AZRIELIGROUP

AZRIELI GROUP

Conference Call Presentation

Financial Statements June 30, 2019

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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 June 30, 2019, Sections 2.6 and 2.7, 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 numbers and figures are approximate.

Convenience Translation from Hebrew // Important Notice

- The following English translation of Azrieli Group’s presentation for the conference call of August 14, 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 5th largest company**[1] on the Tel Aviv Stock Exchange

Market cap of **NIS 32 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 **1,208,000** m², **11 additional projects under construction and 6 projects under renovation and extension**

Average **occupancy rate** in Israel is **98%**[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 **27%**, and equity to assets ratio is **53%**

(1) As of August 12, 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

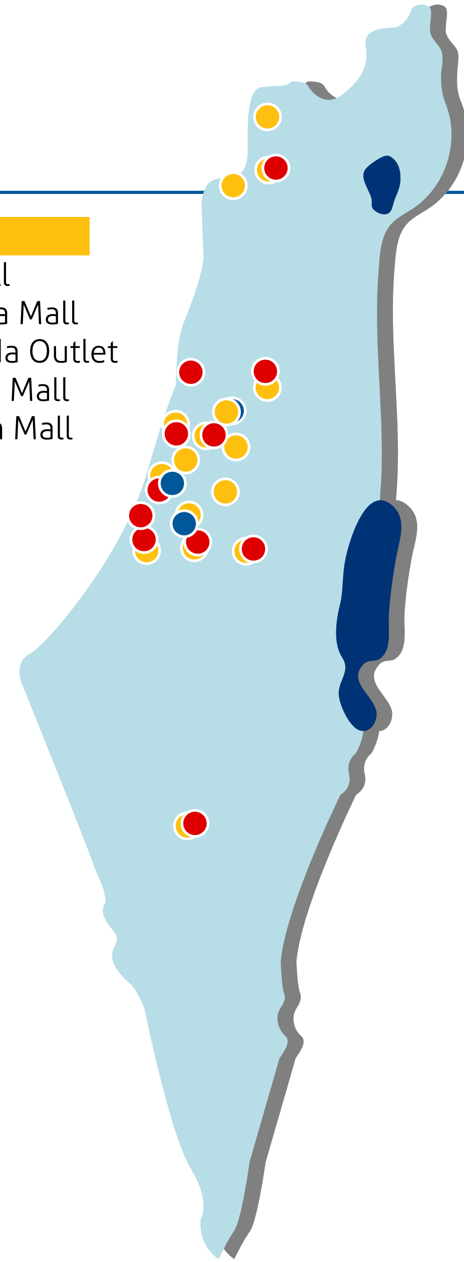
17 malls 337,000 m²

14 office properties 549,000 m²

3 senior homes 76,000 m² 794 residential units

8 office properties overseas 246,000 m²

Total 1,208,000 m² (1)



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

Malls
Offices
Senior Homes

(1) As of June 30, 2019

Azrieli Group // Breakdown of Properties(1)

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39%
Real estate in Israel – malls
12,765

33%
Real estate in Israel – offices and others
10,824

8%
Income – producing properties in the U.S.
2,484

5%
Cash, deposits and short-term investments
1,715

9%
Holdings and others
2,816

6%
Senior housing properties in Israel
2,135

% of Total Properties
Book Value (NIS in millions)

Holdings (1)

3.1% Bank Leumi

100% Granite

100% Azrieli E-Commerce

(1) Extended standalone as of June 30, 2019. For details regarding the Company's structure, see Section 1.2.1 of Chapter A of the Annual Report.

Highlights for Q2/2019*

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Financial Highlights For Q2/2019

> NOI totaled NIS 400 million, an increase of 5% compared with Q2/2018.

> Same Property NOI – a 4% increase in the quarter.

> FFO totaled NIS 327 million, an increase of 21% compared with Q2/2018. excluding Senior Housing FFO totaled NIS 282 million, an increase of 5%.

Continued Momentum of Development, Betterment and Acquisitions

> Over the course of Q2/2019, **the Group invested NIS 206 million** in investment properties, the redevelopment of existing properties, and the development of new properties.

Investment in Compass Data Centers

> In July 2019, the Group closed the acquisition of 20%(1) of the stock of Compass, a company operating in the data centers industry in North America, in consideration for approx. $135 million.

Agreement for the sale of Supergas

> In July 2019, the Group signed an agreement for the sale of Supergas (100%) according to a business value of NIS 1,017 million and a net company value (net of debt) of approx. NIS 770 million.

> When the transaction is closed, the Group is expected to record a post-tax capital gain of NIS 355 million.

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

(1) Option to increase holdings up to 33% according to current value against future investments in development.

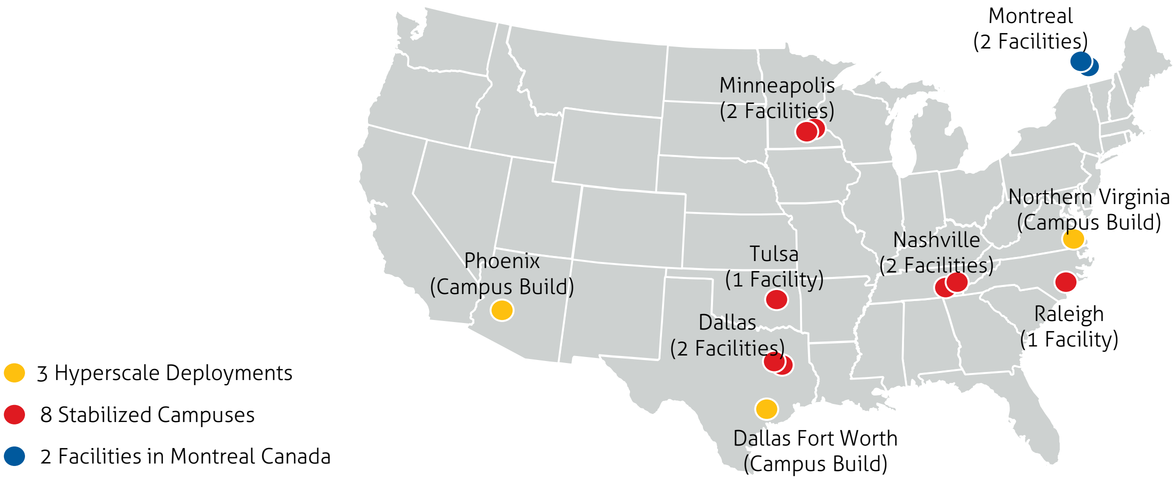
Data Centers

Azrieli Group // Compass Deal

Description of the Company

- 10 active sites, 3 sites under construction and development
- Active mainly in the central-eastern U.S and in Canada in the Montreal region.
- The Company's management is experienced in the development and establishment of data centers and relationships with strategic customers.
- The DCs are located close to power lines and high voltage and fiber line infrastructure.

Data centers in the U.S.A. and Canada

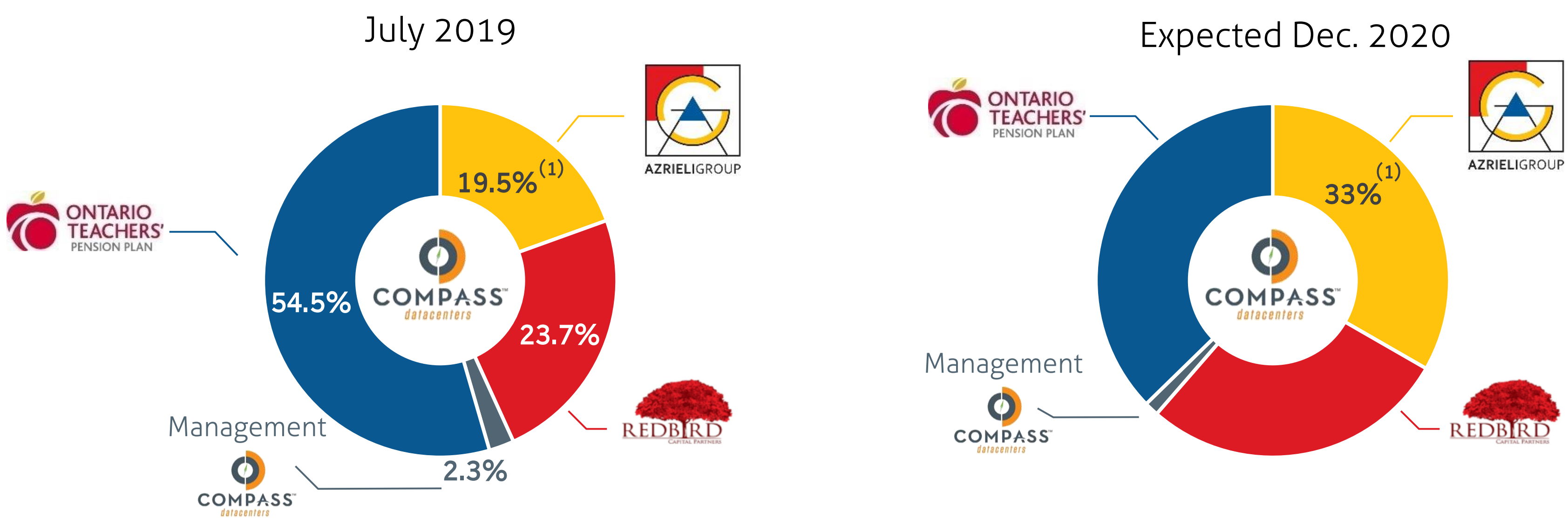


Azrieli Group // Compass Deal

The partners

- Ontario Teachers' Pension Plan– Ontario teachers' pension fund, one of Canada's largest institutional investors
- RedBird Capital Partners - Investments are focused on communications infrastructure, sports & hospitality, energy, and financial services.
- Compass management – decades of experience in the initiation and management of Data Centers.

Ownership structure



(1) Option to increase holdings up to 33% according to current value against future investments in development.

Azrieli Group // Compass Deal

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NOI for 100%	Current income-producing output	Duration of existing contracts	Future development potential
$ 38 Million Current(1) NOI Annualized	~30MW Current output	~7 years Average lease term	~ 560MW Potential output in the long term

Management

- Compass management – decades of experience in the initiation and management of server farms.

CEO	Finance	Sales	Strategy & operations	Construction
Chris Crosby Founder & CEO 25+ years of experience Digital Realty, Proferian, CoreSite, Nortel	Jared Day President & CFO 20+ years of experience Armor, BCG, infor, pwc	Raymond Hawkins CRO 30+ years of experience Digital Realty, Sirius, tsg, United States Marine Corps	Adil Attlassy CTO 30+ years of experience Microsoft, io, Digital Realty, verizon	Nancy Novak SVP construction 30+ years of experience Balfour Beatty Construction, Hensel Phelps, Construction Executive

(1) Included signed but not yet closed agreements.

Azrieli Group // Malls and Retail Centers

NOI in Q1 2019 – **NIS 207 million** compared with NIS 205 million in Q2/2018.

GLA – **337,000 m²** (1)

Average occupancy rate – **98%**

Book value – **NIS 12.8 billion**

Innovation and Upgrade

- Azrieli E-Commerce
- Azrieli Gift Card
- Azrieli App
- Betterment and upgrade of malls and retail centers

(1) GLA (gross leasable area) based on the Company's share as of June 30, 2019.

Azrieli Malls Group // Revenues and Rent to Revenue Ratio

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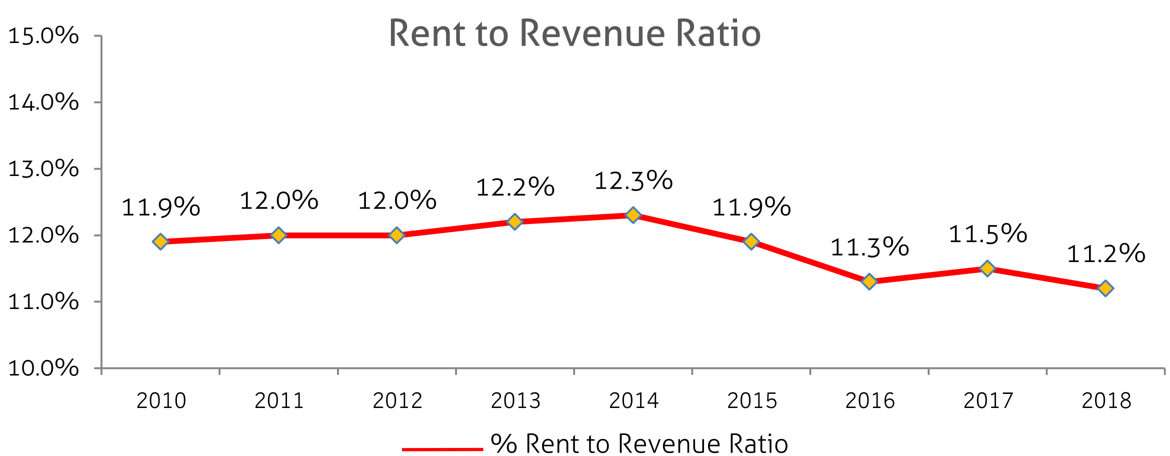
Total Increase in Azrieli Malls Group Revenues	Total Increase in Azrieli Malls Group Revenues – **Same properties**
1-6/2019 Vs. 1-6/2018	
+ 2.3%	**+ 2.2%**
(1)3-6/2019 Vs. 3-6/2018	
+ 2.6%	**+ 2.4%**



(1) Four months, March-June in 2018 and 2019, includes Passover Holiday.

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 retial areas** by about 22,000 sqm and the office 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 Q2 2019 – **NIS 147 million** compared with NIS 130 million in Q2/2018.

GLA of **549,000 m^2** (1)

Average occupancy rate – **98%**

Book value – **NIS 10.8 billion**

(1) GLA (gross leasable area) based on the Company's share as of June 30, 2019.

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

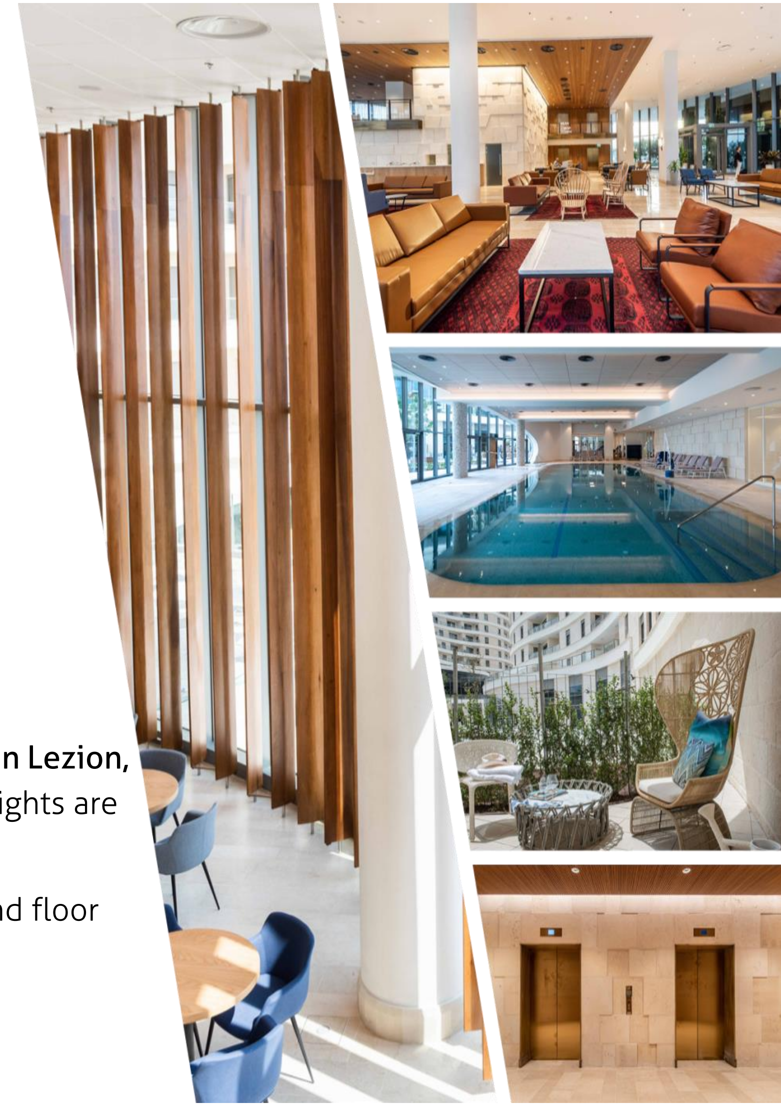
Palace Lehavim: 350 residential units + 72 LTC beds

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

Developments

> 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).

> The Company is promoting a change of rights for conversion of the second floor of the adjacent retail center into an LTC unit for **Palace Ra'anana**.



Existing Properties // Expansion and Betterment

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 office 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 Rishonim	Rishon Lezion	Addition of offices	Zoning plan	21,000 sqm	Medium-term
Modi'in land (Lot 21)	Modi'in	Addition of retail, offices, residential, and hotel areas RENT	Zoning plan	8,000 sqm	Medium-term
Herzliya Business Park	Herzliya	Addition of offices and retail	Zoning plan	4,000 sqm	Medium-term
Total				287,000 sqm	

Development Pipeline

Azrieli Group // Development Pipeline

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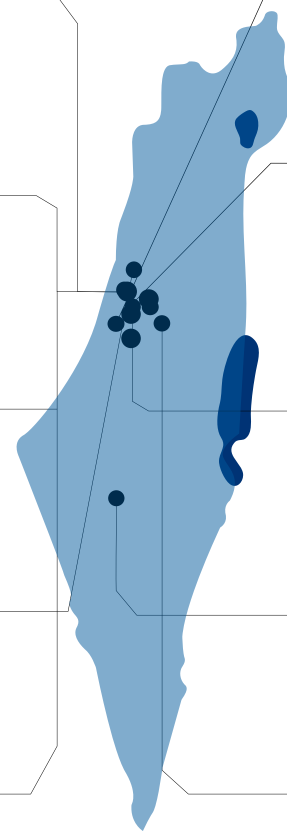
Azrieli Sarona,
Tel-Aviv – retail
10,500 m²

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) The Company is acting to increase the building rights in the project to approx. 99,000 sqm.

Development Projects // The Growth Engine

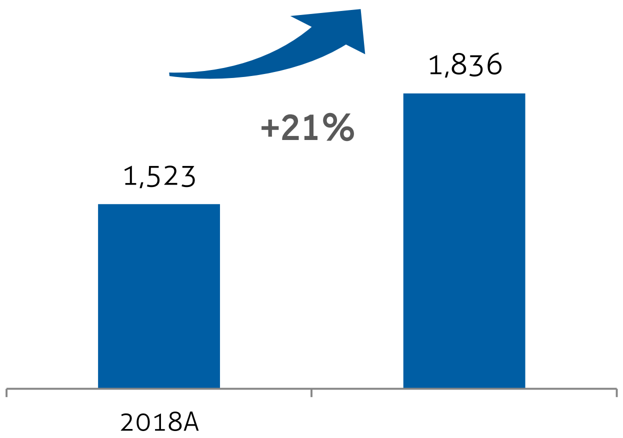
Name of Property	Location	Use	GLA (2)	Estimated Completion Date	Estimated Construction Cost, including Land (NIS in millions)(1)
Short-term constructions projects					
Azrieli Sarona	Tel Aviv		10,500	2019(3)	335-345
Palace senior housing	Lehavim		Stage A - 32,000 Stage B - 12,000	Stage A – Q1/2020 Stage B - TBD	400-410
Azrieli Town(4)	Tel Aviv		Offices 50,000 Retail 4,000 Residence 21,000 (210 Residential Units)	2020 2022	1,080-1,130
Holon Hamanor	Holon		28,000	2020	220-240
Azrieli Akko mall	Akko		10,000	2020	70-75
Total			**167,500**		**2,105-2,200**
Medium-term construction projects					
Expansion of Azrieli Mall and Spiral Tower	Tel Aviv	RENT	150,000(5)	2025	2,300-2,500
Modi'in, Lot 21	Modi'in	RENT	20,000 (6)	2023	370-400
Palace Rishon Lezion	Rishon Lezion		28,750 (7)	TBD	310-320
Total			**198,750**		**2,980-3,220**
Total			366, 250		5,085-5,420
Development projects in planning phase					
Holon 3 (formerly Lodzia)	Holon		250,000(8)	TBD	TBD
Petach Tikva land	Petach Tikva		53,000(6)	TBD	TBD
Azrieli TOWN Building E	Tel Aviv		21,000(9)	TBD	TBD
Total			**324,000**		projects whose construction cost is yet to be determined
Total			690,250		

(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) The Company is promoting an increase of rights for the addition of office and hospitality areas totaling approx. 24,000 sqm (gross). | (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

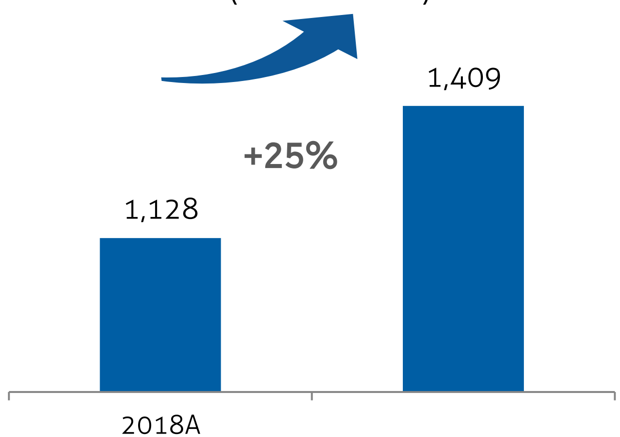
Actual NOI in 2018	1,523
> Additional NOI from development projects[1]	173
> Annualized additional NOI from existing properties[2]	140
Projected NOI after lease-up of projects under development	**1,836**

NOI (NIS millions)



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	281
Projected FFO after lease-up of projects under development	**1,409**

FFO (NIS millions)



* 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%. Excluding Data Centers

(1) NOI from projects under development includes Sarona retail space, TOWN, Palace Modi'in, Palace Lehavim, Holon HaManor, NIS 22 million from leasing of residential units in TOWN project and Akko offices.**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.

Azrieli Group // The CBD of Tel-Aviv

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

Use – 

Estimated date of completion – **2025**

Progress Update

The Group is carrying out excavation and digging work on the site.
In 2018 a zoning plan was published and subsequently validated, for additional rights for retail, offices, hospitality, residences and senior housing.

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 1,080-1,130 million

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

Use – RENT

Marketing

The Company recently signed a lease agreement with a leading technology company, for the lease of 9,000 m².
In total, lease contracts have been signed for ~100% of the office space, including with law firm Fischer Behar Chen, accounting firm PwC and WeWork.

Progress Update

Work is currently under way on the office tower and the residential tower structures. The Company is promoting an increase of rights for the addition of office and hospitality areas totaling approx. 24,000 m² (gross).

(1) Figures refer to the current zoning plan.

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

Use –

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, **91 preliminary applications** (for 38% of Phase A) have been signed, 83 of which have led to a signed contract.

Progress Update

The Group is carrying out finishing work on the site.

Development Projects //

Azrieli Holon Center – Looking to the Future

Development Projects // Azrieli Holon HaManor

Land area – **6,200 m²**

GLA – Retail: **26,000 m²**
Office space: **2,000 m²**

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

Estimated completion date – **2020**

Use –

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

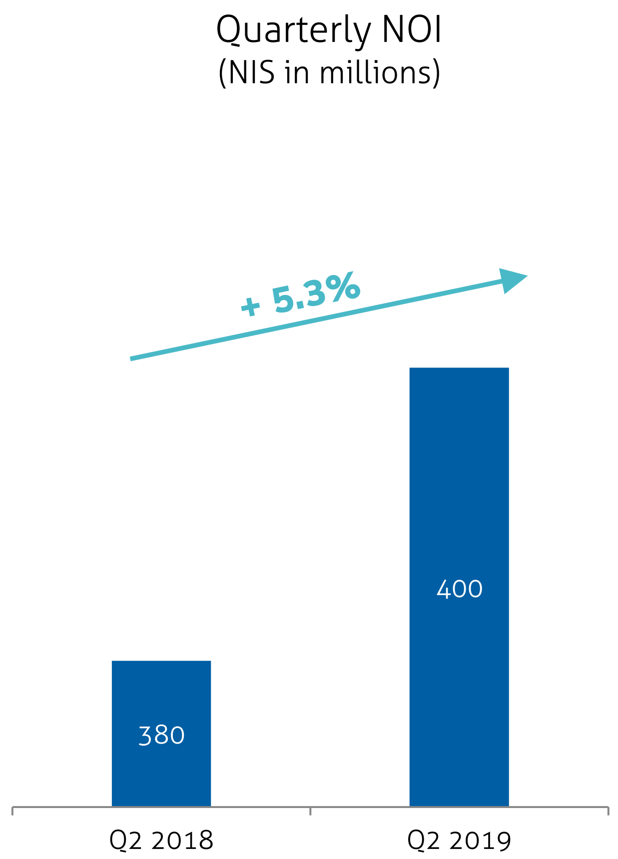
Marketing

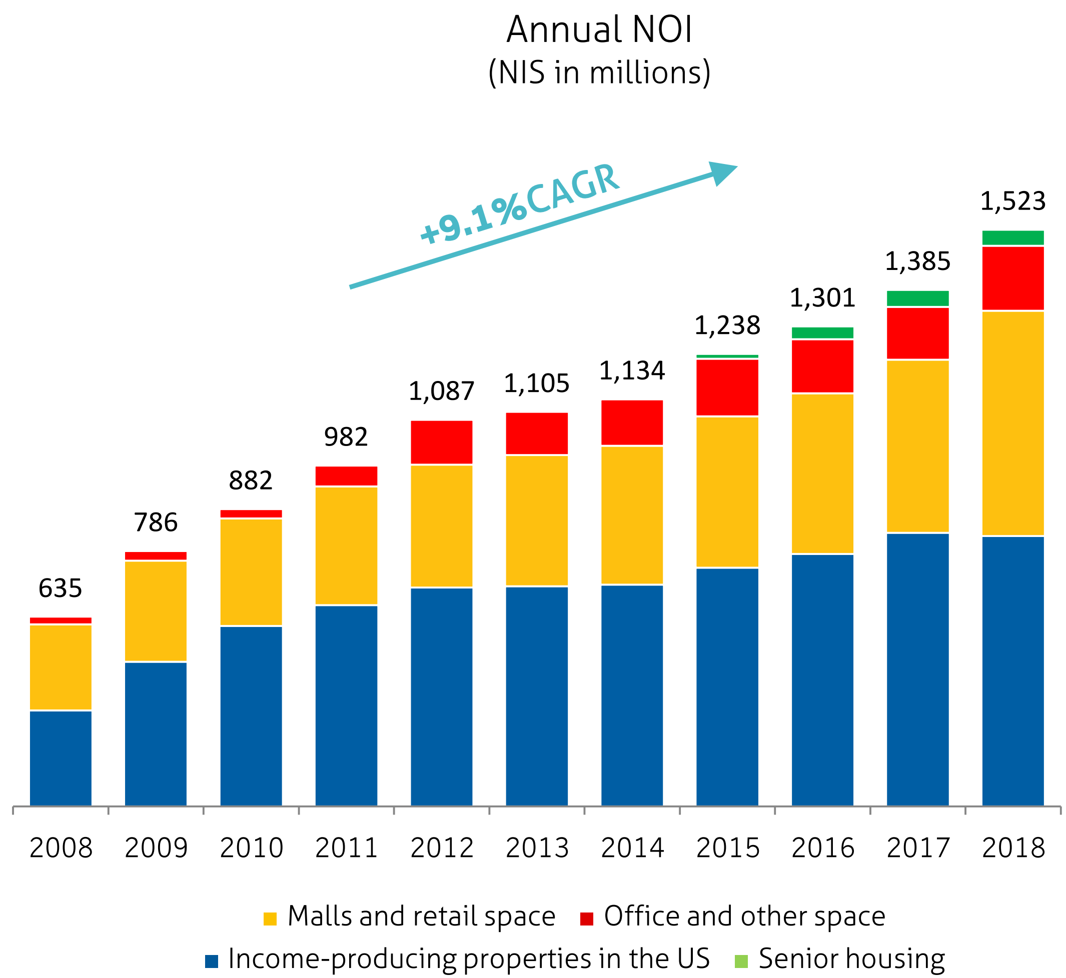
The Group is carrying out structural work on the office tower.

In December 2018, the company entered into a lease contract with Bezeq for a period of 10 years, for an area of some 20,000 sqm and approx. 900 parking spaces (of which 600 parking spaces are in the Azrieli Holon 3 project). The value of the contract is around NIS 19 million annually.
Bezeq will vacate 17 floors in the Triangular tower at the Azrieli Center at the end of 2020.

Financials Highlights

Constant NOI Growth

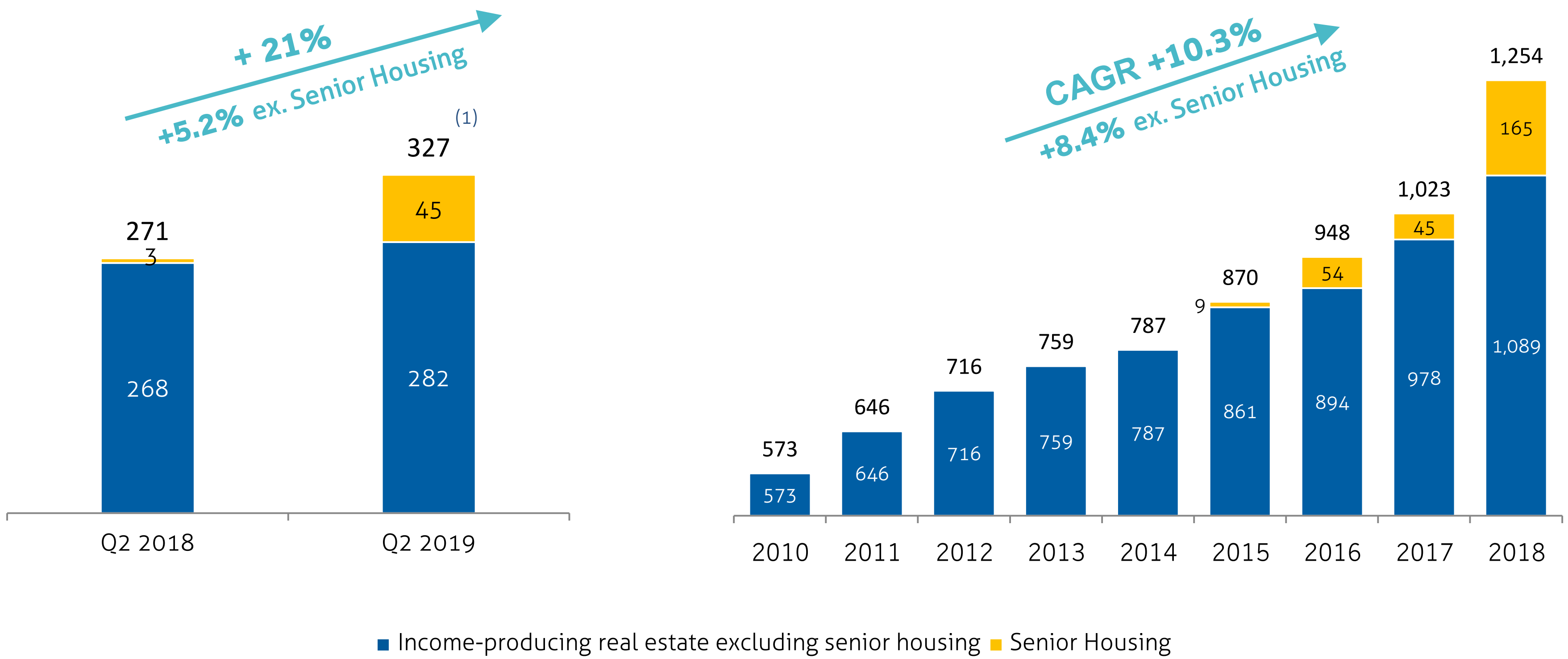




Constant FFO(1) Growth

5% increase in FFO, excluding senior housing, compared with Q2/2018

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

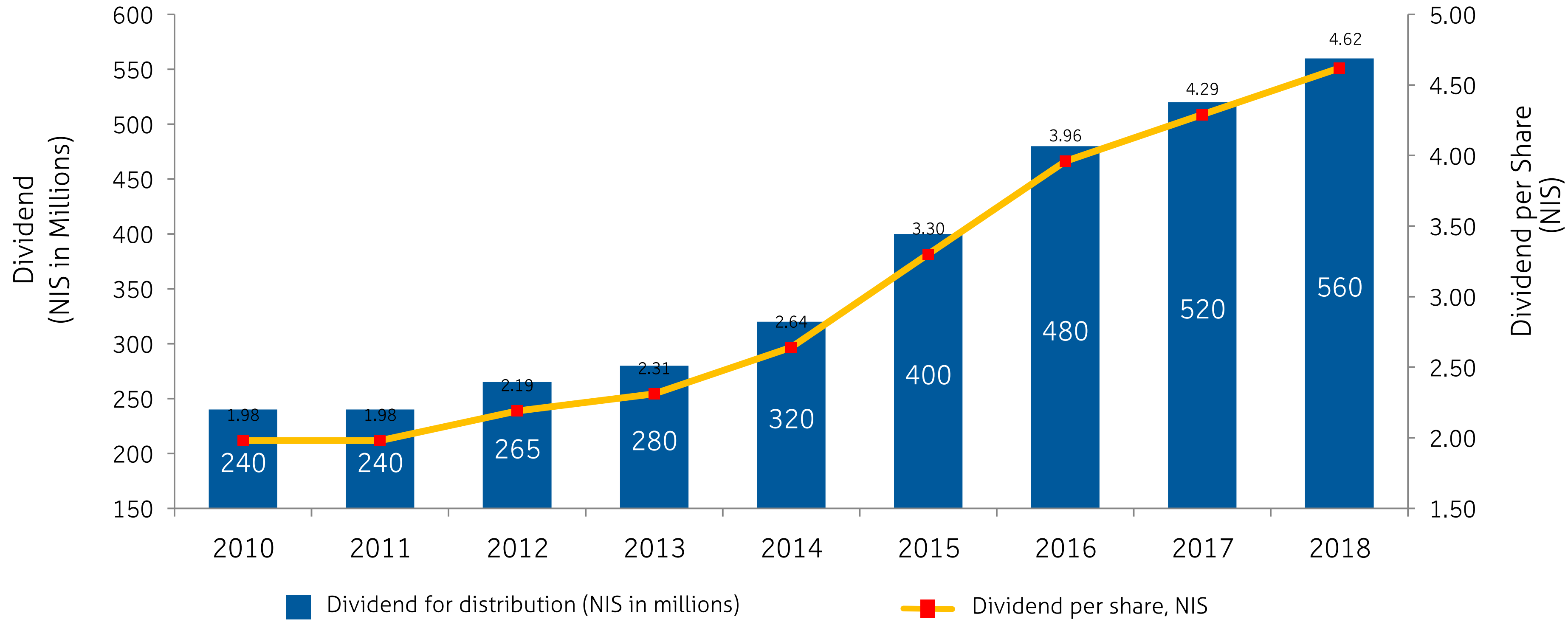


* For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.

(1) It is noted that in Q2/2019 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

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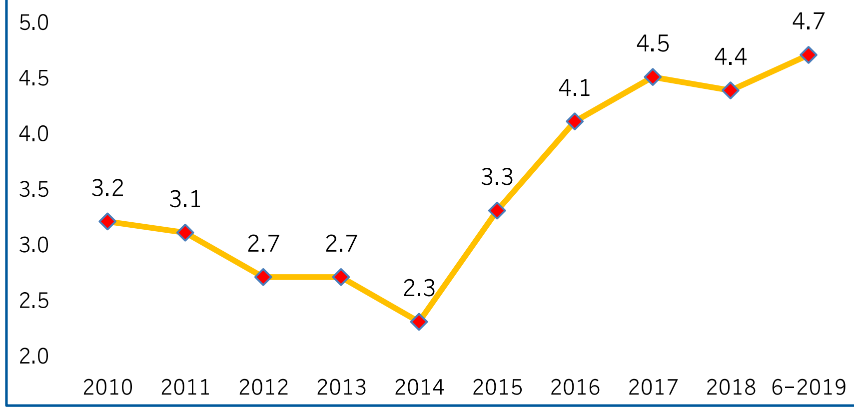
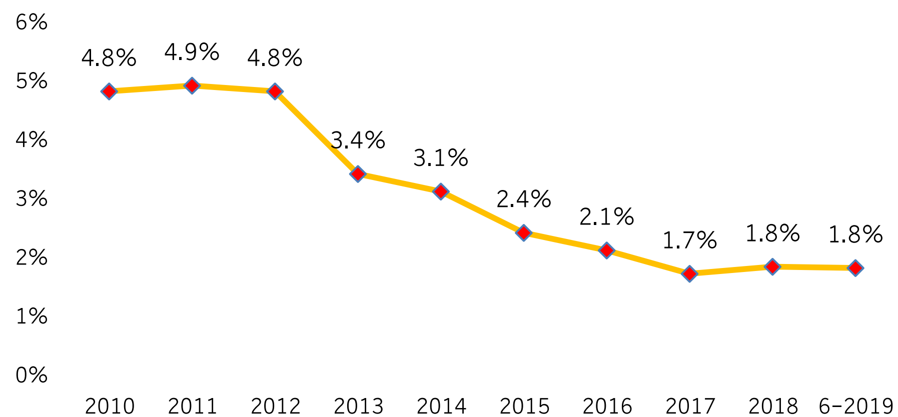
Financial Strength(1)

- Low leverage – net financial debt to assets ratio of **27%**
- Equity to assets ratio of **53%**
- Cash and cash equivalents total **NIS 1.7 billion**
- Unencumbered assets total **NIS 22 billion**

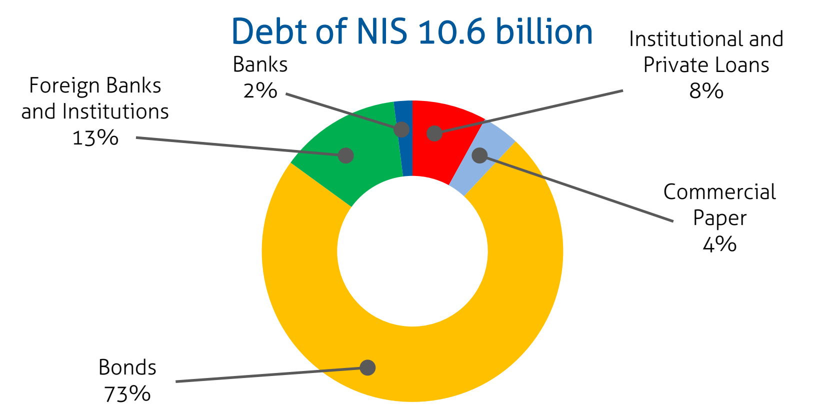
Extension of Average Duration of Debt (2)



Average Interest Rate Decrease through the Years (2)



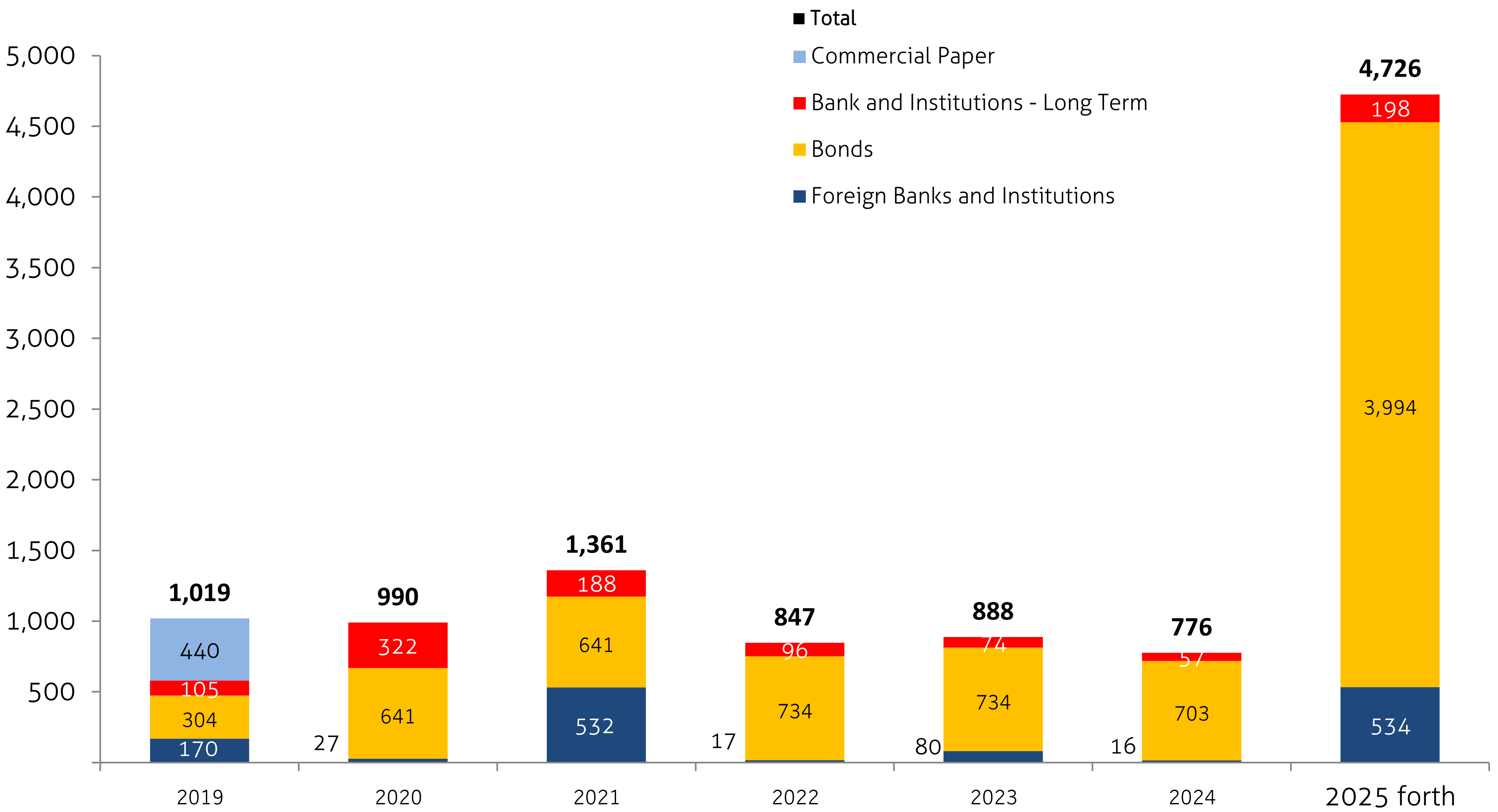
Debt Breakdown by Lender



(1) As of June 30, 2019 (2) Figures are as of the last day of the year / the reported period.

Payment Schedule (Principal Only)

Extended standalone as of June 30, 2019



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

	Q2 2019	Q2 2018	2018
Revenues from rent, maintenance and management fees	545	509	2,069
NOI	400	380	1,523
Same-property NOI	393	379	--
FFO attributed to the real estate business(1)	327	271	1,254
Change in the value of investment properties(2)	139	12	168
Net profit, including minority interests	332	236	1,219
Net profit, attributable to the shareholders	332	236	1,218
Comprehensive income, attributable to the shareholders	359	267	1,321

(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)

	June 30, 2019	December 31, 2018
Cash, securities and deposits	1,715	646
Gross financial debt	10,607	9,569
Net financial debt (1)	8,892	8,923
Net financial debt to assets	27%	28%
Financial assets (mainly Bank Leumi and Leumi Card)	1,184	1,677
Fair value of investment properties and properties under construction	27,866	27,452
Equity (excluding minority interests)	17,176	17,077
Equity to assets	53%	54%
Total assets	32,739	31,439
Equity per share (NIS)	141.6	140.8
EPRA NAV per share (NIS)(2)	169	168

(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 June 30, 2019	28,008
Net of the value attributed to land reserves, properties under construction and senior housing	(4,850)
Total income-producing properties	23,158
Actual NOI Q2/2019[1]	390
Future quarterly NOI addition	32
Total standardized NOI Q2/2019	422
Proforma annual NOI	1,688
Weighted cap rate derived from income-producing investment properties, including vacant space	7.3%

Annual FFO [2] attributed to the real estate business - **NIS 327 million**

	NIS in millions
Net Operating Income (NOI)	**400**
Overheads excl. management fees from Granite	(30)
Depreciation	4
EBITDA	**374**
Net interest expenses	(53)
Tax	(43)
Cash flow from senior housing deposits excl. depreciation	49
Total FFO attributed to the income-producing real estate business	**327**

(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