the Board of Directors and CEO

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

Appendix A of the Directors' Report
Additional Information regarding Currency Exposure
As of September 30, 2019

The information below sets forth the scope of the Company's currency exposure (the euro, the U.S. dollar, the Canadian dollar, the NIS and the Brazilian real) in connection with the cross-currency swaps which have been transacted, and the scope of the exposure remaining after taking into account the cross-currency swaps, as of September 30, 2019. The following table presents the assets and the liabilities presented in the Company's statement of financial position (in the original currency and in NIS[1]) and the percentages they represent out of the total assets and liabilities, respectively, on a proportionately consolidated basis[2], and the total financial adjustments made by the Company by means of cross-currency swap transactions, in order to correlate, to the extent possible, the Company's equity to the Company's assets (from a currency perspective). As illustrated by the table, the assets and liabilities for each currency do not fully correlate, and the exposure to each such currency is reflected in the differences, as presented in the table.

Data presented in millions	NIS	U.S.$	EUR	C$	BRL	Total in NIS
Assets in original currency	3,748	620	4,233	542	3,434	-
Assets in NIS	3,748	2,160	16,108	1,425	2,878	26,319
% of total assets	**14**	**8**	**61**	**6**	**11**	**100**
Liabilities in original currency	8,657	438	2,027	-	-	-
Cross-currency swap transactions in original currency	(8,180)	66	1,210	553	1,025	-
Liabilities in original currency	477	504	3,237	553	1,025	-
Liabilities in NIS adjusted for swaps	477	1,755	12,317	1,453	859	16,861
% of total liabilities	**3**	**10**	**73**	**9**	**5**	**100**
Total equity in original currency	3,271	116	996	(11)	2,409	-
Total economic equity[3] in NIS	3,271	405	3,791	(28)	2,019	9,458
% of total equity	**35**	**4**	**40**	**-**	**21**	**100**

1 According to currency exchange rates as of September 30, 2019.

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

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

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

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

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

A. On November 18, 2019, the Company, through a wholly owned subsidiary (collectively: the "Subsidiary"), entered into agreements to establish a joint venture to locate, acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Totonto (collectively: the "Joint Venture"). The new joint venture will be owned by the Company (60%) which will invest, at this point, C$ 60 million, and by Mr Dori Segal, who serves as a director of the Company (40%) which will invest, at this point, C$ 40 million thorough a company under his control. In addition, the Subsidiary will grant a loan to the Joint Venture in a total of up-to C$ 50 million, with market interest rate. Mr Dori Segal will be the CEO of the Joint Venture for annual management fees as is customary for similar positions in similar real estate companies. The management fees are subject to the approval of the majority of the Company's shareholders. Due to the establishment of Joint Venture Mr. Dori Segal will cease to serve on the Company's board of directors. Canada Joint Venture establishes continued implementation of the Company's Board of Directors strategy to expand the Group's private real estate component and focus on urban density areas in major cities and the partnership intends to invest over C$ 1 billion mixed use properties over the next five years. Among other things, through the taking of local debt (in Canadian currency) at an acceptable leverage for similar transaction. Canada partnership is currently entering into an agreement to purchase an asset for commercial use for approximately C$ 7 million and is in advanced stages to purchase another asset in Toronto.

B. On February 13, 2019, the Company resolved to delist its shares from the New York Stock Exchange and terminate its obligation to report under the Securities Exchange Act of 1934. The required documentation for the delisting was filed with the SEC. The delisting and termination of reporting is effective from March 7, 2019. The deregistration of the Company's shares will be effective on June 2019.

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

A. As of January 1, 2019 and up to the publication date of this report, the Company issued 178,885 shares to officers of the Company, employees of the Company and employees of its wholly owned subsidiaries, as a result of the vesting of convertible securities allocated to them as part of their employment conditions.

B. For details regarding the repurchase of 5.6 million shares of the Company (including through a tender offer), in consideration of NIS 158 million, refer to Note 3b3 to the financial statements.

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

A. On April 16, 2019, the Company distributed a dividend to its shareholders in an amount of NIS 75 million (NIS 0.405 per share).

B. On June 13, 2019, the Company distributed a dividend to its shareholders in an amount of NIS 75 million (NIS 0.405 per share).

C. On September 18, 2019 the Company distributed a dividend to its shareholders in the amount of NIS 75 million (NIS 0.405 per share).

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

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

For details regarding the Company's agreement to purchase minority shares which was cancelled due to failure to obtain the special majority required for approves al by ATR's General Meeting minority shares in ATR, refer to Note 3b4 to the financial statements.

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

For details regarding the sale of 58 million FCR shares for total consideration of NIS 3.2 billion, refer to Note 3b2 to the financial statements.

Update to Section 18 – Financing

A. For details regarding the self-purchase of debentures (series D and J) amounting to approximately NIS 945 million (including through a tender offer of bonds (series D)), refer to Note 3a to the financial statements.

B. On July 25, 2019, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ílAA-', with a stable outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating and the Company's commercial papers rating at a rating level of 'ílA-1+'.

C. On July 18, 2019, Midroog rating agency reaffirmed the short term rating for the Company's commercial papers at a rating level of 'P-1.il'.

D. For details regarding the Company's tender offer for the debentures (Series K) in the amount of NIS 1.4 billion, refer to Note 5c to the financial statements.

GAZIT-GLOBE LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As of September 30, 2019

Unaudited

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

Introduction

We have reviewed the accompanying financial information of Gazit-Globe Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of September 30, 2019 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of nine and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of a certain subsidiary, whose assets constitute approximately 29% of total consolidated assets as of September 30, 2019, and whose revenues constitute approximately 35% and 34% of total consolidated revenues for the periods of nine and three months then ended. The condensed interim financial information of this company was reviewed by other auditors, whose review report has been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of this company, is based on the review report of the other auditors.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel
November 18, 2019

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	1,471	728	1,583
Short-term investments and loans	81	1,148	241
Financial assets	481	141	210
Financial derivatives	208	194	194
Trade receivables	144	135	149
Other accounts receivable	799	325	335
Current taxes receivable	9	13	13
	3,193	2,684	2,725
Assets classified as held for sale	533	539	1,067
	3,726	3,223	3,792
NON-CURRENT ASSETS			
Equity-accounted investees	1,556	6,489	6,498
Other investments, loans and receivables	105	127	97
Financial assets	1,449	201	208
Financial derivatives	329	99	83
Investment property	31,918	33,793	35,672
Investment property under development	2,074	2,046	1,965
Fixed assets, net	195	148	169
Intangible assets, net	643	713	688
Deferred taxes	46	34	42
	38,315	43,650	45,422
	42,041	46,873	49,214

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

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from banks and others	844	974	1,273
Current maturities of non-current liabilities	2,258	1,277	1,295
Financial derivatives	71	261	228
Trade payables	117	85	112
Other accounts payable	809	855	902
Current taxes payable	404	420	434
	4,503	3,872	4,244
Liabilities attributable to assets held for sale	16	3	32
	4,519	3,875	4,276
NON-CURRENT LIABILITIES			
Debentures	16,457	19,988	20,653
Interest-bearing loans from banks and others	4,066	3,939	4,885
Financial derivatives	97	25	60
Other liabilities	510	253	311
Deferred taxes	1,908	2,031	2,072
	23,038	26,236	27,981
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	237	244	244
Share premium	4,656	4,860	4,860
Retained earnings	5,596	5,299	5,387
Foreign currency translation reserve	(3,304)	(2,037)	(1,827)
Other reserves	677	674	694
Treasury shares	-	-	(57)
	7,862	9,040	9,301
Non-controlling interests	6,622	7,722	7,656
Total equity	14,484	16,762	16,957
	42,041	46,873	49,214

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

November 18, 2019			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in millions (except for per share data)				
Rental income	2,082	2,106	660	685	2,840
Property operating expenses	580	618	181	193	844
Net operating rental income	1,502	1,488	479	492	1,996
Fair value gain (loss) from investment property and investment property under development, net	(199)	(182)	(26)	(105)	114
General and administrative expenses	(266)	(263)	(84)	(76)	(375)
Other income	41	15	34	5	13
Other expenses	(379)	(88)	(15)	(43)	(126)
Company's share in earnings of equity-accounted investees, net	53	276	4	132	389
Operating income	752	1,246	392	405	2,011
Finance expenses	(756)	(1,761)	(221)	(485)	(2,262)
Finance income	1,057	114	524	68	140
Income (loss) before taxes on income	1,053	(401)	695	(12)	(111)
Taxes on income (tax benefit)	434	(111)	173	(4)	(64)
Net income (loss)	619	(290)	522	(8)	(47)
Attributable to:					
Equity holders of the Company	433	(413)	474	1	(253)
Non-controlling interests	186	123	48	(9)	206
	619	(290)	522	(8)	(47)
Net earnings (loss) per share attributable to equity holders of the Company (NIS):					
Total basic net earnings (loss)	2.34	(2.14)	2.57	0.01	(1.31)
Total diluted net earnings (loss)	2.33	(2.16)	2.57	0.01	(1.32)

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
	Unaudited				**Audited**
	NIS in millions				
Net income (loss)	619	(290)	522	(8)	(47)
Other comprehensive income (loss) (net of tax effect):					
<u>Amounts that will not be reclassified subsequently to profit or loss:</u>					
Net gains (losses) on financial assets at fair value through other comprehensive income	21	(47)	(36)	(12)	(56)
<u>Amounts that will be or that have been reclassified subsequently to profit or loss:</u>					
Exchange differences on translation of foreign operations	(2,433)	(88)	(1,323)	(196)	189
Net gains (losses) on cash flow hedges	(68)	13	(16)	3	(10)
Realization of capital reserves on sale of an associate	73	-	-	-	-
Total other comprehensive income (loss)	(2,407)	(122)	(1,375)	(205)	123
Total comprehensive income (loss)	(1,788)	(412)	(853)	(213)	76
Attributable to:					
Equity holders of the Company (1)	(1,059)	(703)	(403)	(160)	(338)
Non-controlling interests	(729)	291	(450)	(53)	414
	(1,788)	(412)	(853)	(213)	76
(1) Breakdown of total comprehensive loss attributable to equity holders of the Company:					
Net income (loss)	433	(413)	474	1	(253)
Exchange differences on translation of foreign operations	(1,543)	(256)	(830)	(152)	(31)
Net gains (losses) on cash flow hedges	(42)	6	(9)	2	(9)
Net gains (losses) on financial assets at fair value through other comprehensive income	20	(40)	(38)	(11)	(45)
Realization of capital reserves on sale of an associate	73	-	-	-	-
	(1,059)	(703)	(403)	(160)	(338)

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of December 31, 2018 (audited)	244	4,860	5,387	(1,827)	694	(57)	9,301	7,656	16,957
Net income	-	-	433	-	-	-	433	186	619
Other comprehensive loss	-	-	-	(1,475)	(17)	-	(1,492)	(915)	(2,407)
Total comprehensive income (loss)	-	-	433	(1,475)	(17)	-	(1,059)	(729)	(1,788)
Exercise and expiration of Company's share options into Company shares	*) -	4	-	-	(4)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(158)	(158)	-	(158)
Cancellation of treasury shares	(7)	(208)	-	-	-	215	-	-	-
Cost of share-based payment	-	-	-	-	6	-	6	2	8
Dividend declared **)	-	-	(224)	-	-	-	(224)	-	(224)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	5	3
Acquisition of non-controlling interests	-	-	-	(2)	-	-	(2)	(51)	(53)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(261)	(261)
Balance as of September 30, 2019	237	4,656	5,596	(3,304)	677	-	7,862	6,622	14,484

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

**) In the nine months ended in September 30, 2019, the Company declared a dividend in the amount of NIS 1.22 per share (in a total amount of NIS 224 million), out of which NIS 74.7 million (NIS 0.405 per share) was paid on April 16, 2019 ,NIS 74.6 million (NIS 0.405 per share) was paid on June 13, 2019 and NIS 74.7 million (NIS 0.405 per share) was paid on September 18, 2019

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of December 31, 2017 (audited)	246	4,914	5,919	(1,722)	581	(2)	9,936	8,181	18,117
Cumulative effect of first time adoption of IFRS 9	-	-	13	-	(13)	-	-	-	-
Balance as of January 1, 2018	246	4,914	5,932	(1,722)	568	(2)	9,936	8,181	18,117
Net income (loss)	-	-	(413)	-	-	-	(413)	123	(290)
Other comprehensive income (loss)	-	-	-	(256)	(34)	-	(290)	168	(122)
Total comprehensive income (loss)	-	-	(413)	(256)	(34)	-	(703)	291	(412)
Exercise and expiration of Company's share options into Company shares	*) -	2	-	-	(2)	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(56)	(56)	-	(56)
Cancellation of treasury shares	(2)	(56)	-	-	-	58	-	-	-
Cost of share-based payment	-	-	-	-	13	-	13	5	18
Dividend declared	-	-	(220)	-	-	-	(220)	-	(220)
Capital issuance to non-controlling interests	-	-	-	-	(2)	-	(2)	4	2
Acquisition of non-controlling interests	-	-	-	(59)	131	-	72	(337)	(265)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(422)	(422)
Balance as of September 30, 2018	244	4,860	5,299	(2,037)	674	-	9,040	7,722	16,762

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of July 1, 2019	242	4,794	5,197	(2,474)	730	(145)	8,344	7,170	15,514
Net income	-	-	474	-	-	-	474	48	522
Other comprehensive loss	-	-	-	(830)	(47)	-	(877)	(498)	(1,375)
Total comprehensive income (loss)	-	-	474	(830)	(47)	-	(403)	(450)	(853)
Exercise and forfeiture of Company's share option into Company shares	*) -	2	-	-	(2)	-	*) -	-	*) -
Cancellation of treasury shares	(5)	(140)	-	-	-	145	-	-	-
Cost of share-based payment	-	-	-	-	2	-	2	-	2
Dividend declared **)	-	-	(75)	-	-	-	(75)	-	(75)
Capital issuance to non-controlling interests	-	-	-	-	(1)	-	(1)	3	2
Acquisition of non-controlling interests	-	-	-	-	(5)	-	(5)	(43)	(48)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(58)	(58)
Balance as of September 30, 2019	237	4,656	5,596	(3,304)	677	-	7,862	6,622	14,484

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

**) On August 20, 2019, the Company declared a dividend of NIS 0.405 per share that was paid on September 18, 2019.

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Other reserves	Treasury shares	Total	Non-controlling interests	Total equity
	Unaudited								
	NIS in millions								
Balance as of July 1, 2018	246	4,916	5,371	(1,861)	629	(49)	9,252	7,994	17,246
Net income (loss)	-	-	1	-	-	-	1	(9)	(8)
Other comprehensive loss	-	-	-	(152)	(9)	-	(161)	(44)	(205)
Total comprehensive income (loss)	-	-	1	(152)	(9)	-	(160)	(53)	(213)
Exercise and expiration of Company's share options into Company shares	*) -	-	-	-	-	-	*) -	-	*) -
Purchase of treasury shares	-	-	-	-	-	(9)	(9)	-	(9)
Cancellation of treasury shares	(2)	(56)	-	-	-	58	-	-	-
Cost of share-based payment	-	-	-	-	2	-	2	1	3
Dividend declared	-	-	(73)	-	-	-	(73)	-	(73)
Capital issuance to non-controlling interests	-	-	-	-	(1)	-	(1)	1	-
Acquisition of non-controlling interests	-	-	-	(24)	53	-	29	(116)	(87)
Dividend to non-controlling interests	-	-	-	-	-	-	-	(105)	(105)
Balance as of September 30, 2018	244	4,860	5,299	(2,037)	674	-	9,040	7,722	16,762

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in millions				
Cash flows from operating activities:					
Net income (loss)	619	(290)	522	(8)	(47)
Adjustments required to present cash flows from operating activities:					
Adjustments to the profit or loss items:					
Finance expenses (income), net	(301)	1,647	(303)	417	2,122
Company's share in earnings (losses) of equity-accounted investees, net	(53)	(276)	(4)	(132)	(389)
Fair value gain (loss) from investment property and investment property under development, net	199	182	26	105	(114)
Depreciation and amortization	23	18	7	6	66
Taxes on income (tax benefit)	434	(111)	173	(4)	(64)
Capital (gain) loss, net	(24)	3	(34)	22	14
Loss (gain) from decrease in holding interest and sale of an associate	345	*) -	-	(2)	(3)
Change in provision for legal claims, net	1	(130)	-	(12)	(124)
Cost of share-based payment	8	18	2	3	21
	632	1,351	(133)	403	1,529
Changes in assets and liabilities items:					
Decrease (increase) in trade receivables and other accounts receivable	(60)	(65)	33	(17)	(113)
Increase (decrease) in trade and other accounts payable	(36)	(60)	48	12	27
Increase (decrease) in tenants' security deposits, net	(9)	(3)	(13)	3	(24)
	(105)	(128)	68	(2)	(110)
Net cash provided by operating activities before interest, dividend and taxes	1,146	933	457	393	1,372
Cash received and paid during the period for:					
Interest paid	(608)	(949)	(159)	(477)	(1,128)
Interest received	60	33	46	15	38
Dividend received	127	215	25	56	285
Taxes paid	(39)	(74)	(10)	(12)	(72)
Taxes received	9	4	-	1	3
	(451)	(771)	(98)	(417)	(874)
Net cash provided by (used in) operating activities	695	162	359	(24)	498

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in millions				
Cash flows from investing activities:					
Proceeds from sale of an associate	2,839	-	-	-	-
Investment and loans to investees	-	(191)	-	(33)	(190)
Acquisition, construction and development of investment property	(1,567)	(2,475)	(336)	(889)	(4,025)
Investments in fixed assets and other assets	(40)	(26)	(7)	(14)	(43)
Proceeds from sale of investment property, net of tax paid	1,455	1,055	1,038	459	1,130
Proceeds from sale of fixed assets	12	-	12	-	-
Grant of long-term loans	-	(1)	-	-	(1)
Collection of long-term loans	2	76	1	69	85
Short-term investments, net	(54)	(1,120)	77	(622)	(185)
Investment in financial assets	(481)	(284)	(111)	(69)	(431)
Proceeds from sale of financial assets and deposits withdrawal, net of tax paid	(145)	4,369	72	1,793	4,397
Net cash provided by investing activities	2,021	1,403	746	694	737
Cash flows from financing activities:					
Exercise of share options into Company's shares	*) -	*) -	*) -	-	*) -
Purchase of treasury shares	(158)	(56)	-	(9)	(113)
Capital issuance to non-controlling interests, net	3	2	2	-	1
Acquisition of non-controlling interests	(53)	(265)	(48)	(87)	(322)
Dividend paid to equity holders of the Company	(298)	(214)	(75)	(72)	(287)
Dividend paid to non-controlling interests	(263)	(422)	(60)	(107)	(531)
Receipt of long-term loans	138	-	89	-	715
Repayment of long-term loans	(103)	(370)	(92)	(183)	(394)
Receipt (repayment) of long-term credit facilities from banks and others, net	(329)	(69)	(45)	(18)	225
Receipt (repayment) of Short-term credit from banks and others, net	(96)	582	92	611	614
Repayment and early redemption of debentures and convertible debentures	(1,551)	(4,695)	(900)	(4,554)	(4,793)
Issuance of debentures	-	3,761	-	2,910	4,308
Net cash used in financing activities	(2,710)	(1,746)	(1,037)	(1,509)	(577)
Exchange differences on balances of cash and cash equivalents	(118)	(45)	(65)	12	(29)
Increase (decrease) in cash and cash equivalents	(112)	(226)	3	(827)	629
Cash and cash equivalents at the beginning of the period	1,583	954	1,468	1,555	954
Cash and cash equivalents at the end of the period	1,471	728	1,471	728	1,583

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in millions				
(a) Significant non-cash transactions:					
Sale of an associate against receivables	335	-	-	-	-
Leases of investment real estate and fixed assets	301	-	-	-	40
Dividend payable to equity holders of the Company	-	73	-	73	73
(b) Additional information:					
Tax paid included under investing activities	344	236	-	148	252

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

NOTE 1:- GENERAL

a. These consolidated financial statements have been prepared in a condensed format as of September 30, 2019 and for the nine months then ended (the "Reporting Period") and for the three months then ended (collectively: "Interim consolidated financial statements"). These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2018 and for the year then ended and accompanying notes, that were authorized by the Board of Directors on March 17, 2019 ("annual financial statements").

b. As of September 30, 2019 (the "Reporting Period") the Company has a working capital deficiency of NIS 0.8 billion. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 5.7 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Leases

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

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

a. The Group as lessee

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

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

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. The Group as lessor

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

2. Operating lease - Lease agreements where the Group does not transfer substantially all the risks and rewards incidental to ownership of the leased asset, are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term. Initial direct costs incurred in respect of the lease agreement, are added to the carrying amount of the leased asset and recognized as an expense on the same basis over the lease term. When the leased asset is investment property, these costs are recognized in the profit or loss as part of the fair value adjustments.

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

IFRS 16, Leases:

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

- According to the Standard, lessees are required to recognize all leases in the statement of financial position (excluding certain exceptions, see below). Lessees will recognize a liability for lease payments with a corresponding right-of-use asset, similar to the accounting treatment for finance leases under the Old Standard. Lessees will also recognize interest expense and depreciation expense separately.

- Variable lease payments that are not dependent on changes in the Consumer Price Index ("CPI") or interest rates, but are based on performance or use are recognized as an expense by the lessees as incurred and recognized as income by the lessors as earned.

- In the event of change in variable lease payments that are CPI-linked, lessees are required to remeasure the lease liability and record the effect of the remeasurement as an adjustment to the carrying amount of the right-of-use asset.

- The Standard includes two exceptions which allow lessees to account for leases based on the existing accounting treatment for operating leases - leases for which the underlying asset is of low financial value and short-term leases (up to one year).

- The accounting treatment by lessors remains substantially unchanged from the Old Standard, namely classification of a lease as a finance lease or an operating lease.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

<u>IFRIC 23 – Uncertainty over Income Tax Treatments</u>

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

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

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. Debt raising and redemption by the group

During the reporting period the Company repurchased debentures (series d and k) with a par value of NIS 735 million for a consideration of NIS 945 million out of which NIS 673 million par value for a consideration of NIS 868 million were purchased on September 10, 2019 through a tender offer published by the company. As a result, the Company recorded loss from early redemption of NIS 53 million. The debentures were cancelled and delisted.

b. Other events

1. On February 13, 2019, the Company resolved to delist its shares from the New York Stock Exchange and terminate its obligation to report under the Securities Exchange Act of 1934. The required documentation for the delisting was filed with the SEC. The delisting and termination of reporting is effective from March 7, 2019. The deregistration of the Company's shares is effective from June 2019.
2. On February 28, 2019, the Company and its wholly-owned subsidiary ("the Subsidiary") entered into conditional strategic agreements to sell 58 million shares of FCR, in which the Company held as of that date an ownership interest of 31.3% (80 million shares owned by the Company), for aggregate consideration of CAD 1.195 billion (NIS 3.2 billion), as follows:

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

   b. The Buy-Back Agreement is fully underwritten. Concurrently, the Company and the subsidiary have signed a binding term sheet with RBC Capital Markets, as the leader of a syndication of underwriters, for the sale of an additional 22 million FCR shares (“the Bought Deal Transaction), representing 8.7% of FCR’s share capital (the Bought Deal Shares”), by way of a fully underwritten public offering (“the Bought Deal”), at a price of CAD 20.60 per share (“the Bought Deal Price”), for aggregate gross consideration of CAD 453 million (NIS 1.2 billion). Half of the total consideration was paid upon the closing and half will be paid during a period of up until one year from the closing. By the date of this report approximately CAD 97 million out of the deferred consideration were paid.

   The closing of the deals was subject to conditions that were met during April 2019, and the buyback was completed on April 16, 2019. Upon completion of the buyback and the Bought Deal, the Company is holding (through the Subsidiary) 21.6 million FCR shares, which, at that time, represented 9.9% of FCR’s share capital and voting rights. As a result, the Company recorded a loss of NIS 345 million as other expenses. This loss includes a loss from realization of capital reserves (mainly currency translation reserve) at the amount of NIS 73 million. In addition, the Company recorded tax expenses of NIS 255 million, which includes deferred tax expenses amounting to NIS 74 million in respect of the shares remaining in the Company's ownership. In total, the Company recognized a reduction in its shareholders’ equity of NIS 527 million.

   Beginning as at the closing of the transaction, the remaining FCR shares held by the Company are presented in the Company’s financial statements as a financial asset measured through OCI. As of September 30 2019, the asset was at the amount of NIS 1,254 million.

3. During the reporting period, the Company repurchased approximately 5.6 million shares for consideration of NIS 158 million, out of which 2.4 million shares for a consideration of NIS 70 million were purchased on April 1 2019 with a tender offer published by the Company on March 18 2019 for up to 10 million of its share which was partially accepted.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

4. On July 23, 2019, the Company's wholly owned subsidiary has entered to an agreement with the public subsidiary ATR, to acquire all of ATR's issued shares it does not currently own at a price of EUR 3.75 per share and which equates to gross consideration of EUR 565 million (approximately NIS 2.2 billion), to be paid solely in cash. This price reflects a premium of 18.3% over the ATR's share price before the agreement. The suggested price may be adjusted for a special dividend of EUR 0.60 per share which ATR intends to distribute.
   In parallel, the Company has entered into agreements with Menora Mivtachim Insurance Ltd. and Menora Mivtachim pension and provident funds, and also with The Phoenix Insurance Company Ltd and The Phoenix, excellence nessuah gemel, and pension Ltd pursuant to which, upon closing, the Company will sell to them approximately 12% and 6%, respectively of ATR's outstanding shares at an identical price to the price at which the Company is acquiring those shares, for total consideration of approximately EUR 150 million (approximately NIS 600 million), and EUR 75 million (approximately NIS 300 million), respectively.
   The acquisition was carried out by an arrangement according to Jersey island laws and it was dependent in certain conditions among them it has to be approved by 75% of ATR's minority shareholders and by the courts in Jersey island (where ATR is incorporated).
   After the reporting date, on November 25, 2019, ATR's minority shareholders voted, and less than 75% voted to approve the transaction, therefore the conditions for the transaction were not met and the transaction was cancelled.

5. On July 18, 2019, Midroog rating agency reaffirmed the short term rating for the Company's commercial papers at a rating level of 'P-1.il'.

6. On July 25, 2019, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ílAA-', with a stable outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating and the Company's commercial papers rating at a rating level of 'ílA-1+'.

NOTE 4:- FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

	September 30, 2019		September 30, 2018		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	NIS in million					
Debentures	18,680	19,948	20,807	21,817	21,474	21,831
Interest bearing loans from banks and others	4,101	4,188	4,397	4,420	5,359	5,341
	22,781	24,136	25,204	26,237	26,833	27,172

b. Classification of financial instruments by fair value hierarchy

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

NOTE 5:- EVENTS AFTER THE REPORTING DATE

a. On November 18, 2019, the Company declared a dividend in the amount of NIS 0.405 (totaling NIS 75 million), payable on January 2, 2020 to the shareholders of the Company as of December 17, 2019.

b. On October 2, 2019, the Company's debentures (series J) which were secured by a pledge were fully paid, according to their payment terms. As a result, the pledged asset was released.

c. On November 18, 2019, the Company approved a tender offer to repurchase debentures (series K) of up to NIS 1.1 billion par value, approximately 48.5% from the outstanding balance, for a total consideration of NIS 1.4 billion, if the tender offer will be fully accepted. The tender offer is effective until December 3 2019.

d. On November 18, 2019, the Company, through a wholly owned subsidiary (collectively: the "Subsidiary"), entered into agreements to establish a joint venture to locate, acquire and manage mixed-use properties in densely populated areas of major cities in Canada, focusing at this time, on the city of Totonto (collectively: the "Joint Venture"). The new joint venture will be owned by the Company (60%) which will invest, at this point, C$ 60 million, and by Mr Dori Segal, who serves as a director of the Company (40%) which will invest, at this point, C$ 40 million thorough a company under his control. In addition, the Subsidiary will grant a loan to the Joint Venture in a total of up-to C$ 50 million, with market interest rate. Mr Dori Segal will be the CEO of the Joint Venture for annual management fees as is customary for similar positions in similar real estate companies. The management fees are subject to the approval of the majority of the Company's shareholders. Due to the establishment of the Joint Venture, Mr Dori Segal will cease to serve as a director of the Company.

e. On November 7, 2019, CTY published tender offers to repurchase three series of debentures denominated in EUR. On November 18, 2019, CTY published that upon the expiration date on November 15, 2019, EUR 269 million in aggregate nominal amount had been validly tendered pursuant to the tender offers. CTY decided to postpone the final results announcement to November 19, 2019. Until the final results announcement, no assurance can be given that any notes validly tendered for purchase pursuant to the tender offers will be accepted.

   In addition, on November 7, 2019, CTY published tender offers to repurchase three series of debentures denominated in EUR. On November 18, 2019, CTY published that upon the expiration date on November 15, 2019, NOK 1.1 billion in aggregate nominal amount had been validly tendered pursuant to the tender offer. CTY decided to postpone the acceptance deadline to November 19, 2019. CTY is not obligated to buy any of the tendered bonds.

f. On November 18, 2019, CTY announced on the issuance of EUR 350 million capital securities ("Capital Securities"). The Capital Securities bears interest at a fixed interest rate of 4.496% will reset on each fifth (5th) anniversary. The Capital Securities do not have a specified maturity date but CTY is entitled to redeem the Capital Securities on any of the 90 days up to and including the First Reset Date, and subsequently, on each annual interest payment date. The issue date is expected to be on or around 22 November 2019.

   The Capital Securities are subordinated to certain other debt obligations and are treated as equity in CTY's consolidated financial statements prepared in accordance with IFRS. The Capital Securities do not confer on their holders the rights of a shareholder nor do they dilute the holdings of the current shareholders.

NOTE 6:- OPERATING SEGMENTS

The Company reports four reportable segments according to the management approach of IFRS 8.
Following the entrance to an agreement to sale most of FCR shares during the reporting period and the completion of the sale after the reporting date (see note 3b2), the management ceased from analyzing FCR operation separately, therefore the investment in FCR shares is no longer an operating segment. Comparative figures were restated.
In addition, according to the management approach, operating segments in Brazil and Israel, which were previously included in "other segments", became reportable segments, comparative figures were restated.

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	Total
	Unaudited						
	NIS in millions						
For the Nine months ended September 30, 2019							
Segment revenues	983	764	175	168	70	(78)	2,082
Segment net operating rental income	690	539	130	153	45	(55)	1,502
Segment operating profit	625	468	116	136	33	(626)	752
Finance income, net							301
Income before taxes on income							1,053

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	Total
	Unaudited						
	NIS in millions						
For the Nine months ended September 30, 2018							
Segment revenues	1,058	801	165	127	44	(89)	2,106
Segment net operating rental income	724	574	119	114	27	(70)	1,488
Segment operating profit	627	488	76	105	(4)	(46)	1,246
Finance expenses, net							(1,647)
Loss before taxes on income							(401)

NOTE 6:- OPERATING SEGMENT (Cont.)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	Total
	Unaudited						
	NIS in millions						
For the three months ended September 30, 2019							
Segment revenues	309	233	59	57	27	(25)	660
Segment net operating rental income	221	161	45	53	16	(17)	479
Segment operating profit	208	141	41	46	18	(62)	392
Finance income, net							303
Income before taxes on income							695

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	Total
For the three months ended September 30, 2018							
Segments of revenue	342	254	56	48	14	(29)	685
Segment net operating rental income	239	182	39	45	9	(22)	492
Segment operating profit	214	137	21	43	4	(14)	405
Finance expenses, net							(417)
Loss before taxes on income							(12)

NOTE 6: OPERATING SEGMENTS (Cont.)

	Public subsidiaries over which the Company has control		Wholly-owned subsidiaries				
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	Total
	Audited						
	NIS in millions						
Year ended December 31, 2018							
Segment revenues	1,416	1,073	224	183	62	(118)	2,840
Segment net operating rental income	962	760	160	166	39	(91)	1,996
Segment operating profit	780	615	98	152	118	248	2,011
Finance expenses, net							(2,122)
Loss before taxes on income							(111)

Segment assets

	Public subsidiaries over which the Company has control		wholly-owned subsidiaries				
	Shopping centers in Northern Europe	Shopping centers in Central-Eastern Europe	Shopping centers in Israel	Shopping centers in Brazil	Other segments	Consolidation adjustments	Total
	Unaudited						
	NIS in millions						
September 30, 2019	17,824	11,539	3,694	2,862	2,028	4,094	42,041
September 30, 2018	20,314	12,320	3,353	2,594	1,307	6,985	46,873
December 31, 2018 (Audited)	20,348	13,886	3,442	3,081	1,618	6,839	49,214

GAZIT-GLOBE LTD.

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

As of September 30, 2019

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To
The Shareholders of Gazit Globe Ltd.

Dear Sirs/Mmes.,

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

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 September 30, 2019 and for the periods of nine and 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 4,102 million as of Septmber 30, 2019, and for which the Company's share of its earnings amounted to NIS 170 million and NIS 30 million in the periods of nine and three months then ended. The financial statement of this company was reviewed by other auditors, whose report has been furnished to us, and our conclusion, insofar as it relates to the financial statement with respect to this company, is based on the review report of the other auditors.

Scope of review

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

Conclusion

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

Tel-Aviv, Israel
November 18, 2019

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

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

Below are separate financial data and financial information from the Group's condensed consolidated interim financial statements as of September 30, 2019 published as part of the interim reports ("consolidated financial statements") attributable to the Company, presented in accordance with the Israeli Regulation 38d of the Securities Regulations (Periodic and Immediate Reports), 1970.

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

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

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

	September 30,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	512	71	738
Short-term investments	55	207	207
Short term loans and current maturities of long-term loans to subsidiaries	-	613	261
Financial assets	18	-	-
Financial derivatives	205	193	188
Other accounts receivable	13	6	7
Total current assets	803	1,090	1,401
NON-CURRENT ASSETS			
Financial derivatives	237	31	4
Other accounts receivable	20	-	12
Loans to subsidiaries	5,578	4,820	5,151
Investments in subsidiaries	16,916	17,951	18,744
Fixed assets and other assets, net	37	3	4
Total non-current assets	22,788	22,805	23,915
Total assets	23,591	23,895	25,316

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

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

	September 30,		December 31,
	2019	2018	2018
	Unaudited		Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Credit from financial institutions	250	250	250
Current maturities of non-current liabilities	907	1,263	1,273
Short-term loans from subsidiaries	1,223	650	1,026
Financial derivatives	67	252	223
Trade payables	2	2	2
Other accounts payable	150	111	131
Current taxes payable	179	56	56
Dividend payable	-	73	73
Total current liabilities	2,778	2,657	3,034
NON-CURRENT LIABILITIES			
Loans from banks and others	1,346	1,976	2,192
Long-term loans from subsidiaries	4,294	1,914	1,950
Debentures	7,309	8,303	8,837
Deferred taxes	2	5	2
Total non-current liabilities	12,951	12,198	12,981
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	237	244	244
Share premium	4,656	4,860	4,860
Reserves	(2,627)	(1,363)	(1,190)
Retained earnings	5,596	5,299	5,387
Total equity	7,862	9,040	9,301
Total liabilities and equity	23,591	23,895	25,316

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

November 18, 2019			
Date of approval of the financial statements	Ehud Arnon Chairman of the Board	Chaim Katzman CEO and Vice Chairman of the Board	Adi Jemini Executive Vice President and CFO

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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in millions				
Management fees from related companies	2	2	1	1	3
Finance income from subsidiaries	20	92	-	24	112
Other finance income	990	1	535	1	2
Other income	8	-	-	-	-
Total income	1,020	95	536	26	117
General and administrative expenses	33	37	10	9	52
Financing expenses from subsidiaries	-	-	14	-	-
Finance expenses	368	734	25	182	1,072
Other expenses	68	22	-	22	22
Total expenses	469	793	49	213	1,146
Income (Loss) before income from subsidiaries, net	551	(698)	487	(187)	(1,029)
Income (loss) from subsidiaries, net	(42)	295	71	191	780
Income (loss) before taxes on income	509	(403)	558	4	(249)
Taxes on income	76	10	84	3	4
Net income (loss) attributable to the Company	433	(413)	474	1	(253)

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

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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
	Unaudited				**Audited**
	NIS in millions				
Net income (loss) attributable to the Company	433	(413)	474	1	(253)
Other comprehensive income (loss) attributable to the Company (net of tax effect):					
Amounts that will be or that have been reclassified subsequently to profit or loss:					
Exchange differences on foreign currency translation	27	(116)	4	(16)	(162)
Realization of capital reserve from foreign currency exchange differences	68	-	-	-	-
Other comprehensive income (loss) attributable to the Company	95	(116)	4	(16)	(162)
Other comprehensive income (loss) attributable to subsidiaries (net of tax effect)	(1,587)	(174)	(881)	(145)	77
Total other comprehensive loss attributable to the Company	(1,492)	(290)	(877)	(161)	(85)
Total comprehensive loss attributable to the Company	(1,059)	(703)	(403)	(160)	(338)

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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	NIS in millions				
Cash flows from operating activities of the Company					
Net income (loss) attributable to the Company	433	(413)	474	1	(253)
Adjustments required to present cash flows from operating activities of the Company:					
Adjustments to profit or loss items of the Company:					
Depreciation expenses	1	1	1	1	1
Finance expense, net	(642)	641	(496)	157	958
Loss (income) from subsidiaries, net	42	(295)	(71)	(191)	(780)
Realization of capital reserve from foreign currency exchange differences	68	-	-	-	-
Cost of share-based payment	3	8	1	1	8
Taxes on income (tax benefit)	76	10	84	3	4
	(452)	365	(481)	(29)	191
Changes in assets and liabilities of the Company:					
Decrease (increase) in other accounts receivable	(14)	1	(1)	(* -	(11)
Increase (decrease) in trade payables and other accounts payable	(9)	16	(* -	26	18
	(23)	17	(1)	26	7
Cash paid and received during the year by the Company for:					
Interest paid	(282)	(455)	28	(191)	(566)
Interest received from (paid to) subsidiaries, net	(7)	45	(50)	(4)	67
Taxes paid	(4)	(9)	(2)	(3)	-
Tax refund received	9	-	-	-	-
Dividend received from subsidiary	168	172	54	58	232
	(116)	(247)	30	(140)	(267)
Net cash provided by (used in) operating activities of the Company	(158)	(278)	22	(142)	(322)

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

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

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

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2019	**2018**	**2019**	**2018**	**2018**
	Unaudited				**Audited**
	NIS in millions				
Cash flows from investing activities of the Company					
Investments in fixed and other assets	(26)	(1)	(4)	(1)	(2)
Proceeds from sale of fixed assets	-	(* -	-	-	(* -
Short-term investments, net	(51)	(207)	80	-	(207)
Investments in subsidiaries	21	(801)	-	(83)	(948)
Loans repaid by (granted to) subsidiaries, net	2,349	2,056	129	226	2,511
Proceeds from (investment in) financial assets, net	(6)	639	(2)	353	613
Net cash provided by investing activities of the Company	2,287	1,686	203	495	1,967
Cash flows from financing activities of the Company:					
Exercise of share options into shares	(*-	(* -	(* -	(* -	(* -
Receipt of short-term credit facilities from financial institutions, net	-	250	-	250	249
Purchase of treasury shares	(158)	(56)	-	(9)	(113)
Dividend paid to equity holders of the Company	(298)	(214)	(75)	(72)	(287)
Issuance of debentures less issuance expenses	-	1,263	-	412	1,811
Repayment and early redemption of debentures	(1,550)	(2,353)	(899)	(2,297)	(2,360)
Receipt (repayment) of long-term credit facilities from banks, net	(338)	(309)	393	247	(266)
Repayment of long-term loans	-	(11)	-	-	(34)
Net cash used in financing activities of the Company	(2,344)	(1,430)	(581)	(1,469)	(1,000)
Exchange differences on balance of cash and cash equivalents	(11)	(1)	(18)	(8)	(1)
Increase (decrease) in cash and cash equivalents	(226)	(23)	(374)	(1,124)	644
Cash and cash equivalents at the beginning of period	738	94	886	1,195	94
Cash and cash equivalents at the end of period	512	71	512	71	738
Significant non-cash activities of the Company:					
Receipt of financial asset against loans from subsidiaries	-	374	-	374	374
Dividend payable to equity holders of the Company	-	73	-	73	73

*) 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.

a. General

This separate financial information as of September 30, 2019 and for the nine and three-month periods then ended have been prepared in a condensed format in accordance with the provisions of Regulation 38d of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be read in conjunction with the financial information in the annual financial statements as of December 31, 2018 and for the year then ended and the accompanying notes thereto, that were authorized by the Board of Directors on March 17, 2019 and with the financial information in the interim condensed consolidated financial statements as of as of September 30, 2019.

b. As of September 30, 2019 (the "Reporting Date"), the Company has a working capital deficiency of NIS 2.0 billion, mainly as a result from short terms loans from wholly owned subsidiaries. The Company and its wholly-owned subsidiaries have approved unutilized credit facilities amounting to NIS 2.5 billion available for immediate drawdown. The Company's management believes that these sources will allow the Company to repay its current liabilities when due.

c. Material events during the period

1. On February 13, 2019, the Company resolved to delist its shares from the New York Stock Exchange and terminate its obligation to report under the Securities Exchange Act of 1934. The required documentation for the delisting was filed with the SEC. The delisting and termination of reporting is effective from March 7, 2019. The deregistration of the Company's shares is effective from June 2019.

2. For details regarding the repurchase of Company's debentures through market trades and through a tender offer, refer to Note 3a to the financial statements at the consolidated interim financial statements.

3. For details regarding the repurchase of Company's shares through market trades and through a tender offer, for consideration of NIS 158 million, refer to Note 3b3 to the consolidated interim financial statements.

4. On April 16, 2019, the Company and its wholly-owned subsidiary completed the sale of FCR 58 million shares (80 million shares owned by the Company), for a total consideration of CAD 1,195 million (NIS 3.2 billion), for further details, refer to Note 3b2 to the Consolidated Interim Financial Statements.

5. On July 23, 2019, the Company's wholly owned subsidiary has entered to an agreements with the public subsidiary ATR, to acquire all of ATR's issued shares it does not currently own at a price of EUR 3.75 per share and which equates to gross consideration of EUR 565 million (approximately NIS 2.2 billion), to be paid solely in cash. After the reporting date, on November 25, 2019, ATR's minority shareholders voted, and less than 75% voted to approve the transaction, therefore the conditions for the transaction were not met and the transaction was cancelled.. For further details, see Note 3b4 to the interim consolidated financial statements.

6. On July 18, 2019, Midroog rating agency reaffirmed the short term rating for the Company's commercial papers at a rating level of 'P-1.il'.

7. On July 25, 2019, the S&P Maalot rating agency reaffirmed the issuer rating and the credit rating of all the outstanding series of debentures of the Company, which are not secured by a pledge, at a rating level of 'ílAA-', with a stable outlook. In addition, the S&P Maalot rating agency reaffirmed the short term issuer rating and the Company's commercial papers rating at a rating level of 'ílA-1+'.

d. IFRS 7 - Financial Instruments

1. Fair value of financial instruments

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

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

	September 30, 2019		**September 30, 2018**		**December 31, 2018**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	NIS in million					
Debentures	8,195	9,188	9,122	9,904	9,658	9,783
Loans from banks and others	1,367	1,429	2,420	2,424	2,644	2,629
	9,562	10,617	11,542	12,328	12,302	12,412

2. Classification of financial instruments by fair value hierarchy

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

e. Events after the reporting date

1. On October 2, 2019, the Company's debentures (Series J) which were secured by a pledge were fully paid, according to their payment terms. As a result, the pledged asset was released.
2. On November 18, 2019, the Company approved a tender offer to repurchase debentures (Series K) of up to NIS 1.1 billion par value, approximately 48.5% from the outstanding balance, for a total consideration of NIS 1.4 billion, if the tender offer will be fully accepted. The tender offer is effective until December 3 2019.

f. Dividend declared

On November 18, 2019, the Company declared a dividend in the amount of NIS 0.405 per share (totaling NIS 75 million), payable on January 2, 2020 to the shareholders of the Company on December 17, 2019.

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

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

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

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

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

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

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

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

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

In the Quarterly Report regarding Effectiveness of the Internal Control over the Financial Reporting and the Disclosure, which was attached to the Quarterly Report for the period ended June 30, 2019 (the "Last Quarterly Report regarding Internal Control"), the internal control was found to be 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 found in the Last Quarterly Report regarding Internal Control.

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

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

Officers' Declarations

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

Officers' Declaration

Declaration of the Chief Executive Officer

I, Chaim Katzman, declare that:

(1) I have examined the quarterly report of Gazit-Globe Ltd. (the "**Corporation**") for the third quarter of 2019 (the "**Statements**");

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

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

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

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

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

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

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

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

(C) No event or matter has been brought to my attention that occurred during the period between the date of the last quarterly 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.

November 18, 2019

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

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

Officers' Declaration
Declaration of the most senior officer in the finance area

I, Adi Jemini, 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 third quarter of 2019 (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 CEO is involved or a party under his direct supervision or other employees are involved that have a significant function in internal control over financial reporting and disclosure;

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

(A) Have determined controls and procedures, or have verified the determination and existence 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 quarterly report and the date of this report, with respect to the Statements for the Interim Period and any other financial information included therein, 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.

November 18, 2019

Adi Jemini, Executive Vice President and Chief Financial Officer