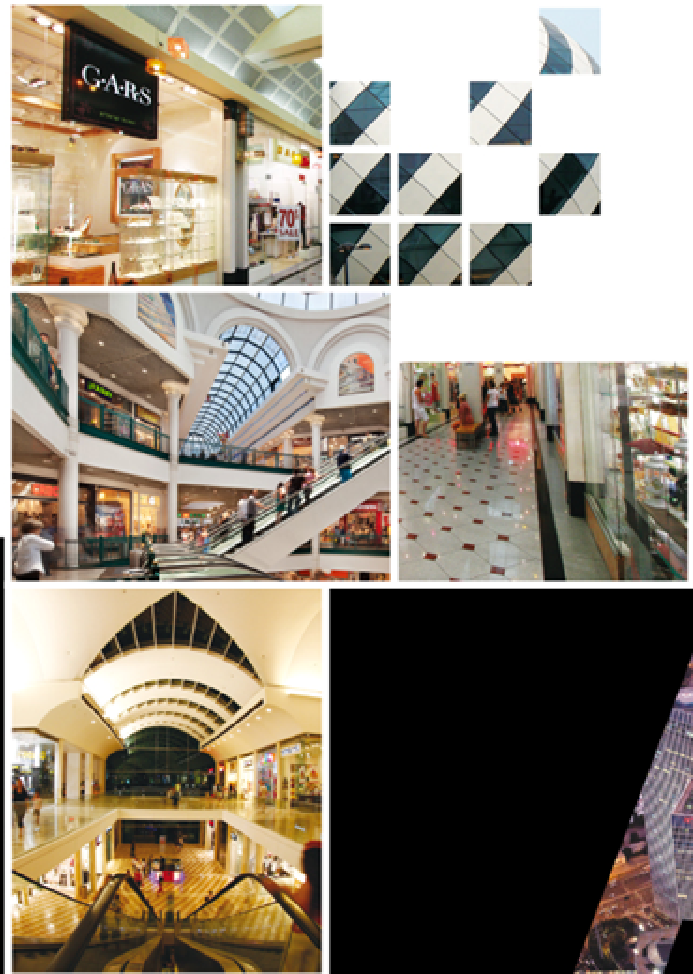
AZRIELI GROUP




# Conference Call Presentation

## Financial Statements — 31.03.2014

May 22, 2014

AZRIELI GROUP

AZRIELI

# Convenience translation from Hebrew
## Important Notice

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- The financial information in the presentation which is attributed to the extended standalone statement is neither audited nor reviewed by the Company's auditors. The extended standalone statement presents a summary of the Company's consolidated statement figures according to IFRS rules, apart from the Company's investment in Granite Hacarmel which is presented based on the equity method, in lieu of consolidation with the Company's statements.
- 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 March 31, 2014, sections 1.1.5 and 1.1.6, including the methods of calculation and the underlying assumptions thereof.
- The Company's estimations as to the growth figures are based on actual rent income, and in some cases include expansions made at the relevant center. These figures are unaudited, are not according to GAAP, and were made in good faith and according to past experience and the professional knowledge accumulated by the Company. Such information is presented below for the sake of convenience only, but is not a substitute for the information provided by the Company in its financial statements or in connection therewith, and therefore should not be relied on solely in itself.

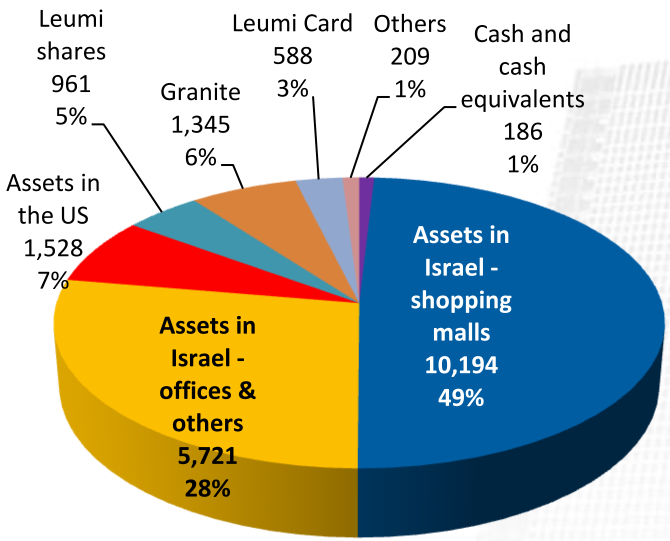
# Azrieli Group - Business Card

- The Company has been publicly traded since June 2010.
- Azrieli Group's shares are traded on the following indices: 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 13.8 billion(1).
- The Company owns leasable areas totaling 785,000 $m^2$, with another 442,500 $m^2$ under construction (on a consolidated basis).
- The average occupancy rate in Israel is approx. 98%.
- More than 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.
- The fair value of the income-producing real estate and properties under development is NIS 17.4 billion.
- The Company has NIS 14.6 billion of non-mortgaged properties.
- Total shareholders' equity (attributed to the shareholders) - NIS 12.5 billion.
- Low leverage (extended standalone): Net debt to balance sheet ratio of 23%, 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 May 20, 2014.

# Azrieli Group - Company Structure

## Book value by assets Extended standalone (1) (NIS in millions)




AZRIELI GROUP

Existing properties and properties under development

- 14 shopping centers
- 10 offices and others properties
- 8 projects under development
- 5 properties overseas

4.8% — לאומי leumi

20% — VISA / MasterCard

100% — GRANITE Granite Hacarmel Investments Ltd.

- 100% — Sonol
- 100% — טמבור
- 100% — SUPERGAS
- 100% — GES

(1) As of March 31, 2014, Extended standalone.

# Azrieli Group - Real Estate Segments

**Real Estate Activity (1)**
**GLA - 1,228,000 m²**

## Existing properties - commercial
**GLA - 266,000 m²**

- Azrieli Mall Haifa
- Azrieli Azrieli
- Outlet Azrieli Herzelia
- Azrieli Mall Ayalon
- Azrieli Hod Hasharon
- Azrieli Mall Jerusalem
- Outlet Azrieli Or Yehuda
- Azrieli Givatayim
- Azrieli Mall Akko
- Azrieli Hanegev
- Azrieli Mall Kiryat Ata
- Azrieli Mall Modiin
- מרכז עזריאלי חולון
- Azrieli Center Holon
- Azrieli Mall Holon

## Offices and others
**GLA – 353,000 m²**

- Azrieli Tel Aviv
- Herzliya
- Jerusalem
- Modi'in (offices & residential)
- Be'er Sheva
- Givatayim
- Caesarea
- Petach Tikva
- Azrieli Center Holon (83%) – Phase A
- Kiryal Ata

## Projects under development
**GLA - 442,500 m²**

- Azrieli Center Sarona
- Ramla
- Rishonim
- Azrieli Center Holon (83%) – Phase B
- Ayalon – 2nd floor
- Azrieli North (Clalit)
- Azrieli Extension Project (Yedioth Ahronot)
- Modi'in Senior Housing

## Income producing properties abroad
**GLA - 166,000 m²**

Houston, Texas

- Galleria 90%
- Plaza 100%
- One Riverway 33%
- Three Riverway 45%

Leeds, United Kingdom

- Southern House 100%

(1) GLA is consolidated.

# Main Events in Q1/2014

## Financial highlights

- **NOI –** A 1% increase compared with the same quarter in 2013.
- **Same property NOI –** A 1.5% increase compared with the same quarter in 2013.
- **FFO –** A 4% increase compared with the same quarter in 2013.

## Progress in projects under development

- **Azrieli Center Sarona:** Excavation completed, building of basements commenced.
- **Azrieli Center Holon:** Leases currently signed in the project for approx. 45,000 $m^2$ of the 60,000 $m^2$ in phase A. Construction of phase B commenced.
- **Azrieli Rishonim:** Excavation commenced.
- **Azrieli Ayalon mall:** Advanced stages of development of the second floor.

## Development and acquisition momentum continues

- In Q1/2014, the Group's investments in real-estate properties totaled NIS 239 million.
- In 2013, the Group's investments in real-estate properties totaled NIS 1,043 million.

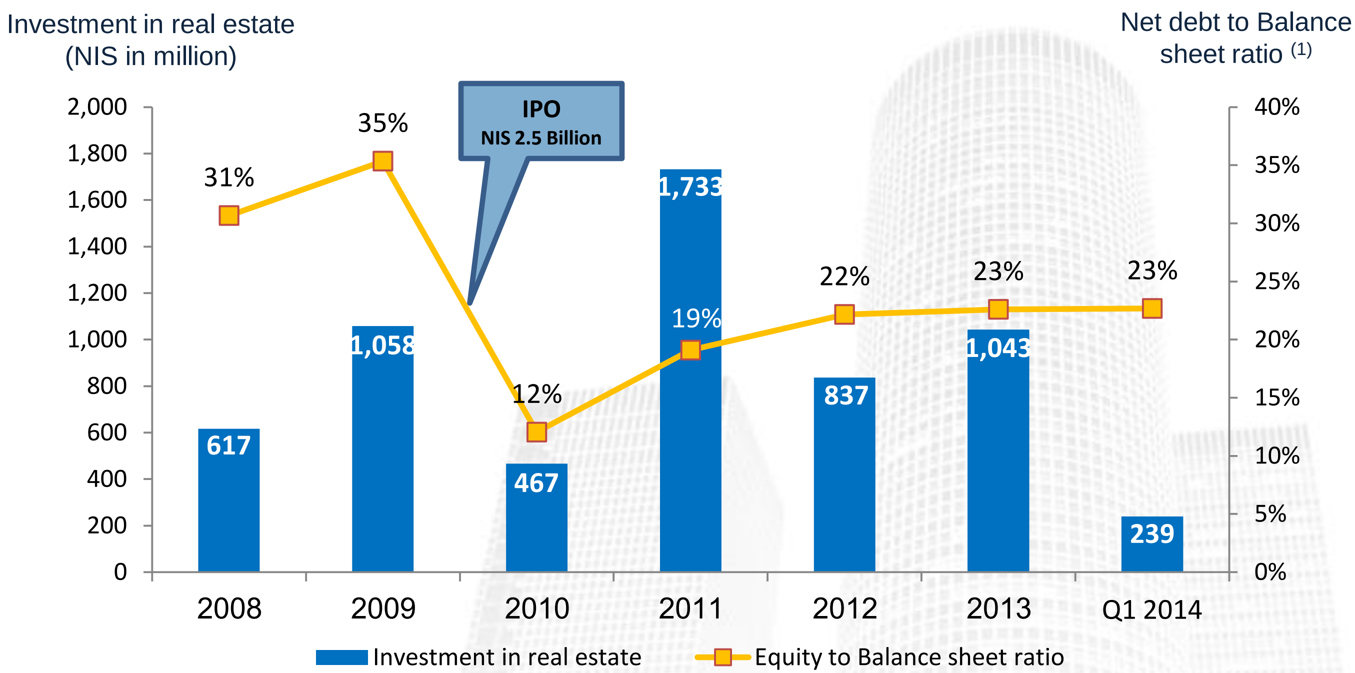
## Acquisition of land for senior housing project in Modi'in

- In February 2014, the Group signed an agreement for the acquisition of land for a senior housing project in Modi'in.
- The project will comprise apprrox. 35,000 $m^2$ in total.
- The transaction price is NIS 51.5 million.
- The cost to completion is approx. NIS 215 million.

## Subsequent event – An agreement to finance the construction of Azrieli Ramla mall

- In May 2014, the Company signed an agreement for a loan from an institutional body at a scope of NIS 300 million. The interest in respect of the loan is 0.74%.
- The loan is linked to the index with 4.5 years duration.
- Against receipt of this loan, Azrieli Ramla mall (under construction) will be pledged to the financing body.

# Maintaining Financial Strength despite Massive Development and Acquisitions




(1) Extended standalone.

# Development Momentum

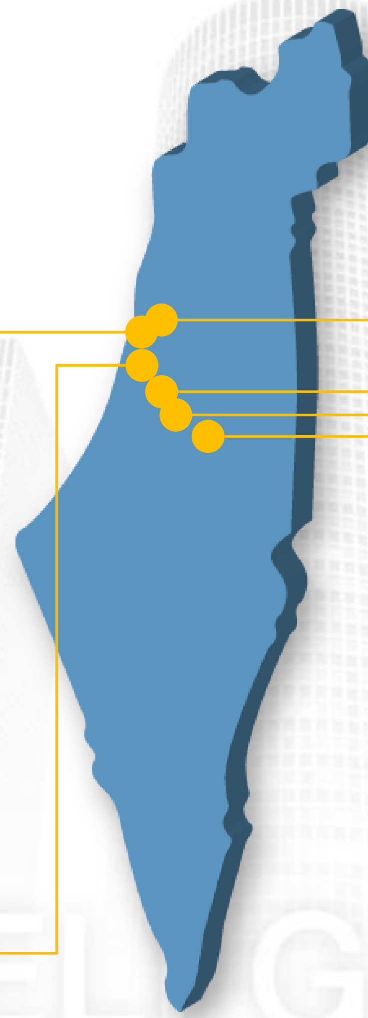
## Approx. 442,500 m$^2$ GLA[1]; Total investment of NIS 5.2-5.5 billion

Azrieli Center Sarona,
Tel Aviv
Approx. 121,500 m$^2$

Azrieli Center Extention
(Yedioth), Tel Aviv
Approx. 69,000 m$^2$

Azrieli North (Clalit),
Tel Aviv
Approx. 75,000 m$^2$

Azrieli Center Holon
Phase B
Approx. 57,500 m$^2$



Azrieli Ayalon mall
(additional floor)
Approx. 9,500 m$^2$

Azrieli Rishonim
Approx. 53,000 m$^2$

Azrieli Ramla mall
Approx. 22,000 m$^2$

Modi’in Senior Housing
Approx. 35,000 m$^2$

(1) GLA consolidated.

# Projects under Development - Future Growth Engine

| Name of property | % ownership | Use | GLA ($m^2$) | Estimated date of completion | Book value [(1)] 31.03.2014 (NIS in millions) | Estimated cost to completion of project |
|---|---|---|---|---|---|---|
| **Azrieli Center Sarona, Tel Aviv** | 100% | Retail and Offices | 121,500 | 2017 | 720 | 779-824 |
| **Azrieli Rishonim** | 100% | Retail and Offices | 53,000 | 2016 | 217 | 419-449 |
| **Azrieli Center Holon [(2)]** | 83% | Offices | 57,500 | 2015 | 204 | 68-98 |
| **Azrieli Ayalon Mall – 2nd floor** | 100% | Retail | 9,500 | March 2015 | 109 | 82-112 |
| **Azrieli Ramla Mall** | 100% | Retail | 22,000 | March 2015 | 231 | 131-151 |
| **Azrieli North (Clalit), Tel Aviv [(3)]** | 100% | Retail, offices and residential | 75,000 | Not yet determined | 141 | 810-910 |
| **Azrieli Extension Project, Tel Aviv [(3)]** | 100% | Retail, offices and residential | 69,000 | Not yet determined | 109 | 890-910 |
| **Modi'in Senior Housing** | 100% | Senior Housing | 35,000 | End of 2016 | 52 | 215 |
| **Total** | | | **442,500** | | **1,783** | **3,394 – 3,669** |
| | | | | | **Total book value plus estimated cost to completion** | **5,177– 5,452** |

(1) The figure reflects the project's book value if a valuation was performed, or the costs invested without capitalizations.
(2) Figures are for 100%.
(3) As of the Report Release Date, the Company has not received possession of this property.

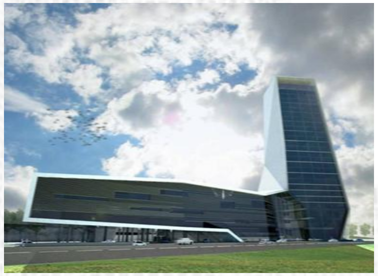
# Main Projects under Development

## Azrieli Center Sarona

- **Ownership:** 100%
- **Gross Leasable Area:** 121,500 $m^2$
- **Status:** Under construction.
- **Completion** scheduled for 2017.

## Azrieli Center Holon

- **Ownership:** 83%
- **Gross Leasable Area:** 120,000 $m^2$
- **Status:** phase A completed. Phase B under construction.
- **Completion** scheduled for 2015.



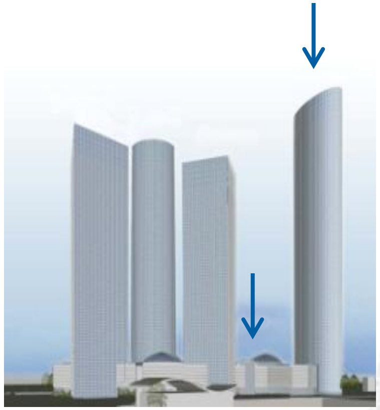
## Azrieli Rishonim

- **Ownership:** 100%
- **Gross Leasable Area:** 53,000 $m^2$
- **Status:** Under construction.
- **Completion** scheduled for 2016.

## Azrieli Ramla Mall

- **Ownership:** 100%
- **Gross Leasable Area:** 22,000 $m^2$
- **Status:** Under construction.
- **Completion** scheduled for March 2015

# Main Projects under Development



**Azrieli Extension Project**
**Tel Aviv**

- **Ownership:** 100%
- **Gross Leasable Area:** 39,000 m$^2$
- **Residential Area:** 30,000 m$^2$
- **Status:** Handing over of the land is scheduled for 2015-2016.
- **Completion** Not yet determined.

**Azrieli North (Clalit)**
**Tel Aviv**

- **Ownership:** 100%
- **Gross Leasable Area:** 58,000 m$^2$
- **Residential Area:** 17,000 m$^2$
- **Status:** Handing over of the land is scheduled for 2015.
- **Completion** Not yet determined.

**Azrieli Ayalon Mall – 2$^{nd}$ Floor**

- **Ownership:** 100%
- **Gross Leasable Area:** 9,500 m$^2$
- **Status** Under construction.
- **Completion** scheduled for March 2015.

**Modi'in Senior Housing**

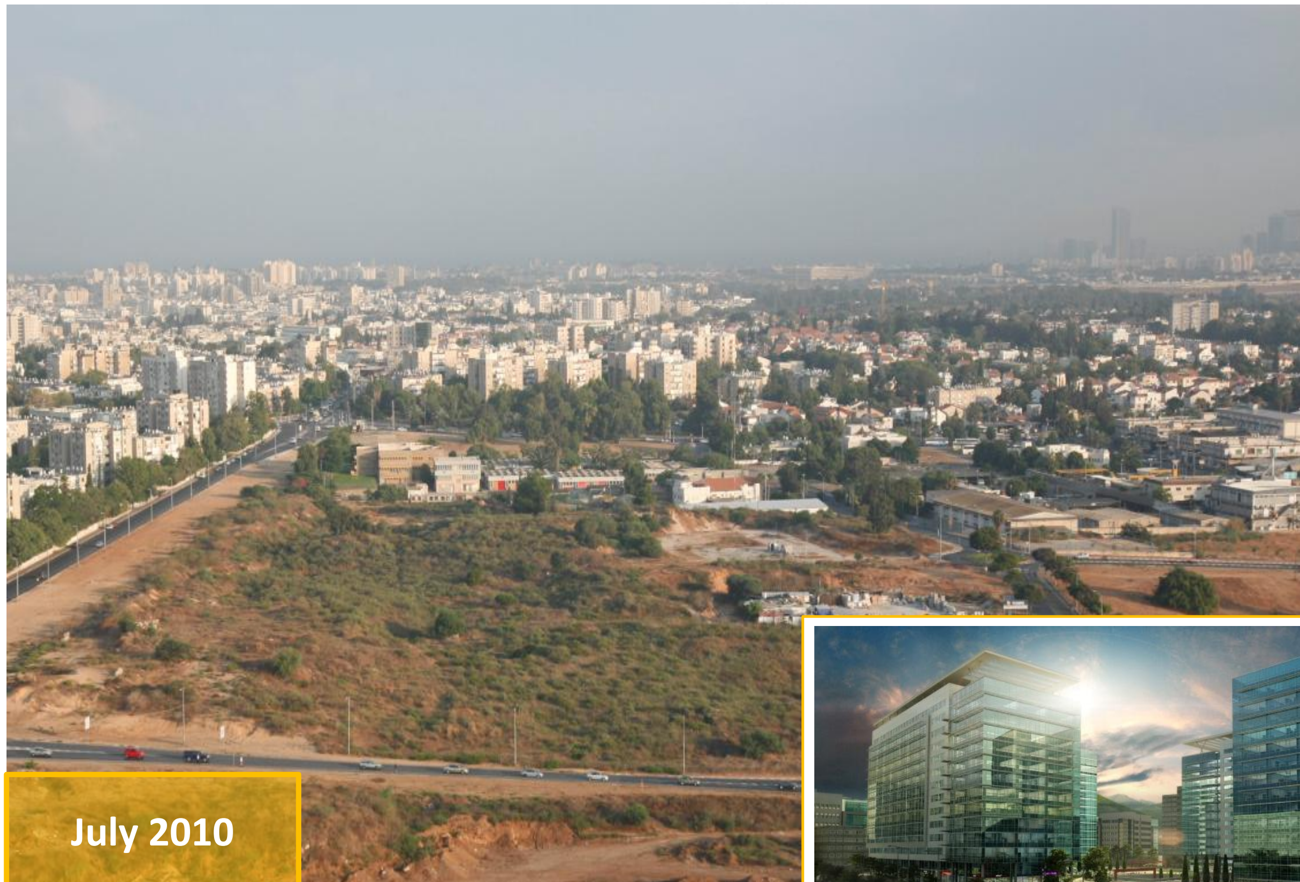
- **Ownership:** 100%
- **Gross Marketable Area:** 35,000 m$^2$
- **Status** Planning.
- **Completion** end of 2016.

# Azrieli Center Sarona, Tel Aviv

Simulation

Simulation

# Azrieli Center Holon


July 2010


Simulation

# Azrieli Center Holon

# Azrieli Center Holon

# Azrieli Ayalon Mall – 2nd floor


April 2014

# Azrieli Group – Senior Housing

- Azrieli Group has decided to enter the senior housing market in Israel.
- Senior housing is synergetic with the Group's traditional core businesses of shopping malls and office buildings.
- Use of areas and building rights in existing sites of the Group.
- A high-potential field in Israel.
- Short supply of quality players and long-term investors.
- Regulatory changes have enhanced the advantage of financially-strong players.
- The Group intends to set up a leading platform for senior housing in Israel.
- The activity will be carried out mainly through development – purchase of land at attractive locations and building up a leading senior housing chain.
- Long-term management and holding.

# Azrieli Group – Senior Housing

## Senior housing in Israel

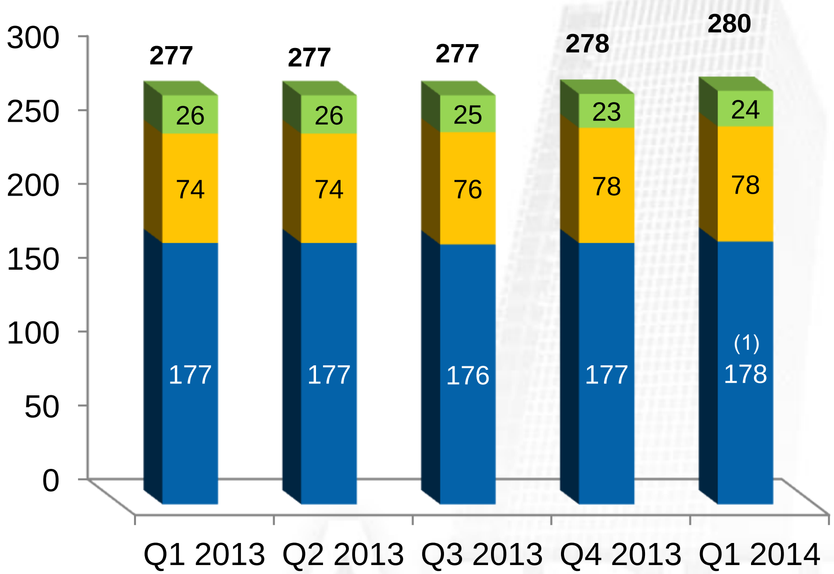
- Around NIS 10 billion in tenant deposits.
- Revenues of the market in Israel – about NIS 1.5 billion per year.
- Around 12,500 residential units in approx. 70 facilities.
- Approx. 15,000 tenants.
- **Target population (65+ year olds)**
  - ✓ In 2013 – about 10% of the total population = about 0.8 million people.
  - ✓ Forecast of 14% of the total population in 2035 = about 1.66 million people.

## Purchase of land for a senior housing facility in Modi'in

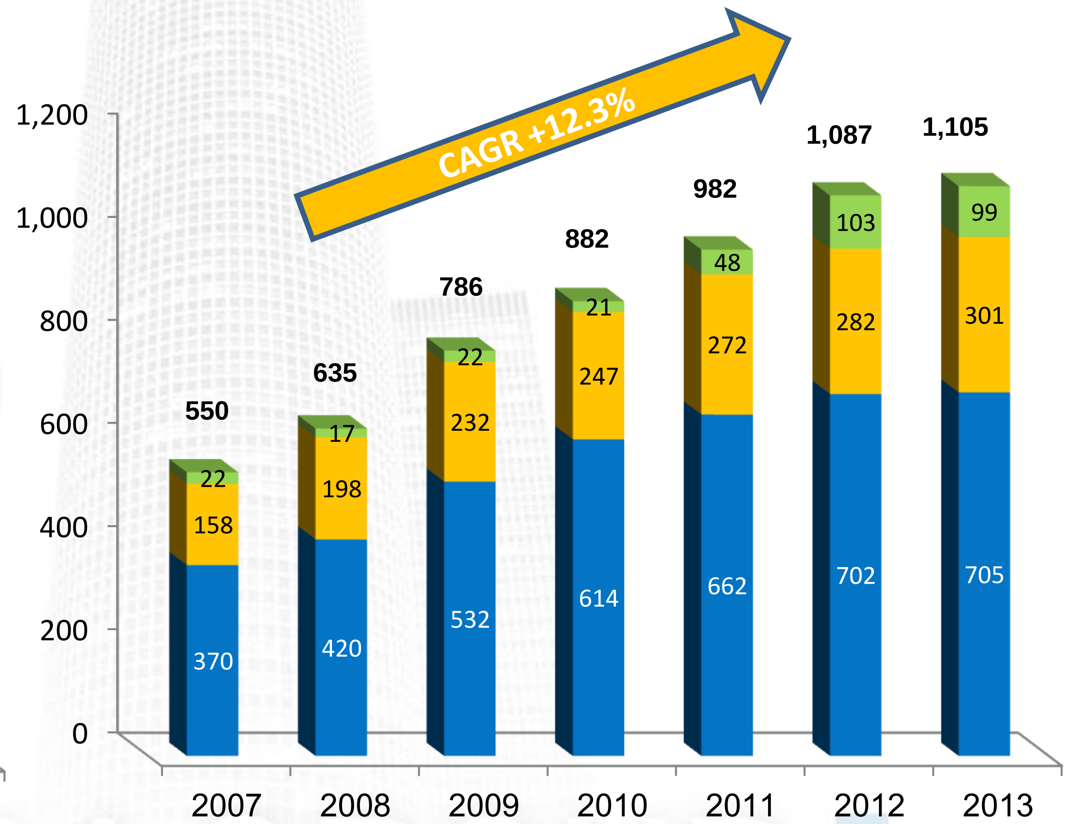
- Land area – approx. 12,000 $m^2$ at the entrance to Modi'in on Route 443.
- Building rights – about 35,000 $m^2$.
- Approx. 240 residential units + 60 supportive units + 2 LTC wings.
- Cost of the land – about NIS 51.5 million
- Estimated cost of construction – about NIS 215 million.

# Continuous Growth in NOI
## (NIS in millions)

### Quarterly NOI



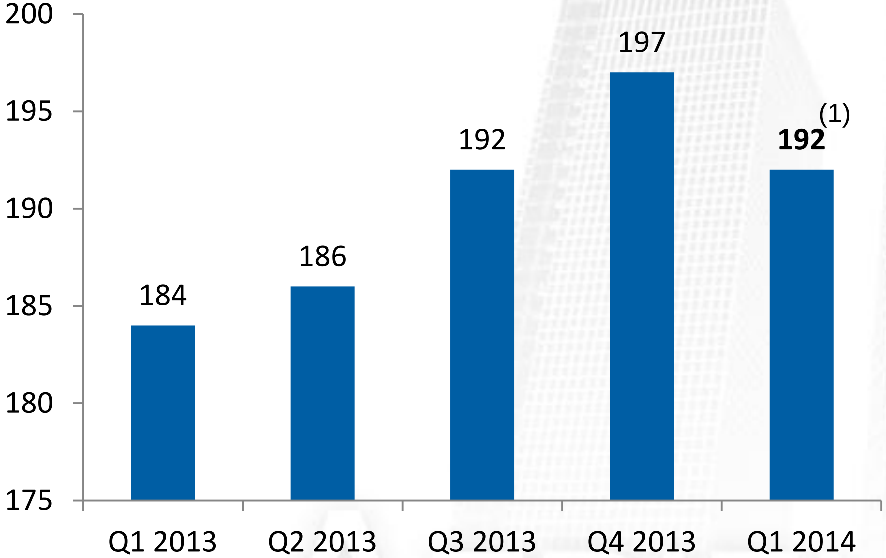

### Annual NOI

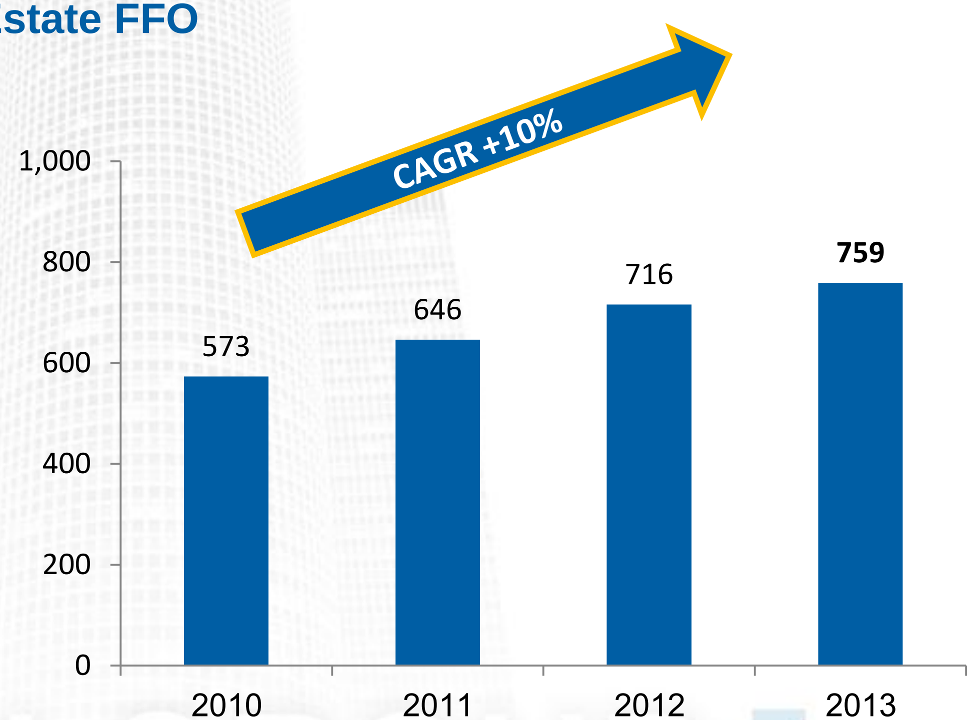



● Shopping malls and commercial ● Offices and others ● Assets in the US

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

## Real Estate FFO




(1) The decline is mainly attributed to tax effects that occurred in this quarter.

# Summary of Financial Results
## (extended standalone)

| NIS in millions | 1-3/2014 | 1-3/2013 | 2013 | 2012 |
|---|---|---|---|---|
| Property rental income | **356** | 352 | 1,421 | 1,399 |
| NOI | **280** | 277 | 1,105 | 1,087 |
| Same property NOI | **280** | 276 | 1,067 | 1,052 |
| Real estate segment FFO | **192** | 184 | 762 | 716 |
| Appreciation of investment property (1) | **(2)** | (6) | 315 | 236 |
| Net income, including minority | **211** | 197 | 944 | 986 |
| Net income (loss), attributed to shareholders | **209** | 194 | 930 | 939 |
| Comprehensive income (loss), attributed to shareholders | **180** | 189 | 1,026 | 1,060 |

AZRIELI GROUP

(1) Net, after tax.

# Balance Sheet
## (summary of extended standalone statement)

| NIS in millions | 31.03.2014 | 31.12.2013 |
|---|---|---|
| Cash, securities and deposits | 186 | 378 |
| Financial debt, gross | 4,888 | 5,059 |
| Financial debt, net (1) | 4,702 | 4,682 |
| Net financial debt to Total Assets ratio | 23% | 23% |
| Financial assets (mainly Leumi & Leumi Card) | 1,572 | 1,612 |
| Fair value of income-producing real estate and properties under development | 17,433 | 17,191 |
| Shareholders' equity (excluding minority interest) | 12,535 | 12,635 |
| Equity to Total Assets ratio | 61% | 61% |
| Total balance sheet | 20,732 | 20,706 |
| Shareholders' equity per share (NIS) | 103.4 | 104.2 |
| EPRA NAV per share (NIS) (2) | 126 | 126 |

(1) Excluding financial assets available for sale.
(2) Excluding the projected profit component from projects under development.

# Average Cap-Rate and FFO of the Real Estate Business

## Portfolio weighted average cap rate of 7.6%

| NIS in millions | |
|---|---|
| Investment properties as of 31.03.2014 (extended standalone) | 17,495 |
| Net of: properties under development, vacant space and building rights | (1,892) |
| **Total income-producing properties** | **15,603** |
| | |
| **Actual NOI for Q1/2014** | 280 |
| Additions to future Q1/2014 NOI | 15 |
| Adjusted NOI for Q1/2014 | 295 |
| **Annual pro-forma NOI** | **1,180** |
| Portfolio weighted average cap rate | **7.6%** |

## Current real estate segment FFO – NIS 768 million

| NIS in millions | |
|---|---|
| Net profit for Q1//2014 (attributed to the shareholders) | 209 |
| Net of items attributed to Granite | (32) |
| Appreciation of investment property | 3 |
| Deferred tax expenses | 35 |
| Other adjustments | (35) |
| Plus interest paid on real investments | 12 |
| Quarterly FFO attributed to real-estate operations | 192 |
| **Annual proforma FFO (real estate)** | **768** |

# Debt Structure and Rating (1)
## (NIS in millions)

### Financial stability

- Low leverage - net financial liabilities to total assets: 23%.
- Equity to total assets: 61%.
- Liquid resources of approx. NIS 186 million.
- Non-mortgaged property value of approx. NIS 14.6 billion.
- Loans from banks and institutional bodies: NIS 3.5 billion.
- Bonds & commercial paper: NIS 1.4 billion.
- Weighted average duration: 2.57 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 | 1,025 | 21% |
| 1 to 4 years | 2,893 | 59% |
| 5 to 10 years | 970 | 20% |
| **Total 31.03.2014** | **4,888** | **100%** |

| | Principal amount | Average interest rate |
|---|---|---|
| Linked to CPI | 3,331 | 3.23% |
| In NIS | 714 | 1.6% |
| Linked to $ | 819 | 5.21% |
| Linked to £ | 24 | 1.825% |
| **Total 31.03.2014** | **4,888** | **3.32%** |

Upside

(1) Based on March 31, 2014 extended standalone financial statements.

# Non-Core Holdings - Results

**Granite HaCarmel (100%)** – In Q1/2014 Granite's net profit totaled NIS 34 million compared with NIS 35 million in Q1/2013.
In 2013 Granite's net profit totaled NIS 130 million compared with NIS 124 million in 2012.

**Bank Leumi (approx. 4.8% holding)** – In Q1/2014, the share value on TASE decreased by approx. 4%, representing a decrease of approx. NIS 30 million, net of tax.
The market value of the Group's holding as of 31.03.2014 is NIS 961 million.
The cost of the investment on the Group's books is NIS 675 million.

**Leumi Card (20% holding)** – In Q1/2014 Leumi Card's net profit totaled NIS 52 million compared with NIS 51 million in Q1/2013. The cost of the investment on the Group's books is NIS 334 million. During the period, the Group received a dividend of NIS 10 million from Leumi Card. The book value of the holding as of 31.03.2014 was NIS 588 million, according to an external appraiser.

# Strategy

Mainly in Israel

↓

Mainly income-producing real estate

↓

Mainly shopping centers and offices

↓

Mainly development

↓

Long-term holding and management


Azrieli Givatayim Mall, Givatayim

# Summary – Leadership, Innovation and Strength

- Continued growth in core business activities: NOI, FFO etc…
- Long term projections show high occupancy rates will continue.
- The Group maintains exceptional financial strength, while making investments in existing properties and acquiring new real estate.
- Significant growth engines:
    1. Internal growth.
    2. Properties under development.
    3. New acquisitions of income-producing properties and land for future development.
    4. New real estate segments (senior housing).
- Most of the Azrieli Group's activity takes place in Israel.

Azrieli Mall Modi'in

# Thank you