A GLOBAL CAAASH GENERATOR

GAZIT-GLOBE LTD.

INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2009

LOCATION
LOCATION
LOCATION

UPDATE TO THE DESCRIPTION OF THE COMPANY'S BUSINESS FOR THE 2008 PERIODIC REPORT OF GAZIT-GLOBE LTD. (hereinafter – "the Company")

Pursuant to Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 1970, details are presented below concerning material changes and developments that have taken place in the Company's business since the publication of the Company's Periodic Report for 2008 (hereinafter – "the Periodic Report"), for each matter that has to be described in the Periodic Report.

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

A. On April 20, 2009, the Company distributed a dividend to its shareholders in the amount of NIS 42,594 thousand.

B. As to the dividend declared subsequent to balance-sheet date, refer to note 4D of the financial statements.

Update to Section 6 – Acquisition, development and management of shopping centers in the U.S.A.

A. As to EQY's acquisition of 1,790 thousand shares in Ramco – Gershenson Properties Trust in February and March 2009, for approximately USD 9 million, refer to note 3C of the financial statements.

B. As to EQY's repurchase of its own debentures, for approximately USD 21.8 million, refer to note 3I of the financial statements.

C. As to EQY's repurchase of its own shares, for approximately USD 5.4 million, refer to note 3J of the financial statements.

D. As to EQY's offer and sale of approximately 9.3 million ordinary shares to the public and to a wholly owned subsidiary of the Company in April 2009, for an aggregate amount of approximately USD 126.2 million, refer to note 4A of the financial statements.

Update to Section 7 – Acquisition, development and management of shopping centers in Canada

As to FCR being granted mortgage-secured loans in an amount of CAD 64 million, at a weighted interest rate of 5.95% for a period of 7.6 years, refer to note 3F2 of the financial statements.

Update to Section 8 – Acquisition, development and management of shopping centers in northern Europe

As to the acquisition of 9.6 million CTY shares by the Company, for approximately NIS 75 million, refer to note 3G of the financial statements.

Update to Section 14 – Human capital

A. As to the renewal of the employment agreement with the Deputy Chairman of the Company's Board of Directors for an additional four years, refer to note 3K1 of the financial statements.

B. As to the grant of 106 thousand stock options to seven officers of the Company, with the Deputy Chairman of the Company's Board of Directors being included in their number, refer to note 3K2 of the financial statements.

Update to Section 17 - Financing

A. As to the Company's repurchase – through trades on the stock exchange –of its own debentures, refer to note 3H of the financial statements.

B. As to the issuance of NIS 123.5 million par value of debentures (Series I), by means of extending the series, refer to note 4B of the financial statements.

C. As to the announcement by S&P Maalot on May 3, 2009 of the downgrading of the rating on all series of the Company's debentures to A+/Negative and their removal from the Watch List, and the announcement by Midroog on March 23 2009 of the placing of all series of the Company's debentures on the Watch List, refer to section 5 of the Board of Directors' Report.

GAZIT-GLOBE LTD.

Directors' Report to Equity Holders
For the period ended March 31, 2009

The Board of Directors of Gazit-Globe Ltd. (hereinafter – "the Company") is pleased to present the financial statements of the Company and its consolidated subsidiaries for the period ended March 31, 2009:

1. A. General

The Company through its consolidated subsidiaries (hereinafter, collectively – "the Group") and an affiliate (see section 2B below) is engaged in the acquisition, development and management of income-producing properties in North America, Europe, Israel and Brazil. Within the framework of its activities in the income-producing property sector, the Group focuses mainly on supermarket-anchored shopping centers. The Group is also active in the medical office buildings sector in North America, in the senior housing facilities sector in the U.S.A., and, through a proportionately consolidated subsidiary, the Company is also active in Israel and Eastern Europe, in the initiation, development, management and construction of Real Estate projects. Furthermore, the Group continues to seek and realize opportunities by acquiring properties and/or companies that are active within its core business or similar asset classes, both in regions where it operates and also in new territories.

The policy of the Company, as put into practice over the years is to focus on maximizing its cash flows through the proactive management of its properties. Company management believes that this policy, alongside the long-term ownership of the properties, will result in added value for its equity holders.

B. Properties

As of March 31, 2009, the Group owns and manages 491 properties, as follows:

- 438 shopping centers and stores
- 11 shopping centers under development
- 14 senior housing facilities (encompassing 1,484 units)
- 1 senior housing facility under development
- 15 medical office buildings that include 2 multi-story parking garages
- 12 other properties

The above properties have a gross leasable area (hereinafter – "G.L.A.") of approximately 5 million square meters (approximately 53.8 million square feet). They are recorded in the Company's books at their fair value of NIS 42.9 billion and generate annual rental revenue of NIS 4.1 billion. (Annual rental revenue data are based on the gross annual rent from the properties owned and the exchange rates as of March 31, 2009.)

In addition, the Company owns in Europe, through an affiliate, 152 shopping centers, with a G.L.A. of 1.1 million square meters (approximately 11.8 million square feet), as well as 42 projects that are at various stages of development and land for future development.

In the U.S.A., the Company operates mainly through Equity One Inc. (hereinafter – "EQY"), a public company listed on the New York Stock Exchange (NYSE: EQY). EQY is a REIT (Real Estate Investment Trust) for U.S. tax purposes. As of March 31, 2009, the Company owns, directly and indirectly (through the subsidiary, First Capital Realty Inc., as described below), 55.1% of EQY. EQY's properties are located primarily in growing metropolitan areas in the southeastern United States (mainly in Florida and Georgia) and in the Boston, Massachusetts metropolitan area. EQY owns 153 income-producing properties (147 operating shopping centers and 6 other properties), with a G.L.A. of 1.5 million square meters (approximately 16.1 million square feet), as well as 3 shopping centers under development.

EQY also operates through a subsidiary, DIM Vastgoed N.V. (hereinafter – "DIM"), which manages 21 shopping centers in the U.S.A., with a G.L.A. of 245 thousand square meters (approximately 2.6 million square feet)

In addition, EQY partly owns, through partnerships (10%/20%), and manages 13 shopping centers in the U.S.A., with a G.L.A. of 177 thousand square meters (approximately 1.9 million square feet).

The Company is also active in the United States through Royal Senior Care (hereinafter – "RSC") and ProMed Properties Inc. and ProMed Properties (CA) Inc. (hereinafter, collectively – "ProMed"). RSC, in which the Company holds a 60% interest, is active in the senior housing facilities sector in the southeastern United States. RSC owns 14 senior housing facilities, encompassing 1,484 units, as well as a senior housing facility under development. ProMed, which is wholly (100%) owned, is engaged in the medical office buildings sector. ProMed owns 15 medical office buildings in North America (the U.S.A. and Canada), with a G.L.A. of 102 thousand square meters (approximately 1.1 million square feet), as well as 2 multi-story parking garages.

In Canada, the Company mainly operates through First Capital Realty Inc. ("FCR"), a public company listed on the Toronto Stock Exchange (TSX: FCR). As of March 31, 2009, the Company holds 51.8% of FCR. FCR's properties are located primarily in growing metropolitan areas in the provinces of Ontario, Quebec, Alberta and British Columbia in Canada. FCR owns 168 properties in Canada, with a G.L.A. of approximately 1.9 million square meters (approximately 20.5 million square feet) and 4 shopping centers under development. In addition, FCR owns 14.1 million shares of EQY.

In Europe, the Company operates through Citycon Oyj. (hereinafter – "CTY"), a Finnish public company, whose shares are listed on the Helsinki Stock Exchange (OMX). As of March 31, 2009, the Company owns approximately 47.7% of CTY's share capital. CTY is active in northern Europe (as of March 31, 2009, in Finland, Sweden, Estonia and Lithuania) and owns 84 shopping centers and retail properties, which are leased primarily to supermarkets and to other retail chains, with a total G.L.A. of approximately 0.9 million square meters (approximately 9.7 million square feet).

The Company also operates in Europe in the shopping centers sector. In Germany, it operates through wholly owned subsidiaries (hereinafter – "Gazit Europe") and owns 6 shopping centers with a G.L.A. of approximately 92 thousand square meters (approximately 990 thousand square feet) and 3 plots for the future development of shopping centers. The Company is also active in Bulgaria and Macedonia, through wholly owned subsidiaries of Gazit-Globe Israel (Development) Ltd. (hereinafter – "Gazit Development (Bulgaria)"), where it owns a shopping center with a G.L.A. of approximately 7 thousand square meters (approximately 75 thousand square feet) and 5 plots of land for the future development of shopping centers and offices.

In Israel, the Company is active in the acquisition, development and management of shopping centers through Gazit-Globe Israel (Development) Ltd. (hereinafter – "Gazit Development"), which is 75% owned. In Israel, Gazit Development owns 9 income-producing shopping centers, with a G.L.A. of approximately 97 thousand square meters (approximately 1 million square feet) and has 3 shopping centers under development.

In addition, the Company also operates in Israel through Acad Building & Investments Ltd. (hereinafter – "Acad"), in which it has a 50% interest and which is consolidated according to the proportionate consolidation method. Acad's main activity is the holding, directly and indirectly, of 73.8% of the share capital and voting rights of U. Dori Group Ltd. (hereinafter – "U. Dori"), a public company that is listed on the Tel-Aviv Stock Exchange. U. Dori is primarily engaged in the initiation, development, construction and sale of real estate projects and the management and performance of contractual works in the real estate sector in Israel and Eastern Europe. In addition, U. Dori also owns 18.75% of the company, Dorad Energy Ltd., which is involved in the construction of a private power station in the Ashkelon region of Israel. Besides its holdings in U. Dori, Acad also operates as a contractor in Nigeria and is the part-owner of rights in an income-producing property in Israel.

In Brazil, the Company operates through Gazit Brazil Ltda. (hereinafter – "Gazit Brazil"), a subsidiary that is wholly owned by the Company. Gazit Brazil is active in the acquisition, development, and management of shopping centers in Brazil, and owns 2 income-producing shopping centers with a G.L.A. of 17 thousand square meters (approximately 183 thousand square feet) and also a shopping center under development.

In addition, the Company also operates in Europe through the affiliate, Atrium European Real Estate Limited. (hereinafter – "ATR") (formerly, Meinl European Land Limited.) – a public company incorporated on the island of Jersey and listed on the Vienna Stock Exchange. As of March 31, 2009, the Company holds 11.5% of the share capital of ATR and 19.1% (28.9% together with CPI) of ATR's voting rights, inter alia by virtue of the convertible debentures that it owns, which confer voting rights at meetings of ATR's equity holders, even prior to the conversion of the debentures. ATR operates in Central and Eastern Europe (as of March 31, 2009, primarily in Poland, the Czech Republic, Russia, Slovakia, Hungary, Turkey, Romania and Latvia). It owns 152 income-producing shopping centers, which are presented at fair value in an amount of EUR 1.5 billion and which have a G.L.A. of 1.1 million square meters (approximately 11.8 million square feet). It also has 42 projects at various stages of development and plots of land for future development that are presented in ATR's books in an amount of EUR 701 million.

Other publicly accessible data concerning the Group, including up-to-date presentations, supplemental packages with information regarding assets, liabilities and other information (it is hereby clarified that such information does not constitute part of this report and is also not included by a reference), can be found on the Group's Internet website and the Internet websites of the Group's public companies:

www.gazit-globe.com
www.equityone.net
www.firstcapitalrealty.ca
www.citycon.fi
www.aere.com

C. Effects of the Financial Crisis

Since the second half of 2007, the global markets have been in a state of financial crisis, the principal component and source of which is the instability of the financial system as a result of the crisis in the "sub-prime" mortgage market in the U.S.A., that has led to loss of confidence in the global inter-bank system, the lowest point of which was the collapse of the Lehman Brothers investment bank in the U.S.A. in September 2008. Actions taken by countries worldwide, including the U.S.A. and European countries, have partially restored trust in the banking system, which is reflected inter alia in a decline in LIBOR interest. The financial crisis in the U.S.A., Canada, Europe and other regions has led, inter alia, to declines in the capital markets and to worsening of the credit crisis. Despite actions taken by countries and central banks in several countries, including the U.S.A., Canada and some of the European countries, there is real cause for concern that the financial crisis will impact adversely on additional segments and will lead to recessions in various regions worldwide.

As a result of the crisis, the availability of financing extended by financial institutions has changed, as have the credit terms that such institutions offer their customers, including an increase in base interest rate spreads (while on the other hand the fixed and variable base interest rates declined); these could have an adverse affect on the Group's financing expenses, as well as on its financing options. The implications of the crisis for the markets in which the Group operates have led, inter alia, to an increase in cash flow discount rates, which has in turn led to a decline in the fair value of the Group's properties.

In general, the Company assesses that, as of March 31, 2009 and as of the financial statements' signing date, the crisis has had no material effects on its operating results and on the cash flows from the Group's properties. The Company further assesses that it will be able to continue financing its current operations and its investment activities from the Group's existing financing sources, namely the Group's liquid balances, its cash flows and its unutilized approved credit facilities. The Company's management believes that, due to the sharp global declines in share prices, including the shares of real estate companies in general and the shares of its investee companies in particular, the fair value of the properties of these companies is no longer connected to the value of the companies, as derived from the value of their shares.

As of March 31, 2009 and as of the financial statements' signing date, there has been no significant decline in the occupancy rates in the Group's properties and in the average rent, nor are there significant delays in rent payments that could materially affect the Group's revenues from rent. Moreover, as of the signing date of this report, the Company has not decided on any material change in the nature or scope of its operations as a result of the crisis, and believes that its business strategy, as described in the Periodic Report for 2008, is applicable and suitable in these times of crisis too.

Notwithstanding the aforesaid, worsening of the global financial crisis could affect the Group's operations, its results and its financial position, in the event of a decline in its operating results and cash flows. It could also cause further decline in the fair value of the Group's investment properties.

The Company's assessments of the impact of the financial crisis on its operations, revenues, profits and financial position are not certain nor are they under the Company's control; they therefore constitute forward looking information. These assessments are based on facts and data with respect to the present position of the Company and its business, the present position of its fields of operation and the markets it operates in, and macro-economic facts and data, all as known to the Company on the financial statements' approval date. In addition, the Company's said assessments are based to a material extent on its present expectations and assessments with respect to future developments in each of the said parameters, and their inter-relationship. The Company cannot be certain that its assessments will indeed be realized, since they are subject to external effects that cannot be assessed in advance and that, as stated above, are not under its control. These include worsening of the economic crisis, tightening of the terms of financing obtained from external sources, deterioration in the commercial and economic terms with respect to the realization of business opportunities, etc. Accordingly, the Group's future operating results, its revenues, profits and financial position may materially differ from those estimated or implied above.

D. Highlights – First Quarter 2009 (hereinafter – "the reporting period")

- In January 2009, the Company closed the additional investment in ATR, refer to section 2B below.
- The Group's investments totaled NIS 0.5 billion, compared to NIS 0.8 billion in the corresponding quarter last year.
- Property rental revenues totaled NIS 1 billion, an increase of 9% compared to the corresponding quarter last year. The increase in revenues was mainly due to the first-time consolidation of DIM (refer to note 3B of the financial statements), the coming on line of income-producing properties whose development has been completed and a rise in the average rental per square meter.
- NOI(1) totaled NIS 662 million, compared to NIS 610 million in the corresponding quarter last year, an increase of 9%, which is due to the first-time consolidation of DIM, the coming on line of income-producing properties whose development has been completed and a rise in the average rental per square meter.
- The proportionately consolidated NOI(2) totaled NIS 363 million, compared to NIS 303 million in the corresponding quarter last year, an increase of 20%.
- Gross profit totaled NIS 667 million, compared to NIS 617 million in the corresponding quarter last year, an increase of 8%. The gross profit from rental property operations totaled NIS 659 million, compared to NIS 608 million in the corresponding quarter last year, an increase of 8%.

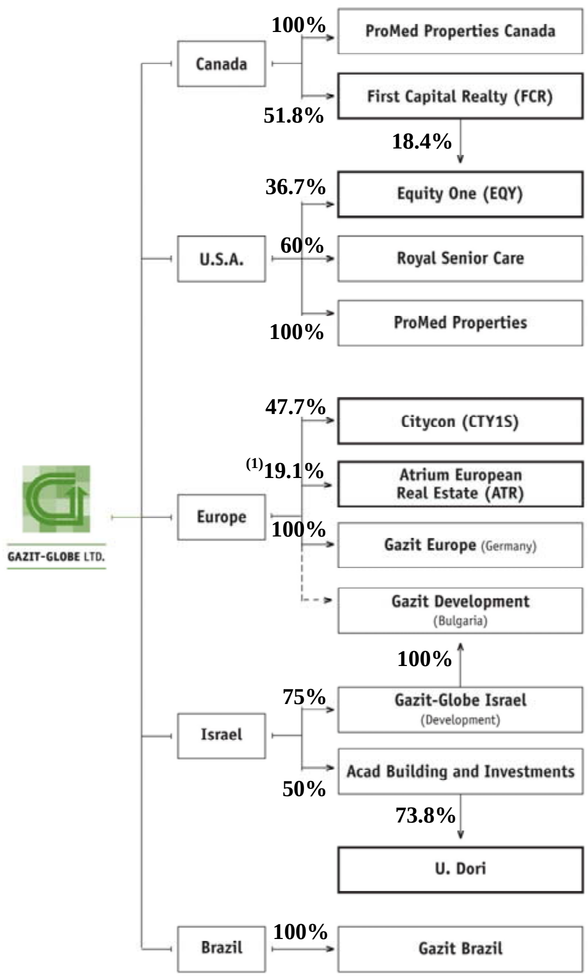
(1) NOI – Property rental revenues, net of property operating expenses.
(2) The Company's proportionate share in the NOI of Group companies, in accordance with the holding percentage in the equity of each of the Group companies.

- Cash flows from operating activities after neutralizing timing differences with respect to third-party receipts and payments (mainly receivables and payables), totaled NIS 209 million, compared to NIS 144 million in the corresponding quarter last year. Before neutralizing the aforementioned timing differences, the cash flows from operating activities totaled NIS 43 million in the reporting period.
- FFO [(1)] totaled NIS 163 million, NIS 1.30 per share (the FFO after neutralizing revenues that are not on a permanent basis totaled NIS 100 million, NIS 0.80 per share), compared to NIS 52 million, NIS 0.41 per share, in the corresponding quarter last year.
- Net income attributable to the equity holders of the Company (the income net of minority interests) totaled NIS 267 million, NIS 2.13 per share on a fully diluted basis, compared to net income of NIS 226 million, NIS 1.79 per share on a fully diluted basis in the corresponding quarter last year. The increase is due mainly to a gain from negative goodwill resulting from the rise in the percentage holding in investee companies, which was partly offset by a fair value loss on investment property and an adjustment to the value of derivative financial instruments (mainly, of the swap type).
- The Group raised a net amount of NIS 107 million in share capital from the public, compared to NIS 491 million in the corresponding quarter last year.
- During the reporting period, the Group repurchased debentures and convertible debentures of Group companies in a total amount of NIS 169 million. As a result of these acquisitions, the Group recognized a gain of NIS 67 million from the early redemption of the debentures.
- As of March 31, 2009, the Group had liquid balances and unutilized credit facilities available for immediate drawdown amounting to NIS 5.1 billion.
- Debt to market capitalization (derived mainly from the presentation of investment property at fair value) totaled 66.3%, as of March 31, 2009, compared to 56.7% as of March 31, 2008 and compared to 66.4% as of December 31, 2008.
- Equity attributable to the Company's equity holders amounted to NIS 4 billion as of March 31, 2009, constituting NIS 32.0 per share, compared to NIS 5.2 billion constituting NIS 41.7 per share, as of March 31, 2008 and compared to NIS 3.3 billion constituting NIS 26.6 per share, as of December 31, 2008.
- The Company's net asset value per share (EPRA NAV[(2)]) totaled NIS 34.8 per share as of March 31, 2009, compared to NIS 47.3 per share as of March 31, 2008 and compared to NIS 27.2 per share as of December 31, 2008. The EPRA NNNAV[(2)] per share totaled NIS 44.7 per share as of March 31, 2009, compared to NIS 48.6 per share as of March 31, 2008 and compared to NIS 46.3 per share as of December 31, 2008.

(1) See section G2.
(2) Refer to section G4.

- As of March 31, 2009, the Group had 12 properties under development with a gross area of 127 thousand square meters (approximately 1.4 million square feet), 19 properties being redeveloped, and additional land reserves earmarked for future development, which are presented in the Company's books in the amount of NIS3.2 billion. The additional cost to complete these properties under development and redevelopment totals NIS 1.2 billion.

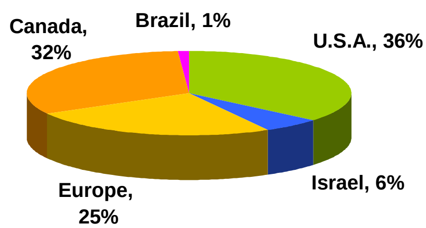
E. <u>The Company's Major Holdings are Shown Below (Ownership Percentages are as of December 31, 2008)</u>:



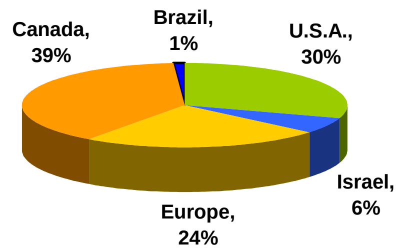
(1) Voting rights (11.5% of share capital).

F. Breakdown of Net Operating Income ("NOI")(1), According to the Company's Operating Regions(2):

Q1 2009



Q1 2008



(1) As to the Company's share ("by proportionate consolidation"), see section G3 below.
(2) Excludes the Company's share in ATR's NOI.

G. Additional Information Concerning the Company's Assets and Liabilities

1) The following table presents additional information summarizing the Company's holdings as of March 31, 2009, as described above:

Name of company	Type of security/ property	Holding (millions)	Holding percentage (%)	Book value (NIS in millions)	Market value as of March 31, 2009 (NIS in millions)
EQY [(1)]	Shares (NYSE)	28.1	36.7	2,056	1,434
FCR	Shares (TSX)	47.7	51.8	2,813	2,388
FCR	Convertible debentures (TSX)	124.0	54.7	430	323
CTY	Shares (OMX)	105.4	47.4	1,980	859
ATR	Shares (VSX)	26.2	11.5	1,339	331
U. Dori[(2)]	Shares (TASE)	42.5	36.9	75	43
RSC[(3)]	Income-producing property	-	-	621	-
Income-producing property in Europe	Income-producing property	-	-	1,068	-
Land in Europe	Property under development and land	-	-	489	-
ProMed	Income-producing property	-	-	1,406	-
Brazil	Income-producing property	-	-	236	-
Income-producing property in Israel	Income-producing property	-	-	1,475	-
Property under development and land in Israel	Property under development and land	-	-	855	-
Total		**-**	**-**	**14,843**	**-**

(1) Represents only the Company's direct interest in EQY. (In addition, FCR owns 14.1 million shares of EQY).

(2) Represents linked holding in U. Dori.

(3) Presented at the fair value of the properties, in accordance with International Accounting Standard No. 16.

Below are the Company's monetary balances (including balances of subsidiaries that are not public companies) as of March 31, 2009 (NIS in millions):

Debentures	[(1)]7,218
Debts to financial institutions	6,331
Total debentures and debts to financial institutions(*)	13,549
Other monetary liabilities	1,091
Total monetary liabilities	14,640
Less – monetary assets	3,808
Monetary liabilities, net	**10,832**

(*) Below are the annual repayments of the debentures and debts to other financial institutions (NIS in millions):

Year	Debentures	Banks	Mortgages	Total	%
2009	52	128	114	294	2
2010	232	957	166	1,355	10
2011	522	1,327	109	1,958	14
2012	522	[(2)]1,983	38	2,543	19
2013	606	34	284	924	7
2014	269	-	675	944	7
2015	748	-	67	815	6
2016	730	-	17	747	6
2017	679	-	16	695	5
2018	692	-	255	947	7
2019	907	-	12	919	7
2020	539	-	13	552	4
2021 and after	720	-	136	856	6
Total	**7,218**	**4,429**	**1,902**	**13,549**	**100**

(1) Excludes an asset of NIS 497 million that represents the fair value of swap-type derivative financial instruments, which are presented as part of the financial assets.

(2) Designated facility for financing the ATR transaction.

2) **FFO and EPRA Direct Result**

As is the practice in the U.S.A. and in European countries, the Company customarily publishes information regarding the results of its operating activities, in addition to and without derogating from the income statement prepared according to accounting principals. In European countries where the financial statement are prepared in conformity with International Financial Reporting Standards ("IFRS"), it is customary for income-producing property companies to publish their "Direct Result", which is a measure for presenting the operating results of a company that are attributable to its equity holders, as well as the "Indirect Results" which is a measure for presenting the non-operating results of a company that are attributable to its equity holders, with this being in line with the position paper of the European Public Real Estate Association ("EPRA"), the objective of which is to promote greater transparency, uniformity and comparability of the financial information reported by property companies. The Direct Result is calculated as the net income attributable to the equity holders of a company with certain adjustments with respect to non-operating items that are affected by the fair value revaluation of assets and liabilities, primarily adjustments to the fair value of investment property, investment property under development and other investments, and gains and losses from their disposal, a gain from negative goodwill and the writedown of goodwill, changes in the fair value recognized with respect to financial instruments, deferred taxes and minority interests with respect to the above items.

In the U.S.A., where the financial statements are prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), it is customary for income-producing property companies to publish their FFO results (which is the net income attributable to its equity holders, reported after neutralizing income and expenses of a non-recurring nature and with the addition of the company's share in property depreciation and other amortization), in accordance with the position paper issued by NAREIT – the U.S.-based National Association of Real Estate Investment Trusts.

The Direct Result is therefore essentially the same as FFO, with adjustments for the results reported under IFRS.

The Company believes that publication of FFO, which is computed according to the directives of EPRA, more correctly reflects the operating results of the Company, since the Company's financial statements are prepared in conformity with IFRS. In addition, publication of FFO provides a better basis for the comparison of the Company's operating results in a particular period to those of previous periods, and strengthens the uniformity and the comparability of this financial measure to that published by other European property companies.

As is also clarified in the EPRA and NAREIT position papers, the Direct Result and the FFO measures do not represent cash flows from current operations according to accepted accounting principles, nor do they reflect the cash held by a company or its ability to distribute that cash, and they are not a substitute for the reported net income (loss). Furthermore, it is also clarified that these measures are not part of the data audited by the Company's independent auditors.

The table below presents the calculation of the Company's FFO, computed according to the directives of EPRA, and its FFO per share for the stated periods:

	For the three months ended March 31		For the year ended December 31
	2009	**2008**	**2008**
	NIS in millions (other than per share data)		
Net income (loss) attributable to equity holders of the Company	**267**	**226**	**(1,075)**
Adjustments to net income (loss):			
Fair value loss on investment property and investment property under development, net	34	2	1,772
Depreciation and amortization[1]	37	16	691
Losses (gains) from dilution of holdings in investee companies and sale of properties and investments	(52)	7	129
Adjustments with respect to affiliates	124	-	78
Gain from negative goodwill	(406)	-	(685)
Revaluation of derivatives and linkage basis of liabilities	110	(297)	(358)
Deferred tax expenses (income)	26	83	(445)
Other adjustments [2]	23	15	128
Total adjustments to net income (loss)	**(104)**	**(174)**	**1,310**
FFO(*)	**163**	**52**	**235**
Basic FFO per share (in NIS)	**1.30**	**0.42**	**1.88**
Diluted FFO per share (in NIS)	**1.30**	**0.41**	**1.87**
Number of shares used to calculate diluted FFO per share (in thousands of shares)	**125,275**	**125,360**	**125,303**

(*) It should be noted that the FFO data for the reporting period include a gain of NIS 63 million (NIS 0.50 per share) from the early redemption of debentures and convertible debentures, this being in accordance with EPRA's calculation rules.

(1) Includes an adjustment to the value of available for sale securities and an an adjustment to the value of derivative financial instruments that arose from the ATR transaction.

(2) Expenses that are directly related to the income and expense items adjusted against the net income for the purpose of calculating FFO.

3) Additional information is presented below concerning the Company's share in the income-producing properties owned by the Group as of March 31, 2009, based on capitalized net operating income ("NOI")[1] methodology. The presentation of this information is intended to provide additional information, based on methodology that is generally accepted in the regions in which the Group operates, which might serve as an additional method in analyzing the value of the Company's properties on the basis of the Company's financial results for the reporting period. It is emphasized that this information in no way represents the Company's estimate of the present or future value of its assets.

The sensitivity analyses shown in the table below describe the implied value of the income-producing properties[2] owned by the Group according to the range of different cap rates generally accepted in the regions in which the Group operates, as of the date of the financial statements. It should be noted that this presentation does not take into account income from premises that have not been leased and additional building rights that exist with respect to the Group's income-producing properties.

In calculating the NOI, the following assumptions were taken into account:

a. The NOI for the period for each of the Group companies.

b. The Company's proportionate share in the NOI of the Group companies.

	For the three months ended March 31		For the year ended December 31,
	2009	**2008**	**2008**
	N I S in millions		
Property rental revenue	1,001	922	3,556
Property operating expenses, net of depreciation	(339)	(312)	(1,160)
NOI for the period	662	610	2,396
Less – minority's share in NOI	(299)	(307)	(1,174)
NOI for the period	**363**	**303**	**1,222**
NOI for the year	**[3]1,451**	**[3]1,211**	**1,222**

<u>Cap Rate</u>:	**<u>6.50%</u>**	**<u>7.00%</u>**	**<u>7.50%</u>**	**<u>8.00%</u>**
Value of proportionately consolidated income-producing property (NIS in millions)[4]	22,323	20,729	19,347	18,138

(1) NOI – Property rental revenue, net of property operating expenses.
(2) NOI divided by the cap rate.
(3) NOI for the first quarter multiplied by 4.
(4) According to NOI for the first quarter of 2009 (excluding the Company's share in the NOI of ATR).

New properties and properties under development, which have not yet come on line and which are presented at their fair values in the Group's books (according to the proportionate consolidation method) as of March 31, 2009, amounted to NIS 2,628 million.

The Group's liabilities, net of monetary assets (by the proportionate consolidation method) as of March 31, 2009, amounted to NIS 17,600 million

Income from rental of buildings, as stated above, does not include the income from premises that have not been leased, with an area of 153 thousand square meters (approximately 1.6 million square feet) (by the proportionate consolidation method).

4) **Net Asset Value (EPRA NAV and EPRA NNNAV)**

As is customary in the European countries in which the Group is active, and in line with the position paper of EPRA, the objective of which is to promote greater transparency, uniformity and comparability of the financial information reported by property companies, the Company publishes net asset value data (EPRA NAV), which is a measure that reflects the net asset value of the Company, with certain adjustments, e.g., the neutralization of the fair value revaluation adjustments with respect to derivative financial instruments, which are treated as hedging instruments from an economic perspective, but which do not meet the criteria for hedge accounting, and deferred taxes with respect to the revaluation of assets to their fair value; the Company also publishes EPRA NNNAV data, which is another measure reflecting net asset value (EPRA NAV), adjusted for the fair value of financial instruments of the kind referred to above and for the fair value of financial liabilities, and also with certain adjustments to the provision for deferred taxes.

The Company considers that presentation of EPRA NAV and EPRA NNNAV data enables the Company's results to be compared with those of other European property companies. At the same time, these data do not constitute a valuation of the Company and do not replace the data presented in the financial statements; rather, they provide an additional aspect of the Company's results in accordance with the recommendations of EPRA.

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

	As of March 31		As of December 31
	2009	2008	2008
	NIS in millions		
a. EPRA NAV			
Equity attributable to the equity holders of the Company, per financial statements	4,011	5,222	3,334
Adjustments for neutralization of fair value of derivative financial instruments	(476)	(439)	(645)
Add – Provision for tax on revaluation of investment property to fair value (net of minority's share)	819	1,142	716
Net asset value – EPRA NAV	4,354	5,925	3,405
EPRA NAV per share (in NIS)	34.8	47.3	27.2
b. EPRA NNNAV			
EPRA NAV	4,354	5,925	3,405
Adjustment for addition of fair value of derivative financial instruments	476	439	645
Adjustments of financial liabilities to fair value	1,208	277	2,108
Other adjustments to provision for deferred taxes(1)	(441)	(554)	(354)
"Adjusted" net asset value - EPRA NNNAV	5,597	6,087	5,804
EPRA NNNAV per share (in NIS)	44.7	48.6	46.3

5) As of March 31, 2009, the Company's issued share capital comprises 125.3 million shares (excluding treasury shares held by the Company).

(1) This adjustment does not include a provision for tax with respect to the revaluation of investment property in territories where, upon disposing of property, the Company customarily defers the payment of the capital gains tax.

2. The Group and its Business Environment – Key Events and Changes during the Reporting Period

General

During the reporting period, the Group's investments in the acquisition and development of new properties and in the redevelopment, expansion and construction of various existing properties totaled NIS 492 million. Other investments totaled NIS 123 million. The effect of these investments on the operating results will be reflected in full in the remainder of the year.

A. Property Activities

1) During the reporting period, the Group acquired one income-producing property, with a total G.L.A. of 3 thousand square meters (approximately 32 thousand square feet), and plots of land adjacent to the Group's properties for future development, at a total consideration of NIS 23 million. In addition, the Group has developed new properties and redeveloped existing properties at a total consideration of NIS 469 million.

2) **FCR**

- As of March 31, 2009, the average basic monthly rent was CAD 13.68 per square meter (as of March 31, 2008, it was CAD 13.14 per square meter).
- The same property NOI has increased by an average of 5.7% compared to the corresponding quarter last year. After neutralizing areas that were added as a result of redevelopment and expansion, the same property NOI increased by an average of 2.2% compared to the corresponding quarter last year.
- As of March 31, 2009, the average occupancy rate was 96% (95.5% as of March 31, 2008).
- During the reporting period, leases were renewed on an area of 25 thousand square meters (approximately 269 thousand square feet), with the average basic rent for these leases increasing by 9.9%, to CAD 15.6 per square meter.
- During the reporting period, new leases were signed on an area of 26 thousand square meters (approximately 280 thousand square feet), at an average basic rent of CAD 15.9 per square meter.
- Debt to market capitalization (derived mainly from the presentation of investment property at fair value) totaled 50.9%, as of March 31, 2009.

3) **EQY**

- As of March 31, 2009, the average basic monthly rent was USD 10.71 per square meter (as of March 31, 2008, it was USD 10.50 per square meter). In addition, the average basic monthly rent of DIM's 21 properties was USD 11.25 per square meter
- The same property NOI has decreased by an average of 2.7% compared to the corresponding quarter last year.

- As of March 31, 2009, the average occupancy rate was 91.5% (92.72% as of March 31, 2008). In addition, the average occupancy rate of DIM's properties was 90.6%.
- During the reporting period, leases were renewed on an area of 18 thousand square meters (approximately 194 thousand square feet), with the average basic rent for these leases increasing by 0.3% to USD 13.36 per square meter.
- During the reporting period, new leases were signed on an area of 9 thousand square meters (approximately 97 thousand square feet), at an average basic rent of USD 12.74 per square meter.
- Debt to market capitalization (derived mainly from the presentation of investment property at fair value) totaled 42.0%, as of March 31, 2009.

4) **CTY**

- The same property NOI has increased by an average of 0.9% compared to the corresponding quarter last year.
- As of March 31, 2009, the average occupancy rate was 95.3% (96.0% as of March 31, 2008).
- Debt to market capitalization (derived mainly from the presentation of investment property at fair value) totaled 55.6%, as of March 31, 2009.

5) **ATR**

- As of March 31, 2009, the average occupancy rate was 93.4% (96% as of March 31, 2008).
- The same property NOI has decreased by an average of 2% compared to the corresponding quarter last year.
- Gross debt to market capitalization (derived mainly from the presentation of investment property at fair value) totaled 35.8%, as of March 31, 2009 (net debt to market capitalization totaled 8.4%, as of March 31, 2009).
- As of March 31, 2009, the bulk of ATR's income-producing properties comprised: 17 income-producing properties in Poland that have a fair value of EUR 576 million and that generate approximately 33.6% of its total property rental revenues; 7 income-producing properties in Russia that have a fair value of EUR 226 million and that generate approximately 27.9% of its total property rental revenues; and 97 income-producing properties in the Czech Republic that have a fair value of EUR 267 million and that generate approximately 20.5% of its total property rental revenues.

6) **ProMed**

- ProMed owns 15 medical office buildings in North America (the U.S.A. and Canada), with a G.L.A. of 102 thousand square meters (approximately 1.1 million square feet), as well as 2 multi-story parking garages.
- The same property NOI has increased by an average of 5.9% compared to the corresponding quarter last year.

- As of March 31, 2009, the average basic monthly rent was USD 24.6 per square meter (as of March 31, 2008, it was USD 26.8 per square meter).
- As of March 31, 2009, the average occupancy rate was 96.2% (98.1% as of March 31, 2008).
- Gross debt to market capitalization (derived mainly from the presentation of investment property at fair value) totaled 59.2%, as of March 31, 2009.

7) **Gazit Development**

- In Israel, Gazit Development owns 9 income-producing shopping centers, with a G.L.A. of approximately 97 thousand square meters (approximately 1.0 million square feet).
- The same property NOI has increased by an average of 10% compared to the corresponding quarter last year.
- As of March 31, 2009, the average basic monthly rent was NIS 80.3 per square meter (as of March 31, 2008, it was NIS 79.6 per square meter).
- As of March 31, 2009, the average occupancy rate was 98.2% (98.4% as of March 31, 2008).
- During the reporting period, leases were renewed on an area of one thousand square meters (approximately 11 thousand square feet), with the average basic rent for these leases increasing by 2.3%, to NIS 100.4 per square meter.
- During the reporting period, new leases were signed on an area of 3.9 thousand square meters (approximately 42 thousand square feet), at an average basic rent of NIS 123 per square meter.

8) **Gazit Europe**

- In Germany, Gazit Europe owns 6 income-producing shopping centers, with a G.L.A. of approximately 92 thousand square meters (approximately 990 thousand square feet).
- The same property NOI remained unchanged compared to the corresponding quarter last year.
- As of March 31, 2009, the average basic monthly rent was EUR 12.1 per square meter (as of March 31, 2008, it was EUR 11.81 per square meter).
- As of March 31, 2009, the average occupancy rate was 93% (95.5% as of March 31, 2008).
- Gross debt to market capitalization (derived mainly from the presentation of investment property at fair value) totaled 54.8%, as of March 31, 2009.

9) **RSC**

- RSC owns 14 senior housing facilities, encompassing approximately 1,484 units.
- As of March 31, 2009, the occupancy rate in the properties of RSC was 85% (87% as of March 31, 2008). The average monthly rent per unit is USD 3,230 and the NOI rate for the reporting period is 34.2%.

- The same property NOI has increased by an average of 12.2% compared to the corresponding quarter last year.
- RSC has a senior housing facility under construction, the investment in which as of March 31, 2009 totaled USD 36.2 million (approximately NIS 152 million). The expected additional cost for completion of the first stage is USD 4.9 million (approximately NIS 20 million) and it is intended to encompass 166 units.
- Gross debt to market capitalization (derived mainly from the presentation of the fixed assets at fair value) totaled 51.2%, as of March 31, 2009.

10) **Data of properties under development, redevelopment, and expansion**

	Properties under Development			
Company name	**No. of properties**	**Total investment as of March 31, 2009 (NIS in millions)**	**Cost for completion (NIS in millions)**	**Area (sq. meters in thousands)**
FCR	4	275	163	27.1
EQY	3	199	51	19.0
Gazit Development	3	502	146	64.8
Gazit Brazil	1	89	94	15.7

	Properties under Redevelopment and Expansion			
Company name	**No. of properties**	**Total investment as of March 31, 2009 (NIS in millions)**	**Cost for completion (NIS in millions)**	**Area (sq. meters in thousands)**
FCR	14	313	304	51.1
EQY	1	33	3	4.6
CTY	4	1,043	397	70.6

B. Investment in ATR

1) On January 13, 2009, the Company and CPI European Fund (hereinafter – “CPI”) of the Citibank International Plc Group (hereinafter – “the investors”) and ATR entered into a new agreement that determines the terms for additional investments by the Company and CPI in ATR. The main points of the new agreement, which was closed and executed on January 30, 2009, are as follows:

   a. The rights issue in the amount of EUR 300 million that ATR had planned to carry out was cancelled, as was the undertaking of the investors to acquire all the shares not taken up within the framework of the rights issue and the rights of the investors to acquire additional shares in an amount of EUR 200 million in certain circumstances. ATR allotted to the investors 10.3 million shares at a price of EUR 7 per share (the Company’s share – 5.6 million shares). This amount of shares is the amount that brings the rate of the investors’ holding to 29.9% and, in practice, constitutes the partial realization of the underwriting undertaking, with the balance of the underwriting undertaking being cancelled. The allotment was carried out on January 30, 2009 in exchange for the return of EUR 38.9 million par value (the Company’s share) of the ATR convertible debentures allotted to the investors in August 2008.

b. Approximately 25 million ATR stock options (part of the 30 million allotted to the investors in August 2008) were returned to ATR, for no consideration, and cancelled.

c. The investors undertook not to acquire shares or convertible securities of ATR without ATR's consent, in such a manner that the investors' share of the voting rights would exceed the percentage that would require them to submit a purchase offer, were ATR to be subject to the purchase offer rules that apply in Austria (viz., in excess of 30%). This undertaking is effective until August 1, 2009, subject to the conditions specified in the agreement.

In addition, it is prescribed within the framework of the agreement that ATR will repurchase from the Company debentures (non-convertible) with a par value of EUR 103 million for EUR 77.3 million (reflecting the price for which they were purchased by the Company), plus accrued interest as yet unpaid on these debentures. The acquisition was closed on January 30, 2009.

The Company accounts for the underwriting undertaking that was realized, the balance of the stock options and the conversion component of the debentures as financial instruments that are measured at their fair value through profit or loss. In the reporting period, the Company recognized a EUR 4.6 million loss (approximately NIS 24 million) within the framework of the item "Impairment of investments", with respect to the revaluation of the stock options and the component for the conversion of the debentures into shares.

2) As of March 31, 2009, the Company holds: 26.2 million shares of ATR (including 20.6 million shares that were acquired through trades on the Vienna Stock Exchange), acquired at an average cost of EUR 5.3 per share; debentures with a par value of EUR 231.1 million that are convertible into ATR shares; traded debentures of ATR (that are not convertible into shares) with a par value of EUR 17 million; and 2.7 million ATR stock options.

3) During the reporting period, the Company recognized an immediate gain from negative goodwill in the amount of EUR 54.2 million (approximately NIS 287 million), due to the acquisition of ATR shares on the stock exchange and the allotment of the shares described above, which includes an amount of EUR 23.2 million (approximately NIS 123 million) resulting from the realization of the underwriting commitment.

4) In January 2009, at the same time as entering into the agreement for the additional investment in ATR, the size of the credit facility was revised to EUR 246.5 million, which has been fully utilized, and other commercial terms of the agreement were also updated.

5) The Company attaches the financial statements of ATR as of March 31, 2009, which are drawn up in conformity with IFRS. With regard to the Purchase Price Allocation (hereinafter – "PPA") study with respect to the rise in the percentage holding in ATR, which is presented according to the equity method – refer to Appendix B to the Board of Directors' Report.

C. As to an agreement entered into by EQY for the acquisition of additional shares in DIM, and the business combination with DIM, refer to note 3B of the financial statements.

D. As to EQY's acquisition of shares in Ramco – Gershenson Properties Trust, refer to note 3C of the financial statements.

E. As to an agreement entered into by FCR for the acquisition of shares in Allied Properties Real Estate Investment Trust, refer to note 3D of the financial statements.

F. As to the Company's issuance of debentures, which are secured by properties, and options that are exercisable into debentures, by means of a shelf prospectus, refer to note 3E of the financial statements.

G. As to EQY's repurchase of its own shares, refer to note 3J of the financial statements.

H. As to EQY's repurchase of its own debentures, refer to note 3I of the financial statements.

I. During the reporting period, the Company repurchased – through trades on the stock exchange –its own debentures (Series A, B, C, D, E, F, and I) for a consideration of NIS 45 million and recognized a gain of NIS 16 million from their early redemption, refer to note 3H of the financial statements.

J. As to FCR being granted revolving, mortgage-secured credit lines in an amount of CAD 525 million and its receipt of mortgage-secured loans in an amount of CAD 64 million, refer to note 3F of the financial statements.

K. As to the acquisition of CTY shares by the Company and the recognition of a NIS 105 million gain from negative goodwill due to the acquisition, refer to note 3G of the financial statements.

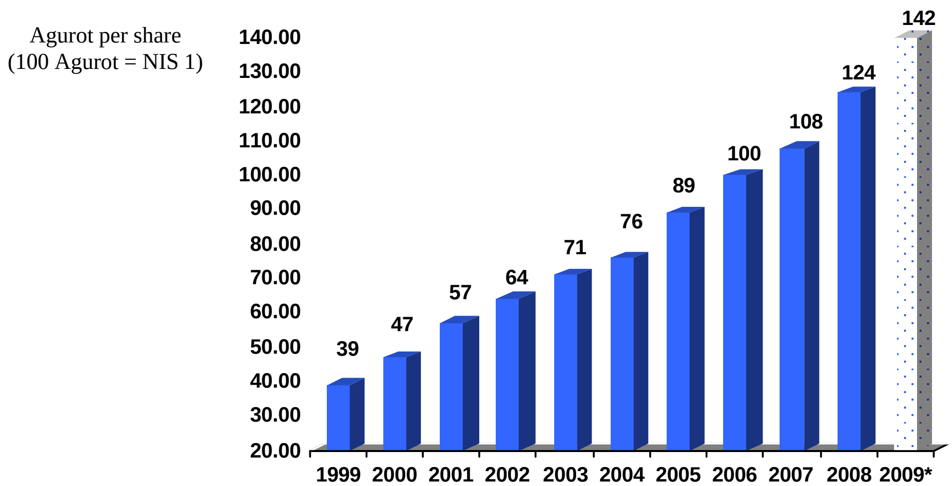
L. As to the allocation of stock options to officers, refer to note 3K of the financial statements.

M. Dividend Distribution Policy

Pursuant to the Company's policy, the Company announces at the end of each year the anticipated dividend for the subsequent year. In September 2008, the Company decided that the dividend to be declared in 2009 will not be less than NIS 0.34 per share per quarter (NIS 1.36 per share on an annualized basis). In May 2009, the Company decided to revise the amount of the dividend, whereby – with effect from the second quarter of 2009 – the dividend will not be less than NIS 0.36 per share per quarter (an annual rate NIS 1.44 per share).

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

<u>The Company's dividend growth in the years 1999-2009 is shown in the graph below:</u>



* Projected, assuming the decision of the Company's Board of Directors regarding the dividend distribution rate for 2009 is applied as stated above.

3. A. Results of Operations

	For the three months ended March 31		For the year ended December 31
	2009	2008	2008
	Unaudited		Audited
	NIS in millions (other than earnings per share data)		
Property rental revenue	1,001	922	3,556
Revenues from sale of buildings, land and contractual works performed	121	127	613
Total revenues	1,122	1,049	4,169
Rental property operating expenses	342	314	1,170
Cost of sale of buildings, land and contractual works performed	113	118	679
Total cost of revenues	455	432	1,849
Gross profit	667	617	2,320
Fair value loss on investment property and investment property under development, net	(165)	(2)	(3,956)
General and administrative expenses	(153)	(135)	(489)
Other income	433	-	704
Other expenses	(9)	(4)	(85)
Company's share in losses of affiliates, net	(96)	(*) -	(86)
Operating income (loss)	677	476	(1,592)
Financial expenses	(483)	(380)	(1,739)
Financial income	171	364	802
Impairment loss of investments	(28)	(12)	(727)
Income (loss) before taxes on income	337	448	(3,256)
Tax benefit (taxes on income)	(59)	(77)	597
Net income (loss)	278	371	(2,659)
Attributable to:			
Equity holders of the Company	267	226	(1,075)
Minority interests	11	145	(1,584)
	278	371	(2,659)
Net earnings (loss) per share attributable to ordinary equity holders of the Company (in NIS)			
Basic net earnings (loss)	2.14	1.80	(8.58)
Diluted net earnings (loss)	2.13	1.79	(8.58)

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

B. Analysis of Results of Operations for the reporting period

Property rental revenue

The 9% decrease compared to the corresponding quarter last year is due to the first-time consolidation of DIM, the coming on line of income-producing properties whose development has been completed and a rise in the average rent per square meter received on the Group's properties.

Revenues from sale of buildings, land and contractual works performed

The aforementioned revenues are due to the consolidation, starting from the last quarter of 2007, of the activity of Acad, which is engaged in the initiation, development, construction and sale of real estate projects, as well as in the management and performance of contractual works in the real estate sector in Israel and Eastern Europe and the holding and management of income-producing properties that are either wholly or jointly owed.

Rental property operating expenses

The increase in rental property operating expenses, compared to the corresponding quarter last year, is mainly due to the first-time consolidation of DIM. Rental property operating expenses, as a percentage of property rental revenue, amounted to 34.2% – similar to the percentage in the corresponding quarter last year.

Cost of sale of buildings, land and contractual works performed

The aforementioned costs are due to the consolidation, starting from the last quarter of 2007, of the activity of Acad, as explained above.

Gross profit from property rental activity

Gross profit from property rental activity totaled NIS 659 million (65.8% of total property rental revenues); this compares to NIS 608 million (66% of property rental revenues) in the corresponding quarter last year, an increase of 8%.

Fair value loss on investment property and investment property under development, net

The Company applies the fair value model, as prescribed in International Accounting Standard No. 40 (Revised) – "Investment Property"[1]. As a result of implementing this standard, the Group wrote down, during the reporting period, the fair value of its properties by a gross amount of NIS 165 million (the Company's pre-tax share therein amounted to NIS 34 million). This compares to a fair value loss in the corresponding quarter last year of NIS 2 million (the Company's pre-tax share therein amounted to NIS 2 million). In the reporting period, the fair value loss on investment property is due mainly to the rise in the cash flow discount rates, and not to a material decline in the cash flows deriving from the properties. As described in section 1C above, there has been a change in the availability of financing provided by financial institutions, as well as a change in the financing terms offered by such institutions, including an increase in the base interest margins (although fixed and variable base interest rates have fallen). These changes, together with other changes that have taken place in the markets in which the Group operates, as described in section 1C above, have led to an increase in the cash flow discount rates in these markets, which has caused the aforementioned decrease in the fair value of the Group's properties.

General and administrative expenses

The increase in general and administrative expenses is mainly due to employment termination expenses for senior employees of EQY, and payroll expenses with respect to the engagement of new employees at EQY, as well as professional expenses of a non-recurring nature that include expenses associated with the first-time consolidation of DIM with EQY.

Other income

This item consists mainly of the gain from the negative goodwill arising from the acquisition of ATR shares and CTY shares, as well as gains from real estate sales.

Other expenses

This item consists mainly of the amortization of goodwill and other assets in the amounts of NIS 2 million and NIS 7 million, respectively.

(1) Commencing from January 1, 2009, the Company applies Standard IAS 40 (Revised) – "Investment Property", which provides that investment property that is in the process of construction or development for future use is to be treated as investment property, which is presnted at fair value – refer also to note 2B3 of the financial statements.

Financial expenses

The change in financial expenses results, inter alia, from an increase in the Group's loans from an average balance of NIS 26.6 billion in the first quarter of 2008 to an average balance of NIS 31.3 billion in the first quarter of 2009, due to the Group's investments in the acquisition, development and redevelopment of properties and to investments in investee companies by the Company. The financial expenses reflect an average nominal annual interest of 4.7% for the Group's loans, compared to 6% in the corresponding quarter last year. The decrease in nominal interest is due to the adjustment of liabilities that are linked to the known Israeli consumer price index (which fell by 0.7% in the reporting period), thereby causing financing expenses to shrink by NIS 32 million. In addition, financing expenses include expenses with respect to a revaluation of derivative financial instruments relating to hedging transactions (mainly, of the swap type) in an amount of NIS 144 million, compared to income in an amount of NIS 317 million in the corresponding quarter last year, which was recorded as financial income.

Financial income

Financial income is mainly comprised of a gain of NIS 66.6 million from the early redemption of debentures (in the corresponding quarter last year – none), interest income of NIS 39.5 million from an affiliate (ATR) (in the corresponding quarter last year – none), dividend income of NIS 4.7 million (in the corresponding quarter last year – NIS 41.1 million) and a gain of NIS 44.5 million from the sale of available-for-sale securities (in the corresponding quarter last year – NIS 2 million).

Loss from impairment of investments

This item consists of the adjustment of the fair value of derivative financial instruments that arose from the ATR transaction and the loss from the impairment of investments in available-for-sale securities. As a result of the adjustment of the fair value of investments in derivative financial instruments that arose from the ATR transaction, the Company recognized a loss of NIS 24 million in the reporting period, in light of the change that has occurred in the fair value of these instruments that is mainly due to the decline in ATR's share price on the Vienna Stock Exchange.

Company's share in losses of affiliates, net

The expense is the Company's share (11.5%) in the losses of ATR for the reporting period, as a result of adjusting the fair value of investment property with respect to income-producing property, property under development and land, in an amount of EUR 290 million (approximately NIS 1.5 billion), which has been offset against the early redemption gain of debentures in the amount of EUR 34 million (approximately NIS 180 million) and the operating income.

4. Financial Status

Liquidity

The Group has a policy of maintaining a high level of liquidity that enables the pursuit of business opportunities in its areas of operations.

The sources of the Group's liquid assets are its cash reserves (derived from its income-producing properties), credit facilities, mortgages and long-term loans and raisings of debentures, convertible debentures and equity. As stated, these liquid assets are applied in the acquisition, development and redevelopment of income-producing properties, the settlement of liabilities, investments in affiliates, other investments and the payment of dividends.

Due to the global financial crisis, there has been a change in the availability of the financing provided by financial institutions, as well as a change in the financing terms offered by such institutions, including an increase in base interest margins (although fixed and variable base interest rates have fallen), as described in section 1C above.

As of March 31, 2009, the liquid assets available to the Group, including short-term investments, totaled NIS 1,745 million, compared to NIS 1,601 million as of December 31, 2008. In addition, as of March 31, 2009, the Group had unutilized approved credit facilities available for immediate drawdown of NIS 3.4 billion, compared to NIS 2.7 billion as of December 31, 2008.

In aggregate, the Group has liquid balances and unutilized credit facilities available for immediate drawdown totaling NIS 5.1 billion.

As of March 31, 2009, the Group also had unpledged investment property, which is carried in the books at its fair value of NIS 23.4 billion.

The Group has negative working capital amounting to NIS 926 million. However, after having examined the Group's diverse sources of finance and their scope, including its approved credit facilities, its cash balances and the available-for-sale securities that it holds, as detailed in this section, the Board of Directors has determined that the existence of negative working capital is not of itself sufficient to indicate that that the corporation has a liquidity problem.

Current assets

Current assets, as of March 31, 2009, total NIS 2.9 billion, compared to NIS 2.7 billion as of December 31, 2008. The increase is due primarily to the increase in cash and cash equivalents, which is mainly the result of the issuance of debentures (Series J) – refer also to note 3E of the financial statements.

Investments in affiliates

Investments in affiliates, as of March 31, 2009, totaling NIS 1,400 million relate primarily to an investment in 26.2 million shares of ATR that were acquired through trades on the Vienna Stock Exchange and shares that were allotted to the Company – refer to section 2B above. In the reporting period, the Company recognized a gain of NIS 287 million from negative goodwill arising from the investment in ATR, which is presented according to the equity method. Refer also to note 3A of the financial statements.

Long-term investments, loans and receivables

Long-term investments, loans and receivables, as of March 31, 2009, total NIS 106 million, compared to NIS 114 million as of December 31, 2008.

Investments in available-for-sale securities

As of March 31, 2009, investments in available-for-sale securities, which are presented at fair value, totaled NIS 303 million, compared to NIS 325 million as of December 31, 2008. The reduction in the balance of the investments in available-for-sale securities is mainly due to the first-time consolidation of DIM, the investment in whose shares was previously presented within the framework of "Investments in available-for-sale securities". Refer also to note 3B of the financial statements.

Investment in debt component of convertible debentures

As of March 31, 2009, the investment in the debt component of convertible debentures that were issued to the Company by ATR, which is presented at amortized cost, totaled NIS 896 million, compared to NIS 990 million as of December 31, 2008. These convertible debentures bear annual interest of 10.75%, which is paid on a quarterly basis, and their annual yield to redemption is 20.4%. The discount with respect to these convertible debentures is amortized using the effective interest method. In the reporting period, debentures with a par value of EUR 38.9 million were redeemed, as a result of which the Company recognized a gain of NIS 36 million. Refer also to section 2B above.

Stock options and conversion component of debentures

The stock options and the conversion component of debentures, which are presented as of March 31, 2009 at fair value of NIS 147 million, compared to NIS 191 million as of December 31, 2008, include the Company's investment in the equity component of the convertible debentures issued to the Company by ATR and the balance of the options issued to the Company by ATR – refer also to section 2B above.

Derivative financial instruments

As of March 31, 2009, the derivative financial instruments arise mainly from swap-type foreign currency transactions, which hedge currency exposures on the Group's properties and are presented at their fair value, in an amount of NIS 521 million, compared to NIS 689 million as of December 31, 2008. The decrease is due mainly to changes in the fair value of the derivative financial instruments.

Investment property, investment property under development and fixed assets, net

Investment property, investment property under development and fixed assets, net, as of March 31, 2009, total NIS 42.9 billion, compared to NIS 38.3 billion as of December 31, 2008.

During the reporting period, the Group acquired an income-producing property, developed new properties and redeveloped existing properties at a total cost of NIS 0.5 billion. The first-time consolidation of DIM added NIS 1.7 billion to investment property, while the strengthening of the US dollar, the Canadian Dollar and the Euro against the New Israeli Shekel caused an increase of NIS 2.7 billion in these items. The fair value adjustment of investment property and investment property under development caused a net decrease of NIS 165 million in the reporting period.

Current liabilities

Current liabilities, as of March 31, 2009, total NIS 3.8 billion, compared to NIS 3.5 billion at the end of 2008. The balance primarily consists of the item "Credit from banks and others" and current maturities of long-term liabilities in the amount of NIS 2.3 billion, compared to NIS 1.9 billion at the end of 2008.

The Group's liquid balances, in the amount of NIS 5.1 billion, and its cash flows from operating activities are significantly greater than the aforementioned current liabilities of the Group.

Long-term liabilities

Long-term liabilities, as of March 31, 2009, totaled NIS 33.4 billion, compared to NIS 30.1 billion as of December 31, 2008.

The increase in this item is due mainly to the strengthening of the US Dollar, the Canadian Dollar and the Euro against the New Israeli Shekel, and also to the first-time consolidation of mortgages with respect to the properties of DIM.

Minority interests

Minority interests, as of March 31, 2009, mainly consist of the interests of EQY's other equity holders, who, as of the above date, accounted for 44.9% of EQY's equity, the interests of FCR's other equity holders, who, as of the above date, accounted for 48.2% of FCR's equity, the interests of CTY's other equity holders, who, as of the above date, accounted for 52.3% of CTY's equity, and also the interests of DIM's other equity holders, who, as of the above date, accounted for 25.4% of DIM's equity.

The change in this item is mainly due to the minority interest in the Groups' net income, to FCR's and EQY's issuance of shares in the reporting period to their equity holders, net of the Company's share acquisitions in CTY, EQY and FCR, and, additionally, the strengthening of the US Dollar, the Canadian Dollar and the Euro against the New Israeli Shekel in the reporting period, which increased the shekel amount of CTY's, EQY's, and FCR's equity, and also the first-time consolidation of DIM. .

Equity attributable to the equity holders of the Company

The change in equity attributable to the equity holders of the Company from NIS 3,334 million as of December 31, 2008 to NIS 4,011 million as of March 31, 2009 results mainly from the net income in the reporting period of NIS 267 million, from the increase in the item "Other capital reserves" in the amount of NIS 445 million (mostly due to foreign currency translation adjustments of foreign operations as a result of the strengthening of the US Dollar, the Canadian Dollar and the Euro against the New Israeli Shekel), and from the amount of NIS 8 million carried directly to retained earnings with respect to the share of the equity value of DIM attributable to the former holdings. Offset against the above amounts is the dividend of NIS 43 million declared by the Company.

Equity per share as of March 31, 2009 totaled NIS 32 per share, compared to NIS 26.6 per share as of December 31, 2008. This is after a dividend distribution of NIS 0.34 per share in the reporting period.

Ratio of debt to total assets

The ratio of the Group's interest-bearing debt to its total assets (derived mainly from the presentation of investment property on the basis of its fair value) stood at 66.3% as of March 31, 2009, compared to 66.4% as of December 31, 2008.

The ratio of the Group's interest-bearing debt to the Group companies' total market capitalization stood at 73.2% as of March 31, 2009, compared to 70.6% as of December 31, 2008.

The Company is considering the possibility of disposing of properties and operations that are not part of its core business (including by way of partial sale to partners), the merger of synergetic operations and the sale of financial holdings, this being – inter alia – within the overall intention of reducing the level of financial leverage in the short and medium term.

Cash Flows

Cash inflows from operating activities in the reporting period totaled NIS 43 million, compared to NIS 92 million in the corresponding quarter last year. The decrease compared to the corresponding quarter last year is due to timing differences in third-party receipts and payments (receivables and payable).

	For the three months ended March 31	
	2009	**2008**
	NIS in millions	
Net cash from operating activities	43	92
After neutralizing changes in asset and liability items, net[1]	166	52
	209	144

In the reporting period, the Group's activities were funded by means of capital raised by the Company and its consolidated subsidiaries totaling NIS 107 million, long-term debentures issued in a net amount of NIS 176 million, loans received and credit facilities drawn on in a net amount of NIS 446 million, and the disposal of investments in available-for-sale securities in a net amount of NIS 636 million. The proceeds from the above sources were used primarily to finance investing activities for the purchase of investment property and fixed assets amounting to NIS 460 million, as well as further investments in the acquisition of shares from the minority equity holders in consolidated subsidiaries and investments in an affiliate amounting in total to NIS 123 million.

As to the effect of the global financial crisis on the cash flows from the aspect of financial institutions and also the change in financing terms offered by such institutions, refer to section 1C above.

(1) Refer to consolidated statements of cash flows.

5. Update of Details Concerning the Corporation's Publicly-Held Commitment Certificates

5.1 Further to the description in the Periodic Report for 2008 concerning the corporation's publicly-held commitment certificates, the Company – subsequent to balance-sheet date – closed the issuance of NIS 123.5 million par value of debentures (Series I), by means of extending the series, for a consideration of NIS 120 million.

5.2 In February 2009, the Company closed, by means of a shelf offer, an offering of NIS 404 million par value of debentures (Series J) for a net consideration of NIS 395 million. The acquirers of the debentures (Series J) were granted, for no additional consideration, 2.02 million options (Series 10) that are exercisable into NIS 202 million par value of debentures (Series J) at an exercise price of NIS 97 (linked to the increase in the consumer price index) for every NIS 100 par value, during an exercise period that commences from the date that the debentures are listed for trade through December 20, 2009.

The debentures (Series J) are secured by a fixed charge that is registered on the Group's rights to five properties whose aggregate value as of the issuance date (according to the valuation detailed below) is NIS 826 million

A. Details of the debentures (Series J) as of March 31, 2009 are presented in the following table:

	Issue date	Par value as of issue date	Par value of debentures in circulation as of 31/03/09	Par value of debentures in circulation, plus linkage differences as of 31/03/09	Total accumulated interest to 31/03/09	Balance in the financial statements as of 31/03/09	Stock exchange value as 31/03/09	Type of interest and rate thereof	Principal payment dates	Interest payment dates	Linkage basis and terms (principal and interest)
		NIS in thousands		NIS in millions							
Debentures (Series J)	02/2009	403,668	404,154	404.2	2.7	389.9	408.5	Fixed 6.5%	10 equal installments, each of 1% of the principal, which are paid twice a year on March 31 of each of the years from 2015 through 2019 and on September 30 of each of the years from 2014 through 2018. The balance of the principal (90%) will be paid in one payment on September 30, 2019.	Paid twice a year on March 31 and September 30 of each of the years from 2010 to 2019, with the first payment of interest being made on September 30, 2009.	The principal and the interest are linked to the increase in the consumer price index

B. Details concerning the trustee of the Company's debentures (Series J) (to the best of the Company's knowledge):

	Trustee	Liaison for the Trustee	Address of Trustee	Fax	E-mail
Debentures (Series J)	Strauss Lazar Trust Company (1992) Ltd.	Uri Lazar	17 Yitzhak Sadeh Street, Tel-Aviv	03-6237777	ori@slcpa.co.il

C. Presented below are details concerning the rating of the debentures (Series J):

	Issue date	S&P Maalot's rating close to issue date	Midroog's rating close to issue date	S&P Maalot's rating at approval date of quarterly report	Midroog's rating at approval date of quarterly report	Date and reference of immediate report concerning latest rating by S&P Maalot (*)	Date and reference of immediate report concerning latest rating by Midroog (**)
Debentures (Series J)	February 2009	AA-/Negative	Aa3 Stable	A+/Negative	(Watch List) Aa3 Stable	3/5/2009 Reference: 2009-01-099903	15/2/2008 Reference: 2009-01-036000

(*) On May 3, 2009, S&P Maalot announced the downgrading of the rating on all series of the Company's debentures in circulation to A+/Negative. The immediate report referred to in this column is hereby presented by means of this reference.

(**) The immediate report referred to in this column is hereby presented by means of this reference. As to the announcement by Midroog Ltd. concerning the placing of all series of the Company's debentures on the Watch List, refer to the immediate report from March 22, 2009 (ref. no: 2009-01-0063459). The information contained in the aforesaid report is hereby presented by means of this reference.

D. As of March 31, 2009 and during the first quarter of 2009, the Company was in compliance with all the conditions and commitments of the trust deed with respect to the debenture (Series J). No conditions existed that required the Company to immediately redeem the above debentures pursuant to the aforesaid trust deed, and no notices were received from the trustee contradicting the aforesaid.

E. Collateral for debentures (Series J)

The Company's commitments pursuant to the debentures (Series J) are secured by a fixed, first-ranking charge on the rights relating to properties, as detailed in the Company's immediate report from January 18, 2009 (reference no. 2009-01-016440) (hereinafter – "the preliminary report") and in the shelf offer report from February 19, 2009 (reference no. 2009-01-040392) (hereinafter – "the shelf offer report"; the information contained in the preliminary report and in the shelf offer report is hereby presented by means of this reference). The value of the aforementioned pledged properties as of March 31, 2009 is NIS 826 million, similar to that on the date of issue. The aforementioned pledged properties are presented in the financial statements of the Company as of March 31, 2009 in an amount of NIS 719 million (this amount does not include completion costs of NIS 107 million that are expected to be incurred during 2009), compared to NIS 671 million as of December 31, 2008. Most of the difference in the book values of the pledged properties between the aforementioned dates is due to the presentation of the G Cinema, which is in the process of being developed, at its fair value, with this being as a result of implementing accounting standard IAS 40 (Revised) (that took effect from January 1, 2009), in relation to investment property that is in the process of being developed for future use as investment property (prior to the aforesaid date, the aforementioned property was presented at cost). G Cinema is presented in the financial statements of the Company as of March 31, 2009 in the amount of NIS 162 million, compared to an amount of NIS 118 million in the Periodic Report for 2008 (it should be emphasized that the increase in the value of the above property is mainly due to the manner in which it is presented in the accounts of the Company, as described above).

F. The conditions specified in the trust deed of the debentures (Series J) for the alteration, release, activation or cancellation of the above pledges are detailed in the preliminary report and in the shelf offer report. The aforementioned pledges are valid in accordance with the law and in accordance with the incorporation documents of the Company.

G. The trust deeds, by virtue of which the debentures in circulation were issued, do not impose on the Company any restrictions regarding the creation of further pledges on the Company's assets or regarding the Company's powers to issue additional commitment certificates.

6. Additional Information and Subsequent Events

A. As to the capital issuance by EQY and the participation of the Company in this capital issuance, refer to note 4A of the financial statements.

B. As to the raising of NIS 120 million in debt, by means of extending debentures (Series I), refer to note 4B of the financial statements.

C. Subsequent to balance-sheet date, the Company repurchased – through trades on the stock exchange –its own debentures (Series A, B, C, D, and F)) for a consideration of NIS 14 million. As a result of the acquisition of these debentures, the Company is expected to recognize a gain of NIS 2 million from their early redemption.

D. Subsequent to balance-sheet date, FCR received a mortgage-secured loan in the amount of CAD 10.5 million that bears annual interest at 6.4% and is for an average duration of 10 years.

7. Donations

The Company customarily makes donations to charities and to projects for community welfare and education in the various countries in which it operates. Within the framework of this activity the Company has pledged to support a number of agencies through a perennial donation framework, as follows:

A. The Company makes donations to Tel-Aviv University, which operates an institute focusing on research and studies of all manner of real estate-related topics (The Chaim Katzman – Gazit-Globe Real Estate Institute). The Company has pledged to make an annual donation of USD 150,000 for a period of 7 years (commenced in 2005).

B. The Company donates to the "College for All" charity – a not-for-profit organization working to close the gaps in education by means of creating equal opportunities. The organization strives to realize its vision of excellence through the provision of learning and other tools to students with ability and motivation, who come from underprivileged neighborhoods. The goal is to encourage such students to embark on academic studies. Within the framework of the activities of this organization, the Company has pledged to provide assistance to a group of students for a period of 5 years (commenced in 2005).

C. The Company has adopted a battalion of front-line conscripts within the framework of the "Adopt a Front-Line Soldier" Project. Within the framework of this project, the Company has pledged to make an annual donation of NIS 100,000 for 3 years (commenced in 2007).

In addition, the Group makes donations to numerous other bodies.

During the reporting period, the Group's donations amounted to NIS 514,000.

8. Critical Accounting Estimates

While preparing the financial statements, the Company's management is required to make estimates and assessments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities.

Management bases its estimates and assessments, including those prepared by independent external professional parties (e.g., appraisers), on past experience and other factors that, in its opinion, are relevant taking the particular circumstances into account. Actual results could differ from these assessments under different assumptions or conditions.

In the reporting period, no changes occurred in the critical estimates which have the potential to materially affect the financial statements, apart from the valuation of identifiable assets, net within the framework of the business combination with DIM and within the framework of the increase in the investment in ATR, which is presented according to the equity method.

9. Reporting of Exposures to Market Risks and their Management

Since the annual report of the Company for 2008, which was presented on March 26, 2009, there have not been any material changes in the types of market risks and their management.

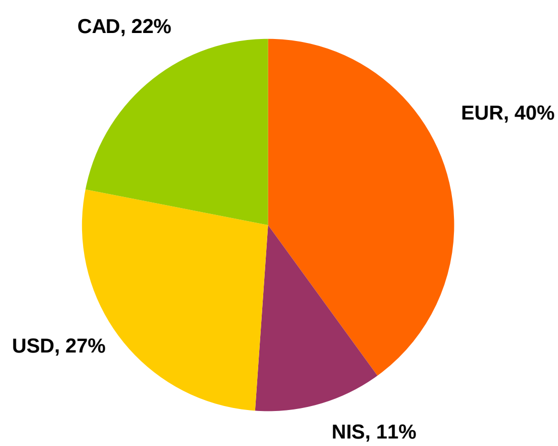
As to changes in foreign currency exchange rates, from January 1, 2009 through March 31, 2009, the US Dollar, the Canadian Dollar and the Euro devalued against the New Israeli Shekel by 10%, 7%, and 5%, respectively. As to the effect of changes in foreign currency exchange rates on the Company's equity, refer to the Linkage Bases Report as of March 31, 2009, attached as Appendix A to the Board of Directors' report. In addition, from March 31, 2009 until shortly before the date of approval of this report, the US Dollar and the Euro appreciated against the New Israeli Shekel by 5% and 1%, respectively, while the Canadian Dollar devalued against the New Israeli Shekel by 5%.

In addition, some of the Company's liabilities are linked to changes in the Israeli consumer price index (with respect to operations in Israel). From January 1, 2009 through March 31, 2009, the (known) consumer price idex fell by 0.7%. As to the effect of changes in the consumer price index on the equity of the Company, refer to the Linkage Bases Report as of March 31, 2009, attached as Appendix A to the Board of Driectors' report. In addition, from March 31, 2009 until shortly before the date of approval of this report, the (known) consumer price index rose by 1.5%.

During the period from January 1, 2009 through the date that the financial statements were signed, the individuals responsible for managing and reporting the Company's market risks (Mr. Michael Bar Haim, the Company's President, and Mr. Gil Kotler, the Company's Chief Financial Officer) have held and continue to hold frequent discussions on the exposure to market risks, including changes in exchange rates and interest rates, and the Company's management discusses the issue on a weekly basis. During the above period, the Company's Board of Directors discussed said risks and the Company's policy regarding them during the meetings at which the financial statements for December 31, 2008 and March 31, 2009 were approved.

As in the past, it is the Company's policy to maintain as close an economic correlation as possible between the currency in which properties are acquired and the currency in which the liabilities to finance the acquisition of those properties are taken out, with an intent to hold its equity in the currencies of the various markets in which it is active, and in the same proportions as the assets in each such currency bear to the total assets, while making occasional transactions to minimize the said exposure to changes in exchange rates.

As March 31, 2009, the economic exposure of the Company's equity (NIS 4 billion) to the various currencies is distributed as follows:



10. Disclosure Regarding the Financial Statements' Approval Process

As consented to by the Company's Board of Directors, the Audit and Balance Sheet Committee is the organ responsible for oversight in the Company. Within the framework of its duties in this role, the Audit and Balance Sheet Committee discusses the financial statements of the Company, including audit issues that are related to oversight, and presents its recommendations to the Board of Directors. The members of the Audit and Balance Sheet Committee are Messrs. Yair Orgler (Chairman of the Committee), Noga Knaz, Chaim Ben-Dor and Eli Shahar.

Within the framework of the process of the Company's financial statements being approved by the Board of Directors and their discussion by the Audit and Balance Sheet Committee, a draft of the financial statements, and a draft of the other parts of the quarterly report too, as well as a draft of the presentation reviewing the operations for the reporting period are sent for the perusal of the members of the Board several days before the date of the meeting of the Audit and Balance Sheet Committee and the meeting of the Board of Directors.

During the meeting of the Audit and Balance Sheet Committee and the meeting of the Board of Directors, the CFO, Mr. Gil Kotler, provides a review of the Company's financial position, its operating results and its cash flows, and presents data concerning the Company's activities and their comparison with prior periods. A discussion takes place during which the Company's management (including the Chairman of the Board of Directors, the Executive Vice Chairman of the Board of Directors, the President of the Company and the CFO of the Company) reviews the major financial reporting issues that have arisen in the course of preparing the financial statements (including a review of transactions, if any, not within the normal course of business, the significant assessments and critical estimates used in the financial statements, the accounting policies applied and the changes thereto, if any, and the possible effect on the financial statements of material risks and exposures); management also responds to questions from the directors. The Company's independent auditors are present at meetings of the Audit and Balance Sheet Committee and meetings of the Board of Directors at which the financial statements are discussed and approved in order to both respond to questions, if any, raised in connection with the financial statements, and also to bring up other matters that they wish to place before the Committee or the Board of Directors. The Audit and Balance Sheet Committee formulates its recommendations with regard to the approval of the financial statements, and these are presented to the Company's Board of Directors.

All the members (as listed above) of the Audit and Balance Sheet Committee were present at the meeting of the Committee that was held on May 24, 2009, at which the financial statements were discussed. At the meeting of the Board of Directors held on May 25, 2009, at which these financial statements were approved, all members of the Board of Directors serving at that time were present (for the names of the members of the Board of Directors and other particulars, refer to the immediate report from August 12, 2008, reference number 2008-01-233157, containing details of the senior officers; the information contained therein is hereby presented by means of this reference). Among others, the Company's President, the Company's CFO and representatives of the independent auditors, as referred to above, were also present.

Following the aforementioned discussion, a vote is taken to approve the financial statements.

May 25, 2009		
Date of Approval of Board of Directors' Report	Chaim Katzman Chairman of the Board of Directors	Michael Bar Haim President

Appendix A to the Board of Directors' Report

Linkage Bases Report

	As of March 31, 2009							
	Linked to the consumer price index	**In USD or linked thereto**	**In CAD or linked thereto**	**In EUR or linked thereto**	**In non-index-linked NIS**	**Other curr-encies**	**Un-linked**	**Total**
	NIS in millions							
Monetary assets								
Cash and cash equivalents	346	120	82	551	79	41	-	1,219
Short-term investments	-	46	3	-	27	-	-	76
Trade receivables, accrued income and other accounts receivable	123	81	119	77	40	47	167	654
Long-term investments, loans and receivables	10	58	38	-	-	-	-	106
Investment in available-for-sale securities	-	-	-	-	-	-	753	753
Long-term derivatives							521	521
Investment in debt component of convertible debentures	-	-	-	896	-	-	-	896
Stock options and conversion component of debentures	-	-	-	-	-	-	147	147
Deferred taxes	-	-	-	-	-	-	119	119
	479	**305**	**242**	**1,524**	**146**	**88**	**1,707**	**4,491**
Non-monetary assets [1]	-	13,792	13,319	14,272	2,651	236	765	45,035
	479	**14,097**	**13,561**	**15,796**	**2,797**	**324**	**2,472**	**49,526**
Monetary liabilities								
Short-term credit from banks and others	43	-	18	71	49	5	-	186
Trade and other payables and other credit balances	126	214	303	228	251	124	81	1,327
Advances from customers and buyers of apartments	-	-	-	-	-	-	115	115
Debentures	[2]4,826	3,075	1,983	176	[3]1,880	-	-	11,940
Debentures convertible into shares of investees	26	-	99	379	-	-	-	504
Interest-bearing liabilities to financial institutions and others	72	5,133	6,154	6,152	608	2,581	-	20,700
Long-term derivatives	-	-	-	-	-	-	348	348
Other financial liabilities	3	54	51	5	1	-	-	114
Liabilities for employee benefits	-	1	-	-	2	-	-	3
Deferred taxes	-	-	-	-	-	-	1,945	1,945
	5,096	**8,477**	**8,608**	**7,011**	**2,791**	**2,710**	**2,489**	**37,182**
Equity attributable to equity holders of the Company	-	-	-	-	-	-	4,011	4,011
Minority interests	-	-	-	-	-	-	8,333	8,333
	5,096	**8,477**	**8,608**	**7,011**	**2,791**	**2,710**	**14,833**	**49,526**

(1) Mainly investment property, investment property under development, fixed assets and investment in an affiliate.
(2) Of the total of NIS 4,826 million, the Company has cross-currency swap transactions on an amount of NIS 2,080 million.
(3) Of the total of NIS 1,880 million, the Company has cross-currency swap transactions on an amount of NIS 1,868 million.

Appendix B to the Board of Directors' Report

As of March 31, 2009

The Company attaches to its financial statements a study concerning the Purchase Price Allocation (hereinafter – "PPA") of ATR with respect to additional investments in the shares of ATR that are presented according to the equity method. As permitted by the accounting standard, the study is from the aspect of a temporary allocation of the purchase price and it may be updated during the coming year.

Below are details of the valuation attached to the financial statements:

1.	Identification of the valuation subject	PPA for the purpose of determining the Company's share in the value of ATR's identifiable assets, net of its identifiable liabilities.
2.	Timing of the valuation	January 30, 2009.
3.	Value of the valuation subject in the Company's books as of January 30, 2009 (the consideration paid)	EUR 45.4 million (approximately NIS 253 million).
4.	Value of the valuation subject determined by the valuation	EUR 76.4 million (approximately NIS 426 million).
5.	Identity of the appraiser and its characterization – Giza Zinger Even & Co.	Giza Zinger Even & Co. (further details on page 4 of the valuation). There is no dependence between the appraiser and the Company. The appraiser received an indemnification undertaking from the Company with respect to expenses and losses that could be sustained by the appraiser as a result of this valuation study.
6.	The valuation methodology adopted by the appraiser	International Financial Reporting Standard No. 3, "Business Combinations", International Accounting Standards No. 28, "Investments in Associates" and No. 38, "Intangible Assets", and the publications of the AICPA on this topic.
7.	The valuation model adopted by the appraiser	Market value (listed debenture) and discounted cash flows for long-term receivables, for loans and for the debt component of convertible debentures.
8.	The main assumptions according to which the valuation was carried out	• Discount rate of 10%-14.4% for long-term receivables. • Discount rate of 8%-14% for long-term loans and for the debt component of convertible debentures. • Investment property, property under development and land are valued at book value (represents their fair value).
9.	Negative goodwill created at the time of acquisition	EUR 54.2 million (approximately NIS 287 million), including EUR 23.2 million with respect to the realization of the underwriting undertaking for the acquired shares.

GAZIT-GLOBE LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2009

UNAUDITED

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

Tel: 972 (3)6232525
Fax: 972 (3)5622555
www.ey.com/il

Auditors' review report to the shareholders of Gazit-Globe Ltd.

Introduction

We have reviewed the accompanying financial information of Gazit-Globe Ltd. and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of March 31, 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets constitute approximately 27% of total consolidated assets as of March 31, 2009, and whose revenues constitute approximately 33% of total consolidated revenues for the three months then ended. In addition, we did not review the condensed interim financial information of certain associates, the investment in which, at equity, amounted to approximately NIS 1,400 million as of March 31, 2009, and the Group's share of their losses amounted to approximately NIS 96 million for the three months then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of review

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

Conclusion

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

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

Tel-Aviv, Israel	KOST FORER GABBAY & KASIERER
May 25, 2009	A Member of Ernst & Young Global

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2009	March 31, 2008	December 31, 2008
	Unaudited	Unaudited	Audited
	NIS in millions		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	1,219	1,032	535
Short-term investments	76	47	82
Available-for-sale securities	450	-	984
Trade and unbilled receivables	255	296	250
Other accounts receivable	387	352	407
Inventories of buildings for sale	426	518	427
Current tax assets	12	13	12
	2,825	2,258	2,697
ASSETS CLASSIFIED AS HELD FOR SALE	31	734	29
	2,856	2,992	2,726
NON-CURRENT ASSETS:			
Investments in associates	1,400	9	1,038
Investment in debt component of convertible debentures	896	-	990
Share options and conversion component of debentures	147	-	191
Long-term investments, loans and receivables	106	118	114
Investments in available-for-sale securities	303	892	325
Derivatives	521	475	689
Investment property	38,896	38,586	34,966
Investment property under development	3,239	2,322	2,626
Inventories of land for construction	24	21	25
Fixed assets, net	773	558	705
Goodwill	214	240	201
Intangible assets, net	32	18	15
Deferred taxes	119	82	119
	46,670	43,321	42,004
	49,526	46,313	44,730

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2009	March 31, 2008	December 31, 2008
	Unaudited	Unaudited	Audited
	NIS in millions		
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Credit from banks and others	186	*) 853	*) 295
Current maturities of long-term liabilities	2,154	*) 1,137	*) 1,612
Trade payables	434	343	555
Advances from customers and buyers of apartments	115	58	111
Current tax liabilities	48	17	33
Other accounts payable	802	811	846
Dividend declared	43	38	43
	3,782	3,257	3,495
LIABILITIES ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE	-	165	-
	3,782	3,422	3,495
LONG-TERM LIABILITIES:			
Debentures	10,910	11,405	10,542
Debentures convertible into shares of investees	496	742	547
Interest-bearing liabilities to financial institutions and others	19,584	12,678	17,158
Derivatives	348	46	227
Other financial liabilities	114	111	103
Employee benefit liabilities, net	3	3	3
Deferred taxes	1,945	2,183	1,549
	33,400	27,168	30,129
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Share capital	179	179	179
Share premium	2,465	2,465	2,465
Retained earnings	2,059	3,245	1,827
Foreign currency translation adjustments of foreign operations	(618)	(688)	(1,141)
Other capital reserves	(49)	46	29
Loans to purchase shares	(4)	(4)	(4)
Treasury shares	(21)	(21)	(21)
	4,011	5,222	3,334
MINORITY INTERESTS	8,333	10,501	7,772
Total equity	12,344	15,723	11,106
	49,526	46,313	44,730

*) Reclassified.

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

May 25, 2009			
Date of approval of the financial statements	Chaim Katzman Chairman of the Board	Michael Bar-Haim President	Gil Kotler CFO

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended March 31,		Year ended December 31,
	2009	2008	2008
	Unaudited		Audited
	NIS in millions (except per share amounts)		
Property rental income	1,001	922	3,556
Revenues from sale of buildings, land and contractual works performed	121	127	613
Total revenues	1,122	1,049	4,169
Rental property operating expenses	342	314	1,170
Cost of sale of buildings, land and contractual works performed	113	118	679
Total cost of revenues	455	432	1,849
Gross profit	667	617	2,320
Fair value loss of investment property and investment property under development, net	(165)	(2)	(3,956)
General and administrative expenses	(153)	(135)	(489)
Other income	433	-	704
Other expenses	(9)	(4)	(85)
Company's share of losses of associates, net	(96)	*) -	(86)
Operating income (loss)	677	476	(1,592)
Financial expenses	(483)	(380)	(1,739)
Financial income	171	364	802
Impairment loss of investments	(28)	(12)	(727)
Income (loss) before taxes on income	337	448	(3,256)
Tax benefit (taxes on income)	(59)	(77)	597
Net income (loss)	278	371	(2,659)
Attributable to:			
Equity holders of the Company	267	226	(1,075)
Minority interests	11	145	(1,584)
	278	371	(2,659)
Net earnings (loss) per share attributable to Ordinary equity holders of the Company (in NIS):			
Basic net earnings (loss)	2.14	1.80	(8.58)
Diluted net earnings (loss)	2.13	1.79	(8.58)

*) Represents an amount lower than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended March 31,		Year ended December 31,
	2009	2008	2008
	Unaudited		Audited
	NIS in millions		
Net income (loss)	278	371	(2,659)
Other comprehensive income (loss):			
Foreign currency translation adjustments of foreign operations	1,146	(1,296)	(2,110)
Fair value adjustments of cash flow hedges, net	(116)	(34)	(196)
Fair value adjustments of available-for-sale financial assets, net	12	(96)	*) -
Fair value adjustments of revaluation of fixed assets	8	(7)	(12)
Fair value adjustments of initially consolidated investment (Note 3b)	22	-	-
Group's share of other comprehensive loss of associates	(15)	-	(17)
Other comprehensive income (loss), net	1,057	(1,433)	(2,335)
Total comprehensive income (loss)	1,335	(1,062)	(4,994)
Attributable to:			
Equity holders of the Company	711	(490)	(2,267)
Minority interests	624	(572)	(2,727)
	1,335	(1,062)	(4,994)

*) Represents an amount lower than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Retained earnings	Foreign currency translation adjustments of foreign operations	Other capital reserves	Less - loans to purchase shares	Treasury shares	Total	Minority interests	Total equity
	Unaudited									
	NIS in millions									
Balance as of January 1, 2009 (audited)	179	2,465	1,827	(1,141)	29	(4)	(21)	3,334	7,772	11,106
Total comprehensive income (loss)	-	-	267	523	(79)	-	-	711	624	1,335
Exercise of stock options into Company's shares	*) -	*) -	-	-	*) -	-	-	*) -	-	*) -
Revaluation of loans to purchase shares	-	-	*) -	-	-	*) -	-	-	-	-
Revaluation of initially consolidated investment (Note 3b)	-	-	8	-	-	-	-	8	35	43
Cost of share-based payment	-	-	-	-	1	-	-	1	2	3
Dividend declared	-	-	(43)	-	-	-	-	(43)	-	(43)
Issue of shares to minority in subsidiaries	-	-	-	-	-	-	-	-	181	181
Acquisition of minority interests in subsidiaries	-	-	-	-	-	-	-	-	(195)	(195)
Repurchase of convertible debentures in subsidiary	-	-	-	-	-	-	-	-	(6)	(6)
Minority interests in initially consolidated company	-	-	-	-	-	-	-	-	130	130
Expiration of stock options in subsidiary	-	-	-	-	-	-	-	-	(1)	(1)
Repurchase of shares in subsidiary	-	-	-	-	-	-	-	-	(29)	(29)
Dividend to minority	-	-	-	-	-	-	-	-	(180)	(180)
Balance as of March 31, 2009	179	2,465	2,059	(618)	(49)	(4)	(21)	4,011	8,333	12,344
Balance as of January 1, 2008 (audited)	179	2,465	3,057	(67)	139	(4)	(21)	5,748	10,944	16,692
Total comprehensive income (loss)	-	-	226	(621)	(95)	-	-	(490)	(572)	(1,062)
Issue of shares less issuance expenses	*) -	*) -	-	-	-	-	-	*) -	-	*) -
Revaluation of loans to purchase shares	-	-	*) -	-	-	*) -	-	-	-	-
Cost of share-based payment	-	-	-	-	2	-	-	2	4	6
Dividend declared	-	-	(38)	-	-	-	-	(38)	(125)	(163)
Issue to minority and acquisition of minority interests, net	-	-	-	-	-	-	-	-	336	336
Dividend paid to minority	-	-	-	-	-	-	-	-	(86)	(86)
Balance as of March 31, 2008	179	2,465	3,245	(688)	46	(4)	(21)	5,222	10,501	15,723

*) Represents an amount lower than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Retained earnings	Foreign currency translation adjustments of foreign operations	Other capital reserves	Less - loans to purchase shares	Treasury shares	Total	Minority interests	Total equity
	Audited									
	NIS in millions									
Balance as of January 1, 2008	179	2,465	3,057	(67)	139	(4)	(21)	5,748	10,944	16,692
Total comprehensive loss	-	-	(1,075)	(1,074)	(118)	-	-	(2,267)	(2,727)	(4,994)
Exercise of stock options into Company's shares	*) -	*) -	-	-	-	-	-	*) -	-	*) -
Issue of shares less issuance expenses	*) -	*) -	-	-	-	-	-	*) -	-	*) -
Repayment of loans to purchase shares	-	-	-	-	-	*) -	-	*) -	-	*) -
Cost of share-based payment	-	-	-	-	8	-	-	8	22	30
Dividend declared	-	-	(43)	-	-	-	-	(43)	-	(43)
Dividend paid	-	-	(112)	-	-	-	-	(112)	-	(112)
Issue of shares to minority in subsidiaries	-	-	-	-	-	-	-	-	820	820
Acquisition of minority interests in subsidiaries	-	-	-	-	-	-	-	-	(841)	(841)
Repurchase of convertible debentures in subsidiary	-	-	-	-	-	-	-	-	(20)	(20)
Dividend to minority	-	-	-	-	-	-	-	-	(426)	(426)
Balance as of December 31, 2008	179	2,465	1,827	(1,141)	29	(4)	(21)	3,334	7,772	11,106

*) Represents an amount lower than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2009	Three months ended March 31, 2008	Year ended December 31, 2008
	Unaudited	Unaudited	Audited
	NIS in millions		
Cash flows from operating activities:			
Net income (loss)	278	371	(2,659)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Adjustments to the profit or loss items:			
Loss (gain) from sale and revaluation of marketable securities, net	(44)	(2)	128
Company's share of losses of associates, net	96	*) -	86
Fair value loss of investment property, net	165	2	3,956
Depreciation and amortization of fixed and intangible assets (including write down of goodwill)	16	8	109
Deferred taxes, net	41	59	(661)
Revaluation of conversion component and stock options at fair value, net	24	(9)	410
Revaluation of investments in derivatives at fair value, net	145	(317)	(537)
Adjustment differences of long-term monetary assets and liabilities, net	(23)	18	255
Impairment of available-for-sale financial assets	3	12	317
Capital gain, net	(2)	(5)	(19)
Change in employee benefits liabilities, net	(1)	1	*) -
Loss (gain) from dilution of holding in subsidiaries, net	(8)	9	*) -
Gain from negative goodwill	(417)	-	(685)
Cost of share-based payment	3	7	30
Gain from early redemption of debentures and convertible debentures	(67)	(10)	(82)
	(69)	(227)	3,307
Changes in asset and liability items:			
Increase in trade and unbilled receivables and other accounts receivable	(73)	(74)	(98)
Decrease (increase) in inventories of buildings and land for sale less advances from customers and buyers of apartments, net	(9)	19	131
Increase (decrease) in trade and other accounts payable	(81)	6	(34)
Increase (decrease) in tenants' security deposits, net	(3)	(3)	6
	(166)	(52)	5
Net cash provided by operating activities	43	92	653
Cash flows from investing activities:			
Investment in initially consolidated company previously presented as available-for-sale security (a)	8	-	-
Investment in jointly controlled entity (b)	-	-	(18)
Investment in shares, convertible debentures and stock options in investees	(123)	(142)	(2,133)
Acquisition, construction and development of investment property	(468)	(788)	(3,167)
Investments in fixed assets	(24)	(53)	(134)
Proceeds from sale of investment property and investment property under development	24	44	748
Proceeds from sale of fixed assets	-	-	1
Grant of long-term loans	(1)	(22)	(23)
Grant of loans to partners in properties under development, net	-	-	(5)
Repayment of long-term loans granted	2	2	11
Short-term investments, net	*) -	(11)	(132)
Investment in available-for-sale financial assets	(73)	(81)	(1,316)
Proceeds from sale of available-for-sale financial assets	709	33	324
Withdrawal of long-term deposits	-	167	202
Net cash provided by (used in) investing activities	54	(851)	(5,642)

*) Represents an amount lower than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2009	Three months ended March 31, 2008	Year ended December 31, 2008
	Unaudited	Unaudited	Audited
	NIS in millions		
Cash flows from financing activities:			
Issue of shares (net of issue expenses)	-	*) -	*) -
Repayment of loans granted to the purchase Company's shares	-	-	*) -
Exercise of stock options into Company's shares	*) -	-	*) -
Issue of shares to minority in subsidiaries, net	107	491	820
Dividend paid	(43)	(34)	(147)
Dividend paid to minority in subsidiaries	(98)	(86)	(426)
Receipt of long-term loans	1,426	1,743	6,181
Repayment of long-term loans	(711)	(1,552)	(4,629)
Withdrawal (repayment) of long-term credit lines from banks, net	(158)	(528)	2,896
Repayment and early redemption of debentures and convertible debentures	(215)	(198)	(542)
Short-term bank credit, net	(111)	358	(291)
Issue of debentures and convertible debentures, net	391	998	1,061
Repurchase of subsidiary's shares by a subsidiary	(22)	-	-
Net cash provided by financing activities	566	1,192	4,923
Translation differences from cash balances of foreign operations	21	(1)	1
Increase (decrease) in cash and cash equivalents	684	432	(65)
Cash and cash equivalents at the beginning of the period	535	600	600
Cash and cash equivalents at the end of the period	1,219	1,032	535

(a) Investment in initially consolidated company previously presented as available-for-sale security (Note 3b):

The consolidated company's assets and liabilities at date of initial consolidation:

	2009	2008	Year 2008
Working capital (excluding cash and cash equivalents)			
Current assets	(18)	-	-
Current liabilities	261	-	-
	243	-	-
Investment property and other non-current assets	(1,690)	-	-
Outstanding investment previously presented	241	-	-
Long-term liabilities	976	-	-
Minority interests in DIM	130	-	-
Issue of shares to minority in EQY	51	-	-
Contingent issue of shares	37	-	-
Negative goodwill arising on acquisition	20	-	-
	8	-	-

*) Represents an amount lower than NIS 1 million.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2009	Three months ended March 31, 2008	Year ended December 31, 2008
	Unaudited	Unaudited	Audited
	NIS in millions		
(b) Investment in jointly controlled entity:			
The consolidated company's assets and liabilities at date of acquisition:			
Working capital (excluding cash and cash equivalents):			
Current assets	-	-	(2)
Current liabilities	-	-	2
	-	-	-
Fixed assets, long-term investments and loans	-	-	(81)
Long-term liabilities	-	-	60
Negative goodwill arising on acquisition	-	-	3
	-	-	(18)
(c) Significant non-cash transactions:			
Conversion of debentures into subsidiary's shares	20	-	(18)
Invetsment in associate's shares against repayment of convertible debentures	206	-	-
Purchase of investments against issue of shares in subsidiaries	126	-	-
Dividend declared	43	38	43
(d) Additional cash flow information:			
Cash paid during the period for:			
Interest	461	403	1,581
Taxes on income	6	29	35
Cash received during the period for:			
Interest	54	17	106
Taxes on income	*) -	*) -	3
Dividend	3	3	36

*) Represents an amount lower than NIS 1 million.

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

NOTE 1:- GENERAL

a. These financial statements have been prepared in a condensed format as of March 31, 2009 and for the three months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2008 and for the year then ended and accompanying notes ("annual financial statements").

b. As of March 31, 2009, the Company - consolidated - ("the Group") has a working capital deficiency of approximately NIS 926 million. The Group has unused authorized credit lines of approximately NIS 3.4 billion and an inflow from operating activities, so that the Group's liquid balances and cash flows from operating activities exceed the Group's current liabilities.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

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

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies and methods of computation adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements, except for the noted below:

b. Initial adoption of new IFRS:

1. IAS 1 (Revised) - Presentation of Financial Statements:

IAS 1 (Revised) introduces an additional statement, "statement of comprehensive income". The statement may be presented as a separate statement which includes net income and all items carried in the reported period directly to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income) such as adjustments arising from translating the financial statements of foreign operations, fair value adjustments of available-for-sale financial assets, changes in revaluation reserve of fixed assets and etc. and the tax effect of these items carried directly to equity, with allocation between the Company and the minority interests. Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income, while properly allocated between the Company and the minority interests. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed in the statement of changes in equity as will the summary line carried forward from the statement of comprehensive income, with allocation between the Company and the minority interests.

IAS 1 (Revised) also requires entities to present a balance sheet as of the beginning of the comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the annual financial statements.

The revision was adopted on January 1, 2009 with a retrospective restatement of comparative figures.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. IAS 23 (Revised) - Borrowing Costs:

In accordance with the revised IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale and includes fixed assets, investment property and inventories that take a substantial period of time to get ready for sale. The possibility of immediately carrying these costs as an expense has been removed.

The revision was adopted as a prospective change on January 1, 2009.

As a result of the revision and as a result of the initial adoption of the amendment to IAS 40 which determines that an investment property under construction or development will be classified as investment property, the Company discontinued to capitalize borrowing costs on qualifying assets under construction or development since it is the Company's policy to present investment property at the fair value model. However, the Company elected to present borrowing costs associated with properties, as above, as if they have been capitalized to the qualifying asset before its measurement at fair value.

3. IAS 40 - Investment Property:

Pursuant to an amendment to IAS 40, investment property under construction or development for future use as an investment property will be classified as investment property if the fair value model is applied and it can be measured reliably. Investment property under construction will be measured at cost if fair value can not be measured reliably until such time as the fair value becomes reliably measurable or construction is completed, whichever comes earlier.

The amendment was adopted as a prospective change on January 1, 2009. During the reported period, the amount recognized for fair value gain of investment property under development was approximately NIS 141 million (the Company's net share - approximately NIS 85 million, approximately NIS 0.68 per share).

4. IFRS 2 - Share-based Payment:

Pursuant to an amendment to IFRS 2, the definition of vesting terms will only include service conditions and performance conditions and the cancellation of a grant that includes non-vesting conditions by the Company or the counterparty, will be accounted for by way of acceleration of vesting and not by forfeiture.

This amendment was applied retrospectively on January 1, 2009. The initial adoption of the amendment did not have a material effect on the interim consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

5. IAS 28 **-** Investment in Associates:

Pursuant to an amendment to IAS 28, the test of impairment of an investment in an associate will be carried out with reference to the entire investment. Accordingly, a recognized impairment loss is not allocated specifically but rather attributed to the investment as a whole. Therefore, the entire impairment loss previously recognized may be reversed to the extent that the relevant conditions are satisfied.

The amendment was adopted as a prospective change on January 1, 2009. The initial adoption of the amendment did not have a material effect on the interim consolidated financial statements.

6. IFRIC 16 **-** Hedges of a Net Investment in a Foreign Operation:

IFRIC 16 prescribes that a risk arising from foreign exchange differences of the presentation currency of a company does not create an exposure to which hedge accounting can be applied, consequently, a hedged risk may be designated only in respect of the company's functional currency. Moreover, the risk arising from foreign exchange differences of the functional currency of any subsidiary may be hedged by any entity within the Group even if that subsidiary is indirectly controlled by another entity within the Group. The Interpretation also prescribes that the hedging instrument may be held by any entity within the Group.

The Interpretation was adopted as a prospective change on January 1, 2009. The initial adoption of the Interpretation did not have a material effect on the interim consolidated financial statements.

b. Standards issued but not yet effective:

In April 2009, the IASB issued the second stage of IFRS improvements project. The Company believes that the effect of the amended standards and interpretations on the interim consolidated financial statements is not expected to be material.

NOTE 3:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. Investment in ATR:

On January 13, 2009, the Company and CPI ("the investors") and ATR signed an agreement to determine the terms of the additional investment in ATR which was closed and carried out on January 30, 2009, whose principles are:

1. The issue of rights in the scope of € 300 million that ATR planned to effect was cancelled and the investors' commitment to acquire all the unused shares and the investors' option to acquire under certain terms additional shares in the scope of € 200 million were cancelled. ATR allocated to investors 10.3 million shares at a price of € 7 per share (the Company's share - about 5.6 million shares). By such number of shares, the investors' stake is brought to about 29.9% which, practically, constitutes partial exercise of the underwriting commitment. The remaining underwriting commitment was cancelled. The allocation took effect on January 30, 2009 in consideration of about 38.9 million par value (company's share) of convertible debentures of ATR which were issued to the investors in August 2008.

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

2. Approximately 25 million ATR share options (out of 30 million issued to the investors in August 2008) that were delivered to ATR for nil consideration have been cancelled.

3. The investors have undertaken not to acquire shares or convertible securities of ATR without ATR consent such that their voting control in ATR would not exceed the rate that require investors to file a takeover offer should the Austrian takeover regulations apply to ATR (namely, over 30%) before August 1, 2009, subject to the terms set in the agreement.

Further, according to the agreement, it was determined that ATR would acquire from the Company approximately € 103 million of its debentures (non-marketable) for an amount of approximately € 77.3 million which is the price paid for them in the open market by the Company, plus accrued interest on the debentures to the date of purchase by ATR. The acquisition took place on January 30, 2009.

The Company accounted for the underwriting commitment, the stock options and the conversion component of debentures as derivatives at fair value through profit or loss. During the reported period, the Company recorded a loss of approximately € 4.6 million (approximately NIS 24 million) in the item "impairment loss of investments" relating to the revaluation of the stock options and the conversion component of debentures into shares.

As of the balance sheet date, the Company owns about 26.2 million of ATR shares, representing about 11.5% of the outstanding share capital of ATR (including about 20.6 million shares which were acquired during trade in the stock exchange in Vienna) which were acquired at an average price of approximately € 5.3 per share, about € 231.1 million par value of debentures convertible into shares of ATR, about € 17 million par value of marketable debentures (non convertible into shares) of ATR and about 2.7 million share options of ATR.

Starting with the closing date (August 1, 2008), the Company presents its investment in ATR in the financial statements at equity method since the investment agreement confers it significant influence over ATR. The financial statements of ATR as of March 31, 2009 which have been prepared in accordance with IFRS are attached to the Company's financial statements.

During the reported period, the Company recognized a direct gain of approximately € 54.2 million (approximately NIS 287 million) from negative goodwill on the acquisition of ATR shares in the stock exchange and allocation of shares, as described above, which comprises an amount of approximately € 23.2 million (approximately NIS 123 million) for the exercise of the underwriting commitment.

In January 2009, concurrently with the additional investment agreement in ATR, the scope of the special purpose line of credit received from a consortium of banks in Israel to finance the investment in ATR was updated to € 246.5 million which was used in full and other commercial conditions were also revised.

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

b. In January 2009, EQY entered into an agreement with Homburg Invest Inc. ("Homburg") to acquire about 2,004 thousand Ordinary shares of DIM Vastgoed ("DIM") as follows: at closing Homburg transferred to EQY about 1,238 thousand Ordinary shares of DIM in consideration of the allocation of about 866 thousand of EQY shares (representing an exchange ratio of 0.7). At the same date, EQY obtained voting rights with respect to about another 766 thousand Ordinary shares of DIM ("the additional shares") that Homburg has the right to acquire on October 1, 2010 and which confer it voting rights. Subject to certain conditions, EQY has undertaken to acquire from Homburg until January 1, 2011, the additional shares in consideration of the allocation of about 537 thousand of EQY shares. As a result of the transaction, EQY has voting control over about 74.6% of DIM. From the date of closing, EQY consolidates DIM in its financial statements since its stake in DIM provides it with a controlling interest.

EQY accounted for the undertaking to acquire the additional shares as if it was exercised on the date that control was obtained. In contrast, EQY recognized an obligation to issue additional shares to Homburg as part of acquisition cost in its equity.

The transaction was accounted for by applying the acquisition method pursuant to IFRS 3. Under the step acquisition method, the Company's share of the identifiable assets and liabilities of DIM was remeasured at fair value on the date that control was obtained against a capital reserve of approximately NIS 3 million (the Company's share net of tax). Also, the Company recorded in retained earnings its share of the previously held interest in DIM at its acquisition date of approximately NIS 8 million (the Company's share net of tax). The financial statements include the operating results of DIM from the acquisition date. From the acquisition date, DIM has contributed approximately NIS 42 million to revenues and a loss of approximately NIS 5 million to the net income.

EQY effected an allocation which, as permitted according to the accounting standards, is a provisional allocation of the acquisition cost to the net identifiable assets of DIM. The fair value of the identifiable assets and liabilities of DIM and the corresponding carrying amounts at the acquisition date are as follows:

	Fair value	**Carrying amount**
	NIS in millions	
Cash and cash equivalents	8	8
Other current assets	18	21
Investment property	1,655	1,655
Other intangible assets	35	35
	1,716	1,719
Current liabilities	261	258
Long-term liabilities	976	1,050
Minority interests	130	-
	1,367	1,308
Net assets	349	411
Former investment	(241)	
Net assets acquired	108	
Negative goodwill arising on acquisition	20	
Total acquisition cost	88	

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

The total cost of the business combination was approximately NIS 329 million and comprised the carrying amount of the outstanding former equity investment in DIM by EQY of approximately NIS 241 million (at the net fair value of the net identifiable assets), payment for the issue of Ordinary shares of EQY with fair value of approximately NIS 51 million and an amount of approximately NIS 37 million presenting the additional contingent consideration for the additional shares.

c. In February and March 2009, EQY acquired 1,790 thousand units of Ramco - Gershenson Properties Trust ("Ramco") in consideration of approximately U.S.$ 9 million, representing about 9.6% of the units of Ramco, a REIT which focuses on shopping centers and whose units are traded on the New York Stock Exchange.

d. In February 2009, FCR entered into an agreement to acquire about 1,767 thousand units of Allied Properties Real Estate Investment Trust ("Allied"), a REIT traded on the Toronto Stock Exchange and engaged in investments in income producing properties (mainly in office buildings which include retail areas), in consideration of the allocation of about 1,431 thousand of FCR shares (representing an exchange ratio of 0.81). Before said transaction, FCR owned about 1.7 million of Allied units, so that after closing, FCR will increase its ownership in Allied units to about 11%. As a result of the transaction, during the reported period, the Company recorded a loss of approximately C$ 1.2 million (approximately NIS 4 million) from decrease in the Company's stake in FCR.

e. In February 2009, the Company closed an initial issuance of about NIS 404 million par value of debentures (series J) according to a shelf prospectus for the net consideration of approximately NIS 395 million. The debentures are linked to the Israeli CPI, bear fixed annual interest at the rate of 6.5%, payable twice a year on March 31 and September 30 and are redeemable in ten equal semi-annual payments of 1% of the principal starting September 30, 2014, and the remainder principal (90%) is payable in one sum on September 30, 2019.

About 2.02 million stock options (series 10) were given at no consideration to the buyers of the debentures. The stock options are exercisable into NIS 202 million par value of debentures (series J) for an exercise price of NIS 97 million (linked to the Israeli CPI) per any NIS 100 par value during the period from their listing for trade and December 20, 2009.

To secure the debentures (series J), a fixed pledge was placed on five real estate properties which are owned by the Group and whose combined value at the issuance date was approximately NIS 826 million.

f. 1. In March 2009, FCR entered into an agreement with a syndicate of financial institutions which would provide a secured revolving credit facility of C$ 450 million for a three-year period. The facility was used to replace the former $ 350 million credit facility maturing March 2010.

2. In January 2009, FCR entered into an agreement with a financial institution which would provide a secured revolving credit facility of up to C$ 75 million for a three-year period.

3. In January 2009, FCR completed a C$ 64 million secured financing which bears a weighted interest of 5.95% and has a term of 7.6 years.

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

g. During the reported period, the Company purchased about 9.6 million shares of Citycon during trade in the stock exchange in consideration of approximately NIS 75 million. As a result, the Company recognized a gain from negative goodwill of approximately NIS 105 million and the stake in Citycon increased to about 47.7%.

h. During the reported period, the Company repurchased its traded debentures (series A, B, C, D, E, F, I) in consideration of approximately NIS 45.3 million, during trade in the stock exchange which were cancelled and delisted. As a result of this repurchase, the Company recorded a gain from early redemption of debentures in the amount of approximately NIS 15.8 million.

i. During the reported period, EQY repurchased its traded debentures in consideration of approximately U.S.$ 21.8 million. As a result of this repurchase, EQY recorded a gain from early redemption of debentures in the amount of approximately U.S.$ 8.7 million (approximately NIS 35 million) in financial income.

j. During the reported period, EQY repurchased about 0.5 million of its shares in consideration of approximately U.S.$ 5.4 million (approximately NIS 23 million).

k. In March 2009, the Company's audit committee and Board approved to allocate stock options as follows:

1. In the context of the renewal of the employment contract with the deputy chairman of the Company's Board ("the optionee") for additional four-year period, he was allocated 400 thousand stock options. Each stock option is exercisable into one Ordinary share of the Company with an exercise price of NIS 21.67, linked to the Israeli CPI and subject to adjustments for issue of bonus shares, issue of rights and distribution of dividend. The optionee is also conferred the choice of a cashless exercise. The options vest over four years in four equal portions from the first anniversary of the options. In certain cases, the optionee is entitled to acceleration of the vesting period. The fair value of each stock option on the grant date based on the binomial model is approximately NIS 8.15. After the balance sheet date, the Company's general meeting approved the allocation.

2. 106 thousand stock options (in total) for seven officers in the Company, including the deputy chairman of the Company's Board ("the optionees"). Each stock option is exercisable into one Ordinary share of the Company with an exercise price of NIS 17.02 (except for the deputy chairman of the Company's Board - NIS 21.67), linked to the Israeli CPI and subject to adjustments for issue of bonus shares, issue of rights and distribution of dividend. The optionees are also conferred the choice of a cashless exercise. The options vest over three years in three equal portions from the first anniversary of the options. In certain cases, the optionees are entitled to acceleration of the vesting period. The fair value of each stock option on the grant date based on the binomial model is approximately NIS 6.73.

The options were issued after the balance sheet date under the capital track with a trustee based on section 102 of the Income Tax Ordinance.

NOTE 4:- EVENTS AFTER THE BALANCE SHEET DATE

a. In April 2009, EQY closed an issuance and sale of about 6.7 million shares in a public offering at a price of U.S.$ 14.3 per share. EQY issued about 2.5 additional shares to a wholly owned subsidiary of the Company at the public offering price. The total net proceeds to EQY in the issuance was approximately U.S.$ 126.2 million (approximately NIS 529 million).

b. In May 2009, the Company closed a public offering of about NIS 123.5 million par value of debentures (series I) according to a shelf prospectus for the net proceeds of approximately NIS 120 million.

c. On May 3, 2009, S&P Maalot announced that it lowered the rating for all of the Company's series of debentures to A+/negative and removed it from the watch list.

d. On May 25, 2009, the Company declared dividends in the amount of NIS 0.36 per share, to be paid on July 6, 2009. The record date is June 22, 2009.

NOTE 5:- OPERATING SEGMENTS

	Shopping centers in U.S.	Shopping centers in Canada	Shopping centers in North Europe	Initiation and performance of contract works	Other segments	Reconciliations	Total
	Unaudited						
	NIS in millions						
Three months ended March 31, 2009:							
Segment revenues	281	360	243	122	119	(3)	1,122
Segment income (loss)	206	129	136	(5)	222	(11)	677
Financial expenses, net							(340)
Income before taxes on income							337

	Shopping centers in U.S.	Shopping centers in Canada	Shopping centers in North Europe	Initiation and performance of contract works	Other segments	Reconciliations	Total
	Unaudited						
	NIS in millions						
Three months ended March 31, 2008:							
Segment revenues	230	368	240	128	87	(4)	1,049
Segment income (loss)	104	126	140	(2)	41	67	476
Financial expenses, net							(28)
Income before taxes on income							448

NOTE 5:- OPERATING SEGMENTS (Cont.)

	Shopping centers in U.S.	Shopping centers in Canada	Shopping centers in North Europe	Initiation and performance of contract works	Other segments	Reconciliations	Total
	Audited						
	NIS in millions						
Year ended December 31, 2008:							
Segment revenues	858	1,384	937	615	393	(18)	4,169
Segment income (loss)	295	546	*) 568	(120)	222	*) (3,103)	(1,592)
Financial expenses, net							(1,664)
Loss before taxes on income							(3,256)

*) Reclassified.

Segment assets:

	Shopping centers in U.S. *)	Shopping centers in Canada	Shopping centers in North Europe	Initiation and performance of contract works	Other segments **)	Reconciliations	Total
	NIS in millions						
March 31, 2009 (unaudited)	9,066	11,397	11,782	613	6,222	9,046	48,126
March 31, 2008 (unaudited)	6,999	10,643	12,868	638	4,468	10,688	46,304
December 31, 2008 (audited)	6,809	10,176	11,310	650	5,603	9,144	43,692

*) The increase in assets in the reported period derives mainly from the business combination with DIM (see Note 3b) and from the strengthening of the U.S. dollar in relation to the NIS.

**) The increase in assets in the reported period derives mainly from the changes in the exchange rates and from the initial adoption of the amendment to IAS 40.

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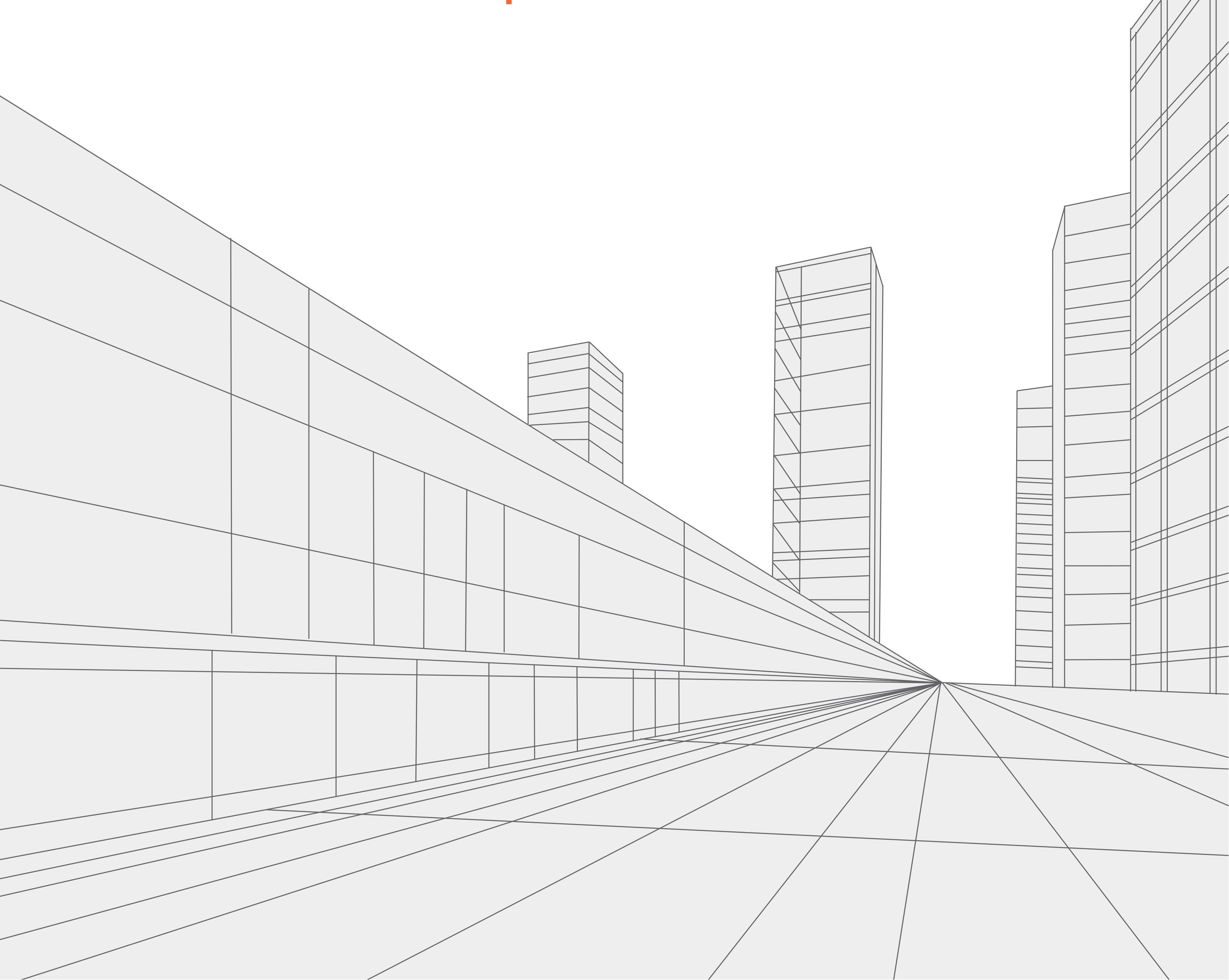
ATRIUM
European Real Estate

Interim Report | 31 March 2009



Key Indicators

Consolidated income statement in TEUR	FY 2007	3M 2008	FY 2008	3M 2009
Gross rental income	120,030	31,233	134,244	37,101
Net rental income	84,461	25,492	95,250	28,705
Expenses connected with management contracts termination	–	–	(276,457)	–
Net operating profit/(loss)	140,043	6,623	(907,558)	(279,304)
Profit/(loss) before taxation	193,009	5,052	(924,379)	(259,509)
Profit/(loss) after taxation	154,577	4,017	(845,305)	(239,881)

Consolidated balance sheet in TEUR	31/12/2007	31/3/2008	31/12/2008	31/3/2009
Standing investments*	1,534,995	1,559,932	1,642,799	1,518,592
Developments and land*	1,141,281	1,216,430	846,722	700,688
Cash and cash equivalents	1,339,035	1,253,537	1,250,643	1,054,976
Borrowings	1,003,460	1,005,170	1,509,531	1,262,895
Equity	3,071,255	3,030,174	2,229,494	2,031,808

Consolidated cash flow statement in TEUR	FY 2007	3M 2008	FY 2008	3M 2009
Cash flows from operating activities	44,909	26,400	50,350	16,392

Certificates	31/12/2007	31/3/2008	31/12/2008	31/3/2009
Certificates outstanding**	211,185,001	211,185,001	216,899,287	227,199,287
Earnings per share/certificate in EUR	0.636	0.014	(3.954)	(1.036)

Notes:
* Due to an amendment in IAS 40 effective from 1 January 2009, balances have been reclassified for comparative purposes.
** Certificates outstanding are net of certificates held on behalf of the Company.

Contents

Business Activities

Financial Summary of the period ended 31 March 2009

- Gross rental income increased by 19% to EUR 37m (3M 2008: EUR 31m) with a decrease in like-for-like gross rental income approximately 5% to EUR 29m (3M 2008: EUR 31m).
- Net rental income grew almost by 13% to EUR 29m (3M 2008: EUR 25m).
- The cash balance of the Group amounted to EUR 1,055m (2008: EUR 1,251m).
- Borrowings decreased from EUR 1,510m as at 31 December 2008 to EUR 1,263m as at 31 March 2009.
- The Group is well within its two covenants for the notes issued under the Company's medium term note programme 2006 ("2006 Notes") (net debt to market value is 10.0% versus a covenant of 60%, and indebtedness subject to security to total assets is 9.9% versus a covenant of 20%).
- EBITDA excluding valuation amounted to EUR 21m (3M 2008: EUR 14m).
- Loss before taxation amounted to EUR 260m (3M 2008: profit before taxation: EUR 5m).
- Earnings per share amounted to EUR (1.036) (3M 2008: EUR 0.014).
- Cash flows from operating activities amounted to EUR 16m (3M 2008: EUR 26m). The lower cash flow was mainly due to a decrease in net financial income as a result of a drop in interest rates, lower cash balances and higher average interest expense in Q1 2009.
- Net asset value per share was at EUR 9.22 (2008: EUR 10.66).
- The developments and land portfolio was revaluated down by EUR 110m to EUR 701m.

Activities during the first three months in 2009

Comparing to the year 2008 when the market started suffering from the collapse of the global financial system, the general market conditions have not improved during the first three months of 2009, moreover in many countries the financial turmoil has had a more negative impact in 2009. Very strict conditions for debt financing and high interest rates imposed by the financial institutions, together with local currencies weakening, decline or even negative growth of GDP and increased rates of unemployment do not bring much light among the enterprisers including retailers, as well as consumers and citizens all over the world. The real estate market is effected by this economic decline. Negotiations on rental discounts with retailers and the associated decrease of consumer spending causes decrease in rental income, occupancy, as well as decrease in market values of properties.

This global economic development has influenced the Group's operations as well. For example in many countries the Group has worked with tenants and has granted short term discounts in order to reflect the difficult trading situation. The Group has responded to this situation by introducing an efficiency programme in its standing investments and looking for cost savings in all areas. The Group has also continued its progress on the review of development projects in order to adjust them to the changed market conditions.

On 31 January 2009, the Company completed a transaction which superseded the EUR 300m Rights Issue which had comprised part of the 2008 Master Transaction Agreement ("MTA"). The rationale for the new agreement centred around three main factors:

- Firstly, the Company's share price at that time was significantly below the strike price specified in the MTA for the Rights Issue, which made it highly unlikely that the certificate holders would subscribe to the proposed rights issue. Due to fact that in terms of the MTA the Investors had undertaken to backstop the Rights Issue up to EUR 300 million, the anticipated failure of the certificate holders to subscribe would, in all probability, have resulted in a very considerable dilution for existing certificate holders.

- Secondly, a letter received by the Company from the Austrian Takeover Commission (which was investigating the applicability of the Austrian Takeover Code to the Company under its previous management) created uncertainty that the full subscription by the Investor's for rights of EUR 300 in accordance with their backstop commitment could have resulted in the Investors being compelled to make a mandatory bid for the Company, which was never the intended result under the MTA.

- Finally, following an assessment of the Company's development pipeline, the management believes that the Company has sufficient cash to cover its current needs.

The Company was advised on the deal by an investment bank to structure the alternative deal to achieve a similar value for the Group as had been contemplated in the initially proposed under the terms of the MTA.

Under the terms of this new agreement, the Company issued 10,300,000 new ordinary shares to CG Holdings, which was satisfied through the redemption of EUR 72.1m of Subordinated Convertible Securities 2008 and the return of approximately 25 million Initial Warrants the Company had issued on 1 August 2008. Further, the Company acquired approximately EUR 103m in the nominal value of the notes issued under the Company's guaranteed medium term note programme 2006 ("2006 Notes") from Gazit for a cash consideration of EUR 77.26m. The transaction reduced the Company's indebtedness and cleared a potential stock overhang which the management believed would have caused further downward pressure on the Company's shares in the future.

During the period under review the Company continued to pursue its strategy of strengthening its balance sheet through the acquisition of its own debt. This was evidenced by the acquisition of EUR 79.2m nominal value of 2006 Notes at 75%.

In March 2009, when the Company issued its full year results for 2008, it also announced that its Board of Directors had authorised the further repurchase of the Company's debt instruments.

In March 2009, the Company convened an extraordinary general meeting ("EGM") at which it proposed a number of amendments to the Company's Articles of Association. These were principally designed to allow the Company to re-list its ordinary shares on the Euronext, to enable the launch of an Employee Share Option Plan and create a framework to dispense with the Special Voting Shares issued in August 2008.

The EGM was subsequently held on 6 April 2009 and all resolutions were passed, providing the Company with a number of benefits:

- The proposed re-listing on Euronext is expected to provide the Company with the flexibility to access a larger potential investor base than is presently the case and enhance the liquidity and pricing of the ordinary shares.
- The aim of the Employee Share Option Plan is to provide a comprehensive and effective method of incentivising key members of the Group's executive and management team.
- Finally, the creation of a mechanism to dispense with the Special Voting Shares is a step towards rationalisation of the Company's shareholding structure which is for the benefit of all shareholders.

In April 2009, after the period end, the Company announced that it had bought back 515 Special Voting Shares at their nominal consideration, being for an aggregate consideration of EUR 150.44.

In April 2009 the Group has also opened two extensions of the shopping centres, Militari Bucharest in Romania and Togliatti Park House in Russia. Both extensions are good examples of how the Group is able to create value by adding additional space to already successful and proven retail assets, despite the current difficult market conditions. The first trading month of Militari has shown positive results, with tenants reporting sales above expectations, but it is too early to judge the success in these difficult market circumstances. The extension in Togliatti comprises a stand alone retail unit let to Castorama, an international DIY chain, with a 10 year leasing contract.

Operating Activities

At 31 March 2009, the Group owned 152 standing investments diversified across eight countries, with a total gross lettable area ("GLA") of 1,088,545 sqm. Geographically, the Group's focus remains concentrated in Poland, the Czech Republic and Russia with a presence in Hungary, Romania, Slovakia, Latvia and Turkey.

The regional diversification of the investment portfolio as of and for the period ended 31 March 2009 is presented below.

Country	No of properties	Gross lettable area sqm	Market value TEUR	Valuation result TEUR	Equivalent yield (weighted average)	Occupancy
Czech Republic	97	337,197	267,486	(9,552)	9.06%	92.3%
Hungary	25	103,911	99,285	(8,864)	9.00%	79.2%
Latvia	1	20,420	39,320	(5,970)	8.97%	91.3%
Poland	17	279,693	575,906	(48,108)	8.53%	99.4%
Romania	1	51,346	86,400	(10,490)	9.39%	99.5%
Russia	7	182,352	225,810	(93,723)	14.12%	92.1%
Slovakia	3	64,758	127,485	(3,648)	8.09%	97.2%
Turkey	1	48,868	96,900	(6)	11.61%	98.7%
Standing investment Total	**152**	**1,088,545**	**1,518,592**	**(180,361)**	**9.7%**	**93.4%**

The market values indicated above are based on appraisals provided by Cushman & Wakefield.

Like-for-like gross rental income

In the below stated like-for-like rental incomes, the effect of foreign exchange differences was not eliminated.

Country	**3M 2008 TEUR**	**3M 2009 TEUR**	**Change TEUR**	**Change in %**
Czech Republic	6,158	5,998	(160)	–2.60%
Hungary	2,093	2,055	(38)	–1.82%
Latvia	993	853	(140)	–14.10%
Poland	9,464	9,830	366	3.87%
Romania	398	394	(4)	–1.01%
Russia	9,785	8,153	(1,632)	–16.68%
Slovakia	1,917	1,933	16	0.83%
Total like-for-like gross rental income	**30,808**	**29,216**	**(1,592)**	**–5.17%**
Remaining gross rental income	425	7,885		
Total gross rental income	**31,233**	**37,101**	**5,868**	**18.79%**

Like-for-like net rental income

Country	**3M 2008 TEUR**	**3M 2009 TEUR**	**Change TEUR**	**Change in %**
Czech Republic	5,084	5,079	(5)	–0,10%
Hungary	2,162	1,566	(596)	–27,57%
Latvia	899	656	(243)	–27,03%
Poland	8,653	9,368	715	8,26%
Romania	202	198	(4)	–1,98%
Russia	7,285	6,879	(406)	–5,57%
Slovakia	1,683	1,675	(8)	–0,48%
Total like-for-like net rental income	**25,968**	**25,421**	**(547)**	**–2,11%**
Remaining net rental income	(476)	3,284		
Total net rental income	**25,492**	**28,705**	**3,213**	**12,60%**

Development Activities

The development portfolio as of 31 March 2009 includes eight land plots with building permits intended to be used, with a market value of TEUR 94,535 and several development projects with a market value of TEUR 606,153. For the three month period ended 31 March 2009 the total development portfolio recognised a revaluation loss of TEUR 110,377 of which land plots with a building permit intended to be used were revalued downward by TEUR 9,605 and other development projects were revalued down by TEUR 100,772.

Overview by Region

Russia

The global financial turmoil had a definite impact on Russian financial markets, retailers and consumers resulting in a sharp decrease in market valuations, one of the most significant in Europe. Additionally, as a large majority of tenants pay their rents in Euros or US dollars, the recent fall in Rubles resulted in increase in the occupancy costs for the tenants. At the same time, consumer spending is showing little or negative growth. In these conditions, negotiations on rental discounts with key retailers are inevitable.

A project under development as of 31 March 2009, the extension of Togliatti Park House, was opened in April 2009. The Togliatti extension comprises a 12,100 sqm, stand-alone retail unit which is fully let to Castorama, which is part of one of Europe's leading DIY groups. The new store had a successful first weekend's trading that contributed to an increase of 40% in footfall over a normal weekend.

Togliatti Park House is a shopping centre with a GLA of approximately 38,000 sqm (including extension) and is located on a 6.6 hectare site in Togliatti, in the Samara region of Russia. The first phase was opened in December 2006 and is anchored by the German Metro group with a 7,000 sqm "Real" hypermarket. Other tenants include a mixture of local brands such as Technosila and Sportmaster, as well as a number of strong international brands such as the electronics giant Apple, fashion retailers Next and Sisley, as well as Mothercare, the specialist mother and infant retailer.

A further extension, approximately 7,000 sqm stand-alone retail box is also due to open later this year and is already fully pre-let to Media Markt, Europe's leading consumer electronics retailer.

Togliatti Park House is located in the centre of the city and has approximately six million visitors per year.

Shopping Centre in Togliatti

Total gross lettable area: 38,000 sqm

Opening of an extension: April 2009

Another project currently under development, the extension to Volgograd Park House, is expected to open later in 2009. The Volgograd project, consists of a retail box of approximately 11,700 sqm is already prelet to OBI, the leading German DIY company, on a 15 year lease agreement with options for three additional periods of five years.

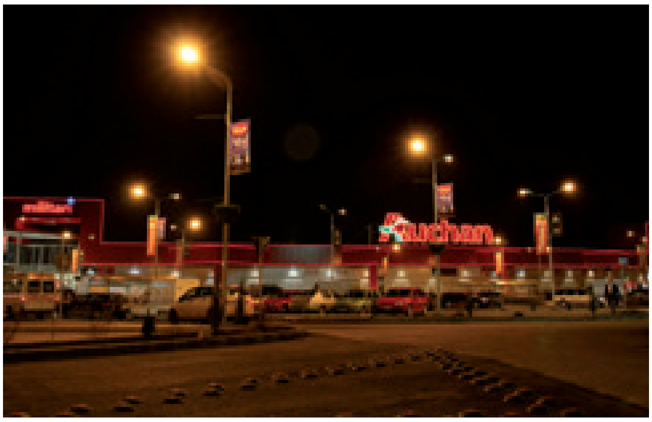
Poland

Poland has so far proved to be the least affected by global financial market uncertainties. Based on lease contract negotiations over the past months, the commercial real estate market is best characterized as resilient, albeit a bit weaker in the eastern provinces.

A development project that is expected to open later in 2009, Galeria Mosty in Plock, is a supermarket anchored, retail and leisure project with parking space for 700 cars and with the expected gross lettable area of approximately 18,800 sqm. The Group's management is pleased that a number of national and international anchors such as Cinema City, H&M, and Empik have already signed contracts and it is expected that the shopping centre will be almost fully let at opening.

Romania
At 31 March 2009, the Group owned one standing investment in Romania, the Militari retail park in Bucharest. Militari is the Group's first shopping centre in Romania and is located in a densely populated area of western Bucharest, very near the E81 motorway junction and is well served by public transport (bus and subway). The first phase was opened in 2004, consisting of two units let to Praktiker, a German international DIY chain and Domo, a leading Romanian electronics retailer.

The second phase of Militari in Bucharest was opened on 2 April 2009. The two phased extension to the Bucharest based centre commenced in 2007 and, upon completion today, has increased the centre's gross lettable area by 40,600 sqm to a total of 51,400 sqm. In December 2008, Atrium announced that phase I of the extension, a 14,770 sqm hypermarket (and 1,400 of offices) let to Auchan with a 15 year lease, had opened ahead of schedule. On completion of phase II, Militari is 99% let to 63 domestic and international tenants with an average lease period of 8.7 years. The fact that Decathlon, C&A and Mladinska have chosen Militari Shopping as the location for their first stores in Romania and that it is New Yorker's (one of Europe's largest fashion businesses) first shop in Bucharest, underlines both the quality of the centre itself and also ongoing willingness of international brands to enter new markets, providing the right product is available. The extension comprises four main parts; a stand alone building leased to Decathlon, an Auchan Hypermarket, a retail strip which includes brands such as Takko, Deichmann, Hervis and well known Romanian fashion retailer, Tina R and a mall gallery, which is home to tenants such as Humanic, Media Galaxy, Toyplex, Adidas, Arsis Vodafone and Kenvelo. Tenant sales and footfall in the opening week exceeded expectations.



Shopping Centre Militari

Total gross lettable area:	51,400 sqm
Opening of an extension:	April 2009

Other established markets

Czech Republic
The Czech economy is not immune to the credit crisis and is slowing down, although growth remains well above West European levels. Key contributing factors to the slower growth were falling industrial production as well as the ongoing impact from elevated levels of inflation. As leases in our Czech portfolio are largely denominated in local currency, the recent devaluation of the Czech corona will impact the Group's rental income presented in EUR.

Hungary
Hungary has been hit hard by the financial market turmoil, with the currency and stock market plunging, the bond market seizing up and banks reporting liquidity problems. As a majority of the tenants are paid in hard currency, occupancy cost has increased considerably, resulting in increasing downward pressure on rental levels.

Slovakia
The Slovakian retail market continues to perform reasonably well. Slovakia being a member of the euro zone, currency devaluation is not an issue there. The country has seen an increase in cross border trade of consumers going to countries with weakening currencies.

Net Asset Value

The concept of net asset value is used to describe the value of the assets of a company less the value of its liabilities.

	31 December 2008		31 March 2009	
	TEUR	EUR per share/ certificate	TEUR	EUR per share/ certificate
Equity	2,229,494		2,031,808	
Deferred tax assets	(3,111)		(1,913)	
Deferred tax liabilities	85,338		64,631	
Net assets value	**2,311,721**	**10.66**	**2,094,526**	**9.22**
Number of outstanding certificates	216,899,287		227,199,287	

Net asset value as at 31 March 2009 is based on the unaudited condensed consolidated interim financial statements and includes the market value of the Group's investment properties.

Net asset value as at 31 December 2008 is based on the audited financial statements and includes the market value of the Group's standing investments and land plots with a building permit intended to be used only. The surplus on the Group's development projects and land plots without a building permit intended to be used is not included in the NAV. Under IAS 40 which is effective as at 31 December 2008 companies were required to hold investment properties under development at cost less impairment.

With respect to the paragraph 87 of the Austrian Stock Exchange Act (§ 87 BoerseG) the directors confirm to the best of their knowledge that the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of important events that have occurred during the first three months of the financial year and their impact on the condensed consolidated interim financial statements, of the principal risks and uncertainties for the remaining nine months of the financial year and of the major related party transactions disclosed.

Statement Regarding Forward Looking Information

This Interim Report includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Interim Report and include statements regarding the intentions, beliefs or current expectations of Atrium European Real Estate Limited (the "Company") and its subsidiaries (together with the Company, the "Group"). By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance.

You should assume that the information appearing in this Interim Report is up to date only as of the date of this Interim Report. The business, financial condition, results of operations and prospects of the Company or the Group may change. Except as required by law, the Company and the Group do not undertake any obligation to update any forward looking statements, even though the situation of the Company or the Group may change in the future.

All of the information presented in this Interim Report, and particularly the forward looking statements, are qualified by these cautionary statements.

You should read this Interim Report and the documents available for inspection completely and with the understanding that actual future results of the Company or the Group may be materially different from what the Company or the Group expects.

Independent Review Report to Atrium European Real Estate Limited

Introduction

We have been engaged by Atrium European Real Estate Limited ("the Company") to review the condensed consolidated set of financial statements in the interim financial report for the three months ended 31 March 2009 which comprises the condensed consolidated balance sheet, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement, the consolidated statement of changes in equity, and the related explanatory notes.

We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards as endorsed by the EU. The condensed consolidated set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated set of financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the interim financial report for the three months ended 31 March 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed by the EU.

Emphasis of matter – potential litigation and ongoing investigations

On forming our conclusion on the condensed consolidated set of financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 14 to the condensed consolidated set of financial statements concerning the acquisition on behalf of the Company of listed certificates representing the Company's shares, the allegations against the Company and former Board members by certain certificate holders and certain bondholders and the ongoing investigations into the activities of the Company.

The ultimate outcome of the matters referred to in note 14 of the condensed consolidated set of financial statements and note 43 of the 31 December 2008 consolidated annual financial statements cannot presently be determined and therefore no provisions for any liabilities that may arise as a result have been provided for in the condensed consolidated set of financial statements. If such liabilities were to arise they could be material to the condensed consolidated set of financial statements.

KPMG Channel Islands Limited
Chartered Accountants
5 St Andrew's Place
Charing Cross
St Helier
Jersey
JE4 8WQ

19 May 2009

Notes:

- The maintenance and integrity of the Atrium European Real Estate Limited website is the responsibility of the directors, the work carried out by KPMG Channel Islands Limited does not involve consideration of these matters and, accordingly, KPMG Channel Islands Limited accept no responsibility for any changes that may have occurred to the condensed consolidated set of financial statements or review report since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of condensed consolidated financial statements may differ from legislation in other jurisdictions.

Condensed consolidated balance sheet as at 31 March 2009

	Note	31/12/2008 TEUR (Audited)	31/12/2008 TEUR (Audited)	31/3/2009 TEUR (Unaudited)	31/3/2009 TEUR (Unaudited)
Assets					
Non current assets					
Standing investments	3	1,642,799*		1,518,592	
Developments and land	4	846,722*		700,688	
Other non current assets		157,192		130,322	
			2,646,713		2,349,602
Current assets					
Cash and cash equivalents	5	1,250,643		1,054,976	
Other current assets		131,638		125,744	
			1,382,281		1,180,720
Total assets			**4,028,994**		**3,530,322**
Equity			**2,229,494**		**2,031,808**
Liabilities					
Non current liabilities					
Long term borrowings	8	1,498,892		1,252,726	
Other non current liabilities		107,708		85,814	
			1,606,600		1,338,540
Current liabilities					
Short term borrowings	8	10,639		10,169	
Other current liabilities		182,261		149,805	
			192,900		159,974
Total liabilities			**1,799,500**		**1,498,514**
Total equity and liabilities			**4,028,994**		**3,530,322**

* Reclassified for comparative purposes, see note 2.

For the reporting period ended 31/3/2009 see the independent review report on page 11.

The interim management report and the interim financial statements approved and authorised for issue by the Board of Directors on 19 May 2009 were duly signed on the Board’s behalf by Rachel Lavine, Chief Executive Officer and Chaim Katzman, Chairman.

Condensed consolidated income statement for the period ended 31 March 2009
(Unaudited)

	Note	1/1/2008 – 31/3/2008 TEUR	1/1/2008 – 31/3/2008 TEUR	1/1/2009 – 31/3/2009 TEUR	1/1/2009 – 31/3/2009 TEUR
Gross rental income	9	31,233**		37,101	
Service charge income	9	12,021**		13,904	
Net property expenses		(17,762)		(22,300)	
Net rental income			**25,492**		**28,705**
Net result on disposal of investment properties		76		(36)	
Revaluation of investment properties	3,4	(6,911)		(290,738)	
Other depreciation and amortisation	10	(277)		(9,798)	
Net administrative expenses		(11,757)		(7,437)	
Net operating profit/(loss)			**6,623**		**(279,304)**
Net financial income/(expenses)	11	(1,571)		19,795	
Profit/(loss) before taxation			**5,052**		**(259,509)**
Taxation credit/(charge) for the period		(1,035)		19,628	
Profit/(loss) after taxation for the period			**4,017**		**(239,881)**
Attributable to:					
Equity holders of the parent			3,000		(231,730)
Minority interest			1,017		(8,151)
Basic & diluted earnings per share/certificate in EUR*			0.0142		(1.0356)

* Subordinated Convertible Securities, Initial Warrants and options under the Employee Share Option Plan have an antidilutive effect.

** Reclassified for comparative purposes.

Condensed consolidated statement of comprehensive income for the period ended 31 March 2009
(Unaudited)

	1/1/2008 – 31/3/2008 TEUR	1/1/2008 – 31/3/2008 TEUR	1/1/2009 – 31/3/2009 TEUR	1/1/2009 – 31/3/2009 TEUR
Profit/(loss) for the period	4,017		(239,881)	
Exchange differences arising on translation of overseas operations	(25,603)		(24,071)	
Deferred tax on items taken directly to equity	4,634		873	
Net comprehensive income		**(16,952)**		**(263,079)**
Attributable to:				
Equity holders of the parent		(14,146)		(254,802)
Minority interest		(2,806)		(8,277)

For the reporting period ended 31/3/2009 see the independent review report on page 11.

Condensed consolidated cash flow statement for the period ended 31 March 2009

(Unaudited)

	1/1/2008 – 31/3/2008 TEUR	1/1/2009 – 31/3/2009 TEUR
Cash flows from operating activities	26,400	16,392
Cash flows from investing activities	(110,677)	(73,272)
Cash flows from financing activities	(1,221)	(138,787)
Decrease in cash and cash equivalents	**(85,498)**	**(195,667)**
Cash and cash equivalents at the beginning of the period	1,339,035	1,250,643
Cash and cash equivalents at the end of the period	**1,253,537**	**1,054,976**

For the reporting period ended 31/3/2009 see the independent review report on page 11.

Consolidated statement of changes in equity for the period ended 31 March 2009

(Unaudited)

	Note	Share capital TEUR	Share premium TEUR	Other reserves TEUR	Income account TEUR	Currency translation TEUR	**Total TEUR**	Minority interest TEUR	**Total equity TEUR**
Balance as at 1 January 2008		**1,057,425**	**1,535,224**	**–**	**494,851**	**(54,193)**	**3,033,307**	**37,948**	**3,071,255**
Total comprehensive income		–	–	–	3,000	(17,146)	(14,146)	(2,806)	(16,952)
Minority interest on acquisition		–	–	–	–	–	–	(24,129)	(24,129)
Balance as at 31 March 2008		**1,057,425**	**1,535,224**	**–**	**497,851**	**(71,339)**	**3,019,161**	**11,013**	**3,030,174**
Balance as at 1 January 2009		**1,084,499**	**1,559,736**	**–**	**(350,351)**	**(86,027)**	**2,207,857**	**21,637**	**2,229,494**
Total comprehensive income		–	–	–	(231,730)	(23,072)	(254,802)	(8,277)	(263,079)
Issue of share capital	6	51,500	20,600	–	–	–	72,100	–	72,100
Cost of issuing shares	6	–	(6,731)	–	–	–	(6,731)	–	(6,731)
Share based payments		–	–	24	–	–	24	–	24
Balance as at 31 March 2009		**1,135,999**	**1,573,605**	**24**	**(582,081)**	**(109,099)**	**2,018,448**	**13,360**	**2,031,808**

For the reporting period ended 31/3/2009 see the independent review report on page 11.

Notes to the condensed consolidated interim financial statements for the three months to 31 March 2009

(Unaudited)

1. Reporting entity

Atrium European Real Estate Limited (the "Company"), is a company incorporated and domiciled in Jersey. The company changed its registered office and principal place of business in March 2009. The current registered office and principal place of business of the Company is 11–15 Seaton Place, St. Helier, Jersey, Channel Islands.

The Company changed its name from Meinl European Land Limited to Atrium European Real Estate Limited on 1 August 2008.

The principal activity of the Company and its subsidiaries ("the Group") is the ownership, leasing, management and development of commercial real estate.

The Group primarily operates in the Czech Republic, Hungary, Poland, Romania, Slovakia, Russia, Latvia and Turkey and also has development projects in Bulgaria, Ukraine and Georgia.

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the directors on 19 May 2009.

2. Principal accounting policies

Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 Interim Financial Reporting.

The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

The annual consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards as endorsed by the EU.

Except as described below in the section entitled New standards and interpretations effective in the current period, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2008. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008. Actual results may differ from those estimates.

To conform to the current period presentation certain comparative amounts have been reclassified as of 31 December 2008. As a consequence of revisions to IAS 40, an amount of TEUR 119,741 has been reclassified from standing investments to developments and land as of 31 December 2008.

New standards and interpretations effective in the current period

In the current period, the Group has adopted the following standards that are relevant or have a significant impact on the condensed consolidated interim financial statements as at and for the three month period ended 31 March 2009:

- IFRS 2, *Share-based payment*. The adoption of IFRS 2 influenced the extent of the disclosures provided in these interim financial statements regarding transactions with employees. The standard was newly applied by the Group as during March 2009 the Company established an Employee Share Option Plan ("ESOP"), under which the Board can grant share options to certain employees.

- IFRS 8, *Operating segment*. The standard determines that the management approach should be used in segment reporting. An operating segment is a component of the Group that meets three conditions as follows: (i) it engages in business activities from which it may earn revenues and incur expenses, (ii) its operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess the performance, and (iii) discrete financial information is available. As the Group has applied the above mentioned criteria to determine the operating segments as reported in the consolidated financial statements for the year ended 31 December 2008, the standard is not considered to have a significant impact on the condensed consolidated interim financial statements.

- IAS 1 (Revised), *Presentation of Financial Statements*. The standard allows the presentation of one statement of comprehensive income (a combined statement of income and of other comprehensive income) or two statements – a statement of income and a separate statement of comprehensive income. The Group has chosen to present a statement of comprehensive income separately after the income statement. Furthermore, the Group presents a statement of changes in equity as a primary statement instead of as a note to the financial statements. The statement includes changes in equity resulting from transactions with shareholders of the parent company (such as issuance of shares capital, share based payments, minority interest). The standard is applied on a retrospective basis.

- IAS 23 (Revised), *Borrowing costs*. The standard requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets to these assets throughout the period required for completion and construction of the assets until they are ready for their intended use. The implementation of the revised IAS 23 had no impact on these financial statements as the Group has always applied the policy to capitalise borrowing costs incurred on qualifying assets.

- IAS 40 (Amendment), *Investment Property*. The amendment is part of the 2008 improvements to IFRS project, pursuant to which investment property under development shall be measured in accordance with IAS 40 and not in accordance with IAS 16.

The amendment was adopted on a prospective basis. The Group measures its investment property according to the fair value model and therefore as from 1 January 2009 measures its developments and land also in accordance with the fair value model. Until 31 December 2008, the investment property under development was measured at cost less impairment losses in accordance with IAS 16 and IAS 36.

The following standards or amendments of existing standards are effective for the period ended 31 March 2009 but are not relevant or have no material effect on the condensed consolidated interim financial statements:

- IAS 7 (Amendment), *Financial instruments: Disclosures.*
- IAS 32 (Amendment), *Financial instruments: Presentation,* and IAS 1 (Amendment), *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation.*
- IFRIC 15, *Agreements for construction of real estates.*

Investment properties

As a result of revision to IAS 40 effective from 1 January 2009, the Group has changed its accounting policy in relation to investment properties. The investment properties as defined by revised IAS 40 comprise:

- standing investments;
- developments and land.

All investment properties are valued at fair value as at 31 March 2009.

Standing investments

Standing investments comprise properties held to earn rentals and land related to the properties. Developments and land comprise development costs and land except for the land on which standing investments are situated.

The fair value of standing investments as at 31 March 2009 was determined by Cushman & Wakefield.

Each property has been valued individually and not as part of a portfolio. The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The yield used for valuation depends on the country and the risk assessment of the asset, for details see table below.

Country	Weighted average yield	
	31 December 2008	31 March 2009
Russia	12.60%	14.12%
Poland	7.99%	8.53%
Czech Republic	8.64%	9.06%
Hungary	8.29%	9.00%
Slovakia	7.80%	8.09%
Latvia	7.98%	8.97%
Romania	8.70%	9.39%
Turkey	10.06%	11.61%

Developments and land

The fair value of the land plots for which a development project exists and a building permit intended to be used has been granted was determined based on the value for which the land could be sold in the market, which was determined by Cushman & Wakefield to be the fair value of the completed project less cost to complete and an appropriate developer's profit ("residual value").

Developments and land plots without a building permit intended to be used, defined as investment properties under development up to 31 December 2008, are stated at fair value from 1 January 2009 according to revised IAS 40. Such fair value has been determined by the Group management. All costs directly associated with the purchase and development of a property, and all subsequent capital expenditure in this respect that qualifies as acquisition costs, are capitalised. The fair value of developments and land were calculated from the expected gross development value, discounted at the pre-tax yield and the present value of the outstanding costs to complete the investment property. The gross development value is defined as the present value of future rents which are expected to be achieved from the standing investment once it is developed. The rental levels were set at the current market levels. The pre-tax yield reflects the current market assessment of the time value of money and the risk specific to the asset. The yield used for this purpose ranged from 8.25% to 21.75% depending on the geographical area and the project type. The yield of 21.75% is applied only to a development in Georgia. Furthermore, an additional risk premium was applied on top of the mentioned rates for discounting during the construction period. This risk premium varies between 1.00% and 3.00% depending on the status of the developments. The fair value for land plots where management currently does not have specific plans for development was estimated as the fair value per square metre.

In the year ended 31 December 2008, and prior periods, developments and land without a building permit intended to be used were stated at cost less impairment according to IAS 16 and IAS 36.

For land plots which are subject to forward purchase agreements, these agreements are used as a basis for the determination of the market value of these land plots. In general, a forward purchase agreement determines the purchase price for a development project based on a pre-defined yield. For the purpose of measurement of the fair value of these land plots, the present value of that part of the future profits of relevant agreements, which arises from the yield compression between the contract date and the balance sheet date, is considered to be the change in the fair value of the land plot since its acquisition.

Any gain or loss arising from a change in fair value is recognised in the income statement under the caption revaluation of investment properties. In the case of entities whose functional currency is the local currency the revaluation gain in the local currency is converted into Euro using the average foreign exchange rate. The remaining foreign exchange difference (being the difference arising from the conversion of the investment properties in the balance sheet at year end rates and the conversion of the revaluation gain using the average rate) is recognised in equity as foreign exchange difference.

As of 31 December 2008, standing investments and land plots with a building permit intended to be used were recorded under the caption investment properties and developments and land plots without a building permit intended to be used were recorded under the caption investment properties under development. In the condensed consolidated interim financial statements as at 31 March 2009 the comparative amounts for land plots with a building permit intended to be used have been classified under developments and land.

Share based payments

The Company operates an Employee Share Option Plan ("ESOP") under which the Group receives services from key employees of the Company selected by the Board as consideration for equity instruments settled in shares/certificates. Cost of transactions is measured at the fair value of options received at the date of grant.

The cost of the ESOP is recognised in the income statement, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement represents the movement in cumulative expense recognised at the beginning and at the end of that reported period.

3. Standing investments

The current portfolio of standing investments of the Group consists of 152 (2008: 153) standing investments of which 25 (2008: 25) properties are in Hungary, 97 (2008: 97) properties are in the Czech Republic, 3 (2008: 3) properties are in Slovakia, 17 (2008: 17) properties are in Poland, 1 (2008: 2) properties are in Romania, 7 (2008: 7) properties are in Russia, 1 (2008: 1) property is in Turkey and 1 (2008: 1) property is in Latvia. Four (2008: 4) of the properties in the Czech Republic are refinanced on the basis of finance lease contracts.

	FY 2008** TEUR	3M 2009 TEUR
Balance as at 1 January	1,534,995	1,642,799
Additions – new properties, technical improvements, extensions	212,021	7,919
Transfer from developments and land	217,627	49,182
Disposals	(2,879)	–
Translation difference	3,351	(947)
Revaluation of standing investments	(322,316)	(180,361)
Balance as at the end of the period	**1,642,799**	**1,518,592**

Movement in number of investment properties

	FY 2008**	3M 2009
Properties as at 1 January	152	153
Transfer from developments and land	5	–
Merger of properties*	–	(1)
Disposals	(4)	–
Balance as at the end of the period	**153**	**152**

* Due to finalised property extension Militari Romania, the properties were connected and merged into one standing investment.
** Reclassified for comparative purposes, see note 2.

4. Developments and land

	FY 2008* TEUR	3M 2009 TEUR
Balance as at 1 January	1,141,281	846,722
Translation difference	(11,080)	(16,849)
Additions – cost of land and construction	244,710	19,863
Transfer to trading properties	(5,612)	–
Transfer to standing investments	(217,627)	(49,182)
Interest capitalised	37,658	10,511
Impairment loss	(230,892)	–
Revaluation of developments and land	(111,716)	(110,377)
Balance as at the end of the period	**846,722**	**700,688**
Transfer to standing investments:		
Land	(114,086)	(17,100)
Construction costs	(103,541)	(32,082)
Total	**(217,627)**	**(49,182)**

Movement in developments and land

	FY 2008*	3M 2009
Properties as at 1 January	48	42
Disposals	(2)	–
Transfer to standing investments	(4)	–
Balance as at the end of the period	**42**	**42**

* Reclassified for comparative purposes, see note 2.

5. Cash and cash equivalents

As of 31 March 2009, the Group held cash in the total amount of TEUR 1,054,976 (2008: TEUR 1,250,643) of which TEUR 963,273 (2008: TEUR 1,116,303) was directly held by the Company, the remaining was held by the Group companies. The Group holds cash of TEUR 58,684 (2008: TEUR 58,792) as backing for guarantees and/or other restricted cash issued by various banks on the Group's behalf.

6. Equity

As at 31 March 2009, the Company's authorised share capital amounted to EUR 5,000,002,500 divided into 1,000,000,000 ordinary shares of EUR 5.00 each and 500 special voting shares of EUR 5.00 each. Of this authorised share capital, a total of 227,199,287 ordinary shares are actually issued and outstanding, of which:

- a total of 216,899,286 ordinary shares, which are represented by outstanding certificates, are registered in the name of Oesterreichische Kontrollbank ("OeKB");
- a total of 10,300,000 ordinary shares are registered in the name of CPI/Gazit Holdings Limited ("CG Holdings"); and
- one ordinary share, which is not represented by a certificate, is registered in the name of CPI/Gazit Holdings Limited.

As at 31 March 2009 a total of 500 special voting shares are issued and outstanding of which:

- 230 are held by CPI Austria Holdings Limited; and
- 270 are held by Gazit Midas Limited

The Company has also issued 30 million warrants (the „Initial Warrants") to CG Holdings as of 1 August 2008 in return for CG Holdings' investment in the Company. In connection with the Equity Fund Raising transaction a total of 25,066,667 of Initial Warrants were delivered by CG Holdings to the Company, see also note 16. These 25,066,667 Initial Warrants were cancelled during the period.

During the first three months of 2009 the Company:

- issued 10,300,000 new ordinary shares to CG Holdings. Citi Property Investors ("CPI") acquired 4,738,000 shares and Gazit-Globe Limited ("Gazit") acquired 5,562,000 shares. The subscription price was paid by the transfer to the Company of the Convertible Securities 2008 in an aggregate principal amount of TEUR 72,100.

The total change in equity due to the Equity Fund Raising transaction, see also note 16, consists of:

- the issuance of 10,300,000 new ordinary shares with a nominal value of EUR 5 per ordinary share to CG Holdings for the transfer of the Convertible Securities 2008 in the principal amount of TEUR 72,100 to the Company, of which the fair value at the date of the transaction was TEUR 72,100. Out of this amount TEUR 51,500 is disclosed as share capital with the remaining balance of TEUR 20,600 disclosed as share premium.

Share premium as of 31 March 2009 amounted to TEUR 1,573,605 (2008: TEUR 1,559,736). The change in share premium during the three month period ended 31 March 2009 was caused by the issuance of new ordinary shares to CG Holdings resulting in share premium of TEUR 20,600 and related costs TEUR 6,731. For more information in respect of the Equity Fund Raising transaction please see note 16.

7. Share based payments

On 6 March 2009, the Company established an Employee Share Option Plan ("ESOP"), under which the Board can grant share options to key employees. The maximum number of options which the Board can grant under the ESOP is 4,500,000. Each option shall be exercised by the issue of a new share/certificate of the Company. The exercise price shall be determined by the Board, and shall not be less than the market value of the share/certificate on the dealing date immediately preceding the date of grant or averaged over the 30 dealing days immediately preceding the date of the grant. If certificates and ordinary shares are both listed at the date of grant, the price of certificates shall be used to determine the exercise price. The ESOP was approved by the shareholders at an extraordinary general meeting held on 6 April 2009.

Movements in the number of share options outstanding and their related average exercise prices are as follows:

2009	Weighted average exercise price of share options EUR	Number of share options
As at 1 January	–	–
Granted	1.81	2,830,000
As at 31 March	**1.81**	**2,830,000**

Share options outstanding as at 31 March 2009 have the following expiry dates and exercise prices:

Expiry date	Weighted average exercise price of share options EUR	Number of share options
2009	1.81	760,000
2010	1.81	943,333
2011	1.81	943,333
2012	1.81	183,334

The weighted average fair value of options granted during the period determined using the Black-Scholes options valuation model was approximately EUR 0.19 per option. The significant inputs into the model were the share/certificate price as at date of grant of EUR 1.25, exercise price shown above, volatility of 55.5%, dividend yield of 0%, an expected option life of five years, and an annual risk-free interest rate of 2.8%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years. The volatility and annual risk-free interest rate were received from the third party valuators. The expected forfeiture rate as at 31 March 2009 is 0%.

8. Borrowings

	FY 2008 Net book value TEUR	3M 2009 Net book value TEUR
Bonds	1,400,461	1,154,481
Loans	101,326	99,647
Other	7,744	8,767
Total	**1,509,531**	**1,262,895**

The borrowings are repayable as follows:

	FY 2008 Net book value TEUR	3M 2009 Net book value TEUR
Due within one year	10,639	10,169
In second year	9,784	8,521
In third to fifth year inclusive	714,307	539,205
After five years	774,801	705,000
Total	**1,509,531**	**1,262,895**
Amount due within 12 months (included under current liabilities)	10,639	10,169
Amount due after more than 12 months	1,498,892	1,252,726

During the three month period ended 31 March 2009, the Company:

- repurchased TEUR 79,200 nominal value of the notes issued under the Company's guaranteed medium term note programme 2006 ("2006 Notes") as permitted by the terms of the notes for 75%;
- obtained TEUR 72,100 nominal value of the Convertible Securities in exchange for 10,300,000 new ordinary shares issued to CG Holdings; and
- repurchased approximately TEUR 102,786 nominal value of the 2006 Notes from Gazit. The Notes were acquired by the Company for a cash amount equal to the prices paid for them in the open market (including dealing costs) by Gazit (which in aggregate was TEUR 77,260).

9. Gross rental income and service charge income

At the beginning of 2008, certain lease agreements in Russia were renegotiated with tenants with the aim to allocate a higher proportion of the overall rent as a service charge (rather than being a fixed rent payment). This reclassification resulted in a decrease of rental income and a corresponding increase of service charge income in the Group's annual financial statements. For the three month period ended 31 March 2008 the amount which was reallocated from rental income to service charge income due to the renegotiation was approximately EUR 2.2m.

10. Other depreciation and amortisation

Other depreciation and amortisation of TEUR 9,798 for period ended 31 March 2009 (3M 2008: TEUR 277) comprises goodwill impairment of TEUR 9,444 (3M 2008: TEUR 0) and depreciation of other assets of TEUR 354 (3M 2008: TEUR 277).

11. Net financial income/(expenses)

	3M 2008 TEUR	3M 2009 TEUR
Interest income	13,518	10,203
Interest expense	(8,141)	(19,040)
Foreign currency differences	(6,857)	(5,306)
Net profit from bond buy backs	–	34,085
Other	(91)	(147)
Total	**(1,571)**	**19,795**

12. Operating segments

For the period ended 31 March 2009	Standing investment segment TEUR	Development segment TEUR	Administration segment TEUR	Total TEUR
Gross rental income	37,101	–	–	37,101
Service charge income	13,904	–	–	13,904
Net property expenses	(22,300)	–	–	(22,300)
Net rental income	**28,705**	**–**	**–**	**28,705**
Net result on disposal of investment properties	(36)	–	–	(36)
Revaluation of investment properties	(180,361)	(110,377)	–	(290,738)
Other depreciation and amortisation	(8,760)	(13)	(1,025)	(9,798)
Net administrative expenses	(4,103)	(234)	(3,100)	(7,437)
Net operating loss	**(164,555)**	**(110,624)**	**(4,125)**	**(279,304)**
Net financial income/(expenses)	(18,534)	894	37,435	19,795
Profit/(loss) before taxation	**(183,089)**	**(109,730)**	**33,310**	**(259,509)**
Taxation credit/(charge) for the period	18,996	726	(94)	19,628
Profit/(loss) after taxation for the period	**(164,093)**	**(109,004)**	**33,216**	**(239,881)**
Standing investments	1,518,592	–	–	1,518,592
Developments and land	–	700,688	–	700,688
Segment assets	1,770,693	702,319	1,057,310	3,530,322
Segment liabilities	722,701	344,299	431,514	1,498,514

For the period ended 31 March 2008	Standing investment segment TEUR	Development segment TEUR	Administration segment TEUR	Total TEUR
Gross rental income	31,233	–	–	31,233
Service charge income	12,021	–	–	12,021
Net property expenses	(17,017)	(745)	–	(17,762)
Net rental income	**26,237**	**(745)**	**–**	**25,492**
Net result on disposal of investment properties	76	–	–	76
Revaluation of investment properties	(4,662)	(2,249)	–	(6,911)
Other depreciation and amortisation	(169)	(12)	(96)	(277)
Net administrative expenses	428	(697)	(11,488)	(11,757)
Net operating profit/(loss)	**21,910**	**(3,703)**	**(11,584)**	**6,623**
Net financial income/(expenses)	(7,427)	(4,827)	10,683	(1,571)
Profit/(loss) before taxation	**14,483**	**(8,530)**	**(901)**	**5,052**
Taxation credit/(charge) for the period	(1,319)	642	(358)	(1,035)
Profit/(loss) after taxation for the period	**13,164**	**(7,888)**	**(1,259)**	**4,017**
Standing investments*	1,559,932	–	–	1,559,932
Developments and land*	–	1,216,430	–	1,216,430
Segment assets	1,735,444	1,337,877	1,261,302	4,334,623
Segment liabilities	456,671	319,734	528,044	1,304,449

* Reclassified for comparative purposes, see note 2.

13. Transactions with related parties

To the best of management's knowledge, during the three month period ended 31 March 2009, no single certificate holder of the Company held more than 5% of the listed certificates, except for Gazit Inc. and Gazit-Globe Limited ("Gazit") that held approximately 11.5% of the Company's certificates in issue. Citi Property Investors ("CPI") own 5,422,184 shares/certificates in issue which represent approximately 2.4%.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Except as described in note 7 and in the following paragraphs the directors and employees have not entered into any transactions with the Company, do not own shares or certificates of the Company and have not invested in any debt issued by the Group.

a. Chaim Katzman, Director and Chairman of the Board, holds through a family member 150,000 certificates in the Company as of 31 March 2009. However, Mr. Katzman through his holdings of Gazit Inc. and Gazit-Globe Limited ("Gazit"), indirectly holds 10,356,640 certificates which represent approximately 4.6% of certificates of the Company. If the Subordinated Convertible Securities were converted into certificates, Mr. Katzman would indirectly hold an additional 10,019,888 certificates of the Company. If the Initial Warrants were exercised, Mr. Katzman would indirectly hold an additional 1,039,689 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Mr. Katzman would, together with indirect investment in certificates, hold indirectly 21,416,217 certificates.

b. Dipak Rastogi, Director, holds an indirect investment in Initial Warrants and Subordinated Convertible Securities and 28,912 shares of the Company through Citigroup's programme which is assigned to his family trust as at 31 March 2009. If the Subordinated Convertible Securities were converted into certificates, Mr. Rastogi's family trust would indirectly hold an additional 129,629 certificates. If the Initial Warrants were exercised, Mr. Rastogi's family trust would indirectly hold an additional 13,453 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Mr. Rastogi's family trust would, together with indirect investment in shares, hold indirectly 171,994 certificates and shares.

c. Shanti Sen, Director, holds an indirect investment in Initial Warrants and Subordinated Convertible Securities and 1,613 shares of the Company through Citigroup's programme as at 31 March 2009. If the Subordinated Convertible Securities were converted into certificates, Ms. Sen would indirectly hold an additional 6,505 certificates. If the Initial Warrants were exercised, Ms. Sen would indirectly hold an additional 675 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Ms. Sen would, together with indirect investment in shares, hold indirectly 8,793 certificates and shares.

As at 31 March 2009, some of the board members of the Company also have certain functions in CPI/Gazit Holdings Limited ("CG Holdings").

During the three month period ended 31 March 2009, the Company completed the Equity Fund Raising transaction with CG Holdings, see also note 16, the significant elements of which were:

- the Company repurchasing approximately TEUR 102,786 nominal value of the 2006 Notes from Gazit. The Notes were acquired by the Company for a cash amount equal to the prices paid for them in the open market (including dealing costs) by Gazit (which in aggregate was TEUR 77,260).
- the Company obtaining TEUR 72,100 nominal value of the Convertible Securities 2008 in exchange for 10,300,000 new ordinary shares issued to CG Holdings.
- delivery of 25,066,667 of Initial Warrants by CG Holdings to the Company for nil consideration.

As a result of the transaction CG Holdings holds TEUR 427,900 Subordinated Convertible Securities as well as 4,933,333 million Initial Warrants which are both currently convertible and exercisable. If conversion of the Subordinated Convertible Securities and execution of the Initial Warrants took place, CG Holding would receive 52,477,777 certificates.

After the resignation of Bedell Cristin Secretaries Limited as Administrator and Registrar of the Company on 29 February 2008, the Company appointed Aztec Financial Services (Jersey) Limited as its new Company Secretary and Administrator. The Company did not conclude any contract with Aztec Financial Services (Jersey) Limited except for the contract for services connected with serving as the Company Secretary and Administrator and director contracts with Simon Malcolm Radford. The fees for the above mentioned services amounted to TEUR 84 for the three month period ended 31 March 2009.

14. Contingencies

There were no significant changes in the contingencies of the Group to those reported in note 43 of the Annual Report 2008, except for those mentioned below.

- based on the official statement dated 31 March 2009 the Austrian Takeover Commission ("ATC") confirmed that as of the date of the official statement the Austrian Takeover Code is not applicable to the Company and it has no jurisdiction over the Company.
- a Notice of Dispute in relation to an alleged breach of the Master Transaction Agreements was withdrawn.
- the Company is involved, directly and indirectly under an indemnity granted to a third party, in certain claims submitted by certificate holders alleging losses deriving from price fluctuations. These claims are not for material amounts.

Due to the nature of the business, the Group is involved in litigation, arbitration and regulatory proceedings arising in the ordinary course of business. In accordance with applicable accounting requirements, the Group provides for potential losses that may arise out of contingencies, including contingencies in respect of such matters, when the potential losses are probable and estimable. Contingencies in respect of legal matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance. Significant judgement is required in assessing probability and making estimates in respect of contingencies, and the Group's final liabilities may ultimately be materially different. The Group's total liability recorded in respect of litigation, arbitration and regulatory proceedings is determined on a case by case basis and represents an estimate of probable losses after considering among other factors, the progress of each case, the Group's experience and the experience of others in similar cases, and the opinions and views of legal counsel.

15. Financial risk management

During the three months to 31 March 2009, the Group's financial risk management objectives and policies were consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2008.

16. Events during the period

On 14 January 2009, the Company announced the proposed terms of a new equity fund raising ("Equity Fund Raising") which replaced the proposed EUR 300m rights issue, described in note 44 in the Annual Report 2008 and related arrangements with CPI and Gazit (together, the "CG Holdings") that was subsequently closed on 30 January 2009. This Equity Fund Raising raised TEUR 65,369 of new equity (including costs connected with the transaction) which, together with the related arrangements, reduces the Company's aggregate indebtedness by approximately EUR 175m in principal amount and reduces the amount of outstanding warrants to subscribe for the Company's shares from 30 million to approximately 5 million. The Company issued 10,300,000 new ordinary shares to the CG Holdings in aggregate. CPI acquired 4,738,000 shares and Gazit acquired 5,562,000 shares. The subscription price was paid by the transfer to the Company of Subordinated Convertible Securities in an aggregate principal amount of EUR 72.1m. The voting rights attached to the Company's special voting shares have been reduced proportionately to reflect the reduction in the outstanding aggregate principal amount of the Convertible Securities 2008 held by the CG Holdings to EUR 427.9m. In addition, the CG Holdings delivered 25,066,667 existing Initial Warrants to subscribe for ordinary shares for nil consideration (out of a total of 30 million Initial Warrants issued to the CG Holdings on 1 August 2008) to the Company. These 25,066,667 Initial Warrants have been cancelled. The Company has also acquired from Gazit approximately EUR 103m in nominal value of the Company's 2006 Notes. The 2006 Notes were acquired by the Company for a cash amount equal to the aggregate of the prices paid for them in the open market (including dealing costs) by Gazit (which in aggregate was EUR 77.26m).

17. Post balance sheet events

An extraordinary general meeting held on 6 April 2009 authorised the Company to amend its Articles of Association to enter into an Employee Share Option Plan and to create a framework to dispense with the special voting shares issued in August 2008 ("Purchase and Option Agreement").

Pursuant to the Purchase and Option Agreement approved by the shareholders of the Company in the extraordinary general meeting held on 6 April 2009, the Company has bought back 515 Special Voting Shares at their nominal consideration, being for an aggregate consideration of EUR 150.44. Following this acquisition and cancellation, the total outstanding voting rights attached to the remaining issued special voting shares are 44,683,333.

In April 2009, the Group has successfully opened two extensions of the existing shopping centres, in particular Militari shopping centre in Bucharest, Romania and Togliatti Park House shopping centre in Russia.

Also subsequent to 31 March 2009, the Company repurchased an additional EUR 60m nominal value of the Convertible Securities 2008 for 97.25% which were on 1 August 2008 granted to Meinl Bank and approximately an additional EUR 13.3m nominal value of 2006 Notes.

The Company will seek a listing for its ordinary shares on the Euronext Amsterdam in 2009.

The current turbulence in the world markets, especially in the real estate market, as well as a limited amount of publicly up to date available data and research relating to the real estate markets in the countries in which the Group invests, could lead to significant changes of the values of the Group's assets during subsequent periods. The management is not at present able to assess with accuracy the extent of such changes.

Contact

Atrium European Real Estate Limited
32 Commercial Street, St. Helier, Jersey JE4 0QH, Channel Islands

www.aere.com
ir@aere.com