Azrieli Group | Investor Presentation
Financial Statements 30.06.2011

August 24th | 2011

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The binding version of the Presentation for all intents and purposes is the original Hebrew version, filed by the Company with the Israel Securities Authority through the MAGNA website on August 24th 2011. Nothing in this translation constitutes a representation of any kind in connection with the Presentation, nor should it be regarded as a source of interpretation for the Presentation or the Company's reports or statements. In any event of contradiction or discrepancy between this translation and the Hebrew version of the Presentation, the Hebrew version shall always prevail.

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•Everything stated in this presentation with respect to an analysis of the Company's business is merely a summary. To obtain a full picture of the Company's business and the risks facing the Company, please review the Company's annual financial statements as of 31.12.2010 as filed with the ISA through the Magna website, its current reports and financial statements and Board of Directors' report as of June 30, 2011. The Company does not warrant that the Information is either complete or accurate, nor will bear any liability for any damage and/or losses which may result from any use of the Information.

•Various issues addressed in this presentation, which include forecasts, goals, estimates, assessments and other information pertaining to future events and/or matters, whose materialization is neither certain nor within the Company's control, including in connection with data, income forecasts, NOI calculations, the value of the Group's holdings, costs of and profit from projects, the development and construction thereof, zoning plan changes, receipt of permits and the projects' concepts are forward-looking information, as defined in the Securities Law, 5728-1968. Such Information is based solely on the Company's subjective assessment, based on facts and figures concerning the current state of the Company's business, and macro-economic facts and figures, all as are known to the Company on the date of preparation of this presentation. The Company does not undertake to update and/or change any such forecast and/or estimate to reflect events and/or circumstances occurring 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 characterizing the Company's business, as well as by developments in the general environment and outside factors affecting the Company's business, third-party representations not materializing, delays in the receipt of permits, termination of contracts, a decline in the value of shares on the stock exchange, etc., which cannot be estimated in advance and are beyond the Company's control. The Company's results of operations may differ materially from the results estimated or implied from the aforesaid, *inter alia* due to a change in any one of the foregoing factors.

•The Information included in this presentation is similar to the information included in the prospectus and/or presentations released by the Company shortly thereafter and/or in the financial statements as of June 30, 2011, as released on Magna, and does not include new information. However, some figures which are included in the presentation, are presented differently and/or edited and/or segmented.

•The term **NOI** in the presentation relates to actual NOI, unless representative/adjusted NOI is stated with respect to the Group's income-producing real estate business only, as defined in the ISA's directive, which in most cases in based on data which reflect assumptions and estimates. For details, see Section 1.1.4 of the board of directors' report.

•The terms "**Real Estate FFO**" and "**weighted average cap-rate**" relate to the Group's income-producing real estate business only. The reader of the presentation is required to read such figures in conjunction with the board's explanations in the board of directors' report as of June 30, 2011, including the methods of calculation and the underlying assumptions.

•It is further clarified that the financial figures in the presentation attributed to the extended standalone statement, are unaudited. This statement presents a summary of the Company's statement data according to IFRS, apart from the Company's investment in Granite HaCarmel, which is presented in the book value method instead of consolidation of its figures in the Company's statements.

•The Company's estimations with respect to the growth figures are based on actual rental income, both from shopping mall and commercial center areas and from office and other space for lease, and in some cases including expansions performed at the relevant center, which are unaudited, non-GAAP figures, and have been made in good faith and according to the past experience and professional knowledge accumulated by the Company. Such information is presented below for the sake of convenience only, but is not a substitute for information provided by the Company in its financial statements or in connection therewith, and is therefore not to be relied upon independently.

•It is further clarified that in reference to the construction of a second floor at Azrieli Ayalon Mall, no date of commencement has yet been scheduled, and construction thereof is subject to the Company's discretion.

Azrieli Group – Business Card

- The Company has been a public company since June 2010.
- Azrieli Group's shares are traded on the following indexes: Tel Aviv 25, Tel Aviv 100 and Real Estate 15.
- Azrieli Group's stock is the only Israeli stock included in the EPRA index.
- Total shareholders' equity (relating to the shareholders) - NIS 11.3 billion[1].
- Current market capitalization of NIS 10.7 billion [2].
- The Company owns leasable areas totaling 657,000 sqm, with another 355,000 sqm under construction [3].
- The average occupancy rate is close to 100%.
- The Company has 2,400 tenants.
- 94% of the fair value (on a consolidated basis) of the income-producing real estate and properties under development <u>relates to real estate located in Israel</u>.
- Dividend distributed in respect of 2010: NIS 240 million, NIS 1.97 per share.

(1) As of 30.06.2011.
(2) As of 22.08.2011.
(3) On a consolidated basis.

Azrieli Group –
Company structure

AZRIELI GROUP

100%	100%	100%		4.8%	20%	60.8%
Existing properties - commercial GLA – 230,018	**Offices and others GLA – 280,057**	**Projects under development GLA – 354,487**	**Income generating properties - Abroad GLA – 146,534**	לאומי leumi	לאומי קארד VISA MasterCard	GRANITE Granite Hacarmel Investments Ltd.

Existing properties - commercial GLA – 230,018

1. Azrieli Tel Aviv
2. Ayalon
3. Jerusalem
4. Givatayim
5. Be'er Sheva
6. Modi'in
7. Holon
8. Haifa
9. Herzliya
10. Hod Hasharon
11. Or Yehuda

Offices and others GLA – 280,057

1. Azrieli Tel Aviv
2. Herzliya
3. Jerusalem
4. Modi'in (offices & residential)
5. Be'er Sheva
6. Givatayim
7. Caesarea
8. Petach Tikva (50%)

Projects under development GLA – 354,487

1. **Akko**
2. **Kiryat Ata**
3. Givatayim
4. Be'er Sheva
5. Azrieli Center Holon (83%)
6. Ramla
7. Rishonim
8. Ayalon – 2nd floor
9. **Southern Hakirya**

Income generating properties - Abroad GLA – 146,534

Houston, USA

1. Galleria 90%
2. Northchase 100%
3. One Riverway 33%
4. Three Riverway 45%

Leeds, England

1. Southern House 100%

GRANITE subsidiaries:

100%	100%	85%	100%
GES	SUPER Gas	Tambour	Sonol

AZRIELI GROUP

AZRIELI GROUP

Exclusive Tenant Mix

aroma
i'm lovin' it
ALDO
H&M
ZARA
orange
cafécafé
BLACK Bar 'n' Burger
adidas
crocs
CASTRO
DIESEL
bezeq
pelephone
BUG STORE
GAZITH shoes
billabong
CRACKER
BURGERS BAR
HAMASHBIR LAZARCHAN
Lee Cooper JEANS
ניו-פארם
GREG
Domino's Pizza
Toys R Us
G·R·A·S
BLUE BIRD
RENUAR
RENUAR MEN
SUPER-PHARM
ROLADIN
sbarro
ROYALTY JEWELLERY
GOLF
FOX MEN KIDS BABY
swatch
Arcaffè
עגבניה
POLGAT
GOLF&Co.
SABON
STEIMATZKY
STEIMATZKY MEANS BOOKS
magnolia
GLOBUS GROUP
BONITA
GALINE When body meets soul

Financial Highlights in Q2/2011

(summary of extended standalone statements)

Net profit of NIS 388 million

- ✓ Net profit of NIS 388 million in the second quarter of 2011 compared to NIS 62 million in the same quarter in 2010. The rise is attributed to an increase in the NOI, to the rise in the real estate market value and the dividend from Bank Leumi.

11% revenue growth and 9% NOI growth

- ✓ Additional 9% growth in Q2/2011 NOI, totaling NIS 239 million, compared to NIS 219 million in the same quarter in 2010, due to both an internal increase in rent (same property NOI) and the acquisition of the Galleria office towers in Texas.

5% increase in Same Property NOI

- ✓ Additional **Same Property NOI** growth of 5.5% during Q2/2011 compared to Q2/2010.
- ✓ A 5% increase in the commercial segment and an increase of 6% in the offices and others segment. The growth is attributed to an internal increase in rent and the continued occupation of income-producing properties.

6% growth in real-estate segment FFO (1)

- ✓ **Real Estate segment FFO** totaled NIS 168 million in Q2/2011 compared to NIS 159 million in Q2/2010. The increase is attributed both to an overall improvement in the RE sector and to acquisitions.

Increase in the fair-market value of real-estate of NIS 278 million (net of tax)

- ✓ Gross increase in the fair value of the income-producing real estate of approx. NIS 339 million, attributed to the rise in the NOI and cash flow from the properties, with no change in the cap rates.
- ✓ Net increase amounts to approx. NIS 278 million.

(1) For further details on the method of calculation and the assumptions, see Section 1.1.5 of the board of directors' report as of June 30, 2011.

Main Events in Q2/2011

Growth n the representative NOI	✓ The representative NOI as of 30.06.2011 - NIS 1,012 million. ✓ The representative NOI as of 31.12.2010 - NIS 935 million. ✓ The representative NOI as of the IPO date - NIS 825 million.
Continuation in the development momentum – NIS 780 million	✓ Investments in existing assets and assets under development – NIS 106 million. ✓ The land in Southern Hakirya – NIS 588 million. ✓ The land in Ramla – NIS 86 million.
Appreciation of existing properties	✓ In November 2011, the international fashion brand **FOREVER-21** will open its flagship store in the Azrieli mall in Tel Aviv, with a 1,500 sqm size store. ✓ In the years 2012-2013, the international fashion brand **American Eagle** will open 4 stores in malls of the Group, with stores on a total area of 2,500 sqm.
Occupancy	✓ The average occupancy rate in the malls and shopping centers segment is close to 100%. ✓ The average occupancy rate in the office and others segment is approx. 95%.
Events after the balance sheet date	✓ An agreement for the acquisition of 50% rights in Ir-Yamim mall (1) for a consideration of approx. NIS 350 million. ✓ Cost to completion (the Group's share) – NIS 40 million.

(1) Closing is subject to conditions precedent, see immediate report as of August 16, 2011. Subject to Shikun & Binui's right of first refusal and approval by the Antitrust Commissioner.

Development Momentum

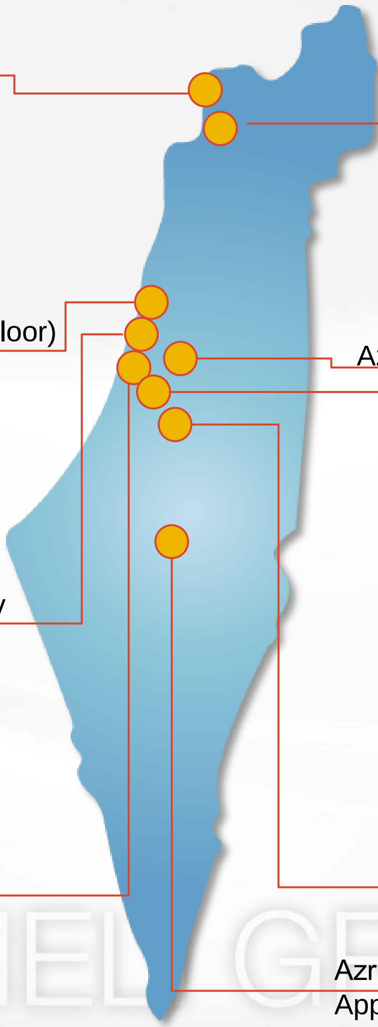
Approx. 355,000 sqm GLA(1); Total investment of NIS 2.5 billion

Azrieli Akko
Approx. 12,406

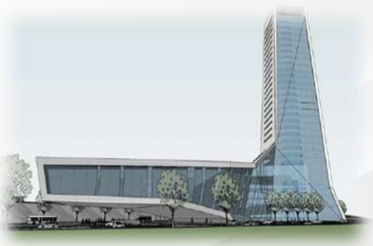
Azrieli Kiryat Ata
Approx. 13,095

Azrieli Ayalon (additional floor)
Approx. 9,500

Azrieli Givataim (offices)
Approx. 1,916

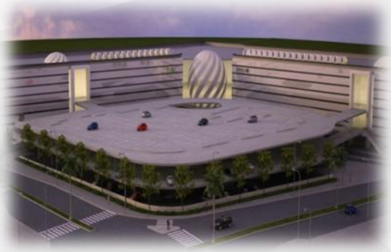


Southern Hakirya, Tel Aviv
Approx. 125,000



Azrieli Rishonim
Approx. 48,000

Azrieli Center Holon
Approx. 120,000



Azrieli Ramla
Approx. 22,000

Azrieli Be'er Sheva
Approx. 2,570

(1) GLA consolidated.

AZRIELI GROUP

Projects under Development – Future Growth Engine

Name of property	% ownership	USE	GLA	Estimated date of completion	Cost as of 30.06.2011	Estimated cost of project completion (NIS in millions)
Azrieli Akko Mall	100%	Commercial	12,406	30.08.2011	90	40-45
Azrieli Kiryat Ata	100%	Commercial (phase A) Offices +commercial (phase B)	9,095 4,000	06.09.2011 Q1/2013	79	25-30 45-55
Azrieli Hanegev Mall	100%	Commercial	2,570	7/2011	13	3-4
Azrieli Givatayim – additional floor	100%	Offices	1,916	8/2011	14	7-9
Azrieli Ayalon Mall – additional floor	100%	Commercial	9,500	1.5 years from the start of construction	5	120-150
Azrieli Rishonim	100%	Commercial and offices	48,000	3/2014	81	400-430
Azrieli Center Holon (1)	83%	Offices Commercial	115,000 5,000	Phase A 2013 Phase B 2016	57	550-590
Azrieli Ramla Mall	100%	Commercial	22,000	2013	106	204-224
Southern Hakirya	100%	Offices Commercial	125,000	2016	588	900-950
TOTAL			354,487		1,033	2,294-2,487

(1) Figures are for 100%.

Azrieli Akko Mall – Opening

- Commercial project.
- Gross leasable commercial area of 12,406 sqm.
- Signed contracts – above 95% (1).
- Opening scheduled for August 30th 2011.
- Cost as of 30.06.2011 – approx. NIS 90 million.
- Representative NOI (2) (appraiser) – approx. NIS 19.7 million.
- Remaining cost (2): approx. NIS 40-45 million.

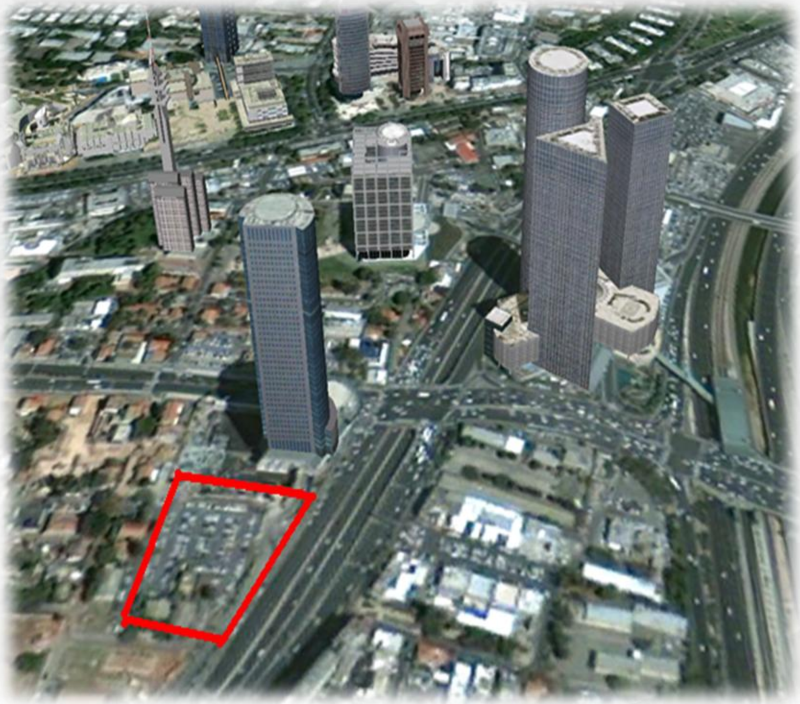
(1) As of 24.08.2011.
(2) As of 30.06.2011.

Azrieli Kiryat Ata – Opening

- Mixed-use project.
- Gross leasable area (commercial and offices) of 13,095 sqm.
- Signed contracts – above 90% [(1)].
- Opening scheduled for September 6th 2011.
- Cost as of 30.06.2011 – approx. NIS 79 million.
- Representative NOI [(2)] (appraiser) – approx. NIS 17 million.
- Remaining cost [(2)]: approx. NIS 70-85 million (including phase B).

(1) As of 24.08.2011.
(2) As of 30.06.2011.

Southern HaKirya – Development Momentum



- Azrieli Group's share – 100%.
- Land of approx. 9,400 sqm at the center of Tel Aviv.
- Gross commercial and office leasable area of approx. 125,000 sqm.
- Approx. 110,000 sqm of office space, and approx. 11,000 commercial.
- 1,600 parking spaces.

- Land cost – NIS 588 million.
- Cost to completion – NIS 900-950 million.
- Completion scheduled for 2016.

(1) Including purchase taxes and development fee.

An Agreement to Purchase 50% of Ir-Yamim Mall, Netanya(1)

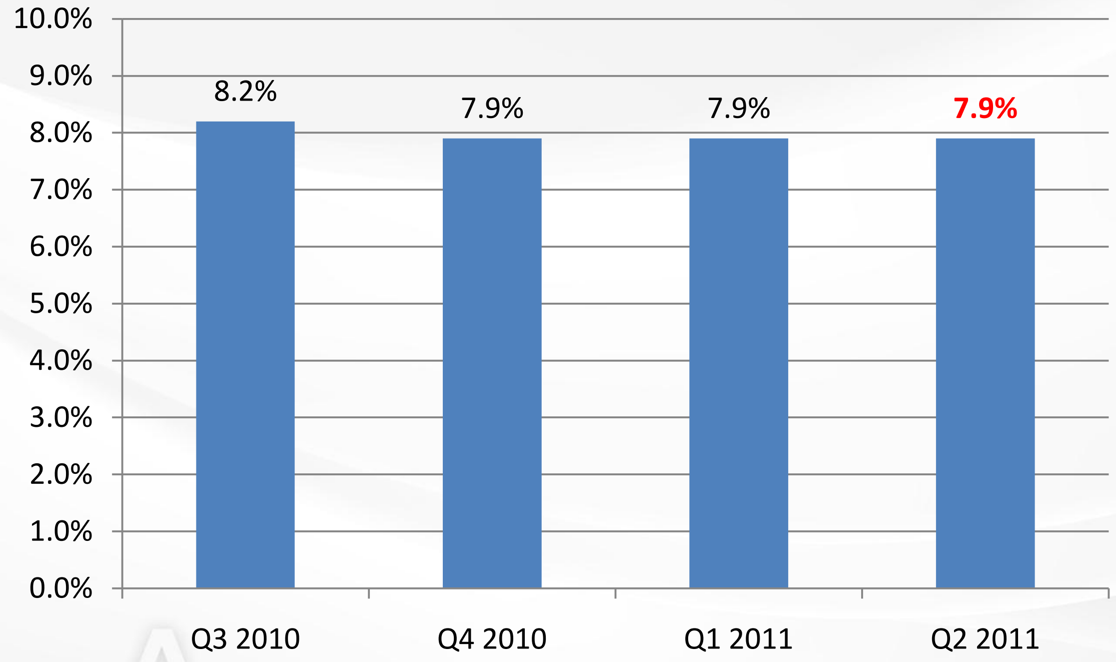
- Azrieli Group's share – 50%(2) (with Shikun & Binui Real Estate).
- Land of approx. 58,000 sqm in the Ir-Yamim neighborhood, Netanya.
- Gross commercial leasable area of approx. 24,000 sqm.
- Signed contracts – approx. 68%.
- Cost – NIS 350 million (excluding purchase taxes and fees).
- Cost to completion – approx. NIS 40 million.
- Completion scheduled for early 2012.
- Projected NOI (for 100%) – NIS 61 million.

(1) Closing is subject to conditions precedent, see immediate report as of August 16, 2011. Subject to Shikun & Binui's right of first refusal and approval by the Antitrust Commissioner.

Azrieli Group – High Quality Portfolio

Weighted average cap rate

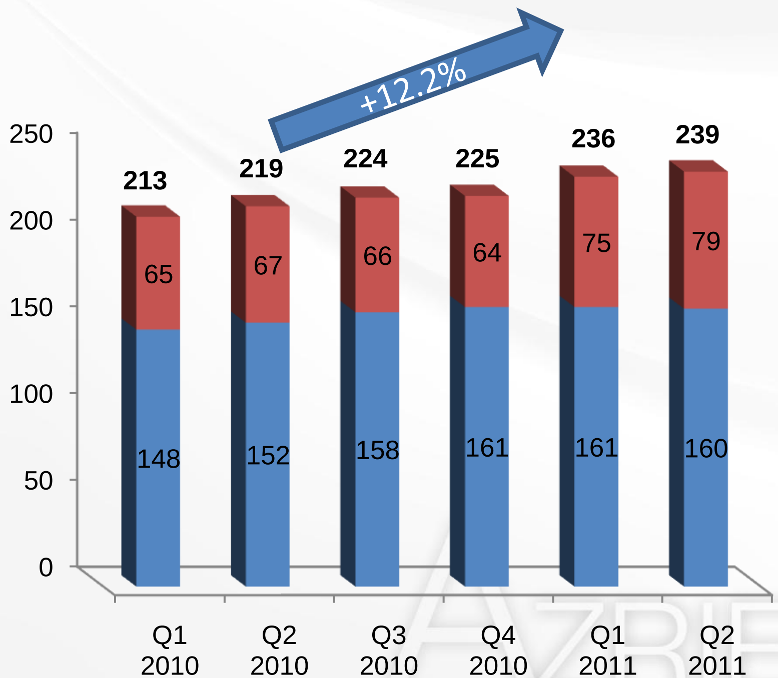
Portfolio weighted average cap rate of 7.9%



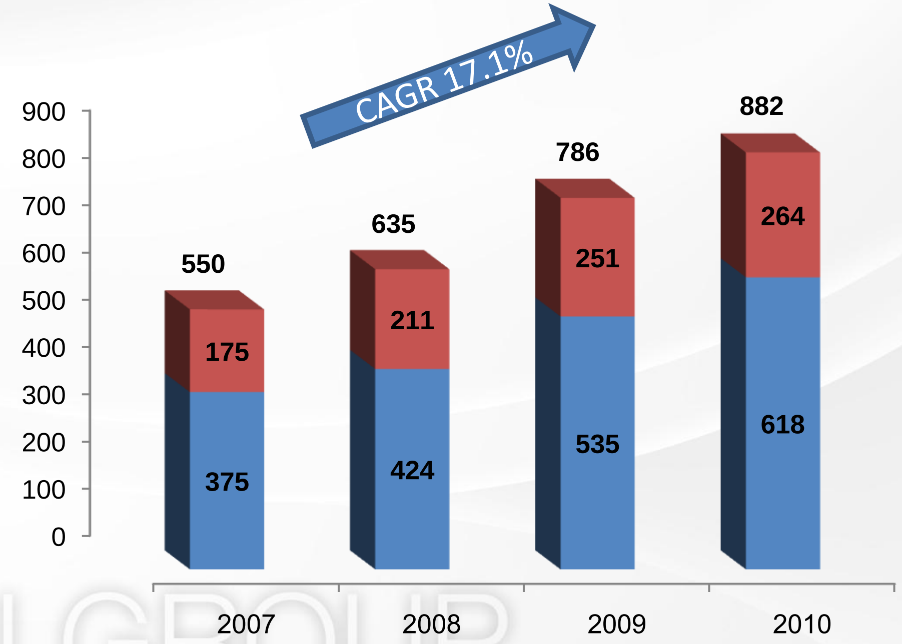
(1) For further details on the method of calculation and the assumptions, see Section 1.1.4 of the board of directors' report as of June 30, 2011.

Continuous Growth in NOI
(NIS in millions)

Quarterly NOI



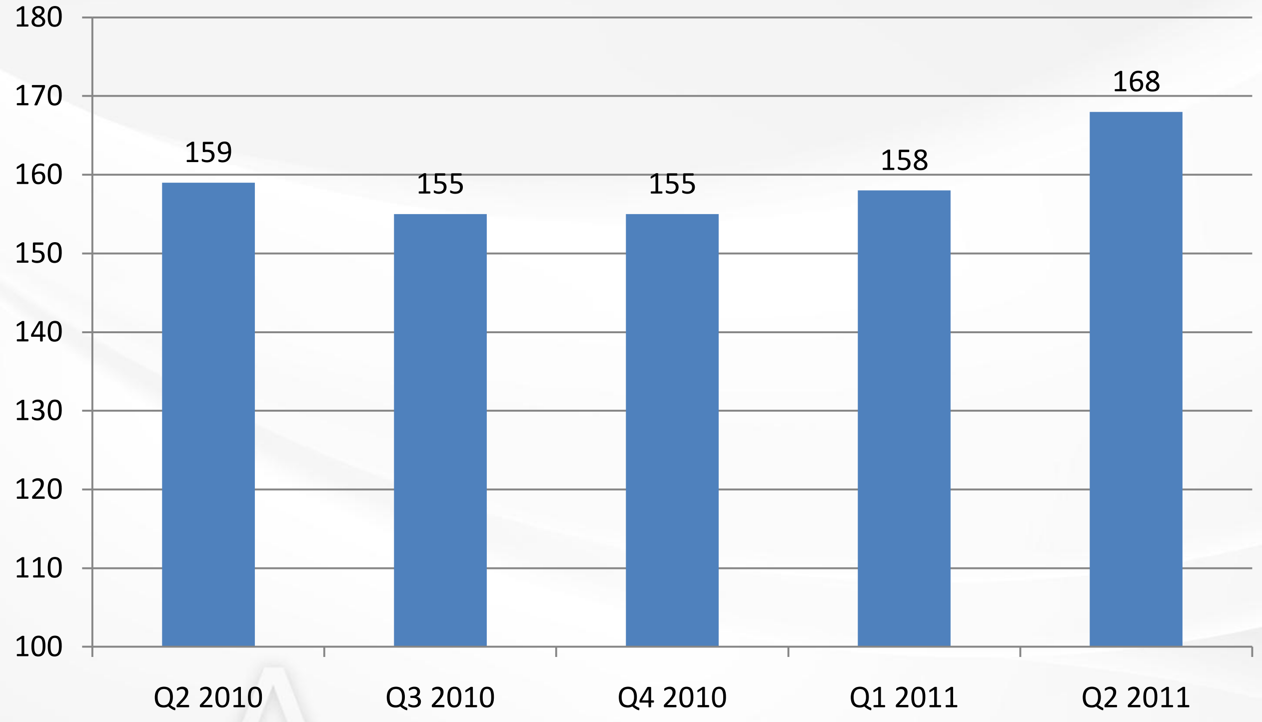
Annual NOI



- Offices and others
- Shopping malls and commercial

Continuous Growth in FFO(1)
(NIS in millions)

Real Estate FFO



(1) For further details on the method of calculation and the assumptions, see Section 1.1.5 of the board of directors' report as of June 30, 2011.

Financial Results – Q2/2011

(NIS in millions)

	2010	4-6/2010	4-6/2011	% Change
Property rental income	1,094	269	**299**	11%
NOI	882	219	**239**	9%
Same property NOI	882	219	**231**	5%
Real estate segment FFO	596	159	**168**	6%
Change in fair value of Investment property (1)	731	(8)	**278**	--
Net profit (including minority)	1,255	62	**388**	526%
Net profit (attributed to shareholders) (2)	1,224	62	**383**	518%
Comprehensive (loss) profit (attributed to shareholders) (2)	1,293	(132)	**276**	--

(1) Net, after tax.
(2) Consolidated statement.

Financial Results – H1/2011

(NIS in millions)

	2010	1-6/2010	1-6/2011	% Change
Property rental income	1,094	532	**592**	11%
NOI	882	434	**474**	9%
Same property NOI	852	421	**443**	5%
Real estate segment FFO	596	285	**326**	14%
Change in fair value of Investment property (1)	731	(16)	**292**	--
Net profit (including minority)	1,255	216	**569**	163%
Net profit (attributed to shareholders) (2)	1,224	203	**545**	168%
Comprehensive (loss) profit (attributed to shareholders) (2)	1,293	(10)	**411**	--

(1) Net, after tax.
(2) Consolidated statement.

Balance Sheet
(summary of extended standalone statement)

NIS in millions	31.12.2010	30.06.2011	Change (YTD)
Cash, securities and deposits	2,351	1,385	(41%)
Financial debt, gross	4,422	5,009	13.3%
Financial debt, net (1)	2,071	3,624	75%
Financial assets available for sale	1,790	1,637	(8.5%)
Fair value of income-producing real estate	12,137	13,951	14.9%
Shareholders' equity (excluding minority interest)	11,101	11,269	(1.5%)
Shareholders' equity to balance sheet ratio	65%	63%	
Total balance sheet	17,191	18,011	4.8%
Shareholders' equity per share (NIS)	91.5	92.9	1.5%
EPRA NAV per share (NIS) (2)	103.0	105.0	2%

(1) Excluding financial assets.
(2) Excluding the projected profit component from projects under construction, which was assessed by an external appraiser at fair value on the basis of land value plus investments by the date of the Report.

Average Cap-Rate and FFO Yield (1)

(NIS in millions)

Portfolio weighted average cap-rate of 7.9%

Investment properties as of 30.06.2011	13,951
Net of: properties under development, vacant space and building rights	(1,076)
Total income-producing properties	**12,874**
Actual NOI for Q2/2011	239
Additions to Q2/2011 NOI	14
Adjusted NOI for Q2/2011	253
Annual pro-forma NOI (1)	**1,012**
Portfolio weighted average cap-rate	**7.9%**

Current real estate segment FFO yield of 11%

Net profit for Q2/2011 (attributed to the shareholders)	383
Plus: Loss attributed to Granite	3
Other adjustments	(218)
FFO attributed to real-estate operations	168
Annual pro-forma FFO (Real-Estate)	**672**
Azrieli Group market cap(2)	10,467
Less: real holdings(2)	(1,881)
Less: cash & cash equivalents(3)	(1,386)
Less: investment in projects under development(3)	(1,076)
Market cap attributed to real estate operations	**6,124**
Current annual FFO yield	**11.0%**

(1) For further details on the method of calculation and the assumptions, see Sections 1.1.4 and 1.1.5 of the board of directors' report as of June 30, 2011.
(2) As of 18.08.2011
(3) As of 30.06.2011

Debt Structure and Rating[1]
(NIS in millions)

Financial stability

- Low leverage – net financial liabilities to balance sheet: 20%.
- Shareholders' equity to balance sheet: 63%.
- Liquid means of approx. NIS 1.4 billion.
- Non-mortgaged property value of approx. NIS 8.5 billion
- Bank loans – NIS 3.6 billion.
- Bonds & commercial paper – NIS 1.4 billion.
- Weighted average duration – 3.1 years.

NIS in millions	**Principal amount**	**Share of total loan**
Up to 1 year	979	20%
1 to 5 years	2,036	40%
5 to 10 years	1,194	40%
	---------------	---------------
Total 30.06.2011	5,009	100%

NIS in millions	**Principal amount**	**Average interest rate**
Linked to CPI	3,710	5.03%
In NIS	668	4.14%
Linked to $	608	5.80%
Linked to £	23	3.125%
	---------------	---------------
Total 30.06.2011	5,009	5.00%

Rating

- Azrieli Group bonds: AA(-)/stable (S&P Maalot).
  Aa2/stable (Moody's Midroog).
- Canit Hashalom bonds: Aa2/stable (Moody's Midroog).

(1) Based on 30.06.2011 extended standalone financial statements.

Other Holdings – Results for Q2/2011

Granite (approx. 60% holding) – Profit of approx. NIS 0.1 million in Q2/2011 compared to loss of NIS 2.5 million in Q2/2010 (attributed to the shareholders).
Improvement in most of the business segments.
In H1/2011, profit of approx. NIS 35 million compared to net profit of NIS 24 million in H2/2010 (attributed to the shareholders).

Bank Leumi (approx. 4.8% holding) – In Q2/2011, the share value on TASE decreased by 10%, dividend adjusted price. Bank Leumi distributed a dividend of NIS 400 million in April 2011 (Group's share: NIS 19.2 million).

Leumi Card (20% holding) – interim financial statements yet unpublished.

Azrieli Group - Strategy

Mainly in Israel

Mainly income-producing real estate

Mainly shopping centers

Mainly development

Long term holding and management

Summary

- ✓ Consistent growth in same property NOI in this quarter, as in past quarters, mainly due to organic growth and internal improvement (same property NOI growth).
- ✓ Representative NOI increased by NIS 77 million, to NIS 1,012 million (ex. Akko and Kiryat Ata), versus NIS 935 million on 31.12.2010 and NIS 825 million as of the IPO date. This increase derived mainly from an internal NOI growth as a result of property upgrades and an increase in rent and new asset acquisitions.
- ✓ Appreciation of existing properties, creating future growth engines.
- ✓ Advancement value of the development projects, some of which are expected to be completed ahead of schedule.
- ✓ Acquisition of new income-producing properties and land for future development.

Thank You