

Azrieli Group Ltd.

IPO 2010

Legal Clarification



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the vendors with respect to potential construction rights, proper checks and an analysis of market conditions. Whether or not the forward-looking information will materialize will be affected, amongst other things, by risk factors inherent in the Company's operations, as well as developments in the general environs and external factors that affect the Company's operation, which cannot be estimated in advance and that are not within the control of the Company. The Company cannot be certain that its expectations and estimates will indeed materialize, and the results of the Company's operations might be significantly different from those that are estimated or implied from the aforesaid, amongst other things due to changes to any of the above factors. Moreover, the Company cannot be certain that basic assumptions it has made, which are dependent on third parties, will materialize.

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This presentation contains information regarding the real estate market in Israel, which was published by professional organizations and which the company did not check and is not responsible for.

Legal Clarification



NOI for 2005-2006

NOI figures for 2005 - 2006 are based on unaudited calculations and data in the Company's possession. They have not been prepared pursuant to accepted accounting principles, but were made in good faith and on the basis of the Company's past experience and professional know-how. The said information is brought below for purposes of convenience only, but is not a replacement for information provided by the Company in or in connection with its financial statements and therefore should not be solely relied upon.

Growth Figures:

The Company's estimates regarding growth figures are based on income from actual rent, from both the commercial center and leased office areas, and in some instances this includes where the relevant center has been expanded. The figures are unaudited and not prepared pursuant to accepted accounting principles, but were made in good faith and on the basis of the Company's past experience and professional know-how. The said information is brought below for purposes of convenience only, but is not a replacement for information provided by the Company in or in connection with its financial statements, and therefore should not be solely relied upon.

The information contained in this presentation is similar to that contained in the prospectus, and is not new. However, the presentation contains data that is presented in a manner and/or layout and/or segmentation that is different to that presented in the Company prospectus.

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1. Offer structure
2. The opportunity
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4. Financial overview and capital structure
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1

Offer Structure

Offer Structure



Envisaged use of proceeds:

- Fund existing pipeline and future growth with a focus on the real estate platform

Key terms of transaction:

- Min. size offer: NIS 2.73bn / USD 727m
- Tel Aviv Stock Exchange listing, index inclusion in TA-25 and TA-Real Estate 15*
- Inclusion in the FTSE EPRA/NAREIT index series and FTSE EPRA/NAREIT Europe index*

IPO structure:

- Unit of 10 shares in minimum price of NIS 901 per unit, which represent company value of NIS 8.2 billion (pre IPO)

*Expected



2

The Opportunity

The Opportunity



1. Fully integrated development and investment property company with 27 years of successful experience in developing, owning and managing the flagship shopping malls and office buildings of Israel
2. Secure yield from standing prime assets combined with growth from identified development pipeline and acquisitions
3. Strong brand name and dominant position in the fast growing Israeli property market with a clear consolidator role
4. Sound capital structure
5. Strong management and track record
6. Selective limited exposure to diversified activities providing further growth and income visibility



3

Equity Story in Detail

I. Fully Integrated Development and Investment Property Company

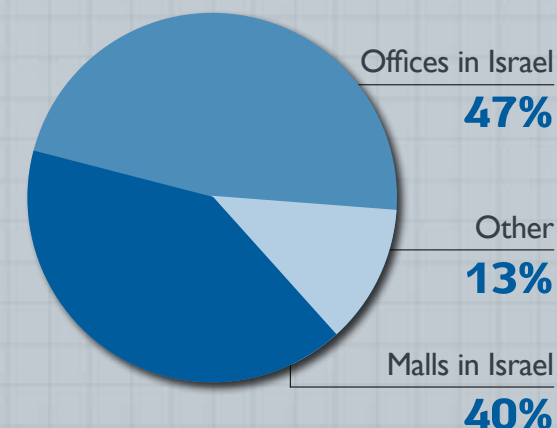


Highlights

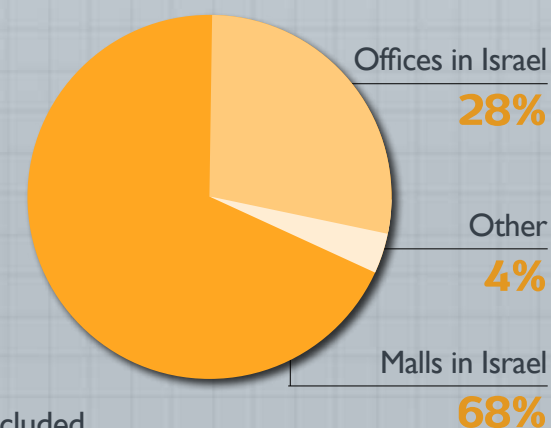
- The largest and leading income-generating commercial real estate group in Israel
 - NIS 10.8bn - Real estate for investment and real estate under construction
 - 530,000 sq.m. of gross leasable area
- Focusing on initiation, acquisition, development and management of real estate
- **Full in-house expertise along entire property value chain**

Portfolio Split

Sq.m.



Income

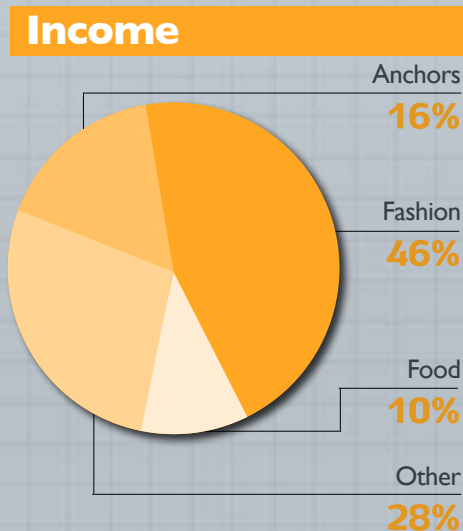
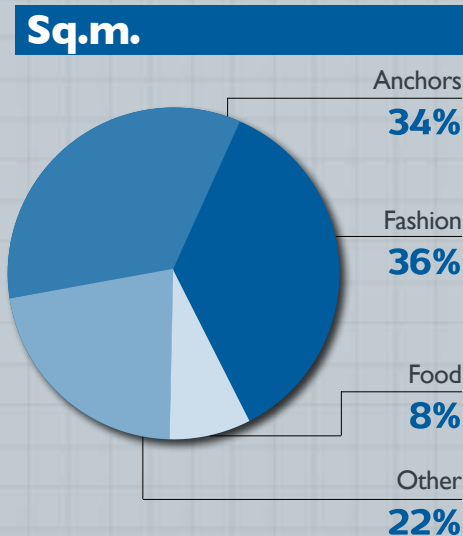


*Azrieli Mall Haifa is not included

I. Fully Integrated Development and Investment Property Company



Tenants Split in Azrieli Malls



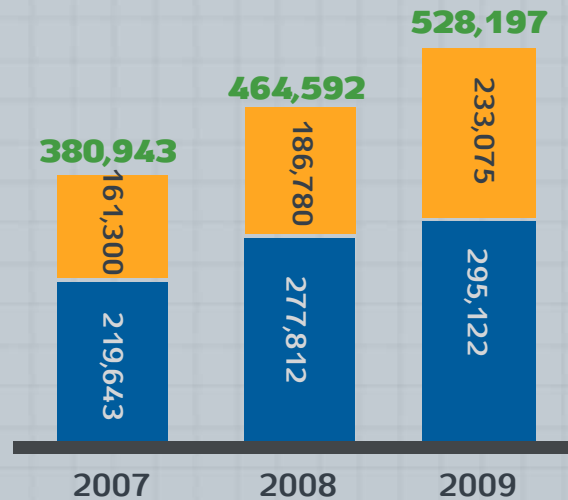
	Gross areas for lease (sq.m.)	NOI representative figure according to appraisal 31.12.09 (in NIS thousand)	Average capitalization rate according to appraisal	Occupancy Rate Mall (offices) 31.12.09	Property value according to 2009 appraisal (in NIS thousand)
Income Producing Assets in 2009					
Azrieli Center	181,224	290,894	7.80%	100% (99.5%)	3,725,100
Azrieli Mall Jerusalem	41,584	112,463	7.60%	100% (90%)	1,475,900
Azrieli Mall Ayalon	23,153	87,819	7.54%	100%	1,155,800
Azrieli Mall Modiin (without residential units)	38,104	62,881	8.14%	99.5% (82%)	763,200
Azrieli Mall Negev	31,010	67,074	8.12%	97% (99%)	826,300
Azrieli Mall Givatayim	21,725	62,089	7.60%	99.9% (100%)	818,480
Azrieli Business Park (without Building E)	61,505	51,647	8.10%	100% (86%)	637,860
Azrieli Mall Holon	16,640	38,398	7.83%	100%	489,330
Other Assets	87,428	51,455			600,191
Total Income producing assets in 2009	502,373	824,720			10,492,161
Income producing assets commencing 2010					
Azrieli Mall Haifa	25,824				311,904
Building E - Herzlyia Business Park	13,000				123,419
Residential units in Modiin (net area)	8,693				83,390
Total income producing assets commencing 2010	47,517				518,713
Total Property	549,890				11,010,874

2. Secure Income Combined with Growth



Portfolio Growth

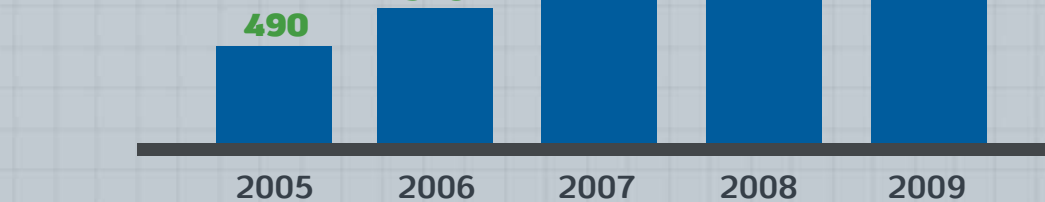
+39%



Areas for lease in sq.m. | The figures for 2009 include Azrieli Mall Haifa, which was acquired in 2010

NOI Growth

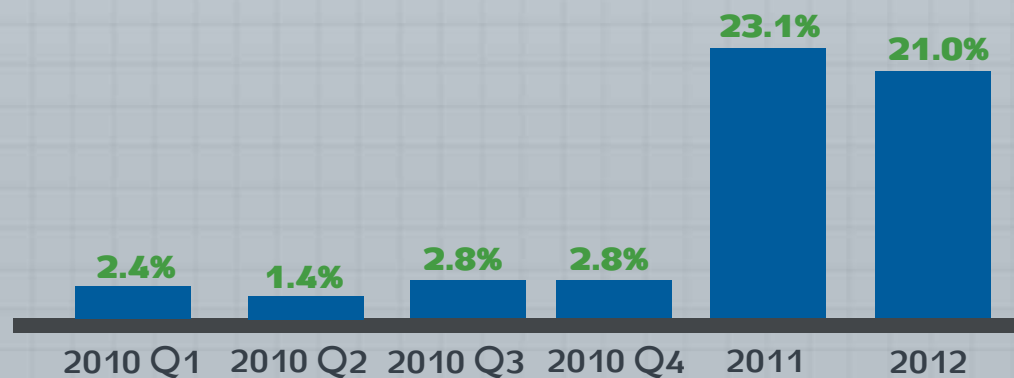
+60%*



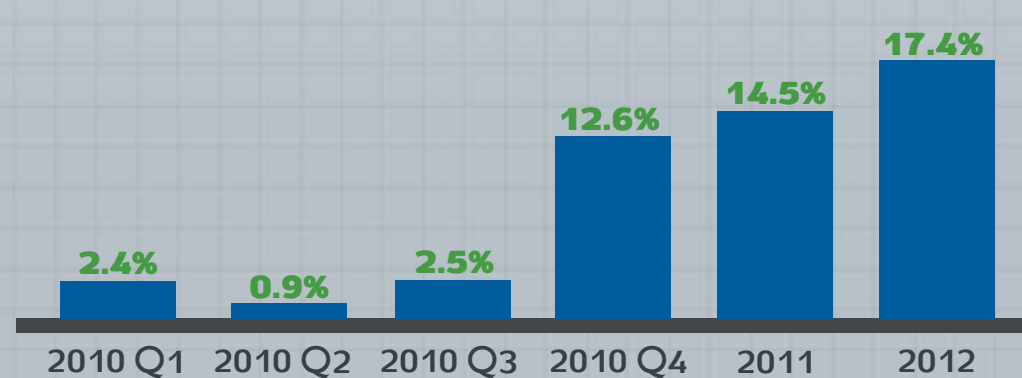
In NIS Millions | *Estimate - 2005 - 2006 figures are based on Company estimates and are not audited

Lease Expiry Profile - Ending lease agreements in the relevant period (by rent revenues)

Commercial Centers



Offices



2. Growth supported by secured pipeline



Project	Ownership (%)	Rent Space (sq.m. approx.)	Start	Estimated Completion	Invested Dec. 09 (NIS m)	Total Expected Investment (NIS m)
Land in Kiryat Ata	100%	13,000	Nov. 09	Mar. 12	14	125-140
Land in Akko	100%	12,000	Mar. 10	Mar. 12	11	95-115
Land in Holon	83%	100,000	2010	2019	8	590-630
Land in Rishon Lezion	100%	48,000	Jan 2011	2013	76	400-430
Ayalon 2nd Floor	100%	9,000	TBD	TBD + 18 Month	4	120-150
Givatayim 2nd Floor	100%	2,000	2010	2011	2	15-18
Total		184,000			115	1,350-1,500

- Approx. 200,000 sq.m. (including building E) of assets under development
- Identified project pipeline and land bank for investments in 2010 and onward
- Approx. NIS 1.5 billion of anticipated investment

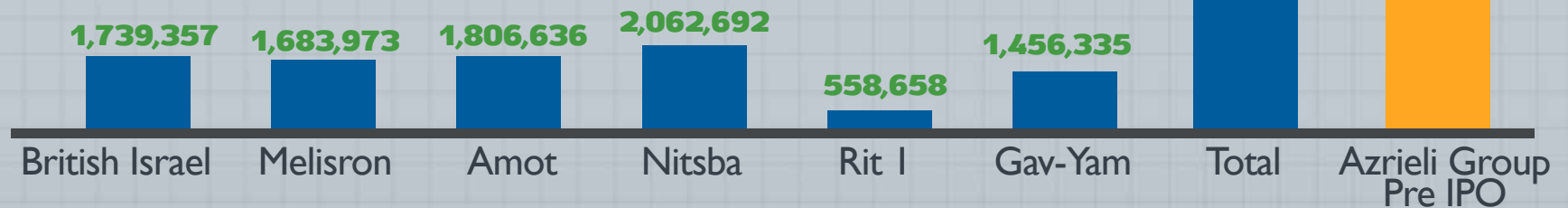
3. Strong Brand Name and Dominant Market Position in Israel



- Largest Israeli real estate company based on
 - a) Portfolio value
 - b) Expected market capitalisation

Equity (31.12.2009)

in thousands NIS
Based on companies' reports



- Established brand name in Israel
- Attractive platform for future growth
- Potential to act as consolidator and grow through selected bolt-on acquisitions
- Economies of scale

3. Market with strong fundamentals

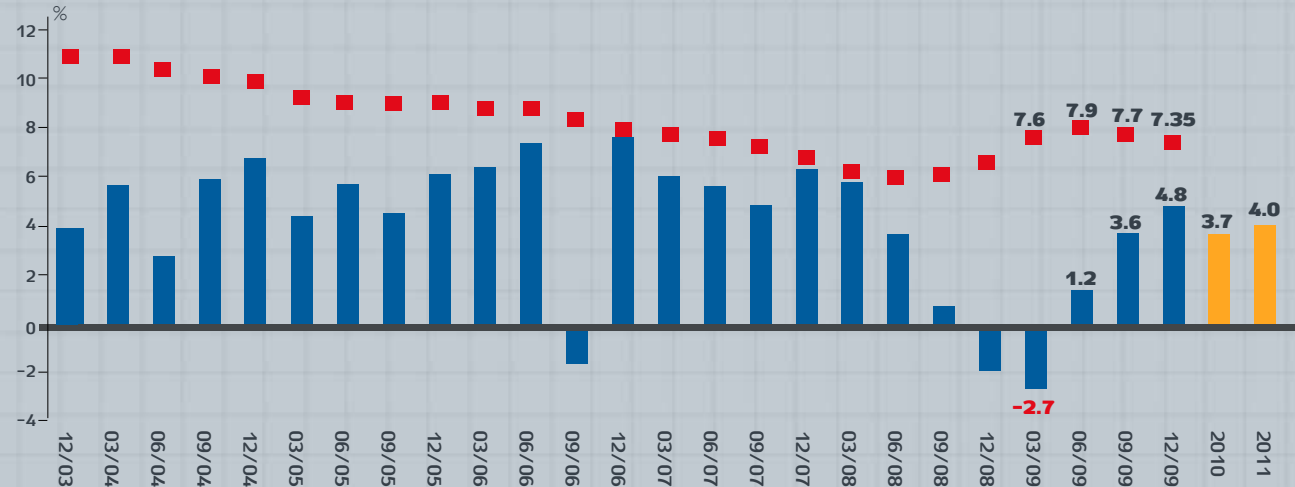


Market leader in an attractive, fast growing market

Snapshot overview Israeli economy: Growth and Unemployment Rates

1. Percentage of unemployed in the civilian work force (seasonally deducted) | 2. The rate of change in the GDP (in fixed prices, seasonally deducted) | 3. Growth forecast from the Bank of Israel | Source - The Central Bureau of Statistics and computations from the Bank of Israel

- Unemployment Rate [1]
- GDP growth Rate [2]
- GDP expected Growth Rate [3]



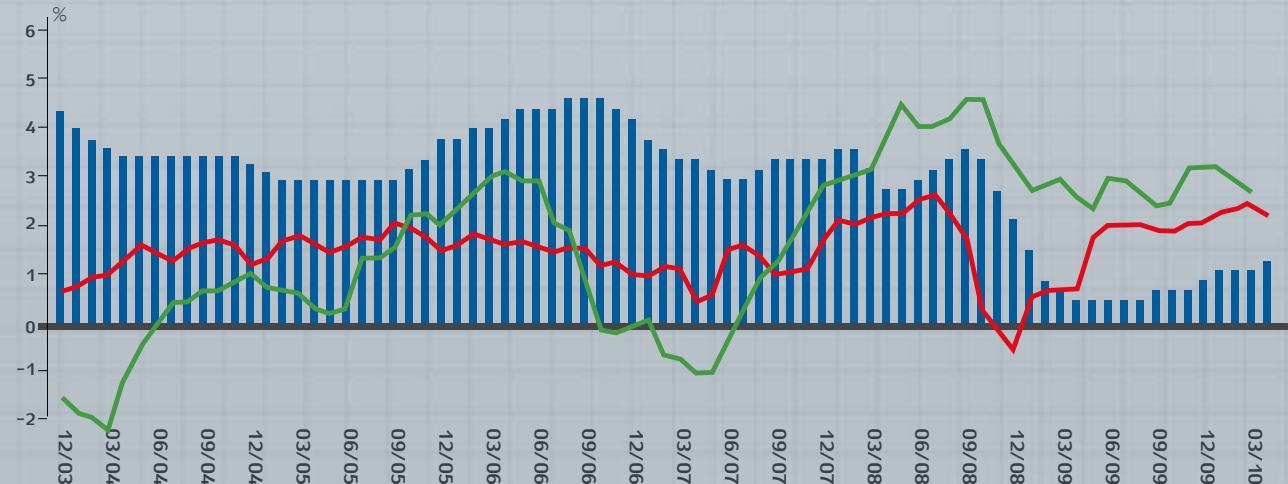
Snapshot overview Israeli economy: Inflation and Base Rates

(Source - Bank of Israel)

FX Rates to NIS:

Currency	Rate (14.5.2010)
Dollar	3.7590
Pound	5.4678
Euro	4.7132
100 Yen	4.0537

- Base Rates
- Actual Inflation
- Expected Inflation



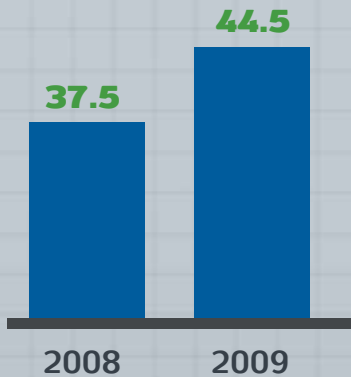
Source - Bank of Israel

4. Sound Capital Structure with Optimised Leverage and mainly long-term Debt

(Solo Extended)

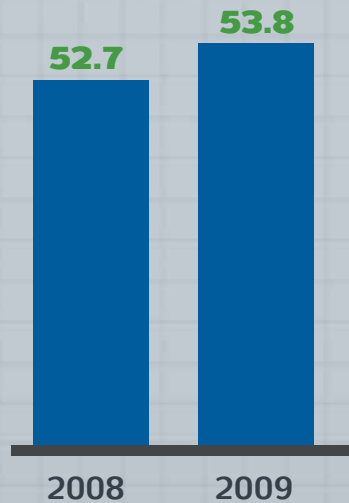


Loan to value ratio 2008-2009



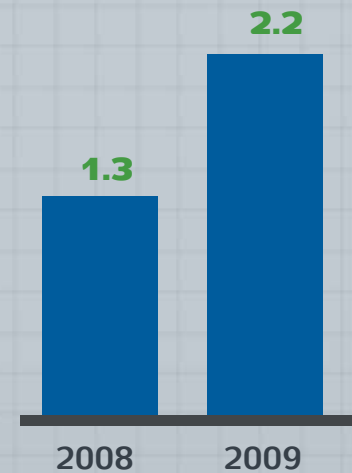
*Net debt / Real estate for Investment and real estate under construction

Equity Ratio 2008-2009



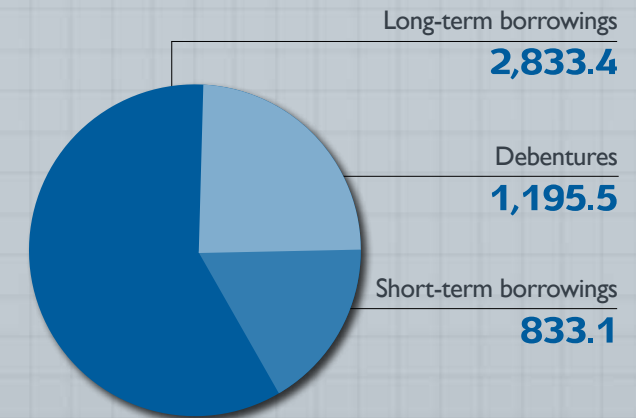
*Total shareholders' equity / Total assets

Interest cover ratio 2008-2009



*(Revenues from rental business + Financing income – Cost of revenues – Selling & marketing – General & administrative) / Financing expenses

Debt Breakdown - (31.12.2009 NISm)



5. Strong Management and Track Record



David Azrieli

Group founder and
Chairman of the board of
directors

27 years with Azrieli



Menachem Einan

CEO and Chairman of the
board of directors of Granite
Hacarmel

18 years with Azrieli



Danna Azrieli

Deputy Company Chairman
and Director at Granite
Hacarmel

10 years with Azrieli



Yuval Bronstein

CFO and Director at
Granite Hacarmel

3 years with Azrieli



Peer Nadir

CEO of Azrieli Malls
and Director at Granite
Hacarmel

22 years with Azrieli



Arnon Toren

Marketing Director of Azrieli
Center and Director at
Granite Hacarmel

20 years with Azrieli

5. Strong Management and Track Record

- History



From 2011 onwards

Property under development: Rishon LeZion, Holon., Haifa, Ramat Gan, Kiryat Ata, Akko...

2010

Acquisition of Azrieli Mall Haifa

2008 - 2009

Investments during the crisis:

Acquisition of Azrieli Givatayim
 Acquisition of 4.8% of Bank Leumi and 20% of Leumi Card
 Arranging land for development

2006

Acquisition of control in Granite HaCarmel

1998

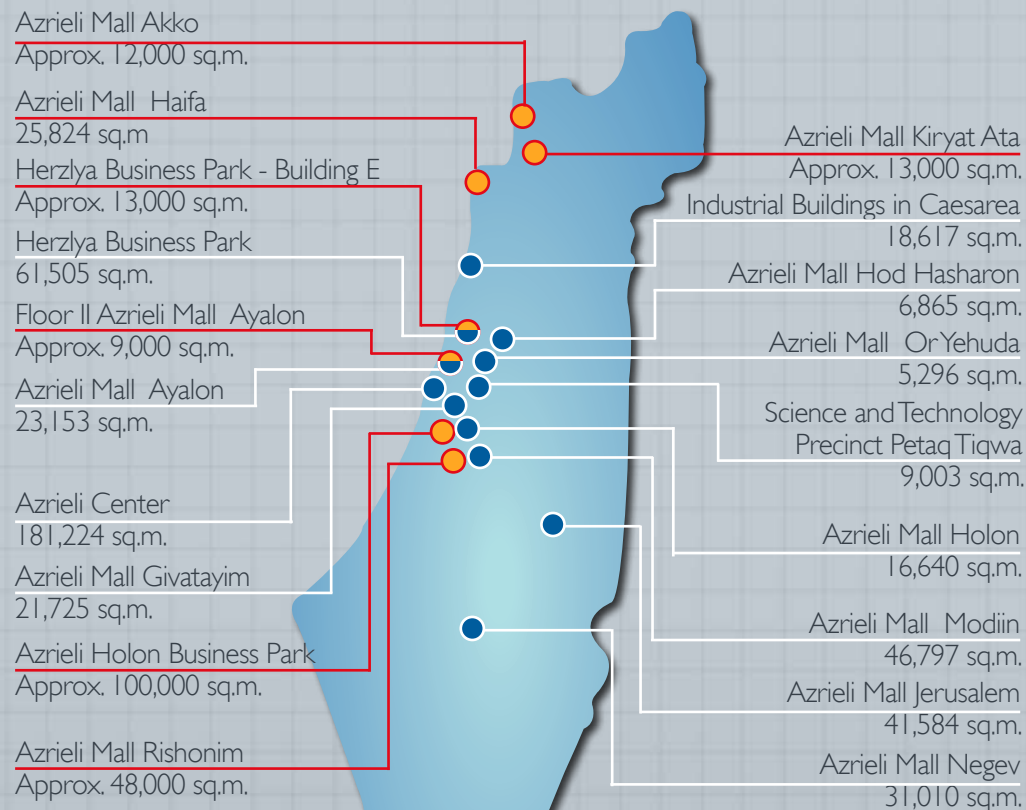
Opening of the Azrieli Center

1993

Opening of Azrieli Mall Jerusalem

1983

Construction of Azrieli Mall Ayalon



From 2010 onwards ●

Until 2009 ●

*Figures are in sq.m. for lease

5. Strong Management and Track Record

- Strategy



The Group focuses on investments in the yielding commercial real estate segment, in which Azrieli is a market leader in Israel

The company monitors the consolidation process in the income-generating real estate property sector in Israel and examines the business opportunities that are resulting from the process

In its acquisition of other cash-flow generating businesses, the company uses its financial strength, taking advantage of market conditions and / or distressed target companies

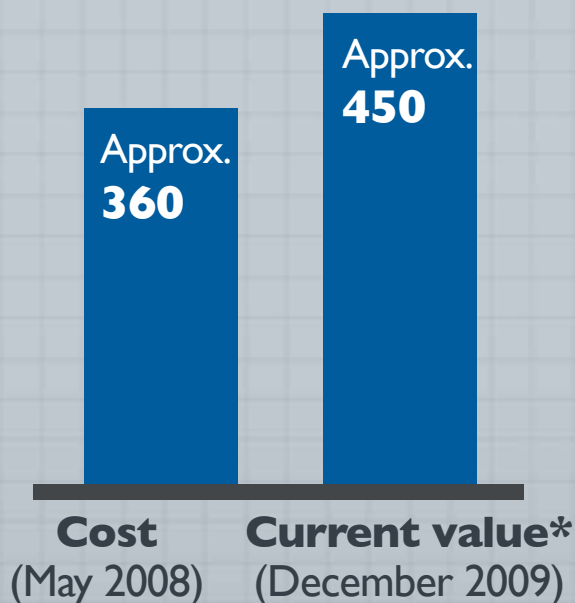
The Company's holdings are characterised by the following main parameters:

- Leadership in the respective sectors
- High synergies
- Stable cash-flow

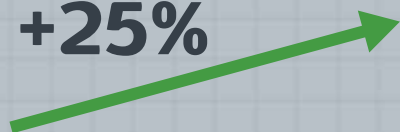
6. Selective limited Exposure to diversified Activities Providing further Growth and Income



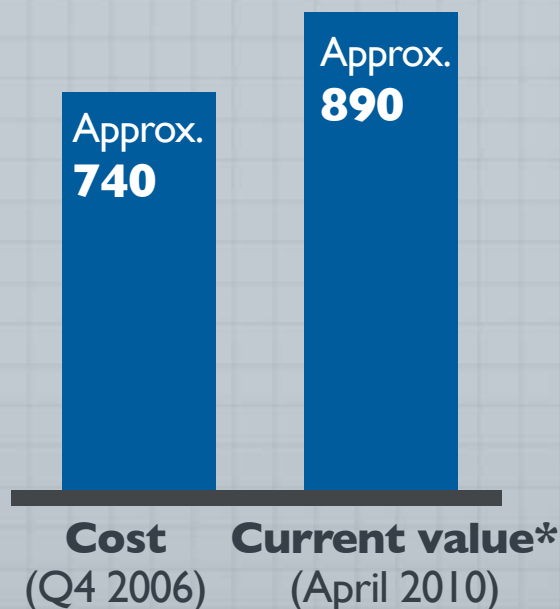
20% Shareholding
Leumi Card



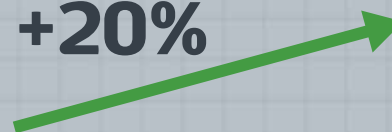
+25%



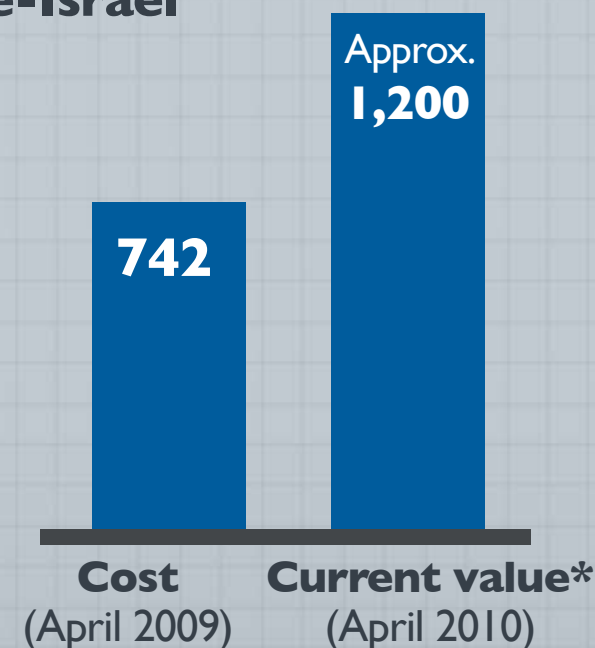
Approx.
61% shareholding
Granite HaCarmel



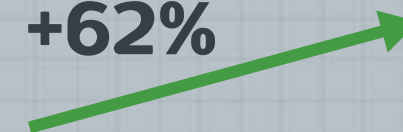
+20%



Approx.
4.8% shareholding
**Bank Leumi
Le-Israel**



+62%





4

**Financial
overview
and capital
structure**

Solo Extended Balance Sheet - Assets

(31.12.2009)



Azrieli Group Ltd.		
Solo Balance sheet	31.12.2008 (in thousands NIS)	31.12.2009 (in thousands NIS)
Cash and cash equivalents	52,052	58,431
Current investments, including derivatives	148,966	179
Trade Receivables	43,446	19,418
Debtors	77,746	27,628
Current tax assets	104,549	86,051
Total current assets	426,759	191,707
Investment in associated Companies	704,445	761,329
Loans to associated Companies	54,827	50,937
Investments and loans	9,502	27,758
Financial property for trade	389,448	1,694,432
Financial assets in fair value	18,928	23,258
Real estate for Investment and real estate under construction	9,517,392	10,794,913
Fixed assets	35,253	37,761
Prepaid leasing fee	3,272	3,254
Deferred taxes	639	675
Total non-current assets	10,733,706	13,394,317
Total assets	11,160,465	13,586,024

Solo Extended Report
– Consolidated reports
apart from holdings in
Granite HaCarmel which
are presented according
to balance sheet value.

Solo Extended Balance Sheet - Liabilities

(31.12.2009)



Azrieli Group Ltd.

Solo Balance sheet	31.12.2008 (in thousands NIS)	31.12.2009 (in thousands NIS)
Short term Borrowings	327,671	833,101
Trade payables	42,769	37,261
Creditors	85,116	69,919
Current tax liabilities	998	377
Total current liabilities	456,554	940,658
Long- term borrowings	2,160,445	2,833,429
Debentures	1,136,414	1,195,458
Deposits	26,262	33,227
Bonuses to employees	354	4,335
Deferred taxes	1,473,303	1,236,679
Total non- current liabilities	4,796,778	5,303,128
Share capital	6,217	6,300
Additional paid-in capital	40,351	40,351
Capital reserves	(17,204)	457,258
Retained earnings	5,854,230	6,810,291
Total shareholders' equity relating to the Company's shareholders	5,883,594	7,314,200
Minority's interests	23,539	28,038
Total shareholders' equity	5,907,133	7,342,238
Total liabilities and shareholders' equity	11,160,465	13,586,024

Solo Extended Report – Consolidated reports apart from holdings in Granite HaCarmel which are presented according to balance sheet value.

Solo Extended - Profit and Loss



Azrieli Group Ltd.		
	2008 (in thousands NIS)	2009 (in thousands NIS)
Revenues from rent, management and maintenance	802,440	983,301
Net Profit from real estate fair value adjustment	758,402	222,085
Financing income	12,742	9,224
Post-tax share in results of investee companies	-	88,053
Others	596	370
Total income	1,574,180	1,303,033
Cost of revenues	124,174	160,718
Selling and marketing	11,980	15,174
General and administrative	64,281	80,512
Post-tax share in results of investee companies	89,394	-
Financing expenses	469,650	339,910
Total costs and expenses	759,479	596,314
Income before tax income	814,701	706,719
Income Tax income (expenses)	(220,689)	293,311
Net income	594,012	1,000,030
	2008 (in NIS Million)	2009 (in NIS Million)
FFO (Consolidated)	571	724

Solo Extended Report
– Consolidated reports
apart from holdings in
Granite HaCarmel which
are presented according
to balance sheet value.



5

Conclusion

Conclusion



Unique opportunity to participate in IPO of market leader in commercial real estate segment in Israel

- Fund growth of group and in particular real estate platform
- Tel Aviv listing, index inclusion in TA-25 and TA-Real Estate 15*
- Inclusion in the FTSE EPRA/NAREIT index series and FTSE EPRA/NAREIT Europe index*
- Unit of 10 shares in minimum price of NIS 901 per unit, which represent company value of NIS 8.2 billion (pre IPO)

Highly attractive investment case

- Fully integrated development and investment property company
- Secure yield from standing prime assets combined with growth from development pipeline
- Strong brand name and dominant position in Israel
- Sound capital structure
- Strong management and track record
- Selective limited exposure to diversified activities providing further growth and income

*Expected



7

Appendices



Appendix A

Key Assets

Principal Assets of the Group



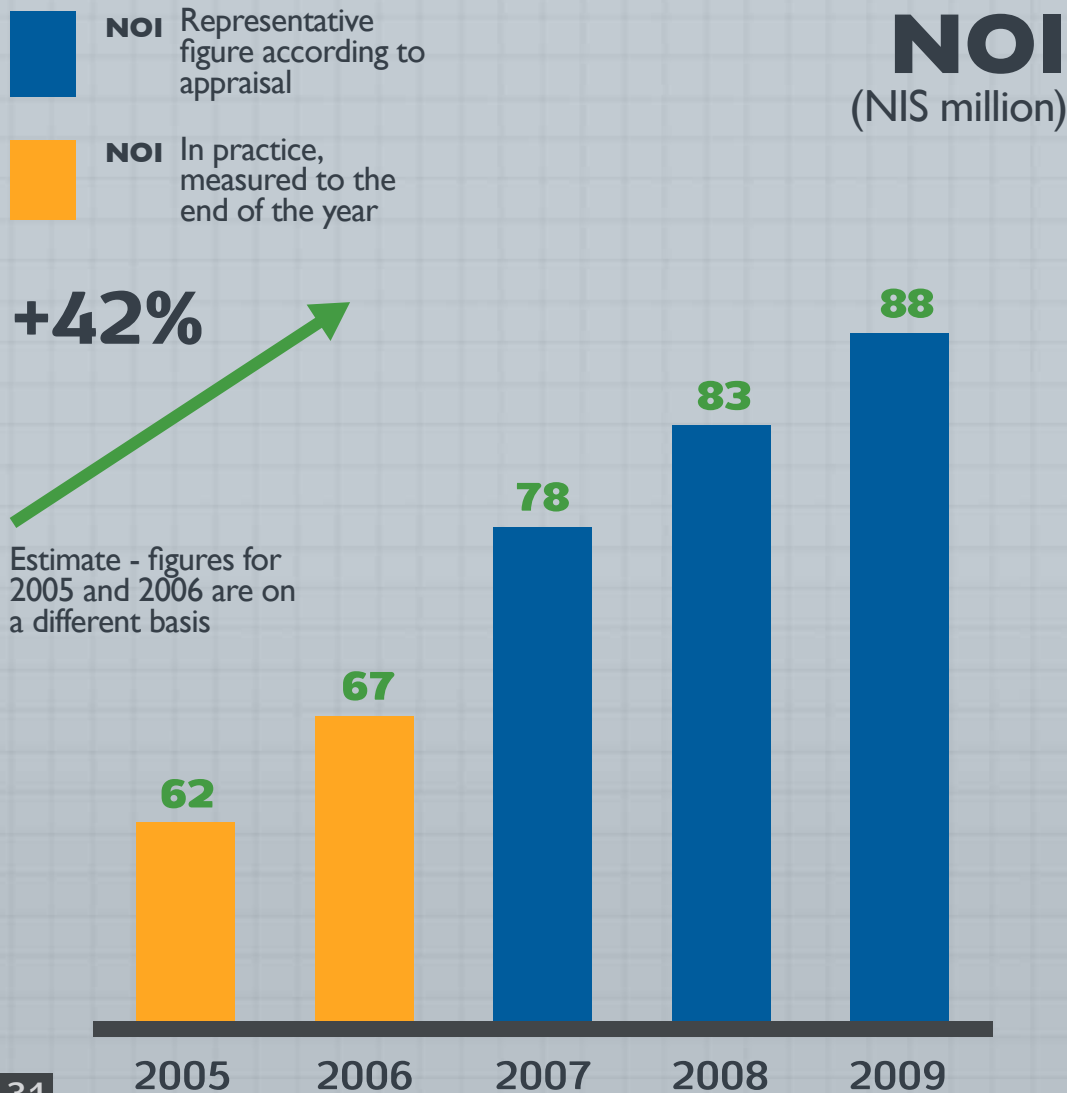
Azrieli Group Ltd.



Azrieli Mall Ayalon



Azrieli Mall Ayalon



The first shopping mall in Israel, which opened its doors in 1985

- Built during one of the worst recessions in Israel
- Lead the change in retail commerce in Israel
- Approx. 23,000 sq.m. of shopping mall space (including the Yes Planet premises)

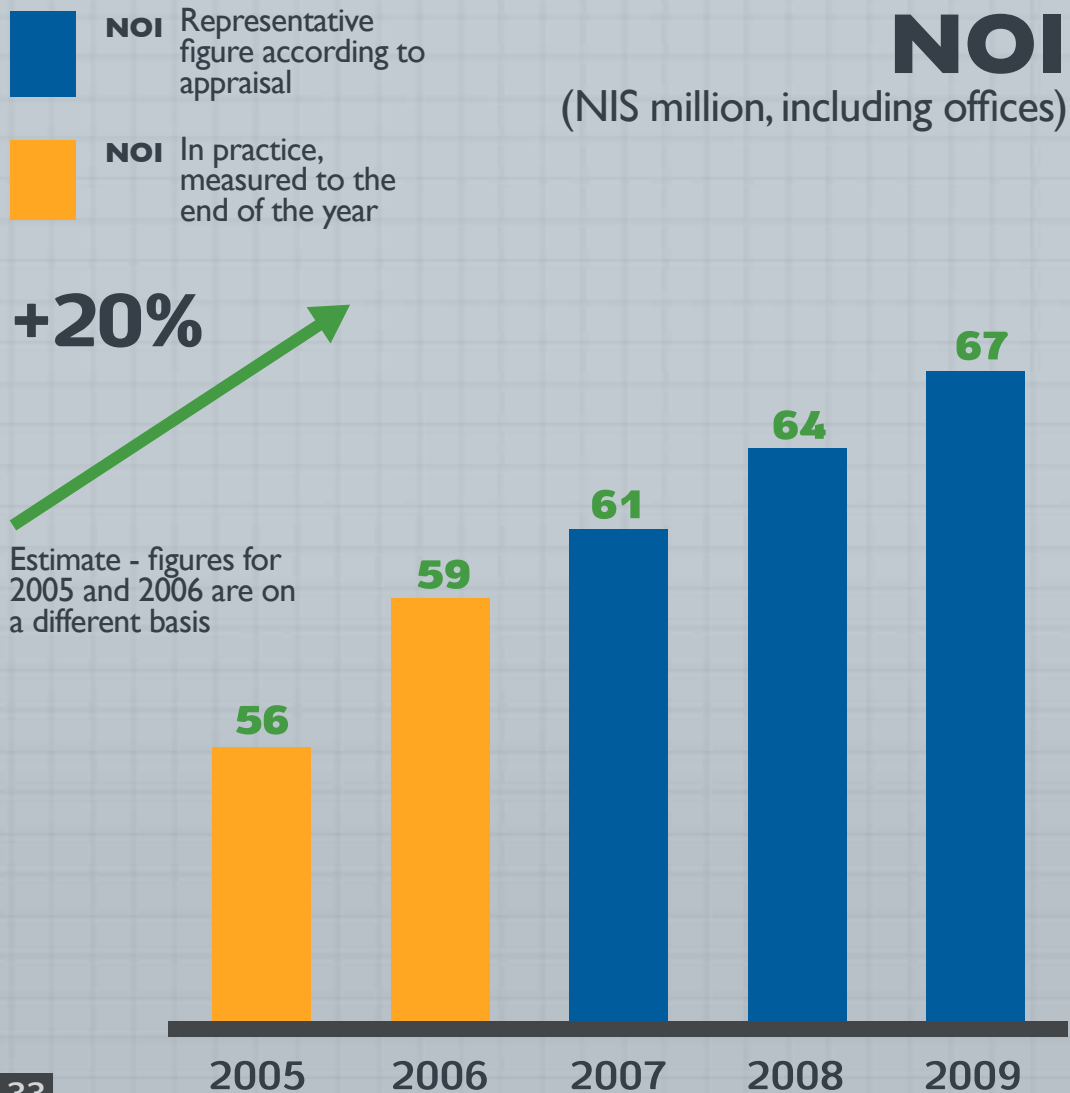
Constant improvement:

- Opening of Yes Planet in 2006
- Advanced preparations for construction of second floor: Approx. 9000 sq.m. of retail space

Azrieli Mall Negev



Azrieli Mall Negev



Opened in March 1990

- Established with a long-term view to significant development in the region
- Constant growth alongside competitive development
- Approx. 23,000 sq.m. shopping mall space
- Approx. 8,000 sq.m. office space

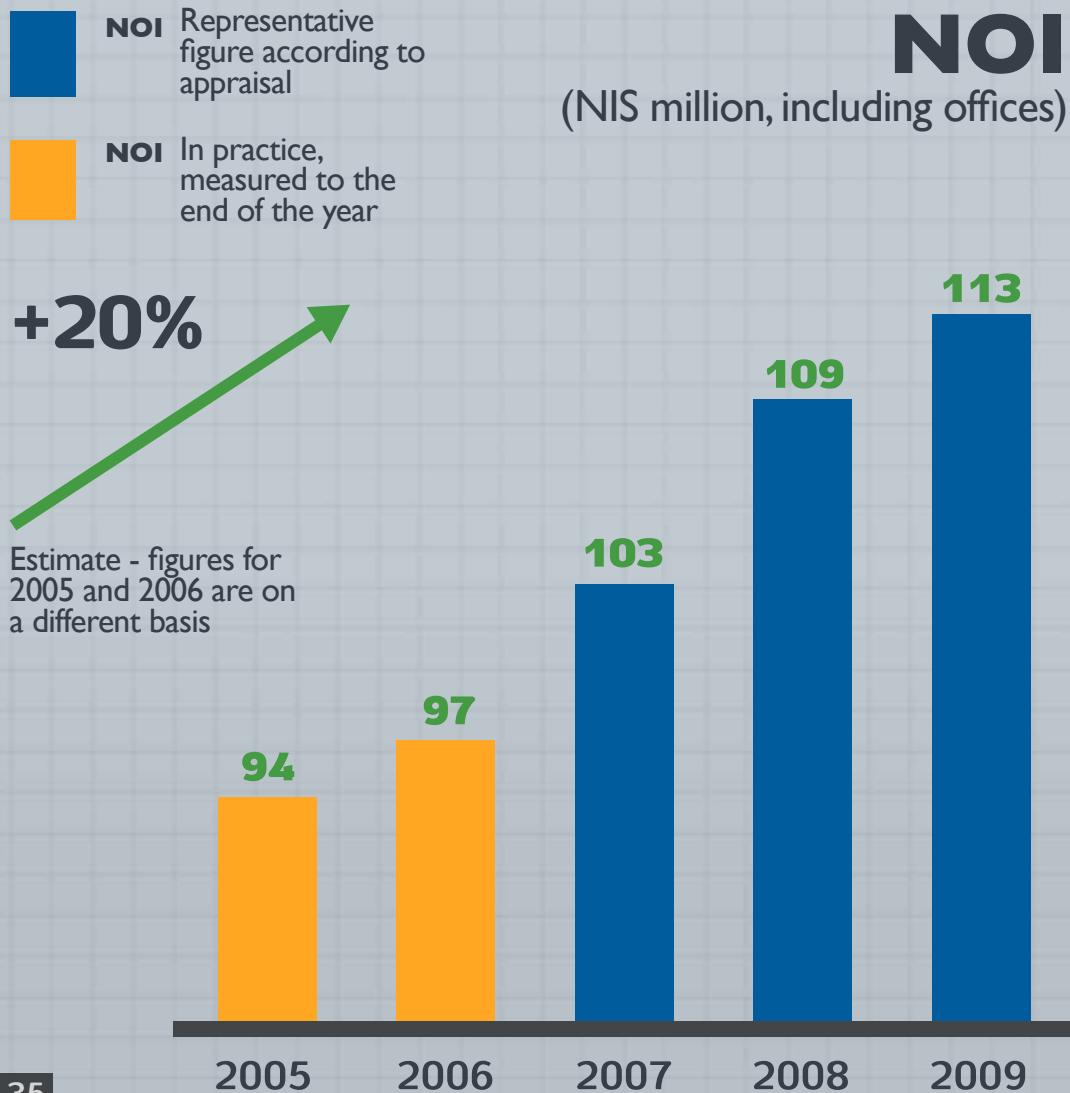
Constant improvement:

- Cinemas converted to commercial areas

Azrieli Mall Jerusalem



Azrieli Mall Jerusalem



Opened in March 1993

- It was built on the outskirts of Jerusalem and has become a central focus for commerce in the city
- Approx. 39,000 sq.m. shopping mall space
- Approx. 3,000 sq.m. office space

Constant improvement:



- Cinemas converted to H&M premises

Azrieli Center



Azrieli Center



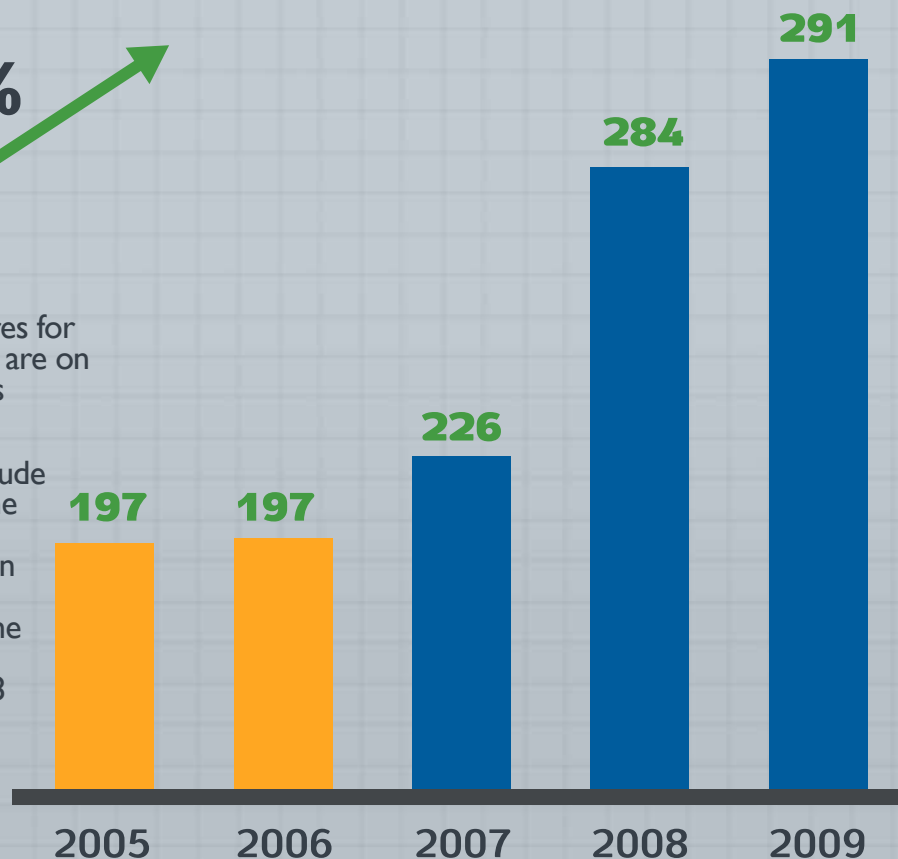
-  **NOI** Representative figure according to appraisal
-  **NOI** In practice, measured to the end of the year

+48%

Estimate - figures for 2005 and 2006 are on a different basis

The figures include income from the square building, the construction of which was completed at the end of the first quarter of 2008

NOI
(NIS million)



Business Center and a Tel Aviv Icon

- National shopping mall located on the main traffic arteries
- Approx. 32,000 sq.m. shopping mall space
- Approx. 131,000 sq.m. office space
- Approx. 18,000 sq.m. Crowne Plaza Hotel
- Approx. 3,200 parking spaces

Constant improvement:

- Cinemas converted to H&M premises

Azrieli Mall Givatayim



Azrieli Mall Givatayim

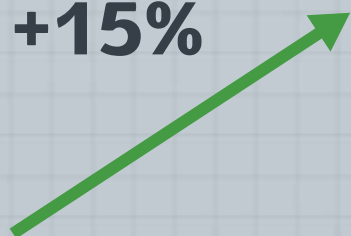


NOI Based on figures from the Company and the vendors of the property

NOI Representative figure according to appraisal

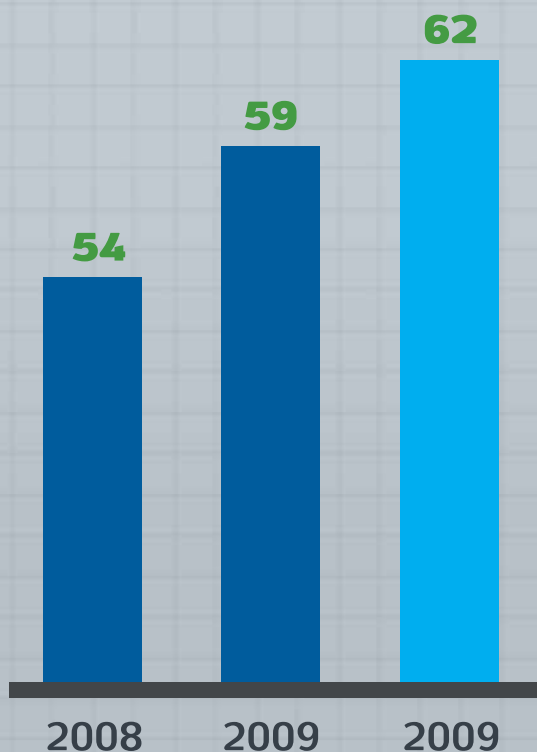
NOI
(NIS million, including offices)

+15%



Estimate - figures for 2008 and 2009 are on a different basis

Acquired in 2009 and therefore presented differently from the other assets



Opened in 2005 and acquired by the Azrieli Group in April 2009

- Approx. 21,000 sq.m. shopping mall
- Approx. 1,200 sq.m. offices

Constant improvement:

- Addition of an office floor covering Approx. 2,200 sq.m.



Appendix B

Development Projects

Development Pipeline in Detail



The company acquired land plots during the crisis
The Company's liquidity after the IPO will enable further growth and expansion

Real Estate Properties	Date of acquisition	Percentage of holding in the property	Built-up square meters according to plan	Construction commencement date	Estimated completion date	Cost invested as at December 31, 2009 (in NIS millions)	Cost range Completion of construction and development estimated In NIS millions
Land in Haifa		100%					
Land in Kiryat Ata	Jan. 2009	100%	33,000	Nov. 2009	Mar. 2012	14	125-140
Land in Akko	Nov. 2007	100%	28,000	Mar. 10	Mar. 2012	11	95-115
Land in Holon	June 2008	83%	205,402	2010	2019	8	590-630
Land in Rishon Lezion	Aug. 2008	100%	122,000	Jan 2011	2013	76	400-430
Ayalon – 2nd floor	Aug. 1982	100%	7,500*	TBD	TBD + 18 Month	4	120-150
Givatayim – 2nd floor	Dec. 2008	100%	2,210	2010	2011	2	15-18

* Main area

Malls	Date of acquisition	Percentage of holding in the property	Gross rental space (in sq.m)	Parking lot area (in sq.m)	Number of parking spaces	Number of tenants as at December 31, 2009	Occupancy rate as at December 31, 2009
Haifa Mall*	Jan. 2010	100%	25,824	45,403	1,750	147	99.6%
Givatayim Mall	Dec. 2008	100%	20,471	56,297	1,200	154	99.9%

*The figures are true as at the date of the prospectus

The Future



Azrieli Holon Business Park



Azrieli Mall Kiryat Ata



Azrieli Mall Akko



Azrieli Mall Rishonim

The Group's Property Rights



The Group's Property	The Group's Rights in the Property	Comments
Azrieli Mall Negev	Ownership	
Azrieli Herzliya Business Park	Ownership	
Azrieli Mall Holon	Ownership	
Azrieli Mall Hod Hasharon	Ownership	
Science & Technology Precinct Petaq Tiqwa	Ownership	
Azrieli Center	Capitalized long-term lease	Until 2195
Azrieli Mall Jerusalem	Capitalized long-term lease	Until 2039, with a 49 year option
Azrieli Mall Ayalon	Capitalized long-term lease	Until 2031, with a 49 year option
Azrieli Mall Modiin	Capitalized long-term lease	At the prospectus date, the Company is taking steps to register long-term lease rights in its name
Azrieli Mall Givatayim	Capitalized long-term lease	At the prospectus date, the Company is taking steps to register long-term lease rights in its name
Azrieli Mall Haifa	Capitalized long-term lease	At the prospectus date, the Company is taking steps to register long-term lease rights in its name
Azrieli Or Yehuda Outlet	Capitalized long-term lease	Until 2040, with a 49 year option
Caesarea Industrial Park	Capitalized long-term sublease	From the Edmond Benjamin de Rothschild Development Corporation
Property in the USA	Ownership	
Land in Kiryat Ata	Ownership	
Land in Akko	Ownership	
Land in Rishon LeZion	Ownership	
Land in Haifa (Check-Post	Ownership	
Land in Holon	Under a joint venture	Joint venture with the municipality (Company's share – 83%)

Azrieli Leads Consumption Trends In Israel



With approx. 160,000 visitors daily to the group's shopping malls, approx. 1,500 stores, approx. 50,000 members of the Multi Azrieli consumer clubs - the Azrieli Group has a respectable role in accelerating the retail pulse of the Israeli market

Understanding the Israeli consumer

Early and accurate identification of consumer trends that go to the root of the Israeli psyche

Innovation and differentiation

Careful architectural planning to create a unique shopping experience

Flexibility and Renewal

keeping a finger on the pulse by building the right commercial mix for consumer trends and Israeli consumer tastes

A Warm Place In Israel

Originality and innovation in adopting international brands and creating consumer drawing power on a national level

Constant Income Growth

Average Annual Income Growth In Similar Shopping Malls Up To 2009



The average rate of annual income growth from rent in the principal Azrieli shopping malls from the relevant year or from the date of opening: Azrieli Mall, Azrieli Mall Ayalon (including expansion of the cinema premises), Azrieli Mall Negev (including offices), Azrieli Mall Holon, Azrieli Mall Hod Hasharon and Azrieli Herzliya Outlet

Based on unaudited Company figures





**THANK
YOU**

