



Press Release

TEL AVIV, ISRAEL, May 28, 2012 (PR Newswire) –

Azrieli Group Ltd. announces first quarter results for 2012

Reports a 14% increase in NOI, totaling NIS 269 million in Q1/2012, and an 10% increase in FFO from real estate activity, totaling NIS 174 million, compared with first quarter 2011

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

First Quarter Financial Highlights¹

- **NOI for the first quarter increased by 14%, totaling NIS 269 million**, compared with NIS 236 million in the same quarter in 2011. The increase is due to an internal rise in rent (same-property NOI), an increase in the NOI in Galleria (Houston), the acquisition of the Plaza at Enclave building in Houston, Texas, and the opening of the new malls in Akko and Kiryat Ata.
- **Increased same-property net operating income (NOI)** of 4.3% over the first quarter of 2011. A 3% increase in the commercial segment, an increase of 6% in the offices and others segment, and an increase of 40% in the assets in the US segment.
- **Funds from Operations (FFO) from real estate activity²** (relating to the Group's income-producing real estate business only) totaled NIS 174 million in Q1/2012, compared with NIS 158 million in the same quarter in 2011 – representing an increase of 10%. The increase is attributed to an improvement in cash flow from real estate, and to acquisitions and completion of new assets.
- Quarter closed with an **occupancy rate** of 100% in all Israel segments including malls and shopping centers and offices and others. The U.S assets maintain approx. 87% occupancy.
- In this quarter the company did not revalue **fair value of the income-producing properties**. A depreciation of **NIS 6 million, net of tax**, is due to investments during the quarter in existing assets and to expenses due to new acquisitions.
- **Net profit (attributed to the shareholders) of NIS 184 million in Q1/2012** compared with a net profit of NIS 162 million in the same quarter in 2011. The increase is attributed to the increase in NOI and a decrease in the financing expenses (CPI was 0% in the quarter).
- **Comprehensive profit (attributed to the shareholders) totaled an amount of NIS 218 million in Q1/2012** compared with a comprehensive profit of NIS 135 million in the same quarter in 2011, an increase of 61%. The increase is attributed to the increase in the net profit and the rise of the value of the Leumi shares in the TASE during the quarter.

Management Review

Shlomo Sherf, Azrieli Group's CEO: "Azrieli Group provides its stakeholders with growth in its current business performance, and development on an unprecedented scale which serves as a future growth engine, providing strength and security within the solid financial structure of its core business. The results for the quarter continue to attest to the exceptional position held by Azrieli Group in the Israeli economy".

¹ Based on the 31.03.2012 extended standalone financial statements.

² For further details on the method of calculation and the assumptions, see Sections 1.1.7 of the board of directors' report as of March 31, 2012. Funds from operations (FFO) are a widely accepted supplemental measure of the performance of income-producing real estate companies and REITs.



Acquisitions, Development and Redevelopment Activities

- During the quarter, the Group's investments in income producing real estate totaled NIS 483 million. The investments were made in relation to new acquisitions, enhancement of existing properties, and investments towards properties under development.
- In the 2011 calendar year, the Group's investments in income-producing real estate totaled NIS 1.7 billion.
- The estimated cost-to-completion of the projects under development as of 31.03.2012 stands at NIS 2.1-2.3 billion.
- In January 2012, the group completed its acquisition of an office building in Houston, Texas for the sum of approx. US \$107.5 million. 87% of the office space is rented to the Dow Chemical company under a long-term lease contract.
- **Azrieli Center Sarona, Tel Aviv** – Development work has commenced at the site since the Group received the necessary permits for excavation.
- **Azrieli Center Holon** – Excavation and shoring work has been completed, and a start has been made on the foundations and construction of the basements and the buildings, according to the comprehensive building permit received for Stage A.
- **Azrieli Ramla mall** – Development work has commenced at the site.
- **Azrieli Rishonim mall** – The Company has started work on the temporary parking lot at the site, after receiving a building permit.
- In May 2012, the group signed an agreement for the acquisition of its partner's share (50%) in the Petah-Tikva Science and Technology Project. For NIS 48 million. The projected NOI from the asset (100%) in 2012 is expected to be NIS 11 million (according to the NOI in Q4/2011), which represents a yield of approx. 11.5% over the acquisition price.

Balance Sheet as of 31 March 2012¹

- The Group's **cash and cash equivalents** totaled NIS 1.02 billion.
- The Group also has financial investments available for sale in Bank Leumi and Leumi Card, with a fair value of approx. NIS 1.31 billion.
- The net debt totaled NIS 3.8 billion.
- The value of the Company's income-producing properties totaled some NIS 15.2 billion, compared with approx. NIS 12.9 billion on 31.03.2011.
- Shareholders' equity remained at approx. NIS 11 billion compared with the shareholders equity as of 31.03.2011 furthermore to the dividend paid in April 2012.
- Equity per share remained at approx. NIS 90.8, compared with NIS 90.6 on 31.03.2011.
- The equity to balance sheet ratio remained at 60%.
- The Company owns unpledged assets worth NIS 9.4 billion.
- EPRA NAV per share totaled NIS 110, compared with NIS 102 as of 31.03.2011 – An 8% increase.

¹ Based on the 31.03.2012 extended standalone financial statements.



Core Business Operations

First quarter 2012 operating results for the shopping centers, offices and others, and the portfolio in the U.S.A segments:

Shopping Center Portfolio in Israel

- Total net operating income (NOI) totaled NIS 174 million, an increase of 9% over the first quarter of 2011;
- Same-property NOI increased by 3% over the first quarter of 2011;
- The average occupancy rate in this segment remains close to 100%; and
- The increase in the shopping center segment same-property NOI during the quarter continues to show the consistent growth trend recorded in the last quarters, as in comparison to past parallel periods.

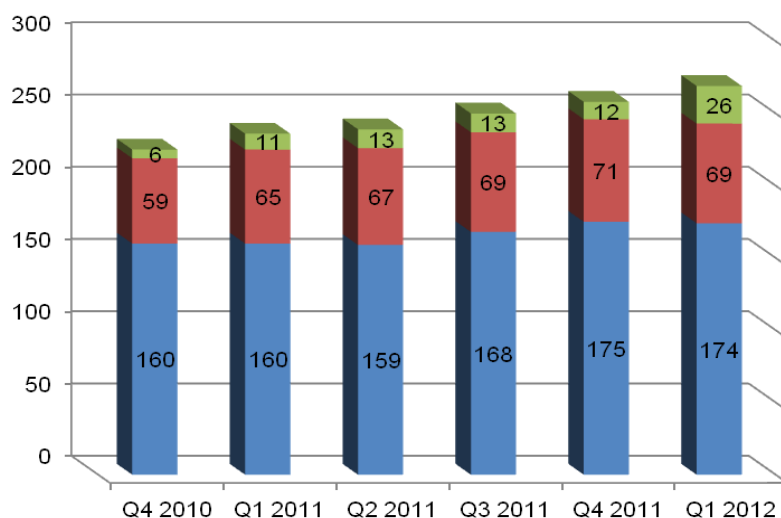
Office Space and Others Portfolio in Israel

- Total net operating income (NOI) totaled NIS 69 million, an increase of 6% over the first quarter of 2011;
- Same-property NOI increased by 6% over the parallel quarter of 2011;
- The occupancy rate in this segment, at the end of Q1/2012, remains close to 100%; and
- The increase in the shopping center segment same-property NOI during the quarter continues to show the consistent growth trend recorded in the last quarters, as in comparison to past parallel periods.

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

- Total net operating income (NOI) totaled NIS 26 million, an increase of NIS 15 million over the first quarter of 2011;
- Same-property NOI increased by 40% over the respective quarter of 2011;
- The occupancy rate in this segment, at the end of Q1/2012, was approx. 87%; and
- The NOI increase is attributed to the increase in the NOI in the Galleria Towers and to the acquisition of Plaza at Enclave (January 2012) in Houston, Texas.

NOI development over the last six quarters:





Non-Core Operations

Granite HaCarmel (approx. 60.68% holding) – Net profit of NIS 26 million in Q1/2012, compared with a net profit of NIS 35 million in Q1/2011 (attributed to the shareholders). Revenues increased but margins eroded, leading to a decrease in the bottom line.

Financial Holdings

Bank Leumi (approx. 4.8% holding) – In Q1/2012, the share value on TASE rose by 7%, a NIS 54 million increase in the Group's holding value in the Bank. Net of tax, the increase was NIS 49 million.

Leumi Card (20% holding) – Q1/2012 financial statements not yet published. Leumi card distributed a dividend of NIS 40 million in Q1/2012. The Group's share is NIS 8 million.

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.
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Conference Call

The Company will hold its quarterly conference call, hosted by Mr. Shlomo Sherf, CEO and Mr. Yuval Bronstein, CFO, on Monday, May 27, 2012 at 17:00 Israel local time (16:00 CET; 13:00 London time and 10:00AM New York time). The call will include a review of the Company's Q1/2012 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 03-9180687 from Israel, 1-888-407-2553 from the US, 0-800-917-9141 from the UK, 0-800-022-9568 from the Netherlands 1-866-485-2399 from Canada and +972-3-9180610 internationally.

A replay will be available for 3 days by dialing 03-9255942 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 +972-3-9180687 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 portfolios of malls, shopping centers and office properties nationwide. The Company is publicly traded on 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 March 31, 2012, the Company has an equity market capitalization of about \$2.9 billion. The Company operates mainly in Israel, and owns and manages properties with a gross leasable area of approx. 717,000 square meters; the Company has interests in 13 shopping centers comprising 256,000 square meters of leasable space across Israel, 8 office properties comprising 282,000 square meters of leasable space across Israel, and 5 properties overseas (mainly in Houston, Texas) comprising 179,000 square meters of leasable space. In addition, the Company has 6 projects under development comprising 328,500 square meters of leasable space in Israel. 93% 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 27 years. For further information, please visit the Company's website 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, 2010, 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 full and legal version of the Company's reports, in Hebrew, were released by the Company on May 28th, 2012 and may be reviewed on the Israeli MAGNA website at www.magna.isa.gov.il