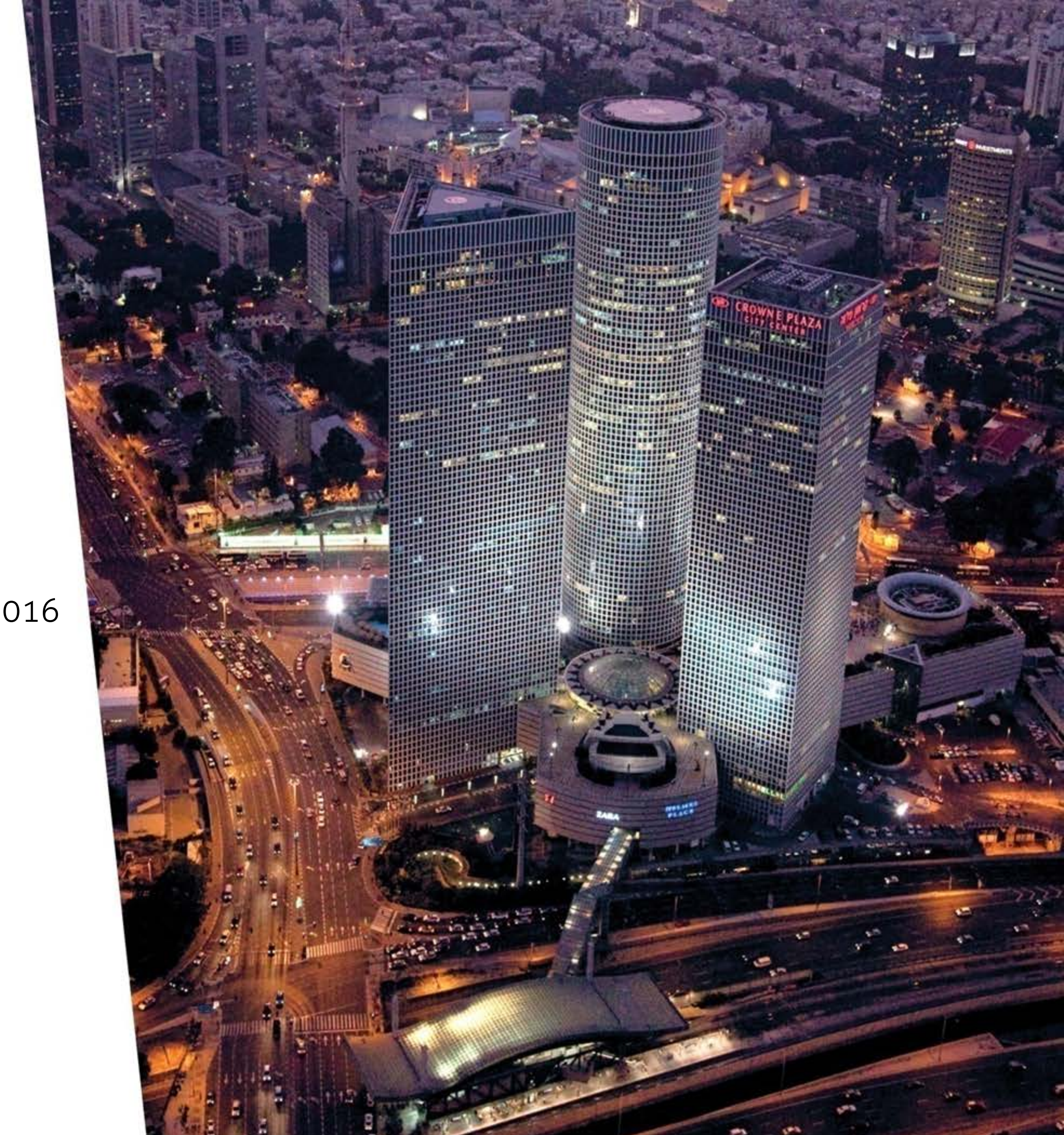
AZRIELIGROUP

AZRIELI GROUP

Conference Call Presentation

Financial Statements September 30, 2016



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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, with the exception of the Company's investment in Granite Hacarmel and Azrieli E-Commerce which is presented based on the equity method, in lieu of consolidation with the Company's statements.
- The terms "FFO attributed to the Real Estate Business" and "weighted average cap rate" relate to the Group's income-producing real estate business only. Anyone reading the presentation must read such figures in conjunction with the board's explanations in the board of directors' report as of September 30, 2016, Sections 1.3.4 and 1.3.5, including the methods of calculation and the underlying assumptions thereof.
- The information included in this presentation is similar to the information included in the reports and/or immediate reports of the Company and does not include new material information. However, some of the data included in the presentation are presented in a different manner and/or breakdown and/or are differently edited. In any event of inconsistency between the reports and/or immediate reports of the Company released to the public and the information contained in this presentation, the information released to the public as aforesaid shall prevail.
- All figures are approximate.

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- The following English translation of Azrieli Group's presentation for the conference call of November 23, 2016 (the "Presentation") is provided for convenience. Please note that this document should not be regarded as a substitute for reading the original Hebrew version of the Presentation in full. This translation was neither prepared nor checked by the Company. Accordingly, the Company does not warrant that the translation fully, correctly or accurately reflects the Presentation and its contents.
- The binding version of the Presentation for all intents and purposes is the original Hebrew version, filed by the Company with the Israel Securities Authority through the MAGNA website on November 23, 2016. Nothing in this translation constitutes a representation of any kind in connection with the Presentation, nor should it be regarded as a source of interpretation for the Presentation or the Company's reports or statements. In any event of contradiction or discrepancy between this translation and the Hebrew version of the Presentation, the Hebrew version shall prevail.

Azrieli Group \\ Business Card

Publicly traded since 2010, the **seventh largest company** in the Tel Aviv Stock Exchange

Market Cap of **NIS 19 billion**(1)

Listed on all the leading **indices** TA-25, TA-100, Real Estate-15

The only Israeli company included in the **EPRA** Index

The Company owns income-producing properties with **957,000 sqm**(2) GLA, and **9 projects in development stages**

Average **occupancy rate** in Israel is **98%**

90% of the value of investment and under-construction income-producing properties (on a consolidated basis) is attributed **to real estate in Israel**

AA+ Rating by S&P (Ma'alot) and **Aa1 Rating** by Moody's (Midroog)

Leverage rate is only **27%,** and equity to assets ratio is **53%**(2)

(1) As of November 20, 2016.
(2) On a consolidated basis.

Azrieli Group \\ Company Structure

Shareholders

69.9% The Azrieli family and the Azrieli Foundations

30.1% Public

Holdings

4.6% Bank Leumi

20% Leumi Card

100% Granite

100% Azrieli E-Commerce

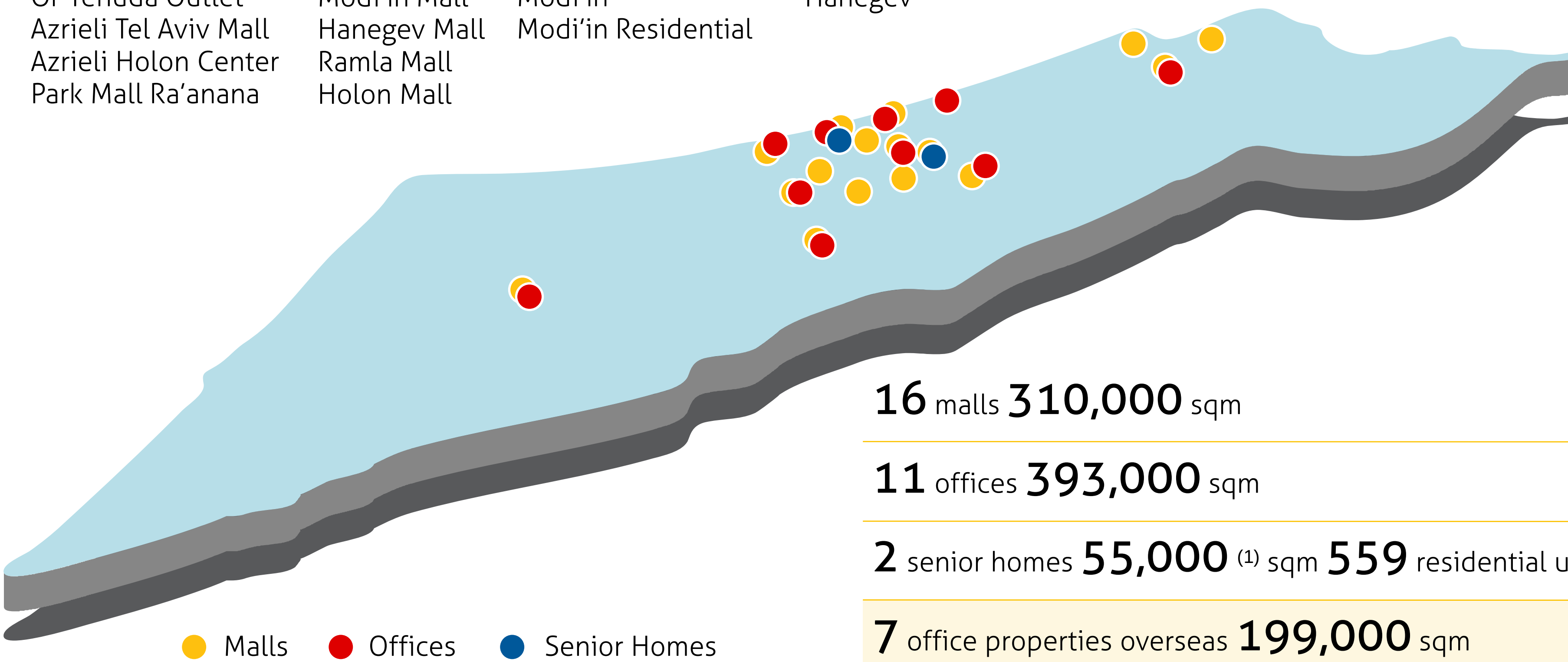
Azrieli Group – Breakdown of Properties[1]

% of Total Properties
Book Value (NIS in millions)

(1) Extended standalone, as of September 30, 2016

Prime Location Asset Portfolio

MALLS and SHOPPING CENTERS		OFFICES and OTHERS		SENIOR HOMES	OVERSEAS	
Hod Hasharon Mall	Ayalon Mall	Caesarea	Petach Tikva	Palace Tel Aviv	GALLERIA	1Riverway
Herzliya Outlet	Haifa Mall	Herzliya	Jerusalem	Palace Ra'anana	PLAZA	LEEDS
Jerusalem Mall	Akko Mall	Azrieli Towers	Givatayim		8 WEST	ASPEN II
Givatayim Mall	K. Ata Mall	Azrieli Holon Center	Kiryat Ata		3Riverway	
Or Yehuda Outlet	Modi'in Mall	Modi'in	Hanegev			
Azrieli Tel Aviv Mall	Hanegev Mall	Modi'in Residential				
Azrieli Holon Center	Ramla Mall					
Park Mall Ra'anana	Holon Mall					



16 malls **310,000** sqm

11 offices **393,000** sqm

2 senior homes **55,000** (1) sqm **559** residential units

7 office properties overseas **199,000** sqm

Total **957,000** sqm

(1) Includes LTC Wings in Palace Tel Aviv

Financial Highlights

Financial Highlights

- **NOI** grew by **4%** compared with the same quarter last year.
- **Same Property NOI in the Israeli portfolio** increased by **3%** and for the **entire portfolio increased by 2%** compared with Q3/2015.
- **FFO** grew by **8%** compared with Q3/2015.

Continued Momentum of Development, Improvement and Acquisitions

- During the quarter, **the Group invested NIS 500 million in investment property,** acquisitions, improvement of existing properties and construction of properties under development. Over the course of **2016** this amount totaled **NIS 2.3 billion.**

Financing

- In July the Company **raised NIS 2.2 billion in bonds** with an interest rate of **1.34%**.

Revaluation Profits

- During the quarter, the Company performed first-time valuations of the Azrieli Town land and the Azrieli Rishonim project, and recorded a **profit of NIS 127 million** from adjustment to the fair value of the properties.

Increase in Azrieli Malls' Sales Turnover

- A **5% increase in Azrieli Malls' sales** turnover in January – September 2016 compared with 2015.
- A **6% increase** in Azrieli Malls' sales turnover was recorded **in the present quarter** (1) .

(1) Net of the Park Mall Ra'anana, the Ramla Mall and the 2nd Floor of Ayalon Mall, an increase of 4% was recorded in the sales turnover sales compared with the same period last year.

Key Developments

Closing of Acquisitions

- The transaction for the purchase of the land designated for the Azrieli Town project was closed on August 31, 2016. The Company paid the balance of the consideration and received possession of the lot.

Expansion of the US Income-Producing Real Estate Portfolio

- In August 2016, the Company purchased **an income-producing office building in Austin, Texas** for $40.5 million. The building is leased to a single long-term tenant. The property was purchased with an average yield rate of 8% for the term of the contract.

Pre-lease of Assets under Development

- **Azrieli Rishonim** – To date, lease agreements have been signed for 50% of the office spaces and most of the retail spaces. Contracts for 5,000 sqm were signed during the quarter.
- **Azrieli Center Holon-** 5,000 additional sqm were leased in Buildings C and D during the quarter, leading to an 80% occupancy rate.

Sale of Non-Core Business

- The sale of Sonol was closed without material effect on the results of the Company.

Rating

- In July 2016, Moody's reconfirmed the **Group's Aa1 rating**.

Focusing on Core Business

NIS 1.6 billion of non-core asset dispositions in the last two years

GRANITE
Granite Hacarmel Investments Ltd.

Sonol
- Sale of Sonol[1] SOLD
- Sale of Pi Glilot shares and land[2] SOLD

Tambour
- Sale of Tambour SOLD

SUPERGAS
- Sale of Solar Fields SOLD
- Household gas business
- Industrial natural gas distribution business

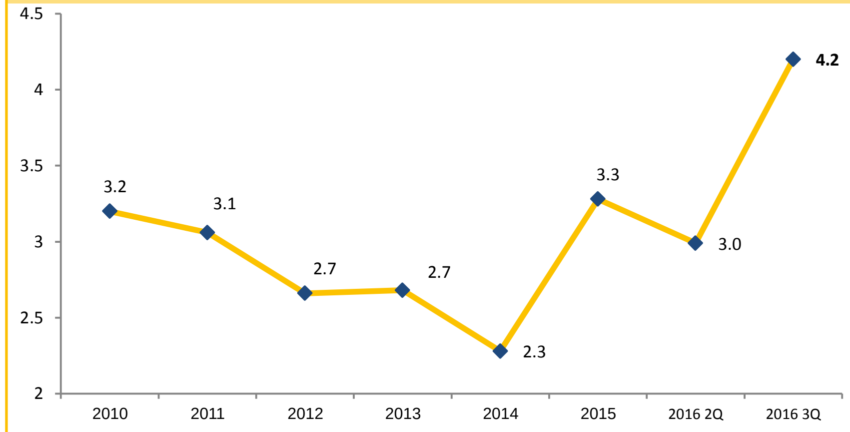
GES Global Environmental Solutions
- Sale of the Via Maris desalination plant SOLD
- Water treatment business

(1) Closing took place on July 24, 2016. (2) The sale has yet to be closed.

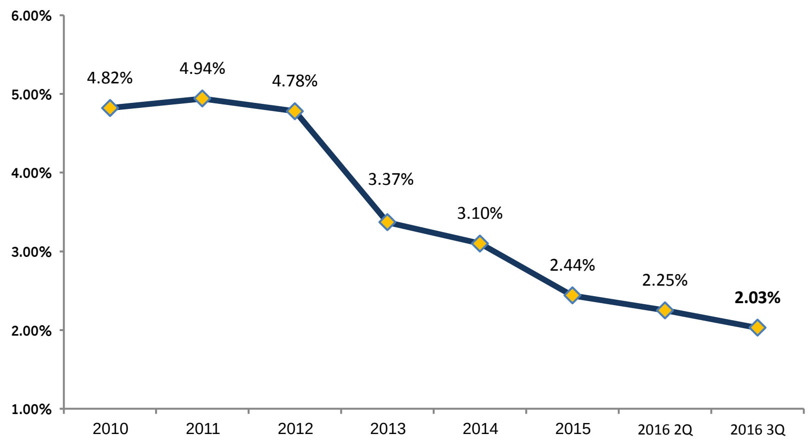
Extension of Duration and Reduction of the Cost of Debt

- In July 2016 the Company issued a new bond series **(Series D)**
- In the sum of NIS 2.2 billion
- At an average interest rate of **1.34%**
- With a **duration of 7.6 years**
- Refinancing loans that are due by March 2017 will lead to annual savings of **NIS 34 million in interest expenses** on the same gross amount of debt

Extension of Average Duration over the Years

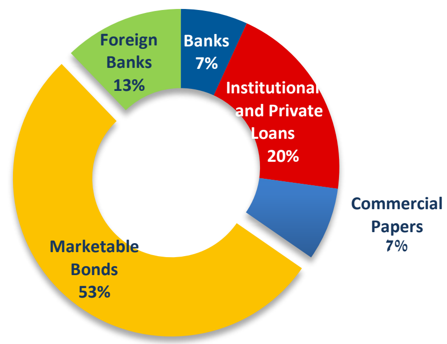


Reduction of Average Interest over the Years



Debt Breakdown by Lender

Debt of NIS **8.94 billion**



US Office Portfolio\\ Austin, Texas

Aspen Lake II

4-story **Class A** office Building, built in 2015

GLA - 12,000 sqm of offices

560 parking spaces

Single Tenant- Q2 Software, 100% occupancy

Purchase Cost -
$40.5 million

Average rent yield for the term of the lease- **8.04%**

Financing-
55% LTV at a **3.65%** interest rate

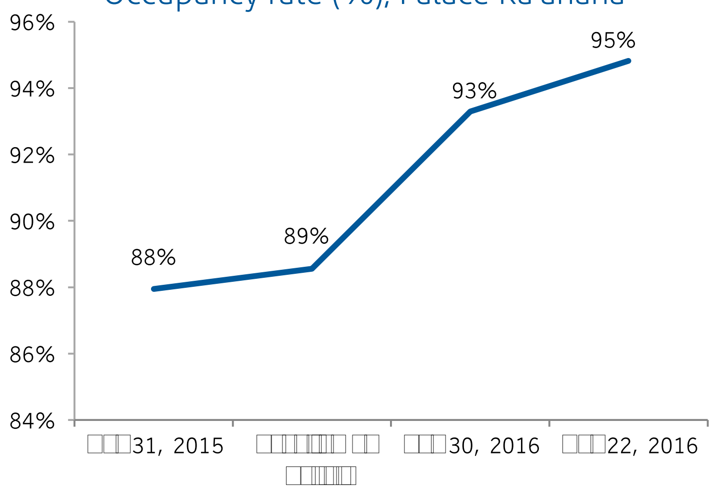
Location

The property is located in the northwest part of **Austin, Texas,** near main traffic arteries and many residential neighborhoods that are home to many of the employees of the vast high-tech industry.

Betterment of Existing Properties\\ Palace Ra'anana

> Occupying vacant apartments since acquisition
> Uniting apartments
> Improving operation
> Renovating public areas and building shell
> Renovating the retail center
> Advanced zoning proceedings for the addition of 84 residential units

Occupancy rate (%), Palace Ra'anana



Betterment of Existing Properties\\ Palace Ra'anana

PALACE
Senior Housing
The Azrieli Group

*Illustration; construction not yet completed

Development Pipeline

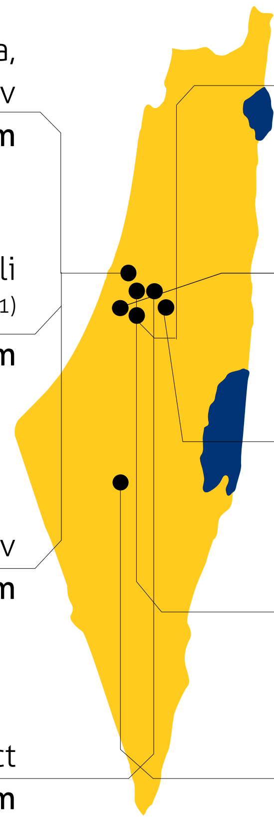
Azrieli Group \\ Development Pipeline

Azrieli Sarona, Tel Aviv
126,500 sqm

Expansion of Azrieli Tel Aviv Center(1)
69,000 sqm

Azrieli Town Tel Aviv
75,000 sqm

Holon Lodzia Project
220,000 sqm



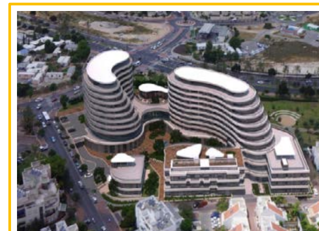
Azrieli Rishonim
50,000 sqm

Senior housing Rishon Lezion
29,000 sqm

Senior housing Modi'in
35,000 sqm

Holon HaManor
28,000 sqm

Senior housing Lehavim
44,000 sqm



(1) The Company is in the process of promoting a zoning plan to increase building rights to 145,200 sqm.

Development Projects \\ The Growth Engine

Name of Property	Location	Use	GLA	Estimated Completion Date	Estimated Construction Cost, including Land (NIS in millions) (1)
Development Projects Under Construction					
Azrieli Sarona	Tel Aviv	Retail offices	11,500 115,000	2017	1,600-1,660
Azrieli Rishonim	Rishon Lezion	Retail and offices	50,000	March 2017	760-770
Azrieli Town	Tel Aviv	Retail, offices and residences	75,000	2020	1,000-1,050
Senior housing Modi'in	Modi'in	Senior housing	35,000	2018	350-360
Senior housing Lehavim	Lehavim	Senior housing	44,000	2018	320-340
Total			**330,500**		**4,030-4,180**
The projected NOI from projects under construction, as appearing in the above list, is NIS 400 million(3), reflecting a yield of 10%					
Development Projects in the Pre-Development Phase					
Expansion of Azrieli Center Tel Aviv	Tel Aviv	Retail, offices and residences	69,000(2)	Yet to be determined	1,000-1,050
Holon Hamanor	Holon	Retail and offices	28,000	2020	210-230
Senior housing land Rishon Lezion	Rishon Lezion	Senior housing	29,000	Yet to be determined	Yet to be determined
Holon Lodzia	Holon	Retail and offices	220,000	Yet to be determined	Yet to be determined

(1) The figure reflects the estimated costs to be invested without discounts and at bare shell level (2) The Company is in the process of promoting a zoning plan for the addition and increase of rights and uses. (3) The total NOI does not include expected proceeds of NIS 500-550 million from the sale of apartments in the TOWN project, if the Company decides to sell them.

Development Projects \\ Azrieli Sarona

AZRIELI SARONA
BUSINESS & TOWER
LUXURIOUS MALL

Azrieli Sarona

Land area - **9,400 sqm**

GLA - **115,000 sqm** of office space
11,500 sqm of retail space
1,400 parking spaces

Estimated construction cost, including land – **NIS 1.6-1.66 billion**

Estimated date of completion - **2017**

Projected NOI - **NIS 200-210 million**(1)

Developments

The structure work of the tower has been completed and the Group received a inhabitance approval for the parking lot

Marketing

To date, contracts have been signed for **58,500 sqm** of leasable office space

(1) Estimated NOI reflects additional investments to finishing level of NIS 200 million.

Development Projects \\ Azrieli Rishonim Center

AZRIELI RISHONIM
BUSINESS & TOWER
LEISURE MALL

Azrieli Rishonim

Land area – **19,000 sqm**

GLA – **50,000 sqm** of office and retail space

Estimated construction cost, including land – **NIS 760-770 million**

Estimated date of completion – March 2017

Illustration

Marketing

To date, lease agreements have been signed for **15,000 sqm of the office spaces (~50%).**

Opening of the project is scheduled for **March 2017**.

To date, most of the mall's spaces have been leased. The mall is expected to be fully occupied by its launch date.

Development Projects \\ Azrieli Town

Azrieli Town

Land area - **10,000 sqm**

GLA - **50,000 sqm** of office space
6,000 sqm of retail space
210 residential units

Estimated construction cost, including land -
NIS 1,000-1,050 million

Estimated date of completion - **2020**

Developments

The Company has received possession of the land. Demolition work has been completed and excavation and shoring work has commenced on the eastern service road.

Marketing

The Company has **signed 2 major lease agreements for 26,000 sqm with PWC** and the law firm of Fischer Behar Chen. Negotiations are conducted on the other spaces in the building.

Development Projects \\ Palace Modi'in Senior Home

PALACE
דיור מוגן
מודיעין
מקבוצת עזריאלי

Palace Modi'in – Senior Housing

Land area - **10,500 sqm**, at the entrance to the city of Modi'in, on Route 443

Building rights - **35,000 sqm**

240 residential units + **60** assisted living units + **2** LTC wings

Estimated construction cost, including land - **NIS 350-360 million**

Estimated date of completion - **2018**

Marketing

To date, 86 options for residential units have been signed, **28 of which matured into signed contracts.**

Developments

A permit for the basement floor has been received, as well as an aboveground building permit for most of the units.

Development Projects \\ Palace Lehavim Senior Home

Palace Lehavim – Senior Housing

Land area – **28,000 sqm**, in the southern part of the town of Lehavim, not far from the train station

Building rights – **44,000 sqm**

360 residential units + **4** LTC wings

Estimated construction cost, including land – **NIS 320-340 million**

Estimated date of completion – **2018**

Marketing

To date, 48 options for residential units have been signed.

Developments

An excavation and shoring permit has been received.

Development Projects \\ Expansion of Azrieli Tel Aviv Center

Yedioth Ahronoth Land

Land area – **8,400 sqm**

Leasable area – **69,000 sqm (including 10,000 sqm of retail space for the expansion of Azrieli Tel Aviv Mall)**

The Company is in the process of promoting a zoning plan to increase the building rights to **145,200 sqm**

Cost of land – **NIS 374 million**

Estimated construction cost, including land – **NIS 1-1.05 billion**

Progress Update

The Company has **commenced preliminary preparatory work** on the site, toward demolition and excavation.

Development Projects \\ Azrieli Holon Hamanor

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Azrieli Holon Hamanor

Land area – **6,200 sqm**

GLA – **28,000 sqm** of retail and office space

Estimated construction cost, including land – NIS 210-230 million

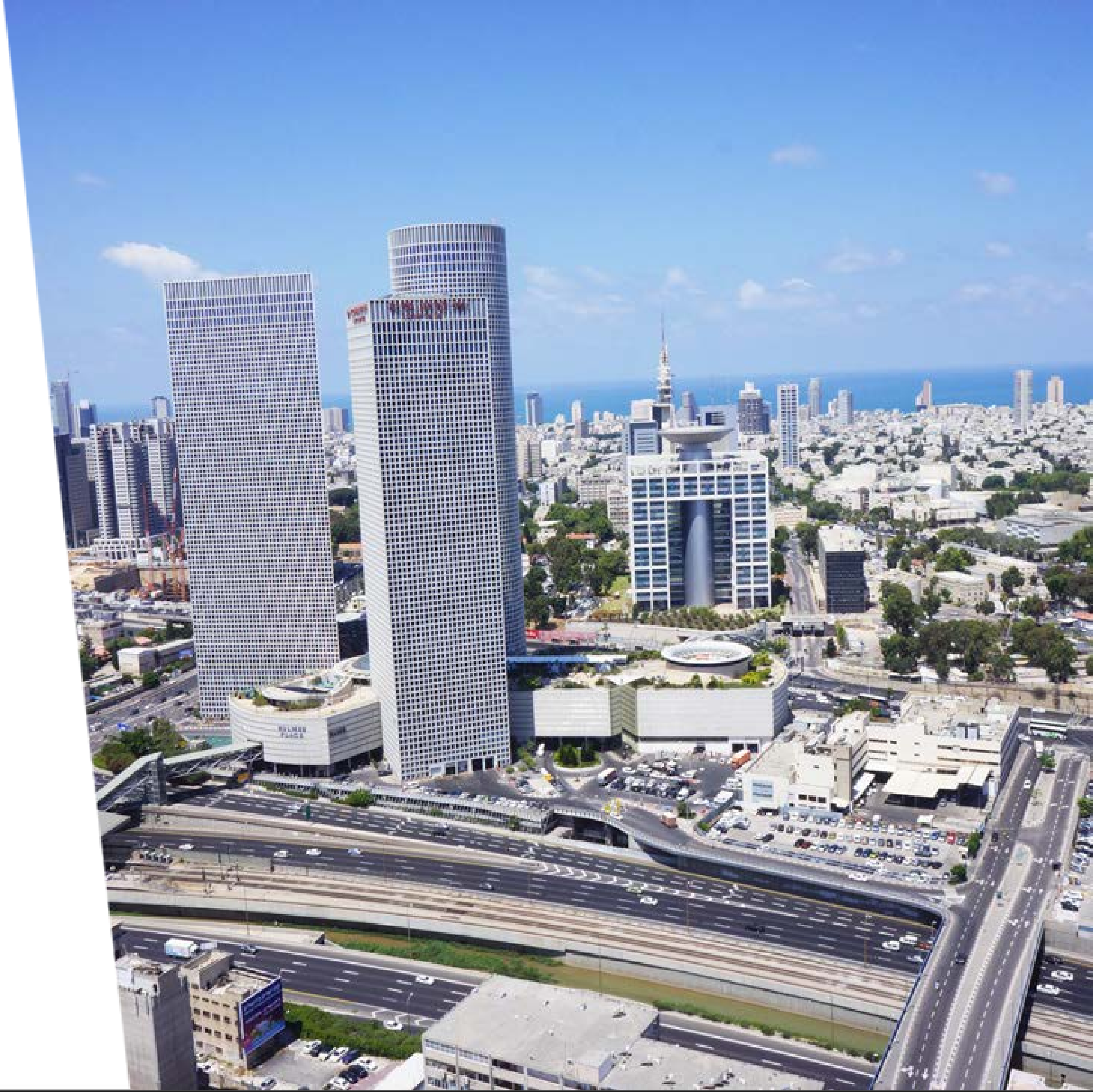
Estimated date of completion – 2020

The land is located in adjacency to the land of Lodzia Holon and near the Azrieli Holon Center

Marketing

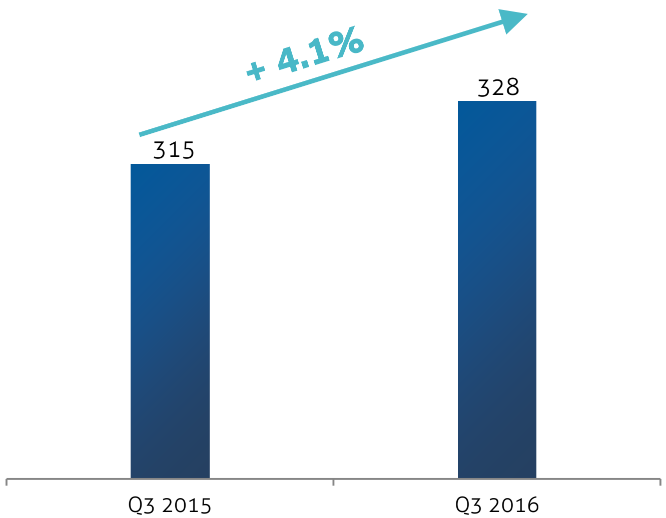
The Company has begun marketing the building.

Financial Highlights

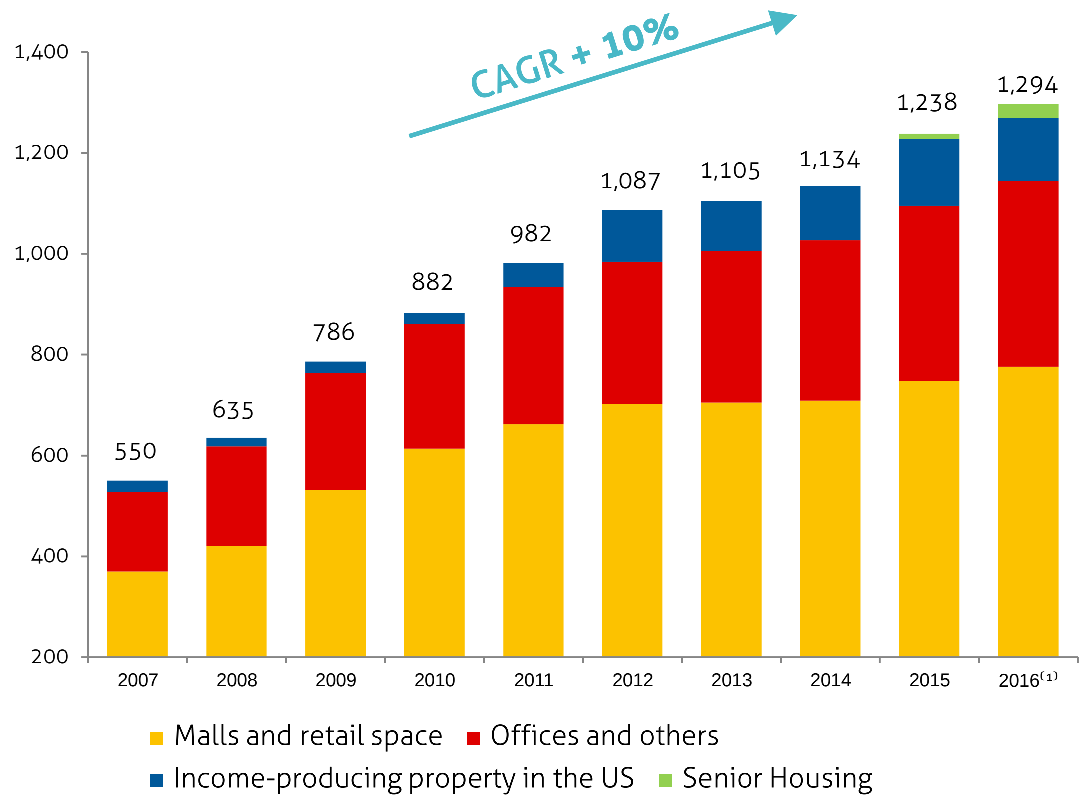


Continuous Growth in NOI

Quarterly NOI
(NIS in millions)



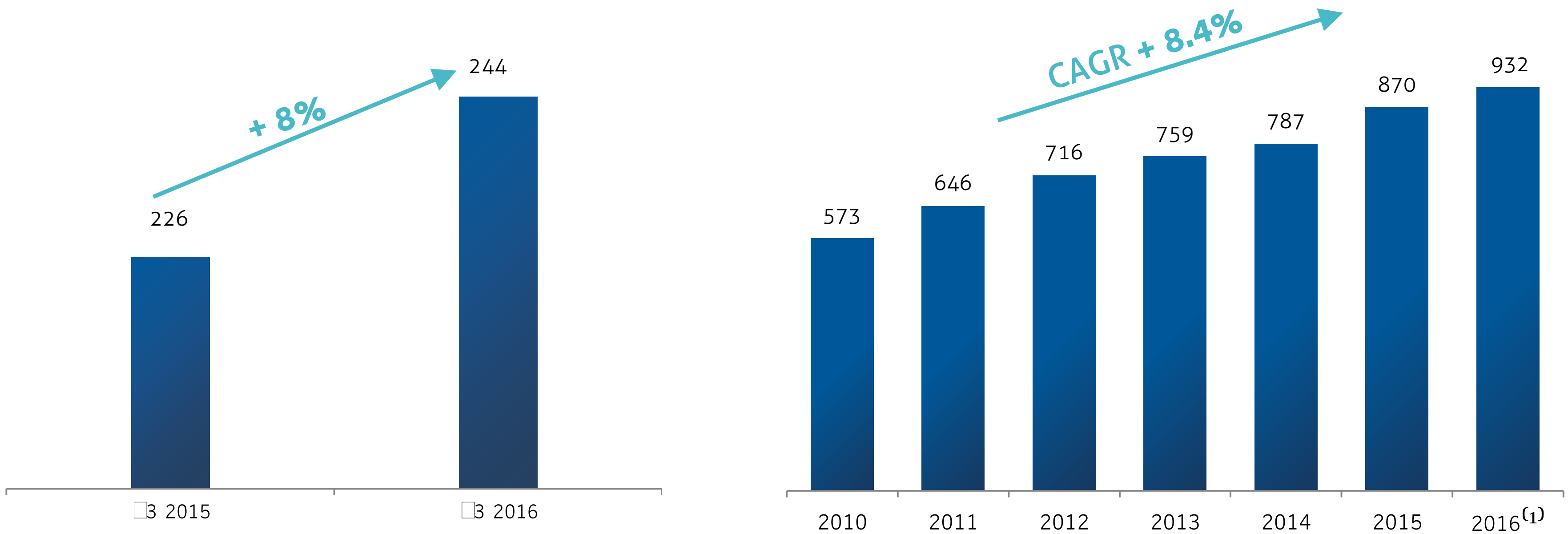
Annual NOI
(NIS in millions)



(1) Annualized based 9-month NOI + Q3 NOI

Continuous Growth in FFO

Real Estate FFO* (NIS in millions)



* For details with respect to the FFO calculation, see Section 1.3.5 of the Board of Directors' Report.
(1) Based on the calculation: Q1+Q2+ Q3+(Q3 net of a one-time income).

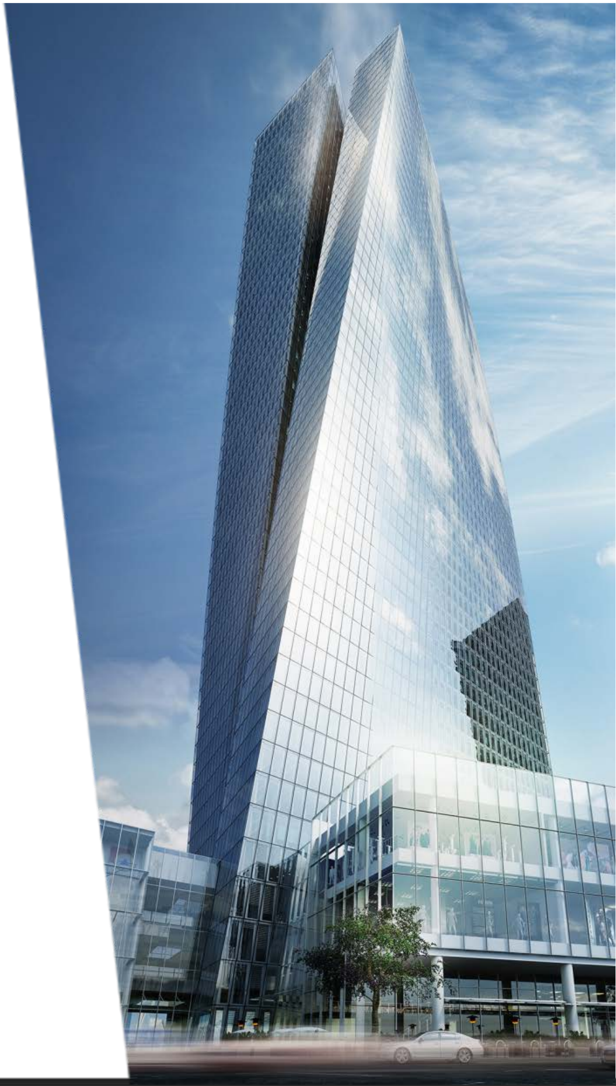
Summary of Financial Results (Extended Standalone, NIS in millions)

	Q3 2016	Q3 2015	2015
Revenues from rent, management and maintenance fees	454	427	**1,632**
NOI	328	315	**1,238**
Same property NOI	320	315	**1,183**
Real estate FFO(1)	244	226	**870**
Change in the value of investment property(2)	95	(4)	**132**
Net profit, including minority interest	279	102	**828**
Net profit, attributed to shareholders	279	101	**821**
Comprehensive income, attributed to shareholders	293	81	**840**

(1) For details with respect to the FFO calculation, see Section 1.3.5 of the Board of Directors' Report.
(2) Net, after tax.

Summary of Balance Sheet (Extended Standalone, NIS in millions)

	September 30, 2016	December 31, 2015
Cash, securities and deposits	1,511	861
Financial debt, gross	8,943	6,520
Financial debt, net (1)	7,432	5,659
Net financial debt to assets ratio	27%	23%
Financial assets (mainly Leumi & Leumi Card)	1,633	1,582
Fair value of investment property and property under construction	23,237	20,516
Equity (excluding minority interest)	14,588	13,771
Equity to assets ratio	53%	57%
Total assets	27,774	24,310
Equity per share (NIS)	120.29	113.56
EPRA NAV per share (NIS) (2)	145	138



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

Average Cap Rate and FFO of the Real Estate Business

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Weighted average cap rate - 7.5%

	NIS millions
Total investment property as of September 30, 2016 (extended standalone)	23,324
Net of the value attributed to land reserves, properties under construction and unused building rights	(5,021)
Total income-producing properties	18,303
Actual NOI for Q3/2016[1]	320
Additions to future quarterly NOI[1]	21
Total adjusted NOI for Q3/2016	341
Annual pro-forma NOI	1,364
Weighted cap rate deriving from the income-producing investment property, including vacant space	7.5%

FFO for the Quarter– NIS 244 million

	NIS in millions
Net profit for Q3/2016 (attributed to the shareholders)	279
Discounting loss from Granite and Azrieli E-Commerce (including deduction of surplus costs)	10
Appreciation of investment property	(127)
Taxes	49
Other adjustments	3
Plus interest paid on real investments	5
Net cash flow from incoming deposits from tenants, after deduction of revenues from forfeiture	25
Total FFO for Q3/2016 attributed to real-estate operations	244

(1) Excluding senior housing, since the cap rate of senior housing properties is derived from FFO, rather than NOI.

Debt Structure and Rating as of the Balance Sheet Date

Financial strength

- Low leverage ratio - net financial debt to assets: **27%**
- Equity to assets: **53%**
- Cash and cash equivalents: **NIS 1,507 million**
- Unmortgaged properties: **NIS 19.3 billion**
- Loans from banks and institutional bodies: **NIS 3.5 billion**
- Bonds & commercial paper: **NIS 5.4 billion**
- Average duration: **4.2 years**

Rating

- AA+ / Stable (S&P Maalot)
- Aa1 / Stable (Moody's Midroog)

	Amount of Principal (NIS in millions)	% out of Total Gross Debt
Up to 1 year	2,335	26%
1 to 4 years	2,255	25%
5 to 10 years	4,353	49%
Total as of September 30, 2016	8,943	100%

	Amount of Principal (NIS in millions)	Average Interest Rate
Linked to CPI	6,520	1.78%
In NIS	1,257	0.94%
Linked to $	1,145	4.64%
Linked to £	21	2.34%
Total as of September 30, 2016	8,943	2.03%

Summary – Leadership, Innovation and Strength

- Continued growth in the key parameters of the core business (NOI, FFO).
- Lasting high occupancy rate.
- Exceptional financial soundness and strength.
- Significant growth engines:
  1. Internal growth.
  2. Enterprise and development of new properties.
  3. Purchase of income-producing properties and land for future development.
  4. New real estate operating segments (senior housing) and entry into the digital commerce segment.
- Most of the Company's operations are in Israel.