Press Release

TEL AVIV, ISRAEL, August 20, 2014 (PR Newswire) –

Azrieli Group Ltd. Announces Second Quarter 2014 Results

NOI in Second Quarter of 2014 Totaled NIS 281 Million, Up 1.5% versus Same Quarter in 2013.

FFO from the Real Estate Business[1] Totaled NIS 193 Million, Up 4% compared with NIS 186 Million in 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, reported its results for the quarter ending June 30, 2014.

Highlights for second quarter 2014

- **NOI increased by 1.5% and totaled NIS 281 million,** compared with NIS 277 million in the same quarter last year.
- **Same-property NOI totaled NIS 280 million,** compared with NIS 276 million in the same quarter last year, an increase of 1% in same properties in Israel and an increase of 4% in same properties in the U.S. (despite the strengthening of the Shekel).
- **FFO attributed to the real estate business totaled NIS 193 million**, compared with NIS 186 million in the same quarter last year, an increase of 4%.
- The **Equity attributed to shareholders** totaled NIS 12.8 billion compared with NIS 12 billion on June 30, 2013.
- **During the quarter, the Company invested NIS 201 million in acquisitions, improvement of existing properties and the construction of properties under development**. Since the beginning of 2014 such investments totaled NIS 440 million.
- **Net profit for shareholders** totaled NIS 258 million, compared with NIS 274 million in the same quarter in 2013, primarily because of a more moderate increase in investment property value.
- **Comprehensive income for shareholders** totaled NIS 244 million, compared with 231 million in the same quarter in 2013.

"The Azrieli Group continues to display good performance also in the current challenging business environment. Our performance reflects continued growth and improvement in NOI, FFO and all operating metrics," **stated Yuval Bronstein, CEO of Azrieli Group.** "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 investment of about NIS 200 million in Q2-2014 and in significant progress on the development pipeline, which will begin to contribute to NOI in 2015: These include the continued lease-up of Stage A at the Azrieli Holon Center and the completion of construction of Stage B, continued progress in the construction of Azrieli Ramla

[1] For details see Section 1.1.6 of the Board of Directors' Report as of June 30, 2014.

Mall, progress in Azrieli Sarona Center in Tel Aviv, the Group's flagship project, and progress in the complex construction of the second floor at the Ayalon Mall. At the same time, the Group is working on reducing its costs, including the financing costs, by taking advantage of the favorable interest environment in the Israeli market to refinance existing loans and raise financing for the Group's development momentum."

Data Summary for Q2 and H1 2014:

NIS in Millions						
-	**Q2 2014**	Q2 2013	Change	**1-6 2014**	**1-6 2013**	Change
NOI	**281**	277	1.5%	**559**	554	1%
Same property NOI	**280**	276	1.5%	**557**	552	1%
FFO from real estate business	**193**	186	4%	**385**	370	4%
EPRA NAV per share (end of period)				**127**	119	7%

Core Business:

Israel Segment:

Retail Centers and Malls

- NOI in the quarter totaled NIS 177 million similarly to the same quarter last year.
- Same property NOI in the quarter totaled NIS 177 million similarly to the same quarter last year.
- 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 and by cost-increasing regulation in the cleaning sector.

Office and Other Space– 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 4%, compared with the same quarter last year.
- Occupancy rate in this segment approximated 100% at the end of the quarter. Including the impact of Stage A in the Azrieli Holon Center, which was recently completed and is currently in lease-up, the occupancy rate is 95%.

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, and despite cost-increasing regulation in the cleaning sector.

U.S. Segment:

Income-Producing Property

- NOI in the quarter totaled NIS 26 million, similarly to the same quarter last year.
- Same property NOI in the quarter totaled NIS 26 million, an increase of 4% compared with the same quarter last year.
- Occupancy rate in this segment was 93% at the end of the quarter.

Most of the increase in NOI derives from an increase in rent that was partially offset against a sale of a property in Houston and the strengthening of the Shekel against the Dollar (strengthened by 5% in this quarter versus the same quarter).

Property Acquisitions, Enterprise and Development and Improvement

- **During the quarter, the Group invested a total of NIS 201 million in investment property**, in improvement of existing properties, acquisition of new properties and advancement of construction of properties under development, and **since the beginning of 2014, it invested NIS 440 million**.
- **The Company has 8 development projects and land spanning 442,500 sqm, with a total estimated investment of approximately NIS 5.3-5.6 billion**, with a book value of NIS 1.9 billion (without capitalizations and tenant investment budget) and a cost of completion amounting to approximately NIS 3.4-3.7 billion.
- **Scope of lease contracts at the Azrieli Center Holon - scope of signed contracts is** 48,000 sqm, mainly with companies in the technology industry: 45,000 sqm of offices (about 75% of the areas in Stage A) and 5,000 sqm of retail space (about 70% 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.

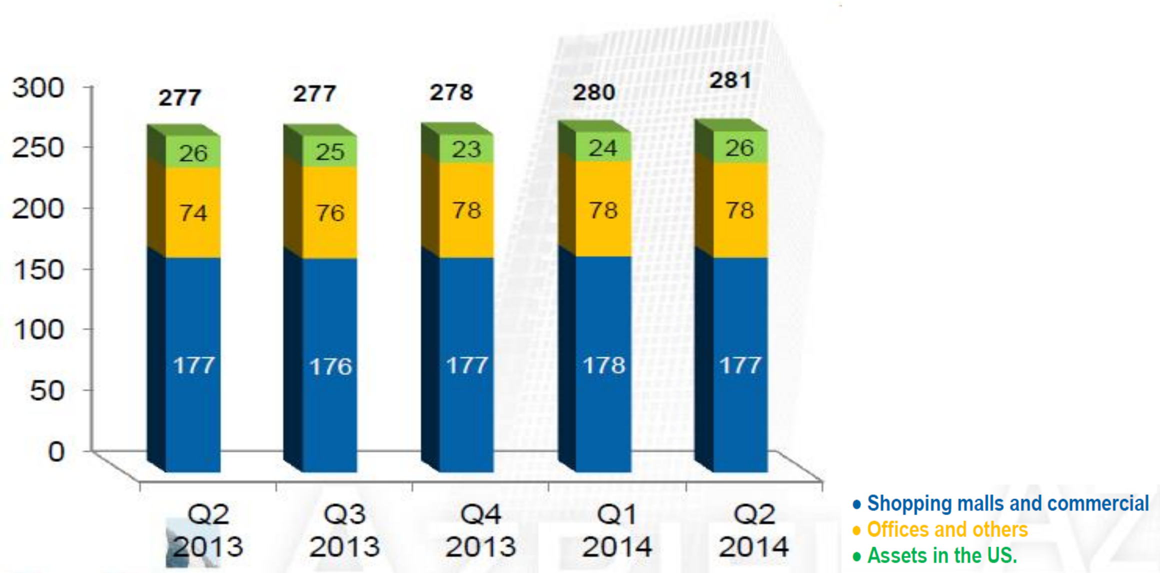
  The Company intends to build and operate a senior housing facility consisting of 240 senior housing units, 60 assisting living units and 72 beds in a nursing unit, with a total area (principal + service) of 35,000 sqm. Projected building costs (excluding the costs of land purchase) are NIS 210-220 million.

  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 June 30, 2014

- The Group has **cash and financial assets held for trade** in the amount of NIS 353 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 and property under construction** owned by the Group totaled NIS 17.6 billion, compared with NIS 16.4 billion on June 30, 2013.
- The **equity attributed to shareholders** totaled NIS 12.8 billion, compared with NIS 12 billion on June 30, 2013.
- The **equity per share** is NIS 105.4, compared with NIS 99.2 on June 30, 2013.
- The **equity to assets ratio** is 61% and the **net debt to assets ratio is** 22%.
- **Unpledged assets** in the amount of NIS 14.6 billion, compared with unpledged assets in the amount of NIS 10.8 billion on June 30, 2013.
- **EPRA NAV per share** was NIS 127 compared with NIS 119 on June 30, 2013.

NOI Trend in the Last Five Quarters



Non-Core Business

Granite Hacarmel (holding of 100%) – In Q2/2014, Granite recorded a net profit of NIS 95 million, compared with NIS 33 million in the same quarter last year. The increase derives mainly from the profit from the sale of Tambour.

In H1/2014, it recorded a net profit of NIS 129 million, compared with a net profit of NIS 68 million in the same period in 2013.

Financial Holdings

Bank Leumi (holding of 4.8%) – In Q2/2014, the share price on TASE dropped by 1.5%, a decrease of NIS 11 million in the value of the holding in the bank, after tax.

The value of the Group's holding in the bank, as of June 30, 2014, is NIS 946 million.

Leumi Card (holding of 20%) – In Q2/2014, Leumi Card recorded a net profit of NIS 53 million, compared with NIS 51 million in the same quarter last year. In the H1 2014, it recorded a net profit of NIS 105 million, compared with a net profit of NIS 102 million in the H1 2013. 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 June 30, 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, August 20, 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 Q2 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, 1-888-407-2553 from the US, 0-800-917-9141 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 03-9255938 from Israel, 1-888-954-7270 from the US and Canada 0-800-028-6837 from the UK, 0-800-023-4246 from the Netherlands and +972-3-9255938 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 June 30, 2014, the Company has a market value of approx. $4 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 as of June 30, 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 June 30, 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 (annexed 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.