

AZRIELI GROUP

Conference Call Presentation

Financial Statements September 30, 2019



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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 September 30, 2019, 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 Company's estimations regarding 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 prepared according to the past experience and professional knowledge accumulated by the Company and in good faith. 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.
- › The financial information in the presentation which is attributed to the extended standalone statement is neither audited nor reviewed by the Company's auditors. The extended standalone statement presents a summary of the Company's consolidated statement figures according to IFRS, with the exception of the Company's investment in Granite Hacarmel and Azrieli E-Commerce which is presented based on the equity method, in lieu of consolidation with the Company's statements.
- › The terms "FFO attributed to the Real Estate Business" and "weighted average cap rate" relate to the Group's income-producing real estate business only. Anyone reading the presentation must read such figures in conjunction with the board's explanations in the board of directors' report as of September 30, 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 November 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 31.8 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 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 **53%**



(1) As of November 19, 2019

(2) (2) Excluding completed properties in the first stages of occupancy.

Income-Producing Properties Map



Malls and Retail Centers

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

Offices and Others in Israel

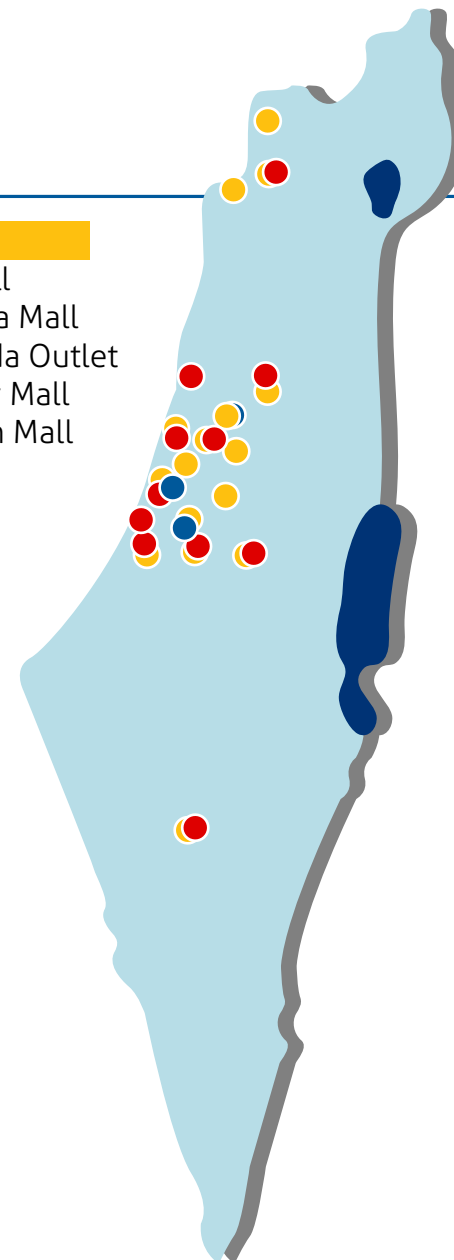
Azrieli Towers	Modi'in	Givatayim
Azrieli Sarona	Modi'in Residences	Kiryat Ata
Azrieli Holon Center	Petach Tikva	Hanegev
Caesarea	Jerusalem	Rishonim
Herzliya	TOWN building E	

Senior Homes

Palace Tel Aviv
Palace Ra'anana
Palace Modi'in

Overseas

Galleria
Plaza
8 West
3 Riverway
1 Riverway
Aspen II
San Clemente
Leeds



- Malls
- Offices
- Senior Homes

17 malls 337,000 m²

14 office properties 549,000 m²

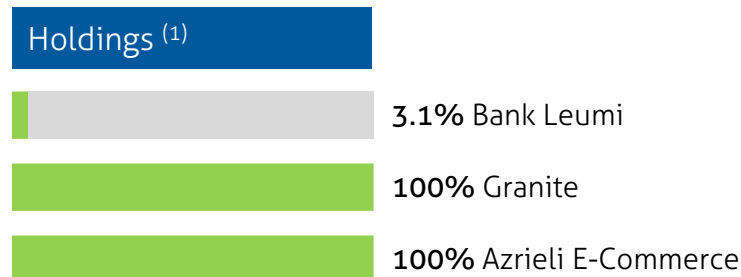
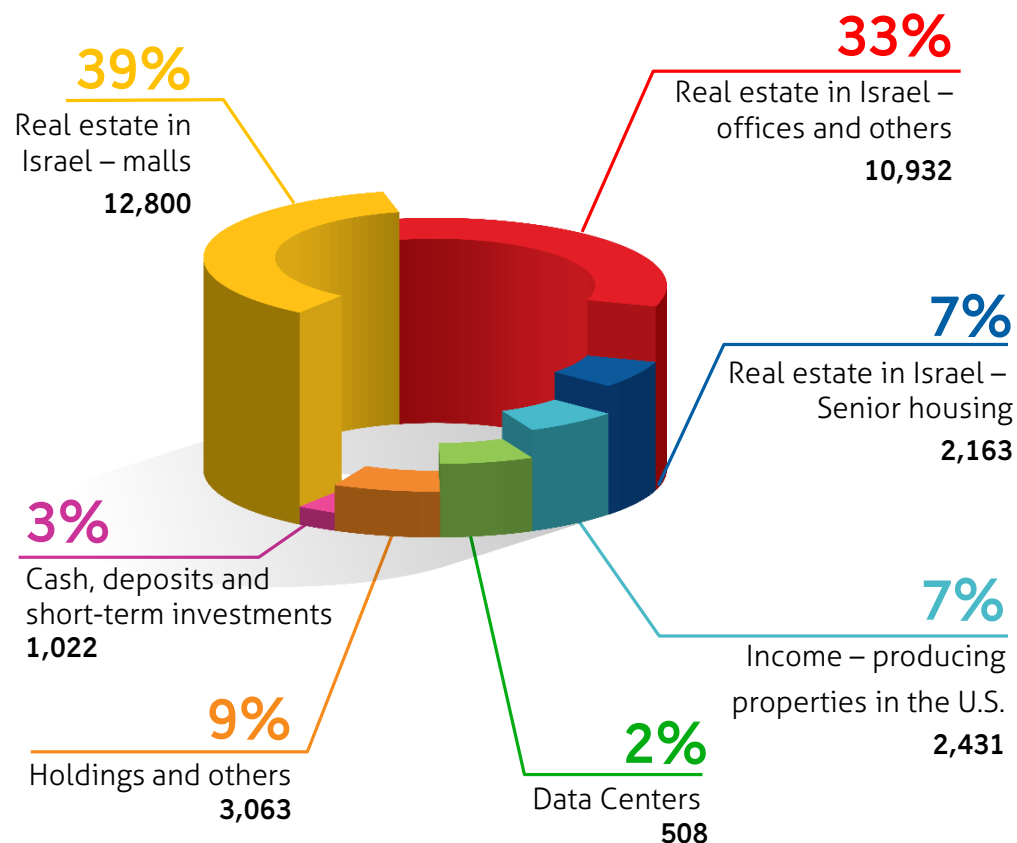
3 senior homes 76,000 m² 794 residential units

8 office properties overseas 246,000 m²

Total 1,208,000 m² (1)

(1) As of September 30, 2019

Azrieli Group // Breakdown of Properties⁽¹⁾



% of Total Properties
Book Value (NIS in millions)

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

Highlights for Q3/2019*

Financial Highlights

- > NOI totaled NIS 407 million, up 5% compared with Q3/2018.
- > Same Property NOI – a 4% increase in the quarter.
- > FFO totaled NIS 311 million, up 11% compared with Q3/2018. Excluding Senior Housing FFO totaled NIS 282 million, an increase of 2%.

Continued Momentum of Development, Betterment and Acquisitions

- > Over the course of Q3/2019, **the Group invested NIS 179 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 approx. 20%⁽¹⁾ of the stock of Compass, a company operating in the data centers industry in North America, in consideration for approx. \$135 million.

Closing of the Sale of Granite

- > In November 2019, the Group closed the sale of Granite (which wholly owns SuperGas) according to an enterprise value of NIS 1,017 million and a net company value (net of debt) of approx. NIS 817 million.
- > The Group is expected to record a post-tax capital gain of NIS 380 million.

Letter of Intent for the Sale of GES

- > In September 2019, the Group signed an agreement for the sale of GES for NIS 110 million.

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





Development During and After the Quarter

Azrieli Group // Purchase of Land in Modi'in

LOT 10

Date of winning the tender – October 2019

Land area - **Approx. 17,300 sqm**

Approved zoning plan - **approx. 37,000 sqm** and underground parking.

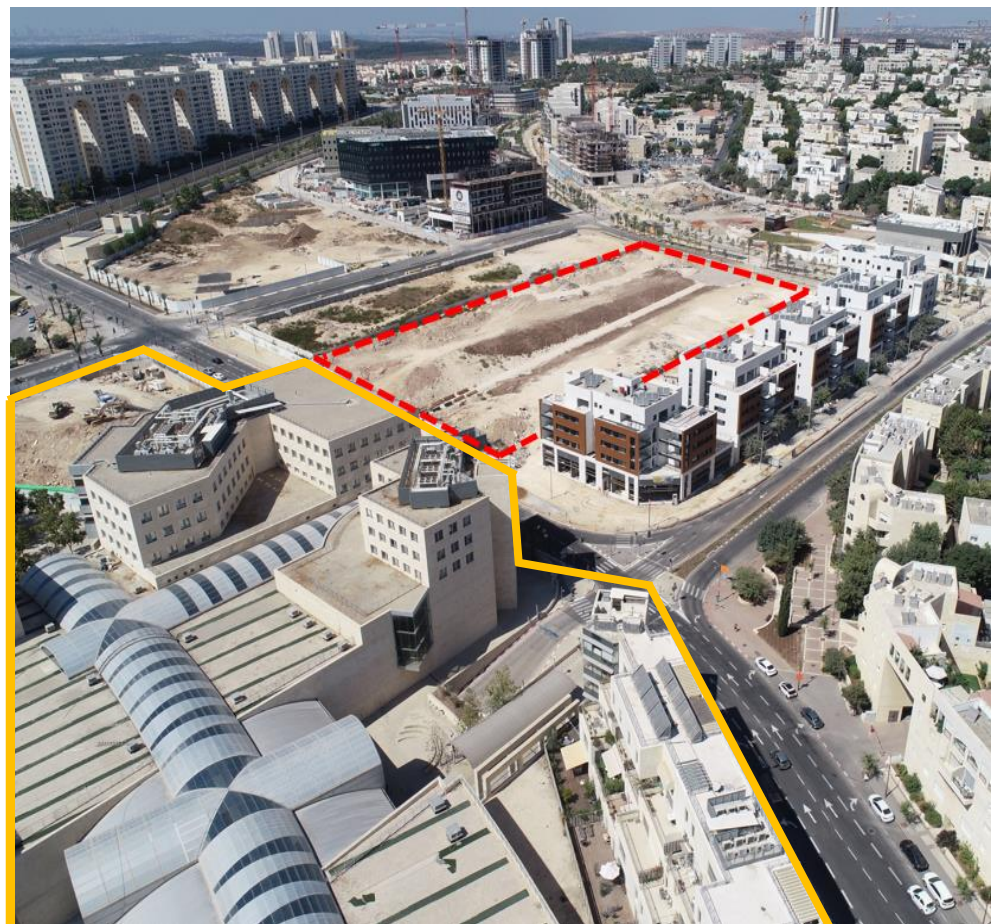
The Group intends to develop an office and retail complex according to the permitted uses.

Purchase cost - **NIS 88 million**

The land is adjacent to Azrieli Modi'in mall and lot-21 which are owned by the group, in the CBD of Modi'in.

--- Land purchased

— Existing income-producing property

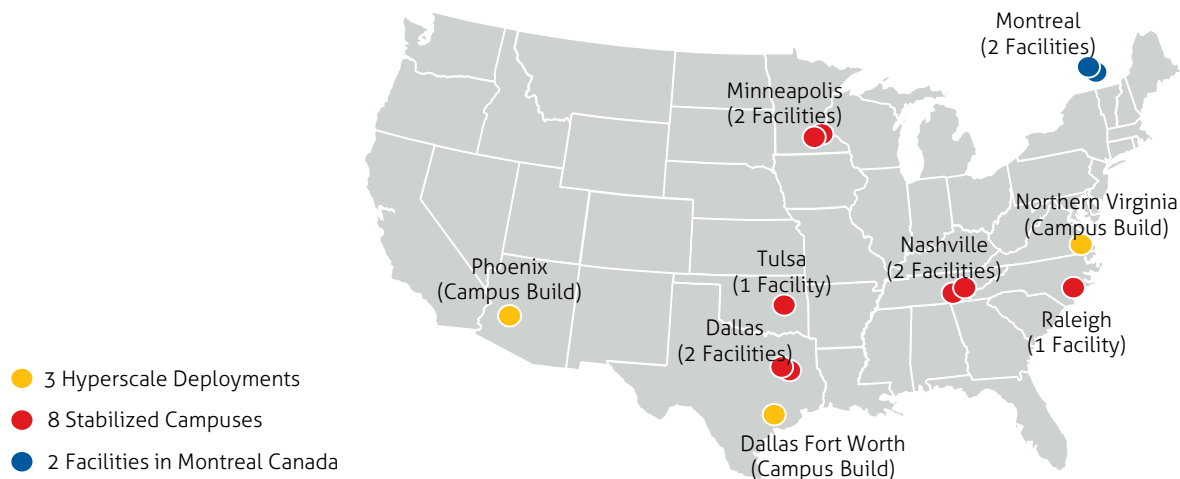


Azrieli Group // Compass Deal

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



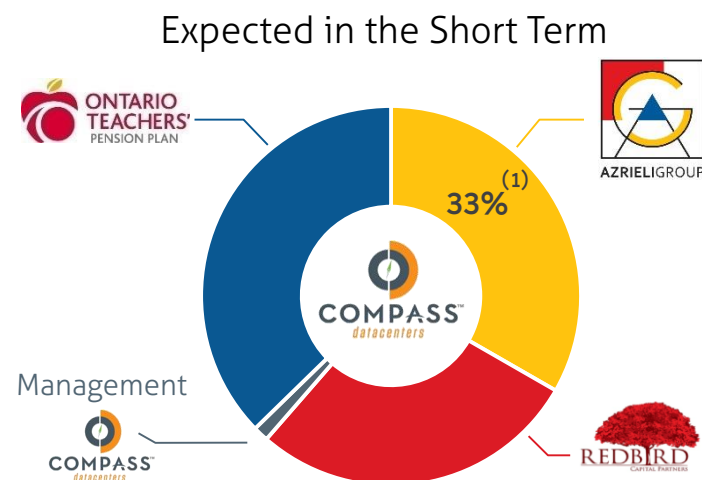
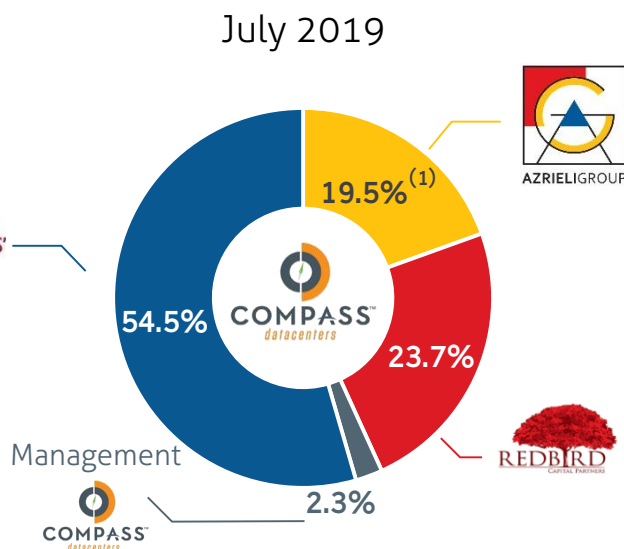
Azrieli Group // Compass Deal



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



NOI for 100%

\$ 38 Million

Current⁽¹⁾ NOI
Annualized



Current income-
producing output

~30MW

Current
output



Duration of
existing contracts

~7 years

Average lease
term



Future development
potential

~ 560MW

Potential
output in the
long term

Management

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

CEO



Chris Crosby
Founder & CEO
25+ years of
experience



Finance



Jared Day
President & CFO
20+ years of
experience



Sales



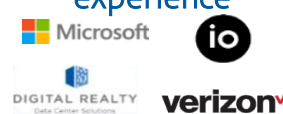
Raymond Hawkins
CRO
30+ years of
experience



Strategy & operations



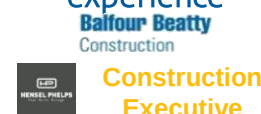
Adil Attlassy
CTO
30+ years of
experience



Construction



Nancy Novak
SVP construction
30+ years of
experience



(1) Included signed but not yet closed agreements.

Azrieli Group // Malls and Retail Centers



NOI in Q3 2019 – **NIS 210 million** compared with NIS 205 million in the equivalent quarter in 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 September 30, 2019.

Azrieli Malls Group // Revenues and Rent to Revenue Ratio

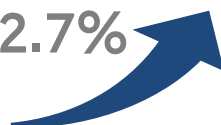
Total Increase in
Azrieli Malls Group Revenues

1-9/2019

Vs.

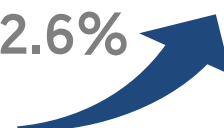
1-9/2018

+ 2.7%



Total Increase in Azrieli Malls Group
Revenues – Same properties

+ 2.6%

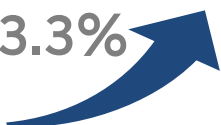


7-9/2019

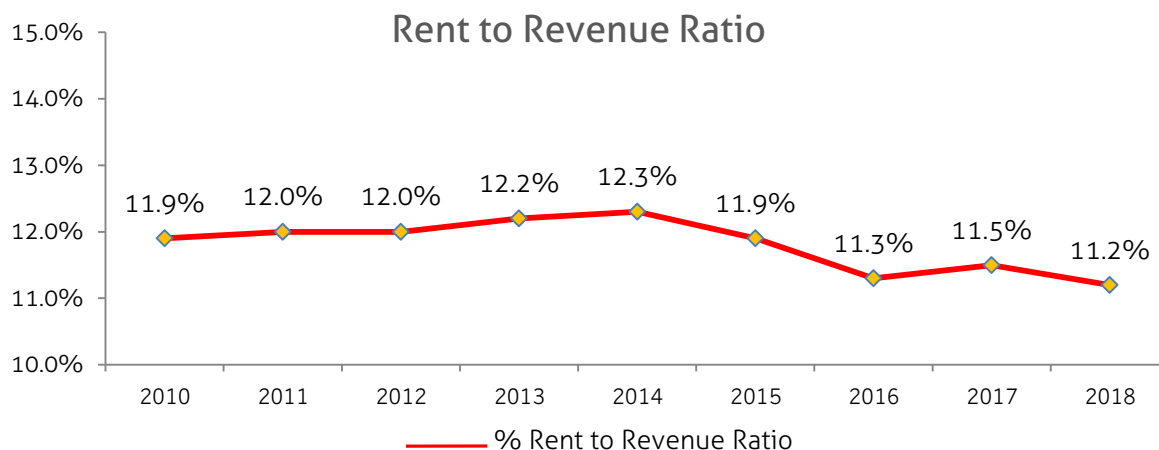
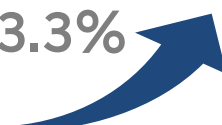
Vs.

7-9/2018

+ 3.3%



+ 3.3%



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.

If the zoning plan is approved, it enlarges the retail 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 Q3 2019 – **NIS 152 million** compared with NIS 132 million in the equivalent quarter in 2018.

GLA of **549,000 m²** ⁽¹⁾

Average occupancy rate – **99%**

Book value – **NIS 10.9 billion**



(1) GLA (gross leasable area) based on the Company's share as of September 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

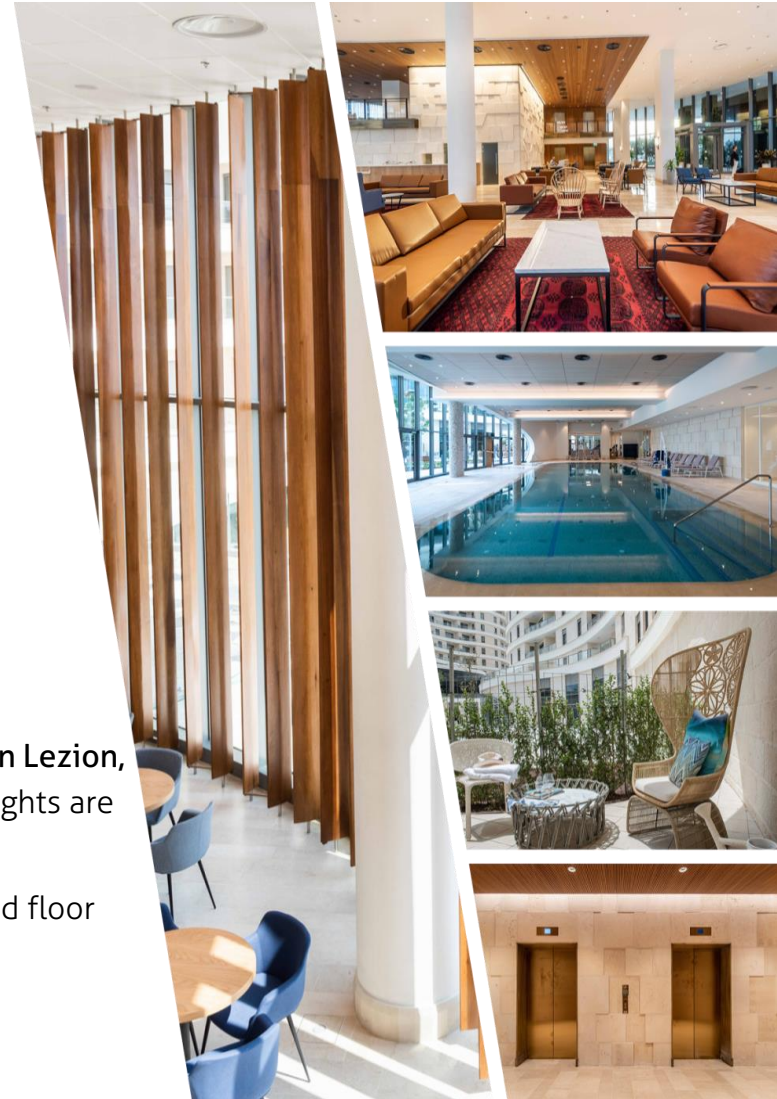
Homes under Development

Palace Lehavim: 350 residential units + 72 LTC beds

Palace Rishon Lezion: 250 residential units + 1 LTC unit + 3,000 m² 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 m² (currently usage rights are 29,000 m²).
- > 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 	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



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



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



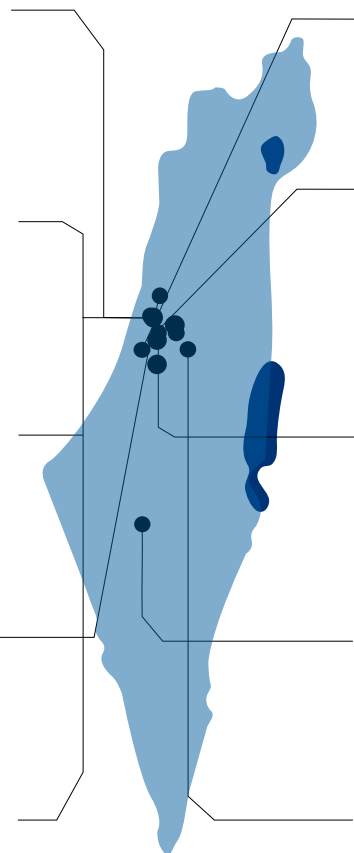
Azrieli Town E Building
Tel-Aviv Center
21,000 m² (1)(5)



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 Modi'in. | (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⁾	340-345
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	2020	1,080-1,130
			Retail 4,000 Residence 21,000 (210 Residential Units)	2022	
Holon Hamanor	Holon		28,000	2020	220-240
Azrieli Akko mall	Akko		10,000	2020	70-75
Total			167,500		2,110-2,200
Medium-term construction projects					
Expansion of Azrieli Mall and Spiral Tower	Tel Aviv		150,000 ⁽⁵⁾	2025	2,300-2,500
Modi'in, Lot 21	Modi'in		20,000 ⁽⁶⁾	2023	340-370
Palace Rishon Lezion	Rishon Lezion		28,750 ⁽⁷⁾	TBD	310-320
Total			198,750		2,950-3,190
Total			366,250		5,060-5,390
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.

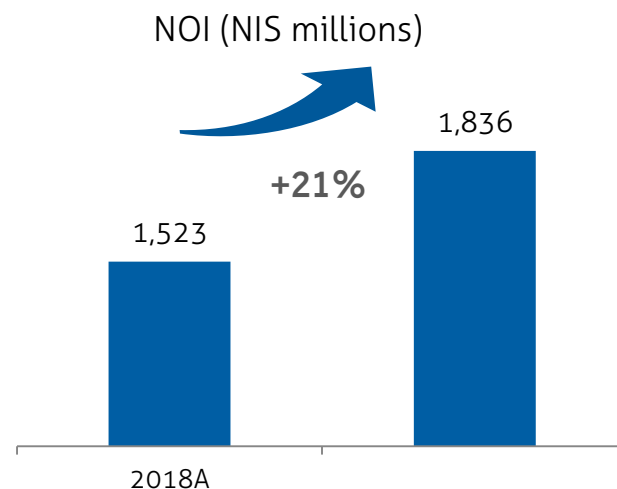
Development Projects // Expected Contribution* to NOI and FFO

Actual NOI in 2018	1,523
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> Additional NOI from development projects ⁽¹⁾	173
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> Annualized additional NOI from existing properties ⁽²⁾	140
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Projected NOI after lease-up of projects under development	1,836
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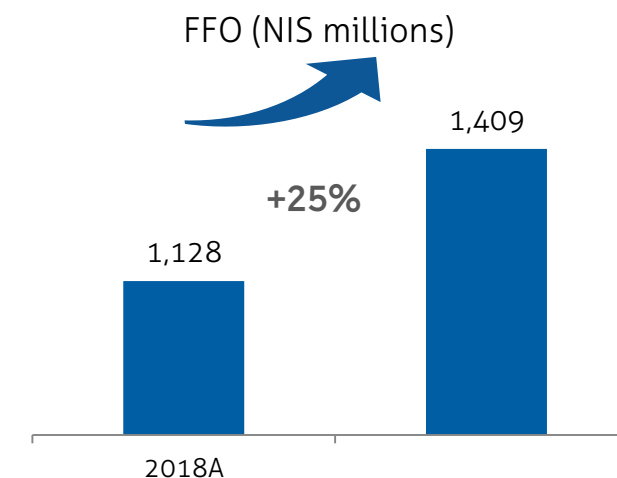
Actual FFO in 2018	1,254
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> Excl. first-time deposits from Palace Modi'in senior home	(126)
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Actual FFO in 2018 excl. first time deposits from Palace Modi'in	1,128
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> Additional FFO from cash flow	281
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Projected FFO after lease-up of projects under development	1,409
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* 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 expansion 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 shoring work** on the site. **The design plan** in connection with the project is scheduled for discussion at the Local Committee in November 2019.



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 – **2020**
 Residence and Retail – **2022**

Use –   
 RENT

Marketing

In July 2019 the Company 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).



Illustration

(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

Progress Update

The Group is carrying out finishing work on the site.

Marketing

As of the Report Release Date, **96 preliminary applications** (for 40% of Phase A) have been signed, 88 of which have led to a signed contract.





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**.

Progress Update

The Group is carrying out finishing work on the site.

Marketing

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.

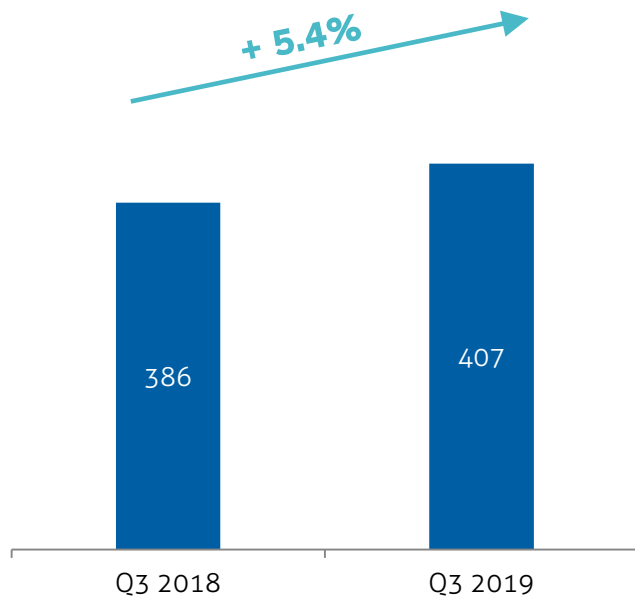




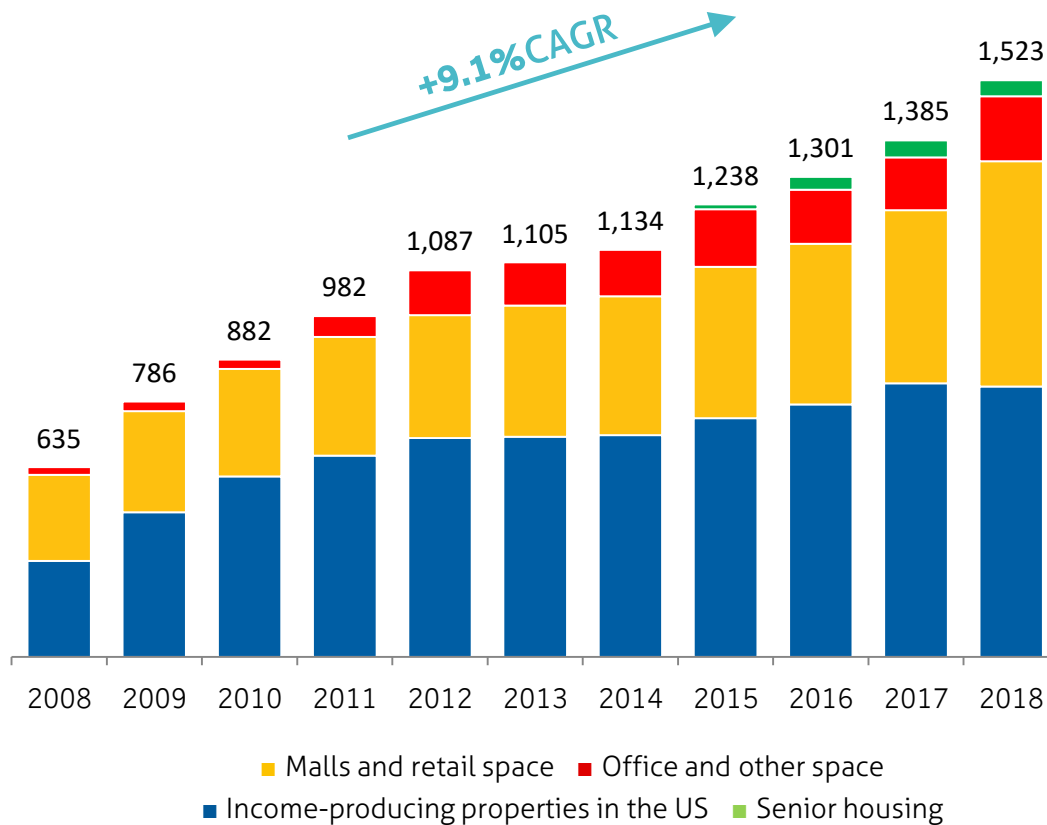
Financials Highlights

Constant NOI Growth

Quarterly NOI
(NIS in millions)



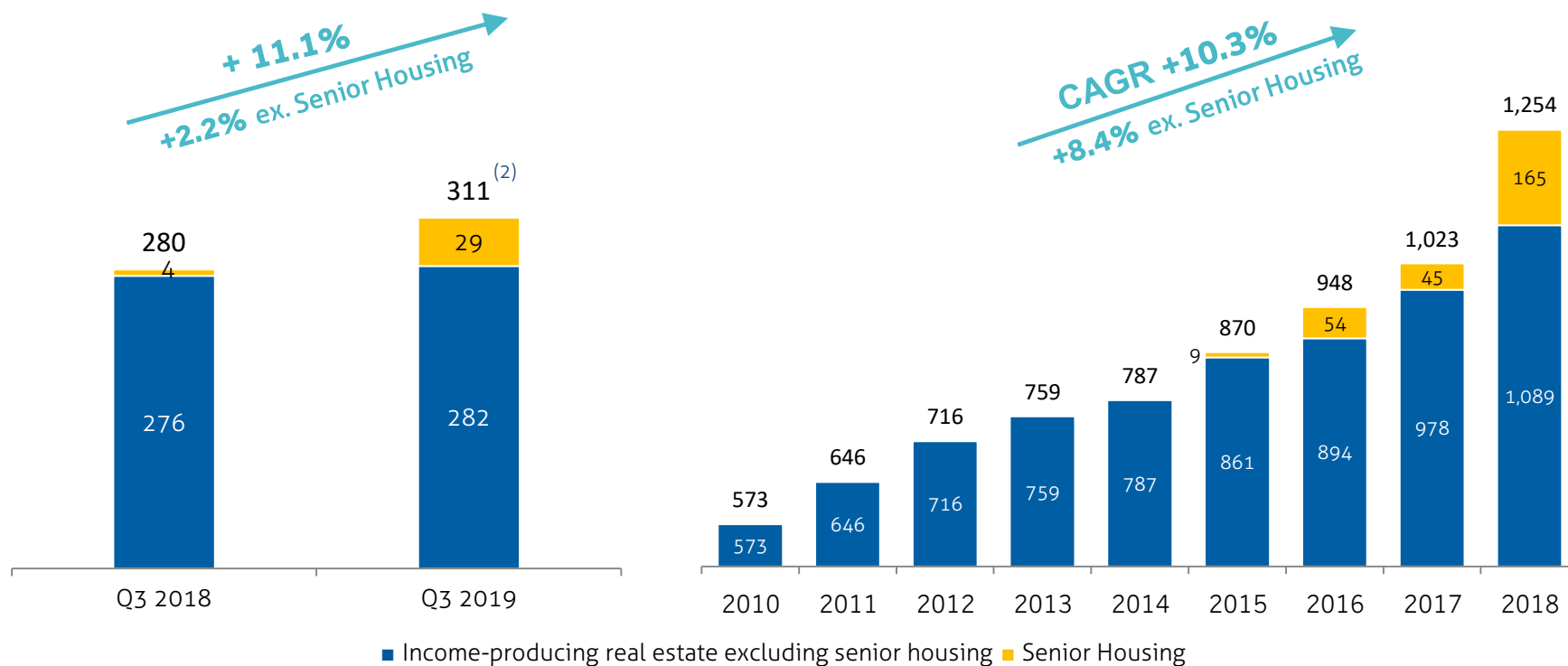
Annual NOI
(NIS in millions)



Constant FFO⁽¹⁾ Growth

2.2% increase in FFO, excluding senior housing, compared with Q3/2018

FFO attributed to the Real Estate Business⁽¹⁾ (NIS in millions)

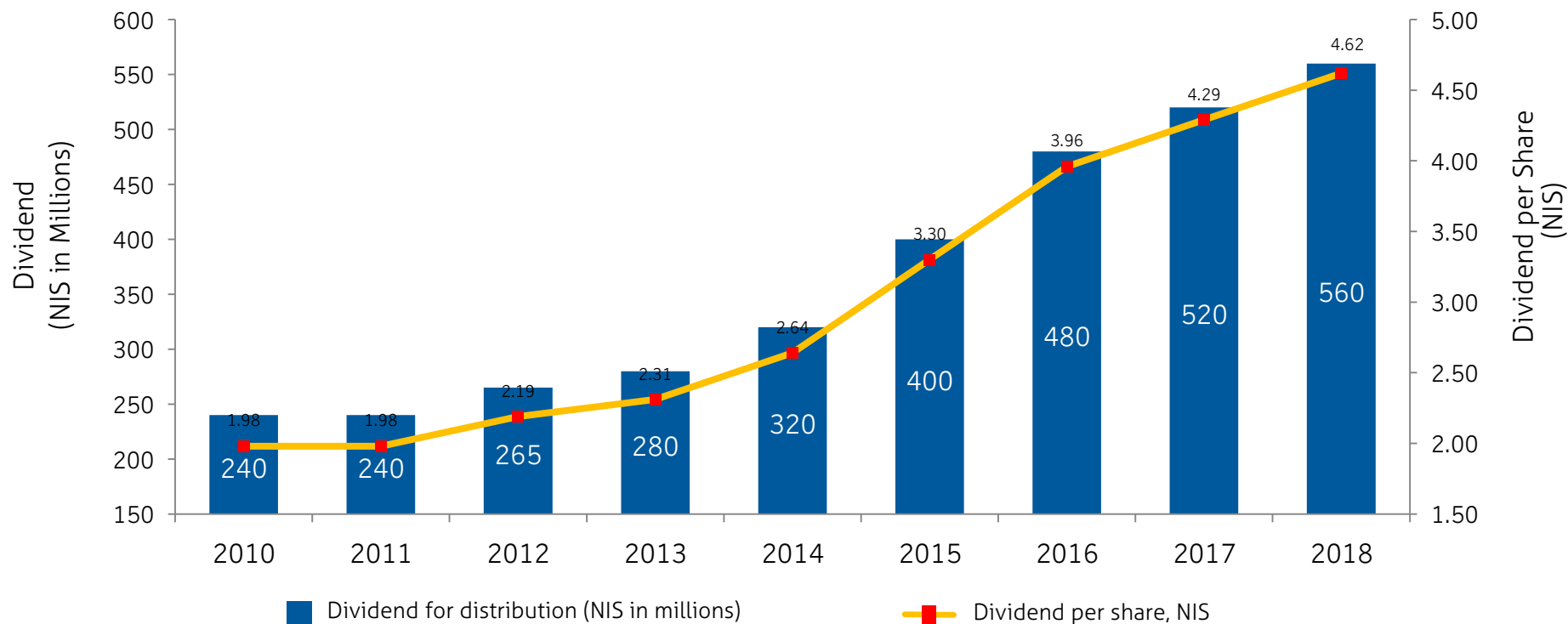


(1) For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.

(2) It is noted that in Q3/2019 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.

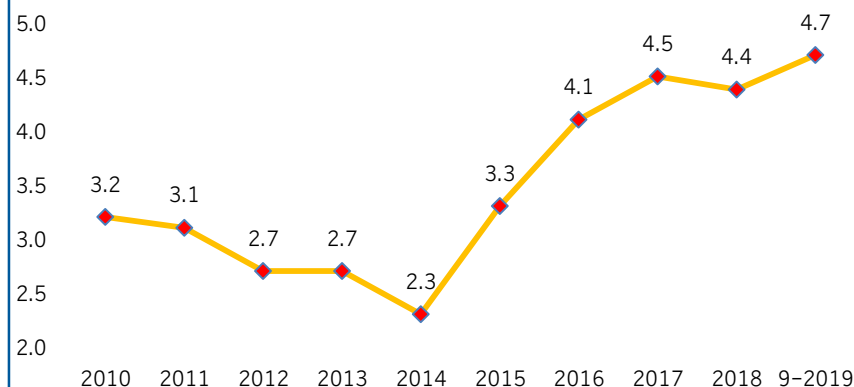


Extension of the Duration and Reduction of the Cost of Debt

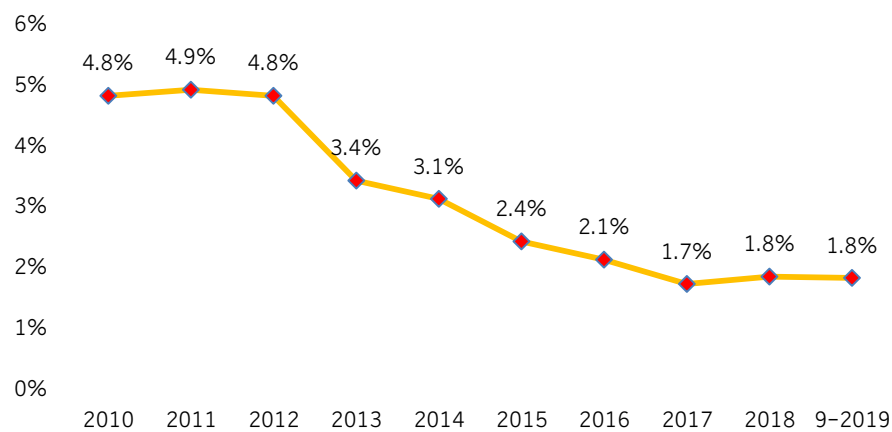
Financial Strength⁽¹⁾

- > Low leverage – net financial debt to assets ratio of **28%**
- > Equity to assets ratio of **53%**
- > Cash and cash equivalents total **NIS 1 billion**
- > Unencumbered assets total **NIS 23 billion**

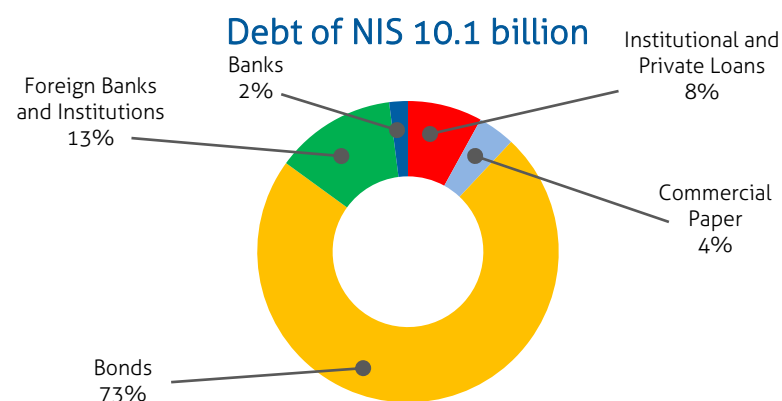
Extension of Average Duration of Debt ⁽²⁾



Average Interest Rate Decrease through the Years ⁽²⁾



Debt Breakdown by Lender

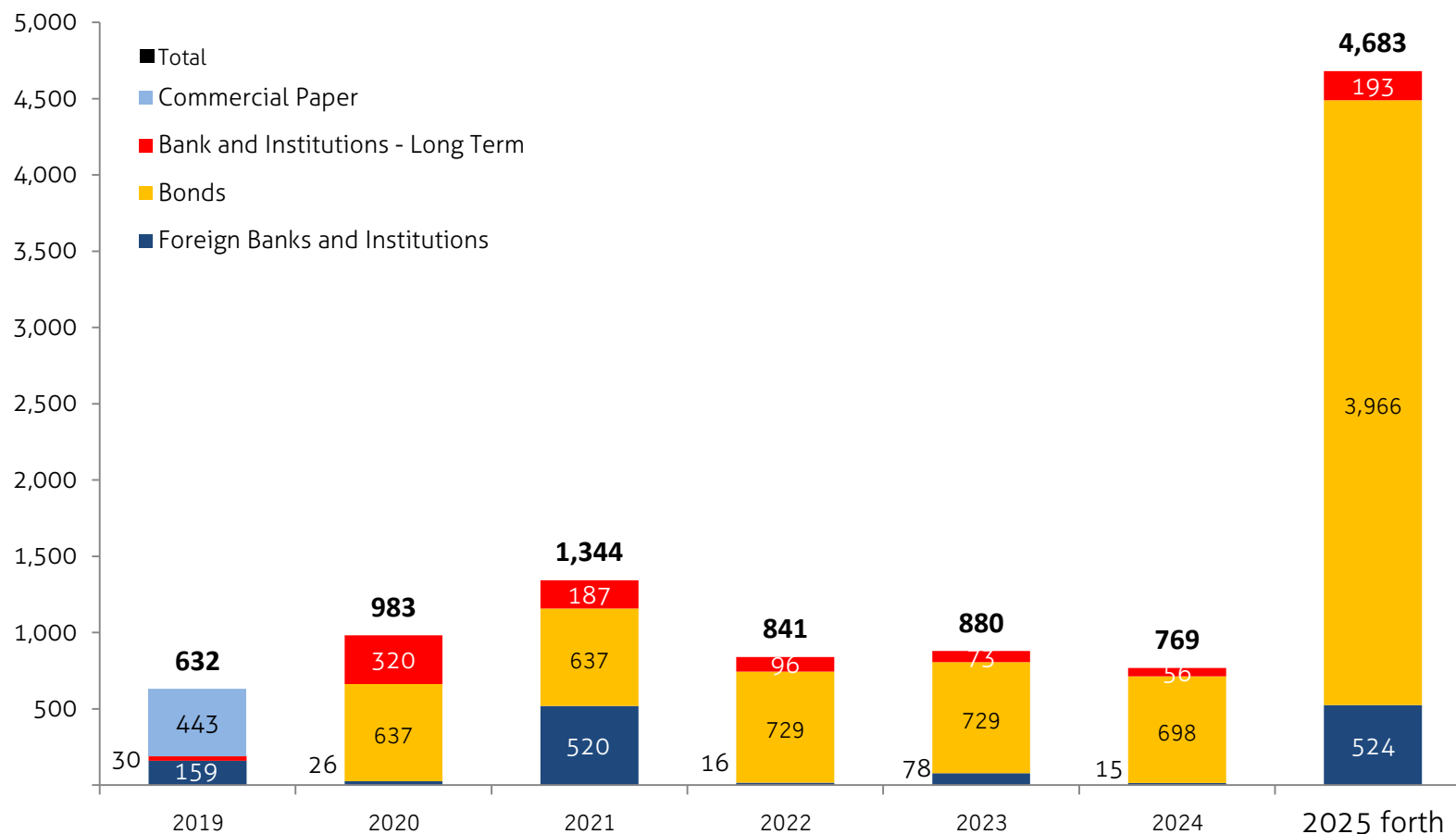


(1) As of September 30, 2019

(2) Figures are as of the last day of the year / the reported period.

Payment Schedule (Principal Only)

Consolidated as of September 30, 2019



Summary of Financial Results (NIS in millions)

	Consolidated Q3 2019	Extended Standalone Q3 2018	Extended Standalone 2018
Revenues from rent, maintenance and management fees	572	530	2,063
NOI	407	386	1,523
Same-property NOI	396	382	--
FFO attributed to the real estate business ⁽¹⁾	311	280	1,254
Change in the value of investment properties ⁽²⁾	(2)	(10)	168
Net profit, including minority interests	289	264	1,219
Net profit, attributable to the shareholders	289	264	1,218
Comprehensive income, attributable to the shareholders	226	347	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 (NIS in millions)

	Consolidated September 30, 2019	Extended Standalone December 31, 2018
Cash, securities and deposits	1,022	646
Gross financial debt	10,132	9,569
Net financial debt ⁽¹⁾	9,110	8,923
Net financial debt to assets	28%	28%
Financial assets (mainly Bank Leumi shares)	1,158	1,677
Fair value of investment properties and properties under construction	27,986	27,452
Equity (excluding minority interests)	17,402	17,077
Equity to assets	53%	54%
Total assets	32,919	31,439
Equity per share (NIS)	143.5	140.8
EPRA NAV per share (NIS) ⁽²⁾	171	168



(1) Excluding financial assets (Bank Leumi shares).

(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

Weighted average cap rate - 7.3%

NIS in millions

Total investment properties, as of September 30, 2019	28,125
Net of the value attributed to land reserves, properties under construction and senior housing	(4,979)
Total income-producing properties	23,146
Actual NOI Q3/2019 ⁽¹⁾	393
Future quarterly NOI addition	29
Total standardized NOI Q3/2019	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 311 million

NIS in millions

Net Operating Income (NOI)	407
Overheads excl. management fees from Granite	(37)
Depreciation	3
EBITDA	373
Net interest expenses	(48)
Tax	(39)
Cash flow from senior housing deposits excl. depreciation	25
Total FFO attributed to the income-producing real estate business	311

(1) Excluding senior housing, (the weighted cap rate of the senior housing as of the report date is 8.75%) and excluding Data Centers which appears in the statements according to the method of investments in companies accounted for by the equity method. | (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

