

Press Release

TEL AVIV, ISRAEL, May 22, 2014 (PR Newswire) –

Azrieli Group Ltd. Announces First Quarter 2014 Results

Profit before tax totaled NIS 282 million, up 18% compared with NIS 239 million in the same quarter last year

FFO from the real estate business[1] totaled NIS 192 million, up 4% compared with NIS 184 million in the same quarter last year

Azrieli Group Ltd. (TASE: AZRG IT), (the "Group") an owner, operator and developer of one of Israel's largest portfolios of malls, retail centers and office properties in Israel, with more than xx million sqm, today reported its results for the quarter ending March 31, 2014.

Highlights for first quarter 2014

- **Same-property NOI totaled NIS 280 million**, compared with NIS 276 million in the same quarter last year, an increase of 2% in same properties in Israel and a decrease of 4% in same properties in the U.S. The decrease of 4% in same property NOI in the U.S. was primarily driven by= the strengthening of the Shekel.
- **FFO attributed to the real estate business totaled NIS 192 million**, compared with NIS 184 million in the same quarter last year, an increase of 4%.
- **During the quarter, the Group invested NIS 239 million** in acquisitions, improvement of existing properties and the construction of properties under development.
- **Profit before tax totaled NIS 282 million**, compared with NIS 239 million in the same quarter last year, an increase of 25%.
- **Net profit for shareholders** totaled NIS 209 million, compared with NIS 194 million in the same quarter in 2013, an increase of xx%.
- **Comprehensive income for shareholders** totaled NIS 180 million, compared with 189 million in the same quarter in 2013.

Yuval Bronstein, CEO of Azrieli Group: "The Group continues to display good performance in the first quarter of 2014, despite a challenging business environment. Our performance reflects continued growth and improvement in NOI, FFO and all operating metrics. The Group's growth strategy, which focuses on improving our income-producing properties and expanding our portfolio through acquisitions and development, is reflected in our strong financial results and in significant progress on the development pipeline, which will begin to contribute to NOI in 2015. These include the very successful launch of the Azrieli Holon Center, continued progress in the complex construction of a second floor of the Ayalon Mall. In addition, during this quarter, we purchased land for the development of our first senior housing facility in Modi'in. We are excited by this opportunity, and see this segment as an additional avenue for growth, and synergetic with the Company's traditional real estate segments."

[1] For details see Section 1.1.6 of the Board of Directors' Report as of March 31, 2014.

Data Summary for Q1/2014:

NIS in Millions						
	Q1 2014	Q1 2013	Change	**2013**	**2012**	Change
NOI	**280**	277	1%	**1,105**	1,087	2%
Same property NOI	**280**	276	1.5%	**1,067**	1,052	1.4%
FFO from real estate business	**192**	184	4%	**762**	716	6%

Core Business:

Retail Centers and Malls in Israel Segment

- NOI in the quarter totaled NIS 178 million, compared with NIS 177 million in the same quarter last year.
- Same property NOI in the quarter totaled NIS 178 million, compared with NIS 177 million in the same quarter last year, an increase of 1%.
- Occupancy rate in this segment was 98% at the end of the quarter.

This quarter saw a moderate rise in NOI, which was partially offset mainly by a decline in the NOI of the Be'er Sheva Mall.

Office and Other Space in Israel Segment – Consistent Growth Trend Continues

- NOI in the quarter totaled NIS 78 million, compared with NIS 74 million in the same quarter last year, an increase of 5%.
- Same property NOI in the quarter increased by 5%, compared with the same quarter last year.
- Occupancy rate in this segment approximated 100% at the end of the quarter. Including the impact of an office building in Holon and an office building in Kiryat Ata, which have recently been completed and are currently in lease-up, the occupancy rate is 93%.

The increase in NOI and in same property NOI mainly derives from an increase in rent and improved margins due to operational streamlining at the management companies.

Income-Producing Property in the U.S. Segment

- NOI in the quarter totaled NIS 24 million, a decrease of 8% compared with the same quarter last year.
- Same property NOI in the quarter totaled NIS 24 million, a decrease of 4% compared with the same quarter last year.
- Occupancy rate in this segment was 91% at the end of the quarter.

Most of the decrease in NOI derives from the sale of a property in Houston and the decrease in same property NOI derives from the weakening of the Shekel against the Dollar (weakened by 5.7% this quarter). In Dollar terms, there was stability in NOI in the overseas segment.

Property Acquisitions, Enterprise and Development and Improvement

- **During the quarter, the Group invested a total of NIS 239 million in investment property**, in improvement of existing properties, acquisition of new properties and advancement of construction of properties under development, and **in the entire year of 2013, it invested NIS 1.04 billion**. **The Company has 8 development projects and land spanning 442,500 sqm, with a total estimated investment of approximately NIS 5.2-5.5 billion**, with a book value of NIS 1.8 billion (without capitalizations) and a cost of completion amounting to approximately NIS 3.4-3.7 billion.
- **Scope of lease at the Azrieli Center Holon - scope of signed contracts is** 45,000 sqm, mainly with companies in the technology industry: 40,000 sqm of offices (about 65% of the areas) and 5,000 sqm of

retail space (about 65% of the areas). All of the contracts were signed over the past year and were made for terms of 5-15 years, plus options for 5-10 additional years.

In light of the success in marketing, the Company has pushed forward the construction of Phase B and has pushed forward its scheduled completion to 2015.

Entry into the senior housing sector in Israel and the purchase of land for a senior housing project at Modi'in - the Group purchased land for the construction of a senior housing facility in Modi'in for NIS 51.5 million.

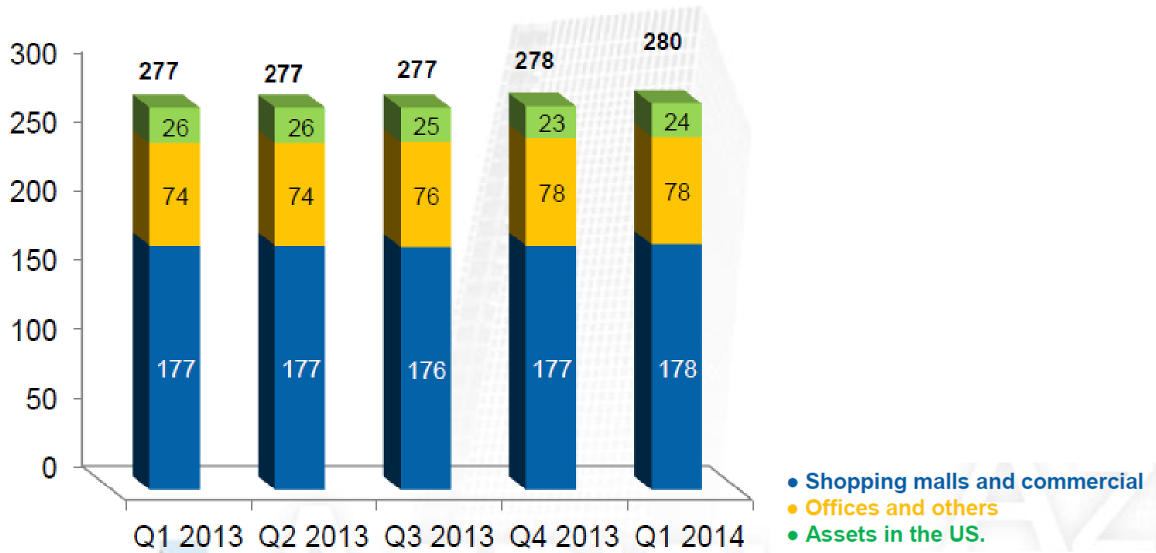
The Company intends to build and operate a senior housing facility consisting of 240 senior housing units, 60 assisting living units and 72 beds in a nursing unit, with a total area (principal + service) of 35,000 sqm. Projected building costs (excluding the costs of land purchase) are NIS 215 million.

The Group intends to develop, build and operate new, high quality projects in high-demand areas nationwide.

Balance Sheet (on an extended standalone basis) as of March 31, 2014

- The Group has **cash and financial assets held for trade** in the amount of NIS 186 million.
- The Group has **financial investments** (mainly Bank Leumi and Leumi Card), with a fair value of NIS 1.6 billion.
- **Net debt** totaled NIS 4.7 billion.
- The **value of income-producing property (excluding construction)** owned by the Group totaled NIS 15.6 billion, compared with NIS 14.7 billion on March 31, 2013.
- The **value of investment property under construction** totaled NIS 1.8 billion, compared with NIS 1.3 billion on March 31, 2013.
- The **equity per share** is NIS 103.4, compared with NIS 97.3 on March 31, 2013.
- The **equity to assets ratio** is 61% and the **net debt to assets ratio is** 23%.
- **Unpledged assets** in the amount of NIS 14.6 billion, compared with unpledged assets in the amount of NIS 10.4 billion on March 31, 2013.

NOI Trend in the Last Five Quarters



Non-Core Business

Granite Hacarmel (holding of 100%) – In Q1/2014, Granite recorded a net profit of NIS 34 million, compared with NIS 35 million in the same quarter last year. In the entire year of 2013, it recorded a net profit of NIS 130 million, compared with a net profit of NIS 124 million in 2012.

Financial Holdings

Bank Leumi (holding of 4.8%) – In Q1/2014, the share price on TASE dropped by 4%, a decrease of NIS 30 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, 2014, is NIS 961 million.

Leumi Card (holding of 20%) – In Q1/2014, Leumi Card recorded a net profit of NIS 52 million, compared with NIS 51 million in the same quarter last year. In 2013, it recorded a net profit of NIS 200 million, compared with a net profit of NIS 180 million in 2012. During the report period, the Group received dividend of NIS 10 million from Leumi Card.

The value of the holding in the statements as of March 31, 2014 was NIS 588 million, according to an external valuator.

Conference Call

The Company will hold its annual conference call, hosted by the Company's senior management on Thursday, May 22, 2014 at 17:00 Israel local time (16:00 CET; 15:00 United Kingdom time and 10:00AM Eastern Time). The call will include a review of the Company's Q1 2014 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, 1-888-668-9141 from the US, 0-800-917-5108 from the UK, 0-800-024-9936 from the Netherlands 1-888-604-5839 from Canada and +972-3-9180644 internationally.

A replay will be available for 2 days by dialing 03-9255929 from Israel, 1-888-782-4291 from the US and Canada 0-800-028-6837 from the UK, 0-800-023-4246 from the Netherlands and +972-3-9255929 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 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 an e-mail address to Mr. Moran Goder, Head of Investor Relations, at morango@azrieli.com, Tel: +972-3-6081310, Mobile +972-54-5608151.

About Azrieli Group

Azrieli Group Ltd. owns and operates one of Israel's largest groups of malls, retail centers and office properties in Israel. The Company is traded on the Tel Aviv Stock Exchange 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, 2014, the Company has a market value of approx. $4.2 billion. The Company operates mainly in Israel, and owns and manages properties with a gross leasable area of 785,000 sqm; the Company holds 14 retail centers comprising 266,000 sqm of leasable space across Israel, 9 office properties comprising 353,000 sqm of leasable space across Israel and 5 properties overseas (mainly in Houston, Texas) comprising 166,000 sqm of leasable space. In addition, the Company has 8 projects under development comprising 442,500 sqm of leasable space in Israel. 90% of the fair value of the investment property and the property under development relate to properties in Israel.
Over the past 30 years, the Group has been specializing in the development, acquisition, and management of retail centers and office spaces. 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 only for provision of information to institutional investors alone, 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 periodic report for 2013, the quarterly statements for March 31, 2014 and the current reports of the Company, as reported to the Israel Securities Authority via 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, including forecasts, objectives, assessments, estimates and other information pertaining to future matters and/or events, the materialization of which is uncertain and not under the Company's control, are forward-looking information, as defined in the Securities Law, 5728-1968, including in connection with revenues forecast, the value of the Group's holdings, projects' costs and profit, their development and construction, modification of a zoning plan, receipt of permits and the underlying concept of the projects. Forward-looking information is merely based on the Company's subjective assessment, based on facts and figures with respect to the present state 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 for such to reflect events and/or circumstances to occur after the date of preparation of this document. The materialization or non-materialization of the forward-looking information will be affected, *inter alia*, by risk factors characteristic of the Company's business, as well as by developments in the general environment and in external factors which affect the Company's business, such as representations of third parties which do not materialize, delay in the receipt of permits, termination of contracts, a decline in the value of shares on the stock exchange, which cannot be preestimated and which are not under the Company's control. The Company's business results may materially differ from the results estimated or implied by the aforesaid, *inter alia* due to a change in any one of the aforementioned factors.
- The terms "FFO attributed to the real estate business" 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, 2014, 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 otherwise stated, and are unaudited. This report presents a summary of the data in the Company's statements 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.