

GAZIT-GLOBE (1982) LTD.

Directors' Report to Shareholders For the period ended June 30, 2000

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 period ended June 30, 2000:

1. **A. General**

The Company is an investment company engaged in the acquisition, development, and management of rental properties in the USA, Canada, and Israel. The Company focuses mainly on supermarket anchored shopping centers.

As of the approval date of the financial statements, the Company owns – directly and indirectly – 37 properties with net book value of NIS 1,073 million, generating annual rentals of NIS 150 million (based on the current number of properties with rental fees on an annual gross basis).

In the USA, the Company operates via Equity One Inc. (hereinafter – “EQ1”), a self-administered, self-managed real estate investment trust traded on the NYSE. At the approval date of the financial statements, the Company owns 68% of the share capital of EQ1. EQ1 operates mainly in the state of Florida, in the acquisition and development of income-producing properties (primarily supermarket anchored shopping centers), owning 29 properties consisting of more than 3 million square feet of G.L.A.; 24 shopping centers, 2 mixed-use (office/retail) properties, a storage center, restaurant building, and apartment building that is intended for demolition.

The operations in Canada are carried out through First Capital Inc. (hereinafter – “F.C.I.”), in which the Company holds 100% of the share capital. F.C.I. operates in the provinces of Ontario and Quebec, in the acquisition, management, and development of income-producing real estate (primarily supermarket-anchored community shopping centers). As of the approval date of the financial statements, it owns 6 shopping centers with G.L.A. of more than 538,000 square feet.

In Israel, the company owns an office and commercial building in Tel-Aviv, and additional land in Tel-Aviv for future development.

The Company also owns 6% of the shares of Supersol Ltd.

B. Operating Results in the Period

In the six-month and three-month period ended June 30, 2000, net income amounted to NIS 30.4 million and NIS 9.5 million, respectively, compared with NIS 6.1 million and NIS 3.6 million, respectively, in the corresponding periods last year. In the year 1999, net income amounted to NIS 21.3 million.

Primary earnings per share in the periods ended June 30, 2000 amount to NIS 1.05 and NIS 0.31 per share, respectively, compared with NIS 0.34 and NIS 0.19 per share, respectively, in the corresponding periods last year, and NIS 1.03 for the year ended December 31, 1999.

In addition, depreciation on assets (net of the minority interest) for the six-month and three-month periods ended June 30, 2000 totalled NIS 7.5 million and NIS 3.9 million, respectively, which is NIS 0.26 and NIS 0.13 depreciation per share, respectively, compared with NIS 5.5 million and NIS 2.8 million, respectively, which is NIS 0.31 and NIS 0.15 depreciation per share, respectively, in the corresponding periods last year. Total earnings, excluding non-recurring income and expenses, plus depreciation per share in the reported period, amounts to NIS 1.32 and NIS 0.45 per share, respectively compared with NIS 0.65 and NIS 0.34 per share in the corresponding periods last year, growth of 103% and 32%, respectively.

As of June 30, 2000, shareholders' equity per share (NIS 1 par value) amounts to NIS 11.18. Regarding the results of operations see Item 3 below.

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

General

In the reported period, the Company invested – directly and through subsidiaries – a total of NIS 222 million in the acquisition, development, and improvement of properties and in long-term investments. Their effect on the results of operations will be expressed in full during the year.

A. Tender Offer for Centrefund Realty Corp. (hereinafter – “CFE”)

On June 13, 2000, Gazit 1997, a Canadian company wholly-owned by the Company, published a tender offer for the shares of CFE, a real estate company traded on the Toronto Stock Exchange. The tender offer was for up to 8.7 million shares of CFE (some 58% of share capital) at a price of 10.5 Canadian dollars per share.

CFE is a publicly held income-producing real estate company included among the real estate companies traded in the TSE-300. The company, traded at a market value of some US\$ 115 million (some 172 million Canadian dollars), specializes in supermarket-anchored neighborhood and community shopping centers in Canada (about 60% of its properties) and the U.S. (about 40% of its properties).

CFE owns 65 properties at a total value of approx. one billion Canadian dollars, with total G.L.A. in these properties of more than 10 million square feet. CFE enjoys occupancy rates of 97% in its Canadian properties and 92% in its U.S. properties. CFE has additional properties under development, as well as land reserves for future development, which together represent G.L.A. of more than 1,600,000 square feet for rent.

The properties owned by CFE are anchored, for the most part, by anchor tenants that are leading national and international supermarket, commercial, and service chains. These chains specialize in providing basic daily products and services, considered recession-proof, to a population within a radius of some 1.5 – 3 miles. Among CFE's anchor tenants in Canada are the chains Canadian Tire, Zeller's, Loblaw's, Safeway, and A&P, and in the U.S. – Eckerd, Albertson's, Publix.

The company hired the services of the investment bank, U.B.S. to facilitate the offer.

The management of Gazit-Globe sees the takeover of CFE as a business opportunity with enormous potential, fitting in well with the Company's strategy of becoming a key player in the North American shopping center industry – an industry in which the advantages of size are clear. Gazit-Globe intends to keep CFE as an independent property company, managed locally in Canada, and to evaluate ways to improve and streamline the management of the existing property portfolio, in order to accelerate growth. As a result of the takeover, Gazit-Globe will have presence in three markets: the U.S., Canada, and Israel, with direct and indirect ownership of some 100 income-producing properties spanning G.L.A. for rental of approx. 13.8 million square feet, most of which are anchored by national and international supermarket chains.

In the first quarter of 2000, CFE's rental income totalled some 38.6 million Canadian dollars, an increase of 11.7% over the results of the first quarter of 2000. For all of 1999, CFE's rental income totalled some 137 million Canadian dollars.

The total book value of CFE's properties (net of depreciation) in 1999 is some 958 million Canadian dollars (includes properties under development). In 1999, CFE distributed a dividend of 0.89 Canadian dollar per share, representing a dividend yield of 10.65% on an annual basis.

To the best of the Company's knowledge, more than 60% of the share capital of CFE is held by institutional investors: pension funds, insurance companies, and brokerage houses, with the balance of the shares held by the public and related party shareholders.

Immediately preceding the tender offer, Gazit 1997 held 9.6% of the share capital of CFE, at an investment of 14 million Canadian dollars (some NIS 38 million).

On July 2, 2000, the Company increased its tender offer to 9 million shares of CFE, at a price of 12 Canadian dollars per share.

During the month of July, until July 15, 2000, Gazit 2000 acquired additional shares of CFE in trading on the Toronto Stock Exchange, reaching a stake of 14.5% in CFE. It also acquired 0.5 million Canadian dollars in convertible bonds of CFE.

On July 21, 2000, the Company increased its tender offer to 10.8 million shares of CFE, at a price of 13.25 Canadian dollars per share.

On July 26, 2000, the board of directors of CFE announced that it recommends to the shareholders of CFE that they accept the tender offer of Gazit 1997, under certain conditions.

On July 27, 2000, Gazit 1997 filed a motion in the Supreme Trade Court in Toronto for issuance of a restraining order that will prevent controlling shareholders and members of the board of directors of CFE from taking actions that will impair the value of CFE.

Gazit 1997 extended the date for accepting the tender offer to August 15, 2000.

If the tender offer is accepted, the acquisition will have a material effect on the Company.

B. Investments in real estate

1. In April 2000, F.C.I. acquired approx. 1 acre of land opposite a property owned by the Company in Montreal, in consideration for 425 thousand Canadian dollars.

The Company intends to expand the supermarket situated in the existing property, from more than 21,000 square feet to close to 40,000 square feet, and to relocate some of the tenants from the existing property to the property to be built on the opposite property, on which the Company plans to build some 10,000 square feet.

2. In April 2000, EQ1 completed the development and occupancy of the first stage of the Forest Village property in Tallahassee, Florida.
The property contains G.L.A. of approx. 70,000 square feet, of which 37,675 square feet are rented to the Publix supermarket chain, and 20,000 square feet are rented to other tenants.
3. In June 2000, EQ1 completed development of the second stage of the Sky Lake property, in Miami, Florida, adding G.L.A. of approx. 56,000 square feet. After completion of the second stage, the property has total G.L.A. of approx. 150,000 square feet. As of June 30, 2000, more than 50,000 square feet of the second stage's space has been rented.

C. Additional investments

In the reported period, the Company invested NIS 77.7 million in the purchase of marketable shares of real estate companies (REIT's) in the USA and Canada (excluding the shares of CFE, as described in Par. A. above).

Most of the investment in these shares is in companies whose principal activity is similar in nature to the properties of EQ1 and F.C.I., and operate in the countries in which the Company operates.

Most of the investments are concentrated in 3 companies, in which the holding of shares, beside the favorable current yield they generate, could develop into joint ventures in the future.

Subsequent to the report date and until the signature of the financial statements, the Company sold shares in stock market trading, for NIS 19 million.

D. Acquisition of EQ1 shares

In reported period - Some 363 thousand shares in stock market trading, at prices ranging from \$9.20-\$9.90 per share.

Some 365 thousand shares pursuant to a dividend reinvestment plan in EQ1, at a price of \$9.50 per share.

Following completion of these acquisitions, the Company's direct and indirect holdings in EQ1 increased to 68% of its issued capital.

Regarding the issuance of shares to Aloni Hetz, see Par. 6.A.

In total the Company invested NIS 28 million to increase its stake in EQ1.

The carrying value of the investment in EQ1 in the books of the Company and subsidiaries as of June 30, 2000 is NIS 326.1 million. The NYSE market value of the investments in shares of EQ1 as of June 30, 2000 is NIS 314.2 million, and as of the signing date of the financial statements is NIS 320.8 million (the change stems from the change in the exchange rate of the dollar and the change in the stock market price of the shares).

E. Acquisition of the Canadian Partner's share

On 31.1.2000, an agreement was signed between Gazit 1997 (a wholly-owned Canadian subsidiary of the Company), F.C.I., and the minority shareholders in F.C.I., for F.C.I. to acquire all of their shares (25%) in F.C.I. The agreed upon principles stipulated in the agreement are that the consideration for the acquisition of their shares in F.C.I. would be the transfer to the sellers of all of the holdings of F.C.I. (100%) in a shopping center under development (the said properties were transferred to the former minority shareholders in F.C.I. "as is", with all the loans taken thereon, the collateral and commitments given to third parties). Likewise, an accounting was conducted between the parties to reflect the value of F.C.I. for the purpose of the transaction, equal to the level of shareholders' equity plus the value of some 8 million Canadian dollars. After execution of the transaction, the Company holds 100% of the share capital of F.C.I.

Regarding the issuance of shares to the Electra Group by F.C.I., see Par. 6.D.

F. Investments in Supersol

In the reported period, the Company purchased NIS 2.6 million in shares of Supersol Ltd. at a total cost of some NIS 36 million. In the reported period and until the signature date of the financial statements, the Company sold some 2.1 million shares of Supersol Ltd. in stock market trading, for total proceeds of NIS 31 million, and a gain of NIS 4.8 million. On March 30, 2000, the Company received a dividend of some NIS 18 million from Supersol Ltd.

G. 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 the income-producing real estate industry.

a. Investment in MSC

MSC, wholly-owned subsidiary of the Company, is incorporated in Delaware, USA.

The company owns the domain, "myshoppingcenter.com".

The company develops solutions for neighborhood shopping centers, directed at three types of customers: shoppers in the shopping centers, business owners in the site, and the property owners.

The objective of the venture is to increase and strengthen customer loyalty to the shopping centers, and to enable business owners in the shopping centers to benefit from the advantages of broadband Internet, opposite their customers (B2C) and to make their businesses more efficient (in the B2B and ASP fields). In order to make the use of these applications more efficient, the company will also work toward connecting the properties to broadband, and to be a provider of telecommunication services to the sites ("CLEC" – Competitive Local Exchange Carrier). The venture is also planned to include solutions for the distribution of goods to E-tailers and to provide E-commerce solutions to each of the retailers and service providers in the center.

On July 1, 2000, the Company launched a beta site and plans to approach the owners of shopping centers throughout the USA and have them join the web site. A property owner will be entitled to a specified percentage of the revenues to be generated to MSC from the various uses of the property that it owns.

MSC intends to collaborate with other real estate companies in the USA, as well as with companies engaged in the sale of goods and/or services, and with companies that specialize in laying telecommunication networks.

During July 2000, MSC signed a memorandum of understanding with EQ1, to connect all of EQ1's shopping centers to the MSC site. In consideration, EQ1 received option warrants in MSC.

During the balance sheet period, Mr. Garry Mansfield assumed the position of Chief Executive Officer (C.E.O.) and President of the company, and Mr. Ilan Zachar became the Chief Technology Officer (C.T.O.). Mr. Mansfield is an attorney by profession, with a degree in business administration from the University of Chicago. In recent years, he has held a series of senior managerial positions with start-up companies with a retail trade orientation.

Mr. Ilan Zachar served until recently as a senior consultant in I.B.M. Canada, and has vast experience in the design and development of complex computer systems, including Internet sites.

As reported in the past, the Company's board of directors authorized the Company's management to invest up to \$3 million in the activities of M.S.C. (and in similar companies that are developing other Internet applications for the real estate industry). During the reported period, the Company invested \$750 thousand in M.S.C. The Company expects to continue to invest some \$1.5 million in M.S.C. over the next three quarters, and to invest some \$500 thousand in real estate ventures.

b. Investment in Vuetopia Inc. (Vuetopia.com)

In June 2000, the Company invested US\$ 300 thousand in Vuetopia Inc., a company developing an Internet-based technology to transmit high resolution video content to large screens in public areas, mainly in large shopping centers. The Company's investment could increase by another US\$ 400 thousand, if certain conditions are met. The deal was effected at a company value of US\$ 13 million, before the money.

H. Public Offering

On February 13, 2000, the Company published a prospectus that included a public offering by means of a tender of 5,000,000 shares, 1,000,000 option warrants (Series 3) and 2,360,000 option warrants (Series 4). The total proceeds to the Company, net of the wholly-owned subsidiary's purchase of 1,000,000 shares, 200,000 option warrants (Series 3), and 400,000 options warrants (Series 4), amounted to NIS 49.4 million, gross (NIS 46.3 million, net).

The Company also offered, by means of rights to its shareholders, 2,515,142 option warrants (Series 4), in a manner whereby each holder of 10 ordinary shares on the date of record would receive one option warrant (Series 4) for no consideration.

For details, see Note 4 to the financial statements.

I. Private Placement of Securities

1. In March, the Company entered into two agreements for the private placement of a total of 1,500,000 ordinary shares of the Company, NIS 1 par value, 300,000 options warrants (Series 3) of the Company and 600,000 option warrants (Series 4) of the Company, that were issued in the form of 300,000 units (100,000 units were purchased by the parent company). In consideration for the securities offered in the private placement, the offerees paid a total of NIS 17.8 million. The offering was completed in April of this year.
2. On January 9, 2000, the Company's board of directors resolved to approve the private placement of 287,000 ordinary shares of the Company, NIS 1 par value, to the Company's Managing Director and Secretary (who serve as directors therein), in consideration for NIS 3 million. The shares were issued on February 9, 2000, after the issuance was approved by a general meeting of the Company's shareholders on February 8, 2000.

J. Issuance of Convertible Bonds

On February 8, 2000, the Company issued bonds convertible into shares of the Company (that will not be listed for trading) with total principal value of NIS 11,000 thousand to 11 provident funds, in consideration for NIS 11 million. For details, see Note 33 to the financial statements as of December 31, 1999.

- K.** On April 1, 2000, Mrs. Sylvie Lachance assumed her position as Vice-President in F.C.I. Until her appointment, Mrs. Lachance had served as Vice-President in Provigo, a large supermarket company in Quebec that was recently acquired by and merged into the largest chain in Canada, Loblaws. Mrs. Lachance is an attorney by profession, and holds a Masters of Business Administration from McGill University. She has vast experience in the development, acquisition, and rental of commercial centers. In her previous position, Mrs. Lachance was responsible for a big part of the chain's real estate development in Quebec.

3. Results of Operations

In the six-month and three-month period ended June 30, 2000, the Company's income amounted to NIS 30,370 thousand and NIS 9,454 thousand, compared with NIS 6,138 thousand and NIS 3,630 thousand, respectively, in the corresponding periods last year and NIS 21,291 thousand in the year 1999.

In the above periods, the Company's rental income totalled NIS 75,065 thousand and NIS 37,259 thousand, respectively, compared with NIS 57,683 thousand and NIS 30,350 thousand, respectively, in the corresponding periods last year and NIS 130,215 thousand in the year 1999.

The results of operations for the reported year are affected mainly by rental income on buildings and by dividend income, principally from the long-term investment in Supersol Ltd. and other companies, amounting to NIS 23,513 thousand and NIS 3,682 thousand in the six-month and three-month periods ended June 30, 2000, respectively, compared with NIS 4,444 thousand in 1999 and NIS 797 thousand in the three months ended June 30, 1999. The increase in this income derives mainly from the NIS 18 million dividend distributed by Supersol and the dividend from investments described in Par. 2.C.

The operations of EQ1, which constitute most of the Company's rental operations, were characterized by growth in revenues as a result of the increase in the number of properties and from the moderate growth in the occupancy rates of existing properties. Net income of EQ1 in the six-month and three-month periods ended June 30, 2000 (excluding non-recurring revenues and expenses) rose by 19% and 18%, respectively, over the corresponding periods last year.

The operations of F.C.I. were characterized by growth in rental income, attributable to the acquisition of 4 new rental properties during 1999, and from the increase in the occupancy rates of the properties compared with the corresponding period last year.

The increase in general and administrative expenses in the reported period stems from the increase in the wage expenses that are a function of the Company's results of operations and from non-recurring expenses related to the evaluation of additional investments. The decrease in the net financing item stems from the gain on the sale of the shares of Supersol and other marketable shares of NIS 6 million, the inflationary influences in the U.S. and Canada, and are after deduction of the increase in interest expenses on loans, as a result of the additional investments in fixed assets and long-term investments, principally in Supersol.

The investment in Supersol is expected to continue to affect financing expenses in the coming quarters.

4. Liquidity and Financing Sources

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

- A. The Company's shareholders' equity, together with minority interest, total NIS 490.6 million, financed 33.5% of the total balance sheet.
- B. The current ratio reached 1.2.
- C. Cash flows from operating activities for the six-month and three-month period ended June 30, 2000 totalled NIS 45.2 million and NIS 14.7 million, respectively, compared with NIS 28.9 million and NIS 13.3 million, respectively, in the corresponding periods last year.

5. Financial Position

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 EQ1 and F.C.I., except for cash and cash equivalents and short-term and long-term investments, most of which are from the Company and its wholly-owned subsidiaries.

As of June 30, 2000, the liquid balances available to the Company and its subsidiaries, including short-term investments, total NIS 59.9 million, compared with NIS 51.7 million as of December 31, 1999, and NIS 112.9 as of June 30, 1999. The increase in the amount of liquid balances in the reported period stems mainly from the receipts from the capital and debt offerings to the public and others, plus the increase in the Company's working capital, less the cash used in the Company's purchase of shares of EQ1 and in the acquisition of long-term investments by the Company.

The increase of NIS 253.8 million in shareholders' equity to NIS 344.8 million stems from the net offering of shares amounting to NIS 69.1 million, from the NIS 0.5 million decrease in the item "translation adjustments deriving from translation of financial statements" in respect of EQ1 and F.C.I., plus the Company's earnings for the reported period of NIS 30.4 million, less a dividend paid by the Company of NIS 8 million.

6. Additional Information and Subsequent Events

A. In July 2000, EQ1 (68%-owned before this issuance) signed an agreement in principle with Aloni Hetz Ltd. for the private placement of 20% of the shares of EQ1 at a share price of \$10.875, net.

In the first stage, 1.9 million shares will be issued to Aloni Hetz, representing 14% of the share capital of EQ1, in consideration for \$21 million. In addition, option warrants will be issued to Aloni Hetz, to be exercised on two dates, so that on a fully diluted basis, Aloni Hetz will have a stake of about 20% in EQ1.

The issuance of shares to Aloni Hetz will generate a capital gain of NIS 6.8 million to the Company, and its holdings in EQ1 will fall to 58%.

B. During July 2000, EQ1 completed the development of 3 buildings, two adjacent to its properties and one adjacent to the property of third parties, with total G.L.A. of approx. 36,000 square feet. As of the signature date of the financial statements, approx. 32,000 square feet have been rented.

On July 6, 2000, EQ1 received a US\$ 16.5 million mortgage on its Sky Lake property in Miami, Florida. Approximately US\$ 6.5 million of the mortgage amount was deposited in a trust account, until fulfillment of certain conditions related to the rental of space in the property. The balance was used to reduce the Company's credit line. The mortgage bears fixed interest of 7.61% per annum, using a 25-year loan amortization schedule.

C. In July 2000, F.C.I. (a 100%-owned sub-subsidiary) of the Company in Canada, signed a memorandum of understanding with a wholly-owned Holland subsidiary of the Electra Group, for the private placement of some 30% of the shares in F.C.I.

The buyer will be issued 65,000 shares in F.C.I., representing some 30% of issued capital, against the payment of 3.25 million Canadian dollars. In addition, the buyer will make a shareholder loan available to F.C.I., based on its equity interest in the company. Furthermore, the buyer will be issued option warrants for 5 years, so that on a fully diluted basis, it will hold 24.4% of the shares in F.C.I.

After the issuance of the shares, the Company's stake in F.C.I. will fall to about 70%.

D. On August 14, 2000, the Company announced that it was negotiating with Mishkenot Clal (1982) Ltd. (hereinafter – “Mishkenot Clal”) and with Azorim Properties Ltd., the owner of full control in Mishkenot Clal, to acquire one-half of the control in Mishkenot Clal, by means of an issuance of shares by Mishkenot Clal and by the acquisition of some of the Mishkenot Clal shares held by Azorim Properties Ltd., based on the equity value of Mishkenot Clal of NIS 137 million, subject to adjustments and changes.

Mishkenot Clal is engaged, through subsidiaries and related companies, in the construction, maintenance, marketing, and management of assisted/independent living residences throughout Israel.

If and when an agreement will be signed, the Company will issue an appropriate immediate report.

7. Effect of the Year 2000 Issue

As of the date of the financial statements, the Year 2000 issue had no effect whatsoever on the operations of the Company and its subsidiaries. However, notwithstanding the aforesaid, no assurance can be given with regard to the possible future implications of Bug Y2K on the Company and its subsidiaries and their operations.

The Company and its subsidiaries will continue to monitor the possible future implications of the Bug Y2K issue on their operations, and to the extent necessary, will evaluate what applicable measures they are to take.

8. Reporting of Exposures to Market Risks and their Management

A. Those responsible for managing the Company’s market risks are Mr. Dori Segal, the Company’s Managing Director, and Mr. Gil Kotler, the Company’s Chief Financial Officer.

B. The main market risks to which the Company is exposed are:

1. The Company’s holdings in the shares of EQ1 and F.C.I. are major assets of the Company and therefore the risk factors to which EQ1 and F.C.I. are exposed are indirectly relevant to the Company.

The key risk factors involved in the operations of EQ1 and F.C.I. are as follows:

- a. The financial stability of the tenants.
- b. Changes in consumption habits of residents.
- c. Changes in the rental policies of retail chains and major tenants.
- d. The status of EQ1 as a REIT.
- e. Activities in the renovation and development of properties.

2. The Company owns 6% of the issued share capital of Supersol Ltd.

In the Company’s opinion, its financial results could be adversely affected if there should be a decrease in the value of its holdings in Supersol, mainly if there will be significant negative changes in the businesses of Supersol, in the trading in Supersol’s shares, or in the Israeli economy.

3. Changes in the exchange rate of the U.S. dollar and the Canadian dollar relative to the shekel will have an effect, mainly on the Company’s adjusted shareholders’ equity, whereby an increase in the exchange rate of the U.S. dollar and the Canadian dollar will increase the Company’s shareholders’ equity. A decrease in the U.S. dollar and the Canadian dollar will reduce the Company’s shareholders’ equity.

4. Changes in interest rates in the USA, Canada, and Israel will have an effect on the Company's results.

C. The Company's policies for risk management are as follows:

1. The Company's Chairman of the Board of Directors, Mr. Haim Katzman, who is the Chairman of the Board of EQ1, and the Company's Managing Director, Mr. Dori Segal, who is the President of F.C.I., permanently reside where the companies operate.

EQ1 and F.C.I. regularly monitor developments in the markets in which operate. The companies employ local experts in rental real estate management, development, and acquisitions in the USA and Canada.

2. The Company regularly evaluates the businesses of Supersol and the level of marketability of its shares, as well as significant changes in the Israeli economy. The Company finances its investment in Supersol with its equity and with shekel-denominated credit.
3. The Company finances its investments in EQ1 and F.C.I. with its equity and with foreign currency credit, denominated in U.S. dollars and Canadian dollars, generally corresponding to the ratio of its investments in these companies. Hence, the effect of changes in the exchange rates of the U.S. and Canadian dollars on the Company's shareholders' equity is partially neutralized by the foreign currency credit.
4. The Company finances most of its foreign currency credit in U.S. dollars and Canadian dollars, at fixed interest rates under long-term arrangements (mortgages against real estate). In addition, the Company executed interest rate swaps totalling 18 million U.S. dollars against foreign currency credit at variable interest (three-month LIBOR rate). The Company finances most of its investment in shekel assets with shekel credit at fixed interest rates, and monitors, on a regular basis, developments and changes in the interest policy of the Bank of Israel.

Dori Segal
Managing Director

Varda Zuntz
Director