



גזית-גלוב בע"מ  
GAZIT-GLOBE LTD.

08.16.2006

**Gazit Globe: Second Quarter Results for 2006**

**- Property Rental Revenue increased 19% to NIS 626 Million-**

**- N.O.I. increased 14% to NIS 412 Million -**

**- F.F.O. increased 12% -**

Gazit-Globe announced today its financial results for the second quarter of 2006, which reflect continued growth in the Company's operations.

**Data for the second quarter of 2006 (NIS in millions):**

	<b>Q2 2006</b>	<b>Q2 2005</b>	<b>Growth Rate</b>
<b>Total assets</b>	22,468	18,447	<b>22%</b>
<b>Property rental revenue</b>	626	527	<b>19%</b>
<b>N.O.I. <sup>(1)</sup></b>	412	361	<b>14%</b>
<b>Gross profit</b>	299	273	<b>9%</b>
<b>Income from operations</b>	233	230	<b>1%</b>
<b>Net income for the period</b>	<sup>(3)</sup> 126.5	17.6	<b>619%</b>
<b>Cash flows from operations</b>	183	186	<b>-1.6%</b>
<b>F.F.O.</b>	63.4	56.4	<b>12%</b>
<b>F.F.O. per share (in NIS)</b>	0.60	0.65	<b>-7.7%</b>

**Half year data (NIS in millions):**

	<b>H1 2006</b>	<b>H1 2005</b>	<b>Growth Rate</b>
<b>Property rental revenue</b>	1,287	1,031	<b>25%</b>
<b>N.O.I. <sup>(1)</sup></b>	847	701	<b>21%</b>
<b>Gross profit</b>	621	532	<b>17%</b>
<b>Income from operations</b>	500	447	<b>12%</b>
<b>Net income for the period <sup>(2)</sup></b>	<sup>(3)</sup> 166.8	62.4	<b>167%</b>
<b>Cash flows from operations</b>	338	326	<b>4%</b>
<b>F.F.O.</b>	133.6	110.7	<b>21%</b>
<b>F.F.O. per share (in NIS)</b>	1.29	1.29	<b>--</b>

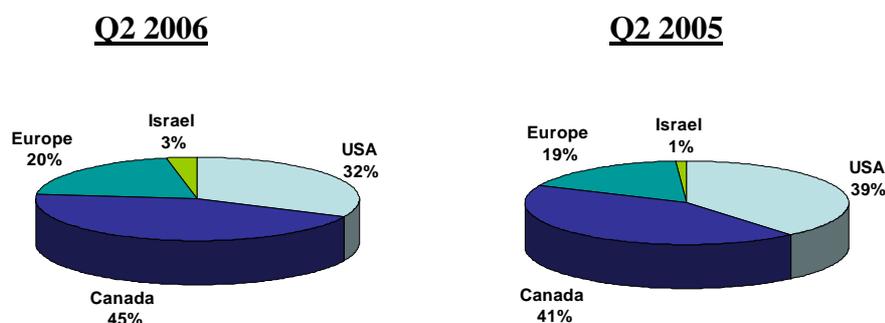
<sup>(1)</sup> N.O.I. – Property rental income less property operating costs.

<sup>(2)</sup> Effective January 2005, Israel Accounting Standard No. 19 ("Taxes on Income") is applied to the financial statements. Pursuant to this standard, deferred taxes are recognized in respect of temporary differences arising when the measurement currency for accounting purposes differs from the

measurement currency for tax purposes, and for temporary differences relating to land. The implementation of the standard has been effected by taking into account its cumulative effect at the beginning of 2005 – by making a non-recurring accounting provision of NIS 56.5 million. This entry does not affect the Company's operating results or its cash flows. Other than as stated above, the Company does not expect the application of the new standard to have any further effect.

<sup>(3)</sup> Including higher than usual capital gains and write-down.

### The Company's N.O.I., by geographic regions:



### Highlights for the second quarter of 2006:

- **Invested** in acquisitions and development activities approximately NIS 0.9 billion, compared to NIS 1 billion in the prior year second quarter. In addition, Citycon invested NIS 167 million in acquisition and development activities, compared to NIS 27 million in Q2 2005.
- **Property rental revenue** - The growth, compared to the same quarter last year, is due to the acquisition of new properties, net of properties sold, development coming on-line, higher occupancy rate and increase in the average rental rates.
- **Growth in same properties' N.O.I** increased by 3.3% for Equity One and First Capital Realty, and by 3.2% for Citycon, compared to the same quarter last year.
- **Average rent from lease renewals** increased by 4.8% for Equity One and First Capital, compared to the same quarter last year.
- As of June 30, 2006, the **average occupancy rate** of Equity One's and First Capital's core properties was 95.1%, compared to 94.1% as of June 30, 2005.
- As of June 30, 2006, the **occupancy rate** of Royal Senior Care's properties was 94.5%, compared to 93.8% as of June 30, 2005.
- As of June 30, 2006, the **occupancy rate** of Citycon's properties was 96.7%, compared to 96.3% as of June 30, 2005.
- **N.O.I.** increased by 14%, compared to the prior year second quarter.

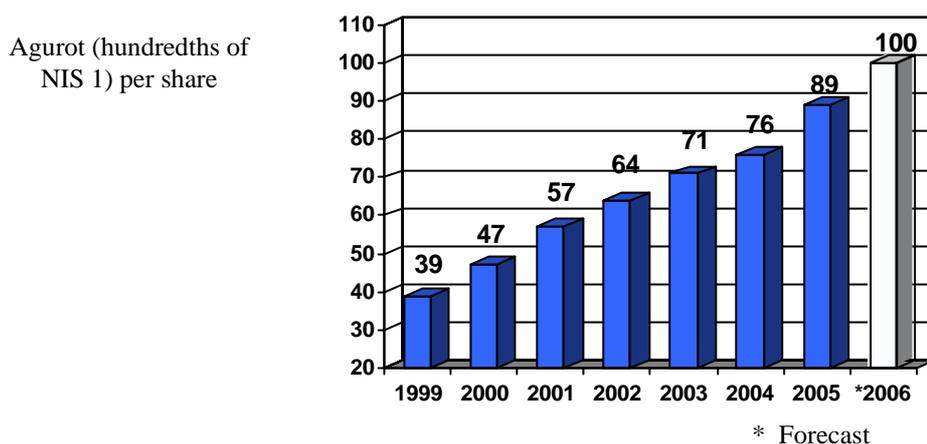
- **F.F.O.** increased by 12% and **F.F.O. per share** decreased by 7.7%, compared to the prior year second quarter. The decrease in F.F.O. per share is due mainly to the revaluation of index-linked loans following the steep rise in the relevant Israeli CPI index during the second quarter of 2006 (reflecting an annual inflation rate of 4.8%) and some short term dilution effect from issuance a new equity.
- **Net income**, which included higher capital gains than usual and a non-recurring write-down, totaled NIS 126.5 million, NIS 1.16 per share, compared to NIS 17.6 million, NIS 0.20 per share, in the same quarter last year.
- The Company has written down a long-term investment in the shares of a real estate company listed in the U.S.A. by a gross amount of NIS 99 million, to the closing price at which said shares were traded at balance sheet date.
- **Equity raising** – The Company and its subsidiaries (Equity One and First Capital Realty) raised NIS 520 million in share capital, compared to NIS 18 million in the same quarter last year. As a result of the offerings made by First Capital Realty, the Company recorded net gains of NIS 26 million; the Company had no such gains in the same quarter last year.
- In April 2006, Equity One closed the sales of income-producing properties and land in Texas to an unconsolidated joint venture (in which Equity One has a 20% interest), as well as of other properties to third parties, for an aggregate consideration of NIS 1.7 billion. These sales generated a gross gain of NIS 126 million for the Company, compared to a gain of NIS 5 million in the same quarter last year.
- **Capital surpluses (included within the line-item “shareholders’ equity”)** decreased by NIS 43.7 million (NIS 0.41 per share), compared to an increase of NIS 53.8 million (NIS 0.62 per share) in the same quarter last year. The reduction in the capital surpluses is due to the weakening of the U.S. dollar, the Canadian dollar and the euro against the shekel, compared to the strengthening of the U.S. dollar and the Canadian dollar in the same quarter last year.
- **Debt to market capitalization** (derived from the market value of the Group’s holdings) stood at 52.4% as of June 30, 2006, compared to 55.4% as of June 30, 2005. As of December 31, 2005, this ratio stood at 52.2%.

### Highlights for the first six months of 2006:

- **Invested** in acquisitions and development activities approximately NIS 2.9 billion, compared to approximately NIS 1.5 billion in the prior year first half. In addition, Citycon invested NIS 645 million in acquisition and development activities, compared to NIS 33 million in H1 2005.
- The growth, compared to the same quarter last year, is due to the acquisition of new properties, net of properties sold, development coming on-line, higher occupancy rate and increase in the average rental rates.
- **N.O.I.** increased by 21%, compared to the prior year first half.
- **F.F.O.** increased by 21%, compared to the prior year first half.
- **Net income**, which included higher capital gains than usual and a non-recurring write-down, amounted to NIS 166.8 million, NIS 1.60 per share, compared to net income (after neutralizing the non-recurring effect of Israel Accounting Standard No. 19) of NIS 62.4 million, NIS 0.70 per share, in the same period last year.
- **Equity raising** – The Company and its subsidiaries (Equity One and First Capital Realty) raised NIS 704 million, net, in share capital, compared to NIS 227 million in the same period last year. As a result of the offerings made by Equity One and First Capital Realty, the Company recorded net gains of NIS 29 million, compared to net gains of NIS 17.2 million in the same period last year.

In accordance with its dividend policy, the Company has announced that the dividend to be declared in 2006 will not be less than NIS 0.25 per share per quarter (NIS 1.00 per share on an annualized basis).

### The following graph shows the dividend growth for the years 1999 through 2006:



**Chaim Katzman, Gazit-Globe's Chairman,** stated: "During the quarter we have achieved strong growth in property rental revenue and in N.O.I., despite selling the properties in Texas and the appreciation in the dollar exchange rate. The sale of the properties together with the raising of equity will enable the Company to expand its business".