Azrieli Group

Conference call presentation

Financial Statements as of September 30, 2015

November 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 September 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.

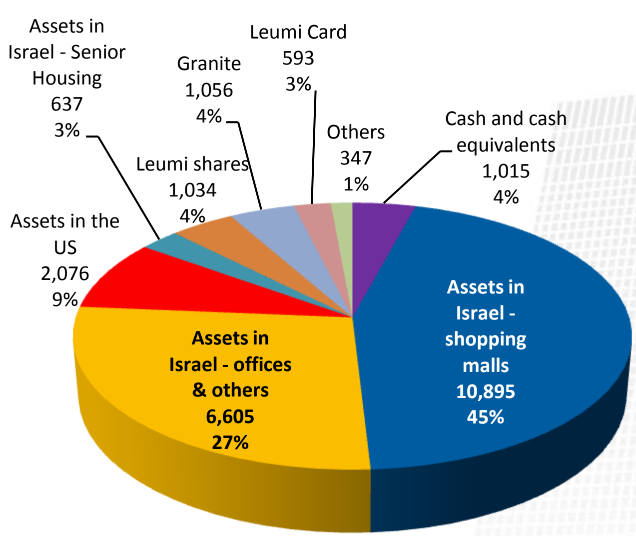
Azrieli Group - Business Card

- The Company has been publicly traded since June 2010.
- Current market capitalization - NIS 18 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 870,000 m^2, with another 507,500 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 20.1 billion.
- The Company has NIS 16.7 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 24%, and equity to assets sheet ratio of 56%.
- The Group's bonds are rated AA+/Stable by S&P/Maalot and Aa1/Stable by Moody's/Midroog.

(1) As of November 17, 2015.

Azrieli Group - Company Structure

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



Existing properties and properties under development

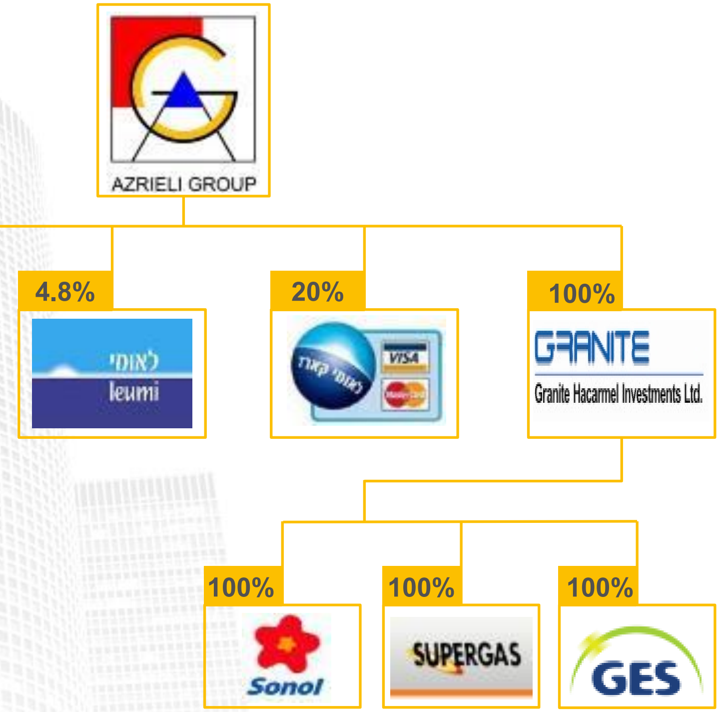
15 Shopping Centers

11 Office and other properties

1 Senior Housing

8 Projects under development

6 Properties Overseas



(1) As of September 30, 2015, Extended standalone.

Azrieli Group - Real Estate Segments

Real Estate Activity (1)
GLA - 1,378,500 m^2

Existing properties - Retail
GLA - 301,000 m^2

- AZRIELI MALL TEL AVIV
- AZRIELI MALL HOLON
- AZRIELI MALL JERUSALEM
- AZRIELI MALL HAIFA
- AZRIELI MALL AYALON
- AZRIELI MALL RAMLA
- AZRIELI MALL GIVATAYIM
- AZRIELI MALL HOD HASHARON
- AZRIELI MALL MODIIN
- AZRIELI MALL AKKO
- AZRIELI MALL HANEGEV
- AZRIELI MALL KIRYAT ATA
- AZRIELI OUTLET HERZLIYA
- AZRIELI OUTLET OR YEHUDA
- AZRIELI CENTER HOLON

Offices and others
GLA – 353,000 m^2

- Azrieli Tel Aviv
- Herzliya
- Jerusalem
- Modi'in (offices & residential)
- Be'er Sheva
- Givatayim
- Caesarea
- Petach Tikva
- Azrieli Center Holon (83%) – Phase A
- Kiryat Ata

Palace – Senior Housing
GLA – 30,000 m^2

- Azrieli Palace Tel Aviv

Projects under development
GLA – 507,500 m^2

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

Income producing properties abroad
GLA - 187,000 m^2

Houston, Texas

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

Leeds, United Kingdom

- Southern House 100%

(1) GLA is consolidated as of September 30, 2015.

Main Events in Q3/2015

Financial highlights

- **NOI –** An approx. 11% increase compared with the same quarter in 2014.
- **Same property NOI –** An aprrox. 5% increase compared with the same quarter in 2014.
- **FFO –** An aprrox. 15% increase compared with the same quarter in 2014.

Progress in projects under development

- **Azrieli Center Sarona:** Signed leases for approx. 21,500 m^2 of office space.
- **Azrieli Center Holon:** Signed leases for approx. 82,700 m^2:
  Phase A: ~100% of office space (55,900 m^2), ~77% of retail space (6,000 m^2)
  Phase B: ~38% of office space (20,800 m^2)
- **Azrieli Rishonim Project:** Signed leases for approx. 7,800 m^2 of office space.

Development and acquisition momentum continues

- In Q3/2015, the Group's total investment real estate assets grew by NIS 722 million due to the purchase, development of real estate assets, and since the beginning of the year these assets grew by NIS 1,324 million.
- Part of this growth is due to the completion of the purchase of the senior home facility Palace Tel Aviv this quarter.

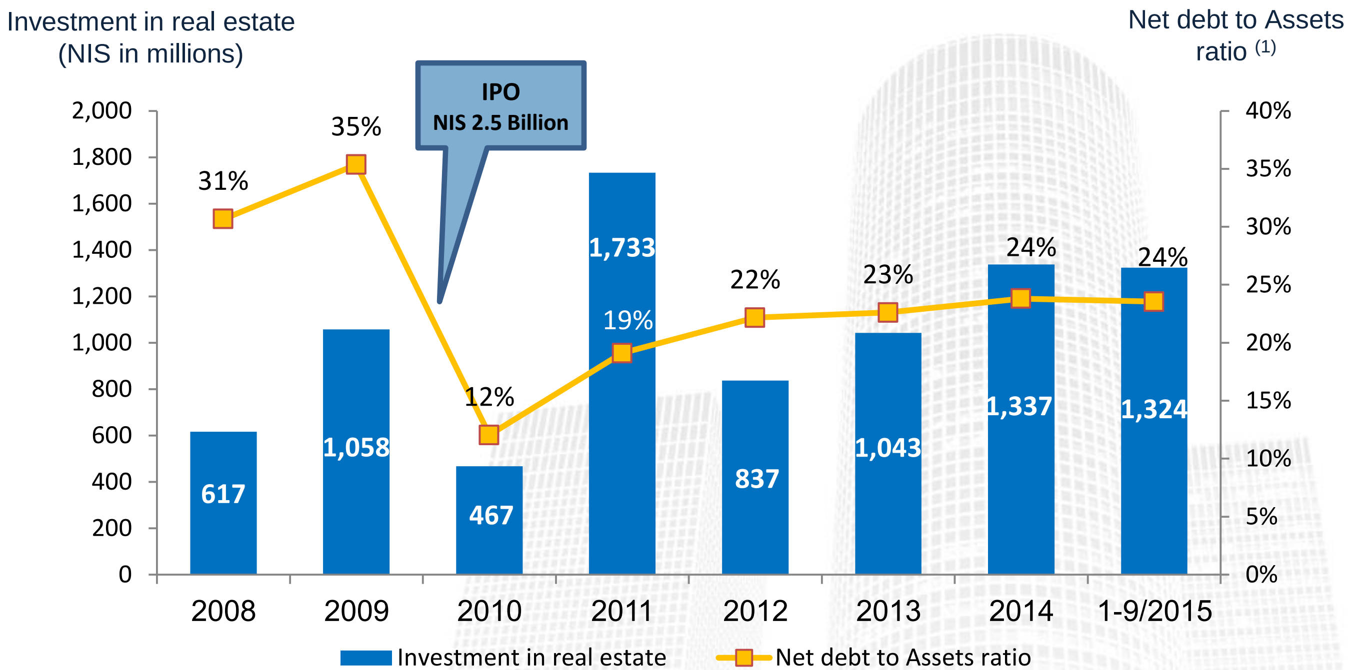
Public offering of Bonds on TASE of NIS 1 billion

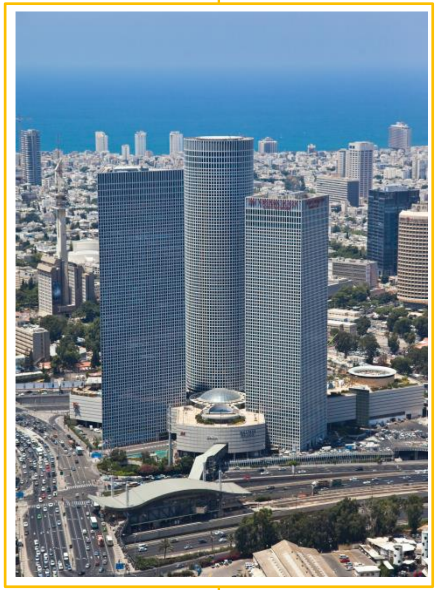
- In September 2015, the Company raised approx. NIS 1,005 million in marketable bonds (series C) linked to the CPI.
- The bonds, with a duration of 6.9 years, bear a 1.64% interest rate.

Subsequent event – Domestic Credit Update

- In November 2015, Midroog/Moody's raised the rating of Azrieli Group's Series A bonds from Aa2 / Stable to Aa1 / Stable.

Maintaining Financial Strength despite Massive Development and Acquisitions





(1) Extended standalone.

Development Momentum

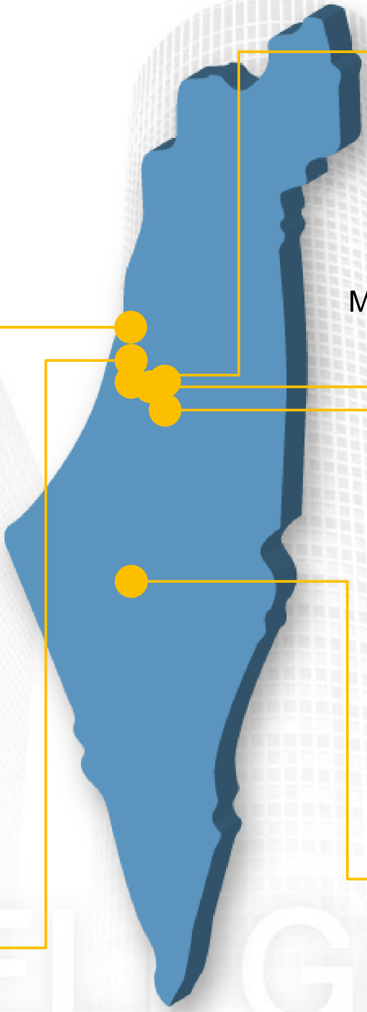
Approx. 507,500 m² GLA[(1)]; Total investment of NIS 5.3-5.5 billion

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

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

Azrieli Town, 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

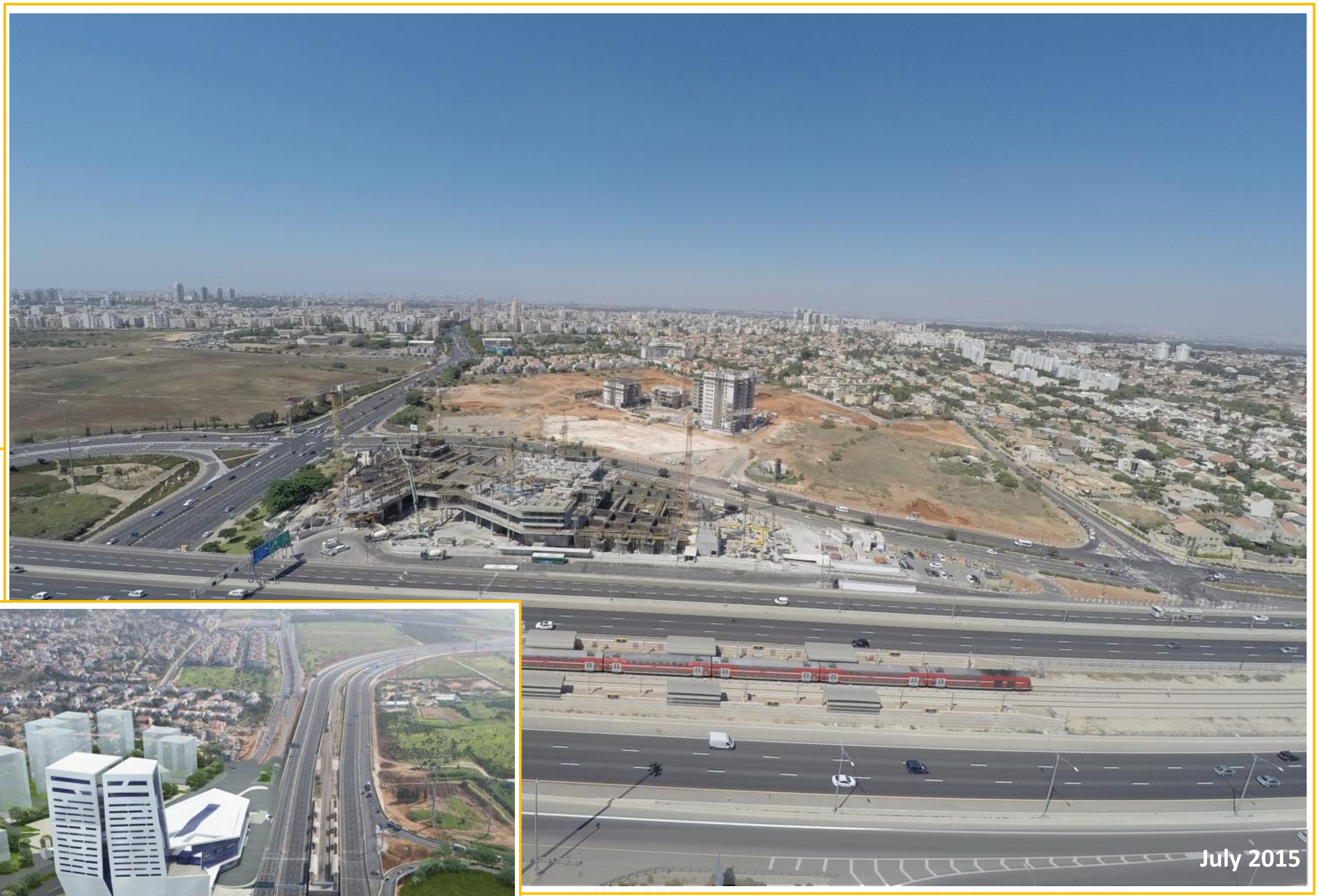
Name of property	% ownership	Use	GLA (m²)	Estimated date of completion	Book value [(1)] 30.09.2015 (NIS in millions)	Estimated cost to completion of project
Azrieli Center Holon [(2)] Phase B	83%	Offices	55,000	Phase B1 – Late '15 Phase B2- Early '16	349	5-10
Azrieli Rishonim	100%	Retail and Offices	53,000	2016	443	288-318
Azrieli Center Sarona, Tel Aviv	100%	Retail and Offices	121,500	2017	1,004	546-606
Modi'in Senior Housing	100%	Senior Housing	35,000	2018	62	249-259
Azrieli Town, 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	112	889-939
Holon lands	100%	Retail and Offices	55,000	Not yet determined	64	Not yet determined
Lehavim Senior Housing	100%	Senior Housing	44,000	2018	21	229-249
Total			**507,500**		**2,197**	**3,066-3,291**
					Total book value plus estimated cost to completion	**5,263 – 5,488**

(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 September 30, 2015. section 1.1.2.

Azrieli Center Sarona, Tel Aviv

Azrieli Center Sarona, Tel Aviv

Azrieli Rishonim Project



Azrieli Center Holon

Palace Tel Aviv
Senior Housing Acquisition

AZRIELI PALACE
SENIOR HOUSING - TEL AVIV

The Transaction – Acquired on July 29, 2015

- The home is one of the most prestigious homes in Israel, located on 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.

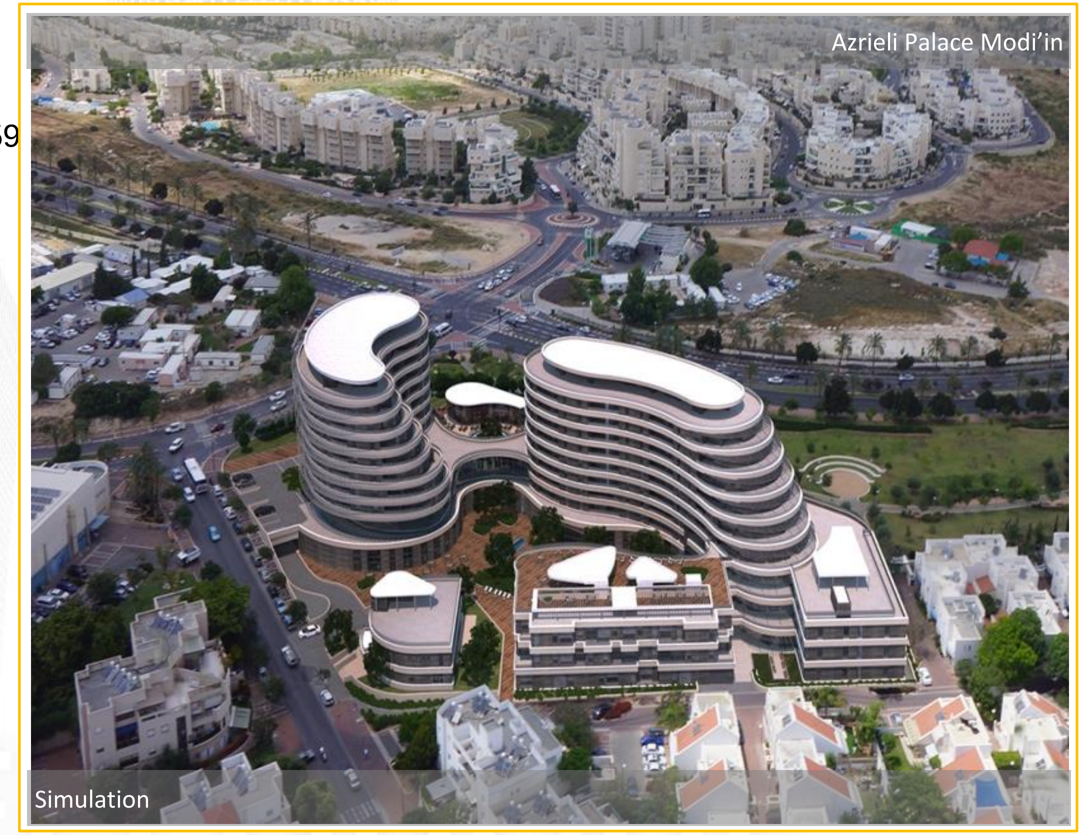
Azrieli Palace Modi'in

AZRIELI PALACE
SENIOR HOUSING - MODI'IN

- Land – 10,500 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.
- Book value – about NIS 62 million
- Estimated cost of construction – about NIS 249-259 million.

Marketing –

- Number of units registered – approx. 50.



Azrieli Palace Lehavim

- Land – 28,000 m^2 in the southern part of Lehavim.
- Building rights – about 44,000 m^2.
- Approx. 360 residential units + 4 LTC wings.
- Book value – about NIS 21 million
- Estimated cost of construction – about NIS 229-249 million.

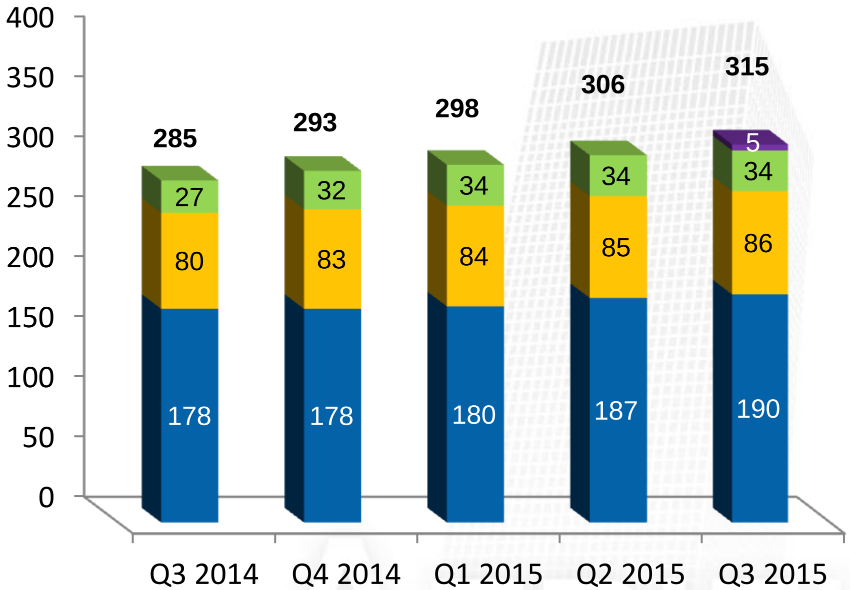
Marketing –

- Scheduled for the end of 2015.

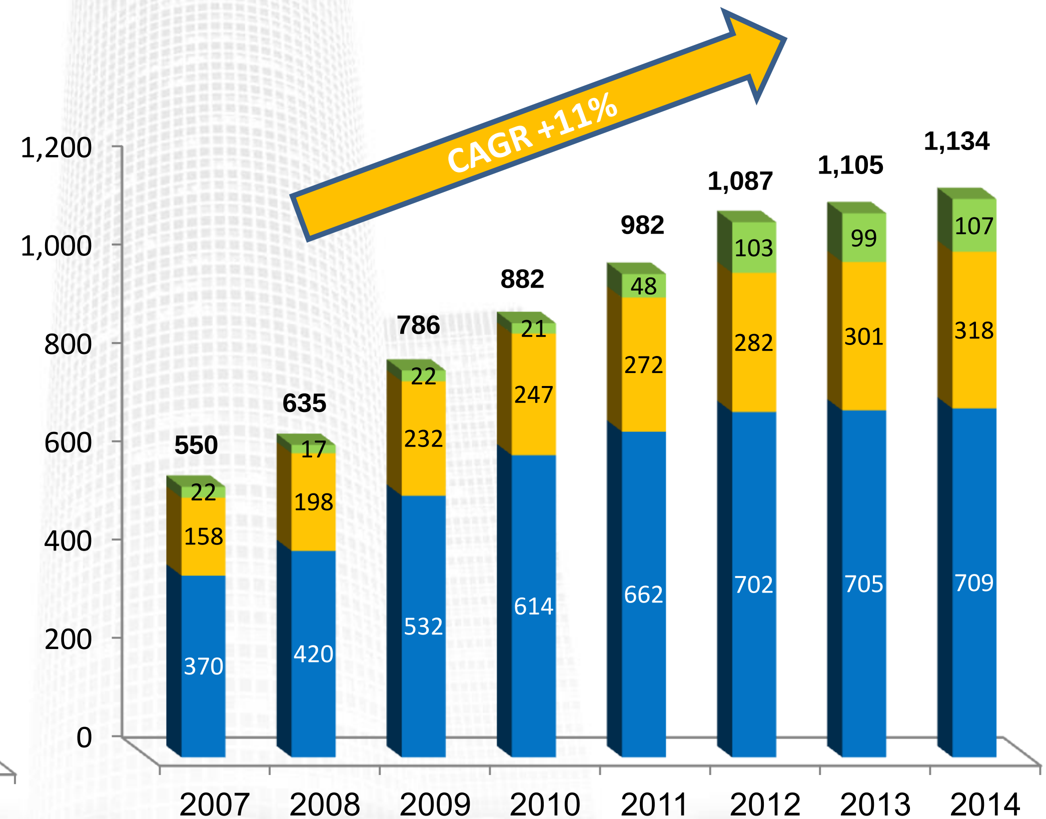
AZRIELI PALACE
SENIOR HOUSING - LEHAVIM

Continuous Growth in NOI
(NIS in millions)

Quarterly NOI

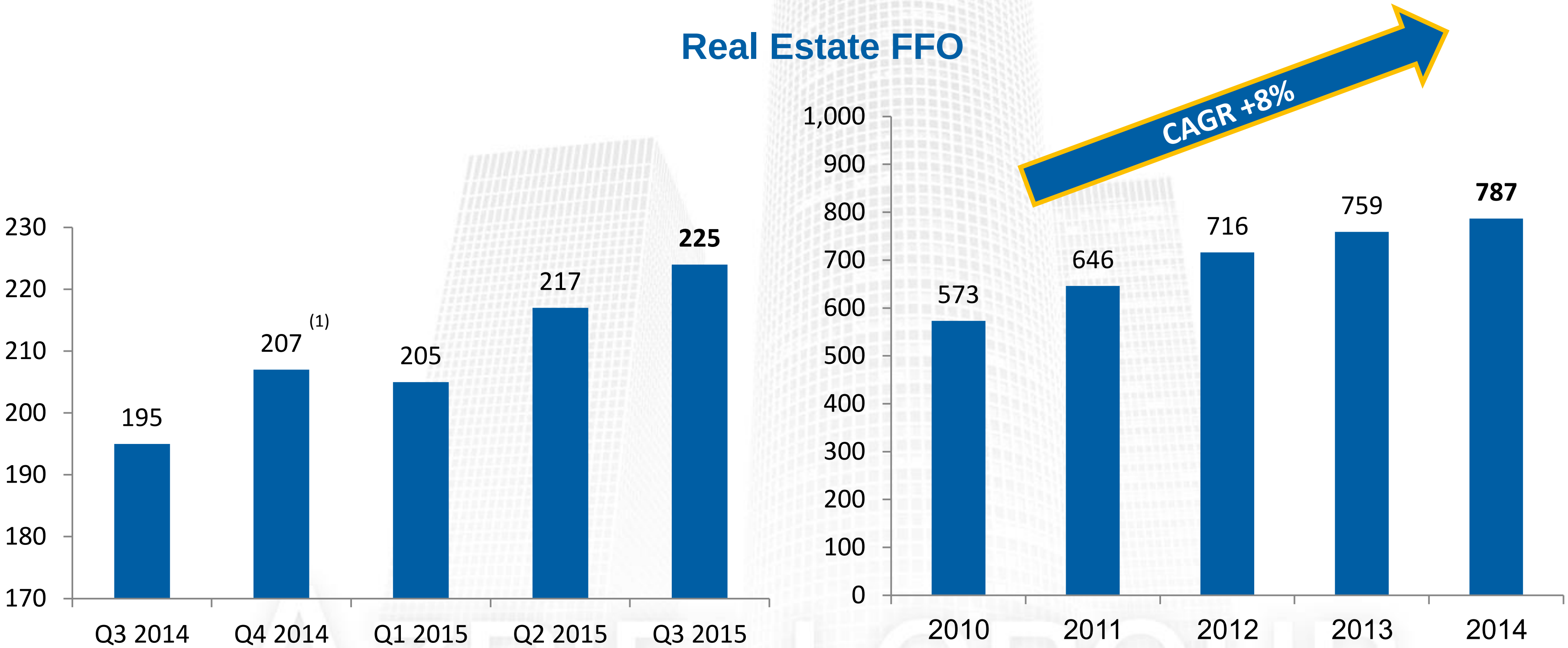


Annual NOI



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

Continuous Growth in FFO
(NIS in millions)



(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	7-9/2015	7-9/2014	2014	2013
Property rental income	**427**	370	1,463	1,421
NOI	**315**	285	1,134	1,105
Same property NOI	**298**	284	1,117	1,101
Real estate segment FFO	**225**	195	787	759
Appreciation of investment property (1)	**(4)**	(6)	27	315
Net income, including minority interest	**102**	170	860	944
Net income (loss), attributed to shareholders	**101** (2)	170	849	930
Comprehensive income (loss), attributed to shareholders	**81**	303	899	1,026

(1) Net, after tax.
(2) This quarter, Azrieli decreased Sonol's attributed book value due to the impairment of goodwill by approximately NIS 80 million.

Balance Sheet
(summary of extended standalone statement)

NIS in millions	September 30, 2015	December 31, 2014
Cash, securities and deposits	1,015	111
Financial debt, gross	6,727	5,311
Financial debt, net (1)	5,712	5,200
Net financial debt to Total Assets ratio	24%	24%
Financial assets (mainly Leumi & Leumi Card)	1,657	1,563
Fair value of income-producing real estate and properties under development	21,141	18,763
Shareholders' equity (excluding minority interest)	13,544	13,252
Equity to Total Assets ratio	56%	61%
Total balance sheet	24,258	21,840
Shareholders’ equity per share (NIS)	111.7	109.3
EPRA NAV per share (NIS) (2)	136	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

AZRIELI GROUP

Portfolio weighted average cap rate of 7.5%

NIS in millions	
Investment properties as of September 30, 2015 (extended standalone)	20,213
Net of: properties under development, vacant space and building rights	(2,913)
Total income-producing properties	**17,300**
Actual NOI for Q3/2015	310
Additions to future Q3/2015 NOI [(1)]	13
Adjusted NOI for Q3/2015	323
Annual pro-forma NOI	**1,292**
Portfolio weighted average cap rate	**7.5%**

Current real estate segment FFO – NIS 900 million

NIS in millions	
Net profit for Q3//2015 (attributed to the shareholders)	101
Net loss attributed to Granite (including goodwill impairment)	88
Appreciation of investment property	5
Deferred tax expenses	29
Other adjustments	(7)
Plus interest paid on real investments	5
Net cash flow from incoming deposits from tenants, net of revenues from forfeiture	4
Quarterly FFO attributed to real-estate operations [(2)]	225
Annual proforma FFO (real estate)	**900**

(1) Excluding Senior Housing.

Debt Structure and Rating[1]

(NIS in millions)

Financial stability

- Low leverage - net financial liabilities to total assets: 24%.
- Equity to total assets: 56%.
- Liquid resources of approx. NIS 1,015 million.
- Non-mortgaged property value of approx. NIS 16.7 billion.
- Loans from banks and institutional bodies: NIS 3.3 billion.
- Bonds & commercial paper: NIS 3.4 billion.
- Weighted average duration: 3.39 years.

Rating

- AA+ / Stable (S&P Maalot).
- Aa1 / Stable (Moody's Midroog).

	Principal amount	Share of total loans
Up to 1 year	1,230 [2]	18%
1 to 4 years	2,699	40%
5 to 10 years	2,798	42%
Total September 30, 2015	**6,727**	**100%**

	Principal amount	Average interest rate
Linked to CPI	4,728	2.17%
In NIS	842	0.67%
Linked to $	1,132	4.71%
Linked to £	25	1.68%
Total September 30, 2015	**6,727**	**2.41%**

Potential Upside

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

(2) Untill the end of 2017 the Group expects to repay loans of about NIS 2.4 billion (excluding short-term loans), about half of them bear an average interest rate of about 5%.

Results of Non-Core Holdings

Granite HaCarmel (100%) – In Q3/2015 Granite's net loss totaled NIS 8 million, compared with net profit of NIS 9 million in Q3/2014.
This quarter, Azrieli decreased Sonol's attributed book value due to the impairment of goodwill by around NIS 80 million.

Bank Leumi (approx. 4.8% holding) – In Q3/2015, the share price on TASE decreased by approx. 8%, representing a decrease of approx. NIS 68 million, net of tax, in the holding value.
The market value of the Group's holding as of September 30, 2015 is NIS 1,034 million.
The book value of the investment cost (dividend-adjusted) is NIS 675 million.

Leumi Card (20% holding) – In this quarter, Leumi card distributed a divided of NIS 50 million (the company's share is NIS 10 million).
The book value of the holding as of September 30, 2015 was NIS 593 million, according to an external appraiser. The book value of the investment cost (dividend-adjusted) is NIS 324 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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Thank you