



**GAZIT-GLOBE**

**Standard & Poor's Maalot Reaffirms Gazit-Globe's Domestic Credit Rating of iA+ and of its Parent Company, Norstar Holdings (formerly Gazit Inc.) of iA and Revises its Outlook for both from Stable to Positive**

TEL-AVIV, ISRAEL; August 2, 2011 - Gazit-Globe (TASE: GLOB), one of the world's leading multinational real estate companies engaged in the acquisition, development and management of supermarket-anchored shopping centers, announces that Standard & Poor's Maalot ("S&P Maalot") announced today that it has reaffirmed Gazit-Globe's domestic credit rating of iA+ and of its parent company, Norstar Holdings (formerly Gazit Inc.) of iA and revised its outlook for both from stable to positive.

In its announcement, S&P Maalot stated that the positive outlook revision reflects the solid operational performance of the majority of the Gazit Group's companies as well as the solid high occupancy rates (94%), the increase in average rent, the increase in Same Property NOI, and the stable valuation of its investment property.

Enclosed is S&P Maalot announcement.

Please note that this translation was made for the company's use only and under no circumstances obligates Standard & Poor's Maalot. In the case of any discrepancy with the official Hebrew version published on August 2, 2011, the Hebrew version shall apply.

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August 2, 2011

## Gazit Globe

### Norstar Holdings (Formerly Gazit Inc)

#### Ratings Affirmed And Outlook Revised To Positive

#### On Expected Further Fall In Financial Leverage

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#### Overview

- Most of the group companies have shown operating stability including relatively high occupancy rates, rise in average rents, rise in same-property net operating income, and stable real estate values.
- At the same time, leverage and liquidity have improved, at both the consolidated and holding company level, as a result of improved operations and steps taken by the group, though the group continues to operate at a relatively high level of leverage.
- We are affirming the 'ilA+' rating on Israel-based real estate company, Gazit Globe Ltd, and the 'ilA' rating on its parent company, Norstar Holdings Inc. We are also revising the outlook on these ratings to positive from stable.
- The stable outlook reflects our assessment that the group will continue to pursue a policy of reducing its financial leverage, while maintaining operating stability and an adequate level of liquidity.

#### Rating Action

On August 2, 2011 Standard & Poor's Maalot affirmed the 'ilA+' rating on Israel-based real estate company, Gazit Globe Ltd., and the 'ilA' rating on its parent company, Norstar Holdings Inc (formerly Gazit Inc). At the same time S&P Maalot revised its outlook on the ratings to positive from stable.

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## Rationale

The rating affirmation reflects the stability of operations for most of the Gazit group companies including stability in the relatively high occupancy rates (average 94%), the rise in average rents, the increase in same-property net operating income at most group companies, and the stability of real estate values. At the same time, leverage at the holding companies (*viz.* Norstar, Gazit Globe, and private subsidiaries) improved further, although the group still operates at high levels of leverage. The change in outlook to positive reflects our expectations that the group will continue to take steps to reduce its leverage, *inter alia*, through equity issues both at the Norstar and Gazit Globe levels and at the subsidiary level, further to the equity issues in the past year. In July 2011, Norstar raised equity of new Israeli shekel (NIS) 125 million from Bank Hapoalim and the Clal group.

The ratings are supported by Gazit Group's strong market position, which stems from its control of several income-yielding real estate companies with high market position and low leverage, and from the group's control over a large number of income-yielding assets. The business profile is also supported by the group's focus on neighborhood commercial centers which we consider as stable even in times of downturn, due to their solid anchor tenants, mostly long-term rental contracts, and long-term loan financing. Furthermore, the business profile is supported by good geographical diversification, being spread over countries in three continents and with the group's major subsidiaries registered on six different stock exchanges, and by the group's control of its subsidiaries.

The ratings are constrained, however, by the high level of leverage both at the consolidated (Norstar consolidated statements) and at the holding level. In the 12 months to March 31, 2011, consolidated adjusted credit measures stood at debt to debt and equity of 72% and debt to EBITDA of 13.5x. At the holding level, the ratio of value of holdings (at market value) to debt stood at 70%. We regard the group's policy of reducing leverage, both at the consolidated and the holding level, as a positive factor, and we anticipate that the coverage ratios will improve gradually over the coming years, assuming that the group does not conduct significant leveraged acquisitions.

The rating on Norstar's financial obligations is lower than that of Gazit Globe as a result of further distancing from the operating companies as well as due to Norstar's dependence mainly on dividends from Gazit Globe.

## Liquidity

In our opinion, Norstar and Gazit Globe (at the holding level) have adequate liquidity. We believe the group companies have good access to a range of financing sources for their current needs. We view as positive factors the large amount of committed credit facilities with relatively long duration, and the calculation of the facilities based on net asset value as well as on the market value of the shares pledged, hence reducing the group's exposure to a drop in capital markets.

Gazit Globe's major sources of liquidity, at the holding level, for the period from March 2011 to Dec. 31, 2012, include:

- Cash and unused committed credit facilities of a total NIS1.5 billion (as of March 31, 2011).
- Projected cash flow from dividends and interest from subsidiaries, sales of assets and current activities (before interest expenses) of NIS1.5 billion for the period.

Against this, the main uses include:

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- Repayment of loans and bonds, short-term credit and interest payments of NIS2.2 billion.
- Actual investments in subsidiaries of NIS350 million.
- Projected dividend payments for the period of NIS480 million.

Norstar's major sources of liquidity, at the holding level, for the period from March 2011 to Dec. 31, 2012, include:

- Cash including equity issue (July 2011) of NIS225 million.
- Unused committed credit facilities of NIS445 million.
- Projected dividends for the period of NIS270 million.

The company also intends to recycle asset-backed debt of NIS290 million.

Against this, the main uses include:

- Repayment of loans and bonds, short-term credit and interest payments of NIS740 million.
- Projected dividend payments for the period of NIS70 million.

As of March 31, 2011, the companies met all their financial covenants on their loans.

## Outlook

The positive outlook reflects our assessment that the group will continue its policy of reducing leverage, while maintaining operating stability and liquidity commensurate with the current rating.

We believe the ratios commensurate with the current rating, taking into account the group's strong market position, are the adjusted ratios at the Norstar consolidated level of: debt to EBITDA of less than 13x and debt to debt and equity of about 72%.

We could raise the rating if the company achieves a significant and sustained reduction in its financial leverage, as expressed in Norstar's consolidated debt to debt and equity of less than 70%, EBITDA to debt of less than 11x, and EBITDA to financing expenses close to 1.5x, alongside maintaining operating stability and adequate liquidity.

We could revise the outlook to stable if we assess that the company is not likely in the next couple of years to achieve a sustained reduction in financial leverage to levels as indicated above.

## Ratings List

	<b>To</b>	<b>From</b>
Gazit Globe	ilA+/Positive	ilA+/Stable
Negotiable bond series A, B, C, D, E, F, I, J	ilA+	ilA+
Nonnegotiable bond series 1, 2, 4	ilA+	ilA+
Norstar Holdings	ilA/Positive	ilA/Stable
Negotiable bond series E, F, H, I	ilA	ilA
Nonnegotiable bond series 1, 2, 3, 4	ilA	ilA



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