

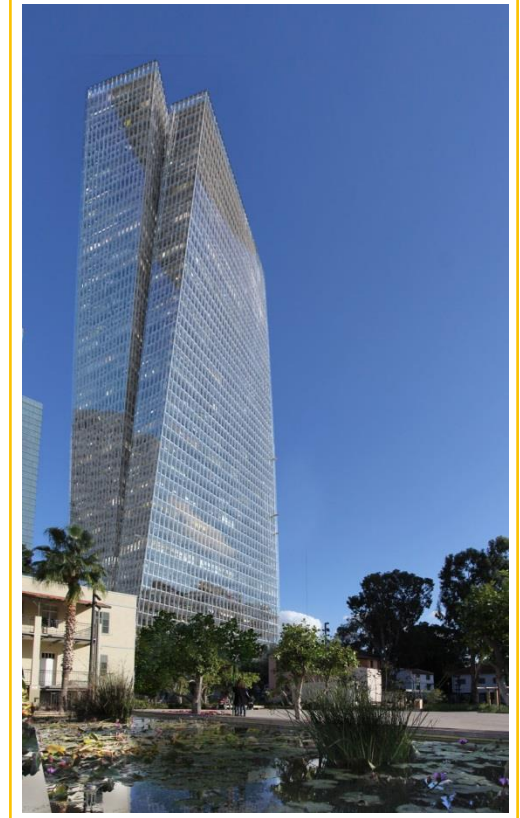


Azrieli Group

Conference call presentation

Financial Statements as of June 30, 2015

August 19, 2015



AZRIELI
GROUP

Convenience translation from Hebrew

Important Notice

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Disclaimer

- The information included in this presentation is not comprehensive and does not include all the information on the Company and its business, nor is it a substitute for inspecting the interim report for June 30, 2015, the annual Report for 2014, the company's current reports and the presentations released thereby, as reported to the ISA via the Magna distribution site. The presentation is not an offer or solicitation to buy securities of the Company, and its provisions are not a recommendation or an opinion, nor a substitute for the investor's discretion. The Company does not warrant the completeness or accuracy of the information, and will not be liable for any damage and/or losses which may result from the use of the information.
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- Forward-looking information is based solely on the Company's subjective assessment, based on facts and data regarding the current condition of the Company's business and macro-economic facts and figures, all as known to the Company at the time of preparing this presentation. The materialization or non-materialization of the forward-looking information will be affected, inter alia, by risk factors characteristic of the Company's activity, as well as by developments in the general environment, market conditions and external factors affecting the Company's activity, including delays in the receipt of permits, termination of contracts, changes in the competition, a significant recession, change in financial conditions, and other such events which cannot be estimated in advance and which lie beyond the Company's control. The Company does not undertake to update and/or change any such forecast and/or assessment to reflect events and/or circumstances postdating this presentation.
- 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 June 30, 2015, sections 1.1.5 and 1.1.6, 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

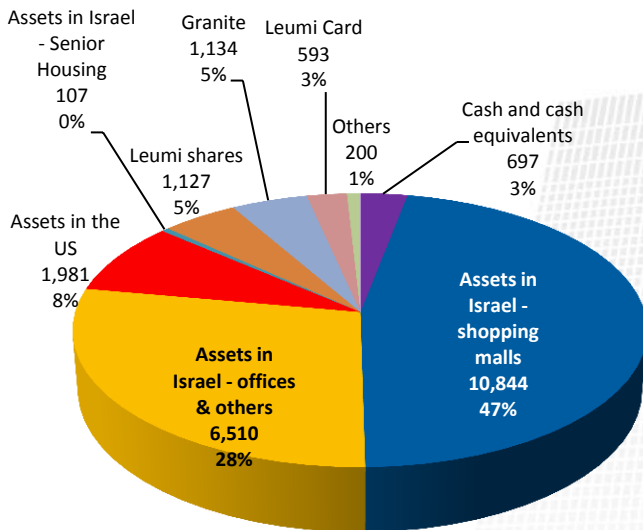
- The Company has been publicly traded since June 2010.
- Current market capitalization - NIS 19.8 billion ⁽¹⁾.
- Azrieli Group's shares are included on the following indices: Tel Aviv 25, Tel Aviv 100 and Real Estate 15.
- Azrieli Group's stock is the only Israeli stock included in the EPRA index.
- The Company owns leasable areas totaling 840,000 m², with another 507,500 m² 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 19.3 billion.
- The Company has NIS 16.8 billion of non-mortgaged properties.
- Total shareholders' equity (attributed to the shareholders) - NIS 13.5 billion.
- Low leverage (extended standalone): Net debt to assets ratio of 23%, and equity to assets sheet ratio of 58%.
- The Group's bonds are rated AA+/Stable by S&P/Maalot and Aa2/Stable by Moody's/Midroog.



(1) As of August 17, 2015.

Azrieli Group - Company Structure

Book value by assets
Extended standalone (1)
(NIS in millions)



Existing properties and properties under development

15 shopping centers

11 office and other properties

8 projects under development

6 properties overseas



Azrieli Group - Real Estate Segments

Real Estate Activity ⁽¹⁾
GLA - 1,347,500 m²

Existing properties - Retail
GLA - 301,000 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 – 507,500 m²

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

Income producing properties abroad
GLA - 187,000 m²

Houston, Texas

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

Leeds, United Kingdom

- Southern House 100%



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Main Events in Q2/2015

Financial highlights

- **NOI** – An approx. 9% increase compared with the same quarter in 2014.
- **Same property NOI** – An approx. 5% increase compared with the same quarter in 2014.
- **FFO** – An approx. 12% increase compared with the same quarter in 2014.

Progress in projects under development

- **Azrieli Center Sarona:** Signed leases for approx. 17,000 m² of office space.
- **Azrieli Center Holon:** Leases currently signed for approx. 58,700 m² of the 64,500 m² in phase A. Construction of phase B continues (55,000 m²), with signed office leases for 15,700 m².
- **Azrieli Rishonim Project:** Signed leases for approx. 6,700 m² of office space.

Development and acquisition momentum continues

- In Q2/2015, the Group's investments in real-estate properties totaled NIS 247 million.
- In H1-2015, the Group's investments in real-estate properties totaled NIS 602 billion.

Public offering of Bonds on TASE of NIS 600 million

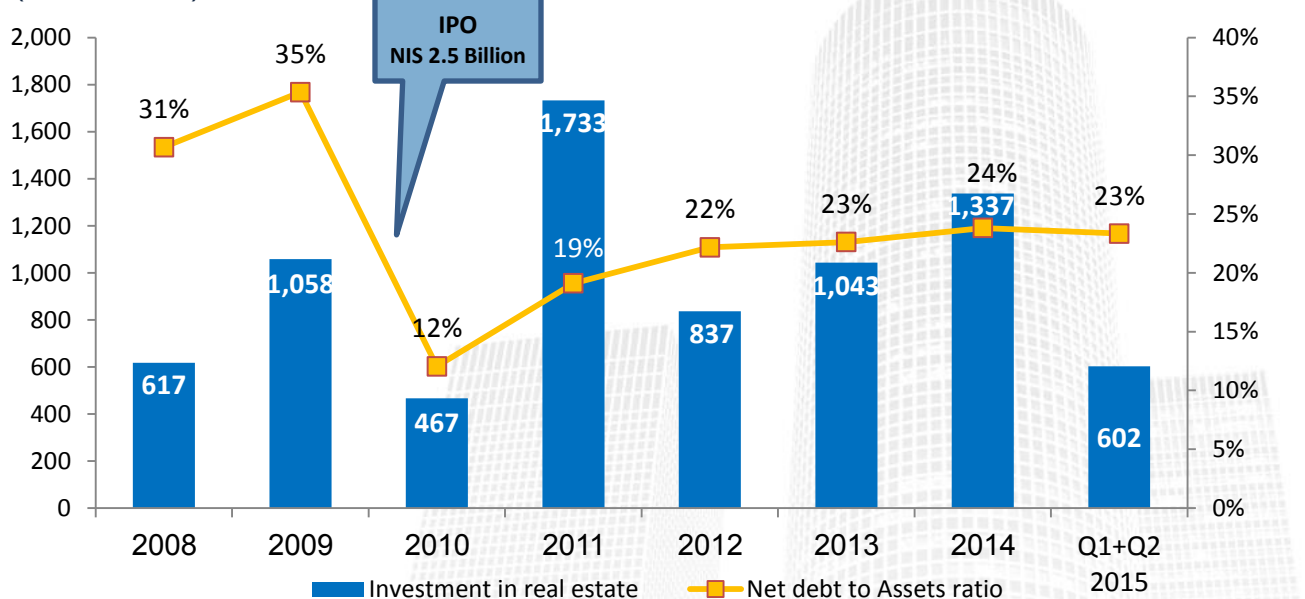
- In June 2015, the Company raised approx. NIS 600 million in marketable bonds (extension of series B) linked to the CPI.
- The interest rate on the bonds, with a duration of 5 years, bear a 0.65% interest rate.

Subsequent event – Acquisition of Palace Tel Aviv for NIS 263 million

- In July 2015, the Group acquired Palace Tel Aviv senior housing facility, for NIS 263 million.
- The Cap Rate used for the transaction was 9%-9.25%.
- The asset is expected to generate an average FFO of NIS 30 million.

Maintaining Financial Strength despite Massive Development and Acquisitions

Investment in real estate
(NIS in millions)



Net debt to Assets
ratio ⁽¹⁾



(1) Extended standalone.



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Development Momentum

Approx. 507,500 m² GLA⁽¹⁾; Total investment of NIS 5.2-5.4 billion



Azrieli Center Saroni,
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 Rishonim
Approx. 53,000 m²



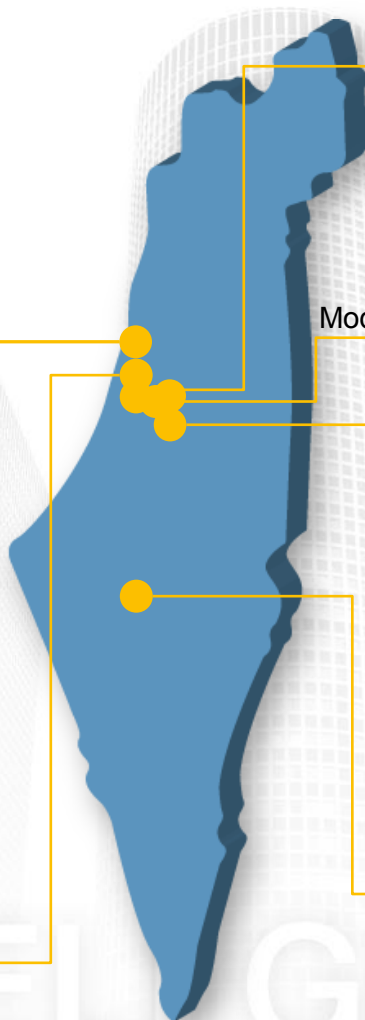
Modi'in Senior Housing
Approx. 35,000 m²



Lands in Holon
Approx. 55,000 m²



Lehavim Senior Housing
Approx. 44,000 m²



(1) GLA consolidated.

Projects under Development - Future Growth Engine

Name of property	% ownership	Use	GLA (m ²)	Estimated date of completion	Book value ⁽¹⁾ 30.06.2015 (NIS in millions)	Estimated cost to completion of project
Azrieli Center Holon ⁽²⁾ Phase B	83%	Offices	55,000	2015	336	5-15
Azrieli Rishonim	100%	Retail and Offices	53,000	2016	409	291-321
Azrieli Center Sarona, Tel Aviv	100%	Retail and Offices	121,500	2017	960	590-650
Modi'in Senior Housing	100%	Senior Housing	35,000	2018	58	218-228
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
Holon lands	100%	Retail and Offices	55,000	Not yet determined	64	טרם נקבע
Lehavim Senior Housing	100%	Senior Housing	44,000	2018	21	229-249
Total			507,500		2,101	3,083 – 3,313
Total book value plus estimated cost to completion						5,184 – 5,414

(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 bare 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 June 30, 2015. section 1.1.2.

Azrieli Center Sarona, Tel Aviv

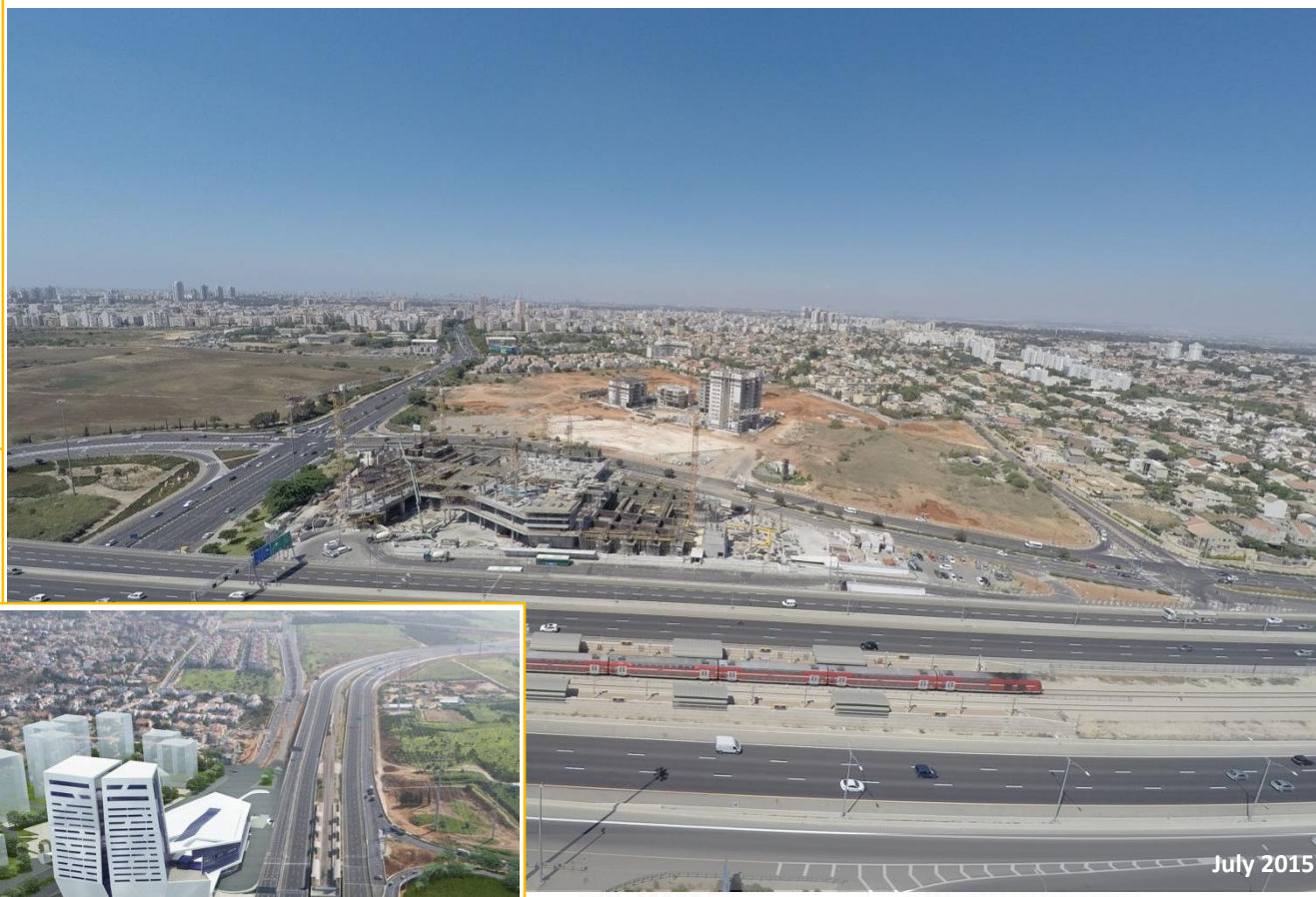


Azrieli Center Sarona, Tel Aviv



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Azrieli Rishonim Project



Simulation

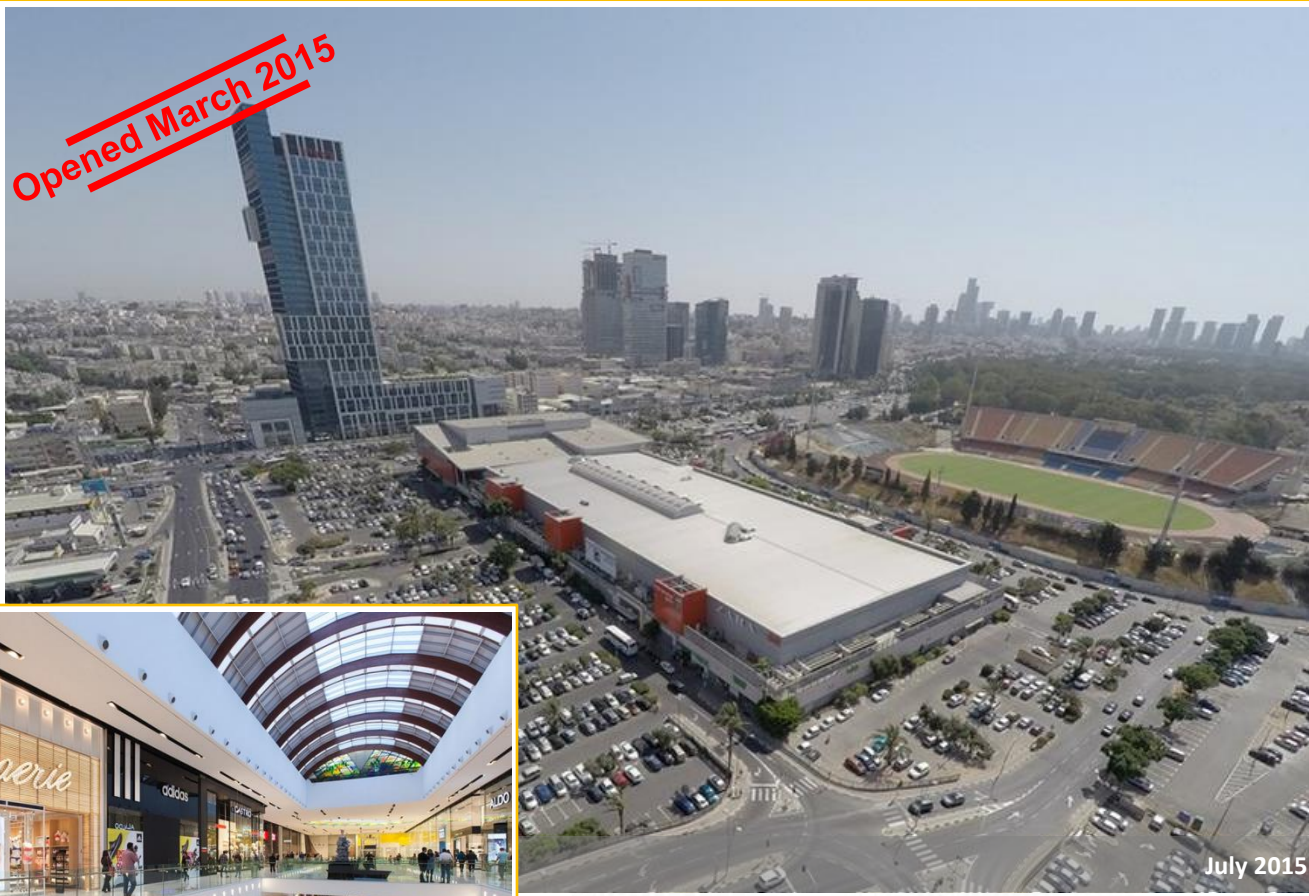
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Azrieli Center Holon



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Azrieli Ayalon Mall – 2nd floor



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Azrieli Ramla mall



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Azrieli Group – Senior Housing

Azrieli senior housing Modi'in

- Land area – approx. 10,500 m² at the entrance to Modi'in on Route 443.
- Building rights – about 35,000 m².
- Approx. 240 residential units + 60 assisted living units + 2 LTC wings.
- Book value – about NIS 58 million
- Estimated cost of construction – about NIS 218-228 million.

Azrieli Senior Housing, Modi'in



Azrieli senior housing Lehavim

- Land area – approx. 28,000 m² in the southern part of Lehavim.
- Building rights – about 44,000 m².
- Approx. 360 residential units + 4 LTC wings.
- Book value – about NIS 21 million
- Estimated cost of construction – about NIS 229-249 million.

Azrieli Senior Housing, Lehavim



Palace Tel Aviv Senior Housing Acquisition



The Transaction – Acquired at July 29, 2015

- The home is one of the most prestigious homes in Israel, located in Weismann street in Tel Aviv.
- The home includes 231 residential units. Occupancy rate is approx. 100%.
- There are also 134 nursing beds in 4 units – an occupancy rate of approx. 95%.
- Cost (excluding transaction costs) – NIS 263 million.
- Average expected FFO – NIS 30 million⁽¹⁾.
- **Average cap rate – 9%-9.25%.**
- Azrieli Group is promoting an enhancement program for the property.

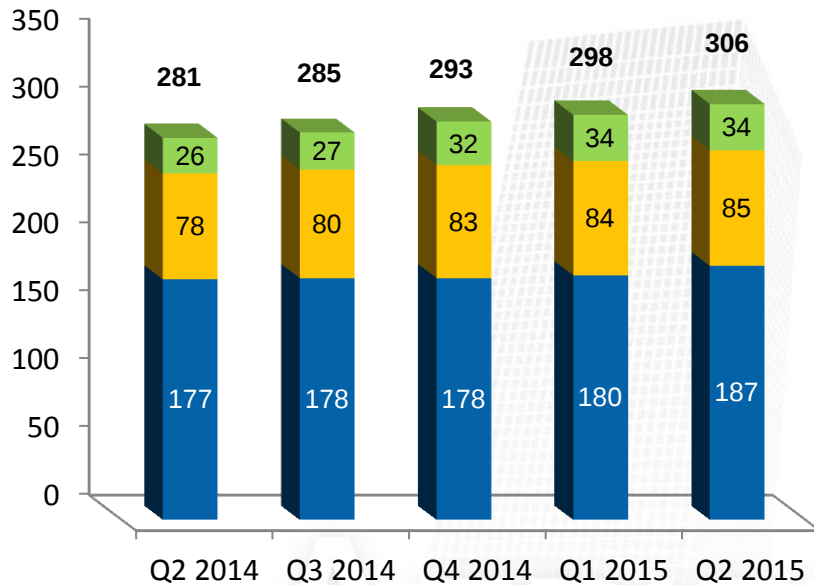


(1) According to the company's estimations.

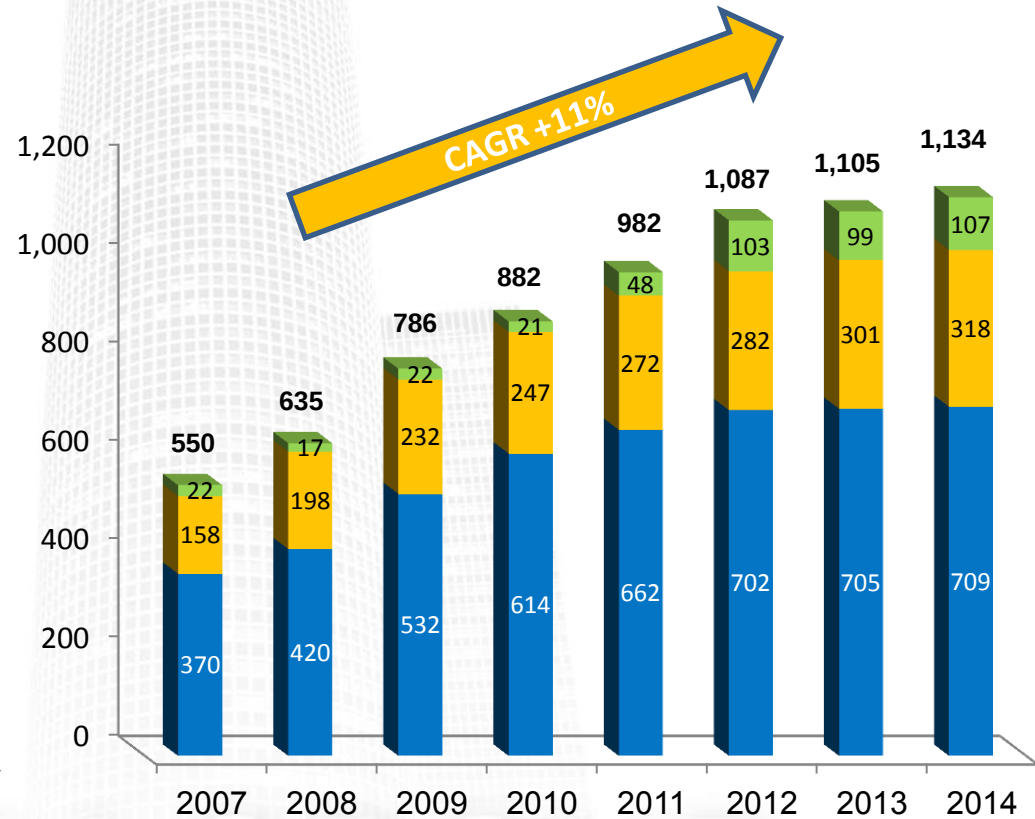
Continuous Growth in NOI

(NIS in millions)

Quarterly NOI



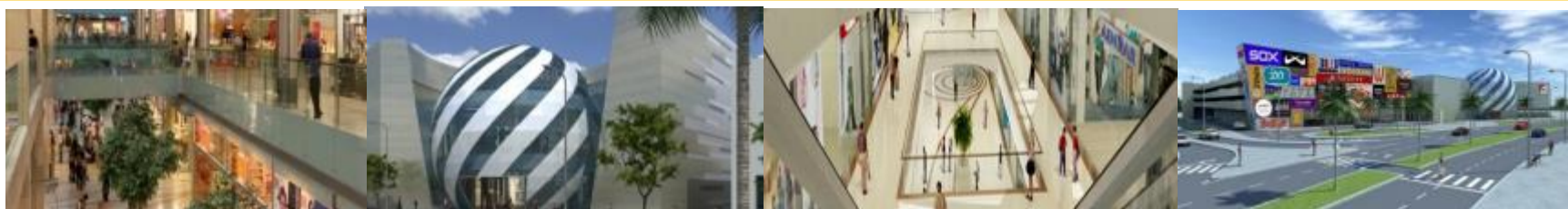
Annual NOI



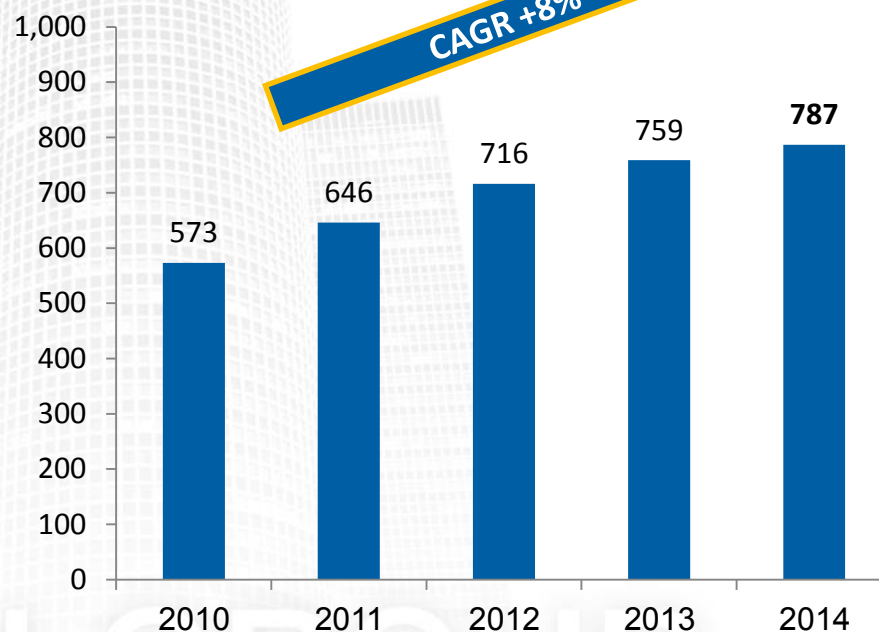
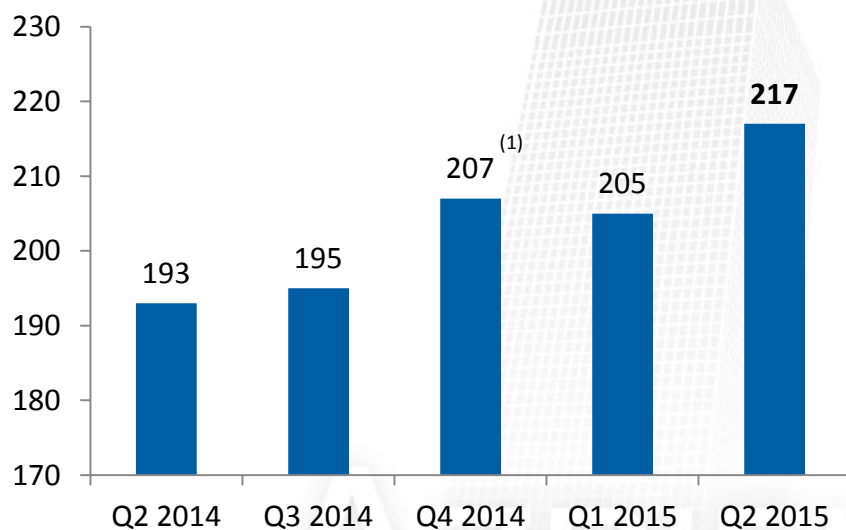
● Malls and retail centers ● Offices and others ● Assets in the US

Continuous Growth in FFO

(NIS in millions)



Real Estate FFO



(1) In Q4/2014 including one-time tax revenue in respect of previous years in the sum of approx. NIS 7 million.

Summary of Financial Results

(extended standalone)

NIS in millions	4-6/2015	4-6/2014	2014	2013
Property rental income	395	356	1,463	1,421
NOI	306	281	1,134	1,105
Same property NOI	294	281	1,117	1,101
Real estate segment FFO	217	193	787	759
Appreciation of investment property ⁽¹⁾	40	8	27	315
Net income, including minority interest	246	261	860	944
Net income (loss), attributed to shareholders	244	258	849	930
Comprehensive income (loss), attributed to shareholders	256	244	899	1,026

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(1) Net, after tax.

Balance Sheet

(summary of extended standalone statement)

NIS in millions	June 30, 2015	December 31, 2014
Cash, securities and deposits	697	111
Financial debt, gross	6,108	5,311
Financial debt, net ⁽¹⁾	5,411	5,200
Net financial debt to Total Assets ratio	23%	24%
Financial assets (mainly Leumi & Leumi Card)	1,751	1,563
Fair value of income-producing real estate and properties under development	19,346	18,763
Shareholders' equity (excluding minority interest)	13,463	13,252
Equity to Total Assets ratio	58%	61%
Total balance sheet	23,193	21,840
Shareholders' equity per share (NIS)	111.0	109.3
EPRA NAV per share (NIS) ⁽²⁾	134	132

(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 7.5%

NIS in millions

Investment properties as of June 30, 2015 (extended standalone)	19,414
Net of: properties under development, vacant space and building rights	(2,254)
Total income-producing properties	17,160
Actual NOI for Q2/2015	306
Additions to future Q2/2015 NOI	17
Adjusted NOI for Q2/2015	323
Annual pro-forma NOI	1,292
Portfolio weighted average cap rate	7.5%

Current real estate segment FFO – NIS 868 million

NIS in millions

Net profit for Q2//2015 (attributed to the shareholders)	244
Net of items attributed to Granite	1
Appreciation of investment property	(53)
Deferred tax expenses	20
Other adjustments	(3)
Plus interest paid on real investments	8
Quarterly FFO attributed to real-estate operations	217
Annual proforma FFO (real estate)	868

Debt Structure and Rating⁽¹⁾

(NIS in millions)

Financial stability

- Low leverage - net financial liabilities to total assets: 23%.
- Equity to total assets: 58%.
- Liquid resources of approx. NIS 697 million.
- Non-mortgaged property value of approx. NIS 16.8 billion.
- Loans from banks and institutional bodies: NIS 3.7 billion.
- Bonds & commercial paper: NIS 2.4 billion.
- Weighted average duration: 2.77 years.

Rating

- Azrieli Group bonds: AA+ / Stable (S&P Maalot).
Aa2 / Stable (Moody's Midroog).

	Principal amount	Share of total loans
Up to 1 year	1,620 ⁽²⁾	27%
1 to 4 years	2,481	41%
5 to 10 years	2,007	32%
Total June 30, 2015	6,108	100%

	Principal amount	Average interest rate
Linked to CPI	4,199	2.16%
In NIS	797	0.55%
Linked to \$	1,087	4.72%
Linked to £	25	1.72%
Total June 30, 2015	6,108	2.41%

**Potential
Upside**

(1) Based on June 30, 2015 extended standalone financial statements.

(2) Until the end of 2017 the Group expects to repay loans of about NIS 2.5 billion (excluding short-term loans), about half of them bear an average interest rate of about 5%.

Results of Non-Core Holdings

GRANITE

Granite Hacarmel Investments Ltd.

Granite HaCarmel (100%) – In Q2/2015 Granite's net profit totaled NIS 50 million, compared with NIS 95 million in Q2/2014. The decrease is mainly attributed to the sale of Tambour. Discounting Tambour's results (discontinued operations), last year the net profit would have amounted to approx. NIS 21 million.

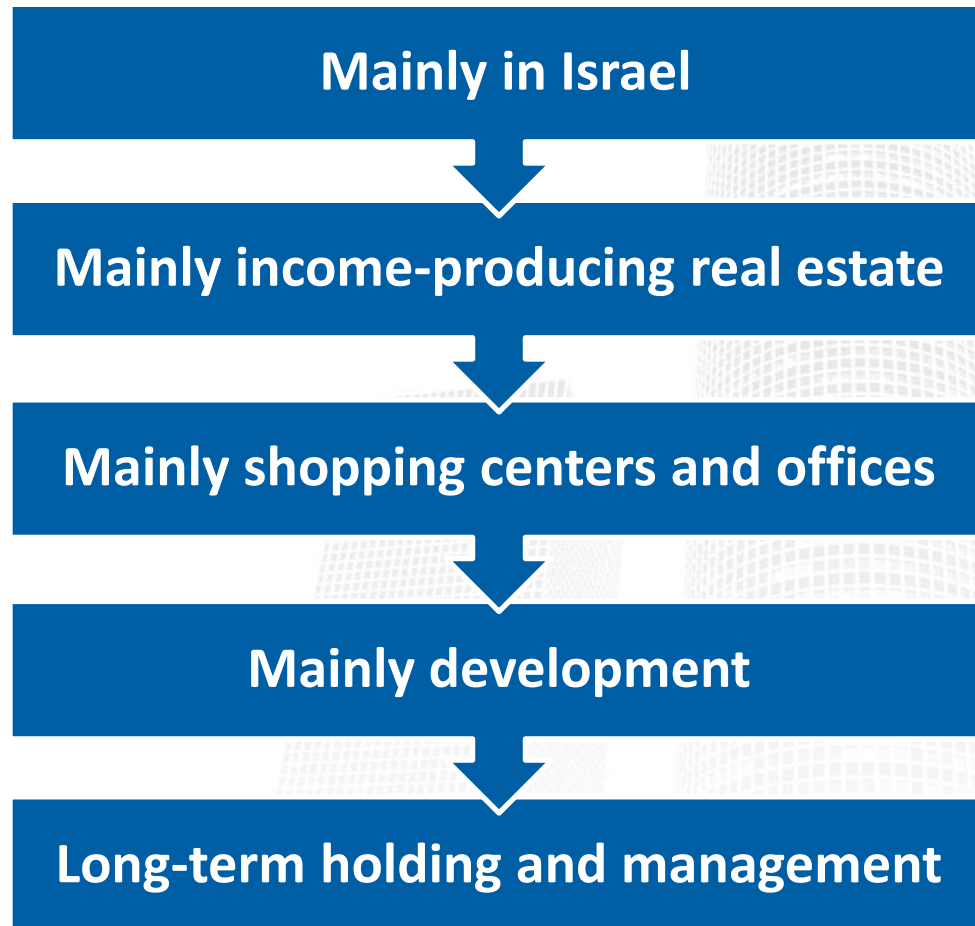
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leumi

Bank Leumi (approx. 4.8% holding) – In Q2/2015, the share price on TASE increased by approx. 8%, representing an increase of approx. NIS 62 million, net of tax, in the holding value. The market value of the Group's holding as of June 30, 2015 is NIS 1,127 million. The book value of the investment cost (dividend-adjusted) is NIS 675 million.



Leumi Card (20% holding) – In Q2/2015 Leumi Card's net profit totaled NIS 46 million, compared to NIS 52 million in Q2/2014. After the date of the reports, Leumi card announced a dividend of NIS 50 million (the company's share NIS 10 million). The book value of the holding as of June 30, 2015 was NIS 593 million, according to an external appraiser. The book value of the investment cost (dividend-adjusted) is NIS 334 million.

Strategy



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.





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Thank you

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