



May 20, 2015

Azrieli Group: First Quarter of 2015 Results

FFO¹ totaling approx. NIS 205 million, up approx. 7% from the same quarter last year

NOI totaling approx. NIS 298 million, up approx. 6.5% from the same quarter last year

Q1/2015 Highlights

- **NOI increased by approx. 6.5%, totaling approx. NIS 298 million**, compared with approx. NIS 280 million in the same quarter last year.
- **Same-property NOI totaled approx. NIS 291 million** compared with approx. NIS 280 million in the same quarter last year.
- **FFO attributed to real estate activity totaled approx. NIS 205 million**, compared with approx. NIS 192 million in the same quarter last year, up approx. 7%.
- **Financing expenses** amounted to approx. NIS 2 million compared with approx. NIS 16 million in the same quarter, mainly thanks to the drop in the CPI and decrease in interest.
- **Shareholders' equity** totaled approx. NIS 13.2 billion, compared with approx. NIS 12.5 billion on March 31, 2014.
- **During the quarter, the Group invested approx. NIS 355 million in investment property**, betterment of existing properties and the construction of properties under development. In 2014, the Group's investments totaled approx. NIS 1.3 million.
- **Net profit for shareholders** totaled NIS 188 million, compared with approx. NIS 209 million in the same quarter in 2014. The decrease is mainly attributed to profit from Granite (mainly due to the sale of Tambour and a decline in Sonol's profits) and a rise in provisions for taxes, the effects of which amount to approx. NIS 36 million.
- **Comprehensive income for shareholders** totaled NIS 275 million, compared with approx. NIS 180 million in the same quarter in 2014.
- **Dividend** – The Group distributed a NIS 320 million dividend (NIS 2.64 per share) in May 2015.

Yuval Bronstein, CEO of Azrieli Group: "The Group continues to present good performance also this quarter, which reflects continued impressive growth in the NOI, in the FFO and in the other operating parameters. The Group's growth strategy is expressed both in these results and in the significant progress in the development projects: continued marketing and lease-up of the Azrieli Holon Center, the signing of first lease contracts for offices in the Azrieli Sarona Center, which will be completed in 2017, and in the Azrieli Rishonim Center, which will be completed in late 2016. At the end of this quarter, we opened the Azrieli Ramla mall and the second floor of the Ayalon mall, in which contracts are signed for almost the entire space. The Group is continuing its development momentum in Israel, with progress in the construction of the significant projects in Sarona, Rishonim and in senior housing, and is increasing its land portfolio for future development with the purchase of additional land for the project in Holon."

¹ For details and the manner of calculation of the FFO, see Section 1.1.6 of the financial statements for March 31, 2015.

Summary Financials for Q1/2015:

NIS in millions					
	<u>Q1 2015</u>	<u>Q1 2014</u>	<u>Change</u>	<u>2014</u>	<u>2013</u>
-					
NOI	298	280	6.5%	1,134	1,105
Same property NOI	291	280	4%	1,117	1,101
FFO from real estate business	205	192	7%	787	759
EPRA NAV per share	132	126	5%		

Core Business Operations:

Retail centers and malls in Israel segment

- The NOI in the quarter totaled approx. NIS 180 million – an increase of 1.1% compared with the same quarter last year.
- The same property NOI remained stable compared with the same quarter.
- The occupancy rate in this segment remained extremely high at approx. 99% at the end of the quarter. Including the retail center in Holon that was recently completed and is under lease-up, the occupancy rate is approx. 97%.

This quarter saw a moderate rise in the NOI, mainly thanks to the opening of the Azrieli Ramla mall and the second floor of the Ayalon mall, which was partially offset by a decline in the NOI of Beer Sheva Mall.

Office and other space in Israel segment – consistent growth trend continues

- NOI totaled approx. NIS 84 million in the quarter, up about 7.7% from the same quarter last year.
- Same property NOI increased by approx. 7.7% in the quarter, compared with the same quarter last year.
- The occupancy rate in this segment is approx. 99% at the end of the quarter. Weighting in the office buildings in Holon and the office building in Kiryat Ata, which were recently completed and are currently under lease-up, the occupancy rate is approx. 98%.

The increase in the NOI and in the same property NOI mainly derives from an increase in rent and continued lease-up and a rise in occupancy in the Azrieli Holon center.

Income-producing property in the U.S.A. segment

- NOI totaled approx. NIS 34 million in the quarter, up about 41.7% from the same quarter last year, mainly due to the purchase of an asset in Houston, the rise in the dollar rate and a rise in the occupancy rate.
- The same property NOI totaled approx. NIS 29 million, up about 20.8% from the same quarter last year.
- The occupancy rate in this segment was approx. 93% at the end of the quarter.
- In September 2014, the Group closed a transaction for the purchase of an income-producing property (8 West Center) of about 21,100 sqm in Houston, Texas, in consideration for approx. \$76 million.

The increase in the NOI mainly derives from the purchase of the asset in Houston, and the increase in the same property NOI mainly derives from the weakening of the NIS against the dollar (down by around 13% in this period). Net of exchange rate changes, the overseas segment NOI rose by approx. 25%.

Investor Relations Ltd.

Acquisitions, Development and Redevelopment of Property

- **During the quarter, the Group invested approx. NIS 355 million in investment property**, betterment of existing properties, acquisition of new properties and advancement of the construction of properties under development. **In 2014, it invested approx. NIS 1.3 billion.**
- **The Company has 8 development projects of around 507,500 sqm, with a total investment of approx. NIS 5.1-5.4 billion.** Their book value is approx. NIS 2.2 billion (excluding capitalizations), and cost-to-completion is approx. NIS 3.1-3.4 billion.
- **Lease contracts in Azrieli Holon Center** - To date, lease agreements have been signed for around 74,000 sqm: around 53,300 sqm of offices in Stage A (~94% of the space), around 4,900 sqm of retail space (~63% of the space) and around 15,600 sqm of offices in Stage B (~28% of the space). The contracts were signed for 5-15 year terms, plus options for another 5-10 years.

It is emphasized that the pace of signed lease-up is satisfactory and even exceeds the Company's earlier forecasts.

- **Signing of initial lease contracts for offices in the Azrieli Center Sarona and in Rishonim:**
 1. Sarona Azrieli Center – in January 2015, a first lease agreement was signed with law firm Pearl, Latzer, Cohen-Zedek, Baratz. In the agreement, the Company will lease in the tower two floors of a total area of approx. 4,700 sqm and approx. 70 parking spaces. The lease agreement is long-term and was signed for a period of 10 years, plus option periods. The rent for offices in the tower will be NIS 100-120 per sqm per month.
 2. Rishonim Azrieli Center in Rishon Lezion – a first lease agreement was signed with Electra Elevators. In the agreement, the Company will lease in the office tower 2 floors of a total area of approx. 4,400 sqm and approx. 90 parking spaces in consideration for annual rent of approx. NIS 3 million. The lease agreement was signed for a period of 10 years plus 2 option periods of 5 years each. The company is due to relocate to the tower upon completion of the construction, scheduled for the last quarter of 2016. Rent for offices in the tower will be approx. NIS 50-70 per sqm per month, depending on the finishing standard.
- **Winning of a tender for the purchase of land for industry in Holon:** The Group announced that it won a tender of the Israel Land Authority (ILA) for the purchase of land for the construction of an office and retail project in Holon in consideration for approx. NIS 64 million (including development).

The Company intends to build a mixed-use project on a total (main and service) area of around 55,000 sqm.

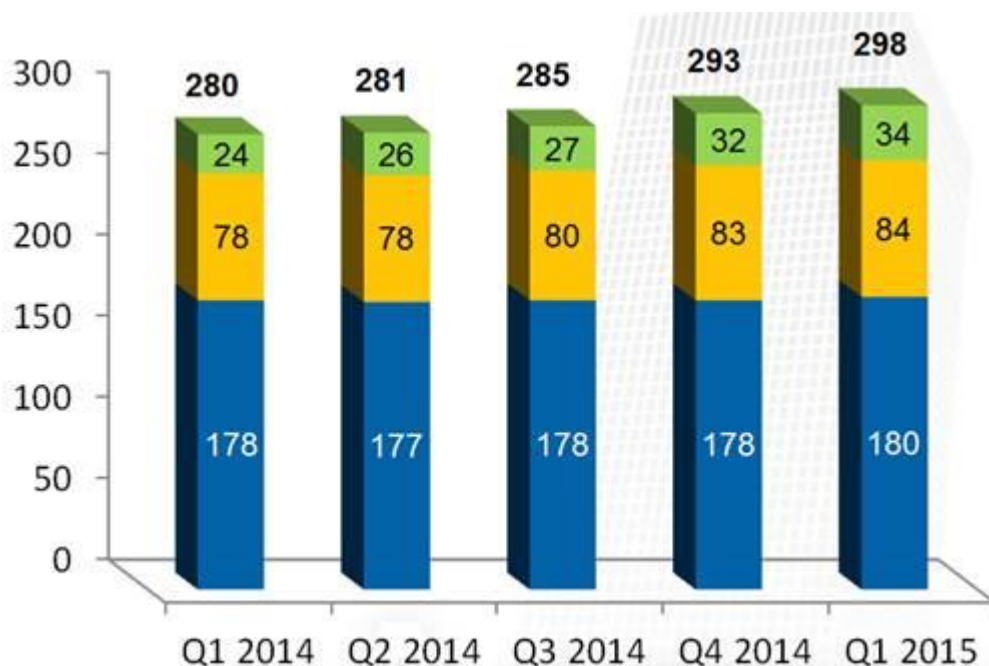
Financing

In Q1/2015, the Group issued linked marketable bonds on the Tel Aviv Stock Exchange, in an amount of approx. NIS 623 million, for a period of 10 years, with a duration of around 5.5 years. The bonds were rated AA+ by S&P Maalot for an issuance of up to NIS 700 million. The interest rate set in the tender was 0.65%, and the series is not secured by a pledge.

Balance Sheet (on an extended standalone basis) as of March 31, 2015

- The Group has **cash and financial assets held for trade** of approx. NIS 508 million.
- The Group has **financial investments** (mainly Bank Leumi and Leumi Card) with a fair value of approx. NIS 1.7 billion.
- **The net debt** totaled approx. NIS 5.4 billion.
- **The value of income-producing property (excluding construction)** owned by the Group totaled approx. NIS 17.2 billion, compared with NIS 15.7 billion on March 31, 2014.
- **The value of investment property under construction** totaled approx. NIS 2 billion, compared with approx. NIS 1.8 billion on March 31, 2014.
- **The shareholders' equity** totaled approx. NIS 13.2 billion, compared with approx. NIS 12.5 billion on March 31, 2014.
- **The equity per share** is approx. NIS 108.9, compared with approx. NIS 103.4 on March 31, 2014.
- **Equity to assets ratio** of approx. 59% and **net debt to total assets ratio** of approx. 24%.
- **Unmortgaged properties** of approx. NIS 15 billion.
- **EPRA NAV per share** was NIS 132, compared with NIS 126 on March 31, 2014.

NOI development in the last 5 quarters



- Shopping malls and commercial
- Offices and others
- Assets in the US.

Investor Relations Ltd.

Non-Core Business Operations

Granite Hacarmel (100% held) – In Q1/2015, Granite recorded a net profit of approx. NIS 21 million, compared with approx. NIS 34 million in the same quarter last year. Discounting Tambour's results (discontinued operations), last year the net profit would have amounted to approx. NIS 22 million.

The decrease is mainly attributed to the sale of Tambour which closed in Q2/2014 in consideration for approx. NIS 500 million.

Financial Holdings

Bank Leumi (4.8% holding) – In Q1/2015, the share price on TASE rose by approx. 10%, a rise of approx. NIS 72 million in the value of the holding in the bank, after tax.

The value of the Group's holding in the bank, as of March 31, 2015, is approx. NIS 1,043 million.

Leumi Card (20% holding) – In Q1/2015, a net profit of approx. NIS 45 million was recorded, compared with a net profit of NIS 52 million recorded in the same quarter in 2014.

The value of the holding on the books as of March 31, 2015, was approx. NIS 593 million, according to an external assessor.

For further information:

Moran Goder

Head of Investor Relations, Azrieli Group

Office: 972-3-6081310

Mobile: 972-54-5608151

morango@azrieli.com

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 the TASE under the symbol AZRG IT, and is included in the TA-25, TA-100 and TA Real Estate 15 indices. It is the only Israeli stock included in the EPRA Index, which is the European index of the world's largest income-producing property companies. As of March 31, 2015, the Company has an equity market capitalization of about NIS 19.9 billion. The Company operates mainly in Israel, and owns and manages properties with a gross leasable area of approx. 840,000 square meters; the Company holds 15 malls and shopping centers comprising 301,000 square meters of leasable space across Israel, 11 office properties comprising 352,000 square meters of leasable space across Israel and 6 properties overseas (mainly in Houston, Texas) comprising 187,000 square meters of leasable space. In addition, the Company has 8 projects under development comprising around 507,500 square meters of leasable space in Israel. Approx. 90% of the fair value of the investment property and the property under development relates to domestic properties (in Israel). The Group has been specializing in shopping center and office space development, acquisition, and management for the past 30 years. For further information, please visit the Company's website at www.azrieli.com.

Disclaimer

- This document was prepared by Azrieli Group Ltd. (the "Company"), and is intended for the provision of information only to institutional investors only, and does not constitute an offer or invitation to purchase securities of the Company. The information in this document is presented for convenience purposes only, and is not a recommendation or an opinion, nor does it substitute the investor's discretion.
- The information in this document is a summary only, and is no substitute for inspection of the quarterly report for March 31, 2015, the Company's periodic report for 2014 and its current reports, as reported to the ISA through the MAGNA distribution website. The Company is not responsible for the completeness or accuracy of the information, and will bear no liability for any loss and/or damage which may be caused as a result of use of the information.
- Various issues presented in this document, which include forecasts, targets, assessments, estimates and other information pertaining to future matters and/or events, the materialization of which is uncertain and is beyond the Company's control, is forward-looking information, as defined in the Securities Law, 5728-1968, including in connection with revenues forecast, the value of the Group's holdings, costs of and profit from projects, the development and construction thereof, modification of a zoning plan, receipt of permits and the underlying concept of the projects. Forward-looking information is based merely on the Company's subjective assessment, based on facts and figures with respect to the present position of the Company's business and macroeconomic figures and facts, all as are known to the Company on the date of preparation of this document. The Company does not undertake to update and/or modify any such forecast and/or assessment in order that they shall reflect events and/or circumstances that occur after the date of preparation of this presentation. The materialization or non-materialization of the forward-looking information will be affected, *inter alia*, by risk factors that characterize the Company's business, as well as by the developments in the general environment and in the external factors which affect the Company's business, such as representations of third parties which do not materialize, a delay in the receipt of permits, termination of contracts, a decline in the value of shares on the stock exchange, which cannot be estimated in advance and which are beyond the Company's control. The Company's results of operations may be materially different to the results estimated or implied by the aforesaid, *inter alia* due to a change in any one of the above factors.
- The terms "FFO attributed to the real estate activity" and "weighted average cap rate" – refer to the Group's income-producing property business only. Any person reading the document should read these figures in conjunction with the explanations of the Board of Directors in the Board of Directors' Report as of March 31, 2015, Sections 1.1.5 and 1.1.6, including the calculation methods and the assumptions underlying the same.
- The financial figures in this document are attributed to the extended standalone statement (Annex C to the Board of Directors' Report), unless stated otherwise, and are unaudited. This report presents a summary of the Company's financials according to IFRS, with the exception of the Company's investment in Granite Hacarmel which is presented based on the carrying value method in lieu of consolidation of the figures thereof into the Company's statements.