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Press Release

TEL AVIV, ISRAEL, November 24, 2011 (PR Newswire) –

Azrieli Group Ltd. announces third quarter 2011 results; Reports a 12% increase in NOI and a 10% increase in FFO from real estate activity

Azrieli Group Ltd. (TASE: AZRG IT) reported today its results for the quarter ended September 30, 2011.

Q3 Highlights¹

- **NOI for the third quarter increased by 12%, totaling NIS 250 million**, compared with NIS 224 million in the same quarter in 2010. The increase is due to an internal rise in rent (same-property NOI), the acquisition of Galleria office towers in Houston, Texas and the opening of the malls in Akko and Kiryat Ata.
- **Increased same-property net operating income (NOI)** of 5.8% over the third quarter of 2010. A 3.2% increase in the commercial segment and an increase of 12.1% in the offices and others segment.
- **FFO from real estate activity**² (relating to the Group's income-producing real estate business only) totaled NIS 170 million in Q3/2011, compared with NIS 155 million in the same quarter in 2010 – representing an increase of 10%. The increase is attributed both to an overall improvement in the real estate sector and to acquisitions.
- Quarter closed with a gross **occupancy rate** in the shopping center segment of close to 100%, and approx. 95% in the offices and others segment.
- An increase in the **market value of the income-producing properties** (according to independent appraiser) of NIS 87 million, net of tax, due to the completion of the two projects in Akko and Kiryat Ata and revaluations of their market value.
- **Net profit** (attributed to the shareholders) of NIS 188 million in Q3/2011 compared with NIS 251 million in the same quarter in 2010. The decrease is attributed to the moderate increase in the market value of the income-producing properties (in this quarter only two assets were revaluated, whereas in the same quarter the whole portfolio was revaluated according to the CPI increase) and the increase in the financing expenses.
- **Comprehensive loss** (attributed to the shareholders) totaled NIS 36 million in Q3/2011 compared with a profit of NIS 417 million in the same quarter in 2010. The loss is attributed to the decline in Bank Leumi's stock on the Israeli stock market.
- In November 2011, S&P Maalot upgraded Azrieli Group's domestic credit from (AA-)/Positive to (AA)/Stable.

Management Review

Shlomo Sherf, Azrieli Group's CEO: "The strong growth in the Group's core business well reflects our management capabilities and improvement moves; moreover, we are continuing to focus on extensive investment in the building of our future growth engines, with an estimated scope of investments of above NIS 3 billion, which are expected to add approx. 50% more to the Group's real estate areas over the next five years"

¹ Based on the 30.09.2011 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 September 30, 2011. Funds from operations (FFO) are a widely accepted supplemental measure of the performance of income-producing real estate companies and REITs.



Acquisitions, Development and Redevelopment Activities

- During the quarter, the Group opened 2 shopping centers in Akko and Kiryat Ata that are expected to generate an NOI of approx. NIS 40 million.
- During the quarter, the Group's investments in real estate totaled NIS 154 million. The investments were made in existing properties and properties under development.
- From the beginning of 2011, the Group's investments in real estate totaled NIS 1.7 Billion.
- The cost-to-completion of the projects under development as of 30.09.2011 totaled NIS 2.5 billion.
- The Group signed agreements for the purchase of 100% of the rights in the Ir-Yamim mall in Netanya, in consideration for approx. NIS 720 million (excluding purchase taxes and fees) and the projected cost-to-completion of approx. NIS 80 million. The property, with a GLA of approx. 24,000 sqm, is scheduled to be completed in early 2012, and to generate an NOI of approx. NIS 61 million.
- Azrieli Center Southern Hakirya – the Group is preparing to receive the final permits for excavation and construction.

Balance Sheet³

- As of September 30, 2011, the Company's **cash and cash equivalents** totaled NIS 1.36 billion.
- The Company also has a 4.8% interest in Bank Leumi and a 20% interest in Leumi Card, which totaled NIS 1.35 billion as of September 30, 2011.
- **The net debt** totaled NIS 3.6 billion as of September 30, 2011.
- As of September 30, 2011 the **fair value of the Company's income producing properties** totaled NIS 14.3 billion, compared with NIS 12 billion as of September 30, 2010.
- **Shareholders' equity** as of September 30, 2011 totaled NIS 11.2 billion, compared with NIS 10.2 billion as of September 30, 2010 – an increase of 15%, due to the net profit during the last year, offset by the dividend paid in April 2011.
- **Shareholders' equity per share** as of September 30, 2011 totaled NIS 92.6, compared with NIS 84.2 as of September 30, 2010 – a 10% increase.
- The **equity to balance sheet ratio** stood at 63% as of September 30, 2011.
- The Company owns **unpledged assets** worth NIS 8.5 billion as of September 30, 2011.
- **EPRA NAV per share** as of September 30, 2011 totaled NIS 105, compared with NIS 91 as of September 30, 2010 – a 15% increase.

Core Business Operations

Third quarter 2011 operating results for the malls and shopping centers segment, and the offices and others segment:

Shopping Center Portfolio

- Total net operating income (NOI) totaled NIS 169 million, an increase of 5% over the third quarter of 2010;
- Same-property NOI increased by 3.2% over the third quarter of 2010; and
- The average occupancy rate in this segment remains close to 100%.

The increase in the shopping center segment same-property NOI of 3.2% over the same period in 2010, continues the 5% increase in that parameter in Q2/2011 and the 7% increase in Q1/2011.

Office Space and Others Portfolio

- Total net operating income (NOI) totaled NIS 81 million, an increase of 18% over the third quarter of 2010;
- Same-property NOI increased by 12.1% over the third quarter of 2010; and
- The average occupancy rate in this segment remains approx. 95%.

The increase in offices and others segment same-property NOI of 12.1% over the same period in 2010, continues the 6% increase in that parameter in Q2/2011 and the 6% increase in Q1/2011.

³ Based on the 30.09.2011 extended standalone financial statements.



Non-Core Operations

Granite (approx. 60.8% holding) – Net profit of NIS 13 million in Q3/2011, resembling the profit in Q3/2010 attributed to the shareholders. Revenues increased, and profit improved in most of the segments.

Bank Leumi (approx. 4.8% holding) – In Q3/2011, the share value on TASE declined by 26%, dividend-adjusted price (a NIS 288 million decrease in the Group's holding value).

Leumi Card (20% holding) – Interim financial statements yet unpublished. In the second quarter of 2011, continued growth in revenues and profit – revenues increased by 10% and the net profit by 24%, to NIS 235 million and NIS 47 million, respectively.

NOI development over the last six quarters:



Looking forward

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 through 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, November 24, 2011 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 Q3/2011 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 03-9180650 from Israel, 1-888-407-2553 from the US, 0-800-917-9141 from the UK, 0-800-022-9568 from the Netherlands and 972-3-9180650 internationally.

A replay will be available for 3 days by dialing 03-9255940 from Israel, 1-888-295-2634 from the US & 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. 683,000 square meters; the Company had interests in 13 shopping centers comprising 254,000 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 147,000 square meters of leasable space. In addition, the Company has 5 projects under development comprising 328,500 square meters of leasable space in Israel. 94% 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