GAZIT-GLOBE (1982) LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2001

ADJUSTED TO THE NIS OF SEPTEMBER 2001

UNAUDITED

INDEX

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ERNST & YOUNG

Kost Forer & Gabbay
3 Aminadav St.
Tel-Aviv 67067, Israel

Phone: 972-3-6232525
Fax: 972-3-5622555

The Board of Directors
Gazit-Globe (1982) Ltd.

Re: Review of unaudited interim consolidated financial statements for the nine and three months periods ended September 30, 2001

At your request, we have reviewed the interim consolidated balance sheet of Gazit-Globe (1982) Ltd. as of September 30, 2001, and the consolidated statements of income, statements of changes in shareholders' equity and the consolidated statements of cash flows for the nine and three months periods then ended.

Our review was made in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel, and included, inter-alia, reading the aforementioned financial statements, reading the minutes of meetings of the shareholders and the Board of Directors and its committees, and making inquiries of certain officers responsible for financial and accounting matters.

We did not review the interim financial statements of certain subsidiaries, whose assets constitute approximately 98.6% of total assets included in the interim consolidated balance sheet and whose revenues constitute approximately 99.5% of total revenues included in the interim consolidated statement of operations.

The foregoing procedures do not constitute an examination made in accordance with generally accepted auditing standards in Israel, and are limited in scope. Therefore, we do not express an opinion on the interim consolidated financial statements.

In the course of our review, including the reading of the review reports of other auditors, as referred to above, nothing came to our attention as a result of our review that would indicate that material changes of the financial statements are required in order that they may be considered prepared in accordance with generally accepted accounting principles in Israel and in accordance with the Securities Regulations (Periodic and Immediate Statements), 1970.

Tel-Aviv, Israel
November 29, 2001

KOST FORER & GABBAY
A Member of Ernst & Young International

CONSOLIDATED BALANCE SHEETS

Adjusted to the NIS of September 2001

	September 30, 2001	September 30, 2000	December 31, 2000
	Unaudited	Unaudited	Audited
	Adjusted NIS in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	281,208	82,952	104,440
Short-term investments	172,720	153,336	172,434
Tenants	35,882	40,884	36,456
Accounts receivable	60,588	30,707	36,087
Loans to a partner in proportionately consolidated subsidiaries	43,202	81,265	89,031
	593,600	389,144	438,448
LONG-TERM INVESTMENTS AND LOANS:			
Long-term investments	123,403	247,769	155,555
Long-term loans	91,143	35,256	51,012
	214,546	283,025	206,567
FIXED ASSETS:			
Cost	5,583,394	4,146,247	(* 4,421,454
Less - accumulated depreciation	192,049	79,920	112,871
	5,391,345	4,066,327	4,308,583
OTHER ASSETS AND DEFERRED CHARGES, NET	116,549	141,341	(* 114,792
	6,316,040	4,879,837	5,068,390

*) Reclassified.

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

CONSOLIDATED BALANCE SHEETS

Adjusted to the NIS of September 2001

	September 30,		December 31,
	2001	2000	2000
	Unaudited		Audited
	Adjusted NIS in thousands		
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term credit from banks and others	316,747	240,333	301,300
Trade payables	23,378	31,230	(* 29,683
Other accounts payable	127,008	119,691	(* 94,347
Dividend declared	-	-	6,970
	467,133	391,254	432,300
LONG-TERM LIABILITIES:			
Debentures	267,989	218,652	158,544
Liabilities to financial institutions and others	3,496,452	2,633,525	2,678,477
Tenants' security deposits	138,580	15,220	125,163
Accrued severance pay	780	120	615
Deferred taxes	473	3,664	473
	3,904,274	2,871,181	2,963,272
CONVERTIBLE DEBENTURES REDEEMABLE INTO SUBSIDIARY'S SHARES	730,807	978,365	(* 930,835
MINORITY INTEREST	574,516	246,273	276,792
CONVERTIBLE DEBENTURES	-	11,324	1,029
SHAREHOLDERS' EQUITY	639,310	381,440	464,162
	6,316,040	4,879,837	5,068,390

*) Reclassified.

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

November 29, 2001		
Date of approval of the financial statements	D. Segal CEO and Director	G. Kotler Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

Adjusted to the NIS of September 2001

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2001	**2000**	**2001**	**2000**	**2000**
	Unaudited				**Audited**
	Adjusted NIS in thousands (except per share amounts)				
Revenues:					
Rental income	484,172	218,202	171,240	141,944	364,980
Other income	63,738	(* 41,463	27,933	(* 12,202	71,964
	547,910	259,665	199,173	154,146	436,944
Costs and expenses:					
Operating properties for rent	165,549	69,836	58,517	48,204	122,264
Depreciation of properties for rent	70,419	28,996	26,134	18,530	48,976
General and administrative	42,164	26,012	14,033	13,185	35,730
Financial, net	100,085	(* 48,862	59,521	(* 35,138	105,643
Other expenses	8,045	10,642	1,436	9,153	8,452
	386,262	184,348	159,641	124,210	321,065
Income before taxes on income	161,648	75,317	39,532	29,936	115,879
Taxes on income	20,373	7,472	11,815	4,510	12,418
Income after taxes on income	141,275	67,845	27,717	25,426	103,461
Minority interest in earnings of subsidiaries	(48,312)	(20,461)	(9,647)	(8,895)	(26,458)
Equity of previous shareholders in losses (earnings) of newly consolidated subsidiary	-	354	-	354	(8,514)
Net income for the period	92,963	47,738	18,070	16,885	68,489
Net earning per NIS 1 par value of Common shares (in adjusted NIS):					
Basic earnings	1.96	1.25	0.37	0.45	1.70

*) Reclassified.

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Adjusted to the NIS of September 2001
Unaudited

	Nine months ended September 30, 2001						
	Share capital	Share premium	Capital reserve	Foreign currency translation adjustments for foreign autonomous units	Retained earnings (deficit)	Less - shares held by the Company	Total
	Adjusted NIS in thousands						
Balance at the beginning of the period	97,296	363,362	1,638	11,375	(8,874)	(635)	464,162
Issuance of share capital (net of issuance expenses)	4,107	52,403	-	-	-	(17,993)	38,517
Sale of shares held by the Company and subsidiary	-	(419)	-	-	-	12,146	11,727
Exercise of stock options into shares	2,564	20,633	-	-	-	-	23,197
Conversion of debentures into Company shares	88	933	-	-	-	-	1,021
Foreign currency translation adjustments for foreign autonomous units	-	-	-	30,763	-	-	30,763
Net income for the period	-	-	-	-	92,963	-	92,963
Dividend paid	-	-	-	-	(23,040)	-	(23,040)
Balance at the end of the period	104,055	436,912	1,638	42,138	61,049	(6,482)	639,310

	Nine months ended September 30, 2000						
	Share capital	Share premium	Capital reserve	Foreign currency translation adjustments for foreign autonomous units	Accumulated deficit	Less - shares held by the Company	Total
	Adjusted NIS in thousands						
Balance at the beginning of the period	82,879	220,649	1,638	10,240	(57,599)	-	257,807
Issuance of share capital, net	7,064	74,371	-	-	-	(12,439)	68,996
Conversion of debentures into Company shares	1,706	14,778	-	-	-	-	16,484
Exercise of stock options into shares	21	176	-	-	-	-	197
Sale of shares held by subsidiary	-	-	-	-	-	2,487	2,487
Reimbursement of issuance expenses	-	665	-	-	-	-	665
Foreign currency translation adjustments for foreign autonomous units	-	-	-	180	-	-	180
Net income for the period	-	-	-	-	47,738	-	47,738
Dividend paid	-	-	-	-	(13,114)	-	(13,114)
Balance at the end of the period	91,670	310,639	1,638	10,420	(22,975)	(9,952)	381,440

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Adjusted to the NIS of September 2001
Unaudited

	Three months ended September 30, 2001						
	Share capital	Share premium	Capital reserve	Foreign currency translation adjustments for foreign autonomous units	Retained earnings	Less - shares held by the Company	Total
	Adjusted NIS in thousands						
Balance at the beginning of the period	103,342	431,424	1,638	30,570	50,888	(10,808)	607,054
Sale of shares held by the Company and subsidiary	-	(290)	-	-	-	4,326	4,036
Exercise of stock options into shares	713	5,778	-	-	-	-	6,491
Foreign currency translation adjustments for foreign autonomous units	-	-	-	11,568	-	-	11,568
Net income for the period	-	-	-	-	18,070	-	18,070
Dividend paid	-	-	-	-	(7,909)	-	(7,909)
Balance at the end of the period	104,055	436,912	1,638	42,138	61,049	(6,482)	639,310

	Three months ended September 30, 2000						
	Share capital	Share premium	Capital reserve	Foreign currency translation adjustments for foreign autonomous units	Accumulated deficit	Less - shares held by the Company	Total
	Adjusted NIS in thousands						
Balance at the beginning of the period	89,822	293,898	1,638	9,780	(34,909)	(9,952)	350,277
Issuance of share capital, net	123	1,121	-	-	-	-	1,244
Conversion of debentures into Company shares	1,706	14,777	-	-	-	-	16,483
Exercise of stock options into shares	19	178	-	-	-	-	197
Reimbursement of issuance expenses	-	665	-	-	-	-	665
Foreign currency translation adjustments for foreign autonomous units	-	-	-	640	-	-	640
Net income for the period	-	-	-	-	16,885	-	16,885
Dividend paid	-	-	-	-	(4,951)	-	(4,951)
Balance at the end of the period	91,670	310,639	1,638	10,420	(22,975)	(9,952)	381,440

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Adjusted to the NIS of September 2001
Audited

	Year ended December 31, 2000						
	Share capital	Share premium	Capital reserve	Foreign currency translation adjustments for foreign autonomous units	Accumulated deficit	Less - shares held by the Company	Total
	Adjusted NIS in thousands						
Balance at the beginning of the year	82,879	220,649	1,638	10,240	(57,599)	-	257,807
Issuance of share capital, net	7,064	74,371	-	-	-	(12,439)	68,996
Conversion of debentures into Company shares	2,490	24,190	-	-	-	-	26,680
Exercise of stock options into shares	4,863	40,109	-	-	-	(6,111)	38,861
Sale of shares held by subsidiary	-	3,378	-	-	-	17,915	21,293
Reimbursement of issuance expenses	-	665	-	-	-	-	665
Foreign currency translation adjustments for foreign autonomous units	-	-	-	1,135	-	-	1,135
Net income for the year	-	-	-	-	68,489	-	68,489
Dividend paid	-	-	-	-	(12,794)	-	(12,794)
Dividend declared	-	-	-	-	(6,970)	-	(6,970)
Balance at the end of the year	97,296	363,362	1,638	11,375	(8,874)	(635)	464,162

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Adjusted to the NIS of September 2001

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2001	2000	2001	2000	2000
	Unaudited				Audited
	Adjusted NIS in thousands				
Cash flows from operating activities:					
Net income for the period	92,963	47,738	18,070	16,885	68,489
Adjustments to reconcile net income to net cash provided by operating activities (a)	(23,243)	24,103	6,305	9,033	12,660
Net cash provided by operating activities	69,720	71,841	24,375	25,918	81,149
Cash flows from investing activities:					
Investment in newly consolidated subsidiaries (b)	(139,085)	(332,341)	(139,085)	(332,341)	(458,503)
Investment in subsidiary and in jointly controlled entity	(18,950)	(14,506)	-	(83)	(22,358)
Investments in fixed assets	(237,358)	(107,241)	(36,794)	(67,009)	(222,169)
Proceeds from sale of fixed assets	245	59	-	-	-
Proceeds from sale of real estate	33,748	2,401	32,450	-	61,687
Granting of long-term loans	-	-	-	-	(61,516)
Repayment of long-term loans granted	6,549	302	4,558	302	56,882
Short-term investments, net	66,213	(114,420)	6,366	(111,755)	(60,505)
Purchase of marketable securities and long-term investments	(60,746)	(174,311)	(17,891)	(3,418)	(188,651)
Proceeds from sale of long-term investments	96,571	112,351	5,371	67,427	221,876
Proceeds from sale of real estate to former minority in subsidiary	-	-	-	-	2,594
Repayment of loan granted to a partner in jointly controlled entities	(1,388)	-	-	-	-
Net cash used in investing activities	(254,201)	(627,706)	(145,025)	(446,877)	(670,663)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Adjusted to the NIS of September 2001

	Nine months ended September 30, 2001	Nine months ended September 30, 2000	Three months ended September 30, 2001	Three months ended September 30, 2000	Year ended December 31, 2000
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Adjusted NIS in thousands				
Cash flows from financing activities:					
Issuance of share capital, net	38,517	68,996	-	1,244	68,996
Exercise of stock options into shares	23,197	197	6,491	197	38,862
Sale of company's shares by the Company and subsidiary	11,727	2,487	4,036	-	21,293
Reimbursement of issuance expenses	-	665	-	665	665
Issuance to minorities in subsidiary, net	91,341	-	91,341	-	44,823
Deferred charges in respect of raising loans and debentures	(12,300)	(4,198)	(1,350)	(1,269)	(18,651)
Dividend paid	(30,010)	(13,114)	(15,642)	(4,951)	(12,794)
Dividend paid to minorities in subsidiary	(18,731)	(15,527)	(2,094)	(7,197)	(20,625)
Receipt of long-term loans	717,998	674,946	288,916	561,094	736,416
Early redemption of debentures and convertible debentures of subsidiary	(165,882)	-	(17,449)	-	(46,865)
Sale of Company debentures by subsidiaries	-	6,690	-	711	7,366
Repayment of long-term loans	(410,565)	(127,243)	(73,816)	(69,417)	(157,288)
Short-term bank credit, net	11,974	8,289	2,335	(9,969)	(3,176)
Treasury shares	-	-	-	-	-
Issuance of convertible debentures	-	11,270	-	-	11,317
Issuance of debentures	97,707	-	-	-	-
Net cash provided by financing activities	354,973	613,458	282,768	471,108	670,339
Effect of exchange rate differences from cash balances of foreign autonomous units on cash and cash equivalents	6,276	151	2,166	178	(1,593)
Increase in cash and cash equivalents	176,768	57,744	164,284	50,327	79,232
Cash and cash equivalents at the beginning of period	104,440	25,208	116,924	32,625	25,208
Cash and cash equivalents at the end of period	281,208	82,952	281,208	82,952	104,440

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Adjusted to the NIS of September 2001

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2001	2000	2001	2000	2000
	Unaudited				Audited
	Adjusted NIS in thousands				
(a) Adjustments to reconcile net income to net cash provided by operating activities:					
Income and expenses not involving cash flows:					
Gain from realization and revaluation of marketable securities, net	(39,954)	(15,560)	(16,112)	(9,475)	(36,310)
Minority interest in earnings of subsidiaries	48,312	20,461	9,647	8,895	26,458
Depreciation	70,419	28,996	25,938	18,530	48,976
Deferred taxes, net	(8,133)	(1,725)	(5,181)	(1,509)	(841)
Gain from early redemption of debentures and convertible debentures of subsidiary	(35,458)	-	(1,209)	-	(9,693)
Adjustment differences on monetary assets and long-term liabilities, net	(81,183)	(40,180)	(1,969)	(26,795)	(53,478)
Amortization of other assets and deferred charges	13,200	9,211	8,172	8,306	22,988
Gain from sale of fixed assets	(478)	(27)	-	-	(2,989)
Increase in accrued severance pay	151	-	3	-	28
Loss (gain) from issuance to third party and related party	(4,909)	861	(5,451)	403	(2,495)
Changes in asset and liability items:					
Decrease (increase) in tenants and accounts receivable	(728)	(2,995)	(14,850)	(7,721)	16,280
Increase in trade payables and other accounts payable	15,732	24,473	12,731	18,254	3,442
Increase (decrease) in tenants' security deposits	(214)	588	(5,414)	145	294
	(23,243)	24,103	6,305	9,033	12,660

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Adjusted to the NIS of September 2001

	Nine months ended September 30, 2001	Nine months ended September 30, 2000	Year ended December 31, 2000
	Unaudited	Unaudited	Audited
	Adjusted NIS in thousands		
(b) Investment in newly consolidated subsidiaries:			
Subsidiaries' assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents):			
Current assets	(26,561)	-	(55,312)
Current liabilities	65,025	-	136,919
	38,464	-	81,607
Fixed assets, long-term investments and loans (mainly real estate)	(740,541)	-	(3,311,717)
Other assets	-	-	(133,322)
Long-term liabilities	411,016	-	2,810,033
	(329,525)	-	(635,006)
Minority interest	151,976	-	94,896
	(139,085)	-	(458,503)

	Nine months ended September 30, 2001	Nine months ended September 30, 2000	Three months ended September 30, 2001	Three months ended September 30, 2000	Year ended December 31, 2000
	Unaudited				Audited
	Adjusted NIS in thousands				
(c) Significant non-cash operations:					
Dividend declared	-	-	-	-	6,970
Purchase of fixed assets	-	-	-	-	30,174
Acquisition of jointly controlled entity	-	-	-	-	14,690
Sale of real estate	-	17,793	-	-	17,793
Conversion of convertible debentures into Company shares	1,021	-	-	-	26,680
Long-term investment	8,786	-	-	-	-

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

NOTE 1:- GENERAL

These financial statements have been prepared as of September 30, 2001 and for the nine and three months periods then ended. These financial statements are to be read in conjunction with the audited annual financial statements of the Company as of December 31, 2000 and their accompanying notes.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the annual financial statements as of December 31, 2000 are applied consistently in these financial statements.

NOTE 3:- FINANCIAL STATEMENTS IN ADJUSTED VALUES

The financial statements are prepared on the basis of the historical cost adjusted for the changes in the general purchasing power of the NIS according to the changes in the Israeli CPI. Comparative figures in these financial statements were adjusted to the NIS of September 2001.

The following are details in respect of the changes in the CPI of Israel, U.S. and Canada and the exchanges rate of the U.S. dollar and the Canadian dollar:

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2001	2000	2001	2000	2000
			%		
CPI - Israel	2.0	(0.5)	0.8	(0.8)	-
CPI - U.S.	2.5	3.2	0.2	0.8	3.4
CPI - Canada	2.0	2.6	(0.1)	0.6	3.2
Exchange rate of U.S. $ 1	7.8	(3.1)	4.6	(1.5)	(2.7)
Exchange rate of CD $ 1	2.7	(6)	1.0	(2.6)	(5.8)

NOTE 4:- ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS AND THEIR IMPACT ON THE FINANCIAL STATEMENTS

a. In May 2001, the Israel Accounting Standards Board published Accounting Standard No. 7 regarding post balance sheet events, and Accounting Standard No. 8 regarding discontinuing operations and in July 2001, Accounting Standard No. 11 regarding segment reporting and in October 2001, Accounting Standard No. 12 regarding the discontinuance of adjusting of financial statements for inflation (see b. below), and Accounting Standard No. 13 regarding the effects of changes in foreign exchange rates.

Accounting Standard No. 7 contains the conditions for post balance sheet events that require adjustments and post balance sheet events that are non-adjusting events, including rules such as accounting for dividend that are different from those applied until now. Accounting Standard No. 7 will apply to financial statements for periods ending on or after December 31, 2001. Since Regulation No. 31 to the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993 was not yet eliminated, the treatment of dividend that was declared after the balance sheet date will be in accordance with these regulations and will be disclosed as short-term liability and deducted from shareholders' equity.

Accounting Standard No. 8 prescribes provisions for presentation and disclosure with regard to the treatment of discontinued operations, among them provisions regarding presentation which are different from those applied until now. Accounting Standard No. 8 will apply to financial statements for periods beginning on or after January 1, 2002.

Accounting Standard No. 11 prescribes provisions with respect to segment reporting. Accounting Standard No. 11 is based on International Accounting Standard No. 14, pursuant to which the Company prepared its financial statements, since International Standard No. 14 constituted the accepted practice in Israel. Accounting Standard No. 11 will apply to financial statements for periods beginning January 1, 2002.

Management does not anticipate that the adoption of the new Standards, as discussed above, will have a significant effect on its results of operations, financial position and cash flows.

b. Discontinuance of adjusting financial statements and principles regarding the translation of financial statements of investees that are prepared in foreign currency:

During October 2001, the Israel Accounting Standards Board published Accounting Standard No. 12 which deals with the discontinuance of adjusting financial statements. According to this Standard, beginning January 1, 2003, financial statements will discontinue to be adjusted for inflation in Israel. Until December 31, 2002, the Company will continue to prepare adjusted financial statements in conformity with Opinion No. 36 of the Institute of Certified Public Accountants in Israel. The adjusted amounts included in the financial statements as of December 31, 2002, will serve as the starting point for nominal financial reporting beginning January 1, 2003.

Accounting Standard No. 13 prescribes provisions with respect to the effects of changes in foreign exchange rates. This Standard replaces Interpretation No. 8 and Interpretation No. 9 to Opinion No. 36 of the Institute of Certified Public Accountants in Israel, which are eliminated at the time of discontinuance of the adjustment of the financial statements. The Standard deals with translation of foreign transactions and translation of financial statements of foreign operations for the purpose of their inclusion in the financial statements of the reporting company. The translation principles of Accounting Standard No. 13 are different from those applied until now. Accounting Standard No. 13 will apply to financial statements for periods beginning after December 31, 2002.

Management is of the opinion that the discontinuance of adjusting financial statements to the Israeli CPI and the application of the Standards regarding the translation of financial statements of investees that are prepared in foreign currency in environment of positive inflation, without regulating additional Standards that influence the results of income producing properties, will have a significant effect on the reported accounting results of the Company beginning with the year of change.

NOTE 5:- ADDITIONAL INFORMATION

a. In January 2001, the Company issued debentures in the amount of NIS 96 million to two provident funds. The debentures are linked to the Israeli CPI and bear interest which reflects a gross annual yield of 8.25%. The debentures are redeemable in the years 2006 - 2015.

In a transaction with a bank in Israel, the Company changed the linkage basis for part of a debenture, in the amount of $ 20 million, to the U.S. dollar with an additional cost of 0.2% per year.

b. In February 2001, the Company issued to institutional entities and the parent company about 2 million Common shares and about 1.6 million stock options (series 4). Each stock option (series 4) is exercisable into 1.111 shares of the Company in exchange for NIS 13.6, linked to the U.S. dollar (base exchange rate of $ 1 = NIS 4.15) until February 20, 2004. In any case, the exercise price will not be below NIS 13.6. The securities were issued in 403,260 units which contain 5 Common shares and 4 sock options (series 4) at NIS 70.25 per unit.

The parent company acquired at the issuance 120,000 units, representing an immediate investment of NIS 8.7 million. In addition, the Company offered additional 250,000 units to a wholly owned subsidiary. The securities to be held by the subsidiary will be dormant until sold to third parties.

The total net immediate capital raising amounts to NIS 29.1 million. Assuming that the options are fully exercised, the total capital raising is expected to amount to approximately NIS 52.1 million.

c. In May 2001, the Company issued to three officers who are not its related parties, NIS 750 thousand par value of Company shares at NIS 12.5 per share. The Company guarantees the loans which the optionees were granted from a bank in order to buy the shares. The loans are linked to the Israeli CPI, bear interest of 2% and are repayable in nine years or upon the sale of shares or upon the termination of the optionee's employment at the Company, whichever is earlier.

d. During September 2001, the subsidiary, CFE, (68.08%) resolved to change its name to First Capital Reality Inc. (FCR).

e. During the reported period, a subsidiary published two tender offers for three series of FCR convertible debentures. In the tender offers, about CD $ 12 million of convertible debentures (which bear interest of 7.875%) were acquired at 80% of their par value, about CD $ 22.4 million of convertible debentures (which bear interest of 7%) were acquired at the average of 77% of their par value and about CD $ 28.5 million of convertible debentures (which bear interest of 7.25%) were acquired at 80% of their par value.

By virtue of the agreement with Alony-Hetz Properties and Investments Ltd. ("Alony-Hetz"), about 22% of the debentures which were acquired through the tender offers were sold to Alony-Hetz at their purchase prices.

Further to the above, during the reported period, a subsidiary acquired additional convertible debentures of FCR during trade on the stock exchange. In respect of the acquisition of said debentures, during the reported period, the Company derived a net gain from early redemption of approximately NIS 17 million.

As of the date of the financial statements, the subsidiary holds in CD $ 84 million par value of FCR convertible debentures (23.7% of the issued amount) and in CD $ 13.4 million par value of FCR debentures (35% of the issued amount). The debentures and the convertible debentures which are held by the subsidiary are pledged as a security for the credit received in connection with their acquisition from a bank in Israel.

Subsequent to the balance sheet date, a subsidiary acquired, during trade on the stock exchange, additional CD $ 6.3 million par value of FCR convertible debentures.

f. In August 2001, EQ1 issued 1,300 thousand shares to Alony-Hetz in consideration of $ 14 million, pursuant to an agreement which was signed in October 2000. In September 2001, EQ1 issued additional 650 thousand shares to Alony-Hetz in consideration of $ 7 million, and thus completed its commitment under said agreement. Following the above issuances, the Company's holdings in EQ1 decreased from 63.8% to 55.5% in respect of which the Company derived a gain of NIS 6.5 million.

g. On May 18, 2001, Globe's subsidiaries, EQ1 and FCR, announced that they entered into a binding agreement, according to which EQ1 will acquire FCR wholly owned subsidiary, which is the owner of properties in the U.S., in exchange for the issuance of 10.5 million of EQ1 shares. In September 2001, the transaction was closed after all the required approvals were received.

h. In June 2001, EQ1 signed an agreement for the acquisition of United Investors Realty Trust ("UIRT"), (an income producing real estate company type REIT which is listed for trade on the New York stock exchange) in shares and cash transaction. The net value of the transaction is at $ 66 million, of which half is payable in cash and the remaining half by EQ1 shares. In September 2001, the transaction was closed after all the required approvals were received.

i. During the reported period, 2,226 thousand stock options (series 3) were exercised into 2,564 thousand shares for the total consideration of NIS 23.2 million. In addition, convertible debentures in the amount of NIS 1 million were converted into 84.5 thousand shares.

j. During May 2001, the Company acquired additional 1% of the shares of Mishkanot Clal in consideration of NIS 2 million, thereby increasing its holdings rate in Mishkanot Clal to 50%.

NOTE 6:- SUBSEQUENT EVENTS TO THE BALANCE SHEET DATE

a. In October 2001, FCR has entered into an employment agreement with the Company’s CEO (who acts also as FCR president), whereby beginning this month, the CEO is entitled to an annual basic salary of CD 400 thousand. The CEO is entitled to annual grants and participation in the Company's equity compensation plans, at the discretion of FCR Board.

At same date, FCR has also entered into an employment agreement with the chairman of the Company's Board (who acts also as the chairman of FCR Board), whereby beginning this month, the Company's chairman is entitled to an annual basic salary of CD 150 thousand. The above is entitled to annual grants, at the rate of 50% of the grants to be received by the Company's CEO, and participation in the equity compensation plans.

The agreements with the above related parties contain certain instructions in the event that their employment at FCR is terminated.

In view of said agreements, the basic salary of the Company's CEO and the chairman of the Board was reduced in the Company by 35%.

b. In November 2001, the Company issued to institutional bodies, to Gmul and to the parent company, 1,220 thousand shares, 375 thousand shares and 1,800 thousand shares, respectively, at NIS 13.3 per share. At that date, the Company has also sold to the institutional bodies 202 thousand shares which it held at same price. Total capital raising amounted to
NIS 47.8 million.

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GAZIT-GLOBE (1982) LTD.

Directors' Report to Shareholders
For the period ended September 30, 2001

The Board of Directors of Gazit-Globe (1982) Ltd. (hereinafter – "the Company") is honored to present the financial statements of the Company and its consolidated subsidiaries for the periods ended September 30, 2001:

1. **A. General**

The Company is an investment company engaged – by itself and through subsidiaries – in the acquisition, development, and management of properties in the USA, Canada, and Israel. The Company focuses mainly on supermarket anchored shopping centers. In addition, the Company pursues business opportunities in the acquisition of companies engaged in its areas of activity and/or in synergetic businesses.

The Company also invests in securities, mainly of other real estate companies traded on stock markets in the USA, Canada and Israel. The company spreads out these investments over a broad portfolio, utilizing the Company's familiarity with the area of activity of the said companies.

The Company's business strategy is characterized mainly by:

- Investment in economically and politically stable countries.
- Investment in neighborhood & community shopping centers, mainly anchored by supermarkets, which are considered "recession proof" compared to other real estate.
- Operation in Urban areas with high barriers to entry.
- Use of experienced local management team.
- Growth through the acquisition and development of commercial properties while pursuing acquisition and merger opportunities with real estate companies engaged in the Company's areas of activity.

As of the date of the financial statements, the Company owns – directly and indirectly – 137 properties with Gross Leasable Area (G.L.A.) of more than 16 million square feet, with a book value of NIS 5.4 billion, generating annual rental income of NIS 675 million (based on gross annual rent for the properties owned), as well as 50% of a senior living company.

In the USA, the Company operates mainly via Equity One Inc. (hereinafter – “EQ1”), a self-administered, self-managed REIT (real estate investment trust) traded on the NYSE. As of the date of the financial statements, the Company owns 55.4% of EQ1. EQ1 operates primarily in the states of Florida and Texas, owning 87 properties (primarily supermarket anchored shopping centers), with G.L.A. of 8.8 million square feet. The anchor tenants of EQ1’s properties are leading national and international chains, including: Winn-Dixie, Albertsons, Publix, Kmart and others. The average occupancy rate of the properties is 87%.

The operations in Canada are carried out via First Capital Realty Inc. (hereinafter – “FCR”) (formerly Centrefund), a public company traded on the TSE. As of the date of the financial statements, the company owns some 68.1% of FCR. FCR operates mainly in the Canadian provinces of Ontario, Quebec and Alberta owning 41 properties (primarily supermarket anchored shopping centers) with total G.L.A. of approx. 5.9 million square feet, as well as additional properties under development. The anchor tenants of FCR’s properties are leading national and international chains, including: Wal-Mart, Sobeys, Loblaws, Zellers, Safeway and others. The average occupancy rate of the properties is 92%.

In addition, the Company owns 8 properties (primarily supermarket anchored shopping centers) in the province of Quebec, with total G.L.A. of more than 800 thousand square feet (hereinafter – “GQI”). The anchor tenants of these properties are leading national and international chains.

In Israel, the company owns 50% of the share capital of Mishkenot Clal (1982) Ltd., which is engaged in the construction, maintenance, marketing and management of senior living facilities in Israel. In addition, the Company owns an office building in Tel-Aviv.

Key Points

- **In the third quarter of the year, net income amounted to NIS 18.1 million, NIS 0.37 per share, compared with net income of NIS 16.9 million, NIS 0.45 per share, in the same quarter last year.**

- **F.F.O. per share (see Par. 3) was NIS 0.66 in the third quarter, compared with NIS 0.68 per share in the third quarter of 2000.**

- **The figures for the third quarter of 2000 include the results of FCR. Therefore, for the first time this year, a comparison of the results of operations with the same period last year, has significance.**

- **The third quarter of the year was characterized by an especially low inflationary environment in the USA and Canada (0% in annual terms), which is reflected in an increase in the real financing expenses.**

- **During the third quarter of the year, EQ1's acquisition of UIRT and the merger with CEFUS were completed.**

- **In the third quarter of the year, the Shekel was devalued against the US dollar by 3.7% (in real terms), compared with appreciation of 0.6% (in real terms) in the third quarter last year.**
  The real devaluation affects the statement of operations by increasing financing expenses by NIS 4 million (adjustment of deposits of residents in Mishkenot Clal). The affect on the Company's balance sheet is a higher capital reserve that added NIS 11.6 million to the share holders equity, in respect of the Company's holdings in autonomous overseas units.

- **In the third quarter of the year Alony Hetz fulfilled its remaining commitment to invest in EQ1 and exercised its options for shares of EQ1 for total proceeds of US$ 21.2 million (NIS 92.3 million). Alony Hetz thereby completed a cumulative investment of US$ 32 million (NIS 139 million). The issuance of these shares generated a gain of NIS 6.5 million to the Company from the decrease in its shareholding percentage in EQ1.**

- **Shareholders' equity and minority interest as of the financial statements date total NIS 1.21 billion, an increase of NIS 297 million during the third quarter.**

- **As of September 30, 2001, shareholders' equity per share (NIS 1 par value) was NIS 13.05, compared with NIS 10.52 per share in the same quarter last year, an increase of 24%. Taking into account the dividend of NIS 0.64 per share distributed during the period, there was growth of 30%.**

2. <u>The Company and its Business Environment – Key Events and Changes Occurring in the Reported period</u>

General

In the nine-month period ended September 30, 2001, the Company invested – directly and through subsidiaries – the sum of NIS 201 million, net, in the acquisition, development, and improvement of properties and long-term investments. In addition, the Company invested NIS 143 million in the acquisition of the properties of UIRT. The effect of these acquisitions on the results of operations will be expressed in full in the coming quarters.

A. Sale of CEFUS and UIRT properties by EQ1

On September 20, 2001, the transfer of CEFUS (formerly a subsidiary of FCR that owns properties in the USA) to EQ1 in return for an issuance of 10.5 million shares of EQ1 to FCR was completed.

On September 21, EQ1 closed its acquisition of UIRT, in return for the issuance of 2.9 million shares of EQ1 to the shareholders of UIRT and a cash payment of US$ 32.9 million.

The Company, which held 9.8% of the shares of UIRT before the acquisition, at a cost of US$ 4.7 million, received in return for its UIRT shares, 553 thousand shares of EQ1.

Following the closing of these two transactions, the Company directly holds 30.6% of the share capital of EQ1. In addition, FCR holds another 36.5% of the shares of EQ1. Thus, the Company holds control of 67.1% of the share capital of EQ1 and ownership of 55.4% of the share capital of EQ1.

These two acquisitions have made EQ1 the third largest REIT in the Florida shopping center industry, and, essentially, the leading REIT in the supermarket anchored shopping center segment in Florida. EQ1 also became a major force in this industry segment in Texas. In addition, the merger has considerable advantages, both operationally and for EQ1's position vis a vis tenants in general and anchor tenants in particular.

Management is of the opinion that the substantial growth in the market value of EQ1 will expose it to additional American institutional investors, and, consequently, will improve its ability to raise capital.

These acquisitions position EQ1 as a leading, high-growth REIT, and place it in an excellent starting point for additional acquisitions and mergers of this type. At the same time, the acquisition enables FCR to focus on its areas of activity in Canada, while EQ1 consolidates activities in the USA. In addition, these acquisitions added more than one million square feet of vacant space, constituting significant potential for growth in rental income.

FCR expects to benefit from EQ1 quarterly distributions of earnings, and to benefit from the growth and improvement of EQ1 resulting from the mergers and business opportunities that this process will generate in the future, without incurring additional managerial costs. As a result of the merger, FCR's shareholders enjoy greater transparency with regard to FCR's activities in the USA.

B. <u>Acquisition and sale of properties</u>

1. On August 31, 2001, CEFUS sold an office building in Palm Beach, Florida for US$ 21 million. The sale had no effect on the Company's results.

2. On July 13, 2001, FCR and its partners agreed to wind up Canada Development Company ("CDG Canada"), which was owned in equal shares together with another party. Following the above mentioned decision, FCR acquired the other party's share in 5 properties and 2 development sites, for total proceeds of CA$ 25.5 million. The purchase price was satisfied by FCR's assumption of the other party's debt secured against the properties and forgiveness of the other party's outstanding debt obligation to FCR.

   At the same time, FCR and the others formed a partnership to develop one other commercial center and to own several sites for future development.

3. During the quarter, FCR and its partners also agreed to wind up the property development company in the USA ("CDG US"). In connection with the wind-up of CDG US, the other party acquired three development sites as well as the share of CDG US in two properties (this acquisition was closed subsequent to the financial statement date).

   On the other hand, FCR,through its subsidiary CEFUS, acquired one full property from CDG US, as well as the interest of CDG US in two other properties. One property, which is still under development, remains, at this stage, in the CDG US partnership.

C. <u>Additional investments</u>

As of September 30, 2001, the Company's investments in the shares of public real estate companies (REIT's) and shares of other companies in the USA and Canada (excluding subsidiaries) total NIS 222,640 thousand. The investment in these shares, which is included in short-term and long-term investments, is in companies whose principal activity is similar in nature to that of FCR, EQ1 and GQI.

As of September 30, 2000, the Company owns traded securities in the amount of NIS 191,052 thousand (excluding the investment in Supersol).

D. Acquisition of FCR debentures by the Company in the reported period

In the third quarter, the Company acquired – through a wholly-owned Canadian subsidiary – $C 7,073 thousand convertible debentures of FCR on the TSE, at a cost of NIS 17.4 million.

As a result of the acquisition of these debentures, at a purchase price that was lower than the liability on the subsidiary's books, the Company recorded a gain from the early redemption of these debentures in its financial statements of NIS 1.9 million. The Company's share in the gain after provision for tax, amortization of discount on debentures and the minority interest in the gain is NIS 0.9 million.

E. Agreement with former controlling shareholders in FCR

On August 17, 2001, FCR reached agreement with former controlling shareholders regarding the settlement of debt owed to them related to the management contracts they held with FCR immediately preceding the company's change of control.

Under the terms of the management agreements of the former controlling shareholders of FCR and according to an estimate made by its former managers just before the acquisition, FCR's financial statements as of June 30, 2000 included management expenses to the former controlling shareholders of C$ 21.3 million, of which C$ 9.2 had been received by them as an advance just before the change of control. The balance of the liability, C$ 12.1 million, was recorded in the books of FCR as a long-term liability.

Upon the acquisition of FCR, FCR notified the former controlling shareholders that it disputes the amount of management fees (including the amount already paid – C$ 9.2 million) and demanded that the agreement's arbitration provision be invoked. As a result of discussions between the parties, the former controlling shareholders waived their demand for additional payment of C$ 12.1 million. It was further agreed that the total management expenses would equal the advance already paid to them. In the third quarter financial statements of FCR, the liability of C$ 12.1, less the tax effect and other provisions, was written off. This write-off, which reduced the excess cost of investment created in the acquisition of FCR shares in August 2000, and which was allocated to fixed assets, had no effect on the Company's statement of operations.

F. Investments in technology companies related to the shopping center industry

The Company's management views investments in technology companies related to the shopping center industry as a complement to its business.

In the reported period, the Company continued to invest in MSC Networks Inc. ("MSC"), investing US$ 1.4 million (of which US$ 0.3 million was in the third quarter), and wrote down its entire investment in MSC of US$ 1.9 million (NIS 8 million). The Company is evaluating the developments and trends in the markets relating to companies engaged in the areas of activity of MSC.

G. Exercise of options (Series 3) of the Company

During the third quarter, the balance of the options in circulation were exercised for additional proceeds of NIS 6.5 million.

H. Dividend policy

Pursuant to the Company's annual dividend policy, in which the Company announces at the end of each year the dividend for the subsequent year, the Company announced that the dividend in 2002 would be at least NIS 0.64 per share.

The aforesaid is subject to the existence of adequate amounts of distributable income on the relevant dates, and is subject to the provision of any law relating to dividend distributions and to decisions that the Company is permitted to reach, including the appropriation of its income for another purpose and changing this policy.

I. Expected changes in accounting standards

In October 2001, the Israeli Accountancy Standards Board issued Standards No. 12 and 13 dealing with discontinuation of the measurement of financial statements based on changes in purchasing power in countries in which companies' real activities are conducted. These standards are expected to take effect from 2003. The Company operates in Israel, USA and Canada through companies that are defined as autonomous operating units, and which adjust their financial statements for changes in purchasing power in their domicile countries.

The Company's management estimates that discontinuation of such measurement, without the enactment of other accounting standards that affect the results of real estate companies, would have a material adverse effect on the Company's reported accounting results beginning from the year of the change.

3. A. Results of Operations

	Nine months ended September 30, 2001	Nine months ended September 30, 2000	Three months ended September 30, 2001	Three months ended September 30, 2000	Year ended December 31, 2000
	Unaudited				Audited
	Adjusted NIS in thousands (except per share amounts)				
Revenues:					
Rental income	484,172	218,202	171,240	141,944	364,980
Other income	63,738	41,463	27,933	12,202	71,964
Total	547,910	259,665	199,173	154,146	436,944
Costs and expenses:					
Operating properties for rent	165,549	69,836	58,517	48,204	122,264
Depreciation of properties for rent	70,419	28,996	26,134	18,530	48,976
General and administrative	42,164	26,012	14,033	13,185	35,730
Financial, net	100,085	48,862	59,521	35,138	105,643
Other expenses	8,045	10,642	1,436	9,153	8,452
Total	386,262	184,348	159,641	124,210	321,065
Income before taxes on income	161,648	75,317	39,532	29,936	115,879
Taxes on income	20,373	7,472	11,815	4,510	12,418
Income after taxes on income	141,275	67,845	27,717	25,426	103,461
Minority interest in earnings of subsidiaries	(48,312)	(20,461)	(9,647)	(8,895)	(26,458)
Equity of former shareholders in earnings of newly consolidated subsidiary	-	354	-	354	(8,514)
Net income for the period	**92,963**	**47,738**	**18,070**	**16,885**	**68,489**
Net earning per (NIS 1 par value)	1.96	1.25	0.37	0.45	1.70
*** F.F.O. for the period**	**138,812**	**68,543**	**32,255**	**28,662**	**98,038**
*** F.F.O. per share (NIS 1 par value)**	2.92	1.7	0.66	0.68	2.37

* F.F.O. - Funds From Operations – net income, which includes gains from securities, less non-recurring income and plus non-recurring expenses, plus depreciation.

B. Analysis of results of operations

Rental income

The increase in the third quarter relative to the same quarter last year stems from the acquisition of new properties, acquisition of the of the partners' share in existing properties and from the devaluation in the exchange rate of the U.S. dollar (in real terms), compared with the same period last year. In addition, the third quarter includes rental income from Mishkenot Clal of NIS 3,796 thousand, whereas in the third quarter last year, Mishkenot Clal had not yet been consolidated in the Company's financial statements.

The contribution of UIRT, which was acquired by EQ1 on September 21, 2001, is immaterial in this quarter.

Other income

Other income includes mainly income from dividends and investments in traded securities. The growth in the third quarter of the year compared with the same period last year is due to the growth in the volume of the Company's investing activity in traded securities of real estate companies, mainly in the U.S. and Canada. Other income in the third quarter last year included a gain of NIS 3,756 thousand on the sale of Supersol shares.
Dividend income in the third quarter of the year was NIS 3,776 thousand, compared with NIS 2,466 thousand in the same quarter last year.
Income from investments in traded securities in the third quarter of 2001 was NIS 18,568 thousand, compared with NIS 9,694 thousand in the same quarter last year.
In addition, during the third quarter of the year, the Company recognized a gain of NIS 5,451 thousand from the decrease in its ownership percentage in EQ1, resulting from the issuance of additional shares of EQ1 to Alony Hetz and other parties.

Operating expenses

The increase in operating expenses is attributable to the same factors that caused an increase in rental income.
Operating income in the third quarter of the year amounted to 66%, similar to the same period last year.

Depreciation

The Company's share in the depreciation of assets (depreciation on assets less the minority interest therein) was NIS 19.9 million in the third quarter of the year, NIS 0.41 depreciation per share, compared with NIS 9.6 million, NIS 0.23 per share, in the same quarter last year.
The increase in the Company's share in depreciation and depreciation per share in the third quarter of the year compared with the same quarter last year stems from the continuing acquisition of properties and the share of the partners in existing properties, as well as the fact that the Company's share in the depreciation of FCR in the same quarter last year was only included for half the period.

Financing, net

The increase in financing expenses in the third quarter of the year over the same period last year is due mainly to the very low inflation in the USA and Canada during the quarter, compared with higher inflation during the same period last year. Because most of the Company's loans are not linked to the change in the consumer price index, an increase in the inflation rate decreases the Company's financing expenses (in real terms), while, on the other hand, the decrease in the inflation rate increases the financing expenses of the Company.

In addition, financing expenses increased as a result of the loans used to finance the additional investments made by the Company in 2001 and as a result of the real devaluation in the third quarter of the year, which increased the financing expenses due to an increase in the value of deposits of residents of Mishkenot Clal, which are linked to the exchange rate of the US dollar, of approx. NIS 4 million. The effect of the real devaluation on the Company's assets is reflected in the increase of NIS 11.6 million in the capital reserves (included in shareholders' equity) that derives from the Company's holdings in autonomous overseas units

Net income

The increase in net income in the third quarter of the year, compared with the same period last year, is due mainly to the increase in income from dividends and investments in securities, to the improvement in the Company's operational activities and from the gain due to the decrease in the ownership percentage in EQ1, offset by the increase in financing expenses, as explained previously.

4. Liquidity and Financing Sources

The Company has set a conservative policy of maintaining a high level of liquidity while striving to increase its shareholders' equity, so as to be able to pursue business opportunities in its areas of operation.

A. The Company's shareholders' equity, together with minority interest and convertible debentures in FCR, which may be converted into shares by FCR, totaling NIS 1,945 million, financed 30.8% of total assets, compared with NIS 1,617 million, that financed 33.1% of total assets in the same period last year.

B. The current ratio (current assets to current liabilities) reached 1.27, compared with 1 in the same period last year.

C. Cash flows from operating activities in the reported periods totaled NIS 69.7 million and NIS 24.4 million, respectively, compared with NIS 71.8 million and NIS 25.9 million in the same periods last year, respectively (which included a dividend of NIS 18 million, gross, from Supersol).

5. Financial Status

Most of the balances and transactions included in the consolidated financial statements are in U.S. dollars and Canadian dollars, deriving from the operations of FCR, EQ1 and GQI, except for short-term and long-term investments, most of which are from the Company and its wholly-owned subsidiaries.

As of September 30, 2001, the liquidity available to the Company and its subsidiaries, including short-term investments is NIS 453.9 million, compared with NIS 276.9 million as of December 31, 2000, and NIS 236.3 million as of September 30, 2000. The increase in liquid balances stems mainly from inflows from the capital and debt offerings of the Company and its subsidiaries to the public and other parties.

The increase of NIS 464.2 million in shareholders' equity to NIS 639.3 million stems from offerings and sale of shares, net, amounting to NIS 51.2 million and from the exercise of options into shares in the amount of NIS 23.2 million. It is also attributable to the NIS 30.8 million increase in the item "translation adjustments deriving from translation of financial statements of FCR and EQ1, due to the real devaluation of the U.S. dollar plus the Company's net earnings for the reported period of NIS 93 million, less dividends paid by the Company of NIS 23.1 million.

6. Additional Information and Subsequent Events

A. Issuance of EQ1 shares to Alony Hetz ("Alony Hetz")

Subsequent to the reported period, the Company acquired 6.3 million convertible debentures of FCR in the open market at a cost of NIS 15.1 million. The gain on these acquisitions will be recorded in the third quarter of the year.

B. Prospectus based on financial statements of Q2 2001

On October 10, 2001, the Company submitted a draft prospectus to the Securities Authority based on the financial statements of the second quarter of 2001.

As of date of the financial statements, approval had not yet been given for publication of the prospectus. Therefore, the Company will not publish a prospectus based on the financial statements of the second quarter of 2001. The Company will consider publication of a prospectus based on the financial statements for the third quarter of 2001.

C. Private placement of shares

In November 2001, the Company raised NIS 48 million (approx. 3.6 million shares) in a private placement to institutional investors, the parent company and other interested parties.

D. Ma'a lot rating for the Company

The Company's debentures were rated A+ by Ma'alot – the Israel Securities Rating Co. Ltd.

E. Acquisition and sale of properties

1. On October 31, 2000, EQ1 acquired a shopping center in Florida with G.L.A. of more than 114 thousand square feet for US$ 9.12 million in cash.

2. In October 2001, EQ1 acquired the shares of its partners (in CDG US) in a property in Florida for US$ 4.7 million. It also sold its share in a partnership (CDG US) that held 2 other properties, to its partners, for US$ 5.1 million.

7. Reporting of Exposures to Market Risks and their Management

The individuals responsible for the reporting and managing of the Company's market risks are Mr. Dori Segal, the Company's President, and Mr. Gil Kotler, the Company's Chief Financial Officer.

Since the Company's annual report for 2000 issued on March 25, 2001, there have been no material changes in the Company's market risks or the way in which they are managed.

Dori Segal President and Director	Varda Zuntz Director