



Conference Call Presentation

Financial Statements ■ Q2 2012

23.08.2012



AZRIELI GROUP
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Convenience translation from Hebrew

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- All written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the previous statements.

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Disclaimer

- The information included in this presentation is similar to the information included in the Company's reports and/or presentations released by the Company in the past and/or in the financial statements as of June 30, 2012, as released on Magna, and does not constitute new information. However, some figures which are included in the presentation, are differently presented and/or edited and/or segmented. There are also figures which are included for the first time, as stated in the immediate report to which this presentation is annexed.
- 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 June 30, 2012, sections 1.1.6 and 1.1.7, including the methods of calculation and the underlying assumptions thereof. During the quarter, the Company updated the manner of calculation of the FFO index. For details see Section 1.1.7 of the Board of Directors' report as of June 30, 2012.
- 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 not been made yet regarding the scope of the Project.

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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.
- Current market capitalization - NIS 9.6 billion ⁽¹⁾.
- The Company owns leasable areas totaling 718,000 sqm, with another 328,500 sqm under construction (on a consolidated basis).
- The average occupancy rate in Israel is close to 100%.
- 90% of the fair value (on a consolidated basis) of the income-producing real estate and properties under development relates to real estate located in Israel.
- Fair value of the income-producing real estate and properties under development of NIS 15.4 billion.
- Unmortgaged assets of NIS 9.3 billion.
- Total shareholders' equity (relating to the shareholders) - NIS 11.1 billion ⁽²⁾.
- Low leverage: Net debt to balance sheet ratio of 22%, and equity to balance sheet ratio of 61%.
- The Group's bonds are rated AA/Stable by S&P/Maalot and Aa2/Stable by Moody's/Midroog.



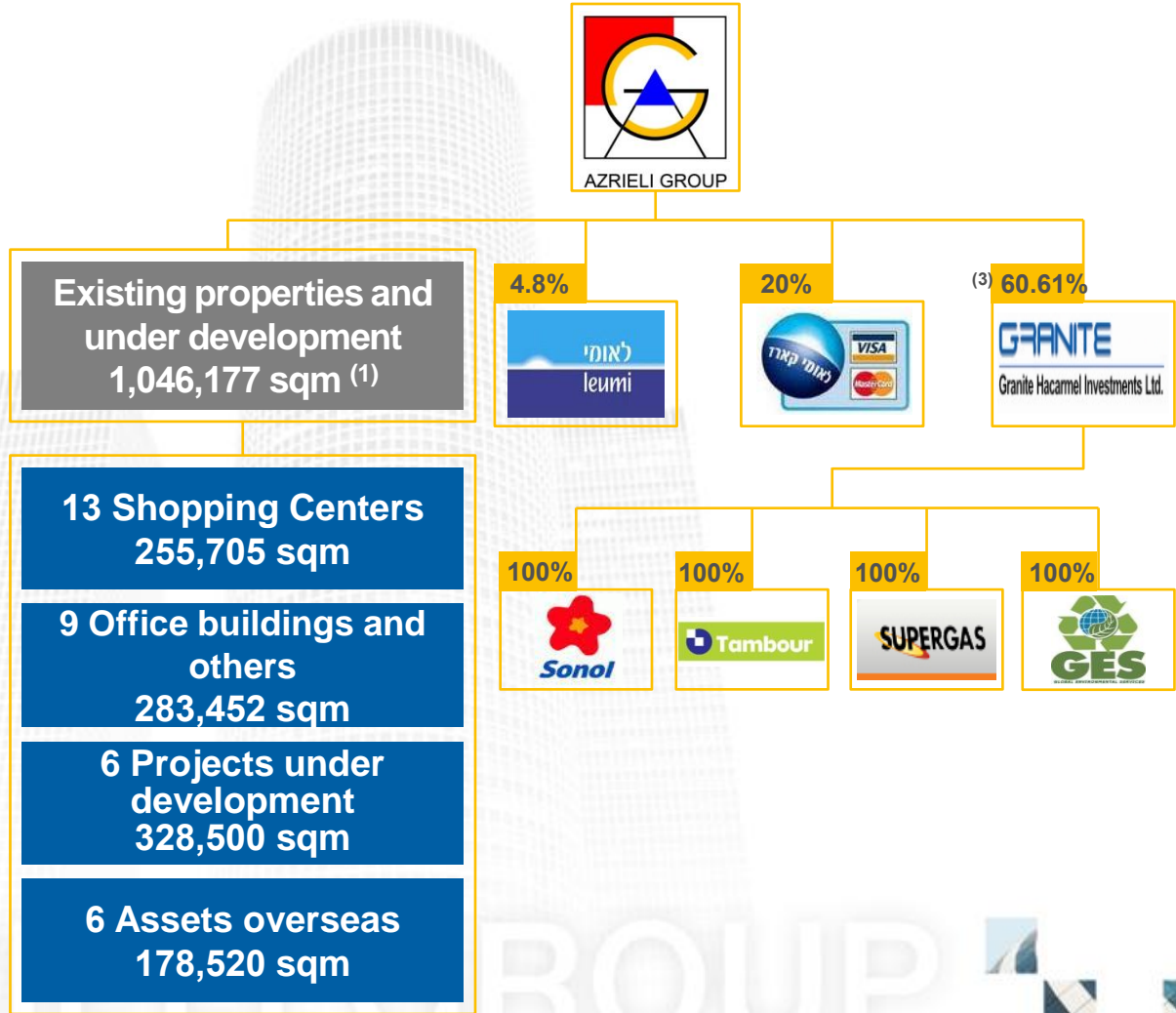
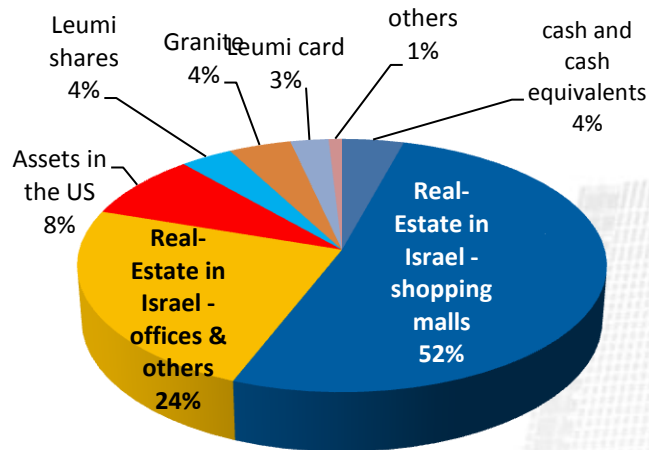
(1) As of 21.08.2012

(2) As of 30.06.2012



Azrieli Group - Company Structure

**Book value by assets
Solo extended (2)**



(1) GLA are consolidated.
 (2) As of 30.06.2012.
 (3) In August 2012 the Group announced a full tender for the purchase of the shares of Granite.





Azrieli Group - Real Estate Segments

Real Estate Activity (1)

Existing properties - commercial
GLA - 255,705



Offices and others
GLA - 283,452

- Azrieli Tel Aviv
- Herzliya
- Jerusalem
- Modi'in (offices & residential)
- Be'er Sheva
- Givatayim
- Caesarea
- Petach Tikva (50%) (2)

Projects under development
GLA - 328,500

- Azrieli Center Sarona
- Ramla
- Rishonim
- Azrieli Center Holon (83%)
- Ayalon – 2nd floor
- Kiryat Ata – phase B

Income producing properties - abroad
GLA - 178,520

- Houston, Texas
- Galleria 90%
 - Plaza 100%
 - Northchase 100%
 - One Riverway 33%
 - Three Riverway 45%
- Leeds, United Kingdom
- Southern House 100%

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(1) GLA are consolidated.

(2) The Group signed an agreement for the purchase of the partners share (50%) in the property.



Financial Highlights in Q2/2012

(summary of extended standalone statements)

13% NOI growth

- **NOI** in Q2/2012 totaled NIS 269 million, compared with NIS 239 million in Q2/2011.
- An increase of 13%.
- Due to an internal increase in rent (same property NOI), the acquisition of the Galleria office towers and Plaza in Texas and the opening of the malls in Akko and Kiryat Ata.

5.4% increase in Same Property NOI

- Growth of 5.4% in **Same Property NOI** during Q2/2012 compared with Q2/2011.
- 3.8% increase in the commercial segment in Israel, a 4.5% increase in the offices and others in Israel segment and 30.8% increase in the assets in the U.S.A segment.
- The growth is attributed to an internal increase in rent and the continued occupation of income-producing properties.

15% growth in real-estate segment FFO ⁽¹⁾

- **FFO** totaled NIS 180 million in Q2/2012 compared with NIS 157 million in Q2/2011.
- A 15% increase.
- The increase is attributed mainly to the increase in the NOI.

Increase in the net profit ⁽²⁾ (net of extraordinary effects) of 19% totaled NIS 127 million

- **Net profit of extraordinary effects** totaled approx. NIS 127 million, compared to approx. NIS 107 million in Q2/2011.
- The 19% increase is attributed mainly to an increase in the NOI and decrease in financing expenses.

Net profit totaled NIS 191 million

- **Net profit** of NIS 191 million in Q2/2012 compared with NIS 383 million in Q2/2011.
- The decrease in the net profit is attributed mainly to moderate increase in the fair value of income producing real estate, amounting to NIS 99 million (before tax) compared to an increase of NIS 339 million in the previous quarter.

(1) During the quarter, the Company updated the manner of calculation of the FFO index. For details see Section 1.1.7 of the Board of Directors' report as of June 30, 2012.

(2) Net profit of extraordinary effects of revaluation adjustments and securities



Main Events in Q2/2012

Advancement in projects under development

- **Azrieli Center Sarona:** receiving the approval for the construction of the basements. Started excavation.
- **Azrieli Center Holon:** advanced stage of development. Signing first lease agreement for 7,000 sqm and continued negotiation for additional spaces.
- **Azrieli Ramla Mall:** under construction.
- **Azrieli Rishonim:** completing building the temporary parking.

Continuation in the development and acquisition momentum

- In Q2/2012, the Group 's investments in real-estate properties totaled NIS 77 million.
- From the beginning of 2012, the Group 's investments in real-estate properties totaled NIS 560 million.

Occupancy (1)

- The average occupancy rate in the offices and others segment in Israel - close to 100%.
- The average occupancy rate in the shopping center segment in Israel - close to 100%.
- The average occupancy rate in the assets in the USA segment is approx. 89%.

6% turnover in the Shopping Centers (2)

- In 1-6/2012 the turnover in the shopping centers in Azrieli Group showed an increase of approx. 6% on average, compared with the previous period in 2011.
- The turnover excluding new assets and expansions showed an increase of approx. 2%.

An agreement for the acquisition of One Plaza Power Center in Beer Sheva for NIS 377.5 million (3)

- In July 2012, the Group signed an agreement for the acquisition of One Plaza (100%) Power Center in Beer Sheva for NIS 377.5 million.
- The projected NOI is NIS 30 million, which represents a yield of 8% over the acquisition price.
- The closing of the transaction is conditioned upon approval by the Antitrust Commissioner.

(1) As of 30.06.2012

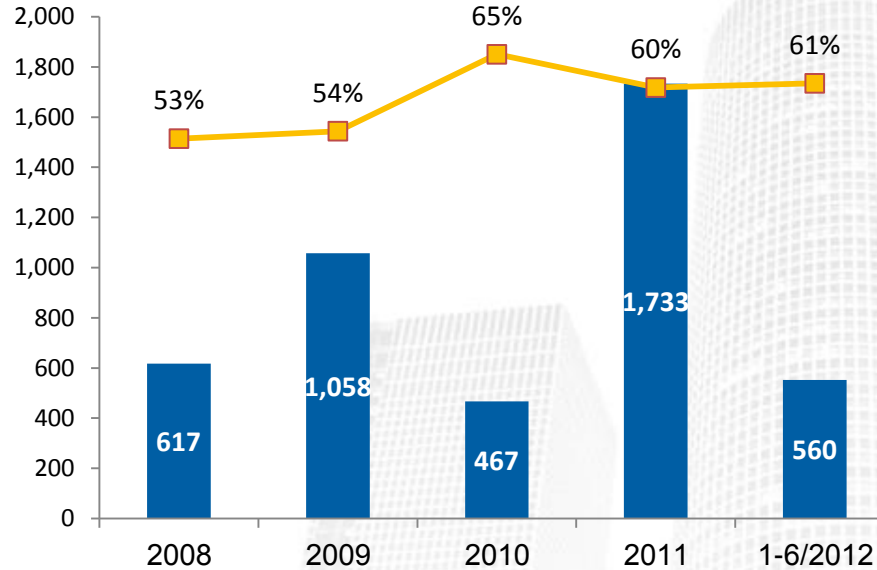
(2) Calculated on a basis of the total annual average NOI for all of the contracts throughout all of the lease periods.

(3) Based on figures received from the tenants. Furthermore, not all tenants report their turnover to the Company.



Maintaining Financial Strength despite Massive Development and Acquisitions

Investment in real estate (NIS in million)



Equity to Balance sheet ratio



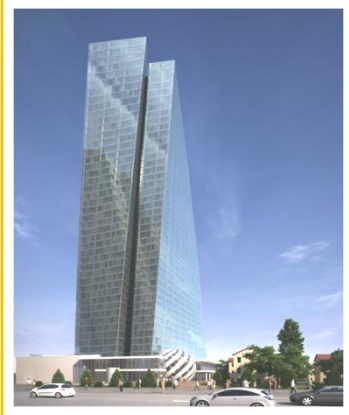


Development Momentum

Approx. 328,500 sqm GLA⁽¹⁾; Total investment of NIS 3.1-3.2 billion



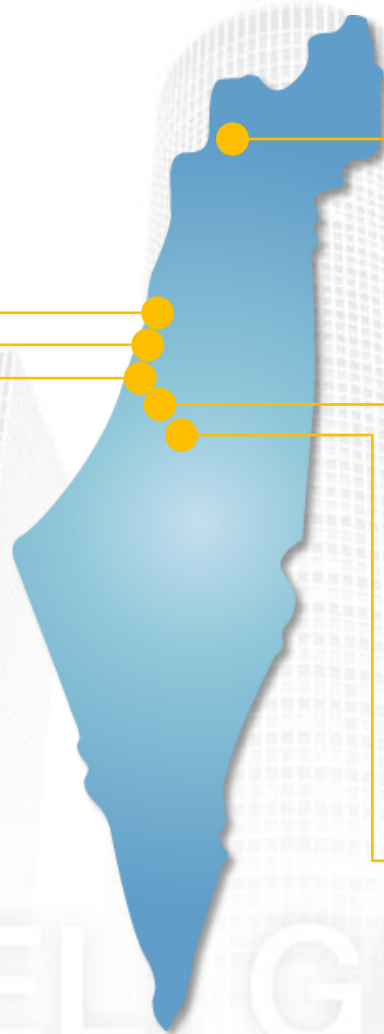
Azrieli Ayalon mall
(additional floor)
Approx. 9,500



Azrieli Center Sarona,
Tel Aviv
Approx. 125,000



Azrieli Center Holon
Approx. 120,000



Azrieli Kiryat Ata
(phase B)
Approx. 4,000

Azrieli Rishonim
Approx. 48,000

Azrieli Ramla
Approx. 22,000



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(1) GLA consolidated.



Projects under Development - Future Growth Engine

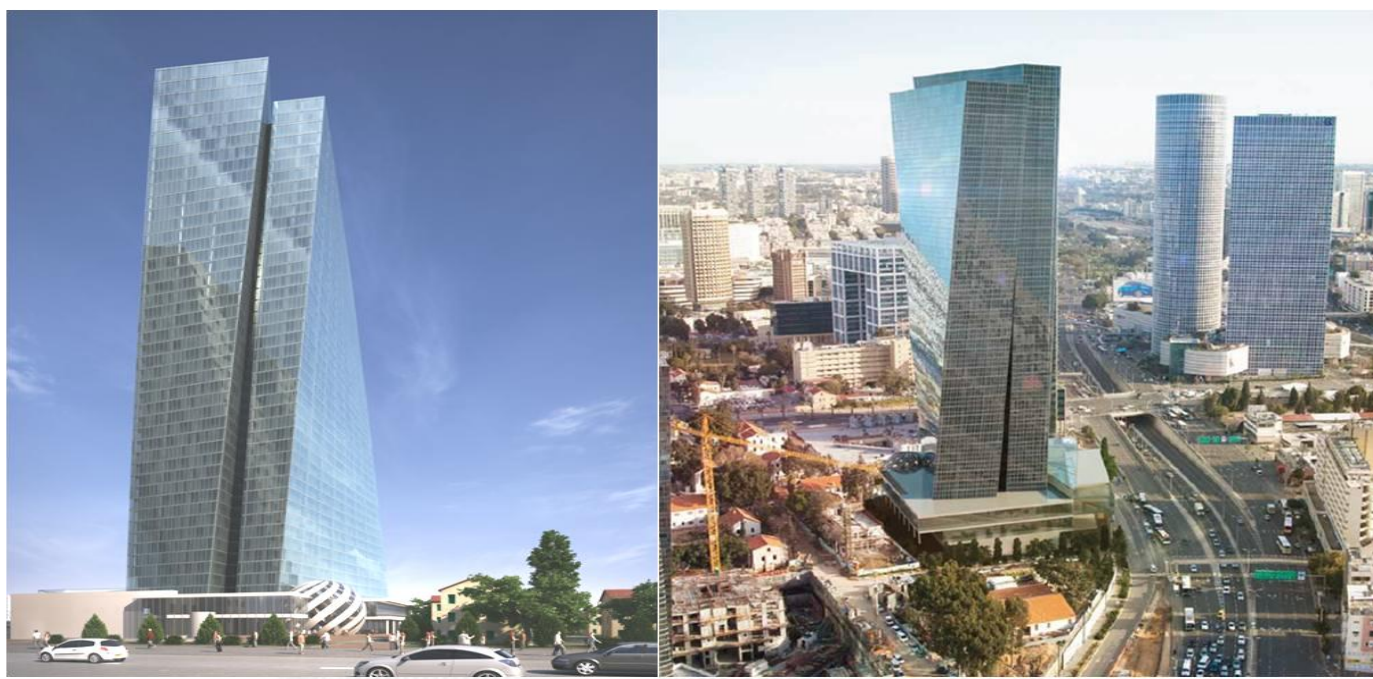
Name of property	% ownership	Use	GLA	Estimated date of completion	Book value 30.06.2012 (NIS in millions)	Estimated cost to completion of project
Azrieli Center Sarona, Tel Aviv	100%	Commercial and Offices	125,000	2016	577	900-945
Azrieli Kiryat Ata - phase B	100%	Offices and Commercial	4,000	2013	9	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	2015	73	415-445
Azrieli Center Holon ⁽¹⁾	83%	Commercial and Offices	115,000 5,000	Phase A 2013 Phase B 2016	199	422-457
Azrieli Ramla Mall	100%	Commercial	22,000	2014	104	210-230
Total			328,500		967	2,112 - 2,282
Total Book value plus Estimated cost to completion						3,079 - 3,249

(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.
- Book value ⁽¹⁾ - NIS 577 million.
- Estimated cost to completion ⁽¹⁾ - NIS 900-945 million.
- Completion scheduled for 2016.
- **Status - excavation started and construction of the basements.**

(1) As of 30.06.2012.





Azrieli Center Holon



- Azrieli Group's share – 83%.
- Gross commercial and office leasable area of 120,000 sqm.
- Status - under development, marketing started.
- Completion scheduled for – Phase A (62,500 sqm): 2013.
– Phase B (57,500 sqm): 2016.
- Book value ⁽¹⁾ – NIS 199 million.
- Estimated cost to completion ⁽¹⁾ – NIS 422-457 million.





Azrieli Rishonim Project

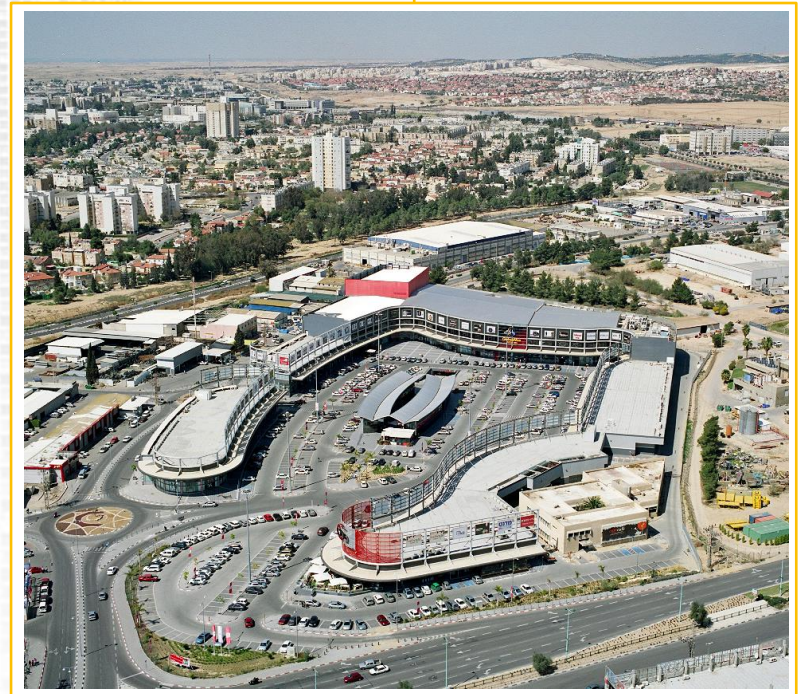
- Azrieli Group's share – 100%.
- Gross commercial and office leasable area of 48,000 sqm.
- Status – completed building the temporary parking for the train users. Awaiting final approvals for the operation thereof
- Completion scheduled for 2015.
- Book value ⁽¹⁾ – NIS 73 million.
- Estimated cost to completion ⁽¹⁾ – NIS 415-445 million.





A contingent Agreement for the Acquisition Of One Plaza, Beer Sheva

- Ownership – 100%.
- Total GLA – 23,500 sqm (and 4,000 sqm under construction).
- Occupancy rate at acquisition – 98%.
- Cost – NIS 339.5 million + additional NIS 38 million upon completion of construction and lease of the spaces.
- Projected NOI – NIS 30 million ⁽¹⁾.
- Expected closing date – September 2012.
- The closing of the transaction is conditioned upon approval by the Antitrust Commissioner.



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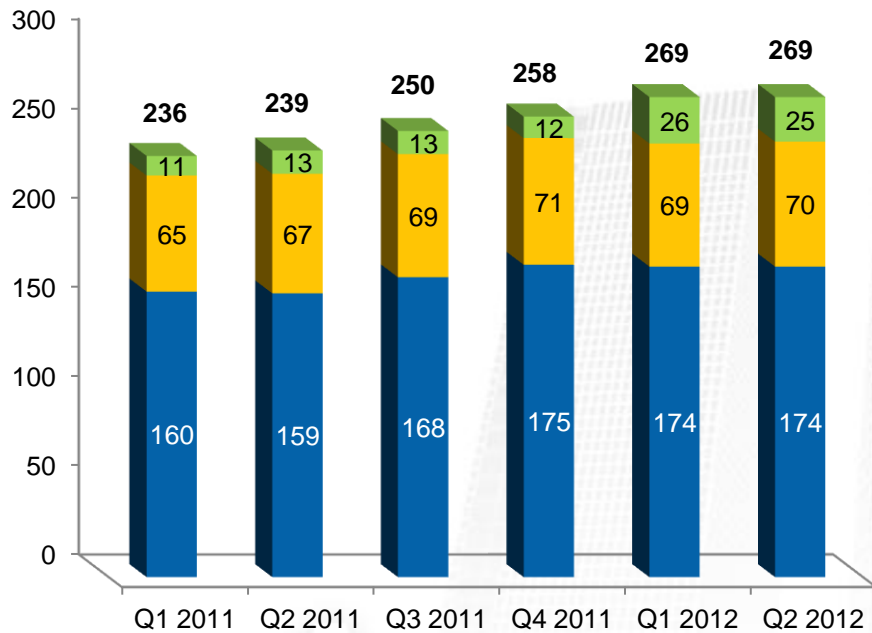
(1) NOI assuming occupancy of the additional areas, and based on signed contracts.



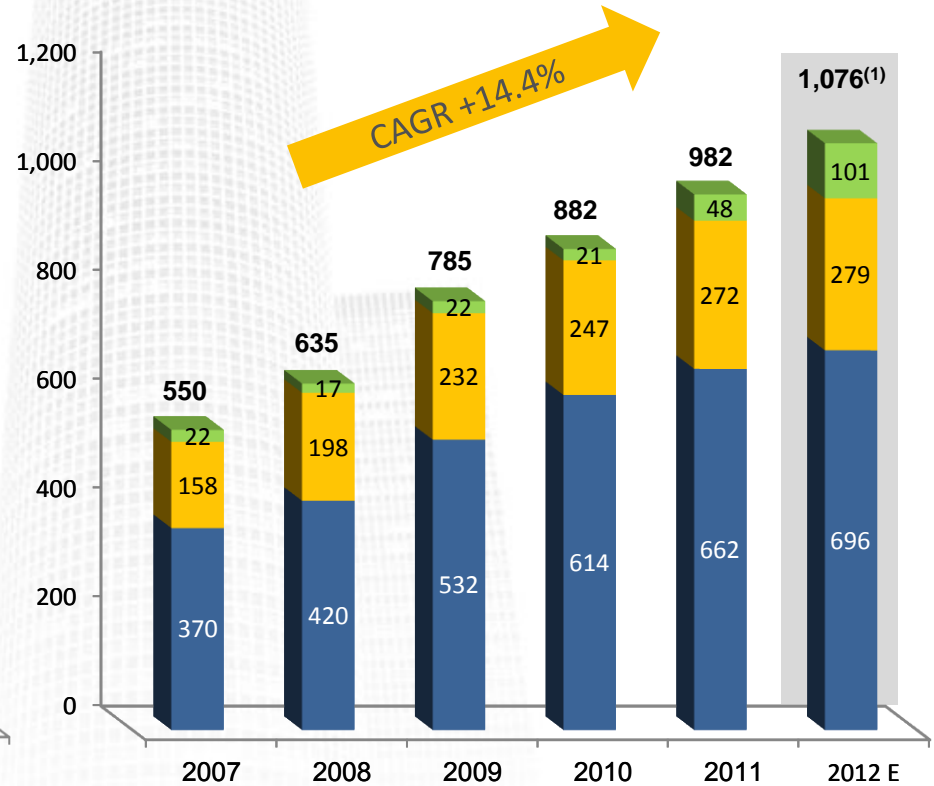
Continuous Growth in NOI

(NIS in millions)

Quarterly NOI



Annual NOI



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



(1) Actual NOI for the first two quarters of 2012, and assuming an NOI for the remaining two quarters identical to the NOI for the second quarter.

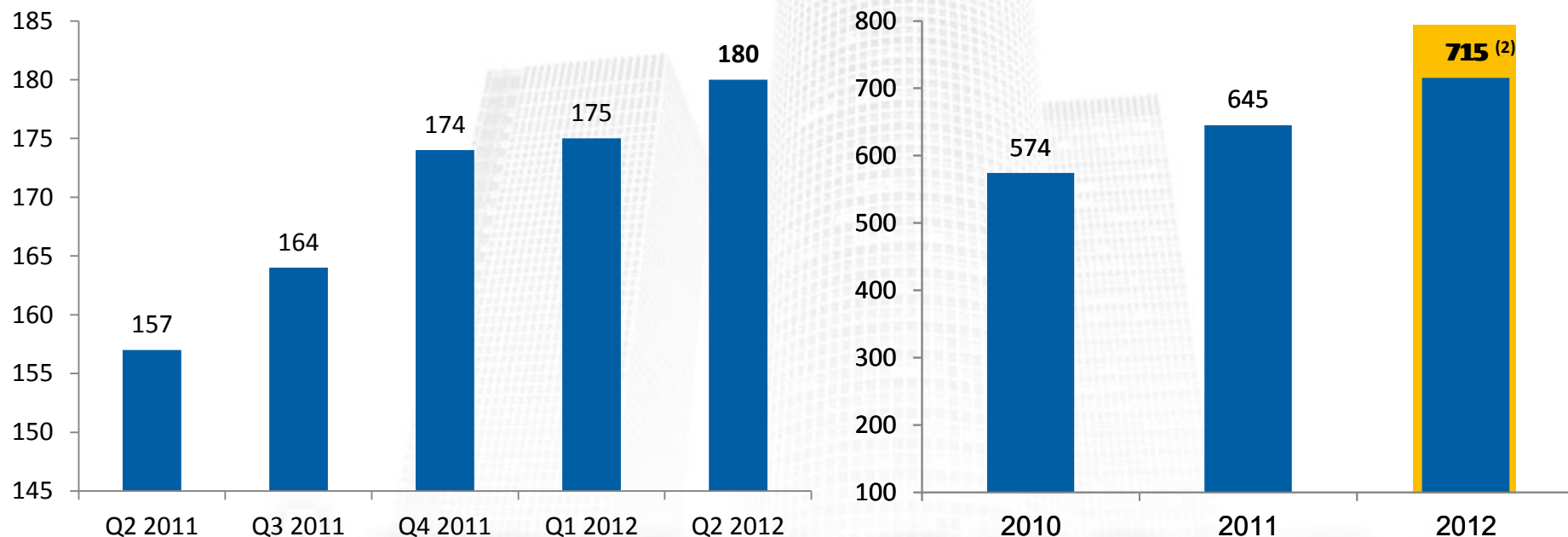


Continuous Growth in FFO (1)

(NIS in millions)



Real Estate FFO



(1) During the quarter, the Company updated the manner of calculation of the FFO index. For details see Section 1.1.7 of the Board of Directors' report as of June 30, 2012.

(2) Actual FFO for the first two quarters of 2012, and assuming an FFO for the remaining two quarters identical to the FFO for the second quarter.





Summary of Financial Results – Q2/2012

(extended standalone)

NIS in millions	4-6/2011	4-6/2012	2011
Property rental income	299	347	1,245
NOI	239	269	982
Same property NOI	239	252	938
Real estate segment FFO ⁽¹⁾	157	180	668
Appreciation of investment property ⁽²⁾	278	74	696
Effect of rise in tax liabilities	--	--	(582)
Net profit, including minority	388	198	623
Net profit, attributed to shareholders ⁽³⁾	383	191	596
Comprehensive profit, attributed to shareholders ⁽³⁾	276	89	173

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(1) During the quarter, the Company updated the manner of calculation of the FFO index. For details see Section 1.1.7 of the Board of Directors' report as of 30.06.2012.

(2) Net, after tax.

(3) Consolidated statement.



Balance Sheet

(summary of extended standalone statement)

NIS in millions	31.12.2011	30.06.2012
Cash, securities and deposits	1,467	782
Financial debt, gross	4,991	4,877
Financial debt, net ⁽¹⁾	3,524	4,095
Financial assets available for sale	1,256	1,149
Fair value of income-producing real estate and under development	14,766	15,444
Shareholders' equity (excluding minority interest)	11,034	11,100
Shareholders' equity to balance sheet ratio	60%	61%
Total balance sheet	18,450	18,385
Shareholders' equity per share (NIS)	91	91.5
EPRA NAV per share (NIS) ⁽²⁾	109	110

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(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

Portfolio weighted average cap-rate of 7.7%

NIS in millions	
Investment properties as of 30.06.2012 (extended standalone)	15,496
Net of: properties under development, vacant space and building rights	(993)
Total income-producing properties	14,503
Actual NOI for Q2/2012	269
Additions to future Q2/2012 NOI	9
Adjusted NOI for Q2/2012	278
Annual pro-forma NOI	1,112
Portfolio weighted average cap-rate	7.7%

Current real estate segment FFO yield of 11.6%

NIS in millions	
Net profit for Q2/2012 (attributed to the shareholders)	191
Net of items attributed to Granite	(8)
Other adjustments	(3)
FFO attributed to real-estate operations	180
Annual proforma FFO (Real-Estate)	720
Azrieli Group market cap⁽¹⁾	9,538
Less: cash & cash equivalents ⁽²⁾	(782)
Less: real holdings ⁽¹⁾	(1,559)
Less: investment in projects under development ⁽²⁾	(993)
Market cap attributed to real estate operations only	6,204
Current annual FFO yield - real estate	11.6%

(1) As of 16.08.2012

(2) As of 30.06.2012

(3) During the quarter, the Company updated the manner of calculation of the FFO index. For details see Section 1.1.7 of the Board of Directors' report as of 30.06.2012.





Debt Structure and Rating ⁽¹⁾

(NIS in millions)

Financial stability

- Low leverage - net financial liabilities to balance sheet: 22%.
- Shareholders' equity to balance sheet - 61%.
- Liquid means of approx. NIS 782 million.
- Non-mortgaged property value of approx. NIS 9.3 billion.
- Bank loans - NIS 3.5 billion.
- Bonds & commercial papers - NIS 1.4 billion.
- Weighted average duration - 3.04 years.

Rating

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

	Principal amount	Share of total loan
Up to 1 year	769	16%
1 to 4 years	1,998	41%
5 to 10 years	2,110	43%
	-----	-----
Total 30.06.2012	4,877	100%

	Principal amount	Average interest rate
Linked to CPI	3,452	5.03%
In NIS	427	3.16%
Linked to \$	972	5.18%
Linked to £	26	3.375%
	-----	-----
Total 30.06.2012	4,877	4.89%

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(1) Based on 30.06.2012 extended standalone financial statements.



Other Holdings - Results for Q2/2012



Granite Hacarmel Investments Ltd.

Granite HaCarmel (approx. 60.61% holding) – In Q2/2012 net profit of approx. NIS 13 million compared with net profit of NIS 0.1 million in Q2/2011 (attributed to the shareholders).
In August 2012, the Group announced a full tender for the purchase of the shares of Granite.



Bank Leumi (approx. 4.8% holding) – In Q2/2012, the share value on TASE decreased by approx. 20%, representing a decrease of approx. NIS 135 million, net of tax.
The group's market holding value as of 30.06.2012 is NIS 663 million.



Leumi Card (20% holding) – The Q2/2012 financial statements are not yet published.

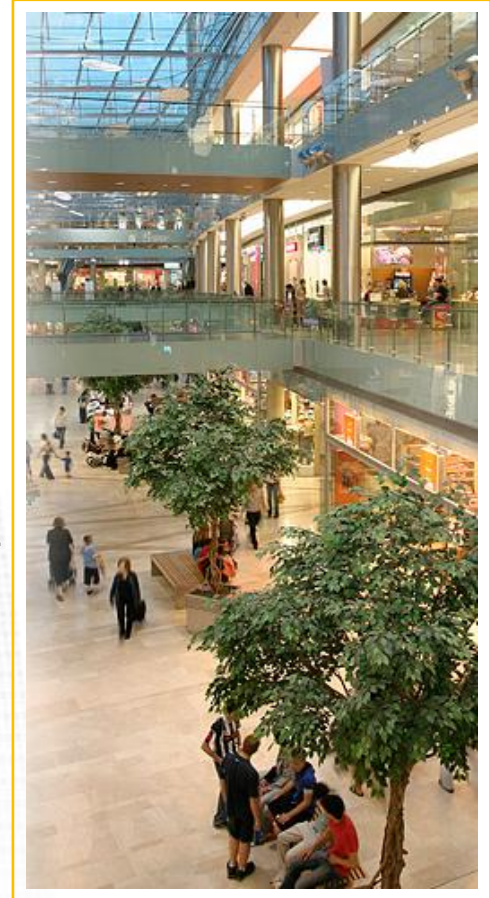
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Summary - Leadership, Innovation and Strength

- Continued growth in the core business activities: NOI, FFO etc...
- Increase the turnover in the shopping centers.
- Long term projections show high occupancy rates.
- Maintain exceptional financial strength while acquiring significant investments for new real estate.
- Significant growth engines:
 1. Internal growth.
 2. Assets under development.
 3. New acquisitions of yielding properties and lands for future development.
- Most of the Azrieli Group's activity takes place in Israel.



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