# AZRIELI GROUP

## Conference Call Presentation

Financial Statements December 31, 2018

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- The information included in this presentation is a summary only and does not exhaust all of the information on the Company and its business, nor is it a substitute for inspection of the Periodic Report for 2018, the quarterly reports for 2018, the Company's current reports and the presentations released thereby, as reported to the ISA via the Magna distribution site. The presentation does not constitute an offering or an invitation to purchase securities of the Company, and the provisions thereof do not constitute a recommendation or opinion or substitute for the discretion of the investor. The Company is not responsible for the integrity or accuracy of the information.
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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 December 31, 2018, Sections 2.6 and 2.7, including the methods of calculation and the underlying assumptions thereof.
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- The following English translation of Azrieli Group's presentation for the conference call of March 20, 2019 (the "**Presentation**") is provided for convenience. Please note that this document should not be regarded as a substitute for reading the full original Hebrew version of the Presentation. 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.
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# Azrieli Group // Business Card

Traded on the capital market since 2010, **the 6th largest company**[1] on the Tel Aviv Stock Exchange

Market cap of **NIS 25.3 billion**[1]

Listed in all leading **indices**: TA-35, TA-125, TA-Real Estate

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

The Company owns income-producing properties with a total leasable area of **1,205,000** m², **10 additional projects under construction and 7 projects under renovation and extension**

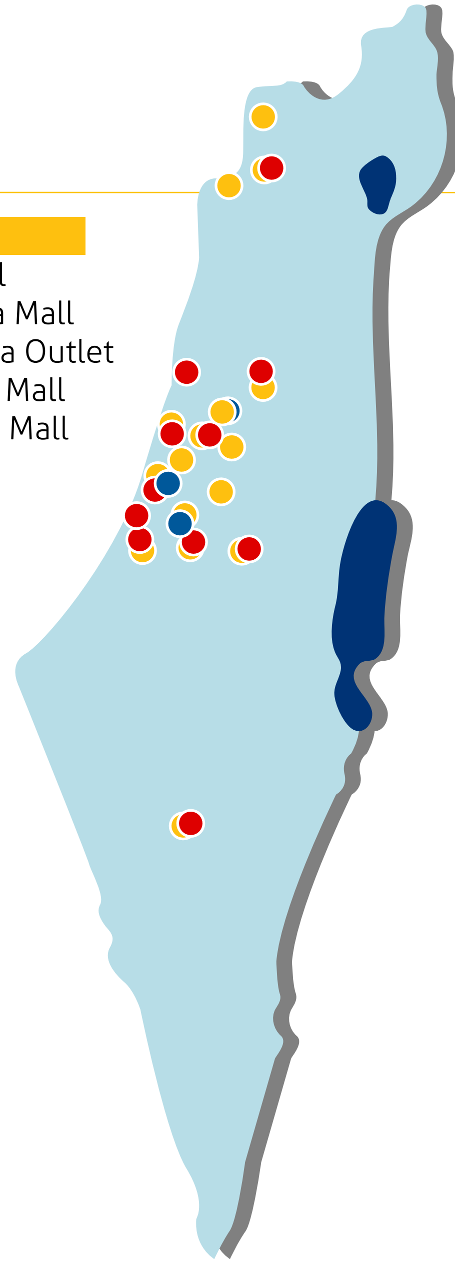
Average **occupancy rate** in Israel is **99%**[2]

**91%** of the value of investment and under-construction income-producing properties (on a consolidated basis) is attributed to real estate in Israel

**Rating: AA+** (Ma'alot S&P); **Aa1** (Midroog Moody's)
**Leverage ratio** is only **28%**, and equity to assets ratio is **54%**

(1) As of March 18, 2019 (2) Excluding completed properties in the first stages of occupancy.

# Income-Producing Properties Map



## Malls and Retail Centers

Ayalon Mall
Hod Hasharon Mall
Herzliya Outlet
Givatayim Mall
Jerusalem Mall
Modi'in Mall
Azrieli Mall
Azrieli Holon Center
Holon Mall
Ramla Mall
Azrieli Ra'anana
Haifa Mall
Akko Mall
Kiryat Ata Mall
Or Yehuda Outlet
HaNegev Mall
Rishonim Mall

## Offices and Others in Israel

Azrieli Towers
Azrieli Sarona
Azrieli Holon Center
Caesarea
Herzliya
Modi'in
Modi'in Residences
Petach Tikva
Jerusalem
TOWN building E
Givatayim
Kiryat Ata
Hanegev
Rishonim

## Senior Homes

Palace Tel Aviv
Palace Ra'anana
Palace Modi'in

## Overseas

GALLERIA
PLAZA
8 WEST
3 Riverway
1 Riverway
LEEDS
ASPEN II
SAN CLEMENTE

17 malls 335,000 m²

14 office properties 548,000 m²

3 senior homes 76,000 m² 794 residential units

8 office properties overseas 246,000 m²

Total 1,205,000 m² (1)

Malls
Offices
Senior Homes

(1) As of December 31, 2018

# Highlights for Y/2018 and for Q4/2018*

## Financial Highlights For Y/2018

- NOI totaled NIS 1,523 million, **an increase of 10%** compared with 2017.
- Same Property NOI – **an increase of 1%.**
- FFO totaled NIS 1,254 million, **an increase of 23%** compared with 2017.
  Excluding Senior Housing, FFO totaled NIS 1,089 million, an increase of 11%.

## Financial Highlights For Q4/2018

- NOI totaled NIS 388 million, **an increase of 8%** compared with Q4/2017.
- Same Property NOI – a 7% increase in the quarter.
- FFO totaled NIS 437 million, **an increase of 67%** compared with Q4/2017.
  Excluding Senior Housing FFO totaled NIS 288 million, an increase of 12%.

## Continued Momentum of Development, Betterment and Acquisitions

- Over the course of 2018, **the Group invested NIS 1.9 billion** in investment properties, the purchase of properties, the redevelopment of existing properties, and the development of new properties.

## Land purchases

- In January 2018, **the company purchased land for development in Modi'in o**n an area of 5.3 thousand m² in consideration for NIS 101.5 million.
- In June 2018, **the company purchased an office building and building rights in Tel Aviv o**n an area of 3.2 thousand m² in consideration for NIS 260 million.

## Dividend

- A dividend distribution for 2018 in the amount of NIS 560 million, 8% up from 2017.

* Some of the highlights present data and events as of the report release date.

# Highlights for Y/2018 and for Q4/2018*

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## Marketing of Projects

> **Azrieli Sarona -** contracts have been signed for 100%[1] **of the leasable office space**. (40,000 m² were occupied during the year)

> **Azrieli Rishonim -** contracts have been signed for **100% of the leasable office space**. (3,800 m² were leased during the year)

> **Azrieli Holon -** contracts have been signed for **93% of the leasable space** . (7,000 m² were leased during the year and thereafter)

## Financing

> In January 2019, the Company **raised NIS 1.5 billion** through two new bond series.

> Series 5 and Series 6, with durations of 7 and 10 years, carrying an interest rate of 1.77% and 2.48%, respectively.

## Net and Comprehensive Profit

> **The Comprehensive profit** for 2018 amounted to **NIS 1,325 million**.

> The adjusted net profit [2] increased **10% in 2018 to NIS 962 million** and increased 11% in Q4/2018 to NIS 240 million.

## Increase in Store Revenues in Azrieli Malls

> 2018 saw an increase of 3.3% in the revenues of the Group's tenants, compared with 2017. Same properties recorded a 2.3% rise.

> Q4/2018 saw an **increase of 3.2% in the revenues of the Group's tenants**, compared with Q4/2017. Same properties recorded a 3.2% rise.

* Some of the highlights present data and events as of the report release date.
(1) Including options.
(2) Net profit excluding the effect of real estate revaluations net of tax, the effects of the tax rate change and profits and dividends from Bank Leumi and Leumi Card.

# Azrieli Group // Breakdown of Properties(1)

**40%**
Real estate in Israel – malls
**12,682**

**33%**
Real estate in Israel – offices and others
**10,443**

**8%**
Income-producing properties in the U.S.
**2,593**

**7%**
Senior housing properties in Israel
**2,081**

**10%**
Holdings and others
**2,994**

**2%**
Cash, deposits and short-term investments
**646**

**Holdings (1)**

- **3.54%** Bank Leumi (2)
- **20%** Leumi Card (3)
- **100%** Granite
- **100%** Azrieli E-Commerce

**% of Total Properties**
Book Value (NIS in millions)

(1) Extended standalone as of December 31, 2018. For details regarding the Company's structure, see Section 1.2.1 of Chapter A of the Annual Report. (2) As of the report date – 3.05%.
(3) In February 2019, the Group closed the transaction for the sale of its entire holdings in Leumi Card.

# Income-Producing Property // Azrieli Sarona

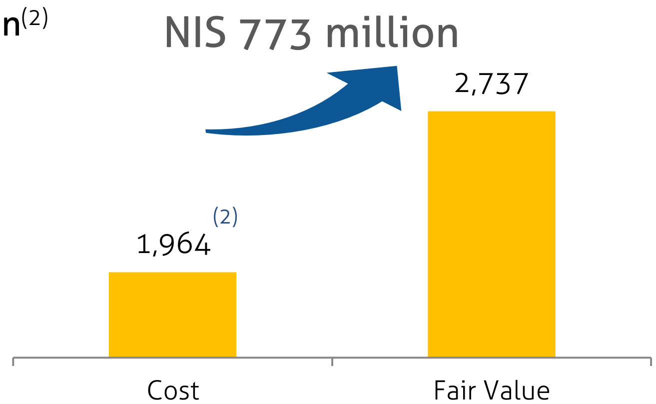
AZRIELI SARONA
BUSINESS & TOWER
LUXURIOUS MALL

## Azrieli Sarona

Land area - **9,400 m²**

GLA - **119,000 m²** of office space
**10,500 m²** of retail space - opening in 2019[1]
**1,247** parking spaces

Projected NOI - **NIS 200-210 million**[2]




## Marketing and Occupancy

- As of the date of the report, **100%**[3] **of the office space is leased-up and 110,000** m² **are occupied.**
- **Average rent per m²** - NIS 110, recent leases signed at NIS 150 per m²

(1) In January 2019 the company received an occupancy permit for part of the west wing. (2) Construction cost and estimated NOI reflect additional investments of NIS 200 million in TI. (3) Including options of present major tenants that will expire during 2020 and assuming that areas with respect to which binding agreements have not yet been signed will be occupied.

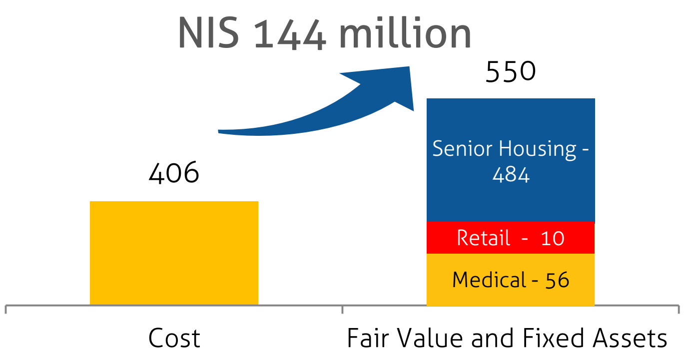
# Development Projects // Palace Modi'in Senior Home

## The Project

**239 Units + 136 LTC Beds + 600 m² Retail**

As of the Report Release Date – 177 preliminary applications have been signed (77% of the units), out of which **159 contracts have been signed.**

As of the Report Release Date – 133 units have been occupied.




## Facilities

- The finishing standard in the project is among the highest in the market, with house residents enjoying, among other amenities, a **swimming pool, gym, lounges, a synagogue, clinic** and more.
- The project includes **some 600 m² of retail space** leased to third party tenants, such as a café, drugstore, supermarket and more, **as well as underground parking**.
- The home also has a **medical wing**, that will be managed directly by Palace Azrieli. The wing offers LTC beds, full time medical care around the clock and a recovery unit.

# Azrieli Group // Acquisition of properties for Development

## Office building with building rights in Tel Aviv

Land area - **3,200 m²**

Cost of acquisition - **NIS 260 million**
Acquired in **May 2018**

An office building with GLA of 5,500 **m²** and building rights adjacent to an existing office property owned by the Group (Azrieli TOWN), leased to several tenants

Approved zoning plan – Additional **21,000 m²** and underground parking

## Land for Development, Modi'in

Land area - **5,300 m²**

Cost of acquisition - **NIS 101.5 million**
Acquired in **January 2018**

The land is adjacent to the Azrieli Modi'in Mall

**The land has approved zoning for 20,000 m²**. The land is designated for the construction of offices, retail space, 50 hotel rooms and 80 residential units. The Company is working to **increase the building rights on the land by another 8,000 m²**.

Illustration

# Existing Properties // Expansion and Betterment

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The following projects are undergoing betterment and various statutory proceedings:

| Name of the Property | Location | Project in the Property | Status | Gross Area | Timeframe for completion of the statutory proceeding |
|---|---|---|---|---|---|
| Azrieli Jerusalem mall | Jerusalem | Increasing retail and commercial space. Construction of senior home | Zoning plan | 100,000 sqm | Medium-term |
| Petach Tikva Land | Petach Tikva | Addition of offices | Zoning plan | 97,000 sqm | Medium-term |
| Palace Rishon Lezion | Rishon Lezion | Addition of senior housing and basement areas | Zoning plan | 33,000 sqm | Medium-term |
| Azrieli TOWN | Tel Aviv | Addition of commercial and hospitality areas | Zoning plan | 24,000 sqm | Medium-term |
| Azrieli Akko mall | Akko | Addition of office floors | Permit | 10,000 sqm | Short-term |
| Modi'in land (Lot 21) | Modi'in | Addition of retail, residential, employment and hotel areas | Zoning plan | 8,000 sqm | Medium-term |
| Herzliya Business Park | Herzliya | Addition of offices and retail | Zoning plan | 4,000 sqm | Medium-term |
| **Total -** | | | | 276,000 sqm | |

# Azrieli Group // Malls and Retail Centers

NOI in 2018 – **NIS 820 million**

GLA – **335,000 m²** (1)

Average occupancy rate – **98%**

Book value – **NIS 12.7 billion**

During the year, **the Group invested NIS 318 million** in the malls segment, in the betterment of existing properties and the development of new properties.


## Innovation and Upgrade

- Azrieli E-Commerce
- Azrieli Gift Card
- Azrieli App
- Betterment and upgrade of malls and retail centers
- New Brands: MiniSo, Reserved, KIKO Milano and more…

(1) GLA (gross leasable area) based on the company's share as of December 31, 2018

# Azrieli Malls Group // Revenues and Rent to Revenue Ratio

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**2018 Vs. 2017**

Total Increase in
Azrieli Malls Group Revenues

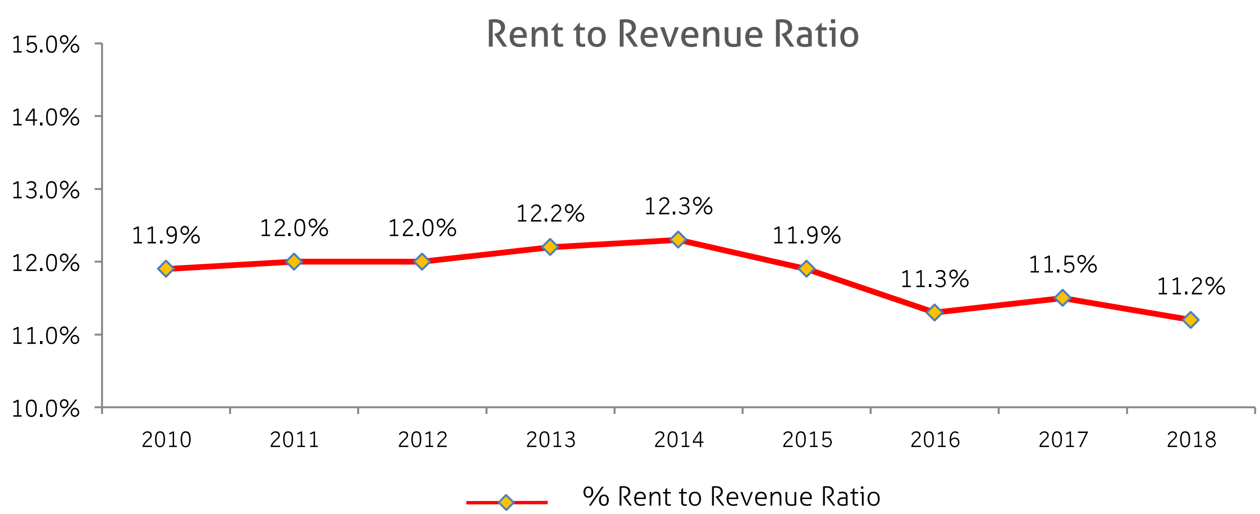
**+ 3.3%**

**+3.2%**
Q4/2018 vs. Q4/2017

Total Increase in Azrieli Malls Group
Revenues – **Same properties**

**+ 2.3%**

**+3.2%**
Q4/2018 vs. Q4/2017




# Development Projects // Expansion of Azrieli Jerusalem Mall

## Expansion of the Azrieli Jerusalem Mall

In July 2018, the Group received approval to deposit a plan for expansion of the area of the Azrieli Jerusalem mall by approx. 100,000 sqm gross above ground.

The expansion **enlarges the commercial areas** by about 22,000 sqm and the employment areas by about 36,000 sqm

As part of the plan, **a senior home will be built** adjacent to the mall, on an area of approx. 40,000 sqm gross (up to 300 residential units).

Concurrently with the expansion of the areas of the mall, work is expected to progress on **construction of the blue line of the Jerusalem Light Rail**, in which a light rail station will be built near the mall, improving transportation access to the area.

# Azrieli Group // Office and Other Space (Israel)

NOI in 2018 – **NIS 517 million**

GLA of **548,000 m²** (1)

Average occupancy rate – **99%** (2)

Book value – **NIS 10.4 billion**

During the year, **the Group invested NIS 836 million** in the office segment, in the purchase of properties, the betterment of existing properties and the development of new properties.

(1) GLA figures based on the company's share as of December 31, 2018

(2) Excluding recently completed properties in first time occupation stages.

# Palace Senior Housing Chain

## Operating Homes

**Palace Tel Aviv:** 231 residential units + 4 LTC units

**Palace Ra'anana:** 324 residential units + 2 LTC units

**Palace Modi'in:** 239 residential units + 136 LTC beds

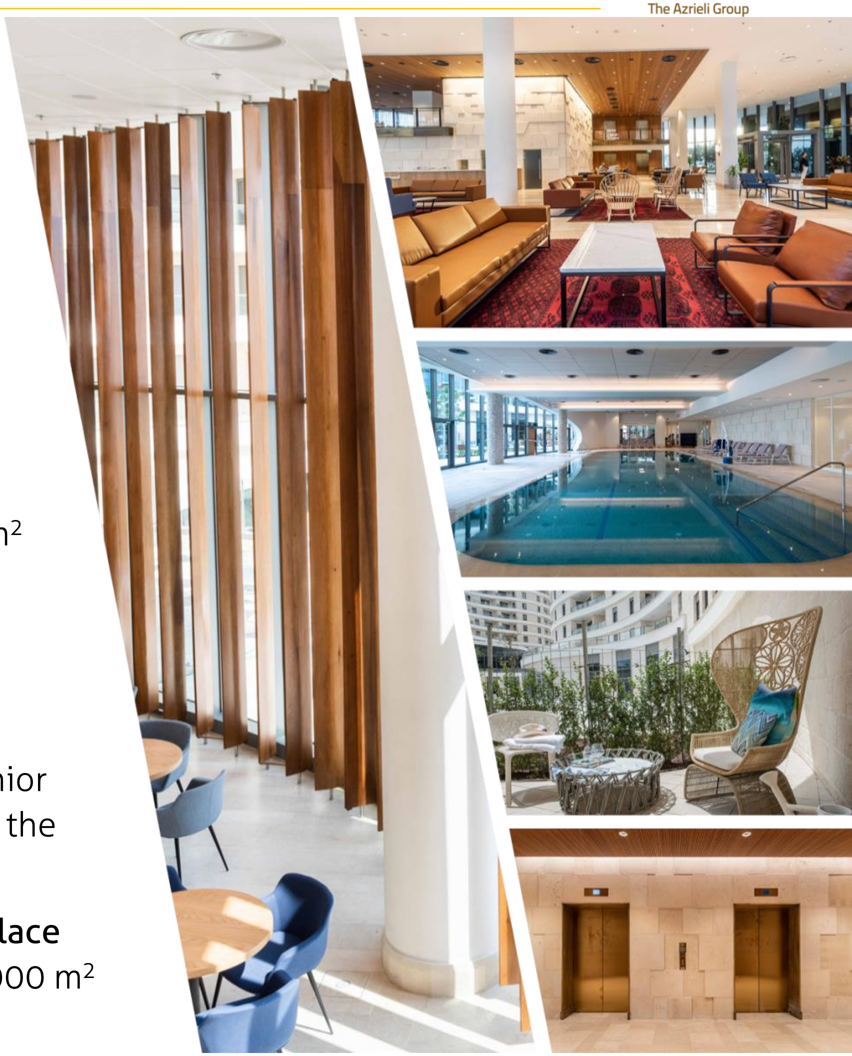
## Homes under Development

**Palace Lehavim:** 350 residential units + 72 LTC beds

**Palace Rishon Lezion:** 250 residential units + 1 LTC unit + 3,000 $m^2$ retail space

## Developments

- **Palace Modi'in** – the home was inaugurated in October 2018.
- During the year, **the Group invested NIS 236 million** in the Senior Housing segment, in the betterment of existing properties and the development of new properties.
- The Group is promoting a plan for the expansion of areas in **Palace Rishon Lezion,** such that the rights in the project will total 61,000 $m^2$ (currently usage rights are 29,000 $m^2$).



# Development Pipeline

# Azrieli Group // Development Pipeline

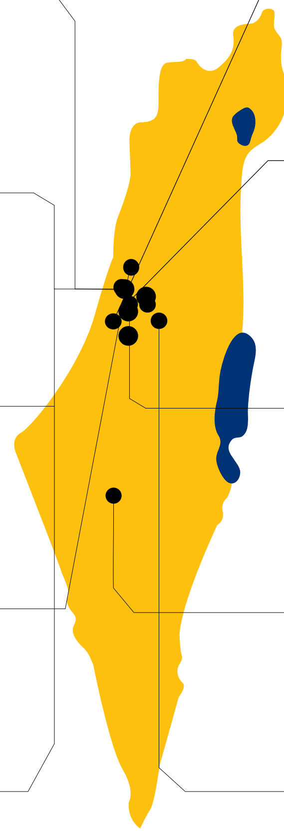
Azrieli Sarona,
Tel Aviv – retail
**10,500 m²**

Expansion of Azrieli Mall and
the Spiral Tower Tel - Aviv
**150,000 m²** (4)

Azrieli Town E Building
Tel - Aviv Center
**21,000 m²** (1) (5)

Land for Development
Petach Tikva
**53,000 m²**(3)

Azrieli Town Tel Aviv
**75,000 m²** (6)



Palace Rishon Lezion
Senior Home
**29,000 m²** (1) (2)

Holon 3 Project
(formerly Lodzia)
**250,000 m²**

Holon HaManor project
**28,000 m²**

Palace Lehavim
Senior Home
**44,000 m²** (1)

Lot 21
Modi'in
**20,000 m²** (1) (3)

(1) The figure is the scope of building rights in sqm | (2) The Company is in the process of increasing the building rights in the project to approx. 61,000 sqm (above and below ground) | (3) The Company is working to increase the building rights to 150,000 sqm in Petach Tikva and to 28,000 sqm in Modiin. | (4) A plan was published and validated.| (5) Rights for additional construction purchased in May 2018 in the context of acquisition of the income-producing property Mivney Gazit. | (6) In November 2018 a zoning plan was deposited for an increase of the building rights to approx. 99,000 sqm.

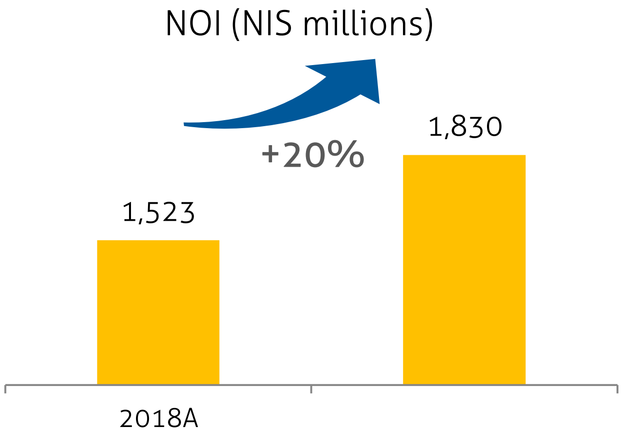
# Development Projects // The Growth Engine

| Name of Property | Location | Use | GLA (2) | Estimated Completion Date | Estimated Construction Cost, including Land (NIS in millions) (1) |
|---|---|---|---|---|---|
| **Short-term constructions projects** | | | | | |
| Azrieli Sarona | Tel Aviv | Retail | 10,500 | 2019(3) | 335-345 |
| Palace senior housing | Lehavim | Senior Housing | Stage A - 32,000<br>Stage B - 12,000 | Stage A – Q1/2020<br>Stage B - TBD | 400-410 |
| Azrieli Town(4) | Tel Aviv | Retail, Offices and Residence | Offices 50,000<br>Retail 4,000 | 2020 | 1,060-1,110 |
| | | | Residence 21,000 (210 Residential Units) | 2022 | |
| Holon Hamanor | Holon | Offices and Retail | 28,000 | 2020 | 220-240 |
| **Total** | | | **157,500** | | **2,015-2,105** |
| **Medium-term construction projects** | | | | | |
| Expansion of Azrieli Tel Aviv Mall | Tel Aviv | Retail, Offices and Residence | 150,000(5) | 2025 | 2,300-2,500 |
| Modi'in land (Lot 21) | Modi'in | Offices + Residence + Retail + Hotel | 20,000 (6) | TBD | 350-380 |
| Palace Rishon Lezion | Rishon Lezion | Senior Housing and Retail | 28,750 (7) | TBD | 310-320 |
| **Total** | | | **198,750** | | **2,960-3,200** |
| **Total** | | | **356,250** | | **4,975-5,305** |
| **Development projects in planning phase** | | | | | |
| Holon 3 (formerly Lodzia) | Holon | Retail and Offices | 250,000(8) | TBD | TBD |
| Petach Tikva land | Petach Tikva | Offices and Retail | 53,000(6) | TBD | TBD |
| Azrieli TOWN Building E | Tel Aviv | Offices | 21,000(9) | TBD | TBD |
| **Total** | | | **324,000** | | projects whose construction cost is yet to be determined |
| **Total** | | | **680,250** | | |

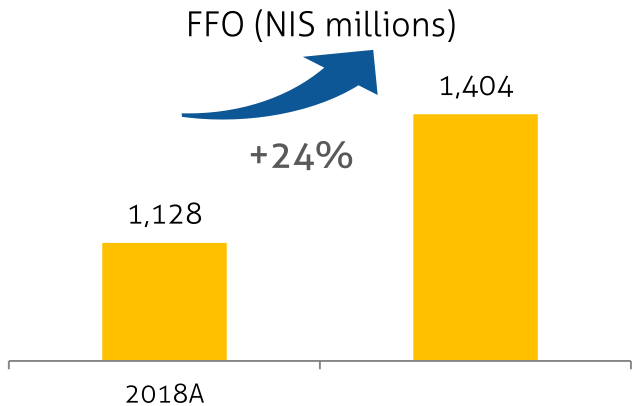
(1) Cost without capitalizations and without tenant adjustments | (2) For senior housing and/or residences rights are stated in sqm | (3) In January 2019 the company received an occupancy permit for part of the west wing. | (4) In November 2018, a zoning plan was published for deposit to increase the rights in the project to 99,000 sqm | (5) A plan was published and validated. | (6) The Company is working to increase the building rights to approx. 150,000 sqm in Petach Tikva and to 28,000 sqm in Modi'in | (7) The Company is in the process of increasing the building rights in the project to approx. 61,000 sqm (above and below ground) | (8) GLA increased due to consolidation of plots of land. | (9) Additional building rights which were purchased in May 2018 in the context of the purchase of the income-producing property Mivney Gazit.

# Development Projects // Expected Contribution* to NOI and FFO

| Actual NOI in 2018 | 1,523 |
|---|---|
| > Additional NOI from development projects(1) | 167 |
| > Annualized additional NOI from existing properties(2) | 140 |
| **Projected NOI after lease-up of projects under development** | **1,830** |




| Actual FFO in 2018 | 1,254 |
|---|---|
| > Excl. first time deposits from Palace Modi'in senior home | (126) |
| Actual FFO in 2018 excl. first time deposits from Palace Modi'in | 1,128 |
| > Additional FFO from cash flow | 276 |
| **Projected FFO after lease-up of projects under development** | **1,404** |




* The main assumptions in the calculations are: full lease-up of the projects under development, NOI and FFO of Senior Housing in Steady State (excluding first time occupation), a tax rate of 23%.

**(1) NOI from projects under development includes** Sarona retail space, TOWN, Palace Modi'in, Palace Lehavim, Holon HaManor and includes NIS 22 million from leasing of residential units in TOWN project **and excludes e**xpansion of Azrieli Tel Aviv Center, Holon 3 project (Lodzia), Rishonim senior housing land and land in Petach Tikva

**(2) Annualized additional NOI from existing properties includes** Azrieli Sarona Center offices, Azrieli Holon Center and Azrieli Rishonim, Azrieli TOWN building E acquired in May 2018, San Clemente acquired in July 2018 and Palace Modi'in opened in October 2018.

# Development Projects // Azrieli Town

Land area - **10,000 m²**

GLA [1] - **50,000 m²** of offices
**4,000 m²** of retail space
**21,000 m²** residential (**210 units)**

Estimated construction cost, including land -
**NIS 1,060-1,110 million**

Estimated date of completion – Offices and retail – **2020**
Residence - **2022**

## Marketing

In Q4, a contract was signed for the lease of another 14,000 sqm of the office space. **In total, lease contracts have been signed for some 41,000 sqm of the office space**, including with law firm Fischer Behar Chen, accounting firm PwC and WeWork. As of the close of 2018, **the office space lease-up rate is approx. 82%**.

## Progress Update

The Group is carrying out structural work on the parking basements and on the office tower. In November 2018, a zoning plan was published for deposit **for the addition** of a total of some 24,000 sqm (gross) **of employment and hospitality areas**.


(1) Figures refer to the current zoning plan.

# Development Projects // Expansion of Azrieli Mall and the Spiral Tower, Tel Aviv

Land area – **8,400 m²**

GLA – **150,000 m²**
including 13,000 m² of retail space
for expansion of the Azrieli Tel Aviv Mall

Cost of land – **NIS 374 million**

Estimated construction cost, including land –
NIS 2.3-2.5 billion

Estimated date of completion – **2025**


## Progress Update

In 2018 a zoning plan was published and subsequently validated, with additional rights for retail, offices, hospitality, residences and senior housing. The building rights in the project are for about 150,000 sqm.

# Development Projects // Palace Lehavim Senior Home

Land area – **28,000 m²**, in the southern part of the town of Lehavim, not far from the train station

**Building rights**
Phase A - **32,000 m²**
Phase B - **12,000 m²**

**350 Residential Units + 72 LTC Beds**

Estimated construction cost, including land – **NIS 400-410 million**

Estimated date of completion – **Phase A – Q1 2020**
**Phase B - TBD**


## Marketing

As of the Report Release Date, **86 preliminary applications** (36% of phase A) have been signed, out of which 72 contracts were signed.

## Progress Update

In October 2018, a permit was received to add another unit to the LTC wing, beyond the 36 beds currently in the project. Structural frame completed.

# Development Projects // Azrieli Holon HaManor

Land area – **6,200 $m^2$**

GLA – Retail: **26,000 $m^2$**
Office space: **2,000 $m^2$**

Estimated construction cost, including land –
**NIS 220-240 million**

Estimated completion date – **2020**

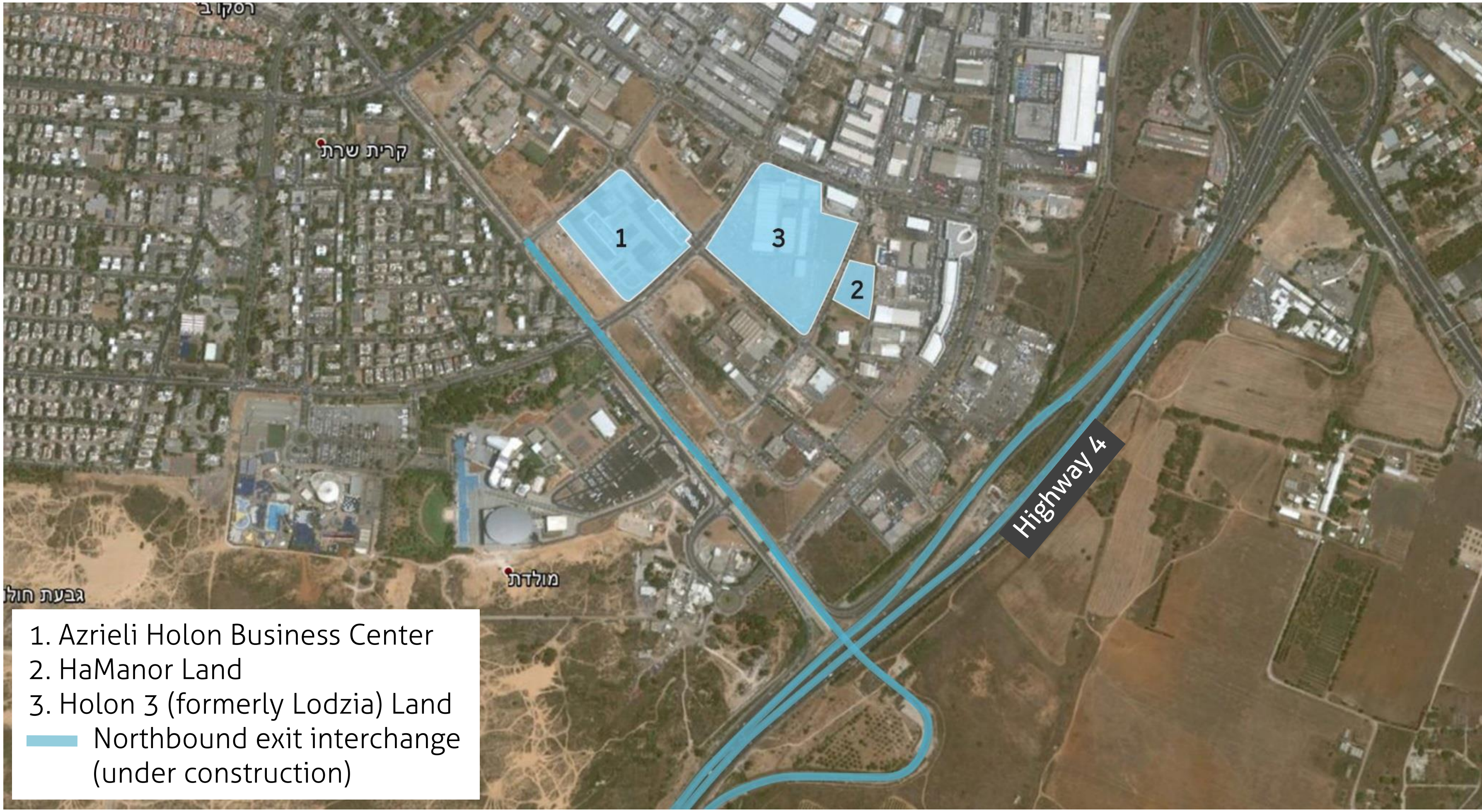
The land is adjacent to the Holon 3 project land (formerly Lodzia) and close to the **Azrieli Holon Center**.


## Marketing

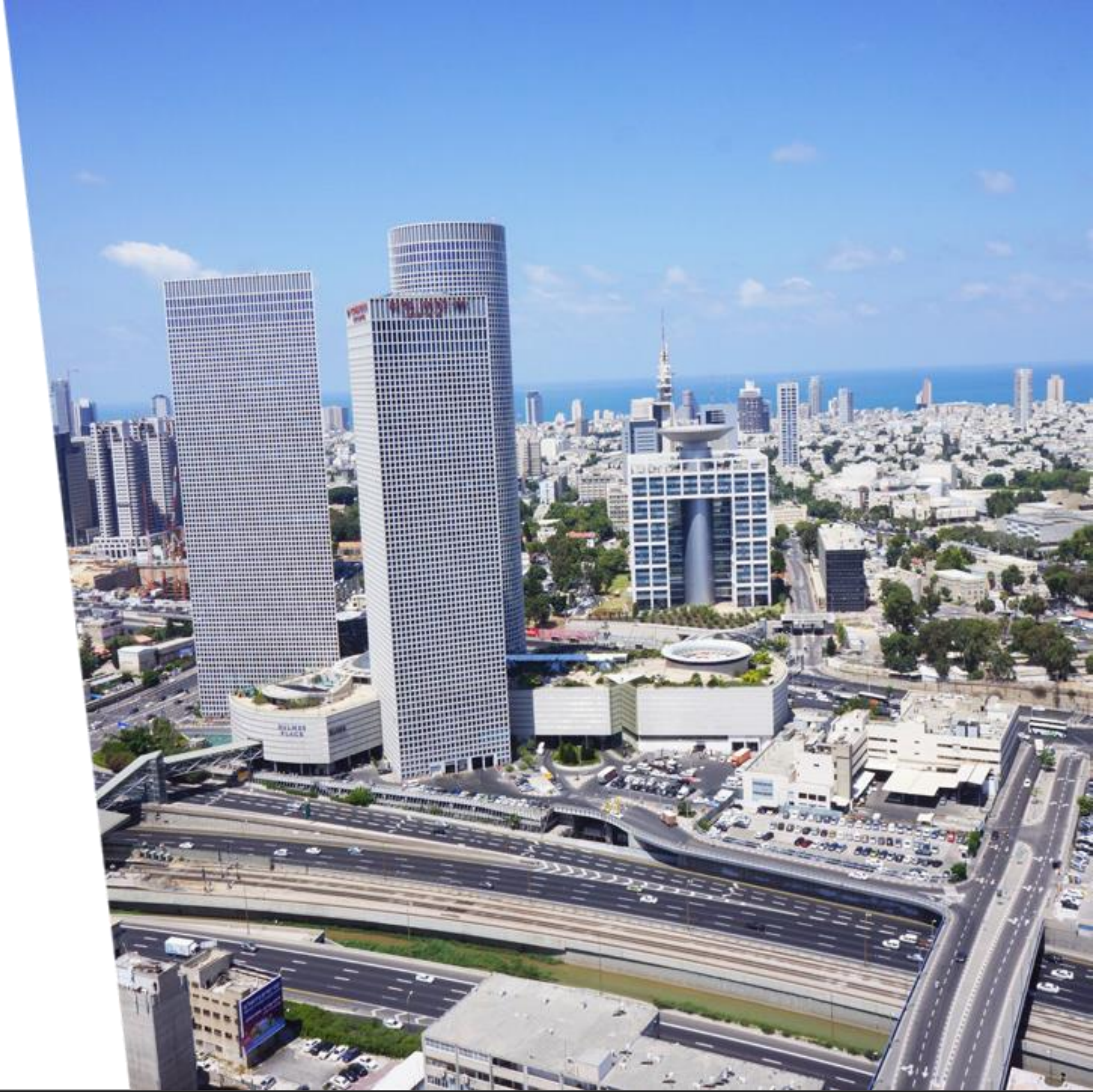
In December 2018, the company entered into a lease contract with Bezeq for a period of 10 years (plus options), for an area of some 20,000 sqm and approx. 900 parking spaces, with an option for expansion to the remaining office space in the building.
Bezeq will vacate 17 floors in the Triangular tower at the Azrieli Center at the end of 2020.
The value of the contract is around NIS 19 million annually.

# Development Projects //

## Azrieli Holon Center – Looking to the Future

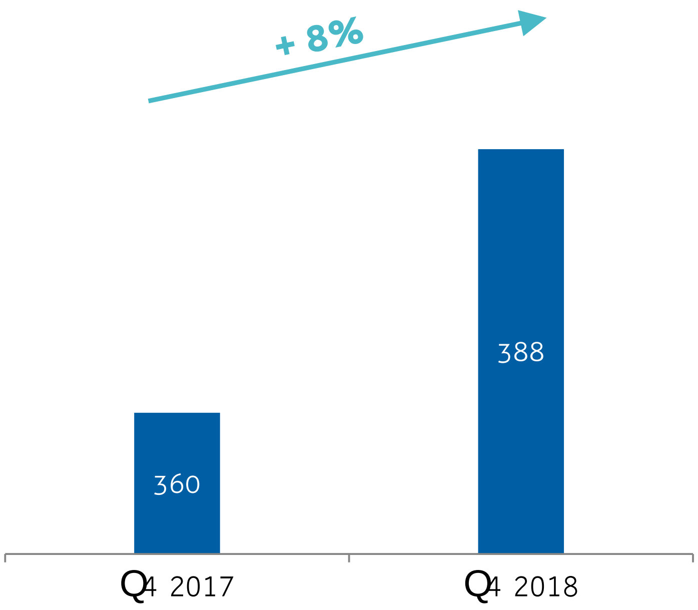


# Financial Highlights

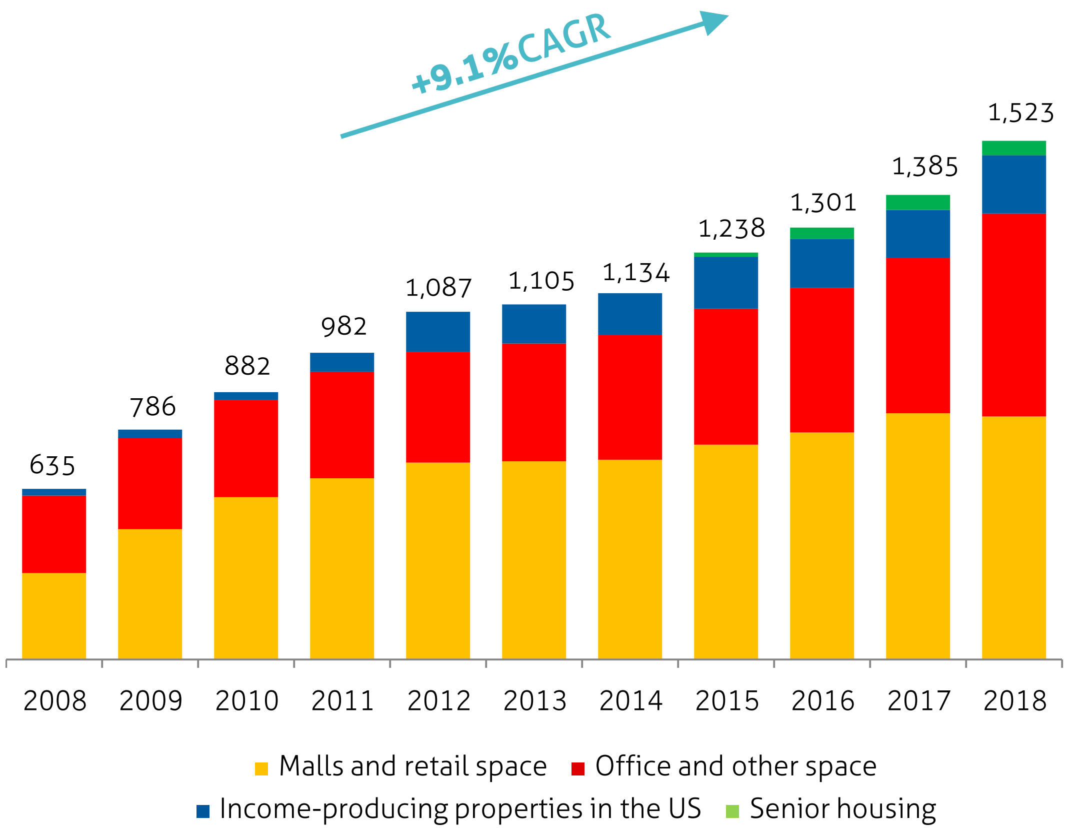


# Constant NOI Growth

Quarterly NOI
(NIS in millions)



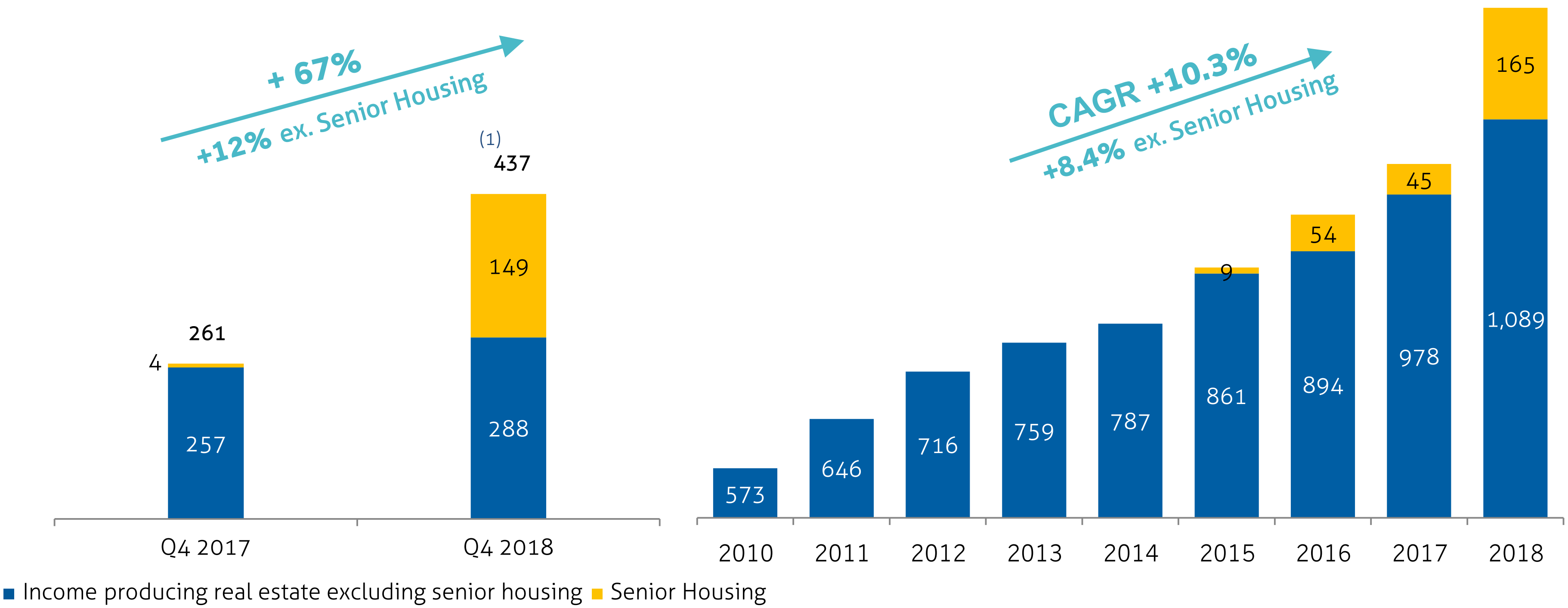

Annual NOI
(NIS in millions)



# Constant FFO(1) Growth

12% increase in FFO, excluding senior housing, compared with Q4/2017

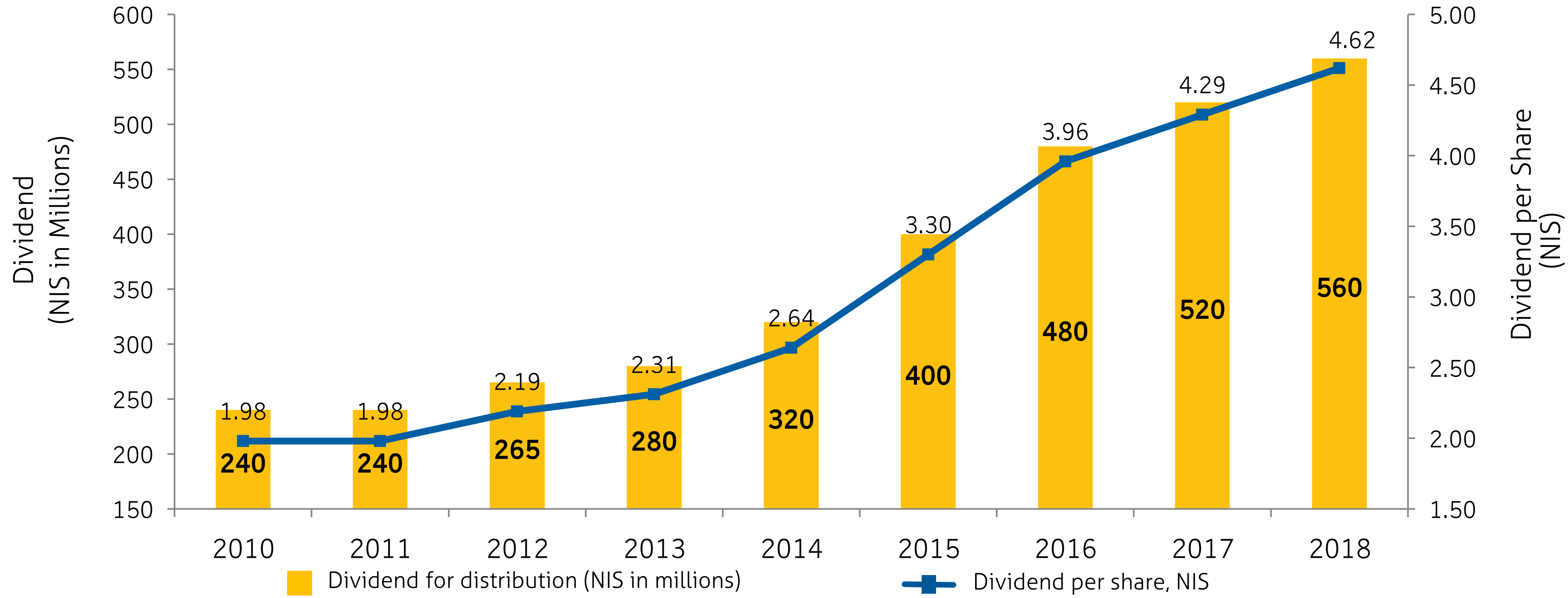
FFO attributed to the Real Estate Business* (NIS in millions)




* For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.
(1) It is noted that in Q4/2018 a large number of new units were occupied for the first time in Palace Modi'in , which the Group inaugurated in October 2018.

# Constant and Increasing Dividend Distribution

A dividend distribution of **NIS 560 million** for 2018.



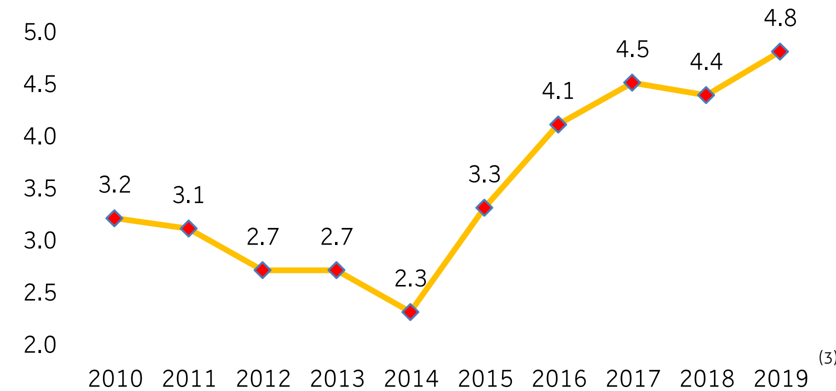

# Extension of the Duration and Reduction of the Cost of Debt

- In January 2019, the Company **raised NIS 1.5 billion** by two new Bond Series (5 and 6) with a durations of 7 and 10 years, carrying interest rates of 1.77% and 2.48%, respectively.

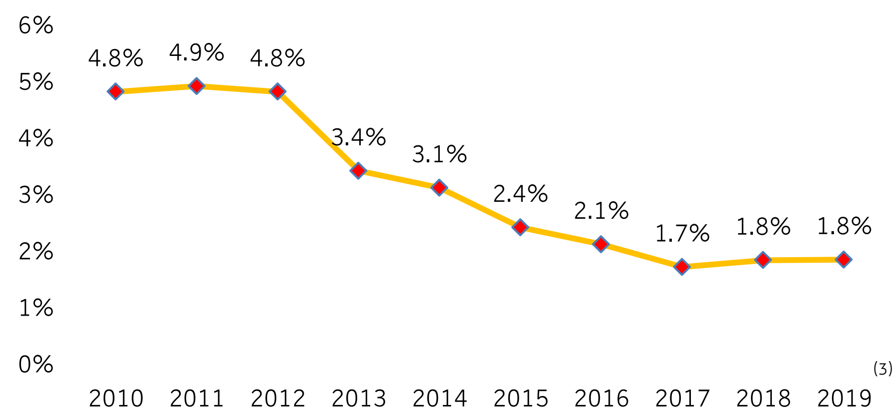
## Financial Strength[1]

- Low leverage – net financial debt to assets ratio of **28%**
- Equity to assets ratio of **54%**
- Cash and cash equivalents total **NIS 646 million**
- Unencumbered assets total **NIS 22 billion**

## Extension of Average Duration of Debt [2]

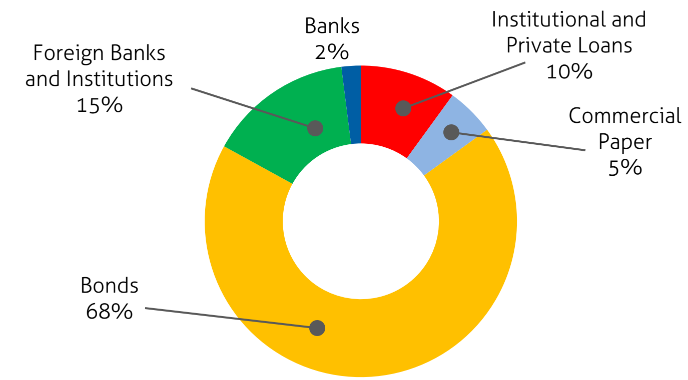



## Average Interest Rate Decrease through the Years [2]




## Debt Breakdown by Lender

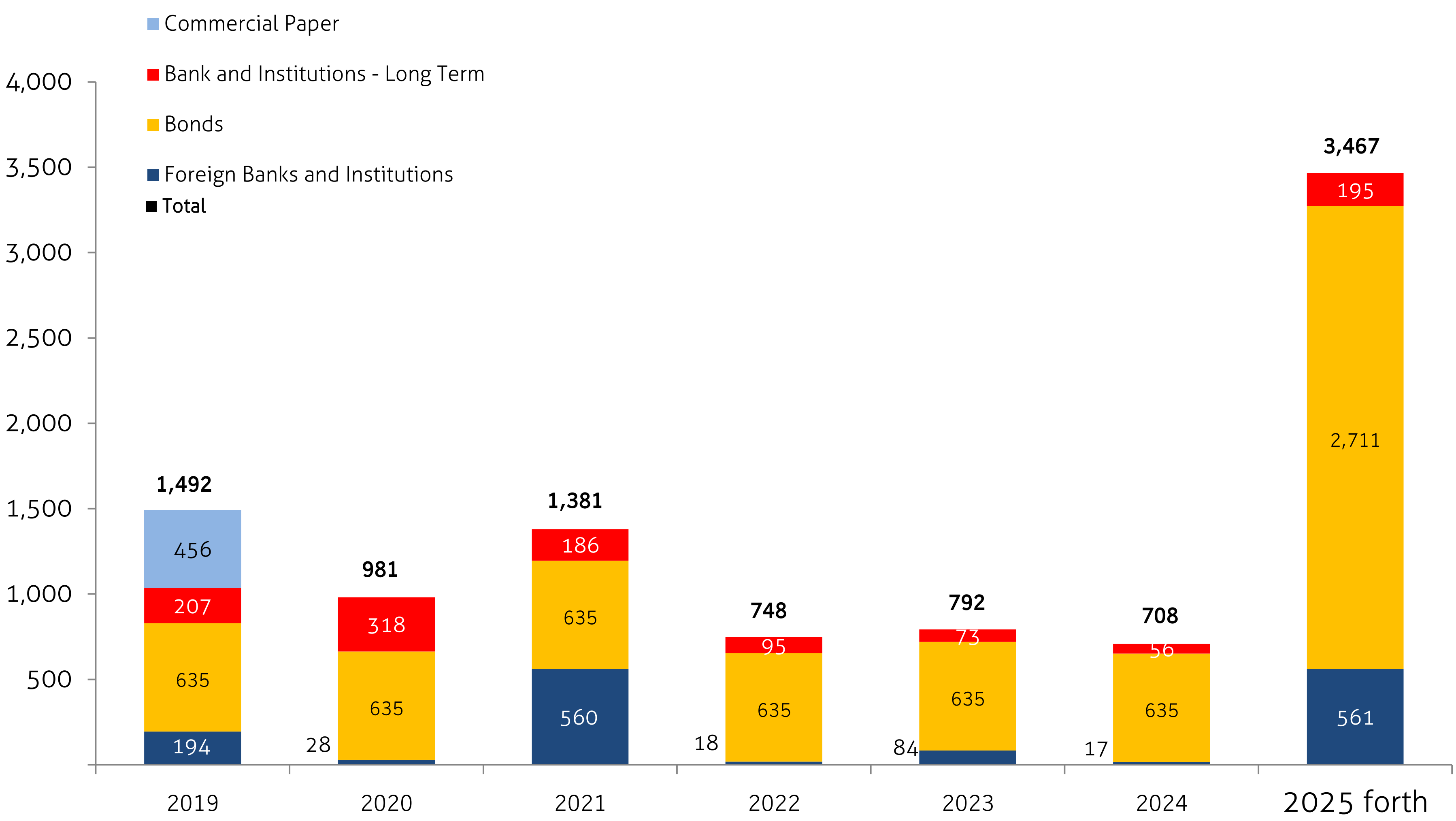
Debt of NIS 9.6 billion




(1) As of December 31, 2018 (2) Figures are as of the last day of the year / the reported period. (3) Average interest and duration after a debt raising in January 2019.

# Payment Schedule (Principal Only)

Extended standalone as of Dec 31, 2018



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

| | Q4 2018 | Q4 2017 | 2018 | 2017 |
|---|---|---|---|---|
| Revenues from rent, maintenance and management fees | 534 | 479 | 2,069 | 1,875 |
| NOI | 388 | 360 | 1,523 | 1,385 |
| Same-property NOI | 382 | 358 | 1,336 | 1,327 |
| FFO attributed to the real estate business(1) | 437 | 261 | 1,254 | 1,023 |
| Change in the value of investment properties(2) | 195 | 20 | 168 | 399 |
| Net profit, including minority interests | 460 | 304 | 1,219 | 1,448 |
| Net profit, attributable to the shareholders | 459 | 312 | 1,218 | 1,456 |
| Comprehensive income, attributable to the shareholders | 431 | 365 | 1,321 | 1,488 |

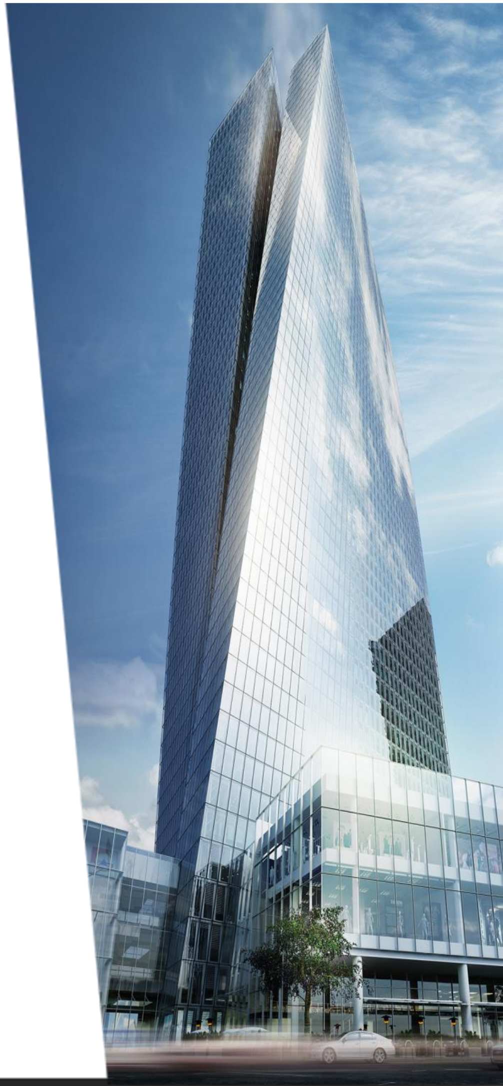
(1) For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.
(2) Net, after tax.

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

AZRIELIGROUP

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Cash, securities and deposits | 646 | 1,127 |
| Gross financial debt | 9,569 | 8,833 |
| Net financial debt (1) | 8,923 | 7,706 |
| Net financial debt to assets | 28% | 27% |
| Financial assets (mainly Bank Leumi and Leumi Card) | 1,677 | 1,685 |
| Fair value of investment properties and properties under construction | 27,452 | 25,206 |
| Equity (excluding minority interests) | 17,077 | 16,281 |
| Equity to assets | 54% | 55% |
| Total assets | 31,439 | 29,664 |
| Equity per share (NIS) | 140.8 | 134.3 |
| EPRA NAV per share (NIS)(2) | 168 | 159 |

(1) Excluding financial assets (Bank Leumi and Leumi Card.
(2) Excluding part of the expected profit component in respect of development projects.



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

AZRIELIGROUP

## Weighted average cap rate - **7.3%**

| | NIS in millions |
|---|---|
| Total investment properties on extended standalone basis, as of December 31, 2018 | 27,596 |
| Net of the value attributed to land reserves, properties under construction and senior housing | (4,642) |
| Total income-producing properties | 22,954 |
| | |
| Actual NOI Q4/2018[1] | 382 |
| Future quarterly NOI addition | 37 |
| Total standardized NOI Q4/2018 | 419 |
| Proforma annual NOI | 1,676 |
| **Weighted cap rate derived from income-producing investment properties, including vacant space** | 7.3% |

## Annual FFO [2] attributed to the real estate business - **NIS 1,254 million**

| | NIS in millions |
|---|---|
| **Net Operating Income (NOI)** | **1,523** |
| Overhead excl. management fees from Granite | (120) |
| Depreciation | 9 |
| **EBITDA** | **1,412** |
| Net interest expenses | (167) |
| Tax | (140) |
| Cash flow from senior housing deposits excl. depreciation | 149 |
| **Total FFO attributed to the income-producing real estate business** | **1,254** |

(1) Excluding senior housing, (The weighted cap rate of the senior housing as of the report date is 8.75%) since the cap rate of senior housing properties derives from the FFO rather than the NOI.
(2) For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.
(3) The FFO calculation also includes cash-flow financing expenses in connection with projects under construction, calculated according to the credit costs capitalized to qualified properties and investment property under construction

# Conclusion – 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:
- Internal growth
- Enterprise and development of new properties
- Acquisition of income-producing properties and land for future development
- New real estate operating segments
- Innovation

Business focus in Israel