AZRIELI GROUP

Conference Call Presentation

Financial Statements December 31, 2016

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- 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 December 31, 2016, Sections 1.3.13 and 1.3.14, including the methods of calculation and the underlying assumptions thereof.
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- The following English translation of Azrieli Group's presentation for the conference call of November 23, 2016 (the "Presentation") is provided for convenience. Please note that this document should not be regarded as a substitute for reading the original Hebrew version of the Presentation in full. 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 sixth largest company** in the Tel Aviv Stock Exchange

Market cap of **NIS 23 billion**(1)

Listed on 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 **1,006,000** sqm(1) and **8 projects under construction**

Average **occupancy rate** in Israel is **99%**(2)

90% 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** of **26%** only, and equity to assets ratio of **55%**

(1) As of March 20, 2017 (2) Excluding the two Phase B buildings of the Azrieli Holon Center, which were opened at the end of 2015 and at the end of Q1/2016 and which are in lease-up stages.

Prime Location Asset Portfolio

MALLS and SHOPPING CENTERS

Hod Hasharon Mall
Herzliya Outlet
Jerusalem Mall
Givatayim Mall
Or Yehuda Outlet
Azrieli Tel Aviv Mall
Azrieli Holon Center
Azrieli Ra'anana
Ayalon Mall
Haifa Mall
Akko Mall
K. Ata Mall
Modi'in Mall
Hanegev Mall
Ramla Mall
Holon Mall
Rishonim Mall

OFFICES and OTHERS

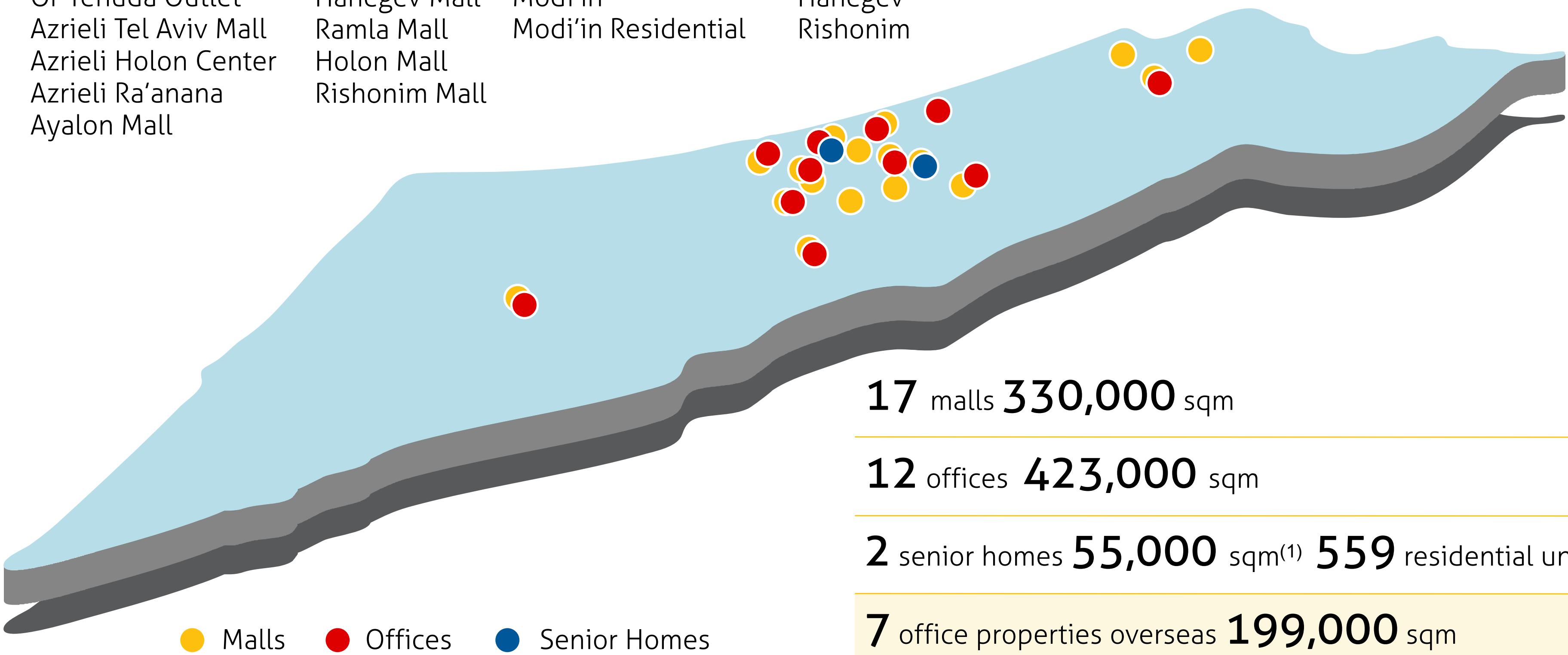
Caesarea
Herzliya
Azrieli Towers
Azrieli Holon Center
Modi'in
Modi'in Residential
Petach Tikva
Jerusalem
Givatayim
Kiryat Ata
Hanegev
Rishonim

SENIOR HOMES

Palace Tel Aviv
Palace Ra'anana

OVERSEAS

GALLERIA
PLAZA
8 WEST
3Riverway
1Riverway
LEEDS
ASPEN II



17 malls **330,000** sqm

12 offices **423,000** sqm

2 senior homes **55,000** sqm(1) **559** residential units

7 office properties overseas **199,000** sqm

Total **1,006,000** sqm(2)

(1) Including the areas of Medical Palace Tel Aviv (2) As of March 19, 2017

Highlights for Y/2016

Financial Highlights

- **NOI – Totaled NIS 1.3 billion**, an increase of **5%** compared with 2015.
- **Same Property NOI** – Increase of **3%** in **properties in Israel**.
- **FFO – Totaled NIS 948 million**, an increase of **9%** compared with 2015.

Continued Momentum of Development, Betterment and Acquisitions

- Over the course of 2016**, the Group invested NIS 2.5 billion** in investment properties, the purchase of properties, the redevelopment of existing properties, and the development of new properties.

Financing

- Over the course of 2016, the Company **raised NIS 3.1 billion** at an average interest rate of **1.4%**, and repaid loans(1) in the sum of **NIS 1.2 billion** at an average interest rate of **3.2%**, which represents **a saving of NIS 22 million in annual interest.**

Net Profit and Comprehensive Income

- Net shareholder profit **increased by 118% in 2016** to NIS 1.8 billion.
  Comprehensive income **increased by 123% in 2016** and totaled NIS 1.9 billion.

Dividend

- A dividend distribution for 2016 in the amount of **NIS 480 million,** up **20%** from 2015.

Dividend Increase in Turnover of Azrieli Malls

- 2016 saw an **increase of 5% in the turnover** of the Group, compared with 2015.

(1) Including the repayment of the Ahuzat Bayit Bonds.

Highlights for Q4/2016 and as of the Report Release Date

AZRIELIGROUP

Financial Highlights

- **NOI – Totaled NIS 338 million**, an increase of **5%** compared with Q4/2015.
- **Same Property NOI** – Increase of **2%** in **properties in Israel in the quarter**.
- **FFO – Totaled NIS 244 million**, an increase of **10%** compared with Q4/2015.

Continued Development Momentum

- **Rishonim Mall was opened in March 2017** – The mall is fully leased-up and includes the first Israeli stores of SuperDry, Foot Locker and H&M Home.

Pre-lease Marketing of Projects

- **Azrieli Sarona- 95% of the leasable office space** is under signed contracts or drafts in signing stages. **60% of the leasable office space is under signed leases.**
- **Azrieli Rishonim- 78% of the leasable office space** is under signed contracts or drafts in signing stages. **57% of the leasable office space is under signed leases.**
- **Azrieli Holon- 84% of the leasable space** is under signed contracts or drafts in signing stages. **82% of the leasable space is under signed leases.**

Increase in Turnover of Azrieli Malls

- Q4/2016 saw an **increase of 4% in the turnover** of the Group, compared with Q4/2015.

Azrieli Group \\ Company Structure

Shareholders

69.9% The Azrieli family and the Azrieli Foundations

30.1% Public

Holdings

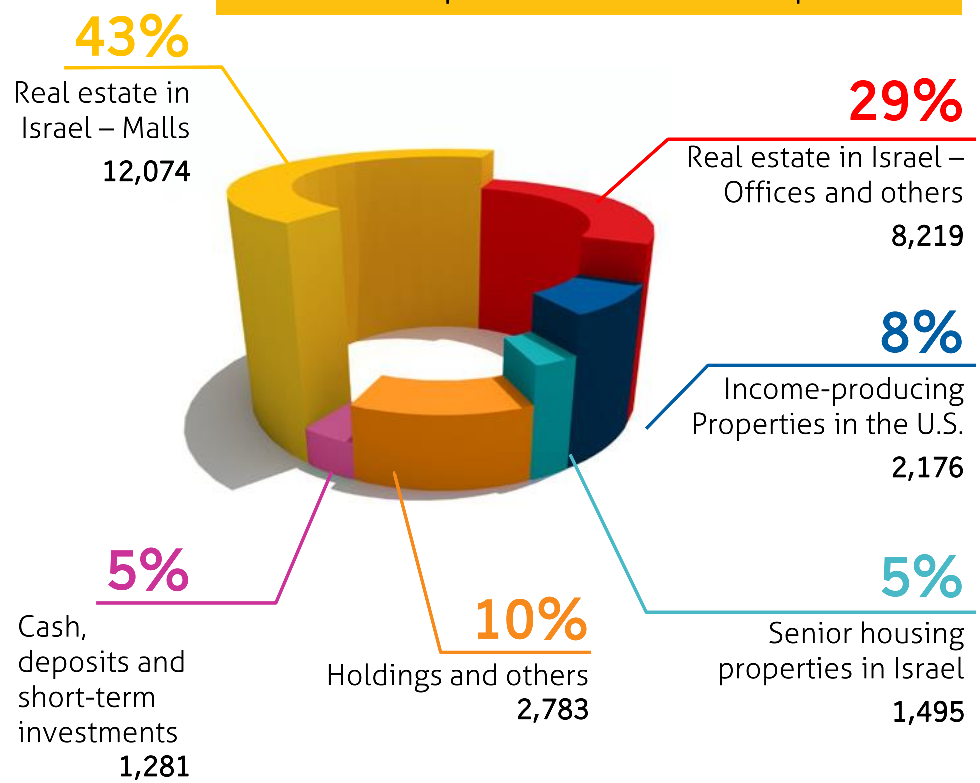
4.3% Bank Leumi

20% Leumi Card

100% Granite

100% Azrieli E-Commerce

Azrieli Group – Breakdown of Properties[1]



% of Total Properties
Book Value (NIS in millions)

(1) Extended Standalone as of December 31, 2016

Azrieli Group \\ Malls and retail Centers

Total revenues in 2016 – **NIS 974 million**
Compared with NIS 931 million in 2015 –
An increase of 5%.

NOI in 2016 – **NIS 779 million**
compared with NIS 748 million in 2015 –
An increase of 4%.

GLA of approx. **310,000 sqm** (1)

Average occupancy rate – **98%**

Book value – **NIS 12.1 billion**

During the year, the Group invested NIS 639 million in the malls segment, in the purchase of properties, the redevelopment of existing properties and the development of new properties.

(1) GLA (gross leasable area) on a consolidated basis as of December 31, 2016

Azrieli Malls Group \\ Turnover and Rent to Revenue Ratio

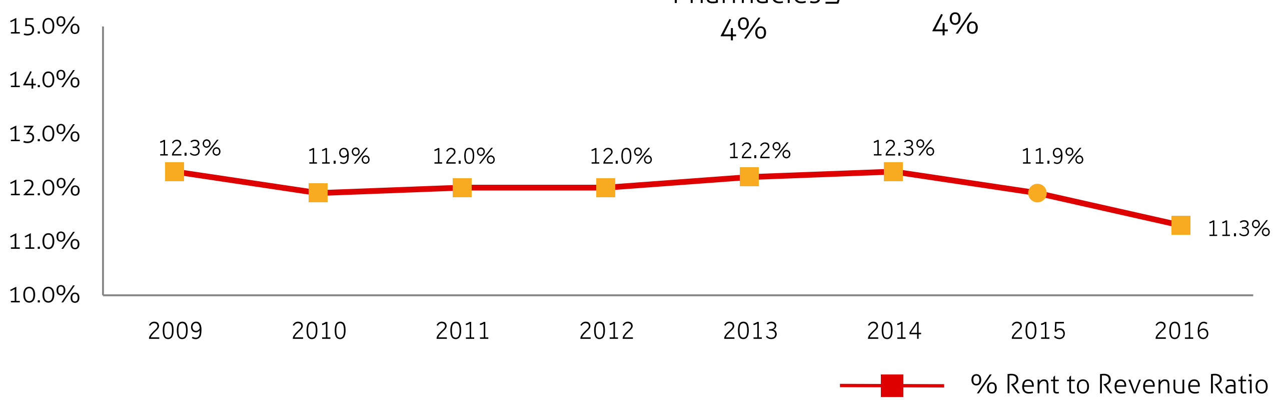
2016 compared with 2015

Total Increase in Turnover
of Azrieli Malls Group

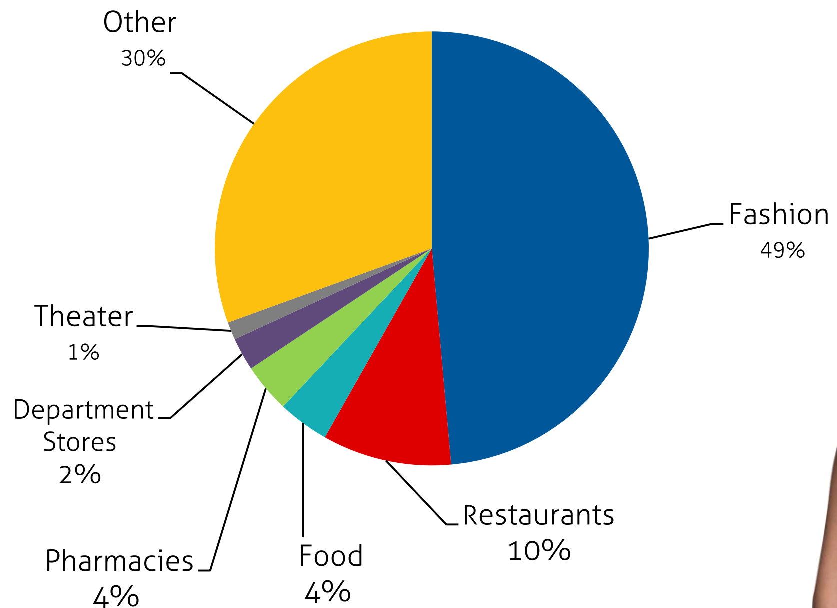
+ 5%

+ 4%

Q4/2016 vs. Q4/2015



Aggregate Rent Breakdown by Sectors



Material Properties \\ Azrieli Jerusalem Mall

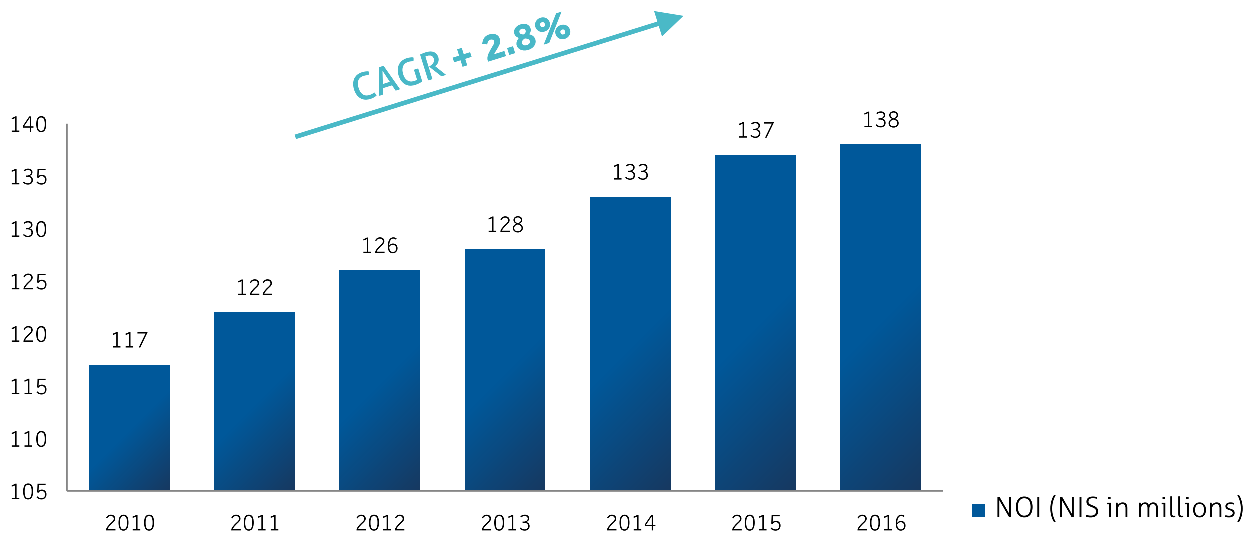
Occupancy rate – **100%**

GLA – **40,000 sqm**

Property value – **NIS 1,974 million**
An increase of NIS 94 million
since the end of 2015

Developments

- 2016 saw the launch of a **general renovation of the mall,** which will take around 18 months.
- The Group is promoting a development plan for **the addition of retail and senior housing** at the Jerusalem mall.



Material Properties \\ Azrieli Tel Aviv Mall(1)

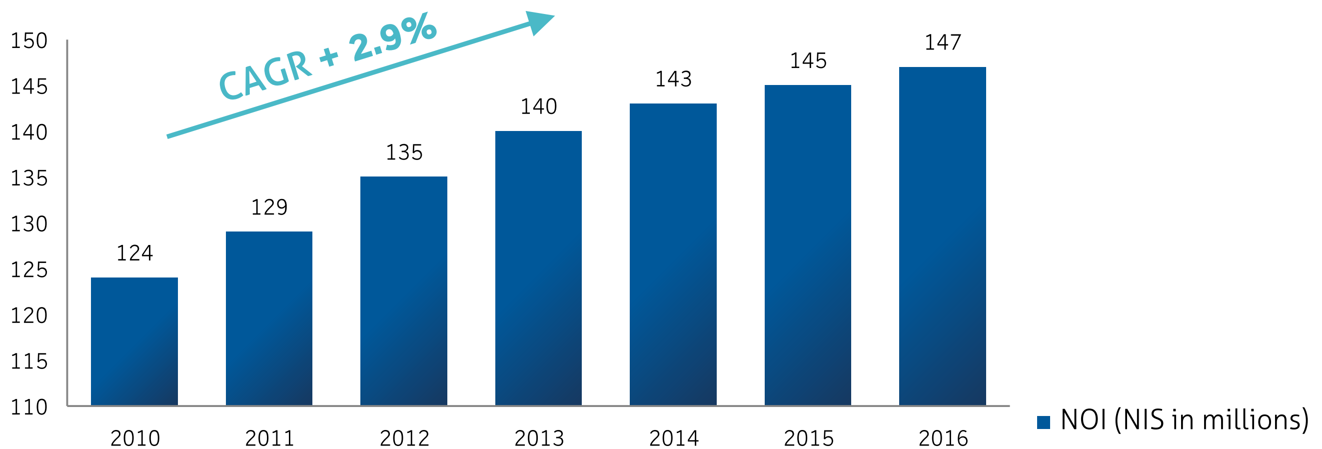
Occupancy rate – **100%**

GLA – **36,000 sqm**

Property value – **NIS 2,181 million**
An increase of NIS 31 million since the end of 2015

Developments

- A change in the tenant mix as follows:
- Opening of the Urbanica store on the ground floor (addition of retail space).
- Opening of the iDigital Smart Home flagship store.
- Departure of HaMashbir LaZarchan for the purpose of expanding Zara and opening of a first Stradivarius store.
- Opening of the first H&M Home store in Israel.
- Development process – Expansion of the mall by 10,000 sqm on the Yediot Aharonot land.



(1) NOI includes 50% of the profits of Azrieli car park.

Azrieli Group \\ Azrieli Ramla Mall

Occupancy rate – **98%**

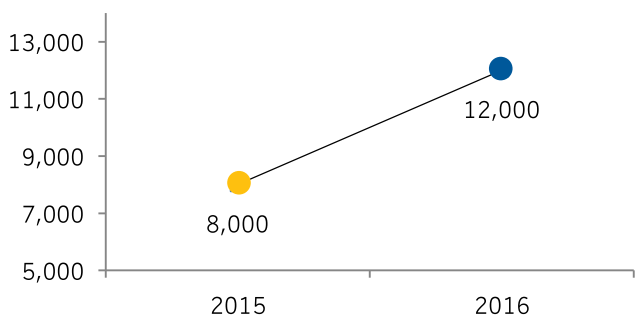
GLA – approx. **23,000 sqm**

Property value – **NIS 480 million**
An increase of approx. NIS 10 million since the end of 2015

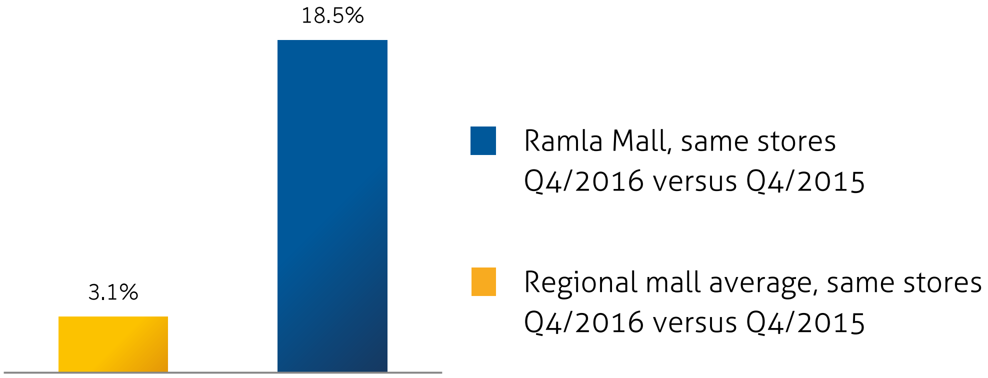
Developments

- The mall was opened in March 2015, and is fully occupied as of the report release date.
- For 9 months (April- December), the mall's turnover increased by **39%** in 2016 compared with 2015.

Average daily number of mall visitors
2016 versus 2015



Change in Turnover, **Same Stores** and compared with the Change in Regional Malls(1)



(1) RIS data, same stores, October-December 2015 versus October-December 2016, Azrieli Ramla Mall versus regional mall average.

Azrieli Group \\ Office and Other Space (Israel)

Total revenues in 2016 – **NIS 447 million**
Compared with NIS 420 million in 2015 –
An increase of 6% in 2016

NOI in 2016 – **NIS 369 million**
compared with NIS 347 million in 2015 –
An increase of 6%

GLA of **392,000 sqm** (1)

Average occupancy rate – **99%** (2)

Book value – approx. **NIS 8.2 billion**

During the year, the Group invested NIS 1.04 billion in the office segment, in the purchase of properties, the redevelopment of existing properties and the development of new properties.

(1) GLA figures on a consolidated basis as of December 31, 2016.

(2) Excluding the two Phase B buildings of the Azrieli Holon Center, which were opened at the end of 2015 and at the end of Q1/2016 and which are in lease up stages. The occupancy rate of the office including Phase B of the Azrieli Holon Center is approx. 95% as of December 31, 2016 and approx. 93% in 2016.

Highly Material Property \\ Azrieli Towers Tel Aviv

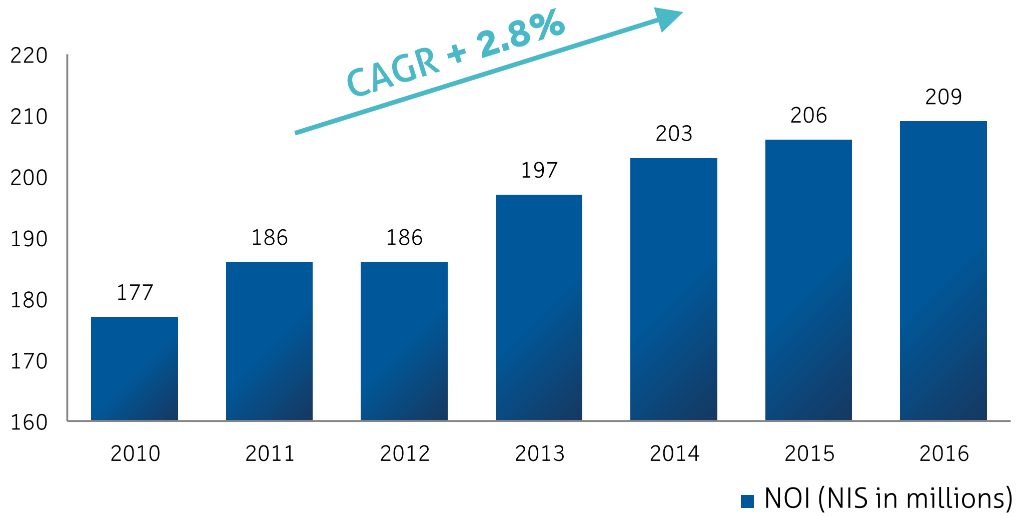
Occupancy rate – **100%**

GLA – **150,000 sqm**

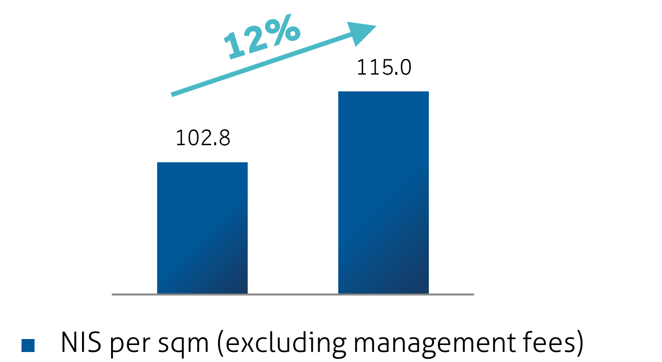
Property value – **NIS 2,878 million**
An increase of NIS 56 million since the end of 2015

Developments

- In 2016 new contracts were signed with an average increase of 21% in rent per sqm (NIS 126 per sqm per month) compared with the average monthly rent for the property (NIS 104)[1].
- In 2016, a 12% increase was recorded in rent renewals (which include new contracts and option renewals) for 17,000 sqm.



Increase in Rent per sqm
in Contract Renewals and New Contracts[2]



(1) The average monthly rent for the property does not include the hotel rent. Were the hotel included, the average would be NIS 99 per sqm.
(2) The figure is a weighted average for the office space for which the contract ended during 2016. The increase reflects the actual rent increase following the renewal of the option/a new contract, compared with the actual index-adjusted price paid prior to the expiration of the ended contract.

Azrieli Group \\ Azrieli Herzliya

Occupancy rate – **100%**

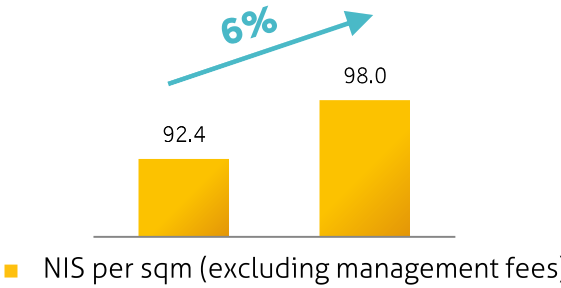
GLA – Offices - **70,000 sqm**
Retail - **8,000 sqm**

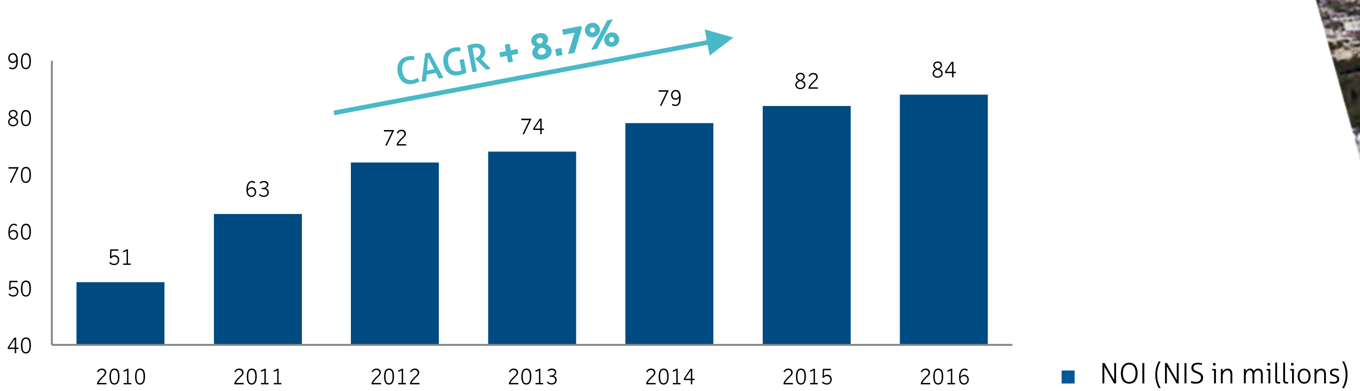
Property value [2] – **NIS 1,141 million**
An increase of NIS 70 million since the end of 2015

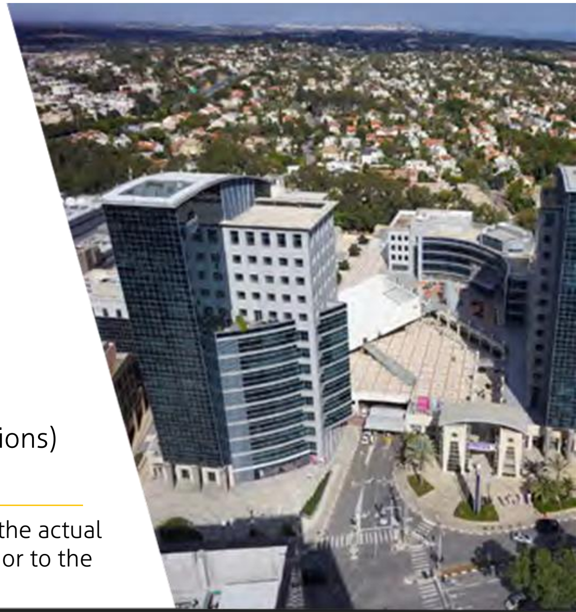
Developments

- Full occupancy maintained while increasing office space rent by 6% in new contracts and exercised options [1].
- Development process – promotion of a zoning plan for the addition of floors and parking areas in the office buildings.

Increase in Rent per sqm
in Contract Renewals and New Contracts[1]







(1)The figure is a weighted average for the office space for which the contract ended during 2016. The increase reflects the actual rent increase following the renewal of the option/a new contract, compared with the actual index-adjusted price paid prior to the expiration of the ended contract.

Palace Senior Housing Chain

Active homes

Palace Tel Aviv: 231 residential units
+ 4 LTC units

Palace Ra'anana: 328 residential units + 2 LTC units

Homes under Construction

Palace Modi'in: 240 residential units + 136 LTC beds

Palace Lehavim: 350 residential units + 36 LTC beds

Palace Rishonim: 250 residential units + 1 LTC units
+ 3,000 sqm retail

Developments

- In March 2016, the Group purchased land from the Israel Land Authority for construction of a senior home in Rishon LeZion, in proximity to the Azrieli Rishonim Center.
- In May 2016, acquired Ahuzat Bayit senior home in Ra'anana.

Development Pipeline

Azrieli Group \\ Development Pipeline

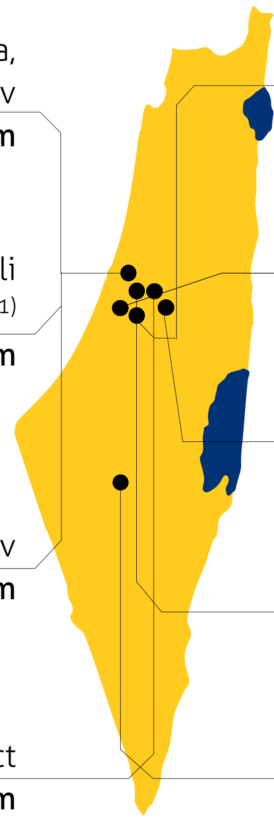



Azrieli Sarona, Tel Aviv
129,500 sqm

Expansion of Azrieli Tel Aviv Center(1)
69,000 sqm

Azrieli Town Tel Aviv
75,000 sqm

Holon Lodzia Project
220,000 sqm



Azrieli Rishonim
50,000 sqm

Senior housing Rishon Lezion
29,000 sqm

Senior housing Modi'in
35,000 sqm

Holon HaManor
28,000 sqm

Senior housing Lehavim
44,000 sqm




(1) The Company is in the advanced process of approving a zoning plan to increase building rights to 147,260 sqm and an additional 3,000 sqm of underground retail space.

Development Projects \\ The Growth Engine

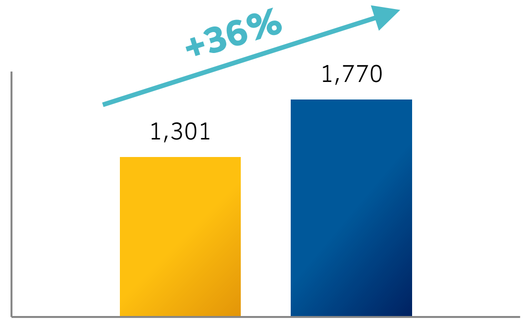
Name of Property	Location	Use	GLA	Estimated Completion Date	Estimated Construction Cost, including Land (NIS in millions) (1)
Development Projects Under Construction					
Azrieli Rishonim	Rishon Lezion	Offices Retail	30,000 20,000	Opened	750-760
Azrieli Sarona	Tel Aviv	Offices Retail	118,000 11,500	Q3/2017 2018	1,600-1,660
Azrieli Town	Tel Aviv	Retail, Offices and Residences	75,000	2020	1,000-1,050
Senior housing Modi'in	Modi'in	Senior Housing	35,000	2018	360-370
Senior housing Lehavim	Lehavim	Senior Housing	44,000	2018	320-340
Holon Hamanor	Holon	Offices and Retail	28,000	2020	210-230
Total			**361,500**		**4,240-4,410**
The projected NOI from projects under construction, as appearing in the above list, is NIS 415 million(3), reflecting a yield of 10% (including proceeds from the sale of residential units in Town)					
Development Projects in the Pre-Development Phase					
Expansion of Azrieli Center Tel Aviv	Tel Aviv	Retail, Offices and Residences	69,000(2)	Yet to be determined	1,000-1,050
Senior housing land Rishon Lezion	Rishon Lezion	Senior housing and Retail	29,000	Yet to be determined	390-400
Holon 3 (Lodzia)	Holon	Retail and Offices	220,000	Yet to be determined	Yet to be determined

(1) The figure reflects the estimated costs to be invested without discounts and at bare shell level (2) The Company is in the process of promoting a zoning plan for the addition and increase of rights and uses. (3) The total NOI does not include expected proceeds of NIS 500-550 million from the sale of apartments in the TOWN project, if the Company decides to sell them.

Expected Contribution to NOI and FFO(1)

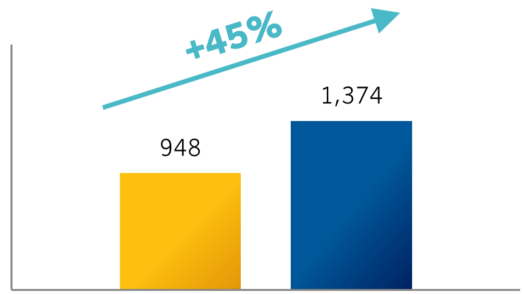
2016 Actual NOI	1,301
> Addition to annual NOI from **Developments**	415
> NOI addition from **existing properties**, annualized	54
Projected NOI	**1,770**

NOI (NIS millions)



2016 Actual FFO	948
> Addition to FFO from Cash Flow	390
> Savings from Refinancing	36
Projected FFO	**1,374**

FFO (NIS millions)



- **NOI from projects under development includes the following properties**: Sarona, Rishonim, TOWN, Palace Modi'in, Palace Lehavim and Holon HaManor **and does not include**: Azrieli Tel Aviv Project, Holon Lodgia and Palace Rishonim.
- **NOI addition from existing properties, annualized, includes the following properties**: Azrieli Holon, Palace Ra’anana and Aspen II.

(1) The main assumptions in the calculations: full lease-up of the projects under development, refinancing according to 1.5% interest rate, a tax rate of 23%.

Development Projects \\ Azrieli Sarona

Azrieli Sarona

Land area - **9,400 sqm**

GLA - **118,000 sqm** of Office
11,500 sqm of Retail
1,400 parking spaces

Estimated construction cost, including land –
NIS 1.6-1.66 billion

Estimated date of completion –
Offices: **Q3/2017**
Retail: **2018**

Projected NOI - **NIS 200-210 million**(1)

Marketing

95% of the leasable office space is under signed contracts and drafts in signing stages. 60% of the leasable office space is under signed leases.
During and after the quarter 8,500 sqm were leased.

(1) Estimated NOI reflects additional investments to finishing level of approx. NIS 200 million.

Development Projects \\ Azrieli Rishonim Center

AZRIELI RISHONIM
BUSINESS & TOWER
LEISURE MALL

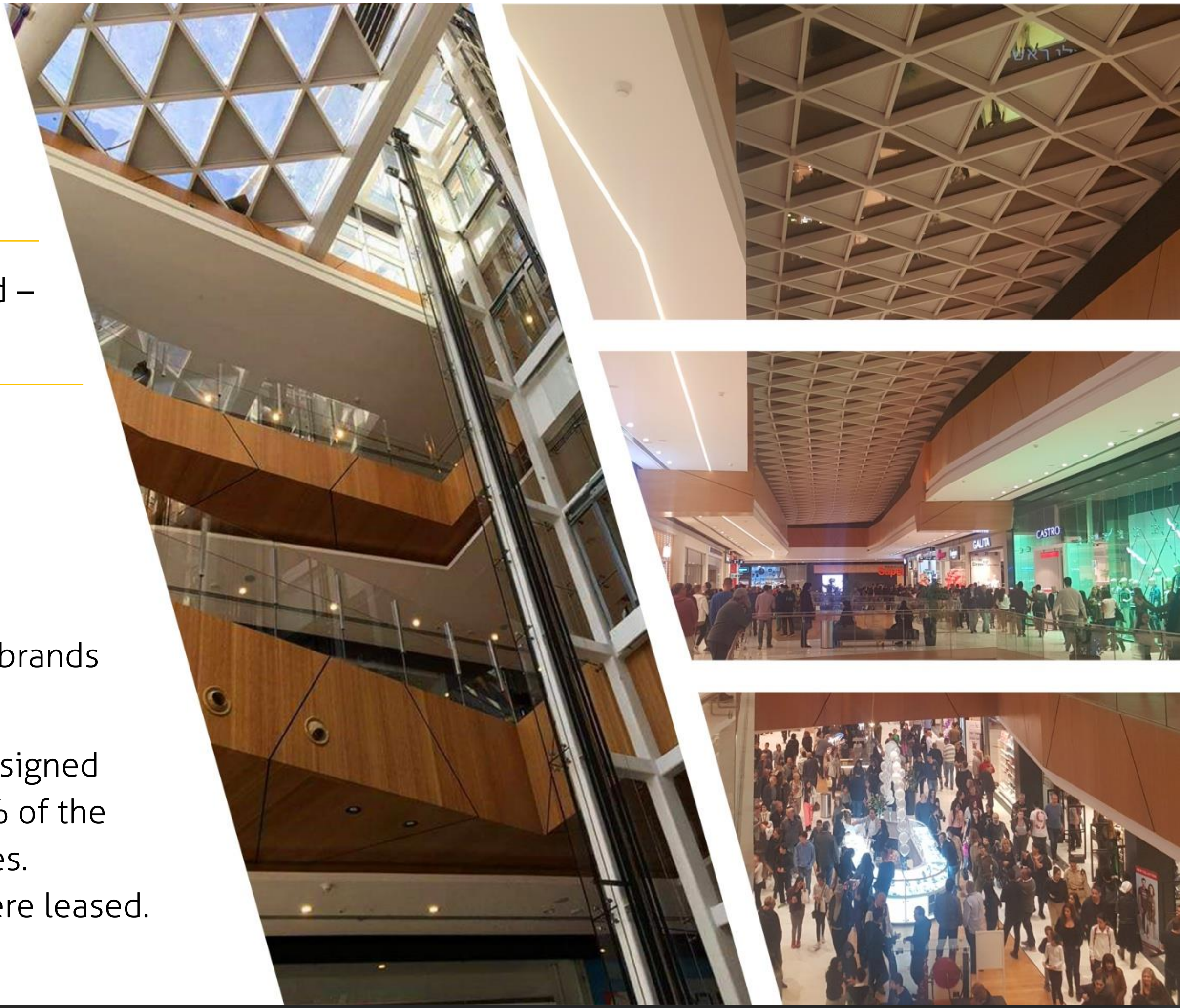
Azrieli Rishonim

Land area – **19,000 sqm**

GLA – **30,000 sqm** of Office
20,000 sqm of Retail

Estimated construction cost, including land – **NIS 750-760 million**

The mall was opened in **March 2017**



Marketing

The mall was opened being fully occupied and including the first Israeli stores of the brands H&M Home, SuperDry and Foot Locker.

78% of the leasable office space is under signed contracts and drafts in signing stages. 57% of the leasable office space is under signed leases. During and after the quarter 7,000 sqm were leased.

Development Projects \\ Azrieli Town

Azrieli Town

Land area - **10,000 sqm**

GLA - **50,000 sqm** of Office
5,000 sqm of Retail
215 Residential units

Estimated construction cost, including land -
NIS 1,000-1,050 million

Estimated date of completion - **2020**

Marketing

The Company has signed two major lease agreements for **approx. 26,000 sqm** with the PwC accounting firm and the Fischer, Behar, Chen law firm.

Developments

Demolition work has been completed and the execution of shoring and excavation work has commenced.

Development Projects \\ Palace Modi'in Senior Home

PALACE
דיור מוגן
מודיעין
מקבוצת עזריאלי

Palace Modi'in – Senior Housing

Land area - **10,500 sqm**, at the entrance to the city of Modi'in, on Route 443

Building rights – **35,000 sqm**

Approx. 240 residential units + **136** LTC beds

Estimated construction cost, including land - **NIS 360-370 million**

Estimated date of completion - **2018**


Illustration

Marketing

As of the Report Release Date, 103 preliminary applications have been signed, for which 49 contracts have been signed.

Developments

Structure work is nearly complete.

Development Projects \\ Palace Lehavim Senior Home

PALACE
דיור מוגן
להבים
מקבוצת עזריאלי

Palace Lehavim – Senior Housing

Land area – **28,000 sqm**, in the southern part of the town of Lehavim, not far from the train station

Building rights – **44,000 sqm**

Approx. 350 residential units + **36** LTC beds

Estimated construction cost, including land – **NIS 320-340 million**

Estimated date of completion – **2019**


Illustration

Marketing

As of the Report Release Date, 53 preliminary applications have been signed.

Developments

The execution of shoring and excavation work has commenced.

Development Projects \\ Expansion of Azrieli Tel Aviv Center

Yedioth Ahronoth Land

Land area – **8,400 sqm**

GLA – **69,000 sqm**
including approx. 10,000 sqm of retail space
for the Azrieli Tel Aviv Mall)

The Company is in the advanced process of approving a zoning plan to **increase building rights to 147,260 sqm** and an **additional 3,000 sqm of underground retail space.**

Cost of land – **NIS 374 million**

Estimated construction cost, including land –
NIS 1-1.05 billion

Progress Update

Demolition and excavation work have commenced.

Development Projects \\ Azrieli Holon HaManor

AZRIELIGROUP

Azrieli Holon HaManor Center

Land area – **6,200 sqm**

GLA – **28,000 sqm** of retail and office space

Estimated construction cost, including land – NIS 210-230 million

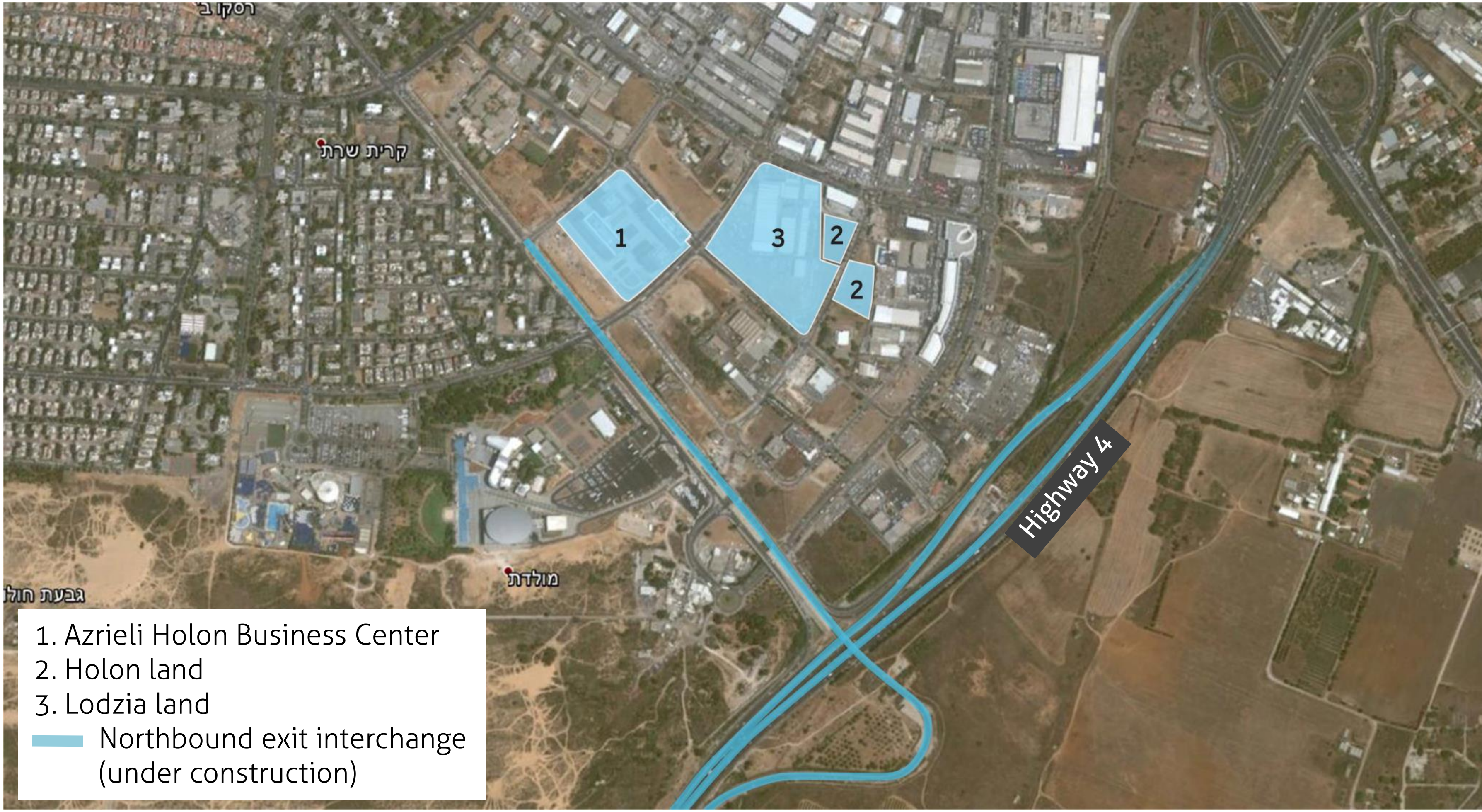
Estimated completion date – 2020

The land is adjacent to the Lodzia Holon land and in proximity to the Azrieli Holon Center

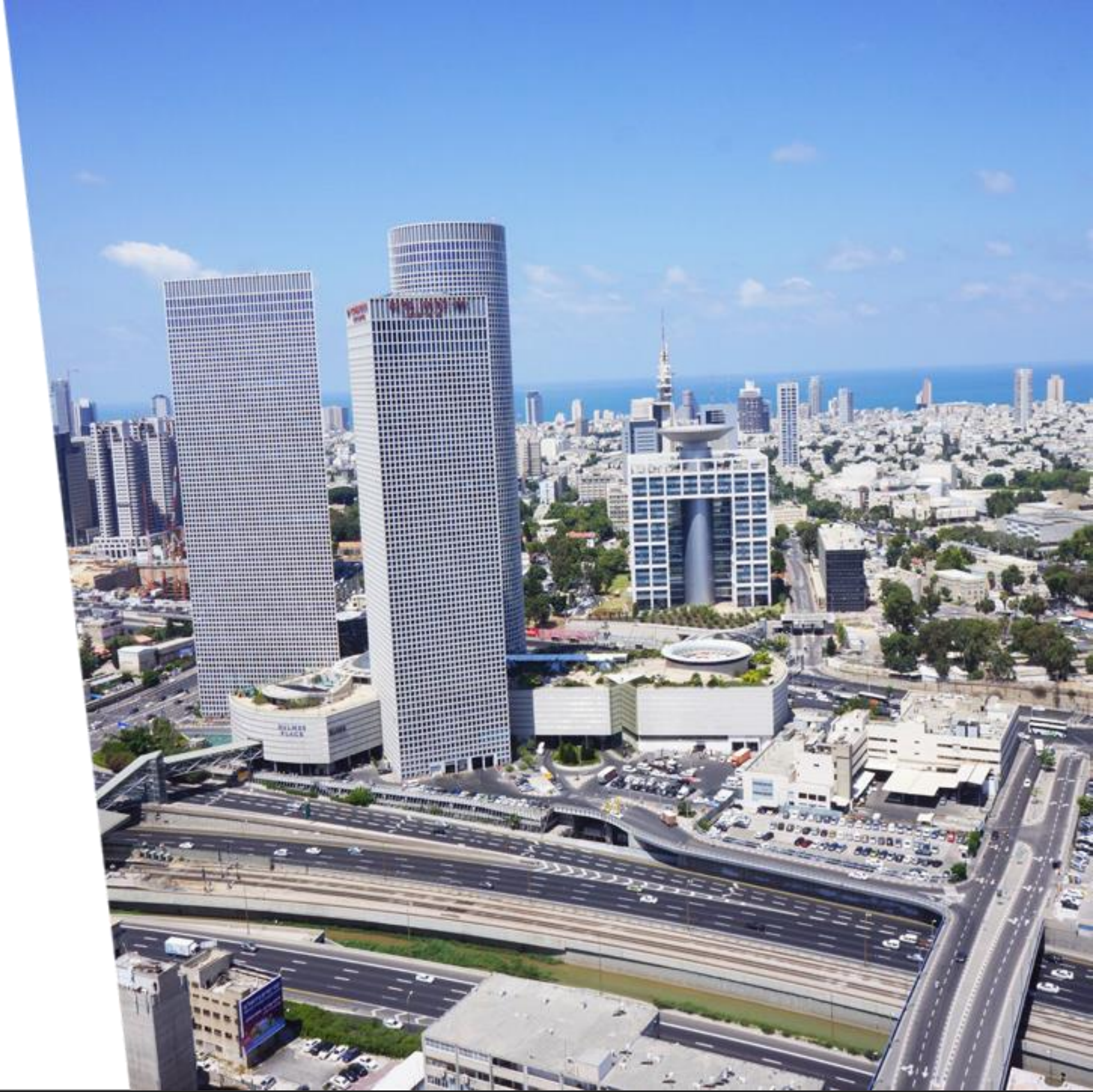
Marketing

The Company has begun marketing the building.

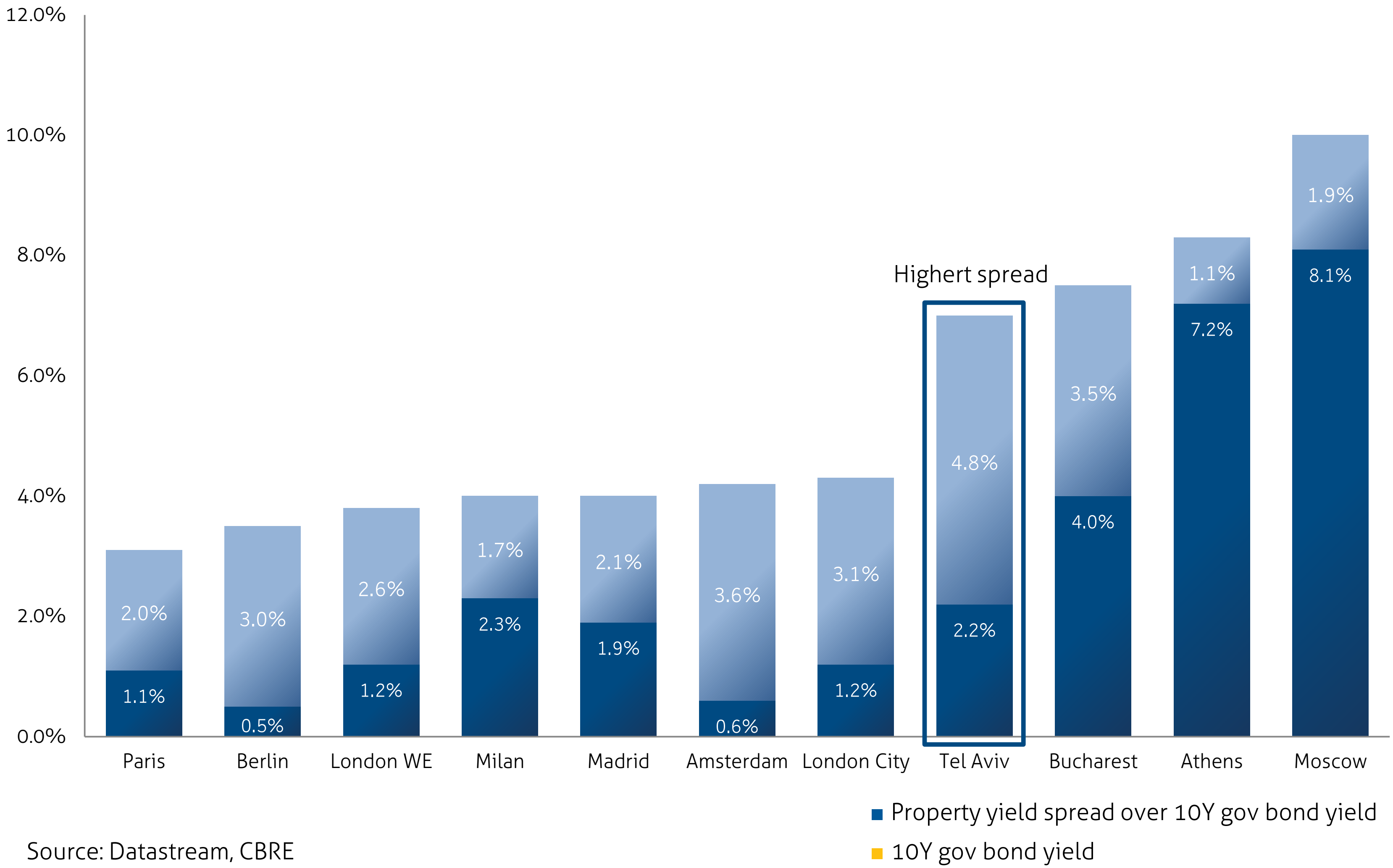
Development Projects \\ Holon Center – A Look into the Future



Financial Highlights



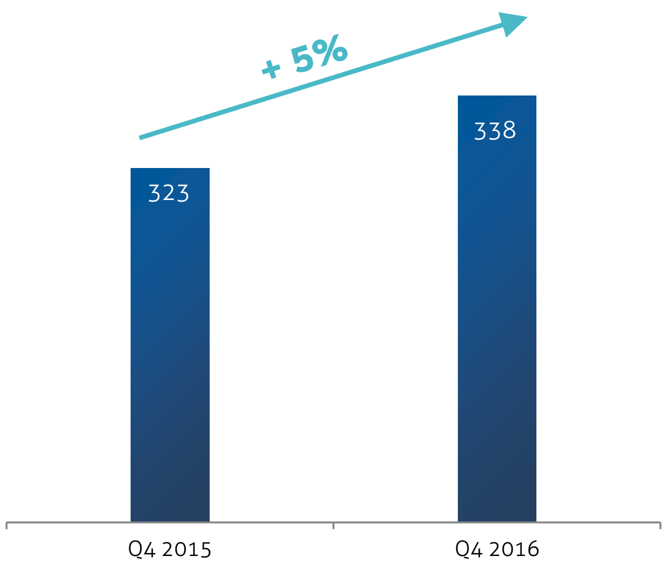
Property yields vs. 10 year government bond yields Major European cities



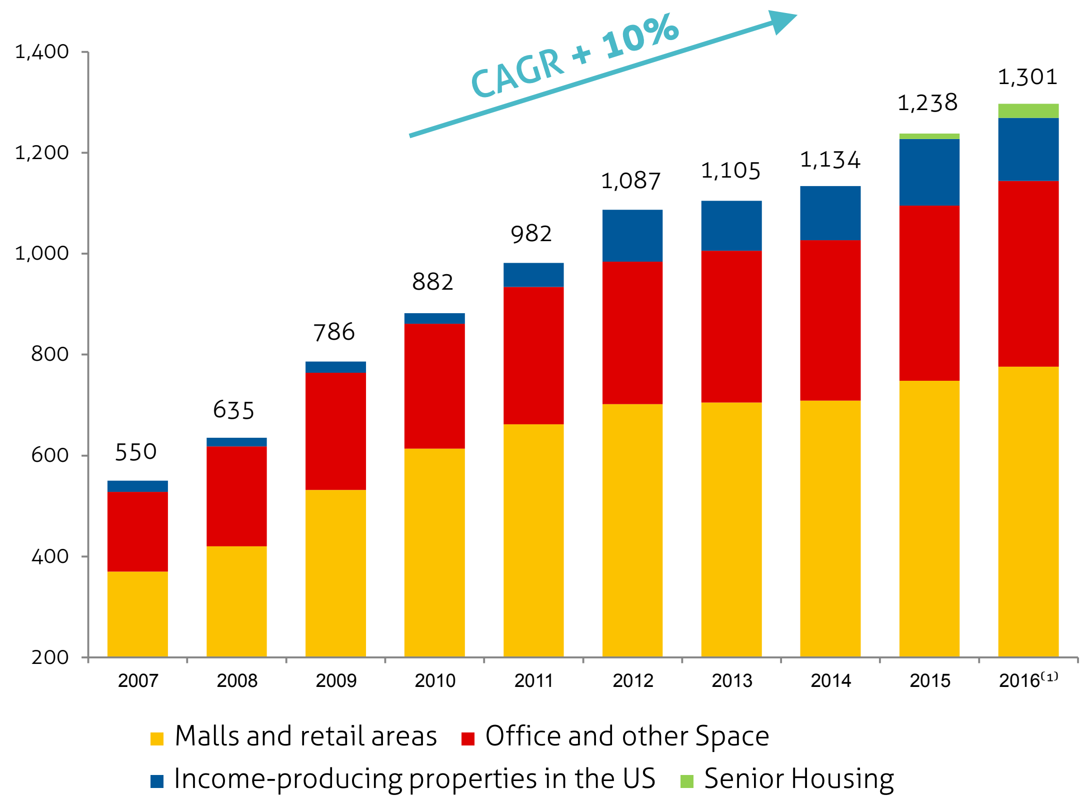
Source: Datastream, CBRE

Constant NOI Growth

Quarterly NOI
(NIS in millions)

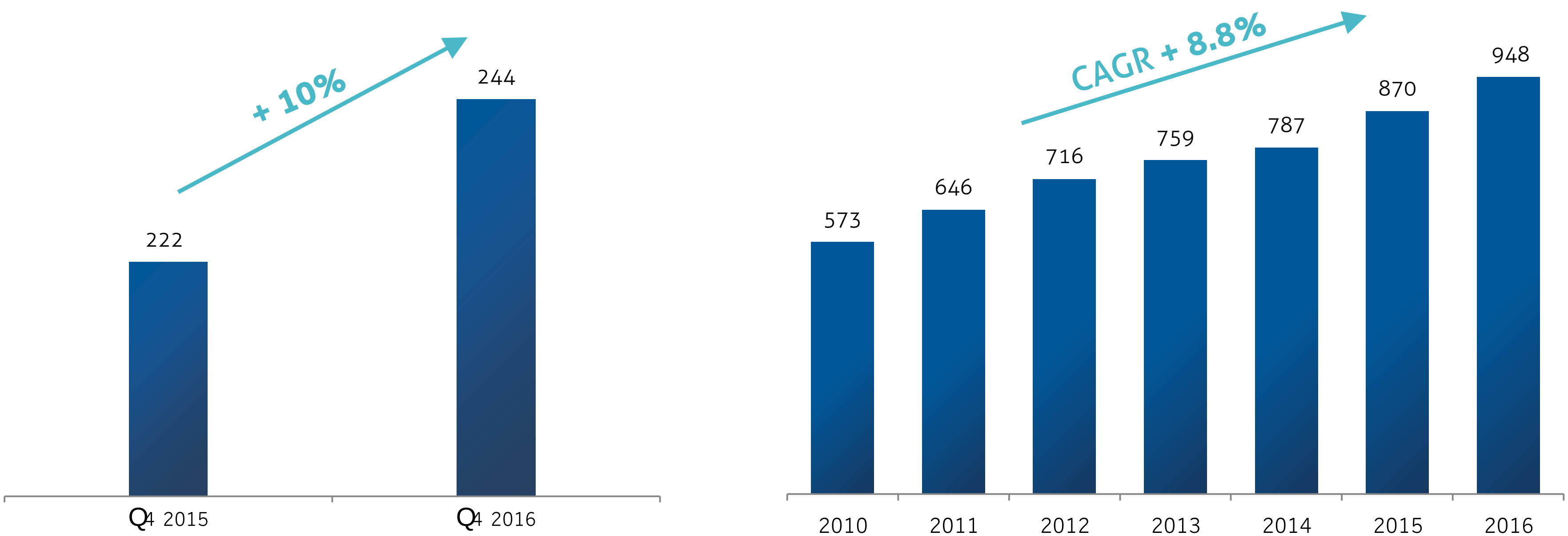


Annual NOI
(NIS in millions)



Constant FFO Growth

FFO* (NIS in millions)

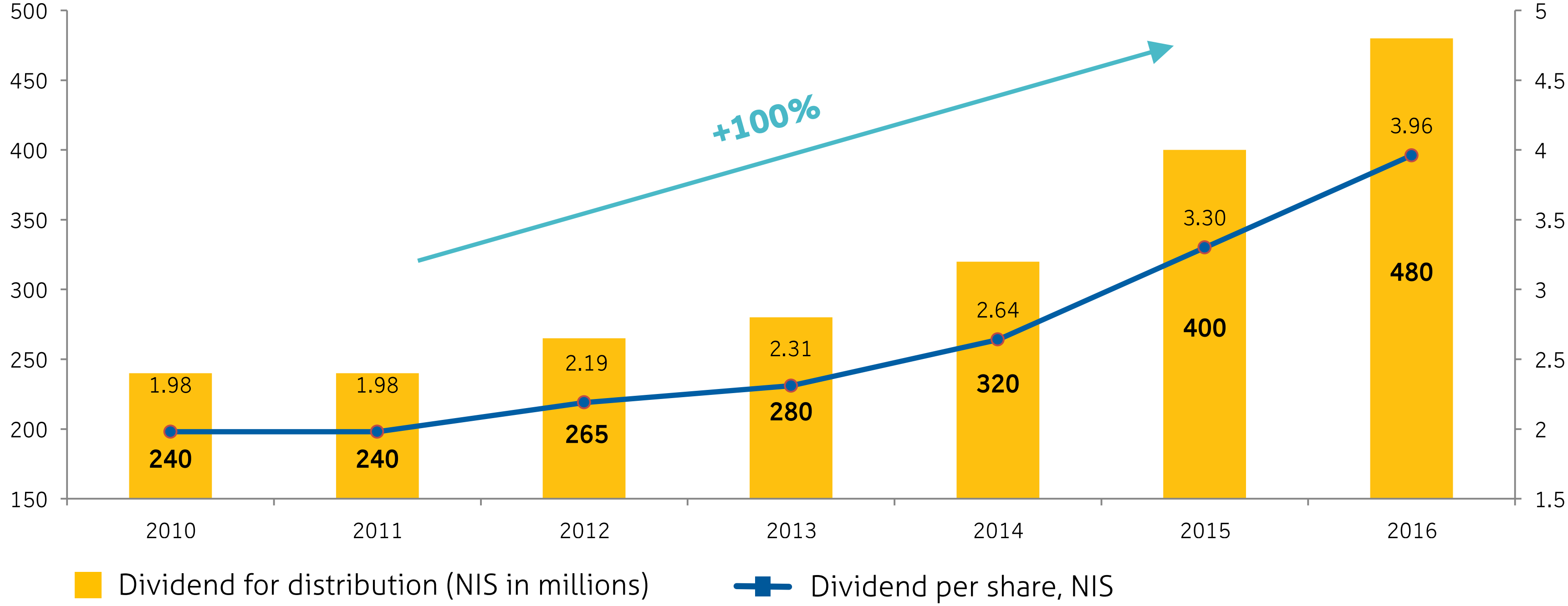


* For details with respect to the FFO calculation, see Section 1.3.13 of the Board of Directors' Report.

Constant and Increasing Dividend Distribution

A dividend distribution of **NIS 480 million** for 2016.

The dividend sum has doubled since the IPO



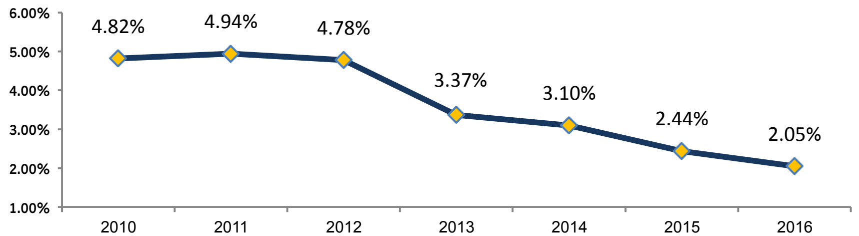
Extension of the Duration and Reduction of the Cost of Debt

- Over the course of the year the **Company raised NIS 3.1 billion** at an average interest rate of **1.4%**.
- Over the course of the year, the Company repaid loans[1] in the amount of **NIS 1.2 billion** at an average interest rate of **3.2%.**
- Refinancing loans represents **saving of NIS 22 million in annual interest.**
- In 2017, the group is expected to **repay NIS1.4 billion** in loans, at an average interest **rate of 4%.**

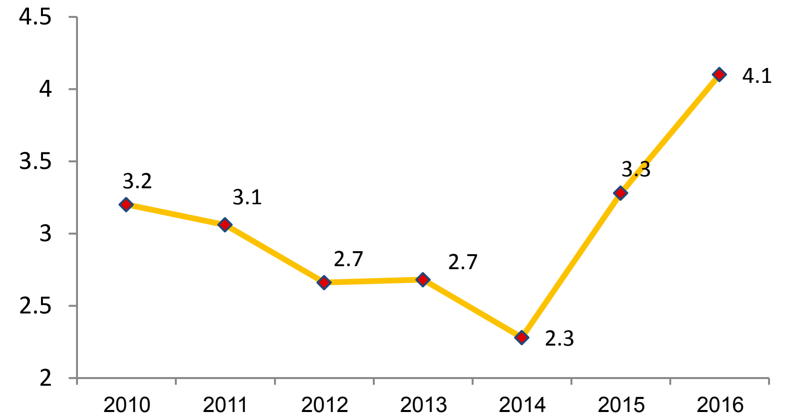
Header....??

- **Low leverage ratio** – net financial debt to assets ratio **26%**
- **Equity to assets ratio** of **55%**
- **Cash** and cash equivalents of **NIS 1.3 billion**
- **Unencumbered Assets** of **NIS 19.6 billion**

Reduction of Average Interest Through the Years

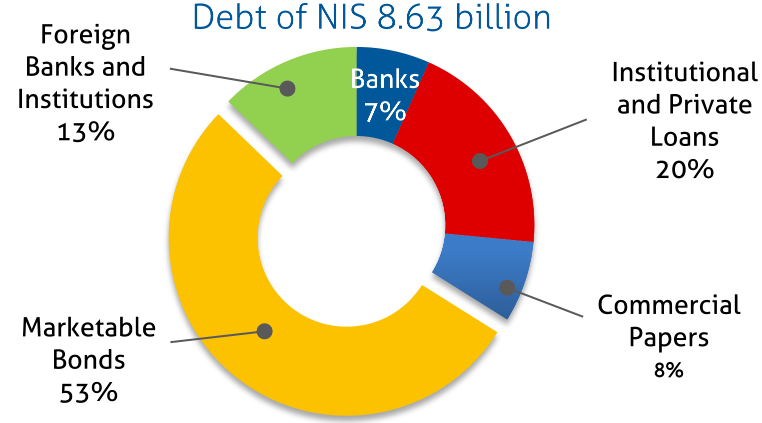


Extension of Average Term of Debt



Debt Breakdown by Lenders

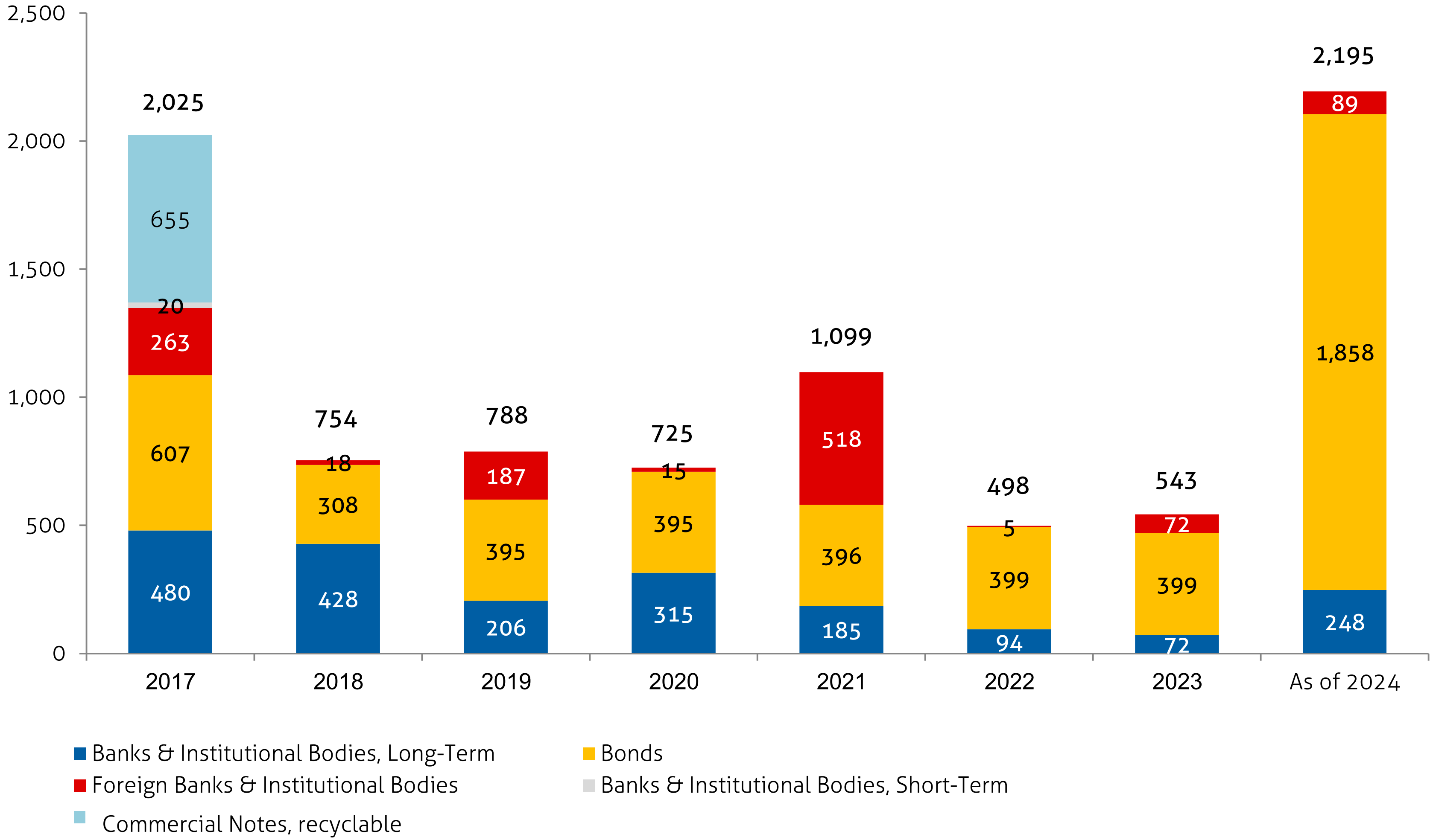
Debt of NIS 8.63 billion



(1) Including the prepayment of the Ahuzat Bayit Bonds.

Well Staggered Debt Maturities

Extended standalone, as of Dec 31, 2016, Principal Only



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

	Q4 2016	Q4 2015	2016	2015
Revenues from rent, management and maintenance fees	459	425	1,755	1,632
NOI	338	323	1,301	1,238
Same property NOI	327	309	1,222	1,183
FFO attributed to the real estate business[1]	244	227	948	870
Change in the value of investment properties[2]	145	105	533	132
Net profit, including minority interests	610	288	1,808	828
Net profit, attributable to the shareholders	615	288	1,810	821
Comprehensive income, attributable to the shareholders	686	227	1,895	840

(1) For details with respect to the calculation of the FFO, see Section 1.3.13 of the Board of Directors' Report.
(2) Net, after tax. 2015 - 26.5%, 2016 – 23%.

Summary Balance Sheet Data (Extended Standalone, NIS in millions)

	December 31, 2016	December 31, 2015
Cash, securities and deposits	**1,281**	861
Gross financial debt	**8,627**	6,520
Net financial debt [(1)]	**7,345**	5,659
Net financial debt to assets	**26%**	23%
Financial assets (mainly Leumi and Leumi Card)	**1,625**	1,582
Fair value of investment properties and properties under construction	**23,723**	20,516
Equity (excluding minority interests)	**15,273**	13,771
Equity to assets	**55%**	57%
Total assets	**28,028**	24,310
Equity per share (NIS)	**125.94**	113.56
EPRA NAV per share (NIS)[(2)]	**149**	138

(1) Excluding financial assets available for sale.
(2) Excluding part of the component of expected profit in respect of the projects under construction.

Average Cap Rate and FFO of the Income-Producing Properties Segment

AZRIELIGROUP

Weighted average cap rate - 7.5%

	NIS millions
Total investment properties "extended standalone" as of December 31, 2016	23,812
Net of the value attributed to land reserves, properties under construction and yet-unused building rights	(5,312)
Total income-producing properties	**18,500**
Actual NOI Q4/2016(1)	328
Future quarterly NOI addition	20
Total standardized NOI Q4/2016	348
Proforma Annual NOI	**1,392**
Weighted cap rate derived from investment income-producing properties, including vacant space	7.5%

FFO - NIS 244 million

	NIS in millions
Net profit for Q4/2016 (attributed to the shareholders)	615
Discounting the loss from Granite (including a deduction of excess cost)	4
Appreciation of investment properties	(198)
Tax	(145)
Additional adjustments	(50)
Plus interest paid in respect of real investments	5
Cash flow in respect of proceeds of residents' deposits, net, after deduction of forfeiture revenues	13
Total proforma annual FFO for 2016, attributed to the income-producing properties segment	**244**

(1) Excluding senior housing, as the cap rate of senior housing properties derives from the FFO rather than the NOI.

Summary – 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.
- Purchase of income-producing properties and land for future development.
- New real estate operating segments (senior housing) and entry into the digital commerce segment.

Most of the Company's operations are in Israel.