Azrieli Group LTD

Financial statements Q2 2010

August 29 2010

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A convenience translation into English of the financial statement for Q2/2010 will be published on the company website within the next few days (http://www.azrieli.com)

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Disclaimer

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- In the presentation, the term NOI relates to representative NOI (excluding if it states actual NOI), as defined in the directives of the Securities Authority, as included in the evaluations of the Company's assets. The term "average discount rate" is also as the term is defined in the representative NOI discounting rate and the same directive of the Securities Authority. It should also be clarified that the financial data in the presentation relating to the extended Solo report are not audited.
- The NOI data, rent revenues or FFO for the 2000-2006 are based on calculations and non audited data that the Company has, which are not in accordance with generally accepted accounting principles but were prepared in good faith based on the past experience and professional knowledge that the Company has accumulated. This data presented below is for convenience only but is not a substitute for information submitted by the Company in its financial statements or in connection thereto, and therefore should not be the sole information studied
- The Company's evaluations regarding growth data are based from revenues from actual leasing, both in the central leasing areas and in the shopping malls and the areas leased for offices or for other uses, and in some cases including extensions done in the relevant center, which are unaudited data not in accordance with generally accepted accounting principles but were prepared in good faith and according to past experience and professional knowledge that the Company has accumulated. This data presented below is for convenience only but is not a substitute for information submitted by the Company in its financial statements or in connection thereto, and therefore should not be the sole information studied

Azrieli Group - Business Card

- As from June 2010 – the Company is a public company.
- After the IPO– a 33% increase in shareholders' equity (relating to the shareholders) to a total of NIS 9.8 billion.
- The Company owns a total leasing area of 530,000 sq. m. and 180,000 sq. m. are under construction.
- Rate of occupancy stands close to 100% in the commercial centers and 95% in offices.
- The Company has 1,940 tenants.
- 97% of the fair value (consolidated) of the income-generating real estate relates to real estate in Israel.
- The Azrieli share is included in the following indexes: Tel Aviv 25, Tel Aviv 100, Real Estate 15.

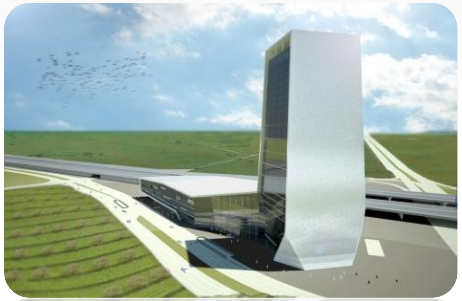
Main events during the half year

- Unprecedented IPO– a 25% issue (after the money) of share capital (IPO and private placement) in consideration for NIS 2.5 billion (gross)
- The acquisition of the Azrieli Haifa Shopping Mall, in consideration for NIS 300 million, based on a presentation of annual revenues from rent of NIS 25.5 million (a yield of 8.5%). The process of improvement is expressed in an increase of 7% in revenues during the first half of 2010.
- A continual increase in NOI and cash flows both from the shopping mall and the commercial center sector and the area leased for offices and other uses sector.
- Rate of occupancy in the Group's properties continues to be very high and stands close to 100%.
- The consistent progress in the development of properties under constructions (changes in zoning / obtaining permits etc.).
- During the quarter, there was a decline of NIS 250 million in the value of the Company’s share holdings (4.8%) of Bank Leumi, according to share value on the stock exchange. Nevertheless, at the end of the second quarter until close to the date of publishing the statements, there was an increase of NIS 184 million in the value of this holding, according to the data on shares on the stock exchange.

Development projects

Name of the property	Square meters for leasing	Estimated date of completion	Estimated cost of completing the project (million)
Ayalon Azrieli Shopping Mall – additional floor	7,500	1.5 years from the start of construction	120-150
Azrieli Givatayim Shopping Mall – additional offices floor	2,210	2011	15-18
Azrieli Acre Shopping Mall	12,000	2012 מרס	95-115
Azrieli Kiryat Ata Shopping Mall	13,000	2012 מרס	125-140
Azrieli Harishonim Shopping Mall	48,000	2013	400-430
Azrieli Holon Business Park	100,000	2019	590-630
TOTAL	**182,710**		**1,345-1,483**






Growth engines

- **Advancing the development projects.**
- **Upgarde the Group's properties.**
- **Liquidity which enables taking advantage of market opportunities.**

financial results - Q2 2010
(extract)

	Q2 2009	Q2 2010	Change of rate
NOI	198	220	+11%
NOI same property	198	208	5%
FFO (consolidated) (1)	226	186	18%-
Impairment in value of real estate for investment (2)	5.8	10.1	
Net income (relating to the shareholders)	63	62	-2%
Comprehensive income (loss) (relating to the shareholders)	45	132-	--

(1) The decrease in FFO (consolidated) results totally from a decrease in FFO of Granite, while the revenue-generating real estate sectors have an increase in FFO.

(2) According to the Company's policy, no revaluations were made during this quarter. The impairment in value relates to investments made in real estate for investment.

Highlights - Q2 2010

- **The NOI** in the second quarter totaled NIS 220 million compared to NIS 198 million in the equivalent quarter, an increase of 11%, both due to the internal increase in rent (same property NOI) and due to the acquisition of the Azrieli Haifa Shopping Mall.
- **NOI** in the second quarters reflects a growth of 2.8% also compared to the equivalent quarter (Q1 2010).
- **FFO** (consolidated) aggregated NIS 186 million compared NIS 226 million during the equivalent quarter, a decline of 18%, totaling relating to a decline in the operating income of Granite, while the real estate sector there was an increase in FFO.
- **The fair value** of real estate for investment in the Company's statements as at June 30, 2010 stood at NIS 11.2 billion, similar to the equivalent quarter. In view of the policy relating to the frequency of adjusting the fair value of the investment, the Company did not make an evaluation of its properties during the quarter and the evaluation was based on the representative NOI of NIS 825 million (correct as at December 31, 2009). In view of this, current investments which were carried out in real estate for investment, during the quarter in an amount of NIS 10 million, resulted in a reduction of an identical amount in the value of real estate for investment.

balance sheet value

(extract extended solo)

	31.12.2009	30.06.2010	Change of rate
Cash, securities and deposits	59	2,280	3764%
Financial debt, gross	4,862	4,582	-6%
Financial debt, net (1)	4,803	2,302	-52%
Financial assets available for sale	1,694	1,444	-15%
Fair value of revenue generating real estate	10,795	11,159	+3%
Shareholders' equity (excluding minority)	7,314	9,798	+34%
Shareholder's equity in balance sheet	54%	62%	
Total balance sheet	13,586	15,776	+16%

(1) Not including financial assets available for sale..

Other holdings

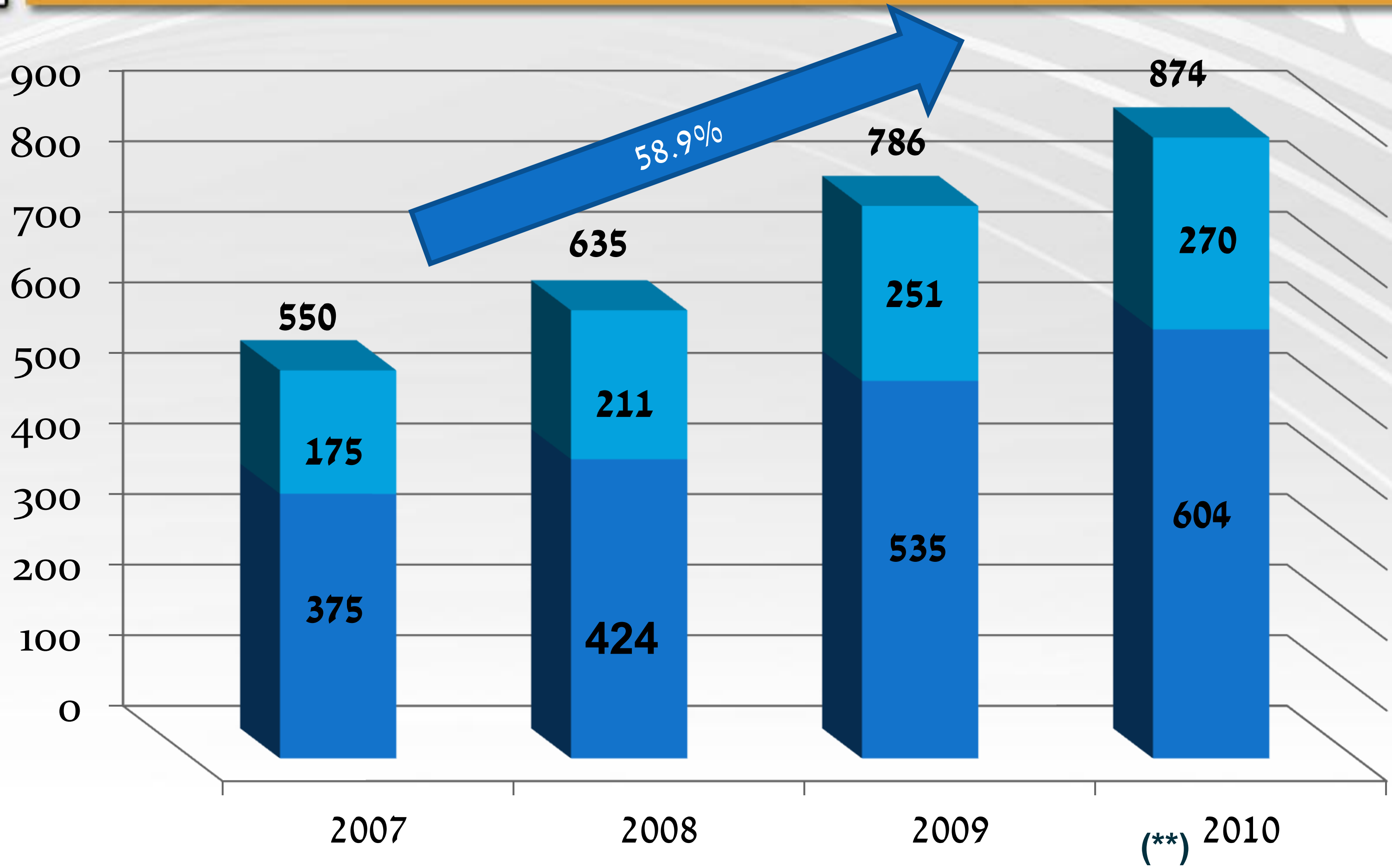
- **Granite (60%)** – an increase in revenues in the second quarter of 2010, but due to the challenging environment, Granite presented a decline in margins and profits. A dividend was distributed during the quarter – NIS 15 million (the Azrieli Group's share NIS 9 million).

- **Bank Leumi (4.8%)** – a decline in the value of the share on the stock exchange during the quarter resulted in a decline of NIS 250 million in the value of the Group's holdings. From the end of the second quarter until close to the date of publishing the statements, there was an increase of NIS 184 million in the value of the Group's holdings, in view of the increase in the value of the share on the stock exchange.

- **Leumi Card (20%)** –continued growth in revenues and profit – a net income of NIS 38 million in the second quarter, after a net income of NIS 34 million during the first quarter of 2010. The dividend on account that was distributed during the quarter – NIS 10 million (the Azrieli Group's share - NIS 2 million).

continual NOI growth (*)

(NIS millions)

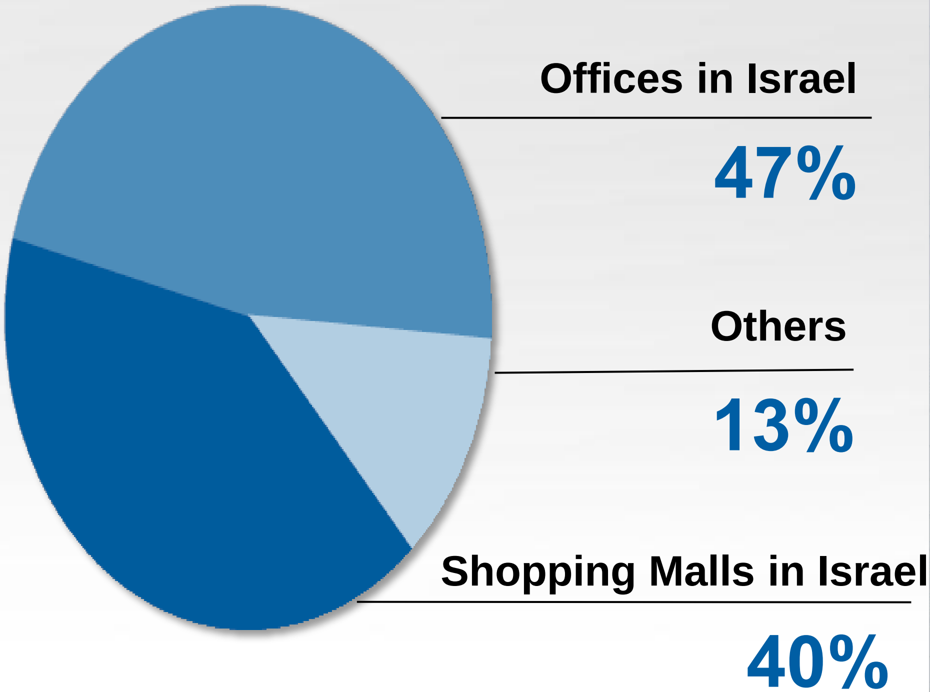


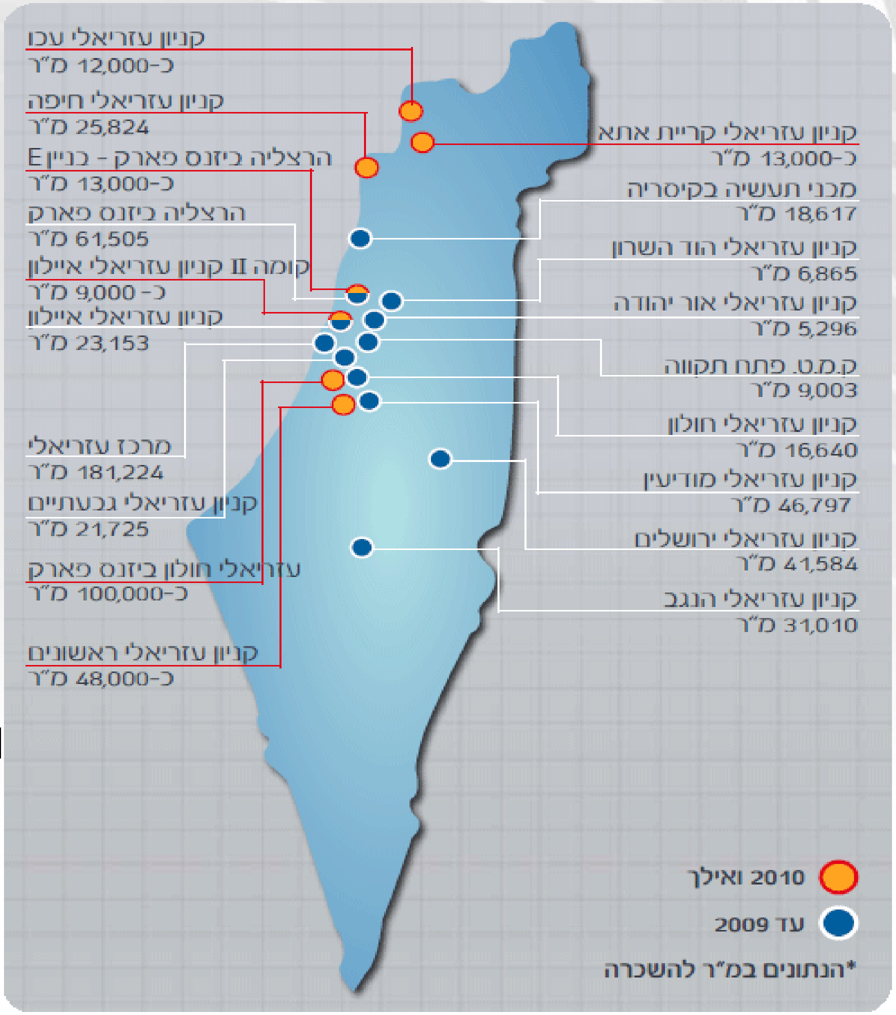
(*) NOI of real estate operations only.
(**) On the basis of actual NOI in the first half of 2010.

Offices and other (including residential)
Shopping malls and commercial areas

strategic locations

SQM

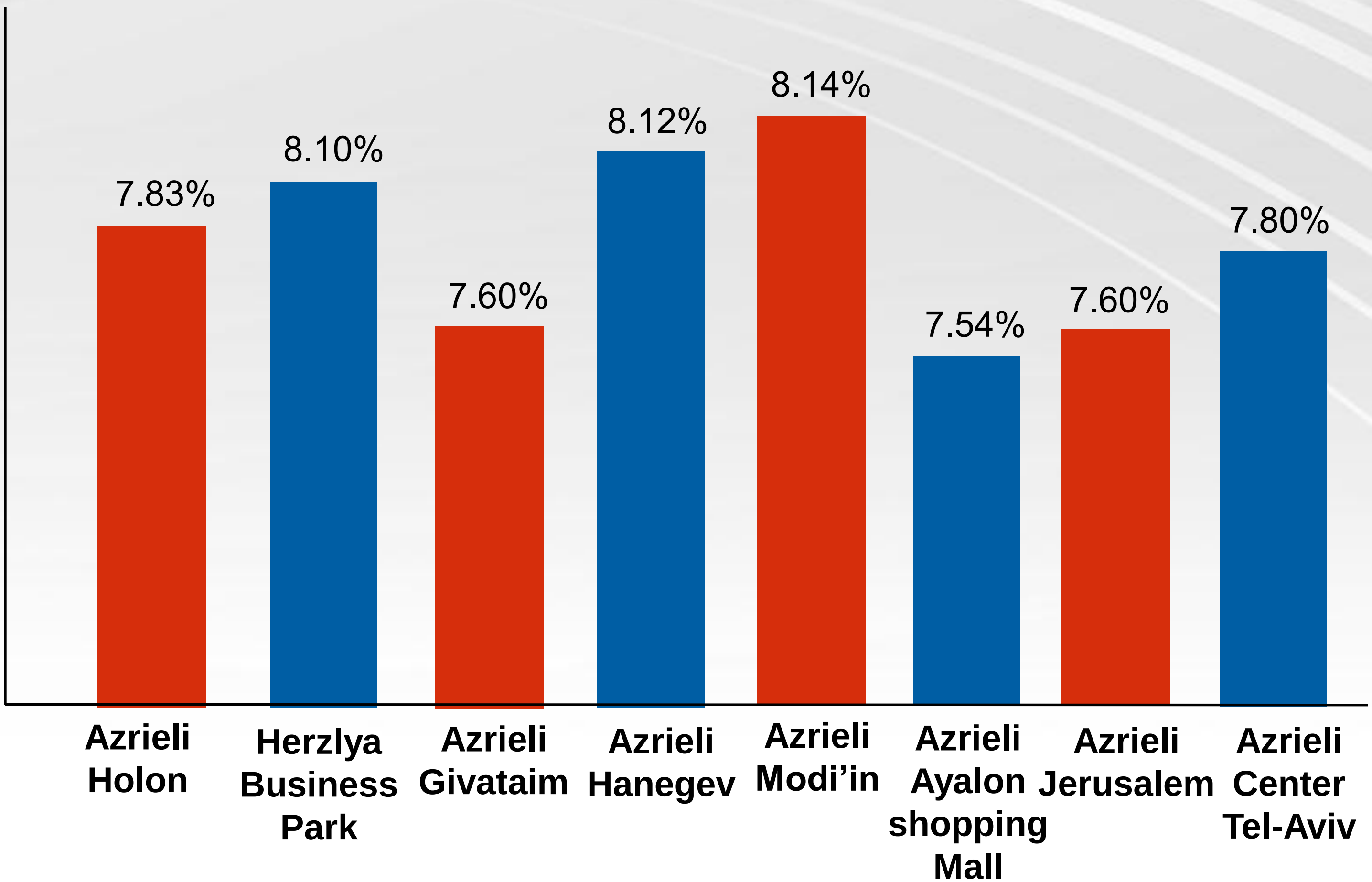




** On the basis of the date in the prospectus.

Average Capitalization rates

(main properties; according to Appraisal)



Average capitalization rate based on appraisals as at December 31, 2009.

Summary

- **Azrieli Group –** a leading player in the revenue generating real estate field in Israel.
- **The Group** has a real estate portfolio of quality investments with a fair value of NIS 11.2 billion.
- **Financial flexibility** enabling taking advantage of business opportunities in the market, due to significant cash balances, low leverage, high level of properties which can be mortgaged.
- **Management** with the ability to identify opportunities and a proven ability to improve properties.
- **Actual NOI 2010** (correct as at June 30, 2010) NIS 874 million**. As at December 31, 2009 – representative NOI was NIS 786 million; actual NOI was NIS 786 million.

** On the basis of actual NOI in the first half of 2010.

Thank You