



Press Release

TEL AVIV, ISRAEL, March 22, 2012 (PR Newswire) –

Azrieli Group Ltd. announces fourth quarter and year-end 2011 results

Reports a 15% increase in NOI, totaling NIS 258 million in Q4/2011, and an 11% increase in FFO from real estate activity, totaling NIS 172 million, compared with fourth quarter 2010

Azrieli Group Ltd. (TASE: AZRG IT) today reported its results for the quarter ended December 31, 2011.

Fourth Quarter Financial Highlights¹

- **NOI for the fourth quarter increased by 15%, totaling NIS 258 million**, compared with NIS 225 million in the same quarter in 2010. The increase is due to an internal rise in rent (same-property NOI), the acquisition of The Office Towers at The Galleria in Houston, Texas, and the opening of the malls in Akko and Kiryat Ata.
- **Increased same-property net operating income (NOI)** of 6.7% over the fourth quarter of 2010. A 3.1% increase in the commercial segment and an increase of 18.3% in the offices and others segment.
- **Funds from Operations (FFO) from real estate activity²** (relating to the Group's income-producing real estate business only) totaled NIS 172 million in Q4/2011, compared with NIS 155 million in the same quarter in 2010 – representing an increase of 11%. The increase is attributed both to an improvement in the cash flow from real estate and to acquisitions.
- Quarter closed with an **occupancy rate** in the malls and shopping center segment in Israel of close to 100%, as well as in the offices and others segment in Israel. The occupancy rate in the assets in the US segment stood at approx. 87%.
- An increase in the **fair value of the income-producing properties of NIS 317 million, net of tax**, due to the revaluation of the whole portfolio by an independent appraiser.
- **Net loss (attributed to the shareholders) of NIS 129 million in Q4/2011** compared with a net profit of NIS 778 million in the same quarter in 2010. Notwithstanding the increase in NOI, a loss was recorded. The loss is primarily attributed to a rise in tax liability in Israel (an increase in deferred taxes of approximately NIS 601 million) in Q4/2011.
- **Comprehensive loss (attributed to the shareholders) totaled an amount of NIS 201 million** in Q4/2011 compared with a comprehensive profit of NIS 886 million in the same quarter in 2010. The loss is attributed to the decline in the value of holdings in Bank Leumi during the quarter and to a rise in tax liability in Israel (Trajtenberg Committee).
- In November 2011, S&P Maalot upgraded Azrieli Group's credit rating from (AA-)/Positive to (AA)/Stable.

Management Review

Shlomo Sherf, Azrieli Group's CEO: "We are continuing to present strong growth in our core business and to improve our performance from one quarter to the next; at the same time, we are in the midst of an unparalleled development momentum, of about NIS 3.2 billion, which will significantly expand our business in this segment, adding about 60% to the Group's existing income-producing real estate areas in Israel".

¹ Based on the 31.12.2011 extended standalone financial statements.

² For further details on the method of calculation and the assumptions, see Sections 1.1.5 of the board of directors' report as of December 31, 2011. Funds from operations (FFO) are a widely accepted supplemental measure of the performance of income-producing real estate companies and REITs.



David Azrieli, Chairman of Azrieli Group: "I believe in the Israeli economy in the present and in its future.

Accordingly, the Group will be performing development of income-producing real estate projects in the State of Israel in the coming years on an unprecedented scale".

Full-Year 2011 Financial Highlights

- **NOI for 2011 increased by 11%, totaling NIS 982 million**, compared with NIS 882 million in 2010. The increase is due to an internal rise in rent (same-property NOI), the acquisition of the properties in Houston, Texas and the opening of the malls in Akko and Kiryat Ata.
- **Increased same-property net operating income (NOI) of 6% over 2010**. A 4.6% increase in the commercial segment in Israel and an increase of 10.1% in the offices and others segment in Israel.
- **FFO from real estate activity** (relating to the Group's income-producing real estate business only) **totaled NIS 668 million in 2011**, compared with NIS 596 million in 2010 – representing an increase of 12%. The increase is attributed both to an improvement in the cash flow from real estate and to acquisitions.
- **An increase in the fair value of the income-producing properties of NIS 696 million, net of tax**, according to independent appraiser's valuations of all the Group's properties.
- **Net profit (attributed to the shareholders) of NIS 596**, compared with a net profit of NIS 1,224 million in 2010. Despite the increase in NOI, the decrease in the profit is primarily attributed to a rise in tax liability in Israel (an increase in deferred taxes of approximately NIS 601 million).
- **Comprehensive profit (attributed to the shareholders) totaled NIS 173 million** in 2011 compared with a comprehensive profit of NIS 1,293 million in 2010. The drop is attributed to the decline in the value of holdings in Bank Leumi during the year, and to a rise in tax liability in Israel.

Acquisitions, Development and Redevelopment Activities

- During the quarter, the Group's investments in real estate totaled some NIS 67 million. The investments were made in existing properties and properties under development.
- In calendar 2011, the Group's investments in income-producing real estate totaled NIS 1.7 billion.
- The estimated cost-to-completion of the projects under development as of 31.12.2011 stands at NIS 2.2-2.4 billion.
- In January 2012, the group completed its acquisition of an office building in Houston, Texas for the sum of app. US \$107.5 million. 87% of the office space is rented to the Dow Chemical company under a long-term lease contract.
- **Azrieli Center Sarona, Tel Aviv** – The Group has received permits to commence work at the site. The cornerstone-laying ceremony is scheduled for Sunday, March 25, 2012.
- **Azrieli Center Holon** – Excavation and shoring work has been completed, and a start has been made on the foundations of the buildings and construction of the basements and the buildings, according to the comprehensive building permit received for Stage A.
- **Azrieli Ramla mall** – Development work has commenced at the site.
- **Azrieli Rishonim mall** – The Company has started work on the temporary parking lot at the site, after receiving a building permit.



Balance Sheet at 31 December 2011¹

- The Group's **cash and cash equivalents** totaled NIS 1.5 billion.
- The Group also has financial investments available for sale in Bank Leumi and Leumi Card, with a fair value of app. NIS 1.26 billion.
- The net debt totaled NIS 3.5 billion.
- The value of the Company's income-producing properties totaled some NIS 14.8 billion, compared with approximately NIS 12.1 billion on 31.12.2010.
- Shareholders' equity slightly decreased, totaling NIS 11.0 billion, compared with NIS 11.1 billion on 31.12.2010 – A decrease due primarily to the increase in the tax rate, which required a decrease of NIS 600 million in equity, and the dividend, paid in April 2011.
- Equity per share remained at app. NIS 91, compared with NIS 91.5 on 31.12.2010.
- The equity to balance sheet ratio stood at 60%.
- The Company owns unpledged assets worth NIS 9 billion.
- EPRA NAV per share totaled NIS 109, compared with NIS 103 as of December 31, 2010 – a 6% increase.
- EPRA NNAV per share totaled NIS 89, compared with NIS 90 as of December 31, 2010

Core Business Operations

Fourth quarter 2011 operating results for the shopping centers, offices and others and the Portfolio in the U.S.A segments:

Shopping Center Portfolio in Israel

- Total net operating income (NOI) totaled NIS 175 million, an increase of 9% over the fourth quarter of 2010;
- Same-property NOI increased by 3% over the fourth quarter of 2010;
- The average occupancy rate in this segment remains close to 100%; and
- The increase in the shopping center segment same-property NOI during the quarter continues the consistent growth trend recorded in the first nine months of 2011 in comparison to past parallel periods.

Office Space and Others Portfolio in Israel

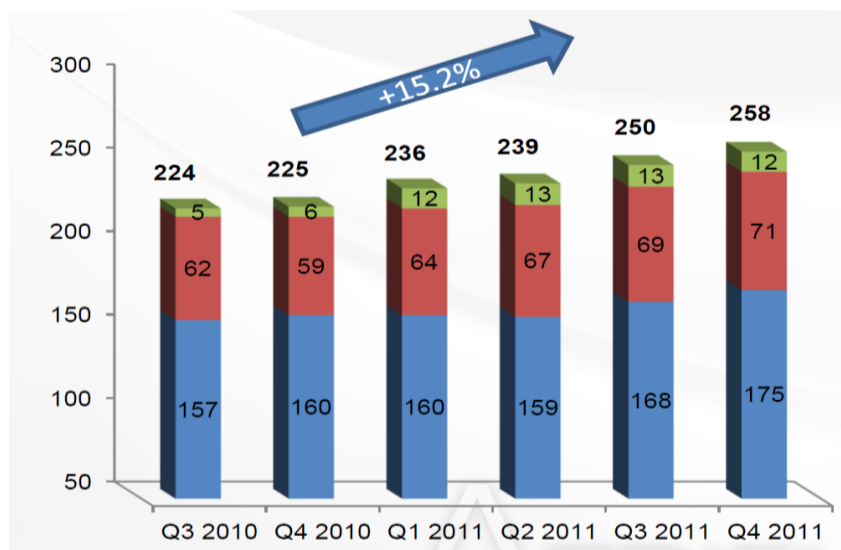
- Total net operating income (NOI) totaled NIS 71 million, an increase of 20% over the fourth quarter of 2010;
- Same-property NOI increased by 18% over the parallel quarter of 2010;
- The occupancy rate in this segment, at the close of 2011, remains close to 100%; and
- The increase in offices and others segment same-property NOI during the quarter continues the consistent growth trend recorded in the first nine months of 2011 in comparison to past parallel periods.

Income-Producing Real Estate Portfolio in the U.S.A.

- Total net operating income (NOI) totaled NIS 12 million, an increase of NIS 6 million over the fourth quarter of 2010;
- The NOI increase is attributed to the purchase of the Galleria Towers in Houston, Texas in January 2011.

¹ Based on the 31.12.2011 extended standalone financial statements.

NOI development over the last six quarters:



Non-Core Operations

Granite HaCarmel (approx. 60.68% holding) – Profit of NIS 30 million in 2011, compared with a net profit of NIS 50 million in 2010 (attributed to the shareholders). Revenues increased, and profit improved moderately in most of the segments, despite challenging conditions and a one-time expense of approx. NIS 19 million, due to the rise of the tax rate (the Trajtenberg Committee).

Financial Holdings

Bank Leumi (approx. 4.8% holding) – In Q4/2011, the share value on TASE declined by 8.5%, a NIS 71 million decrease in the Group's holding value in the Bank. Net of tax, the decrease was NIS 59 million. From the end of the quarter until the date of release of the report, the share value increased by 8% representing an increase of NIS 44 million in the Group's holding (net of tax).

Leumi Card (20% holding) – in the fourth quarter of 2011 – revenues totaled NIS 238 million and net profit totaled NIS 43 million, an increase against the parallel quarter in 2010 of 5% and 8%, respectively.

Throughout 2011, revenues totaled NIS 938 million and net profit totaled NIS 177 million, compared to NIS 876 million and NIS 158 million, respectively in 2010 – increases of 7% and 12%. The Group holding value in Leumi Card (according to an independent appraiser) stood at NIS 483 million as of 31.12.2011.

Looking ahead

The Company remains committed to its core business objectives:

- Increasing shareholder value through the ownership, management and selective acquisition of malls, shopping centers and office space – mainly in Israel;
- Continued examination of business opportunities in Israel and overseas, in connection with the expansion of its business, mainly in the real estate sector, including the acquisition of land reserves, the purchase of additional properties and the improvement of existing properties.
- Maintaining a high occupancy rate and accelerated promotion of the marketing of the leasable space in the properties under development and construction.



Conference Call

The Company will hold its quarterly conference call, hosted by Mr. Shlomo Sherf, CEO and Mr. Yuval Bronstein, CFO, on Thursday, March 22, 2012 at 16:00 Israel local time (15:00 CET; 14:00 London time and 09:00AM New York time). The call will include a review of the Company's Q4/2011 and year-end 2011 performance as well as a discussion of the Company's strategy and expectations for the future.

A Question & Answer session will follow the discussion.

To participate, please dial 03-9180610 from Israel, 1-888-668-9141 from the US, 0-800-917-5108 from the UK, 0-800-022-9568 from the Netherlands 1-866-485-2399 from Canada and 972-3-9180610 internationally.

A replay will be available for 3 days by dialing 03-9255930 from Israel, 1-888-295-2634 from the US and Canada 0-800-028-6837 from the UK, 0-800-023-4246 from the Netherlands and 972-3-9255930 internationally.

Access to the presentation will be available through the Company's website at www.azrieli.com under "Investor Relations → Presentations."

For Additional Information

A full copy of the Company's financial statements is available on Azrieli Group's website at www.azrieli.com, in the IR (Investor Relations) section. To be included in the Company's e-mail distributions for press releases, news and other Company notices, please send e-mail addresses to Mr. Moran Goder, Head of Investor Relations, at morango@azrieli.com, Tel: +972-3-6081310.

About Azrieli Group

Azrieli Group Ltd. owns and operates one of Israel's largest portfolios of malls, shopping centers and office properties nationwide. The Company is publicly traded on TASE under the symbol AZRG IT and is included in the TA-25 and TA-real-estate 15 indices. It is the only Israeli stock included in the EPRA Index. As of September 30, 2011, the Company has an equity market capitalization of about \$2.9 billion. The Company operates mainly in Israel, and owns and manages properties with a gross leasable area of approx. 717,000 square meters; the Company had interests in 13 shopping centers comprising 256,000 square meters of leasable space across Israel, 8 office properties comprising 282,000 square meters of leasable space across Israel and 5 properties overseas (mainly in Houston, Texas) comprising 179,000 square meters of leasable space. In addition, the Company has 6 projects under development comprising 328,500 square meters of leasable space in Israel. 93% of the fair value of investment properties and properties under development relates to domestic properties (in Israel). The Group has been specializing in shopping center and office space development, acquisitions, and management for the past 27 years. For further information, please visit the Company's website at www.azrieli.com.

Accounting and Other Disclaimers

The Company believes that publication of the FFO, which is calculated according to EPRA best-practice recommendations, better reflects the operating results of the Company, since the Company's financial statements are prepared in conformity with IFRS. In addition, publication of the FFO provides a better basis for a comparison of the Company's operating results between different reporting periods and strengthens the uniformity and the comparability of this financial measure to that published by European real estate companies.

As clarified in the EPRA and NAREIT position papers, 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.

Forward Looking Statements

This press release may contain forward-looking statements relating to Azrieli Group's operations and the environment in which it operates that are based on Azrieli Group's expectations, estimates, forecasts and projections. These statements may be identified by their use of forward-looking terminology such as "believes", "expects", "may", "should", "would", "will", "intends", "plans", "estimates", "anticipates" and similar words. These statements are not guarantees of future performance and involve risks and uncertainties that are impossible to control or predict. Actual outcomes and results may differ materially from those expressed or implied in these forward-looking statements. We refer you to our latest annual report and current interim financial statements, both of which are available on Azrieli Group's website, for a discussion of the risks and uncertainties associated with forward-looking statements. You therefore should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements speak only as of the date on which such statements are made except as required by laws and regulations. Azrieli Group undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.

The Company refers you to the documents filed by the Company from time to time with the Israel Securities Authority, specifically the section titled "Risk Factors" in the Company's Annual Report for the year ended December 31, 2010, as may be updated or supplemented in the Company's immediate filings, which discuss these and other factors that could adversely affect the Company's results.

Please note that this document should not be regarded as a substitute for reading the original Hebrew version of the Company's reports in full. The full and legal version of the Company's reports, in Hebrew, was released by the Company on November 24th, 2011 and may be inspected on the Israeli MAGNA website at www.magna.isa.gov.il