



Press Release

TEL AVIV, ISRAEL, August 23, 2012 (PR Newswire) –

Azrieli Group Ltd. announces second quarter results for 2012

Reports a 13% increase in NOI, totaling NIS 269 million in Q2/2012, and a 10% increase in FFO from real estate activity, totaling NIS 185 million, compared with second quarter 2011

Azrieli Group Ltd. (TASE: AZRG IT) reported today its results for the quarter ending June 30, 2012.

Second Quarter Financial Highlights

- **NOI for the first quarter increased by 13%, totaling NIS 269 million**, compared with NIS 239 million in the same quarter in 2011. The increase is due to an internal rise in rent (same-property NOI), the acquisition of the assets in Houston, Texas, and the opening of the new malls in Akko and Kiryat Ata.
- **Increased same-property net operating income (NOI)** of 5.4% over the second quarter of 2011: 3.8% increases in the commercial segment in Israel, an increase of 4.5% in the offices and others segment in Israel, and an increase of 30.8% in the assets in the US segment.
- **Funds from Operations (FFO) from real estate activity¹** (relating to the Group's income-producing real estate business only) totaled NIS 180 million in Q2/2012, compared with NIS 157 million in the same quarter in 2011 – representing an increase of 15%. 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, and for the assets in the USA segment at approx. 89%.
- An increase in the **fair value of the income-producing properties of NIS 99 million (net of tax, an increase of NIS 74 million)**, mainly due to the CPI rise in this period.
- **Net profit² (attributed to the shareholders) of NIS 191 million in Q2/2012** compared with a net profit of NIS 383 million in the same quarter in 2011. The decrease is attributed to moderate revaluations this quarter compared to the previous offset by the increase in NOI and a decrease in the financing expenses.
- **Comprehensive profit² (attributed to the shareholders) totaled an amount of NIS 89 million** in Q2/2012 compared with a comprehensive profit of NIS 276 million in the same quarter in 2011. The decrease is attributed to the decrease in the net profit and the decline of the value of the Leumi shares in the TASE during the quarter.
- In June 2012, Moody's/Midroog re-approved Azrieli Group's credit rating of (Aa2/Stable).

Management Review

Shlomo Sherf, Azrieli Group's CEO: "We are continuing to present growth in the group's core business. Our momentum of development and building of growth engines is at its height, with a total investment of NIS 3.2 billion; in the report period, we invested NIS 560 million in acquiring new properties and developing existing ones; the group is continuing to demonstrate exceptional financial strength, which is expressed in a low level of leverage and high equity in the sum of NIS 11 billion"

¹ During the quarter, the Company updated the manner of calculation of the FFO index. For details see Section 1.1.7 of the Board of Directors' report as of June 30, 2012. Funds from operations (FFO) are a widely accepted supplemental measure of the performance of income-producing real estate companies and REITs.

² Consolidated.



Acquisitions, Development and Redevelopment Activities

- During the quarter, the Group's investments in income producing real estate totaled NIS 77 million. The investments were made in relation to new acquisitions, enhancement of existing properties, and investments towards properties under development.
- Since the beginning of the 2012 calendar year, the Group's investments in income-producing real estate totaled NIS 560 million.
- The estimated cost-to-completion of the projects under development as of 30.06.2012 stands at NIS 2.1-2.3 billion.
- **Azrieli Center Sarona, Tel Aviv** – construction permit received and development work has commenced at the site.
- **Azrieli Center Holon** – Excavation and shoring work have been completed. The Group is continuing construction of the basements and the buildings. During the Report Period, the Group begun the marketing of the project, and signed an agreement for the lease of approx. 7,000 sqm in the project's office areas and agreements for the lease of approx. 800 sqm in the commercial space therein. The Group is also negotiating the lease of additional office and commercial areas.
- **Azrieli Ramla mall** – construction began.
- **Azrieli Rishonim mall** – the Company completed the construction of the temporary parking lot on the site and is awaiting the final approvals for the operation thereof.
- **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.
- **An agreement for the purchase of One Plaza in Beer Sheva** – In July 2012, the company engaged in a contingent sale agreement for the purchase of the full rights in the power center known as "One Plaza" in Beer Sheva, in consideration for a sum total of approx. NIS 339.5 million (before V.A.T). In addition, a payment of NIS 38 million for additional spaces to be built by the seller. The expected NOI is NIS 30 million, which represents a yield of approx. 8% on the total cost (excluding transaction costs). The closing of the transaction is conditioned upon approval by the Antitrust Commissioner.



Balance Sheet (extended standalone) as of 30 June 2012

- The Group's **cash and cash equivalents** totaled NIS 782 million.
- The Group also has financial investments available for sale in Bank Leumi and Leumi Card, with a fair value of approx. NIS 1.15 billion.
- The net debt totaled NIS 4.1 billion.
- The value of the Company's income-producing properties totaled some NIS 15.4 billion, compared with approx. NIS 14 billion on 30.06.2011.
- Shareholders' equity totaled to approx. NIS 11.1 billion compared with NIS 11.3 billion on 30.06.2011, furthermore to the dividend paid in April 2012 (NIS 240 million).
- Equity per share totaled to NIS 91.5, compared with NIS 92.9 on 30.06.2011.
- The equity to balance sheet ratio is 60.7%.
- The Company owns unpledged assets worth NIS 9.3 billion.
- EPRA NAV per share totaled NIS 110, compared with NIS 105 as of 30.06.2011 – A 5% increase.

Core Business Operations

Second 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 174 million, an increase of 9% over the second quarter of 2011;
- Same-property NOI increased by 3.8% over the first 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 the last quarters.

Office Space and Others Portfolio in Israel

- Total net operating income (NOI) totaled NIS 70 million, an increase of 5% over the second quarter of 2011;
- Same-property NOI increased by 4.5% 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 the last quarters.

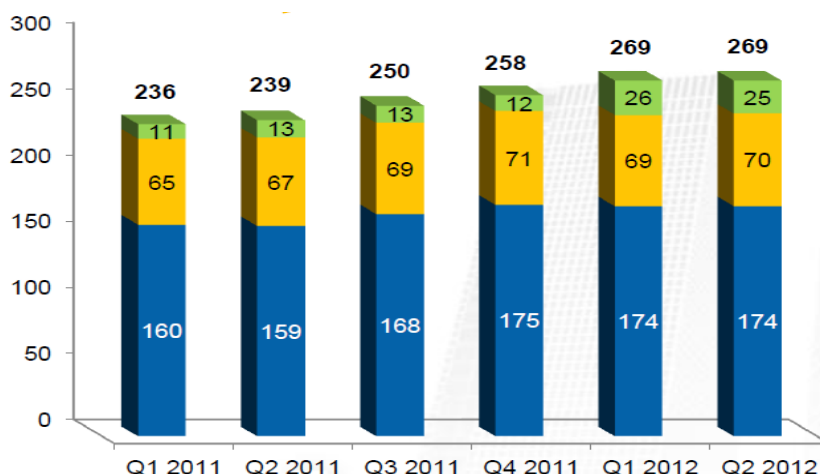
Income-Producing Real Estate Portfolio in the U.S.A.

- Total net operating income (NOI) totaled NIS 25 million, an increase of NIS 12 million over the second quarter of 2011;
- Same-property NOI increased by 30.8% over the respective quarter of 2011;
- The average occupancy rate in this segment was approx. 89%; and
- The NOI increase is attributed to the increase in the NOI in the Galleria Towers and to the acquisition of



AZRIELI GROUP

NOI development over the last six quarters:



Non-Core Operations

Granite HaCarmel (approx. 60.61% holding) – Net profit of NIS 13 million in Q2/2012, compared with a net profit of NIS 0.1 million in Q2/2011 (attributed to the shareholders).

In August 2012 the Group announced a full tender for the purchase of the shares of Granite.

Financial Holdings

Bank Leumi (approx. 4.8% holding) – In Q2/2012, the share value on TASE decreased by 20%, a NIS 162 million decrease in the Group's holding value in the Bank. Net of tax, the increase was NIS 135 million.

Leumi Card (20% holding) – Q2/2012 financial statements are not yet published.

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 quarterly conference call, hosted by Mr. Shlomo Sherf, CEO and Mr. Yuval Bronstein, CFO, on Monday, August 23, 2012 at 16:00 Israel local time (15:00 CET; 14:00 United Kingdom time and 09:00AM New York time). The call will include a review of the Company's Q2/2012 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, 1-888-608-9141 from the US, 0-800-917-5108 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 2 days by dialing 03-9255925 from Israel, 1-888-326-9310 from the US and Canada 0-800-028-6837 from the UK, 0-800-023-4246 from the Netherlands and +972-3-9180644 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 June 30, 2012, the Company has an equity market capitalization of about \$2.6 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. 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 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 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 August 23rd, 2012 and may be reviewed on the Israeli MAGNA website at www.magna.isa.gov.il