Azrieli Group

Conference call presentation

Financial Statements as of 31.12.2014

March 18, 2015

AZRIELI

GROUP

Convenience translation from Hebrew
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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 December 31, 2014, sections 1.1.7 and 1.1.8, 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.

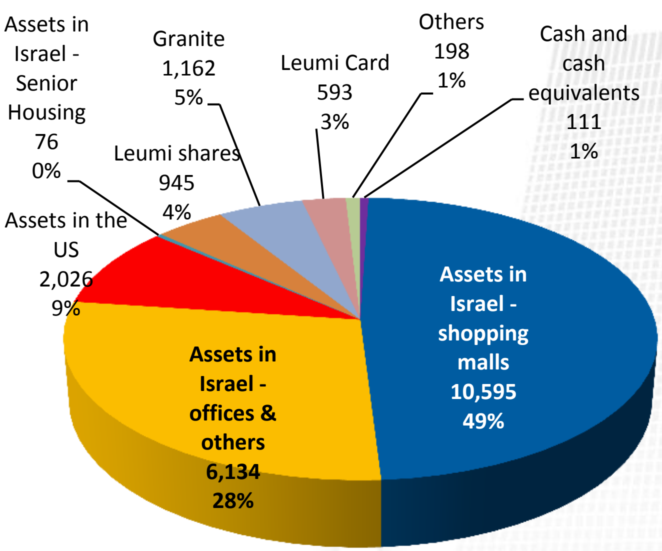
Azrieli Group - Business Card

- The Company has been publicly traded since June 2010.
- Current market capitalization - NIS 17.6 billion (1).
- Azrieli Group's shares are included 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.
- The Company owns leasable areas totaling 807,000 m^2, with another 484,500 m^2 under construction (on a consolidated basis).
- The average occupancy rate in Israel is approx. 98%.
- Approx. 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 18.8 billion.
- The Company has NIS 14.7 billion of non-mortgaged properties.
- Total shareholders' equity (attributed to the shareholders) - NIS 13.3 billion.
- Low leverage (extended standalone): Net debt to balance sheet ratio of 24%, 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 March 16, 2015.

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
  - 9 projects under development
  - 6 properties overseas
- 4.8% — Leumi
- 20% — Leumi Card
- 100% — Granite Hacarmel Investments Ltd.
  - 100% — Sonol
  - 100% — Supergas
  - 100% — GES

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

Azrieli Group - Real Estate Segments

Real Estate Activity [1]
GLA - 1,291,500 m²

Existing properties - commercial
GLA - 268,000 m²

Offices and others
GLA – 352,000 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 - 484,500 m²

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

Income producing properties abroad
GLA - 187,000 m²

<u>Houston, Texas</u>

- Galleria 90%
- Plaza 100%
- 8 West Centre 100%
- One Riverway 33%
- Three Riverway 45%

<u>Leeds, United Kingdom</u>

- Southern House 100%

(1) GLA is consolidated.

Main Events in Q4/2014 and 2014

Financial highlights

- **Representative NOI as of 31.12.2014 –** NIS 1,228 million.
- **Representative NOI as of 31.12.2013 –** NIS 1,180 million.
- **Representative NOI as of the IPO date –** NIS 825 million.

Progress in projects under development

- **Azrieli Center Sarona:** First lease signed for 4,700 m^2 at January 2015.
- **Azrieli Center Holon:** Leases currently signed for approx. 56,000 m^2 of the 64,000 m^2 in phase A. Construction of phase B continues (55,000 m^2), with signed office leases for 15,000 m^2.
- **Azrieli Ramal mall:** Opened in March 3, 2015. Signed and draft leases for around 98% of the GLA.
- **Azrieli Ayalon mall:** Opened in March 10, 2015. Signed leases for close to 100% of the GLA.

Development and acquisition momentum continues

- In Q4/2014, the Group's investments in real-estate properties totaled NIS 416 million.
- In 2014, the Group's investments in real-estate properties totaled NIS 1.3 billion.

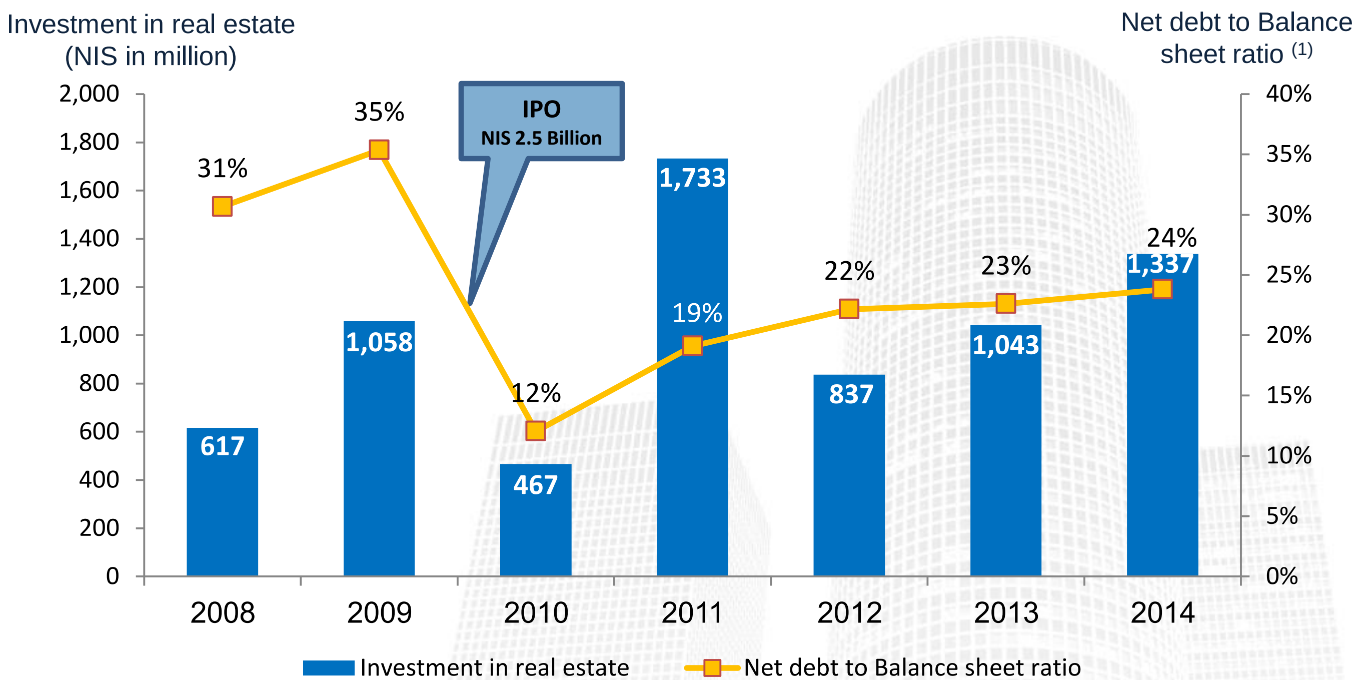
Closing of transaction for sale of the solar activity of Supergas

- In Q1 2015, Granite received the consideration of the sale of the solar business of Supergas (100%) of NIS 174 million.
- The Group's after-tax profit totaled NIS 30 million in Q4/2014.

Subsequent event – The Group raised NIS 623 M in marketable bonds (ilAA+)

- In February 2015 S&P Maalot upgraded the Group's debt ration from ilAA to ilAA+ with stable outlook, for up to NIS 700 million issuing.
- In February the group raised NIS 623 million in marketable bonds.
- The interest rate on the bonds is 0.65% linked to the CPI, with a duration of 5.5 years.

Maintaining Financial Strength despite Massive Development and Acquisitions



(1) Extended standalone.

Development Momentum

Approx. 484,500 m² GLA(1); Total investment of NIS 5.8-6.0 billion

Azrieli Center Sarona, Tel Aviv
Approx. 121,500 m²

Azrieli Center Extension, Tel Aviv
Approx. 69,000 m²

Azrieli North (Clalit), Tel Aviv
Approx. 75,000 m²

Azrieli Center Holon Phase B
Approx. 55,000 m²

Azrieli Ayalon mall (additional floor)
Approx. 9,500 m²

Azrieli Rishonim
Approx. 53,000 m²

Azrieli Ramla mall
Approx. 22,500 m²

Modi'in Senior Housing
Approx. 35,000 m²

Lehavim Senior Housing
Approx. 44,000 m²

(1) GLA consolidated.

Projects under Development - Future Growth Engine

Name of property	% ownership	Use	GLA (m²)	Estimated date of completion	Book value (1) 31.12.2014 (NIS in millions)	Estimated cost to completion of project
Azrieli Center Sarona, Tel Aviv	100%	Retail and Offices	121,500	2017	842	678-738
Azrieli Rishonim	100%	Retail and Offices	53,000	2016	337	354-384
Azrieli Center Holon (2) Phase B	83%	Offices	55,000	2015	289	35-65
Azrieli Ayalon Mall – 2nd floor	100%	Retail	9,500	Opened March 2015	284	10-15
Azrieli Ramla Mall	100%	Retail	22,500	Opened March 2015	386	27-47
Azrieli North (Clalit), Tel Aviv (3)	100%	Retail, offices and residential	75,000	Not yet determined	142	860-910
Azrieli Extension Project, Tel Aviv (3)	100%	Retail, offices and residential	69,000	Not yet determined	111	890-940
Modi'in Senior Housing	100%	Senior Housing	35,000	2017	56	205-215
Lehavim Senior Housing	100%	Senior Housing	44,000	2017-2018	20	230-250
Total			**484,500**		**2,467**	**3,289-3,564**
					Total book value plus estimated cost to completion	**5,756 – 6,031**

(1) The figure reflects the project's book value if a valuation was performed, or the costs invested without capitalizations and without TI's and as shell.
(2) Figures are for 100%.
(3) As of the Report Release Date, the Company has not received possession of this property.
(4) For additional information see BOD report as of December 31, 2014. section 1.1.4.

Azrieli Center Sarona, Tel Aviv

Azrieli Center Sarona, Tel Aviv

Azrieli Rishonim Project


March 2015

Simulation

Azrieli Center Holon

Azrieli Ayalon Mall – 2nd floor

March 2015

March 2015

Azrieli Ramla mall

March 2015

March 2015

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.

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.

Azrieli Group – Senior Housing

Purchase of land for a senior housing home in Modi'in

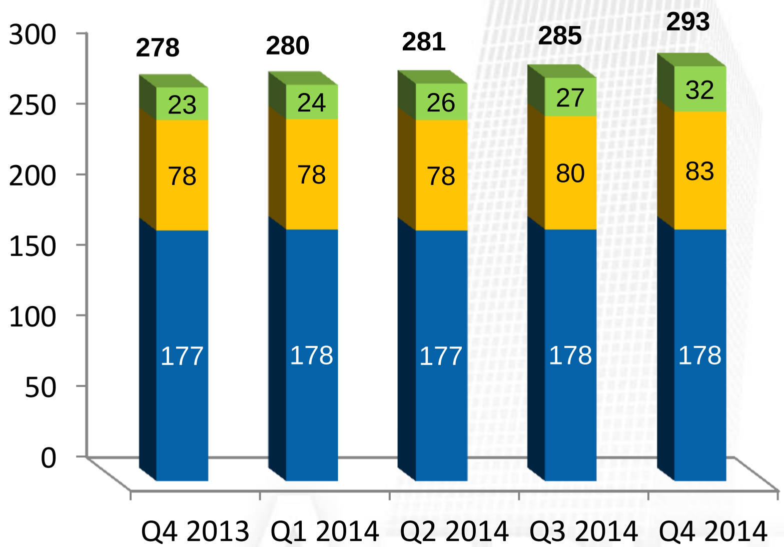
- Land area – approx. 12,000 m^2 at the entrance to Modi'in on Route 443.
- Building rights – about 35,000 m^2.
- Approx. 240 residential units + 60 assisted living units + 2 LTC wings.
- Cost of land – about NIS 51.5 million
- Estimated cost of construction – about NIS 210-220 million.

Purchase of land for a senior housing home in Lehavim

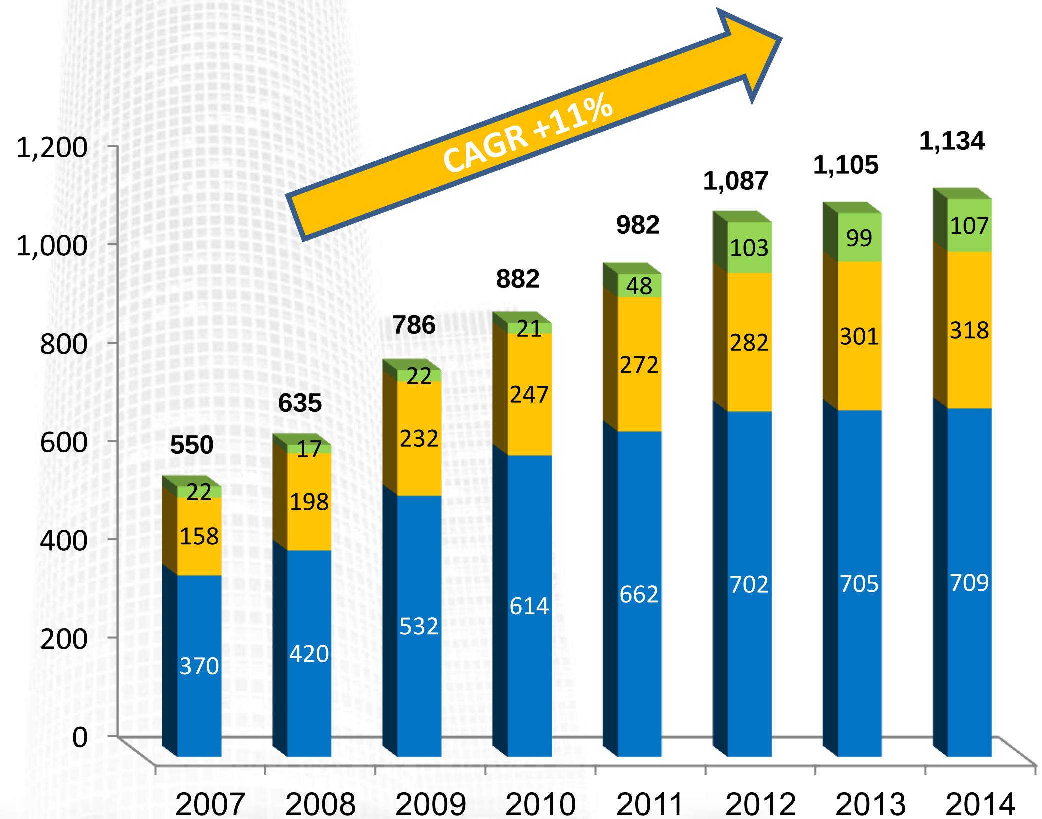
- Land area – approx. 28,000 m^2 at the southern part of Lehavim.
- Building rights – about 44,000 m^2.
- Approx. 360 residential units + 4 LTC wings.
- Cost of land – about NIS 20 million
- Estimated cost of construction – about NIS 230-250 million.

Continuous Growth in NOI
(NIS in millions)

Quarterly NOI



Annual NOI

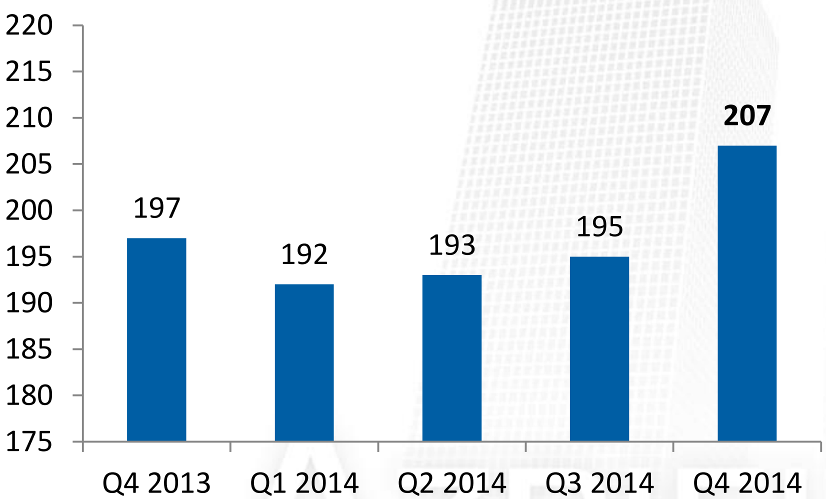


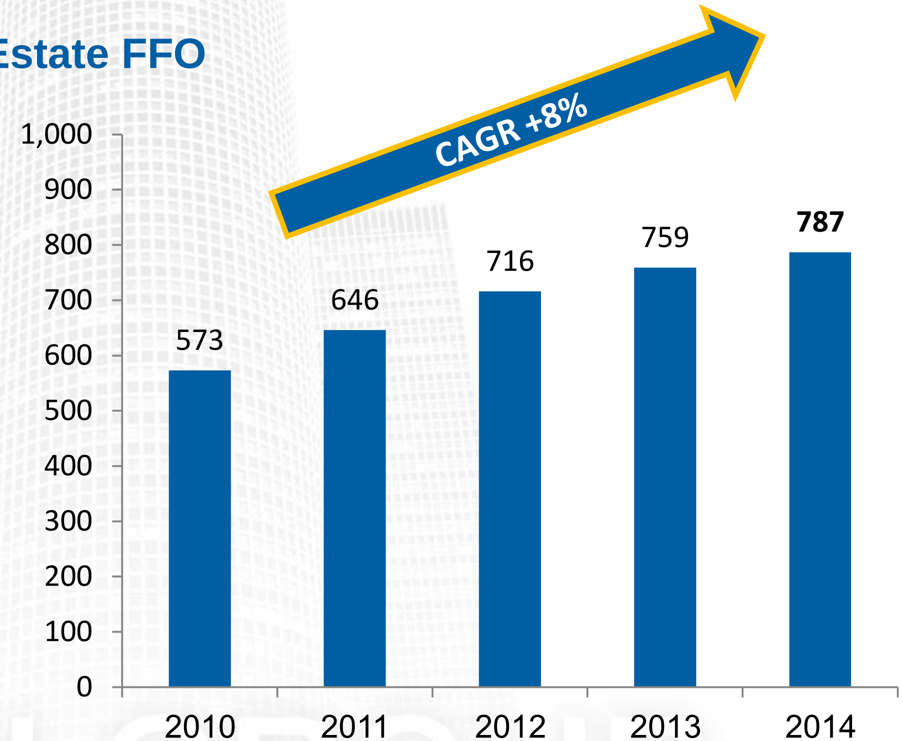
● Shopping malls and commercial ● Offices and others ● Assets in the US

Continuous Growth in FFO

(NIS in millions)

Real Estate FFO





(1) In 2014 including one-time tax revenue in respect of previous years in the sum of approx. NIS 6 million (approx. NIS 7 million in Q4/2014) versus a negligible amount in 2013, and a tax expense of approx. NIS 2 million in 2012.

Summary of Financial Results
(extended standalone)

NIS in millions	10-12/2014	10-12/2013	2014	2013
Property rental income	**380**	359	1,463	1,421
NOI	**293**	278	1,134	1,105
Same property NOI	**288**	278	1,117	1,101
Real estate segment FFO	**207**	197	787	759
Appreciation of investment property (1)	**27**	228	27	315
Net income, including minority	**217**	412	860	944
Net income (loss), attributed to shareholders	**213**	407	850	930
Comprehensive income (loss), attributed to shareholders	**172**	510	899	1,026

(1) Net, after tax.

Balance Sheet
(summary of extended standalone statement)

NIS in millions	31.12.2014	31.12.2013
Cash, securities and deposits	111	378
Financial debt, gross	5,311	5,059
Financial debt, net [(1)]	5,200	4,682
Net financial debt to Total Assets ratio	24%	23%
Financial assets (mainly Leumi & Leumi Card)	1,563	1,612
Fair value of income-producing real estate and properties under development	18,763	17,191
Shareholders' equity (excluding minority interest)	13,252	12,635
Equity to Total Assets ratio	61%	61%
Total balance sheet	21,840	20,706
Shareholders' equity per share (NIS)	109.3	104.2
EPRA NAV per share (NIS) [(2)]	132	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 31.12.2014 (extended standalone)	18,832
Net of: properties under development, vacant space and building rights	(2,588)
Total income-producing properties	**16,244**
Actual NOI for Q4/2014	293
Additions to future Q4/2014 NOI	14
Adjusted NOI for Q4/2014	307
Annual pro-forma NOI	**1,228**
Portfolio weighted average cap rate	**7.6%**

Current real estate segment FFO – NIS 787 million

NIS in millions	
Net profit for 2014 (attributed to the shareholders)	849
Net of items attributed to Granite	(141)
Appreciation of investment property	(38)
Deferred tax expenses	134
Other adjustments	(57)
Plus interest paid on real investments	40
Annual proforma FFO (real estate)	**787**

Debt Structure and Rating[1]

(NIS in millions)

Financial stability

- Low leverage - net financial liabilities to total assets: 24%.
- Equity to total assets: 61%.
- Liquid resources of approx. NIS 111 million.
- Non-mortgaged property value of approx. NIS 14.7 billion.
- Loans from banks and institutional bodies: NIS 3.9 billion.
- Bonds & commercial paper: NIS 1.4 billion.
- Weighted average duration: 2.28 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 loans
Up to 1 year	1,793 [2]	34%
1 to 4 years	2,234	42%
5 to 10 years	1,284	24%
Total 31.12.2014	**5,311**	**100%**

	Principal amount	Average interest rate
Linked to CPI	3,497	3.02%
In NIS	696	0.8%
Linked to $	1,093	4.86%
Linked to £	25	1.66%
Total 31.12.2014	**5,311**	**3.10%**

Potential Upside

(1) Based on December 31, 2014 extended standalone financial statements.
(2) In 2015 the Group expects to repay loans of about NIS 1.1 billion (excluding short-term loans), about NIS 560 million of which bear an average interest rate of about 5%.

Results of Non-Core Holdings

Granite HaCarmel (100%) – In Q4/2014 Granite's net profit totaled NIS 20 million, compared with NIS 22 million in Q4/2013. The decrease is mainly attributed to the sale of Tambour in Q2/2014.
Granite closed a transaction for the sale of the solar business of Supergas for NIS 174 million. The profit totaled to NIS 30 million (net of tax) during Q4/2014.

Bank Leumi (approx. 4.8% holding) – In Q4/2014, the share price on TASE decreased by approx. 10%, representing a decrease of approx. NIS 80 million, net of tax, in the holding value.
The market value of the Group's holding as of 31.12.2014 is NIS 954 million.
The book value of the investment cost (dividend-adjusted) is NIS 675 million.

Leumi Card (20% holding) – In 2014 Leumi Card's net profit totaled NIS 200 million equivalent to the net profit in 2013.
During 2014, the Group received a dividend of NIS 10 million from Leumi Card.
The book value of the holding as of 31.12.2014 was NIS 593 million, according to an external appraiser. The book value of the investment cost (dividend-adjusted) is NIS 334 million.

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 Modi'in Mall, Modi'in

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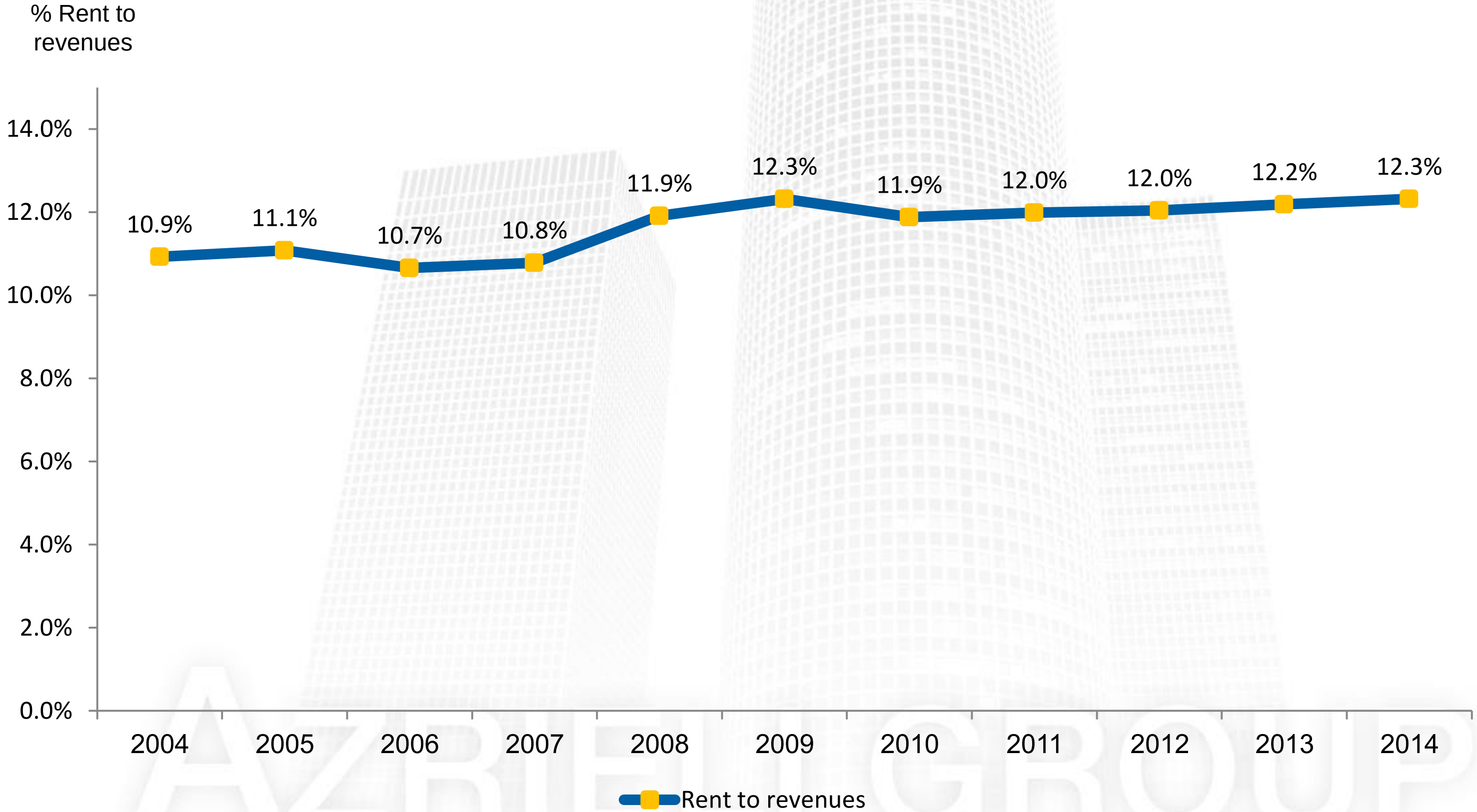
Annexes

Azrieli Group – Rent to Revenues ratio(1)



(1) Excluding management fees. The turnover figures are based on figures received from the tenants.

Analysis of changes in fair value of Investment property and cap rates in 2014

NIS in millions

Positive revaluation from effect of NOI increase and cap rate decrease	**377**
Net of deduction due to Beer Sheva and Kiryat Ata impairment	(230)
Net of investments	(110)
Change in fair value in the 2014 financial statements	**37**
Change in fair value in the financial statements after tax	**27**

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Thank you