


Press Release

TEL AVIV, ISRAEL, November 19, 2013 (PR Newswire) –

Azrieli Group Ltd. announces third quarter 2013 results

Reports NIS 277 million NOI in Q3/2013, 1% up from Q3/2012

FFO from real estate activity[1], totaling NIS 195 million in Q3/2013, is up 8% from Q3/2012

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

Third Quarter Financial Highlights

- **NOI for the third quarter increased by 1%, totaling NIS 277 million**, compared with NIS 275 million in the same quarter in 2012.
- **Same-property net operating income (NOI)** was stable compared to the third quarter of 2012.
- **Funds from Operations (FFO) from real estate activity**[1] (relating to the Group's income-producing real estate business only) totaled NIS 195 million in Q3/2013, 8% 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 90% for assets in the USA segment.
- **Shareholders' equity** totaled NIS 12.1 billion, compared with NIS 11.4 billion at 30.09.2012.
- **During the quarter, the Group invested NIS 230 million in investment properties**, improvement of existing properties, acquisition of new properties and construction of properties, and a total of NIS 717 million in the first 9 months of 2013.
- **Net profit (attributed to the shareholders) totaled NIS 55 million in Q3/2013**, compared to NIS 194 million in the same quarter in 2012. The decrease is mainly due to one-time impairment to differed taxes due to rise in corporate tax rate from 25% to 26.5%.
- **Refinancing –** During the quarter (August 2013), Azrieli Group transacted with two different financial bodies to receive two loans in the total sum of approx. NIS 960 million. The loans bear interest of 0.75%-1.16% and are linked to the consumer price index. This transaction will lead to a reduction in the annual interest expense of approx. NIS 45 million.

Management Review

Yuval Bronstein, Azrieli Group CEO, said: "The Group continues to present good performance also in the present quarter, which reflects continued growth and improvement in the NOI, in the FFO and in all of the operating parameters. The Group's growth strategy, which focuses on improving the income-producing property and developing new projects, is expressed both in these results and in the significant progress in the development projects: we launched the Azrieli Center Holon and we have signed, thus far, significant contracts in the project at a scope of approx. 26,000 sqm, construction of the second floor of the Ayalon mall has begun and the construction is also moving forward in the Group's other projects. Alongside the development activity, we have performed, in this quarter, moves that will lead to a reduction in the Group's financing costs. All of the above will lead to the realization of the Group's objectives and to its long-term development."

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[1] For details see Section 1.1.6 of the Board of Directors' report as of September 30, 2013. Funds from operations (FFO) are a widely accepted supplemental measure of the performance of income-producing real estate companies and REITs.

Q3/2013 and 1-9/2013 summary of financial results:

NIS in millions						
	Q3 2013	Q3 2012	Change	**1-9/ 2013**	**1-9/2012**	Change
NOI	**277**	275	1%	**828**	812	2%
Same property NOI	**275**	275	--	**823**	812	1%
FFO from real estate business	**195**	180	8%	**564**	535	5%
EPRA NAV per share	**121**	113	7%			

Core Business Operations

Shopping center portfolio in Israel – consistent growth trend continues

- NOI totaled NIS 277 million in this quarter, an increase of 1% over the same quarter in 2012;
- Same-property NOI decreased by 1% relative to the same quarter in 2012; Includes one-time negative effects in the sum of approx. NIS 3 million due to space that has not yet begun to produce income after a tenant's leaving in several malls, in respect of the majority of which lease agreements have been signed for higher rent;
- The occupancy rate in this segment remains close to 100% at the end of the quarter.

Offices and other space in Israel – consistent growth trend continues

- NOI totaled NIS 76 million in this quarter, an increase of 7% 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[1].

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

- NOI totaled NIS 25 million in this quarter, a decrease of 7% from the same quarter in 2012;
- Same-property NOI decreased by 7% relative to the same quarter in 2012; The decrease is due to an average US Dollar exchange rate in the Report Period that was 6% lower than the average exchange rate in the same period last year;
- The occupancy rate in this segment was 90% at the end of the quarter.

Acquisitions, Development and Redevelopment Activities

- **During the quarter, the Group invested NIS 230 million in investment properties**, improvement of existing properties, acquisition of new properties and construction of properties, and a total of NIS 717 million in the first 9 months 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 1.8 billion and an estimated cost-to-completion of NIS 3.4-3.7 billion.
- **Azrieli Rishonim:** Final zoning approval received and excavation commenced.
- **Azrieli Ayalon mall (second floor):** construction commenced.

[1] Excluding the office tower in Azrieli Center Holon which was completed in this quarter.

- **Rentals at the Azrieli Center Holon Project:** in the last three months, contracts for approx. 15,000 sqm were signed, mainly with companies in the hi-tech industry (in addition to Sapiens).

  To date, leases for approx. 26,000 sqm have been signed: approx. 21,500 sqm of offices (from the areas completed, around 51% of the space was leased) and approx. 4,100 sqm of retail space (around 82% of the space). The contracts were signed for 5-15 year terms, with options for another 5-10 years.

  This rental rate is satisfactory, and even exceeds the Company's early forecasts.

  Stage A1 of the project, comprising approx. 40,000 sqm, was completed and occupancy began in the third quarter of 2013. Stage A2, comprising approx. 20,000 sqm, is expected to be completed within about six months, and Stage B, comprising approx. 60,000 sqm, is expected to be completed by 2016.

  Below are details of the main office space transactions signed:

  ✓ 9,426 sqm + 330 parking spaces leased to **Sapiens**. The space was occupied in July 2013.

  ✓ 6,284 sqm + 350 parking spaces leased to **Taldor**. Occupancy is expected in April 2014.

  ✓ 3,140 sqm + 110 parking spaces leased to **Finisar** Israel. Occupancy is expected in April 2014.

  ✓ 1,200 sqm + 20 parking spaces leased to **Kidum**. Occupancy is expected in February 2014.

  ✓ 1,000 sqm + 25 parking spaces leased to **Kavim**. Occupancy is expected in May 2014.

Refinancing

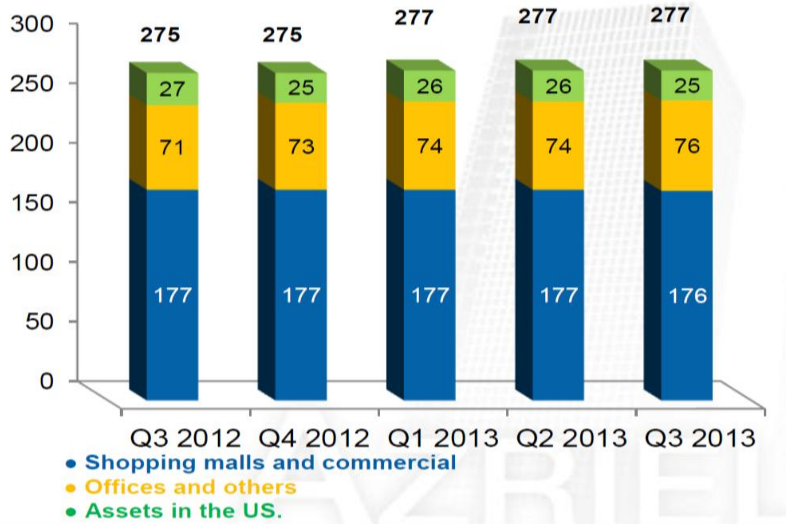
During the quarter (August 2013), Azrieli Group transacted with two different financial bodies for the receipt of two loans in the total amount of approx. NIS 960 million. The loans bear interest of 0.75%-1.15% and are linked to the consumer price index.
These loans replace a previous loan, which had matured, that bore an interest rate of approx. 6%. Mortgages on Azrieli Center of a value of approx. NIS 2.8 billion were released.

Balance Sheet (on an extended standalone basis) as of 30 September 2013

- The Group's **cash and financial assets held for trade** totaled NIS 295 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 4.7 billion.
- The value of the Company's **income-producing properties** totaled some NIS 14.8 billion, compared with NIS 14.5 billion at 30.09.2012.
- The value of the Company's **properties under development** totaled NIS 1.8 billion, compared with NIS 1 billion at 30.09.2013.
- **Shareholders' equity** totaled NIS 12.1 billion, compared with NIS 11.4 billion at 30.09.2012.
- **Equity per share** totaled NIS 100, compared with NIS 94 at 30.09.2012.
- **The leverage ratio/equity to total assets ratio** is 61%.
- **The net debt to total assets** ratio is 23%.
- The Company owns **un-mortgaged assets** worth NIS 13.7 billion.
- **EPRA NAV per share** is NIS 121, compared with NIS 113 as of 30.09.2012.

1 Azrieli Center, Tel Aviv 67021, Tel: +972-3-6081300, Fax: -972-3-6094518; www.azrieli.com

NOI development over the last 5 quarters:



Non-Core Operations

Granite HaCarmel (100% held) – In Q3/2013 Granite's net profit amounted to NIS 40 million, compared with NIS 38 million in Q3/2012.

Financial Holdings

Bank Leumi (4.8% holding) – In Q3/2013, the share price on TASE went up 8%, a NIS 53 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 30.09.2013 is NIS 925 million. The cost of the shares (dividend adjusted) is NIS 675 million.

Leumi Card (20% holding) – The holding book value as of 30.09.2013 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 Wednesday, November 20, 2013 at 16:00 Israel local time (15:00 CET; 14:00 United Kingdom time and 09:00AM Eastern Time). The call will include a review of the Company's Q3/2013 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 03-9180664 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 +972-3-9180664 internationally.

A replay will be available for 2 days by dialing 03-9255930 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 +972-3-9255930 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 September 30, 2013, the Company has an equity market capitalization of about $3.8 billion. The Company operates mainly in Israel, and owns and manages properties with a gross leasable area of approx. 766,000 square meters; the Company holds 13 shopping centers comprising 258,000 square meters of leasable space across Israel, 8 office properties comprising 330,000 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 432,000 square meters of leasable space in Israel. Approx. 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, acquisition, 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. Please refer 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. Do 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 publish new information or the occurrence of future events or circumstances.

Please refer 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 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 November 19, 2013 and may be viewed 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 merely for the provision of information 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 September 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.