



גזית-גלוב בע"מ
GAZIT-GLOBE LTD.

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Gazit-Globe: Second Quarter Results for 2008 – Continued Growth in the Company's Core business

Revenues, excluding foreign currency depreciation, grew by about 11% and N.O.I. by about 9% compared to the same quarter last year

F.F.O. amounted to about NIS 141 million, an increase of about 105% compared to the same quarter last year

The Company is reporting a loss of about NIS 102 million, due to Valuations loss of investment property section; excluding this Valuation loss of investment property, net profits amounted to about NIS 109 million

- Rent from lease renewals in the North Americans businesses increased by about 15.9% for FCR, and by about 8.6% for EQY.
- At the end of the quarter, the Group had 24 properties under development with a total GLA of about 177 thousand sqm, 25 properties under redevelopment, as well as additional land bank for future development at a cost of NIS 2.5 billion.
- The additional cost to complete of the projects that are currently under development and redevelopment is estimated at NIS 2.6 billion.
- As of the date of the financial statements, the Group has cash reserves and available credit facilities amounting to NIS 6.2 billion.
- During the first half of 2008, the Group acquired 10 income-producing properties with a total GLA of about 59 thousand sqm and five land parcels for future development, with a total investment of NIS 0.7 billion. In addition, the Group invested NIS 1.3 billion in development of new properties and improvement of existing properties.
- After the end of the second quarter, the Company announced the completion of the investment agreement in Atrium (formerly MEL) by the Company (54%) and CPI (46%), Citibank's real estate investment branch. The Company likewise announced an initial investment of EUR 500 million in convertible bonds, 30 million non-consideration options and the execution of a financing agreement for the transaction.

Gazit Globe is today announcing its second quarter results for 2008

Primary figures are as follows (in NIS millions):

	Q2 2008	Q2 2007	<u>% Change</u>
<u>Property rental revenue</u>	877	873	0.5%
<u>N.O.I</u>	592	598	(1.1%)
<u>F.F.O</u>	141	69	105%
<u>F.F.O. per share (NIS)</u>	1.13	0.58	93%
<u>Equity per share</u>	38.7	47.1	(18%)

Quarter Highlights

- **Investments** by the Group amounted to NIS 1.1 billion, compared to NIS 1.5 billion in the same period last year.
- **Property rental revenues** amounted to NIS 877 million, an increase of about 0.5% compared to the same period last year. Excluding the effects of foreign currency depreciation, property rental revenues increased this quarter by about 11%. In addition, revenues were influenced from EQY selling properties early in the second quarter.
- **N.O.I** amounted to NIS 592 million, compared to NIS 598 million for the same period last year. This slight decline is due to changes in foreign currency exchange rates, and the sale of properties by EQY. Assuming the average currency exchange rates for the same quarter last year, NOI grew by about 9% compared to the same period last year.
- **F.F.O** amounted to NIS 141 million, or about NIS 1.13 per share, an increase of about 105% compared to the same period last year.
- Gross profit amounted to NIS 599 million, an increase of about 0.6%. Assuming the average currency exchange rates for the same quarter last year, gross profit grew by about 9% compared to the same period last year.
- The average currency exchange rates for the US Dollar, the Canadian Dollar and the Euro decreased during the second quarter of 2008 vis-à-vis the Shekel by 16%, 9% and 3%, respectively, compared to these currencies' exchange rates during the same quarter last year.
- **Cash flow from operations** amounted to NIS 203 million, compared to NIS 294 million for the same period last year. This decrease is due mainly to timing differences in payables and receivables. Excluding these timing differences, cash flow from operations amounted to NIS 239 million, an increase of about 77% compared to the same quarter last year.
- **Same property NOI** grew by about 2.8% for FCR, and by about 0.4% for Citycon, and decreased by about 2.9% for EQY, compared to the same period last year.
- **Rental fees from lease renewals** grew by about 15.9% for FCR, and 8.6% for EQY.
- Shareholders' losses amounted to NIS 102 million, or about NIS 0.81 per share, fully diluted, compared to a net income of NIS 368 million, or about NIS 3.10 per share, fully diluted, during the same quarter last year. This decline is mainly due to the depreciation of investment real estate during the second quarter of the year compared to an increase in investment real estate value during the same quarter last year. Excluding investment real estate depreciation, shareholders' net income for the Company amounted to NIS 109 million.

- **Debt to market capitalization** (derived from the market value of the Group's investment real estate) as of June 30, 2008 amounted to 58.6%, compared to 53.1% on June 30, 2007, and 55.8% on December 31, 2007.
- **Shareholders' equity** as of June 30, 2008 amounted to NIS 4.8 billion (about NIS 38.7 per share), compared to NIS 5.6 billion (about NIS 47.1 per share) on June 30, 2007.
- **Per share market capitalization** (EPRA NAV) as of June 30, 2008 amounted to about NIS 40.6 per share, compared to NIS 54.5 per share on December 31, 2007.

Highlights for the first six months of 2008

- **Property rental revenues** amounted to NIS 1,799 million, an increase of about 6% compared to the same period last year. **Assuming the average currency exchange rates of the same period last year, property rental revenues grew by about 14% compared to the same period last year.**
 - **N.O.I** amounted to NIS 1,202 million, compared to NIS 1,151 million in the same period last year, an increase of about 4%. **Assuming the average currency exchange rates from the same period last year, N.O.I grew by 13% compared to the same period.**
 - **F.F.O** amounted to NIS 268 million, an increase of 48% compared to the same period last year.
- Gross profit amounted to NIS 1,216 million, an increase of about 6%. **Assuming the average currency exchange rates from the same period last year, gross profit grew by 13%.**
- Shareholder's losses amounted to NIS 15 million, or about NIS 0.12 per share, fully diluted, compared to a net income of NIS 783 million, or about NIS 6.58 per share, fully diluted, during the same period last year.

The Atrium Transaction (formerly MEL)

On 3.8.08, Gazit Globe announced the completion of the investment agreement in Atrium by the Company (54%) and CPI (46%), Citibank's real estate investment branch, and an initial investment of EUR 500 million in convertible bonds and options, from a total investment of up to EUR 800 million. Upon completion of the transaction, MEL's name was changed to Atrium European Real Estate ("Atrium"), and a new board and management were appointed for the company. These included, among others, Mr. Chaim Katzman who was appointed Chairman of the Board, Mr. Michael Bar-Chaim the Company's CEO who will serve as a director.

MEL holds 162 income-producing properties and land for future development, registered at a fair market value of EUR 1.9 billion, 34 properties under development with an expected total GLA of 1.6 million sqm, at a total cost of EUR 3.3 billion, as well as 11 Land parcels for future development with an area of 1.9 million sqm.

Michael Bar Chaim, Company CEO, stated: "This is another quarter in which all the Group's subsidiaries displayed good operating results. Cash flows, which was the most important indicator for us, were strong as well. In local currency terms, we can see steady growth in all subsidiaries, and we see this as evidence of the strength and stability of each of our companies in their respective markets. In addition, in this quarter the company have adjusted the value of the investment property, this despite not having any clear indication for reduction in value due to lack of transactions, in assets, at quality and location for properties similar to those of the Company. This is the reason for our bottom line losses. Excluding this value adjustment, which is not

due to the performance of the Group's core business, or to changes in our cash flows, we would have continued to show profitability and growth."

Bar Chaim concludes: "I am very happy that the efforts by Gazit Globe's management and by CPI, the real estate investment branch of city bank, to conclude the Atrium transaction have come to fruition and that we could announce the completion of the transaction. After the closing, the company's name was changed to Atrium and its new management is already working tirelessly to attain the aggressive goals that we set for them, and we believe in Atrium's ability to carry out the necessary change and to create significant value for our shareholders."

About the Gazit Globe Group

Gazit-Globe is the largest Israeli company operating in the income-producing real estate sector, and as of July, 2006, the Company is included in the TA 25 index (market value of approximately NIS 3.8 billion). The company, directly and through its subsidiaries, engages in the acquisition, development and management of income-producing properties, focusing mainly on supermarket-anchored commercial centers. In addition, the company is active in the senior housing community market and in the medical office buildings market in the U.S. It also seeks to identify and realize opportunities in its line of business and in similar asset classes, both in its regions of operation, as well as in other regions.

The Company holds and manages directly and through its associated company 470 properties, including 407 commercial centers, 22 commercial centers under development, 14 senior housing projects (including about 1484 residential units), 2 senior housing projects under development, 14 medical office buildings with 2 multi-storey parking areas, and 11 other properties. These properties are located on a GLA of approximately 4.7 billion sqm, producing an annual rental revenue of approximately NIS 3.5 billion, and which are registered in the Company's books at a fair market value of approximately NIS 39.8 billion.

In North America, the Company carries out its business in the commercial centers sector through Equity One Inc, which has REIT status for tax purposes, is traded on the New York Stock Exchange under the ticker symbol EQY, and through First Capital Realty Inc, which is traded on the Toronto Stock Exchange (TSX), under the ticker symbol FCR.

Operations in Europe are carried out through Citycon – a Finnish company traded on the Helsinki Stock Exchange under the ticker symbol CTY1S, and through Gazit Europe (100%), which deals in the commercial centers sector in Europe and owns 6 commercial centers in Germany (including 2 under development).

In Israel, the Company holds 75% of Gazit Globe Israel (Development) Ltd, which deals in the development and management of commercial centers in Israel, Bulgaria, and Macedonia. In Israel, it owns 8 commercial centers and 5 commercial centers under development, and in Bulgaria, it owns a commercial center, and three properties for future development of commercial centers.

As of September, 2007, Gazit-Globe holds 50% of ACAD Building and Investments, who's main activities are 74% holdings in U. Dori Engineering Works, which is traded on the Tel Aviv Securities Exchange.

U. Dori's mainly deals in the initiation and execution of residential and commercial structures, and in carrying out infrastructure contracting works.