



Press Release

TEL AVIV, ISRAEL, March 19, 2014 (PR Newswire) –

Azrieli Group Ltd. Announces Year-End and Fourth Quarter 2013 Results

FFO from real estate activity¹ totaling NIS 762 million, up 6% from 2012

FFO from real estate activity totaling NIS 198 million in the quarter, compared with NIS 181 million in the same quarter last year, up 9%

Reports NIS 1,105 million NOI in 2013, 2% up from 2012

Azrieli Group Ltd. (TASE: AZRG IT) today reported its results for the quarter ending December 31, 2013.

2013 Financial Highlights

- **NOI in 2013 increased by 2%, totaling NIS 1,105 million**, compared with NIS 1,087 million last year
- **Same-property NOI totaled NIS 1,067 million** compared with NIS 1,052 million last year
- **FFO attributed to real estate activity totaled NIS 762 million**, compared with NIS 716 million last year, up 6%
- **Shareholders' equity** totaled NIS 12.6 billion, compared with NIS 11.9 billion on December 31, 2012
- **During 2013, the Group invested NIS 1.04 billion in investment property**, in improvement of existing properties and advancement of the construction of properties under development. In the last quarter of 2013, the Group's investments totaled NIS 326 million
- **Net profit for shareholders** totaled NIS 930 million, compared with NIS 939 million in 2012
- **Net of the effect of the rise in the tax rate, which led to a one-time expense of NIS 139 million, the net profit would have totaled NIS 1,087 million** compared with NIS 986 million in 2012, up 10%
- **Comprehensive income for shareholders** totaled NIS 1,026 million, compared with NIS 1,060 million in 2012
- **Dividend** – The Group declared the distribution of a NIS 280 million dividend (NIS 2.31 per share)

Yuval Bronstein, CEO of Azrieli Group: "The Group continues to present good performance also in 2013, 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: this year we launched the Azrieli Center Holon and we have signed, thus far, significant contracts at a scope of approx. 40,000 sqm, and the construction is also moving forward in the Group's other projects. Alongside the development activity in the core segments, the Group has decided to launch another income-producing business segment, senior housing, and around a month ago we signed a first agreement for the purchase of land for the development of a senior housing facility in Modiin. We see this sector as another growth engine and as synergetic with the Company's traditional business."

¹ For details see Section 1.1.6 of the Board of Directors' Report as of December 31, 2013.

Summary Financials for Q4 and Year 2013:

NIS in millions						
-	<u>Q4 2013</u>	<u>Q4 2012</u>	<u>Change</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
NOI	278	275	1%	1,105	1,087	2%
Same property NOI	278	274	1.5%	1,067	1,052	1.4%
FFO from real estate business	198	181	9%	762	716	6%
EPRA NAV per share	126	118	7%			

Core Business Operations:

Retail centers and malls in Israel segment

- The NOI in the quarter totaled NIS 177 million – similarly to the same quarter last year.
- The same property NOI in the quarter totaled NIS 177 million – also similarly to the same quarter last year.
- The occupancy rate in this segment remained close to 100% at the end of the quarter.

This quarter saw a moderate rise in the NOI, which was partially offset by a decline in the NOI of Beer Sheva Mall as well as by one-time negative effects due to space that had not yet begun to produce income after vacation of a tenant in several malls, in respect of the majority of which lease agreements have been signed at higher rent.

Office and other space in Israel segment – consistent growth trend continues

- NOI totaled NIS 78 million in the quarter, an increase of 7% compared with the same quarter last year.
- Same property NOI increased by 7% in the quarter, compared with the same quarter last year.
- The occupancy rate in this segment is approx. 98% at the end of the quarter. Weighting the office building in Holon and the office building in Kiryat Ata, which were recently completed and are currently being populated, the occupancy rate would have been close to 100%.

The increase in the NOI and in the same property NOI mainly derives from an increase in rent in real terms and operational streamlining at the management companies.

Income-producing property in the U.S.A. segment

- NOI totaled NIS 23 million in the quarter, a decrease of 8% compared with the same quarter last year.
- The same property NOI totaled NIS 23 million in the quarter, a decrease of 4% compared with the same quarter last year.
- The occupancy rate in this segment was 89% at the end of the quarter.
- In October 2013, the Company closed a transaction for the sale of a 13,000 sqm retail center (Northchase plaza) in Houston, Texas, in consideration for \$11.9 million.

The decrease in the NOI and in the same property NOI mainly derives from the weakening of the NIS against the dollar (dropped by around 7% this year) and from the sale of the property in Houston. Net of exchange rate changes, the overseas segment NOI rose by 3%.

Acquisitions, Development and Redevelopment of Property

- **During the quarter, the Group invested NIS 326 million in investment property**, in improvement of existing properties, acquisition of new properties and advancement of the construction of properties under development. **In 2013, it invested NIS 1.04 billion.** In 2012, the investments in real estate totaled NIS 837 million.

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- **The Company has 7 development projects at a scope of around 426,000 sqm, with a total investment of NIS 5.1-5.3 billion**, with a book value of NIS 1.7 billion (excluding capitalizations) and a cost of completion of NIS 3.3-3.6 billion.
- **Scope of rentals at the Azrieli Center Holon:** In the last six months, contracts for approx. 30,000 sqm were signed, mainly with companies in the high-tech industry (in addition to Sapiens which has already entered the complex).

To date, lease agreements for space at a scope of approx. 40,000 sqm have been signed: approx. 36,000 sqm of offices (around 65% of the space) and approx. 4,500 sqm of retail space (around 86% of the space). The contracts were signed for 5-15 year terms, plus options for another 5-10 years.

It is emphasized that the rental pace is satisfactory and even exceeds the Company's earlier forecasts.

- **Execution of an agreement for the purchase of land and entry into the senior housing in Israel segment:** The Group announced an agreement for the purchase of land for the construction of a senior housing facility in Modiin for around NIS 51.5 million.

Azrieli intends to build and operate a senior housing facility that will contain 240 senior housing units as well as 72 beds in an LTC wing, with a total area (main and service) of 35,000 sqm.

The expected building costs (excluding the costs of purchasing the land) are NIS 215 million.

The Group intends to develop, build and operate new, high standard projects in high-demand areas nationwide.

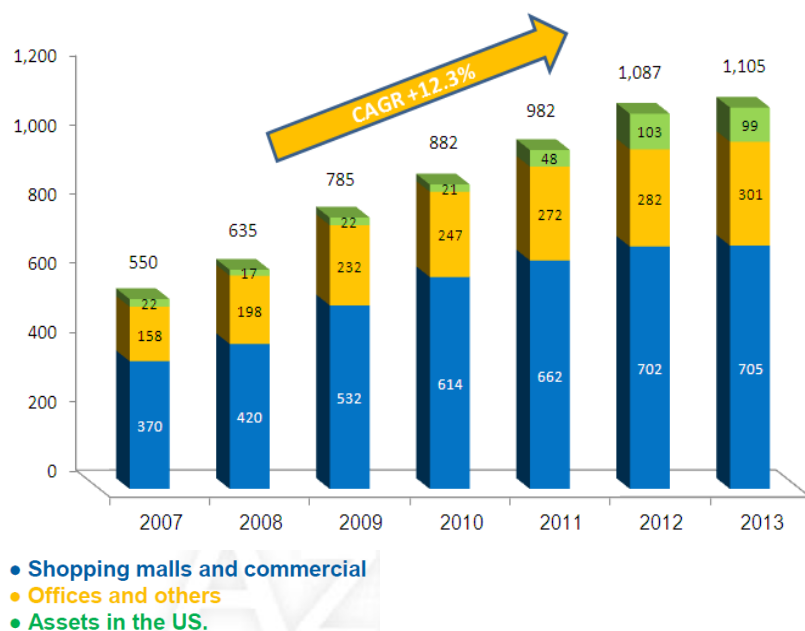
Refinancing

In the framework of the refinancing of loans for Azrieli Center in Tel Aviv, Azrieli Group transacted, in the third quarter, with two different financial bodies for receipt of two loans in the total amount of approx. NIS 960 million. The loans bear interest of 0.75%-1.16% and are linked to the consumer price index. These loans replaced a previous loan, which was repaid at the end of August 2013, which bore interest of approx. 6%. In the framework of the refinancing, the pledge on properties at a scope of approx. NIS 2.8 billion was cancelled.

Balance Sheet (on an extended standalone basis) as of December 31, 2013

- The Group has **cash and financial assets held for trade** at a scope of NIS 378 million.
- The Group has **financial investments** (mainly Bank Leumi and Leumi Card), with a fair value of NIS 1.6 billion.
- The **net debt** totaled NIS 4.7 billion.
- The **value of income-producing property (excluding construction)** owned by the Group totaled NIS 15.6 billion, compared with NIS 14.7 billion on December 31, 2012.
- The **value of investment property under construction** totaled NIS 1.4 billion, compared with NIS 1.1 billion on December 31, 2012.
- The **shareholders' equity** totaled NIS 12.6 billion, compared with NIS 11.9 billion on December 31, 2012.
- The **equity per share** is NIS 104.2, compared with NIS 97.9 on December 31, 2012.
- An **equity to assets ratio** of 61% and **net debt to total assets** of 23%.
- **Non-pledged assets** at a scope of NIS 14.4 billion.
- **EPRA NAV per share** was NIS 126, compared with NIS 118 on December 31, 2012.

NOI development in recent years:



Non-Core Business Operations

Granite Hacarmel (100% held) – In Q4/2013, Granite recorded a net profit of NIS 40 million, compared with NIS 38 million in the same quarter last year.

In 2013, it recorded a net profit of NIS 130 million compared with a net profit of NIS 124 million in 2012.

Financial Holdings

Bank Leumi (4.8% holding) – In Q4/2013, the share price on TASE rose by 8%, a NIS 56 million increase in the value of the holding in the bank, after tax.

The value of the Group's holding in the bank, as of December 31, 2013, is NIS 1 billion.

Leumi Card (20% holding) – In 2013, it recorded a net profit of NIS 200 million, compared with a net profit of NIS 180 million in 2012. In the report period, the Group received a dividend of NIS 6 million from Leumi Card.

The value of the holding on the books as of December 31, 2013 was NIS 588 million, compared with a value of NIS 514 million on December 31, 2012, according to an external assessor.

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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 the TASE 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 December 31, 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. 767,000 square meters; the Company holds 13 shopping centers comprising 257,000 square meters of leasable space across Israel, 9 office properties comprising 344,000 square meters of leasable space across Israel and 5 properties overseas (mainly in Houston, Texas) comprising 166,000 square meters of leasable space. In addition, the Company has 7 projects under development comprising 426,000 square meters of leasable space in Israel. Approx. 90% of the fair value of the investment property and the property 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 website at www.azrieli.com.

Disclaimer

- This document was prepared by Azrieli Group Ltd. (the "Company"), and is intended for the provision of information only to institutional investors only, 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.
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- Various issues presented in this document, which include forecasts, targets, assessments, estimates and other information pertaining to future matters and/or events, the materialization of which is uncertain and is beyond the Company's control, is forward-looking information, as defined in the Securities Law, 5728-1968, including in connection with revenues forecast, the value of the Group's holdings, costs of and profit from projects, the development and construction thereof, modification of a zoning plan, receipt of permits and the underlying concept of the projects. Forward-looking information is based merely on the Company's subjective assessment, based on facts and figures with respect to the present position 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 that they shall reflect events and/or circumstances that occur after the date of preparation of this presentation. The materialization or non-materialization of the forward-looking information will be affected, *inter alia*, by risk factors that characterize the Company's business, as well as by the developments in the general environment and in the external factors which affect the Company's business, such as representations of third parties which do not materialize, a delay in the receipt of permits, termination of contracts, a decline in the value of shares on the stock exchange, which cannot be estimated in advance and which are beyond the Company's control. The Company's results of operations may be materially different to the results estimated or implied by the aforesaid, *inter alia* due to a change in any one of the above 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 December 31, 2013, Sections 1.1.6 and 1.1.7, including the calculation methods and the assumptions underlying the same.
- The financial figures in this document are attributed to the extended standalone statement (Annex C to the Board of Directors' Report), unless stated otherwise, and are unaudited. This report presents a summary of the Company's financials 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.

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