



Press Release

TEL AVIV, ISRAEL, March 20, 2013 (PR Newswire) –

Azrieli Group Ltd. announces fourth quarter and year-end results for 2012

Reports a 7% increase in NOI, totaling NIS 275 million in Q4/2012.

FFO from real estate activity, totaling NIS 181 million, amounts to a 4% increase compared with fourth quarter 2011

Azrieli Group Ltd. (TASE: AZRG IT) today reported its results for the quarter ending December 31, 2012.

Fourth Quarter Financial Highlights

- **NOI for the third quarter increased by approx. 7%, totaling NIS 275 million**, compared with NIS 258 million in the same quarter in 2011.
- **Increased same-property net operating income (NOI)** of 3.1% over the fourth quarter of 2011, mainly due to the occupation of space in the Galleria Towers in Houston.
- **Funds from Operations (FFO) from real estate activity¹** (relating to the Group's income-producing real estate business only) totaled NIS 181 million in Q4/2012, compared with NIS 174 million in the same quarter in 2011, a 4% increase.
- Quarter closed with an **occupancy rate** of 100% in all Israel segments including malls, shopping centers, offices and others, and for assets in the USA segment, at approx. 90%.
- **Net profit (attributed to the shareholders) of NIS 369 million in Q4/2012** compared with a net loss of NIS 129 million in the same quarter in 2011 (mainly due to a rise in tax liability in Israel (Trajtenberg Committee).
- **Comprehensive profit (attributed to the shareholders) totaled an amount of NIS 469 million in Q4/2012** compared with a comprehensive loss of NIS 201 million in the same quarter in 2011.
- **In December 2012, S&P Maalot re-approved Azrieli Group's credit rating of (AA/Stable).**

Management Review

Shlomo Sherf, Azrieli Group's CEO: "We are closing 2012 with very good results, which reflect continued growth and value creation, as well as a significant improvement in the NOI, FFO and all the operating parameters. These results, alongside the significant scope of investments and development, reflect the Group's growth strategy, which focuses on the improvement of existing properties, initiation, construction and development of new income-producing properties and the seizing of business opportunities".

¹For details see Section 1.1.7 of the Board of Directors' report as of December 31, 2012. Funds from operations (FFO) are a widely accepted supplemental measure of the performance of income-producing real estate companies and REITs.



Year-End 2012 financial results summary:

NIS in millions			
	2012	2011	change
NOI	1,087	982	11%
Same property NOI	972	936	3.8%
FFO from real estate activity	716	646	11%
Change in fair value of income producing real estate, net of tax	247	696	(65%)
EPRA NAV per share	118	109	8%

9-12 2012 financial results summary:

NIS in millions			
	Q4 2012	Q4 2011	change
NOI	275	258	7%
Same property NOI	266	258	3.1%
FFO from real estate activity	181	174	4%
Change in fair value of income producing real estate, net of tax	173	317	(45%)
EPRA NAV per share	118	109	8%

Core Business Operations

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

Shopping Center Portfolio in Israel

- Total net operating income (NOI) totaled NIS 177 million, an increase of 1.1% over the parallel quarter of 2011;
- Same-property NOI increased by 1.1% over the parallel quarter of 2011;
- The average occupancy rate in this segment remains close to 100%; and
- The increase in these parameters during the quarter continues to show the consistent growth trend recorded in recent quarters.

Office Space and Others Portfolio in Israel

- Total net operating income (NOI) totaled NIS 73 million, an increase of 2.8% over the equivalent quarter in 2011;
- Same-property NOI increased by 1.4% over the parallel quarter of 2011;
- The average occupancy rate in this segment remains close to 100%; and
- The increase in these parameters during the quarter continues to show the consistent growth trend recorded in recent quarters.

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

- Total net operating income (NOI) totaled NIS 25 million, an increase of NIS 13 million over the parallel quarter of 2011;
- Same-property NOI increased by 41.7% over the parallel quarter of 2011;
- The average occupancy rate in this segment was approx. 90%; and
- The NOI increase is attributed to the increase in the NOI in the Galleria Towers and to the acquisition of the Plaza property in Houston, Texas.



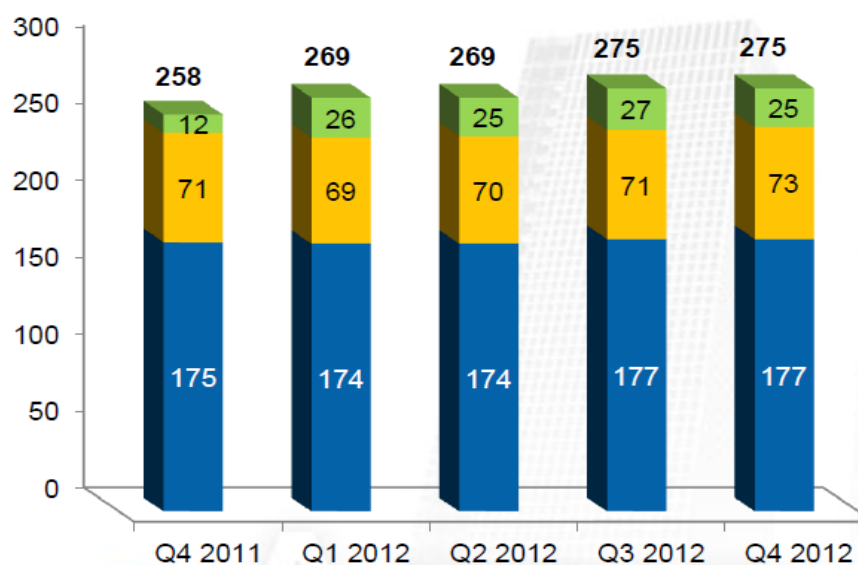
Acquisitions, Development and Redevelopment Activities

- During the quarter, the Group's investments in income-producing real estate totaled NIS 225 million. The investments were made in relation to new acquisitions, enhancement of existing properties, and investments towards properties under development.
- In calendar year 2012, the Group's investments in income-producing real estate totaled NIS 837 million.
- **The Company has 7 projects under development totaling NIS 4.2-4.4 billion**, of which NIS 1.2 billion have already been invested; the estimated cost-to-completion as of 31.12.2012 is NIS 3.0-3.3 billion.
- **Azrieli Center Sarona, Tel Aviv** – excavation shoring work started at the site.
- **Azrieli Rishonim mall** – excavation shoring work started at the site.
- **In October 2012, the group completed the acquisition of its partner's share (50%) in the Petah-Tikva Science and Technology Project, for NIS 49 million.** The cost represents an annual yield of approx. 11.5% allowing the NOI from the acquired share.
- **Purchase of land at 146 Menachem Begin Road, Tel Aviv (Northern Central Business District) from Clalit Health Services** – in November 2012, the Company purchased land on an area of 10,000 sqm, designated for the construction of a project of 75,000 sqm (48,000 sqm of offices, 10,000 sqm retail space and 17,000 sqm residential) and 1,500 parking spaces, for a consideration of NIS 240 million. The Company paid the first installment (20%) for the land in the sum of NIS 48 million. Another 25% will be paid on June 15, 2013 and the balance on the handing over date. The handing over of the lot is scheduled for no later than December 31, 2014. However, the seller may postpone the handing over date by one year, against a predetermined payment. The construction costs (initial estimate) are expected to amount to NIS 700 million.

Balance Sheet (extended standalone) as of 31 December 2012

- The Group's **cash and cash equivalents** totaled NIS 533 million.
- The Group also has **financial investments available for sale** in Bank Leumi and Leumi Card, with a fair value of approx. NIS 1.4 billion.
- The **net debt** totaled NIS 4.3 billion.
- The value of the Company's **income-producing properties** totaled some NIS 14.7 billion, compared with approx. NIS 13.9 billion at 31.12.2011.
- The value of the Company's **assets under development** totaled NIS 1.16 billion compared with approx. NIS 905 million at 31.12.2011.
- **Shareholders' equity** totaled approx. NIS 11.9 billion compared with NIS 11.0 billion at 31.12.2011. The increase is attributed to the profit during the period, and remains high, considering the dividend paid in April 2012 (NIS 240 million).
- **Equity per share** totaled approx. NIS 97.9 compared with approx. NIS 91.0 at 31.12.2011.
- **The equity to balance sheet** ratio is approx. 62%.
- The Company owns **unpledged assets** worth NIS 10.2 billion.
- **EPRA NAV per share** totaled NIS 118, compared with NIS 109 as of 31.12.2011 – approx. 8% increase.

NOI development over the last 5 quarters:



Non-Core Operations

Granite HaCarmel (100% holding) – Net profit of NIS 42 million in Q4/2012, compared with a net loss of NIS 19 million in Q4/2011 (attributed to the shareholders).

Net profit totaled NIS 124 million in 2012, compared with a net profit of NIS 39 million in 2011 (attributed to the shareholders).

In September 2012, a full tender offer for Granite's publicly-held shares was accepted. As of the Report release date, Granite is a private company.

Financial Holdings

Bank Leumi (approx. 4.8% holding) – In Q4/2012, the share value on TASE increased by 16%, a NIS 122 million increase in the Group's holding value in the Bank. Net of tax, the increase was NIS 100 million.

From the end of the quarter until the date of release of the Report, the share value increased by 4% representing an increase of NIS 30 million in the Group's holding (net of tax).

Leumi Card (20% holding) – The holding book value as of 31.12.2012 stood at NIS 514 million compared with NIS 483 million as of 31.12.2011 according to an external appraiser.

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 through marketing of the leasable space in the properties under development and construction.
- Maintaining financial strength despite acquisitions and massive development projects.



Conference Call

The Company will hold its annual conference call, hosted by the Company's senior management on Wednesday, March 20, 2013 at 16:00 Israel local time (15:00 CET; 14:00 United Kingdom time and 10:00AM New York time). The call will include a review of the Company's Q4/2012 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 03-9180644 from Israel, 1-888-281-1167 from the US, 0-800-917-9141 from the UK, 0-800-022-9568 from the Netherlands 1-866-485-2399 from Canada and +972-3-9180644 internationally.

A replay will be available for 2 days by dialing 03-9255927 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 +972-3-9255927 internationally.

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

For Additional Information

Full copies of the Company's financial statements are available on the Azrieli Group's website at www.azrieli.com, in the IR (Investor Relations) section. To be included in the Company's e-mail distributions, and to receive 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 portfolio 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 and TA-real-estate 15 indices. It is the only Israeli stock included in the EPRA Index. As of December 31, 2012, the Company has an equity market capitalization of about \$3.1 billion. The Company operates mainly in Israel, and owns and manages properties with a gross leasable area of approx. 718,000 square meters; the Company had interests in 13 shopping centers comprising 256,000 square meters of leasable space across Israel, 8 office properties comprising 283,000 square meters of leasable space across Israel and 6 properties overseas (mainly in Houston, Texas) comprising 179,000 square meters of leasable space. In addition, the Company has 5 projects under development comprising 400,000 square meters of leasable space in Israel. Approx. 90% 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 30 years. For further information, please visit the Company's web site 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. Therefore you 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, 2011, 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 financial data in this document relates to the solo extended report (unaudited) unless otherwise stated. The full and legal version of the Company's reports, in Hebrew, were released by the Company on November 21st, 2012 and may be reviewed on the Israeli MAGNA website at www.magna.isa.gov.il