

30/5/02

**GAZIT-GLOBE (1982) LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2002**

**ADJUSTED TO THE NIS OF MARCH 2002**

**UNAUDITED**

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

Re: Review of unaudited interim consolidated financial statements  
for the three months ended March 31, 2002

At your request, we have reviewed the interim consolidated balance sheet of Gazit-Globe (1982) Ltd. as of March 31, 2002, and the related interim consolidated statements of income, changes in shareholders' equity and cash flows for the three months 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 of the aforementioned financial statements, reading of 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 financial statements of certain subsidiaries, which statements reflect total assets constituting approximately 94.0% as of March 31, 2002, and total revenues constituting approximately 97.9% of the related consolidated totals for the three months then ended. These statements were reviewed by other auditors whose reports have been furnished to us.

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 interim consolidated 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 Israeli Securities Regulations (Periodic and Immediate Statements), 1970.

Tel-Aviv, Israel  
May 28, 2002

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

**GAZIT-GLOBE (1982) LTD.**  
**CONSOLIDATED BALANCE SHEETS**

**Adjusted to the NIS of March 2002**

	March 31,		December
	2002	2001	31,
	Unaudited		2001
	Adjusted NIS in thousands		Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	177,921	165,127	219,062
Short-term investments	137,352	104,389	161,486
Tenants	23,916	18,383	38,446
Accounts receivable	61,422	22,639	57,292
Loans to partners and to former partners	65,450	94,965	60,028
	<u>466,061</u>	<u>405,503</u>	<u>536,314</u>
<b>LONG-TERM INVESTMENTS AND LOANS:</b>			
Investments in subsidiaries	36,102	-	-
Long-term investments	138,102	177,215	85,540
Long-term loans	72,717	52,816	68,023
	<u>246,921</u>	<u>230,031</u>	<u>153,563</u>
<b>FIXED ASSETS:</b>			
Cost	6,180,724	4,795,372	5,857,384
Less - accumulated depreciation	256,466	141,363	221,275
	<u>5,924,258</u>	<u>4,654,009</u>	<u>5,636,109</u>
<b>OTHER ASSETS AND DEFERRED CHARGES, NET</b>	<u>132,396</u>	<u>126,079</u>	<u>126,870</u>
	<u><u>6,769,636</u></u>	<u><u>5,415,622</u></u>	<u><u>6,452,856</u></u>

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

**GAZIT-GLOBE (1982) LTD.  
CONSOLIDATED BALANCE SHEETS**

**Adjusted to the NIS of March 2002**

	March 31,		December
	2002	2001	31,
	Unaudited		2001
	Adjusted NIS in thousands		Audited
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Short-term credit from banks and others	332,168	290,678	344,933
Trade payables	31,307	41,077	37,318
Other accounts payable	109,830	71,329	107,425
Dividend declared	10,007	7,534	18,888
	<u>483,312</u>	<u>410,618</u>	<u>508,564</u>
<b>LONG-TERM LIABILITIES:</b>			
Debentures	337,085	267,683	250,397
Liabilities to financial institutions and others	3,446,817	2,877,938	3,572,798
Tenants' security deposits	147,022	133,452	143,563
Accrued severance pay, net	749	718	773
Deferred taxes	504	482	514
	<u>3,932,177</u>	<u>3,280,273</u>	<u>3,968,045</u>
CONVERTIBLE DEBENTURES REDEEMABLE FOR SUBSIDIARY'S SHARES	<u>724,282</u>	<u>868,725</u>	<u>724,466</u>
MINORITY INTEREST	<u>822,849</u>	<u>307,287</u>	<u>570,592</u>
CONVERTIBLE DEBENTURES	<u>-</u>	<u>1,048</u>	<u>-</u>
SHAREHOLDERS' EQUITY	<u>807,016</u>	<u>547,671</u>	<u>681,189</u>
	<u><u>6,769,636</u></u>	<u><u>5,415,622</u></u>	<u><u>6,452,856</u></u>

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

May 28, 2002

Date of approval of the  
financial statements

D. Segal  
Managing Director  
(via Varda Zunz - by a power of  
attorney from May 28, 2002)

G. Kotler  
Chief Financial Officer

**GAZIT-GLOBE (1982) LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**Adjusted to the NIS of March 2002**

	Three months ended March 31,		Year ended December 31,
	2002	2001	2001
	Unaudited		Audited
	Adjusted NIS in thousands (except per share amounts)		
Revenues:			
Rental income	214,407	162,454	693,716
Other income	34,023	16,646	90,556
	<u>248,430</u>	<u>179,100</u>	<u>784,272</u>
Costs and expenses:			
Operating properties for rent	76,178	57,154	236,548
Depreciation of properties for rent	26,785	22,976	97,051
General and administrative	23,315	12,845	57,692
Financial, net	20,231	38,342	229,708
Other expenses	680	4,345	16,022
	<u>147,189</u>	<u>135,662</u>	<u>637,021</u>
Income before taxes on income	101,241	43,438	147,251
Taxes on income	9,446	5,787	18,032
Income after taxes on income	91,795	37,651	129,219
Equity in earnings of affiliates	1,923	-	-
Minority interest in earnings of subsidiaries	(41,839)	(15,150)	(46,207)
Net income for the period	<u>51,879</u>	<u>22,501</u>	<u>83,012</u>
Earning per NIS 1 par value of Common shares (in adjusted NIS):			
Basic earnings	<u>0.81</u>	<u>0.45</u>	<u>1.55</u>

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

**GAZIT-GLOBE (1982) LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**Adjusted to the NIS of March 2002**

**Unaudited**

	<b>Three months ended March 31, 2002</b>							
	<b>Share capital</b>	<b>Share premium</b>	<b>Capital reserve</b>	<b>Foreign currency translation adjustments for foreign autonomous units</b>	<b>Retained earnings</b>	<b>Less shares held by the Company</b>	<b>Less loans for acquisition of shares</b>	<b>Total</b>
	<b>Adjusted NIS in thousands</b>							
Balance at the beginning of the period	109,462	487,159	1,668	54,912	31,622	(3,634)	-	681,189
Issuance of share capital (net of issuance expenses)	3,463	47,176	-	-	-	-	-	50,639
Foreign currency translation adjustments for foreign autonomous units	-	-	-	22,147	-	-	-	22,147
Net income for the period	-	-	-	-	51,879	-	-	51,879
Sale of shares held by the Company	-	173	-	-	-	2,369	(1,380)	1,162
<b>Balance at the end of the period</b>	<b>112,925</b>	<b>534,508</b>	<b>1,668</b>	<b>77,059</b>	<b>83,501</b>	<b>(1,265)</b>	<b>(1,380)</b>	<b>807,016</b>

  

	<b>Three months ended March 31, 2001</b>						
	<b>Share capital</b>	<b>Share premium</b>	<b>Capital reserve</b>	<b>Foreign currency translation adjustments for foreign autonomous units</b>	<b>Retained earnings (deficit)</b>	<b>Less shares held by the Company</b>	<b>Total</b>
	<b>Adjusted NIS in thousands</b>						
Balance at the beginning of the period	99,087	370,047	1,668	11,586	(9,038)	(647)	472,703
Issuance of share capital (net of issuance expenses)	3,413	44,553	-	-	-	(18,258)	29,708
Exercise of stock options into shares	381	3,062	-	-	-	-	3,443
Foreign currency translation adjustments for foreign autonomous units	-	-	-	26,850	-	-	26,850
Net income for the period	-	-	-	-	22,501	-	22,501
Dividend declared	-	-	-	-	(7,534)	-	(7,534)
<b>Balance at the end of the period</b>	<b>102,881</b>	<b>417,662</b>	<b>1,668</b>	<b>38,436</b>	<b>5,929</b>	<b>(18,905)</b>	<b>547,671</b>

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

**GAZIT-GLOBE (1982) LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**Adjusted to the NIS of March 2002**  
**Audited**

	Year ended December 31, 2001						Total
	Share capital	Share premium	Capital reserve	Foreign currency translation adjustments for foreign autonomous units	Retained earnings (deficit)	Less shares held by the Company	
	<b>Adjusted NIS in thousands</b>						
Balance at the beginning of the year	99,087	370,047	1,668	11,586	(9,038)	(647)	472,703
Issuance of share capital, net	7,655	95,626	-	-	-	(18,324)	84,957
Conversion of debentures into shares	88	950	-	-	-	-	1,038
Exercise of stock options into shares	2,632	21,252	-	-	-	-	23,884
Sale of shares by a subsidiary	-	(716)	-	-	-	15,337	14,621
Foreign currency translation adjustments for foreign autonomous units	-	-	-	43,326	-	-	43,326
Net income for the year	-	-	-	-	83,012	-	83,012
Dividend paid	-	-	-	-	(23,464)	-	(23,464)
Dividend declared	-	-	-	-	(18,888)	-	(18,888)
Balance at the end of the period	<u>109,462</u>	<u>487,159</u>	<u>1,668</u>	<u>54,912</u>	<u>31,622</u>	<u>(3,634)</u>	<u>681,189</u>

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

**GAZIT-GLOBE (1982) LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Adjusted to the NIS of March 2002**

	Three months ended March 31,		Year ended December 31,
	2002	2001	2001
	Unaudited		Audited
	Adjusted NIS in thousands		
<u>Cash flows from operating activities:</u>			
Net income for the period	51,879	22,501	83,012
Adjustments to reconcile net income to net cash provided by operating activities (a)	(15,715)	876	1,657
Net cash provided by operating activities	36,164	23,377	84,669
<u>Cash flows from investing activities:</u>			
Investment in newly consolidated subsidiaries (b)	-	-	(162,656)
Investment in subsidiary and in jointly controlled entity	-	(17,259)	(20,123)
Investments in fixed assets	(243,039)	(161,806)	(474,018)
Loans granted to partners and to former partners	(3,691)	(1,082)	(9,442)
Proceeds on sale of fixed assets	48,531	-	146,161
Long-term loans granted	(4,532)	-	(11,119)
Repayment of long-term loans granted	2,800	-	19,455
Short-term investments, net	(16,276)	81,503	89,344
Purchase of marketable securities and long-term investments	(35,187)	(21,757)	(112,329)
Proceeds from realization of long-term investments	36,558	14,264	178,192
Net cash used in investing activities	(214,836)	(106,137)	(356,535)
<u>Cash flows from financing activities:</u>			
Issuance of share capital, net	50,939	29,708	84,957
Exercise of stock options into shares	-	3,443	23,884
Sale of shares by the Company and a subsidiary	1,162	-	14,621
Issuance to minorities in subsidiary, net	211,780	-	95,468
Deferred charges in respect of raising loans and debentures	(8,052)	(9,041)	(11,619)
Dividend paid	(8,881)	(7,098)	(30,562)
Dividend paid to minorities in subsidiaries	(17,525)	(8,560)	(28,290)
Receipt of long-term loans	133,365	194,729	1,321,921
Repayment of long-term loans	(197,635)	(104,187)	(985,065)
Redemption of debentures	-	-	(27,766)
Early redemption of debentures and convertible debentures of a subsidiary	(22,943)	(55,777)	(194,544)
Short-term credit from banks and others, net	(92,275)	(2,409)	9,906
Issuance of debentures	77,538	99,212	99,212
Increase in tenants' security deposits	1,495	-	6,199
Net cash provided by financing activities	128,968	140,020	378,322
<u>Effect of exchange rate differences from cash balances of foreign autonomous units on cash and cash equivalents</u>			
	8,563	1,506	6,245
Increase (decrease) in cash and cash equivalents	(41,141)	58,766	112,701
Cash and cash equivalents at the beginning of the period	219,062	106,361	106,361
Cash and cash equivalents at the end of the period	177,921	165,127	219,062

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

**GAZIT-GLOBE (1982) LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Adjusted to the NIS of March 2002**

	Three months ended March 31,		Year ended December 31,
	2002	2001	2001
	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	(6,895)	(14,605)	(70,873)
Minority interest in earnings of subsidiaries	41,839	15,150	46,207
Equity in earnings of affiliates net of dividend received	(1,664)	-	-
Depreciation	26,844	23,096	97,373
Deferred taxes, net	4,066	(8,506)	(3,927)
Gain from early redemption of debentures and convertible debentures of a subsidiary	-	(17,033)	(37,483)
Adjustment differences on monetary assets and long-term liabilities, net	(65,126)	(36,672)	(54,836)
Write-down of long-term investments	-	-	1,872
Amortization of other assets and deferred charges	2,655	1,871	11,932
Gain from sale of fixed assets	(20,660)	-	(230)
Accrued severance pay, net	(24)	92	132
Loss (gain) from issuance to third party and related party	(3,663)	278	(4,741)

Changes in asset and liability items:

Decrease in tenants and other accounts receivable	12,581	35,694	6,624
Increase (decrease) in trade payables and other accounts payable	(5,090)	(6,330)	13,427
Increase (decrease) in tenants' security deposits	(578)	7,841	(3,820)
	<u>(15,715)</u>	<u>876</u>	<u>1,657</u>

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

**GAZIT-GLOBE (1982) LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Adjusted to the NIS of March 2002**

	<b>Year ended December 31, 2001</b>	
	<b>Audited</b>	
	<b>Adjusted NIS in thousands</b>	
(b) <u>Investment in newly consolidated subsidiaries:</u>		
Subsidiaries' assets and liabilities at date of acquisition:		
Working capital (excluding cash and cash equivalents):		
Current assets		(27,333)
Current liabilities		20,262
		<u>(7,071)</u>
Fixed assets, long-term loans and investments (mainly real estate)		(641,048)
Other assets		(55)
Long-term liabilities		350,150
		<u>(290,953)</u>
Minority interest		114,012
Outstanding investment in newly consolidated subsidiary		21,356
		<u>(162,656)</u>
	<b>Three months ended</b>	<b>Year ended</b>
	<b>March 31,</b>	<b>December 31,</b>
	<b>2002</b>	<b>2001</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>Adjusted NIS in thousands</b>	
(c) <u>Significant non-cash operations:</u>		
Dividend declared	-	7,534
	<u>-</u>	<u>7,534</u>
Capital issuance in the Company and in subsidiary for minorities and related party against long-term loans	1,380	-
	<u>1,380</u>	<u>-</u>
Conversion of convertible debentures into Company shares	-	-
	<u>-</u>	<u>-</u>
		<u>1,038</u>

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

**GAZIT-GLOBE (1982) LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1:- GENERAL**

These interim consolidated financial statements have been prepared as of March 31, 2002 and for the three months then ended. These financial statements are to be read in conjunction with the audited annual financial statements of the Company as of December 31, 2001 and their accompanying notes.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

- a. The significant accounting policies applied in the annual financial statements as of December 31, 2001 are applied consistently in these financial statements.
- b. Acquisition of debentures convertible into subsidiary's shares by the Company:  
The difference created between the cost of the acquisition of the debentures by the Company and their carrying value in the books of the subsidiary that issued in the past these debentures, was previously carried to the statement of income or to a balance sheet item on the basis of the probability of conversion (in accordance with criteria set forth in Statement 53 of the Institute of Certified Public Accountants in Israel) of the debentures into shares at the time when they were acquired by the Company.  
When the probability of conversion is low, the difference was carried in the past as gain or loss on early redemption and was included in the consolidated statement of income among financing. When the probability of conversion is high, the difference was carried as surplus acquisition cost.  
From 2002, the Company acts according to the Securities Authority's staff position whereby if the Company acquires additional convertible debentures of the subsidiary, the above difference shall be deferred and recognized as gain or loss only when the debentures are converted into the subsidiary's shares or when the debentures are redeemed by the subsidiary, whichever is earlier.
- c. Adoption of recently issued accounting standards and their impact on the financial statements:  
In October 2001, the Israel Accounting Standards Board published Accounting Standard No. 12 which deals with the discontinuance of adjusting financial statements and Accounting Standard No. 13 regarding the effects of changes in foreign exchange rates. According to Accounting Standard No. 12, 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.

**GAZIT-GLOBE (1982) LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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.

The management of the company is of the opinion that the discontinuance of adjusting financial statements to the CPI and the application of the provisions 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 real estate companies, will have a significant effect on the reported accounting results of the Company beginning with the year of change.

**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 based on the changes in the Israeli CPI. Comparative figures in these financial statements were adjusted to the NIS of March 2002.

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

	Consumer Price Index			Exchange rate of \$ 1 of	
	Israel	U.S. Points *)	Canada	U.S.	Canada
<b>As of:</b>				NIS	
March 31, 2002	110.7	178.8	117.7	4.668	2.9271
December 31, 2001	108.1	176.7	115.9	4.416	2.7763
March 31, 2001	106.1	176.2	115.6	4.192	2.6623
December 31, 2000	106.6	174.0	115.1	4.041	2.6913
<b>Change for the period</b>			%		
March 31, 2002	2.4	1.2	1.6	5.7	5.4
December 31, 2001	1.4	1.6	0.7	9.3	3.2
March 31, 2001	(0.5)	1.3	0.4	3.7	(1.1)

\*) According to the index for the month ending on balance sheet date on an average basis of:

Israel - 1998 = 100  
 U.S. - 1984 = 100  
 Canada - 1992 = 100

**GAZIT-GLOBE (1982) LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- ADDITIONAL INFORMATION**

- a. During the reported period, EQ1 raised in private placements and public issuance approximately \$ 56.9 million, of which \$ 11.5 million were received from FCR, from the Company and from its wholly owned companies. In connection with these issuances, the Company recorded a gain from the decrease in the holding rate in the amount of approximately NIS 3.7 million.
- b. In January 2002, FCR issued at no consideration about 775 thousand options to officers and employees at FCR which are exercisable until January 2012 at an exercise price of CD 12.85 per share. In the context of the issuance, the Company's CEO and the Company's chairman of the Board received 200 and 100 thousand options, respectively.
- c. In March 2002, the Company issued shares to its shareholders so that each shareholder who held at the record date in 9 shares of the Company received, at no consideration, share of the Company as stock dividend. The Company issued a total of about 6.3 million shares as stock dividend.
- d. In February 2002, the Company issued through a private placement 3,442,720 shares of the Company, of which 200,000 shares were issued to Gmul Investment Ltd. and 1,721,360 shares were issued to Gazit Israel Ltd., the Company's parent company. In the aggregate, the Company raised in this issuance approximately NIS 50.6 million, net.
- e. In February 2002, the Company issued to institutional investors NIS 77.5 million non-marketable debentures. The debentures are linked to the Israeli CPI and bear interest of 5.65%. The redemption period of the debentures is in 8 equal annual payments beginning in 2005.
- f. During the reported period, EQ1 sold 2 income producing properties and land for future development to third parties in consideration for the total of approximately NIS 48.4 million. As a result of these sales, the Company recorded a gross gain in the amount of approximately NIS 20.7 million, which is included among the caption "Other income" in the Company's statement of income. The Company's net share in the above gain is approximately NIS 9.8 million.
- g. Pursuant to the dividend distribution policy, during March 2002, the Company declared on the distribution of interim dividend for 2002 in the amount of approximately NIS 10 million which was paid at the beginning of April 2002. In the financial statements for 2001, the dividend was deducted from the Company shareholders' equity.
- h. Pursuant to a stock option award plan to the Company Board's members who do not hold in other positions in the Company, which was approved by the shareholders' meeting in March 2002, 125 thousand options were issued at that month to said five Board's members, at no consideration.

**GAZIT-GLOBE (1982) LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 4:- ADDITIONAL INFORMATION (cont.)**

Each option is exercisable into 1.1177 shares of the Company and from the first to the fifth anniversaries of the grant date for an exercise increment of NIS 15.45, linked to the Israeli CPI.

**NOTE 5:- SUBSEQUENT EVENTS**

- a. In May 2002, the Company issued to the public 140 million par value of debentures (series A), 700 thousand stock options (series A) and 7 million stock options (series 5) in consideration for NIS 134.4 million, of which approximately NIS 73.9 million were received from the Company's wholly owned subsidiary. Additionally, this subsidiary acquired, pursuant to its commitment, some 2.3 million stock options (series 5) in the course of the first two trading days at 20 agora per option. Further to the aforementioned, under the prospectus, the Company effected a rights issue to its shareholders of 2,081,707 shares and 3,122,561 stock options (series 6) in consideration for approximately NIS 27 million.

The debentures are linked to the exchange rate of the U.S. dollar (base rate - NIS 4.84 per dollar, redeemable in 11 equal annual payments from June 2007 and bear interest of 6.5%.

Each stock option (series A) is exercisable into NIS 100 par value of debentures (series A) until November 20, 2002, at NIS 98.5, linked to the dollar (base rate - NIS 4.84 per dollar).

Each stock option (series 5) is exercisable into one share of the Company until November 30, 2002, at NIS 16.5, linked to the dollar (base rate - NIS 4.904 per dollar). In any event, the exercise price will not be below NIS 16.5.

Each stock option (series 6) is exercisable into one share of the Company until December 20, 2002, at NIS 13, linked to the dollar (base rate - NIS 4.904 per dollar).

- b. In May 2002, Gazit 97 (100% owned) entered into a transaction with FCR, whereby FCR acquired all the issued capital of a wholly owned subsidiary of Gazit 97, which owns eight income producing properties in Quebec, Canada, in consideration for CD 31.6 million. Said consideration was paid through CD 28,156 thousand par value of convertible debentures (series D) of FCR valued at CD 24.2 million (CD 84.34 per CD 100 par value of debentures, including accrued interest) and 601,630 shares valued at CD 7.4 million (CD 12.30 per share).

Following the acquisition, the Company's shareholdings in FCR increased to 69.3% (about 54% fully diluted).

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