AZRIELI GROUP

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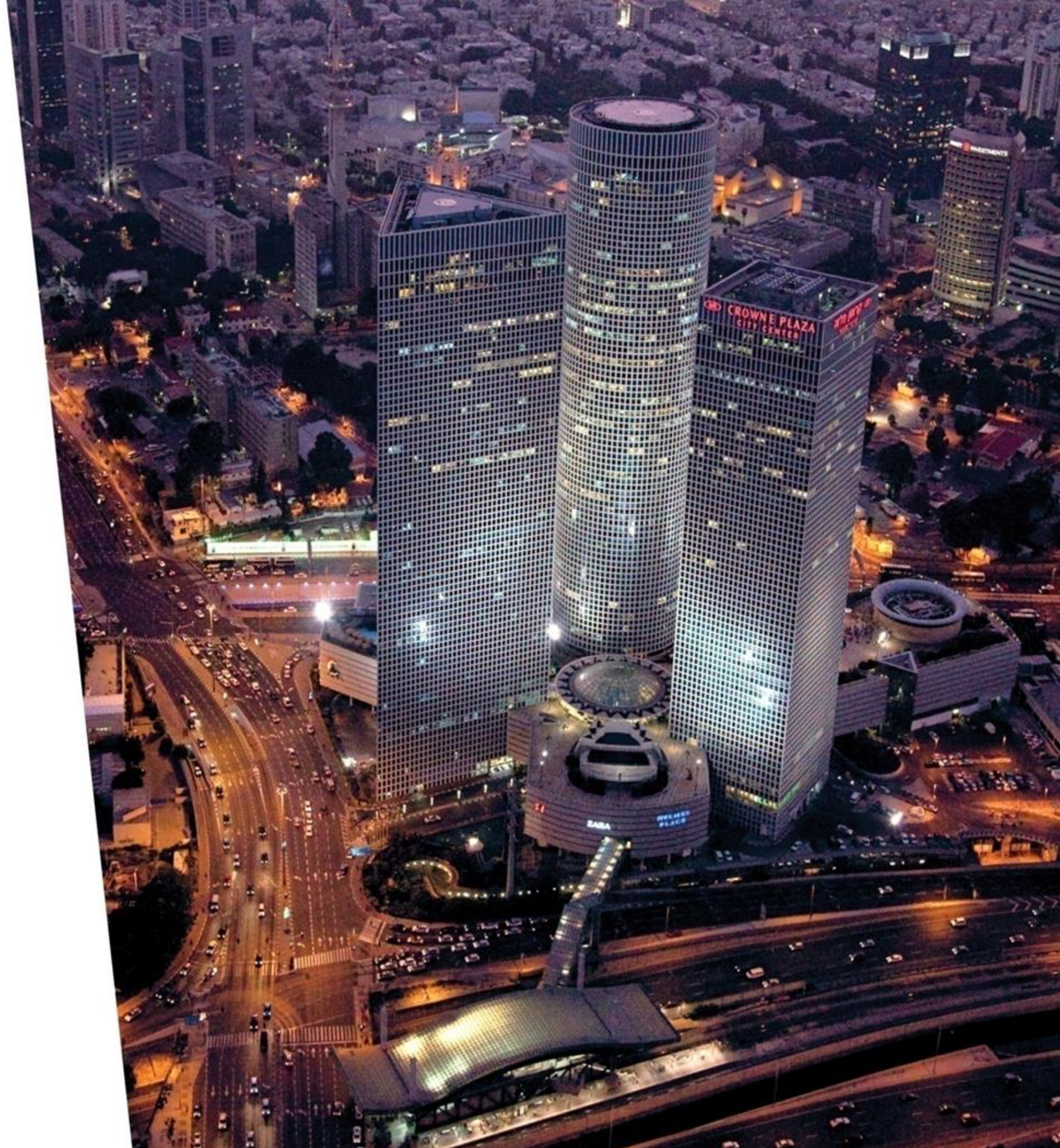
Conference Call Presentation

Financial Results June 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 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 June 30, 2016, Sections 1.3.4 and 1.3.5, including the methods of calculation and the underlying assumptions thereof.
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- All figures are approximate.

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Azrieli Group \\ Business Card

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

Market Cap of **NIS 20.5 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 **960,000 sqm**(2) GLA, and **9 projects in development stages**

Average **occupancy rate** in Israel of **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 of **27%** only, and equity to assets ratio of **55%**(2)

(1) As of August 22nd, 2016
(2) Extended standalone, as of August 2016

Azrieli Group \\ Company Structure

Share Distribution

69.9% The Azrieli family and the Azrieli Foundations

30.1% Public

Holdings

4.6% Bank Leumi

20% Leumi Card

100% Granite

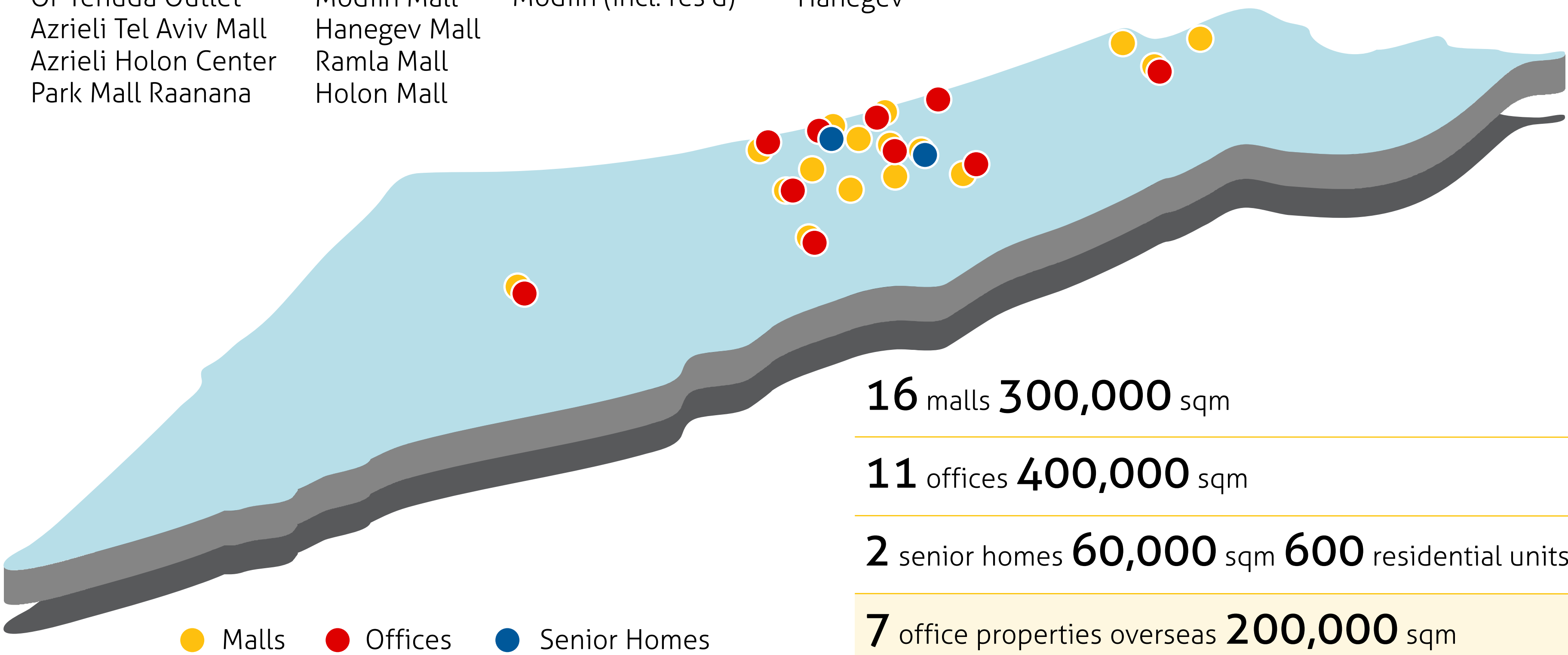
Azrieli Group – Breakdown of Properties[1]

% of Total Properties
Book Value (NIS in millions)

(1) Extended Standalone, as of June 30, 2016

Prime Location Asset Portfolio

MALLS and SHOPPING CENTERS		OFFICES and OTHERS		SENIOR HOMES	OVERSEAS	
Hod Hasharon Mall	Ayalon Mall	Kesariya	Petah Tikva	Palace Tel Aviv	GALLERIA	1Riverway
Herzeliya Outlet	Haifa Mall	Herzeliya	Jerusalem	Ahuzat Bait	PLAZA	LEEDS
Jerusalem Mall	Ako Mall	Azrieli Towers	Givataim		8 WEST	ASPEN II
Givataim Mall	K. Ata Mall	Azrieli Holon Center	Kiryat Ata		3Riverway	
Or Yehuda Outlet	Modiin Mall	Modiin (incl. res'd)	Hanegev			
Azrieli Tel Aviv Mall	Hanegev Mall					
Azrieli Holon Center	Ramla Mall					
Park Mall Raanana	Holon Mall					



16 malls **300,000** sqm

11 offices **400,000** sqm

2 senior homes **60,000** sqm **600** residential units

7 office properties overseas **200,000** sqm

Total **960,000** sqm

As of August 2016

Financial Highlights

AZRIELIGROUP

Financial Emphases

> **NOI** growth of **5%** compared with the same quarter last year
> **Same Property NOI in the Israeli portfolio** rose by **4%** compared with Q2/2015
Same Property NOI for the entire portfolio grew by 2%
> **FFO** growth of **7%** compared with the same quarter last year

Continued development pipeline, improvement and acquisitions

> During the quarter, **the Group invested NIS 1.1 billion** in investment property acquisitions, improvement of existing properties and construction of properties under development.

Financing

> The Company **raised NIS 2.2 billion in public bonds** at an average **1.34%** interest rate with **7.6 years average maturity.**

> The Company prepaid some of its outstanding debt due on March 2017, and **reduced financing costs by NIS 8.5 million**, for the period.

Turnover in store sales

> **5% increase in total turnover sales** January - June 2016 vs. 2015 in Azrieli Malls[1]

Dividend

> The Group distributed a **NIS 400 million dividend** (NIS 3.3 per share) in May 2016.

(1) When excluding Ramla Mall and the second floor of Ayalon Mall, turnover sales grew by 2% for the same period

Recent Developments

AZRIELIGROUP

Sale of Non-Core Business

> Completed the **sale of Sonol** to third party operator, as part of the Group's focus on its' core business.

Acquisitions Completed

> Completed the **acquisition of Ahuzat Ba'it senior home** and Park Mall retail center in Raanana for a total of NIS 55 million.

> Completed the **acquisition of Lodzia land in Holon-** 53,000 sqm with building rights of 193,000 sqm of office and retail space for NIS 280 million.

> Completed the **acquisition of Buy2's business in the eCommerce sector** for a total of NIS 62 million.

Expanding US Income Producing Portfolio

> Purchase **of Class A** single-tenant office property in **Austin, Texas**, for $40.5 million**,** for an **average CAP** for the term of the lease of **8%.**

Rating

> In July 2016 Moody's reconfirmed the **Group's rating at Aa1** (il:Midroog)

Pre-lease of Assets under Development

> **Azrieli Sarona**- The Company has signed agreements for 58,500sqm of office space (out of a total of 115,000sqm).

> **Azrieli TOWN**- the Company has signed 2 major agreements for the lease of office space for the project that will be completed in 2020.

Focusing on Core Business

NIS 1.6 billion of non-core asset sales 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 Tambur — SOLD

SUPERGAS
- Sale of Solar Fields — SOLD
- Domestic natural gas distribution
- Industrial natural gas distribution

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

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

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

Purchase Cost -
$40.5 million

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

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

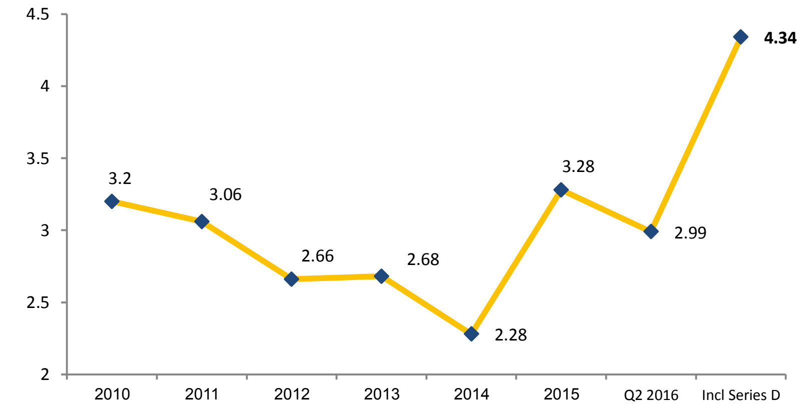
Location

The property is located in the Northwest submarket of Austin, highly visible and accessible location with direct access to US 183 and SH 45.

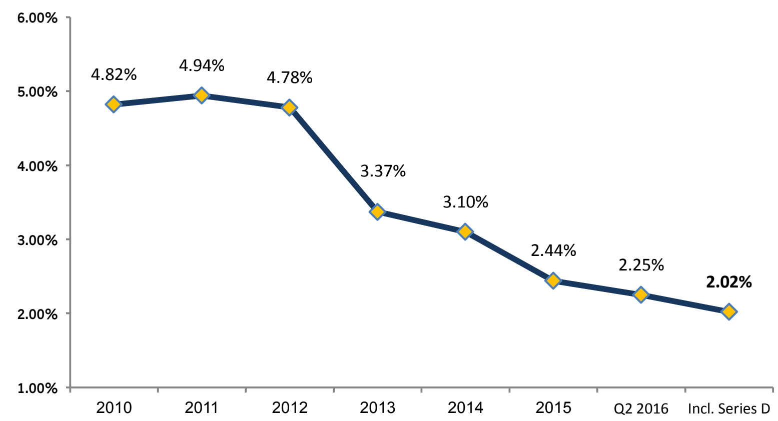
Extension of Duration and Reduction of the Cost of Debt

- In July 2016 the Company raised **Series D Bonds**
  - In the sum of NIS **2.2** billion
  - At an average interest rate of **1.34%**
  - With an average duration of **7.6** years
- The Company prepaid some of its outstanding debt due on March 2017, and **reduced financing costs by NIS 8.5 million**, for the period.

Reducing the average duration over the years

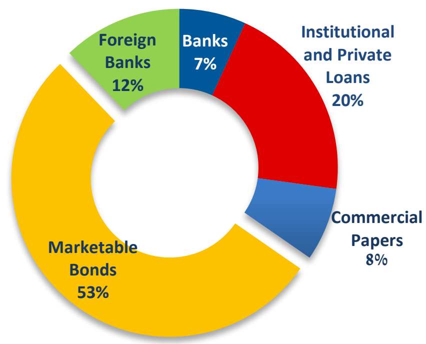


Reducing the average interest over the years



Debt breakdown by lender

Debt of NIS **8.9 billion**



Development Pipeline

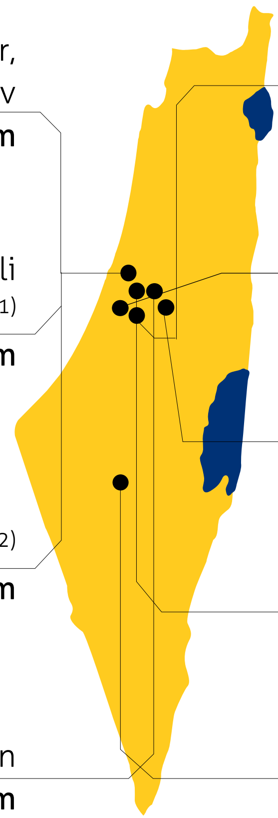
Azrieli Group \\ Development Pipeline

Azrieli Sarona Center, Tel Aviv
126,500 sqm

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

Azrieli Town Tel Aviv(2)
75,000 sqm

Lodzia land Holon
220,000 sqm



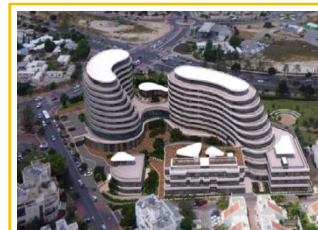
Azrieli Rishonim
53,000 sqm

Senior housing Rishon Lezion
29,000 sqm

Senior housing Modiin
35,000 sqm

Holon Manor
28,000 sqm

Senior housing Lehavim
44,000 sqm



(1) The Company is in the process of promoting a zoning plan for increase of the building rights to 145,200 sqm.
(2) Possession is expected to be handed over to the Company in August 31, 2016.

Development Projects \\ The Growth Engine

Name of Property	Location	Use	Holding Rate	GLA	Estimated Completion Date	Estimated Construction Cost, including Land (NIS in millions)
Development Projects Under Construction						
Azrieli Sarona Center	Tel Aviv	Retail offices	100%	11,500 115,000	2017	1,600-1,660
Azrieli Rishonim	Rishon Lezion	Retail and offices	100%	53,000	Early 2017	760-770
Azrieli Town[2]	Tel Aviv	Retail, offices and residences	100%	75,000	2020	1,000-1,050
Senior housing Modiin	Modiin	Senior housing	100%	35,000	2018	340-350
Senior housing Lehavim	Lehavim	Senior housing	100%	44,000	2018	320-340
Total				**333,500**		**4,020-4,170**[1]
The projected NOI from projects under construction, as appearing in the above list, is NIS 400 million[4], reflecting a yield of 10%						
Development Projects in the Pre-Development Phase						
Expansion of Azrieli Center Tel Aviv	Tel Aviv	Retail, offices and residences	100%	69,000[3]	Yet to be determined	
Holon Manor	Holon	Retail and offices	100%	28,000	Yet to be determined	
Senior housing land Rishon Lezion	Rishon Lezion	Senior housing	100%	29,000	Yet to be determined	
Holon Lodzia	Holon	Retail and offices	100%	220,000	Yet to be determined	

(1) The figure reflects the costs to be invested without discounting and at bare shell level (2) Receipt of possession in August 2016 and estimated construction commencement in September 2016 (3) The Company is in the process of promoting a zoning plan for the addition and increase of rights and uses. (4) The total NOI does not include expected proceeds of NIS 500-550 million from the sale of residential units in the TOWN project, should the Company choose to sell.

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]

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 – **53,000 sqm** of office and retail space

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

Estimated date of completion – Early 2017

Marketing

To date, contracts have been signed for **10,000 sqm** of the leasable office space and most of the retail space.

Development Projects \\ Azrieli Town

Azrieli Town[1]

Land area - **10,000 sqm**

GLA - **50,000 sqm** of office space
4,500 sqm of retail space
210 Residential Units (to be sold)

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

Estimated date of completion - **2020**

Marketing

The Company has **signed agreements with 2 major firms** (PWC and Fisher Bachar Chen Law Firm) for a total GLA of **26,000 sqm**.

(1) Possession handover scheduled for August 31, 2016

Development Projects \\ Palace Modi'in Senior Home

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 340-350 million**

Estimated date of completion - **2018**

Marketing

Signed preliminary applications for **90** residential units

Development Status

Received approval for basement and above ground development

Development Projects \\ Palace Lehavim Senior Home

PALACE
דיור מוגן
להבים
מקבוצת עזריאלי

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

Signed preliminary applications for **37** residential units

Development Status

Received approval for commencement of development

Development Projects \\ Expansion of Azrieli Tel Aviv Center

Yedioth Ahronoth Land

Land area – **8,400 sqm**

Leasable area – **69,000 sqm**

The Company is in the process of promoting a zoning plan for increase of 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 received **possession** of the property, and has **commenced preliminary preparatory work** on the site.

Development Projects \\ Azrieli Holon Manor

Azrieli Holon Manor

Land area – **6,500 sqm**

GLA – **28,000 sqm** of office space

Estimated construction cost, including land – YTD

Estimated date of completion – YTD

The land is located in the Holon business area, adjacent to **Azrieli Holon Business Center**

Marketing

Marketing efforts have begun to pre-lease the building

Major Renovation \\ Hanegev Mall

Before

After

New Look

Opening New Urbanica Store

Strategic Tenant Mix and Proactive Management

Before

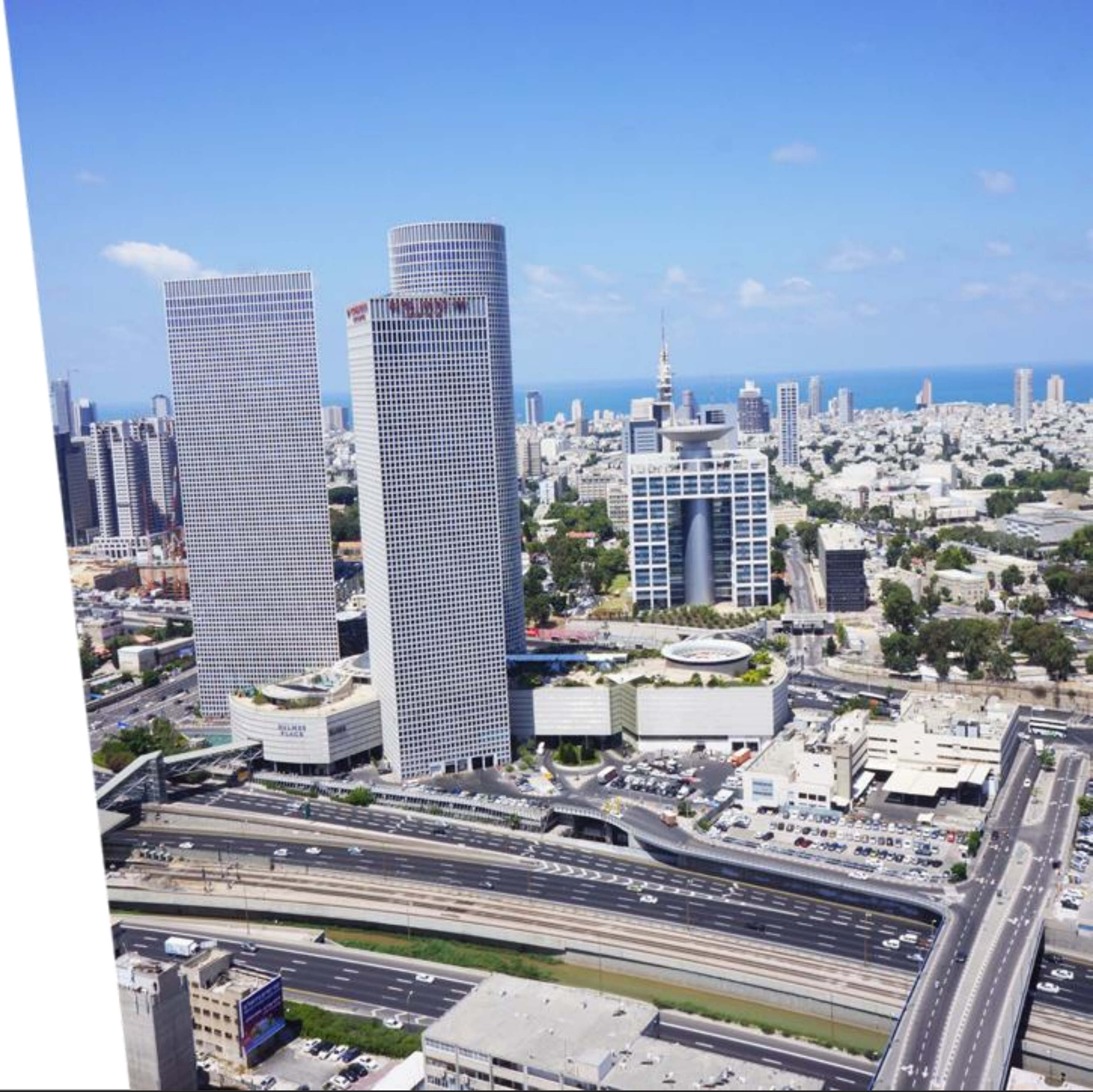
After

After

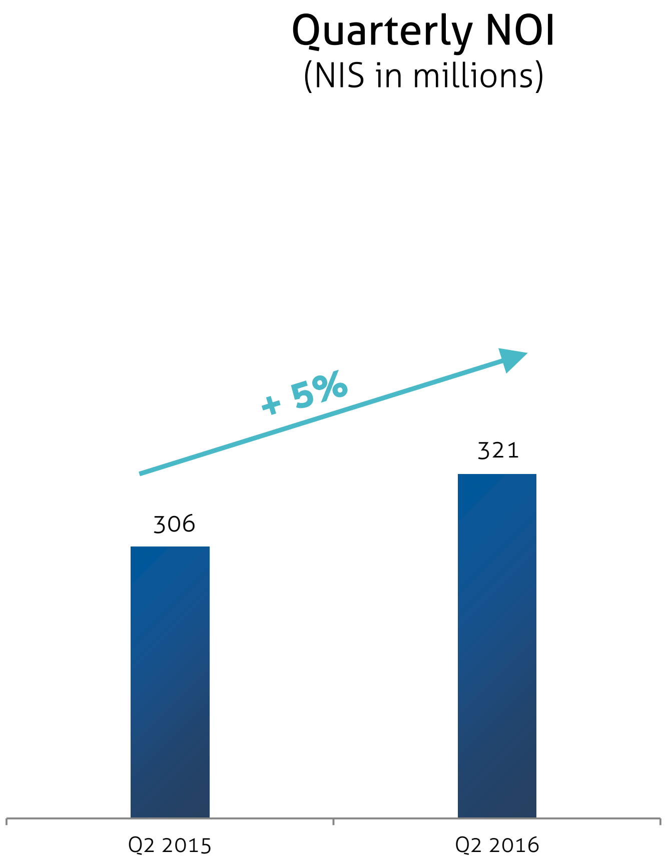
Opening New Urbanica Store, Tel Aviv

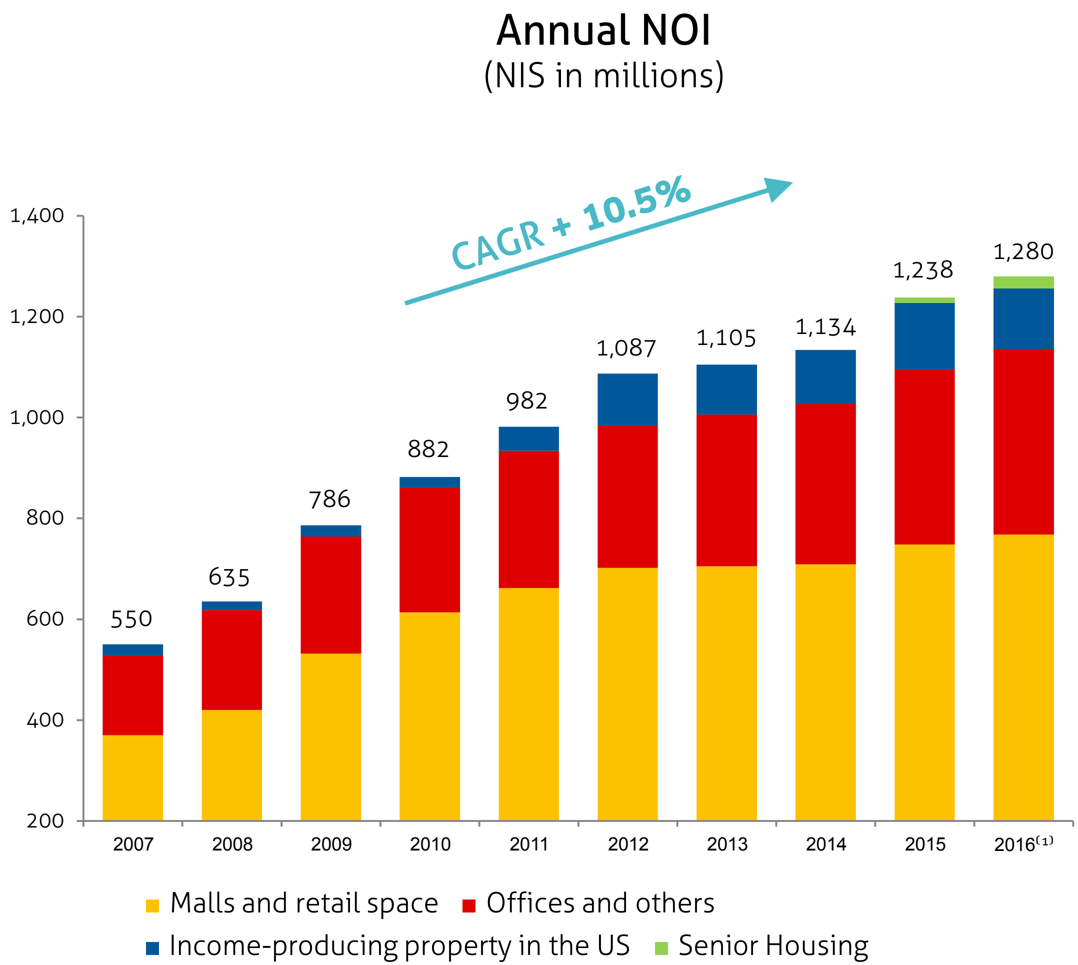
Opening New Zappa, Haifa

Financial Highlights



Continuous Growth in NOI

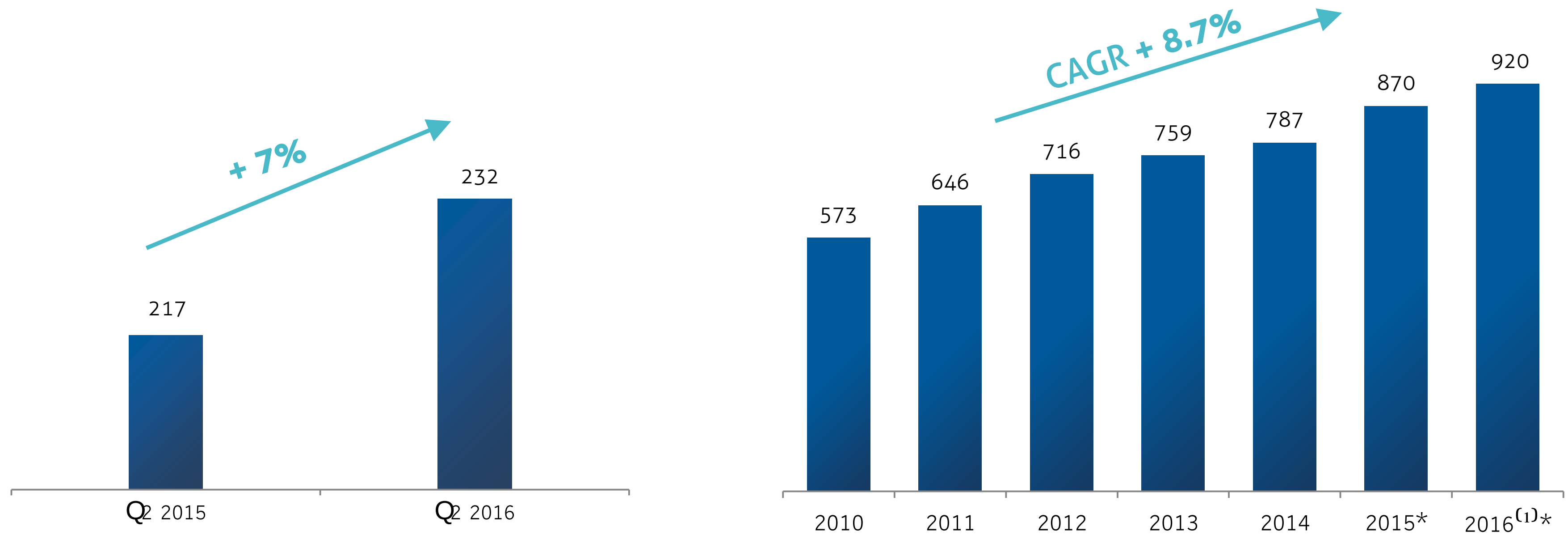




(1) Based on the results of Q2; Q1+Q2 multiplied by 2 for each one of the operating segments (Annualized)

Continuous Growth in FFO

Real Estate FFO (NIS in millions)



(1) Based on the results of H1; Q1+Q2 multiplied by 2 (Annualized)

*) The FFO calculation changed such that deposits of the tenants in the senior housing shall be deemed as received or as repaid on the lease-up or vacation date, as may be.

Summary of Financial Results (extended standalone, NIS in millions)

	Q2 2016	Q2 2015	2015
Income from rent, management and maintenance fees	**423**	395	**1,632**
NOI	**321**	306	**1,238**
Same property NOI	**313**	306	
Real estate segment FFO	**232**	217	***870**
Change in the value of investment property(1)	**25**	40	**132**
Net income, including minority interest(2)	**244**	246	**828**
Net income, attributed to shareholders(2)	**244**	244	**821**
Comprehensive income, attributed to shareholders(2)	**269**	256	**840**

(1) Net, after tax. *) The FFO calculation changed such that deposits of the tenants in the senior housing shall be deemed as received or as repaid on the lease-up or vacation date, as may be.

Summary of Balance Sheet (extended standalone, NIS in millions)

	June 30, 2016	December 31, 2015
Cash, securities and deposits	**471**	861
Financial debt, gross	**7,634**	6,520
Financial debt, net [1]	**7,167**	5,659
Net financial debt to total assets ratio	**27%**	23%
Financial assets (mainly Leumi & Leumi Card)	**1,587**	1,582
Fair value of investment property and property under construction	**22,646**	20,516
Equity (excluding minority interest)	**14,294**	13,771
Equity to total assets ratio	**55%**	57%
Total balance sheet	**26,209**	24,310
Equity per share (NIS)	**117.87**	113.56
EPRA NAV per share (NIS) [2]	**142**	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

Weighted average cap rate of 7.5%

	NIS millions
Total investment property as of June 30, 2016 (extended standalone)	22,733
Net of the value attributed to land reserves, properties under construction and unused building rights	(4,609)
Total income-producing properties	**18,124**
Actual NOI for Q2/2016(1)	315
Additions to future quarterly NOI(1)	25
Total adjusted NOI for Q2/2016	340
Annual pro-forma NOI	1,360
Weighted cap rate deriving from the income-producing investment property, including vacant space	**7.5%**

Annual ProForma FFO – NIS 928 million

	NIS in millions
Net profit for Q2/2016 (attributed to the shareholders)	244
Net of the profit from Granite (including deduction of surplus costs)	(4)
Appreciation of investment property	(33)
Tax expenses	15
Other adjustments	1
Plus interest paid on real investments	5
Net cash flow from incoming deposits from tenants, net of revenues from forfeiture	4
Total FFO for Q2/2016 attributed to real-estate operations	232
Total annual proforma FFO attributed to real-estate operations	**928**

(1) Excluding senior housing, since the cap rate of senior housing properties is derived from FFO, not from NOI.

Debt Structure and Rating

Financial strength

- Low leverage - net financial liabilities to total assets: **27%**
- Equity to total assets: **55%**
- Liquid resources of **NIS 467million**
- Non-mortgaged property value of **NIS 18.1 billion**
- Loans from banks and institutional bodies: **NIS 4.4 billion**
- Bonds & commercial paper: **NIS 3.2 billion**
- Average duration: **3.0 years**

Rating

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

	Principal amount (NIS in millions)	Percentage of total gross debt
Up to 1 year	3,156	41%
1 to 4 years	1,763	23%
5 to 10 years	2,715	36%
Total as of June 30, 2016	**7,634**	**100%**

	Principal amount (NIS in millions)	Average interest rate
Linked to CPI	4,951	2.08%
In NIS	1,568	1.08%
Linked to $	1,093	4.72%
Linked to £	22	2.25%
Total as of June 30, 2016	**7,634**	**2.25%**

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.