

Press Release

TEL AVIV, ISRAEL, August 22, 2013 (PR Newswire) –

Azrieli Group Ltd. announces second quarter 2013 results

Reports NIS 277 million NOI in Q2/2013, 3% up from Q2/2012.

FFO from real estate activity[1], totaling NIS 187 million in Q2/2013, is up 4% from Q2/2012

Azrieli Group Ltd. (TASE: AZRG IT) today reported its results for the quarter ending June 30, 2013.

Second Quarter Financial Highlights

- **NOI for the second quarter increased by 3%, totaling NIS 277 million**, compared with NIS 269 million in the same quarter in 2012.
- **Same-property net operating income (NOI)** is up 3% from the first quarter of 2012, mainly due to rent growth in shopping malls and offices in Israel.
- **Funds from Operations (FFO) from real estate activity**[1] (relating to the Group's income-producing real estate business only) totaled NIS 187 million in Q2/2013, 4% up from the same quarter in 2012.
- Quarter closed with an **occupancy rate** of 100% in all segments in Israel including malls, shopping centers, offices and others, and 89% for assets in the USA segment..
- **Net profit (attributed to the shareholders) of NIS 274 million in Q2/2013**, compared to NIS 191 million in the same quarter in 2012.
- **Shareholders' equity** totaled NIS 12 billion, compared with NIS 11.1 billion at 30.06.2012.
- **Dividend –** the Group distributed a dividend that totaled NIS 265 million (NIS 2.19 per share) during April 2013.

Management Review

Yuval Bronstein, Azrieli Group CEO: "We are closing Q2/2013 with good results, which reflect continued growth and improvement in the NOI, FFO and all 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 and development of new income-producing properties. The Yedioth Ahronoth transaction, this quarter, and the refinancing deals signed few days ago are another significant steps towards the consummation of the Company's long-term goals".

[1] For details see Section 1.1.6 of the Board of Directors' report as of March 31, 2013. Funds from operations (FFO) are a widely accepted supplemental measure of the performance of income-producing real estate companies and REITs.

Azrieli Group

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Q2/2013 and 1-6/2013 summary of financial results:

NIS in millions						
	Q2 2013	Q2 2012	Change	**1-6/ 2013**	**1-6/2012**	Change
NOI	**277**	269	3%	**554**	537	3%
Same property NOI	**276**	269	3%	**552**	537	3%
FFO from real estate business	**187**	180	4%	**369**	354	4%
EPRA NAV per share	**119**	110	8%			

Core Business Operations

Shopping center portfolio in Israel – consistent growth trend continues

- NOI totaled NIS 277 million in this quarter, an increase of 3% over the same quarter in 2012;
- Same-property NOI increased by 4% over the same quarter in 2012;
- The occupancy rate in this segment remains close to 100% at the end of the quarter.

Office and other space in Israel – consistent growth trend continues

- NOI totaled NIS 74 million in this quarter, an increase of 6% over the same quarter in 2012;
- Same-property NOI increased by 4% over the same quarter in 2012;
- The occupancy rate in this segment remains close to 100% at the end of the quarter.

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

- NOI totaled NIS 26 million in this quarter, similar to the same quarter in 2012;
- Same-property NOI increased by 4% over the same quarter in 2012;
- The occupancy rate in this segment was 89% at the end of the quarter.

Acquisitions, Development and Redevelopment Activities

- **During the quarter, the Group invested NIS 342 million in investment properties**, improvement of existing properties, acquisition of new properties and construction of properties under development, and a total of NIS 487 million in the first half of 2013, further to the NIS 837 million invested in 2012.
- **The Company has 8 projects under development totaling NIS 5.2-5.5 billion**, with a book value of NIS 1.6 billion and estimated cost-to-completion of NIS 3.6-3.9 billion.
- **Azrieli Rishonim mall** – excavation and shoring work has begun, as well as construction of the basements.
- **Azrieli Center Holon:** Completion of the first building (40,000 sqm), and occupation started.
- **Azrieli Rishonim:** Excavation commenced.
- **Azrieli Ayalon mall (additional floor):** Construction of the second floor commenced.
- **Purchase of Yedioth Ahronoth House on Menachem Begin Road, Tel Aviv (Northern Central Business District) for expansion of the Azrieli Center** – in May 2013, the Company purchased an area totaling 8,400 sqm, designated for the construction of a project for expansion of the existing Azrieli Center, in consideration for NIS 374 million.

The Company intends to demolish the structure currently standing on the site, and to build 69,000 sqm [1]on the acquired area, for lease and for sale: 29,000 sqm of offices, 10,000 sqm of retail space and 30,000 sqm of residences (about 370 units), in addition to 1,000 parking spaces. The Company estimates the cost of construction at NIS 600 million. The project will include an ellipse-shaped (60 floor) office tower, adjacent to the existing Azrieli Towers. The Company estimates the construction costs at about NIS 600 million (excluding the cost of the land). The handing over of the site is scheduled for March 31, 2016. However, the seller may bring the handover forward up to December 31, 2014.

Refinancing

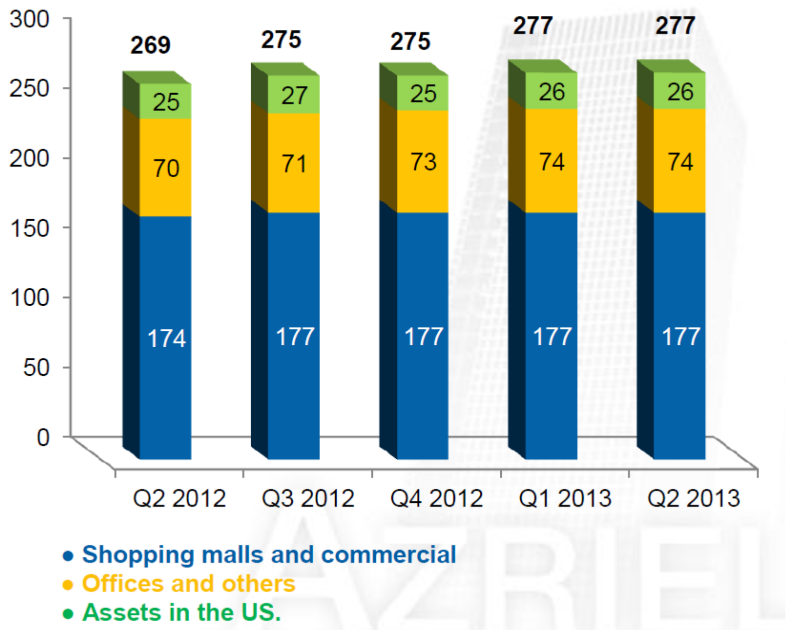
Recently (after the balance sheet date), in the context of a refinancing of loans for the Azrieli Center in Tel Aviv, Azrieli Group transacted with two different financial bodies for the receipt of two loans in the total amount of approx. NIS 960 million. The loans bear interest of 0.75%-1.15% and are linked to the consumer price index. These loans replace a previous loan, which had matured, that bore an interest rate of approx. 6% and included broader pledges (on the whole of Azrieli Center, apart from the square tower) than those included in the new loans.

Balance Sheet (extended standalone) as of 30 June 2013

- The Group's **cash and financial assets held for trade** totaled NIS 127 million.
- The Group has **financial investments available for sale** in Bank Leumi and Leumi Card, with a fair value of NIS 1.4 billion.
- The **net debt** totaled NIS 4.2 billion.
- The value of the Company's **income-producing properties** totaled some NIS 14.8 billion, compared with NIS 14.2 billion at 30.06.2013.
- The value of the Company's **properties under development** totaled NIS 1.6 billion, compared with NIS 0.9 billion at 30.06.2013.
- **Shareholders' equity** totaled NIS 12 billion, compared with NIS 11.1 billion at 30.06.2012.
- **Equity per share** totaled NIS 99.2, compared with NIS 91.5 at 30.06.2012.
- **The equity to balance sheet** ratio is 62%.
- **The net debt to balance sheet** ratio is 24%.
- The Company owns **unpledged assets** worth NIS 10.8 billion.
- **EPRA NAV per share** is NIS 119, compared with NIS 110 as of 30.06.2012.

[1] Subject to regulatory approvals.

NOI development over the last 5 quarters:



Non-Core Operations

Granite HaCarmel (100% held) – In Q2/2013 the Company's share in Granite's results amounted to NIS 30 million, compared with NIS 15 million in Q2/2012.

Financial Holdings

Bank Leumi (4.8% holding) – In Q2/2013, the share price on TASE went down 6%, an NIS 39 million increase in the value of the Group's holding in the Bank, net of tax.

The value of the Group's holding in the Bank as of 30.06.2013 is NIS 853 million. The cost of the shares (dividend adjusted) is NIS 675 million.

Leumi Card (20% holding) – The holding book value as of 30.06.2013 was NIS 514 million, according to an external appraiser. During the period, the Company received a dividend of NIS 6 million from Leumi Card. The cost of the shares (dividend adjusted) is NIS 344 million.

Conference Call

The Company will hold its quarterly conference call, hosted by the Company's senior management on Thursday, August 22, 2013 at 16:00 Israel local time (15:00 CET; 14:00 United Kingdom time and 09:00AM New York/Canada time). The call will include a review of the Company's Q2/2013 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 03-9180610 from Israel, 1-888-668-9141 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 03-9255929 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 +972-3-9255929 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 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 June 30, 2013, the Company has an equity market capitalization of about $3.3 billion. The Company operates mainly in Israel, and owns and manages properties with a gross leasable area of 730,000 square meters; the Company has interests in 13 shopping centers comprising 258,000 square meters of leasable space across Israel; 8 office properties comprising 293,000 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 8 projects under development comprising 469,000 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 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 (ISA), specifically the section titled "Risk Factors" in the Company's Annual Report for the year ended March December 31, 2012, 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 unaudited extended standalone statement unless otherwise stated. The full and legal version of the Company’s reports, in Hebrew, was released by the Company on August 22, 2013 and may be reviewed on the Israeli MAGNA website at www.magna.isa.gov.il

Disclaimer

This document was prepared by Azrieli Group Ltd. (the “Company”), and is designed for the provision of information only to institutional investors only. It is not an offer or solicitation 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 summary information, and is no substitute for a review of the Company’s periodic report for 2012, quarterly report for June 30, 2013 and the Company’s current filings, as reported to the ISA through 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 the use of the information.