Azrieli Group | Investor Presentation
Financial Statements 31.12.2011

AZRIELI GROUP

March 22nd | 2012

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•The term **NOI** in the presentation relates to actual NOI, with respect to the Group's income-producing real estate business only, unless representative/adjusted NOI is stated, as defined in the ISA's directive, which is 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 December 31, 2011, including the methods of calculation and the underlying assumptions thereof.

•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, 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.

•In reference to the construction of a second floor at Azrieli Ayalon Mall, As of the date of the report, a decision had been made to commence the planning proceedings of an additional floor and a decision had not been made yet regarding the scope of the Project..

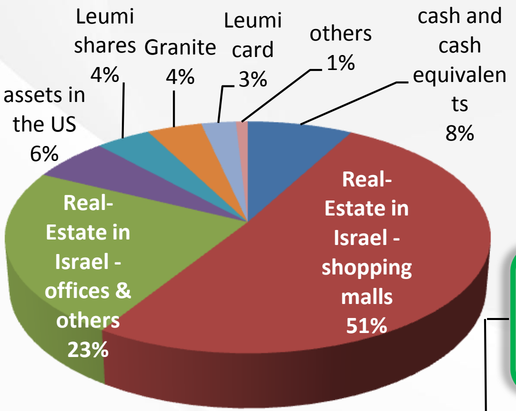
Azrieli Group – Business Card

- The Company has been publicly traded 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 billion [(1)].
- Current market capitalization - NIS 10.6 billion [(2)].
- The Company owns leasable areas totaling 717,000 sqm, with another 328,500 sqm under construction [(3)].
- The average occupancy rate is close to 100%.
- 93% 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>.
- The Group's bonds are rated AA/Stable by S&P/Maalot and Aa2/Stable by Moody's/Midroog.

(1) As of 31.12.2011.
(2) As of 19.03.2012.
(3) On a consolidated basis.

Azrieli Group –
Company Structure

Book value by assets (solo extended)



AZRIELI GROUP

- **Existing properties and under development 1,045,011 sqm**
  - **13 Shopping Centers 255,814 sqm**
  - **9 Office buildings and others 282,177 sqm**
  - **6 Projects under development 328,500 sqm**
  - **6 Assets overseas 178,520 sqm**
- 60.68% Granite Hacarmel Investments Ltd.
  - 100% GES
  - 100% Supergas
  - 84% Tambour
  - 100% Sonol
- 20% לאומי קארד
- 4.8% לאומי leumi

(1) GLA are consolidated.
(2) Including a property purchased in 2012

Azrieli Group –
Real Estate Segments

Real Estate Activity (1)

Existing properties - commercial
GLA – 255,814

Azrieli Mall Azrieli
Azrieli Mall Haifa
Azrieli Mall Ayalon
Outlet Azrieli Herzelia
Azrieli Mall Jerusalem
Azrieli Mall Hod Hasharon
Azrieli Mall Givatayim
Outlet Azrieli Or Yehuda
Azrieli Mall Hanegev
Azrieli Mall Akko
Azrieli Mall Modiin
Azrieli Mall Kiryat Ata
Azrieli Mall Holon

*

Offices and others
GLA – 282,177

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 – 328,500

1. Azrieli Center Sarona
2. Ramla
3. Rishonim
4. Azrieli Center Holon (83%)
5. Ayalon – 2nd floor
6. Kiryat Ata – phase B

Income producing properties – abroad (2)
GLA – 178,520

Houston, USA
1. Galleria 90%
2. Plaza 100%.
3. Northchase 100%
4. One Riverway 33%
5. Three Riverway 45%

Leeds, England
1. Southern House 100%

(1) GLA are consolidated.
(2) Including a property purchased in 2012

AZRIELI GROUP

Financial Highlights in 2011

(summary of extended standalone statements)

14% revenues from real estate growth and 11% NOI growth

- ✓ NOI in 2011 totaled NIS 982 million, compared with NIS 882 million in in 2010.
- ✓ An increase of 11%.
- ✓ Due to both an internal increase in rent (same property NOI), the acquisition of the Galleria office towers in Texas and the opening of the malls in Akko and Kiryat Ata.

6% increase in Same Property NOI

- ✓ Growth of 6% in **Same Property NOI** during 2011 compared with 2010.
- ✓ 5% increase in the commercial in Israel segment and an increase of 10% in the offices and others in Israel segment. The growth is attributed to an internal increase in rent and the continued occupation of income-producing properties.
- ✓ An increase of approx. 1.6% compared with the previous quarter (Q3/2011).

12% growth in real-estate segment FFO (1)

- ✓ **Real Estate segment FFO** totaled NIS 668 million in 2011 compared with NIS 596 million in 2010.
- ✓ The 12% increase is attributed both to an overall improvement in the real estate sector, and to acquisitions and the completion of new properties.

Increase in the fair-market value of real-estate of NIS 696 million (net of tax) (2)

- ✓ Gross increase in the fair value of the income-producing real estate of approx. NIS 849 million, attributed to the increase in the NOI and a slight yield compression.
- ✓ Net increase amounts to approx. NIS 696 million.

Net profit of NIS 623 million

- ✓ Net profit of NIS 623 million in 2011 compared with NIS 1,255 million in 2010.
- ✓ The decrease is attributed mainly to the rise in the tax rates by the government, that caused an impairment of NIS 601 million.

(1) For further details on the method of calculation and the assumptions, see Section 1.1.7 of the board of directors' report as of 31.12.2011.

(2) Excluding the effect of the rise in tax rate (Trajtenberg).

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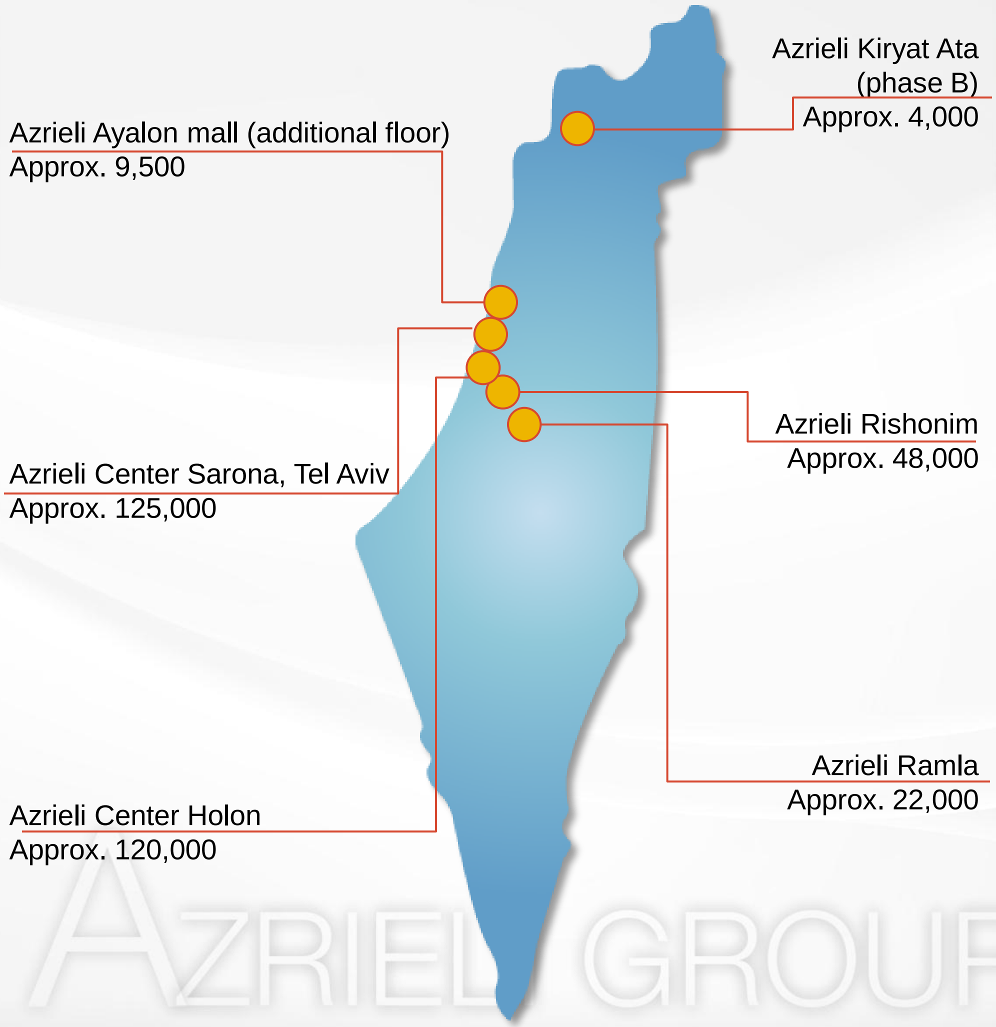
Main Events in 2011

Continued growth in the representative NOI [1]	✓ Representative NOI as of 31.12.2011 - NIS 1,083 million. ✓ Representative NOI as of 30.06.2011 - NIS 1,012 million. ✓ Representative NOI as of 31.12.2010 - NIS 935 million. ✓ Representative NOI as of the IPO date - NIS 825 million.
Continuation in the development and acquisition momentum	✓ In 2011, the Group 's investments in real-estate properties totaled NIS 1.7 billion.
Appreciation of existing properties	✓ In December 2011, the international fashion brand **FOREVER-21** opened its flagship (and only) 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 [2]	✓ The average occupancy rate in the shopping center segment in Israel – close to 100%. ✓ The average occupancy rate in the offices and others segment in Israel – close to 100%. ✓ The average occupancy rate in the assets in the US segment – approx. 87%.
Domestic credit upgrade	✓ In November 2011, S&P Maalot upgraded Azrieli Group's domestic credit from (AA-)/Positive to (AA)/Stable.
Subsequent event - Dividend	✓ On March 21, 2012 the Board of Directors announced a dividend of NIS 240 million in respect of 2011 (NIS 1.97 per share).
Subsequent event - Acquisition of an office building in Houston, Texas	✓ In January 2012 the Group acquired an office building in Houston, Texas ✓ Cost: $ 107.5 million. ✓ Cap rate of 7.5%. ✓ External financing from foreign institution (Non-Recourse) of $ 70 million. Fixed interest rate of 3.6% for 5 years.

(1) According to independent appraiser.
(2) As of 31.12.2011.

Development Momentum

Approx. 328,500 sqm GLA(1); Total investment of NIS 3.1-3.3 billion



(1) GLA consolidated.

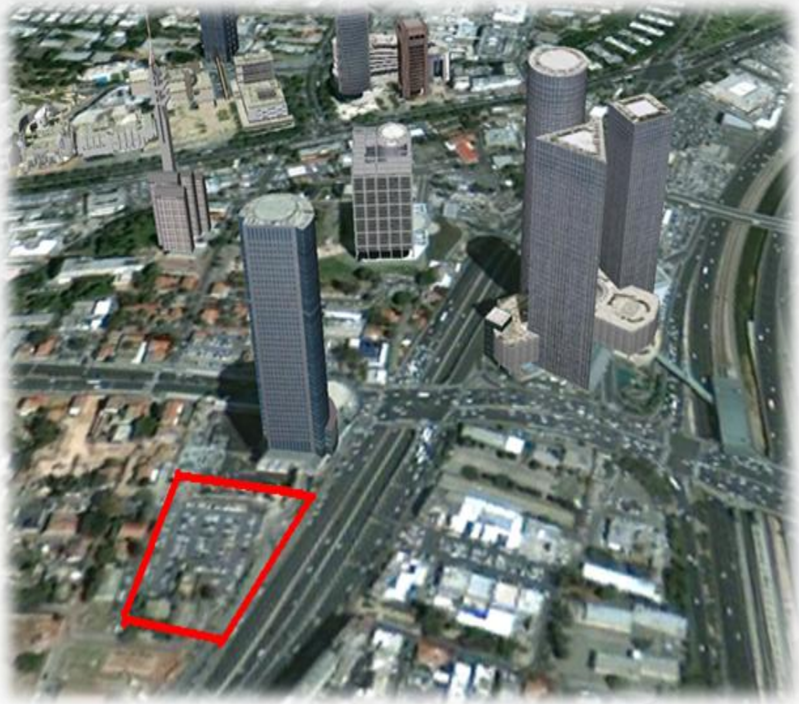
Projects under Development – Future Growth Engine

Name of property	% ownership	Use	GLA	Estimated date of completion	Cost as of 31.12.2011	Estimated cost to completion of project (NIS in millions)
Azrieli Center Sarona, Tel Aviv	100%	Commercial and offices	125,000	2016	589	900-950
Azrieli Kiryat Ata – phase B	100%	Offices +commercial	4,000	Q1/2013	6	45-55
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	12/2014	83	415-445
Azrieli Center Holon (1)	83%	Commercial and Offices	115,000 5,000	Phase A 2013 Phase B 2016	112	500-535
Azrieli Ramla Mall	100%	Commercial	22,000	2014	110	210-230
TOTAL			**328,500**		**905**	**2,190-2,365**

Total Estimated Investment	3,095-3,270

(1) Figures are for 100%.

Azrieli Center Sarona, Tel Aviv Development Momentum



- Azrieli Group's share – 100%.
- Land of approx. 9,400 sqm in 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.
- Cost of land and construction(1) – NIS 589 million.
- Estimated cost to completion(1) – NIS 900-950 million.
- Completion scheduled for 2016.
- **Status – The Group has received approvals to begin building the project.**

(1) As of 31.12.2011.

AZRIELI GROUP

Azrieli Center Holon

- Azrieli Group's share – 83%.
- Gross commercial and office leasable area of 120,000 sqm.
- Status – under development.
- Completion scheduled for – Phase A (62,500 sqm) 2013.
  Phase B (57,500 sqm) 2016.
- Cost of construction (1) – NIS 112 million.
- Estimated cost to completion (1) – NIS 500-535 million.

מרכז עזריאלי חולון
AZRIELI CENTER HOLON

(1) As of 31.12.2011.

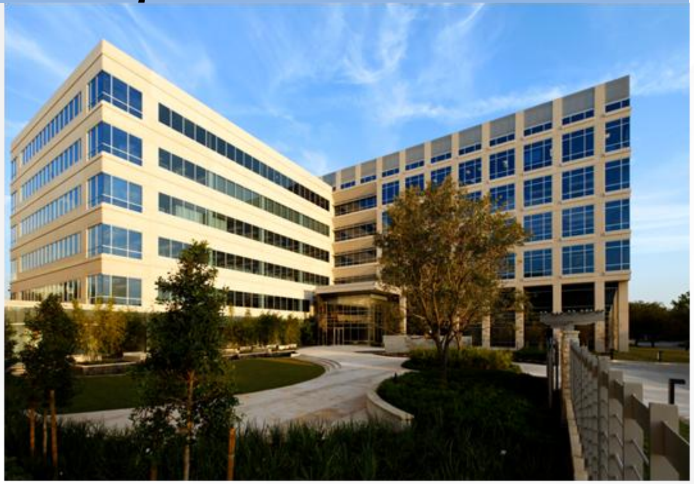
Azrieli Rishonim Project

- Azrieli Group's share – 100%.
- Gross commercial and office leasable area of 48,000 sqm.
- Status – planning and approvals.
- Completion scheduled for – 12/2014.
- Cost of land and construction [(1)] – NIS 83 million.
- Estimated cost to completion [(1)] – NIS 415-445 million.

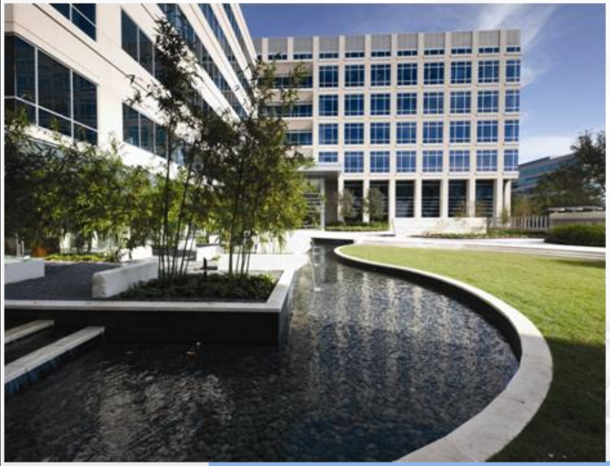
AZRIELI MALL RISHONIM
AZRIELI GROUP OF MALLS

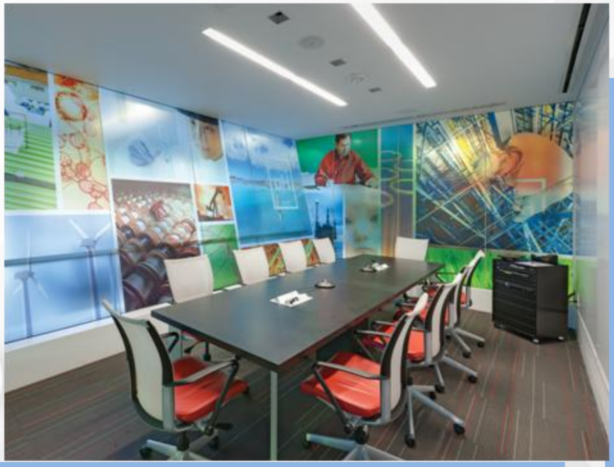
(1) As of 31.12.2011.

Acquisition of office tower in Houston, Texas, USA



- Ownership – 100%.
- Total GLA – approx. 32,000 sqm.
- Occupancy rate at acquisition – 100%.
- Anchor tenant (87% of GLA) – Dow Chemical Ltd, until May 2026.
- Cost - $ 107.5 million.
- External financing - $ 70 million. Fixed interest rate of 3.6%.
- Projected average NOI according to existing contracts - $8 million [1].
- Closing date – January 2012.

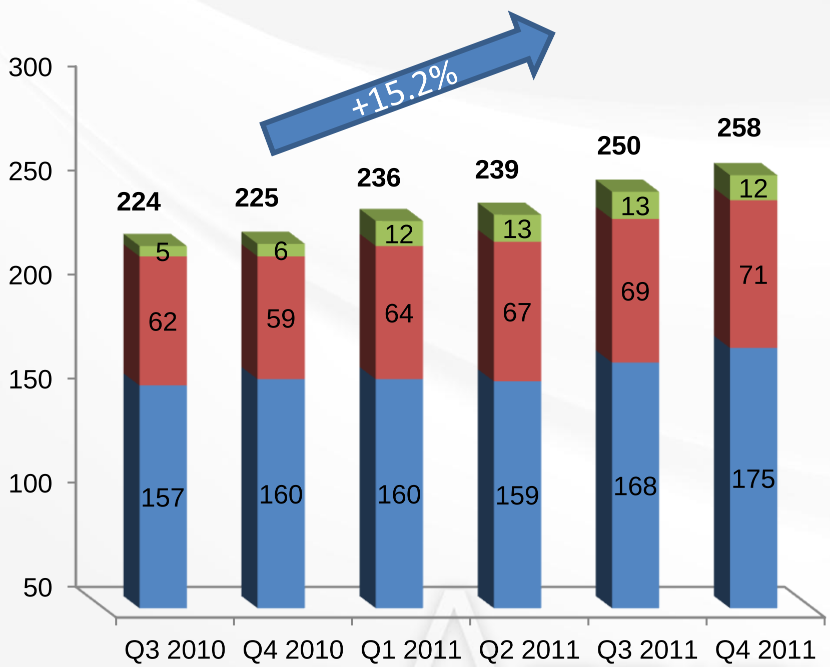




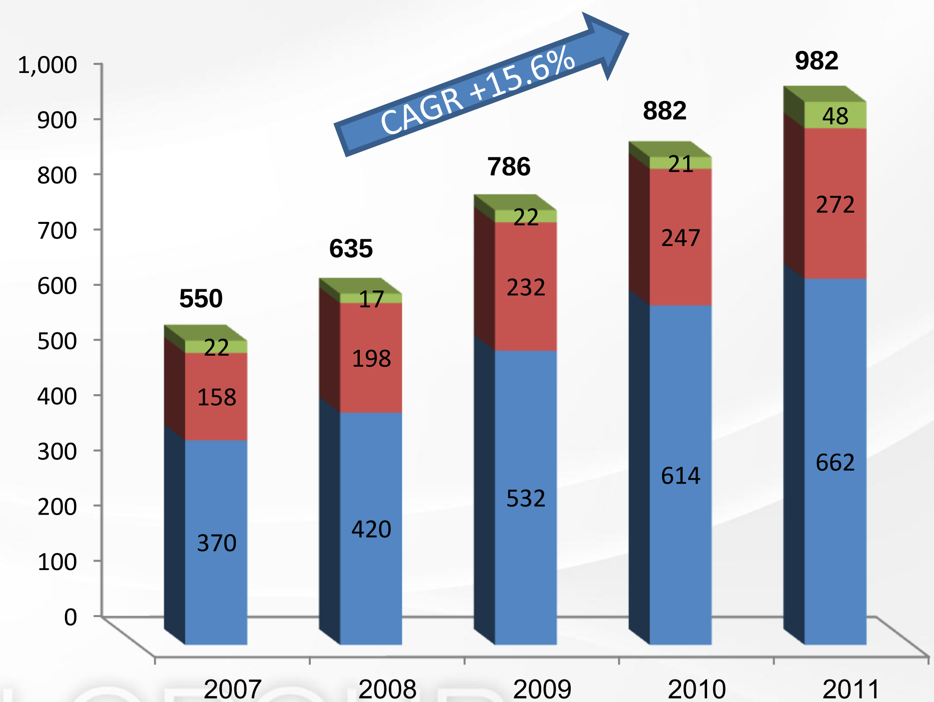
(1) Total annual average NOI for all of the contracts throughout all of the lease periods.

Continuous Growth in NOI
(NIS in millions)

Quarterly NOI



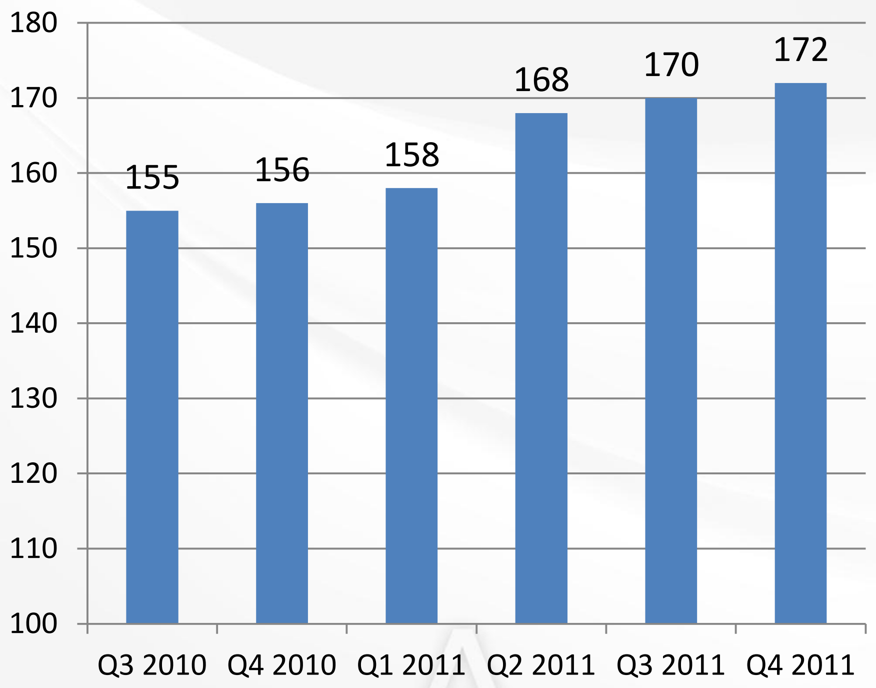
Annual NOI

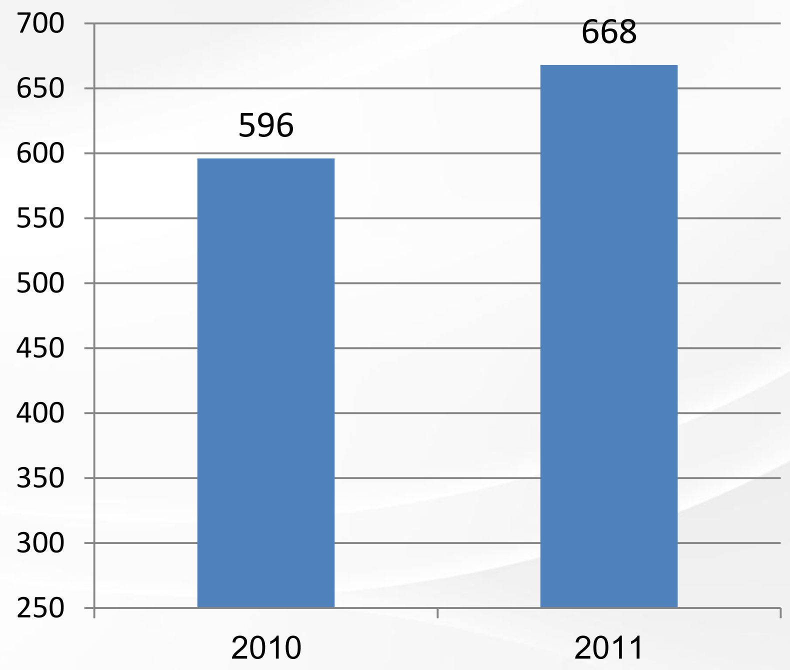


- Offices and others
- Shopping malls and commercial
- Assets in the US.

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 1.1.7 of the board of directors' report as of December 31, 2011.

Summary Financial Results – Q4 and 2011
(extended standalone)

NIS in millions	10-12/2010	10-12/2011		2010	2011
Property rental income	279	**333**		1,095	**1,245**
NOI	225	**258**		882	**982**
Same property NOI	225	**240**		852	**903**
Real estate segment FFO	155	**172**		596	**668**
Appreciation of investment property (1)	623	**258**		730	**696**
Effect of rise in tax liabilities	--	**(582)**		--	**(582)**
Net profit (loss), including minority	787	**(135)**		1,255	**623**
Net profit (loss), attributed to shareholders (2)	778	**(129)**		1,224	**596**
Comprehensive profit (loss), attributed to shareholders (2)	886	**(202)**		1,293	**173**

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

Balance Sheet
(summary of extended standalone statement)

NIS in millions	31.12.2010	31.12.2011	% Change (YOY)
Cash, securities and deposits	2,351	1,467	(38%)
Financial debt, gross	4,422	4,991	13%
Financial debt, net (1)	2,071	3,524	70%
Financial assets available for sale	1,790	1,256	(30%)
Fair value of income-producing real estate	12,137	14,766	22%
Shareholders' equity (excluding minority interest)	11,101	11,034	(1%)
Shareholders' equity to balance sheet ratio	65%	60%	
Total balance sheet	17,191	18,450	7%
Shareholders' equity per share (NIS)	91.5	91.0	(0.5%)
EPRA NAV per share (NIS) (2)	103.0	109.0	6%
EPRA NNNAV per share (NIS) (2)	90.0	89.0	(1%)

(1) Excluding financial assets available for sale.
(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 of the Real Estate Business [1]

(NIS in millions)

Portfolio weighted average cap-rate of 7.8%

Investment properties as of 31.12.2011 (extended standalone)	14,766
Net of: properties under development, vacant space and building rights	(901)
Total income-producing properties	**13,865**
Actual NOI for Q4/2011	258
Additions to future Q4/2011 NOI	13
Adjusted NOI for Q4/2011	271
Annual proforma NOI [1]	**1,083**
Portfolio weighted average cap-rate	**7.8%**

Current real estate segment FFO yield of 10.7%

Net profit for 2011 (attributed to the shareholders)	596
Net of items attributed to Granite	(5)
Other adjustments	77
Annual FFO 2011 (Real Estate)	**668**
FFO Q4/2011 attributed to real estate operations	172
Annual adjusted FFO (Real Estate)	688
Azrieli Group market cap [2]	10,540
Less: cash & cash equivalents[3]	(1,467)
Less: real holdings[2]	(1,751)
Less: investment in projects under development[3]	(901)
Market cap attributed to real estate operations only	**6,421**
Current annual FFO yield - real estate	**10.7%**

(1) For further details on the method of calculation and the assumptions, see Sections 1.1.6 and 1.1.7 of the board of directors' report as of December 31, 2011.
(2) As of 15.03.2012
(3) As of 31.12.2011

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

Financial stability

- Low leverage – net financial liabilities to balance sheet: 19%.
- Shareholders' equity to balance sheet – 60%.
- Liquid means of approx. NIS 1.5 billion.
- Non-mortgaged property value of approx. NIS 9 billion.
- Bank loans – NIS 3.7 billion.
- Bonds & commercial papers – NIS 1.3 billion.
- Weighted average duration – 3.06 years.

NIS in millions	Principal amount	Share of total loan
Up to 1 year	1,005	20%
1 to 4 years	2,050	41%
5 to 10 years	1,936	39%
	---------------	---------------
Total 31.12.2011	4,991	100%

Rating

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

NIS in millions	Principal amount	Average interest rate
Linked to CPI	3,604	5.03%
In NIS	679	3.68%
Linked to $	683	5.80%
Linked to £	25	3.825%
	---------------	---------------
Total 31.12.2011	4,991	4.94%

(1) Based on 31.12.2011 extended standalone financial statements.

Other Holdings – Results for year-end 2011

Granite HaCarmel (approx. 60.8% holding) – In year 2011 net profit of approx. NIS 30 million compared with net profit of NIS 50 million in year 2010 (attributed to the shareholders). Slight improvement in profit and revenues in most of the business segments, despite a challenging environment and a one-time expense due to the tax rate increase (Trajtenberg Committee), of approx. NIS 19 million.

Bank Leumi (approx. 4.8% holding) – In 2011, the share value on TASE declined by 40%, representing a decrease of approx. NIS 423 million , net of tax.
From the end of 2011 until close to the date of release of the statements the share value increased by 8% representing an increase of NIS 60 million in the Group's holding (net of tax an increase of approx. NIS 44 million).

Leumi Card (20% holding) – In year 2011 revenues totaled NIS 938 million and net profit totaled NIS 177 million, compared to NIS 876 million and NIS 158 million, respectively, in 2010, representing an increase of 7% and 12%, respectively.
The Group's holding value in the company stood at NIS 483 million as of 31.12.2011, according to an external appraiser.

Summary

- Continued growth in the core business activities: NOI, FFO etc…
- Increase in the turnover in the shopping centers.
- High occupancy rates – shopping centers in Israel approx. 100%

  Offices and others in Israel approx. 100%.

  Assets in the US – 87%.
- Exceptional financial strength.
- Significant growth engines:
  1. Internal growth.
  2. Assets under development.
  3. New acquisitions.
- Most of the activity – in Israel.

Azrieli Group; A Leading Player In The Israeli Market