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AZRIELI GROUP

Conference Call Presentation

Financial Statements June 30, 2017

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- The financial information in the presentation which is attributed to the extended standalone statement is neither audited nor reviewed by the Company's auditors. The extended standalone statement presents a summary of the Company's consolidated statement figures according to IFRS, with the exception of the Company's investment in Granite Hacarmel and Azrieli E-Commerce which is presented based on the equity method, in lieu of consolidation with the Company's statements.
- The terms "FFO attributed to the Real Estate Business" and "weighted average cap rate" relate to the Group's income-producing real estate business only. Anyone reading the presentation must read such figures in conjunction with the board's explanations in the board of directors' report as of June 30, 2017, Sections 1.3.5 and 1.3.6, 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 figures are approximate.

Convenience Translation from Hebrew \\ Important Notice

- The following English translation of Azrieli Group's presentation for the conference call of August 16, 2017 (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** on the Tel Aviv Stock Exchange

Market cap of **NIS 24 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 **1,124,000** sqm and **8 projects under construction**

Average **occupancy rate** in Israel is **98%**[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 **54%**

(1) As of August 14, 2017 (2) Excluding the office space in Sarona, the two Phase B buildings of the Azrieli Holon Center and the office tower of the Azrieli Rishonim Center which are in lease-up stages and excluding the senior housing space which is 100% leased.

Azrieli Group \\ Company Structure

Shareholders

69.9% The Azrieli family and the Azrieli Foundations

30.1% Public

Holdings (1)

4.2% 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 June 30, 2017

Prime Location Asset Portfolio

MALLS and SHOPPING 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

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

17 malls **331,000** sqm

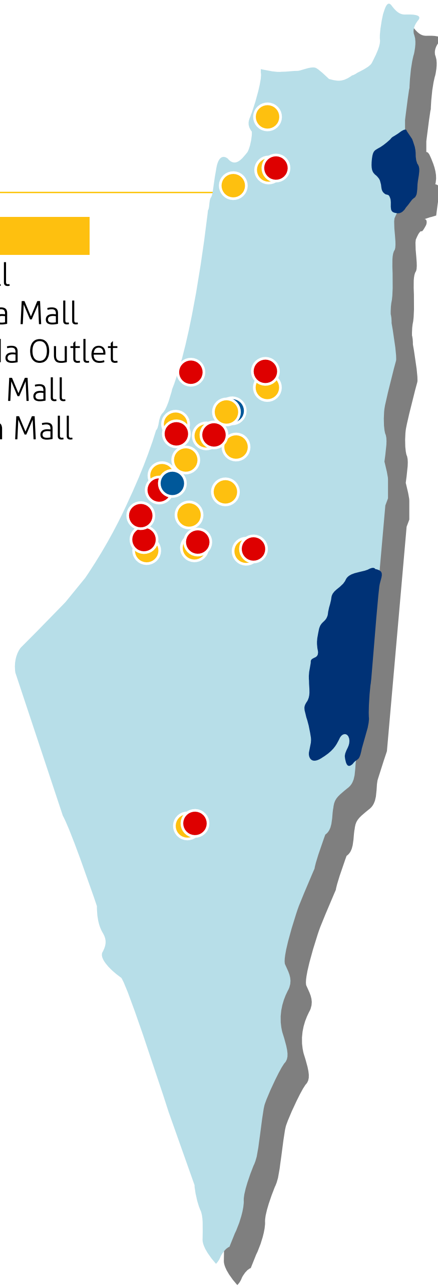
13 office properties **539,000** sqm

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

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

Total **1,124,000** sqm(2)

(1) Including the areas of Medical in Palace Tel Aviv (2) As of June 30, 2017



SENIOR HOMES

Palace Tel Aviv
Palace Ra'anana

OVERSEAS

GALLERIA
PLAZA
8 WEST
3Riverway
1Riverway
LEEDS
ASPEN II

Malls
Offices
Senior Homes

Highlights for and Developments in the Quarter

Financial Highlights

- **NOI** – amounted to NIS **343** million, **up 7%** compared with the same quarter last year**.**
- **Same Property NOI** – Increase of **2%** in **properties in Israel**.
- **FFO –** amounted to NIS 258 million, **up 11%** compared with the same quarter last year.

Continued Momentum of Development, Betterment and Acquisitions

- Over the course of the quarter**, the Group invested NIS 405 million** in investment properties, development, the construction of new properties and the upgrade and renovations of existing properties.

Value of Investment Properties

- In the quarter, the Company recorded **a profit of NIS 531 million from the adjustment of fair value of investment properties**, which totaled NIS 24.7 billion. The weighted cap rate for properties is 7.6%.

Property Development - Azrieli Sarona

- **An habitation certificate for the Azrieli Sarona Tower was received, and the lease-up of the office space has begun**. During and after the quarter**, lease agreements (including options) for 48,000 sqm of the Sarona Tower were signed**.
- **95% of the leasable office space** is under signed or advanced stage contracts.

Increase in Turnover of Azrieli Malls

- The Group's sales turnover grew by **5.8%** compared with the same quarter last year.
- Net of Rishonim Mall that was opened for the first time in March 2017, turnover grew by 1.6%.

Income-Producing Property \\ Azrieli Sarona

AZRIELI SARONA
BUSINESS & TOWER
LUXURIOUS MALL

Azrieli Sarona

Land area - **9,400 sqm**

GLA - **118,000 sqm** of offices
10,500 sqm of retail
1,247 parking spaces

Estimated construction cost, including land –
NIS 1.6-1.7 billion

Estimated date of completion –
Offices: **Lease-up of the offices has begun** (as of July 1)
Retail: **2018**

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

Marketing

95% of the leasable office space in under signed contracts and drafts in signing stages. **90% of the leasable office space is under signed leases, including tenants' options**.

During and after the quarter **48,000 sqm were leased,** including tenants' options.

(1) Estimated NOI reflects additional investments in tenant improvements of approx. NIS 200 million.

The Office Market \\ Strength and Growth

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Azrieli Sarona – Initial lease-up

118,000 sqm of offices

95% of the leasable office space is under signed contracts and drafts in signing stages.

Tenant profile: High-tech companies and financial bodies

Rent per sqm: NIS 90-140

At bare shell/finishing level, without management fees, excluding parking spaces

Notable transactions in 2017: Amazon (24,000 sqm*), **Facebook** (17,000*), **Citibank** (3,000 sqm) **SimilarWeb** (4,700 sqm)

Azrieli Rishonim – Initial lease-up

30,000 sqm of offices

85% of the leasable office space is under signed contracts and drafts in signing stages.

Tenant profile: Service bodies, high-tech companies and companies' headquarters.

Average rent for contracts signed during and after the quarter: **NIS 70 per sqm**

At bare shell/finishing level, without management fees, excluding parking spaces

During and after the quarter, **leases for 5,100 sqm of office space were signed.**

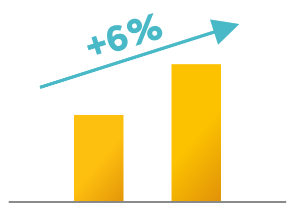
Azrieli Towers Tel Aviv – New Contracts and Contract Renewals

149,000 sqm of offices

12,000 sqm were leased during H1/2017

Average rent for **new contracts – NIS 120**

Total **increase of 6% in rent per sqm** for new contracts and contract renewals in H1/2017



* Including options that were granted to tenants.

Income-Producing Properties in the U.S.A. \\ Expected Increase in the Occupancy Rate

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Galleria Tower 1 – Houston, Texas

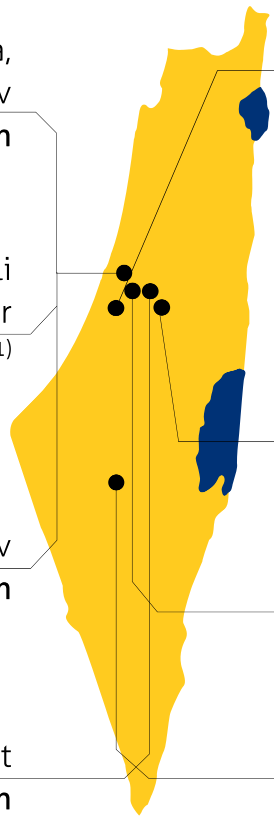
- Gross Leasable Area – **46,000 sqm** of offices

- In November 2015, after a significant tenant (18,500 sqm) left, **occupancy rate in the building was reduced to 48%.**
- During 2016, **4,500 sqm** were leased to Citibank.
- The Company has now signed contracts for the lease of **9,000 sqm** and is in advanced stages towards signing contracts for another **4,000 sqm**.

- During 2016, the Company renovated and improved the public areas in the property.
- Commencement of population of the remaining available space is expected in Q4/2017 and during 2018.
- **The rent prices of the new contracts are significantly higher than the rent prices of the tenant who left in 2015.**

Development Pipeline

Azrieli Group \\ Development Pipeline



Azrieli Sarona, Tel Aviv
10,500 sqm

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

Azrieli Town Tel Aviv
75,000(1) sqm

Holon Lodzia Project
220,000 sqm

Palace Rishon Lezion
Senior housing
29,000 sqm

Palace Modi'in
Senior housing
35,000 sqm

Holon HaManor
28,000 sqm

Palace Lehavim
Senior housing
44,000 sqm

(1) The Company is in the process of promoting a zoning plan for the addition and increase of rights and uses.

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 in the Short-Medium Term					
Azrieli Sarona	Tel Aviv	Retail	10,500	2018	330-340
Azrieli Town	Tel Aviv	Retail, Offices and Residences	75,000(2)	2020	1,060-1,110
Modi'in senior housing	Modi'in	Senior Housing	35,000	2018	360-370
Lehavim senior housing	Lehavim	Senior Housing	32,000 12,000	Phase A - 2019 Phase B - TBD	380-390
Holon Hamanor	Holon	Offices and Retail	28,000	2020	220-240
Total			**192,500**		**2,350-2,450**
Development Projects in the Long Term					
Expansion of Azrieli Center Tel Aviv	Tel Aviv	Retail, Offices and Residences	69,000(3)	TBD	1,000-1,050
Senior housing land Rishon Lezion	Rishon Lezion	Senior housing and Retail	29,000	TBD	310-320
Holon 3 (Lodzia)	Holon	Retail and Offices	220,000	TBD	Yet to be determined

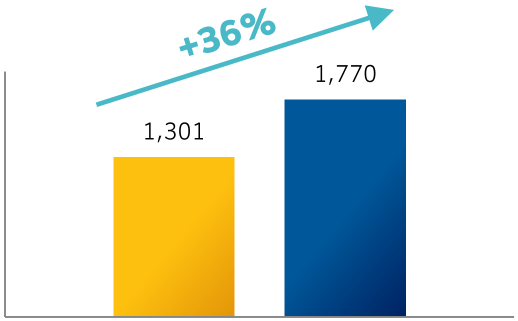
(1) The figure reflects the estimated costs to be invested without discounts and at bare shell level (2) The figures refer to the existing zoning plan. The Company is promoting a zoning plan for the addition of rights for offices and residences. (3) The Company is in advanced planning stages (deposit phase) to increase building rights to 147,260 sqm gross and 3,000 additional sqm of underground retail space.

Development Projects \\ Expected Contribution[1] to NOI and FFO

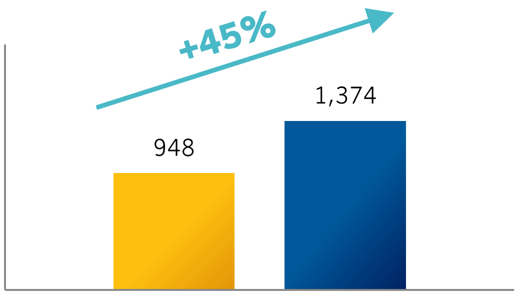
NIS in millions

2016 Actual NOI	**1,301**
> Addition to annual NOI from development projects	415
> NOI addition from **existing properties**, annualized	54
Projected NOI: after lease-up of projects under development	**1,770**
2016 Actual FFO	**948**
> Addition to FFO deriving from cash flow	390
> Savings from refinancing	36
Projected FFO: after lease-up of projects under development and after refinancing	**1,374**

NOI (NIS millions)



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**: Expansion of Azrieli Tel Aviv center, Holon 3 project (Lodzia) and Rishonim senior housing land.
- **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 Town

Azrieli Town

Land area - **10,000 sqm**

GLA* - **50,000 sqm** of offices
5,000 sqm of retail
215 Residential units

Estimated construction cost, including land -
NIS 1,060-1,110 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.

Progress Update

An application for an above-ground permit was conditionally approved in April 2017.

* The figures refer to the existing zoning plan. The Company is promoting a zoning plan for the addition of rights for offices and residences.

Development Projects \\ Palace Modi'in Senior Home

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, **127 preliminary** applications have been signed, **for which 77 contracts have been signed.**

Progress Update

Construction works continue.

Development Projects \\ Palace Lehavim Senior Home

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 – **Phase A** - 32,000 sqm
Phase B - 12,000 sqm

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

Estimated construction cost, including land –
NIS 380-390 million

Estimated date of completion – **Phase A – 2019**
Phase B - yet to be determined

Marketing

As of the Report Release Date, **58 preliminary applications** have been signed.

Progress Update

An above-ground permit was received in July 2017.

Illustration

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 expansion of the Azrieli Tel Aviv Mall

The Company is in advanced planning stages (discussion of objections) **to increase building rights to 147,260 sqm** gross 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

Preliminary preparation work at the site, including demolition and excavation work have commenced.

Development Projects \\ Azrieli Holon HaManor

Azrieli Holon HaManor Center

Land area – **6,200 sqm**

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

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

Estimated completion date – **2020**

The land is adjacent to the Lodzia Holon land and close to the **Azrieli Holon Center**

Marketing

The Company has begun marketing the building.

Progress Update

An excavation and shoring permit was received, an application for an above-ground permit was submitted.

Development Projects \\ Azrieli Holon Center – Looking to the Future

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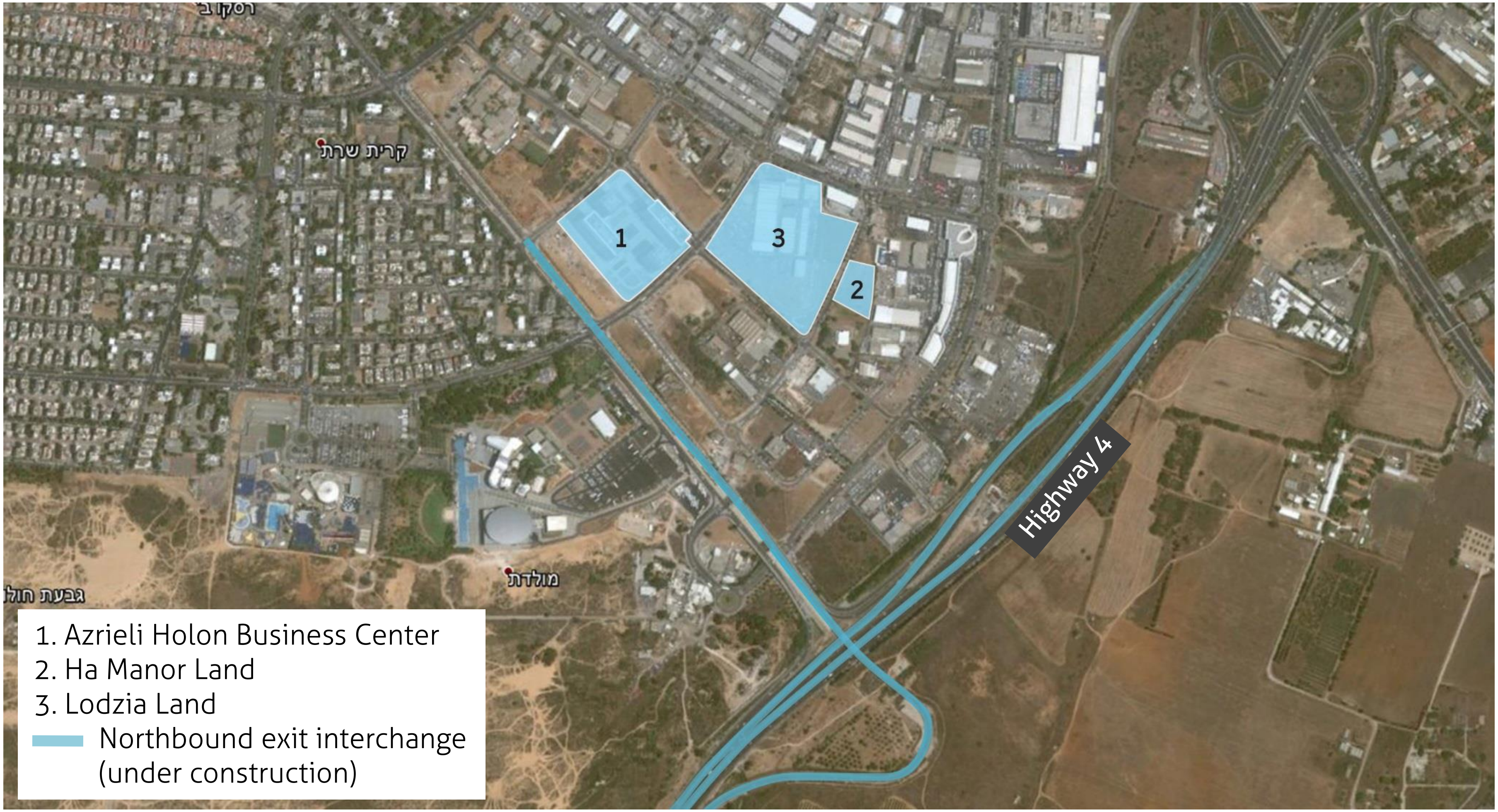
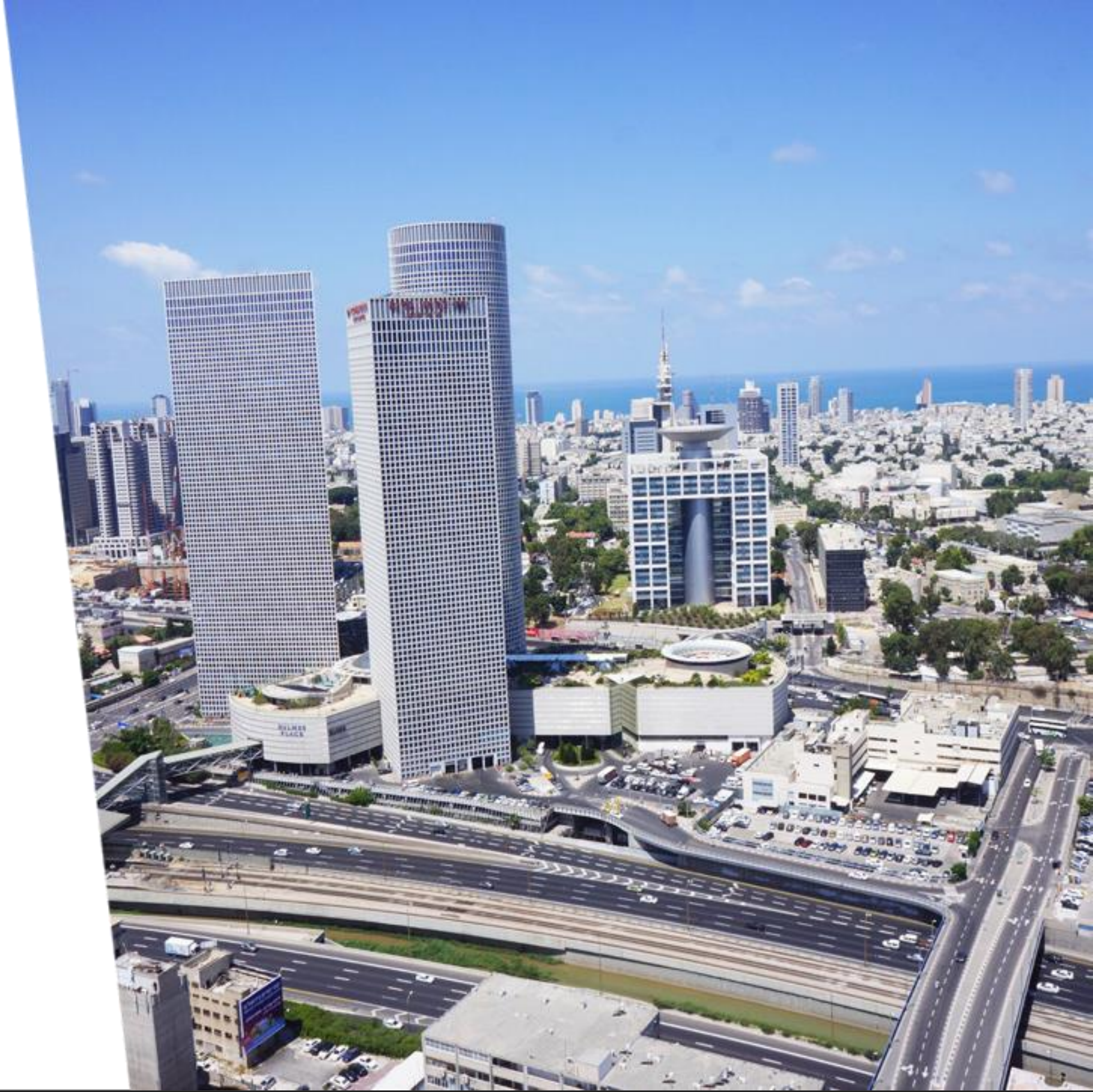
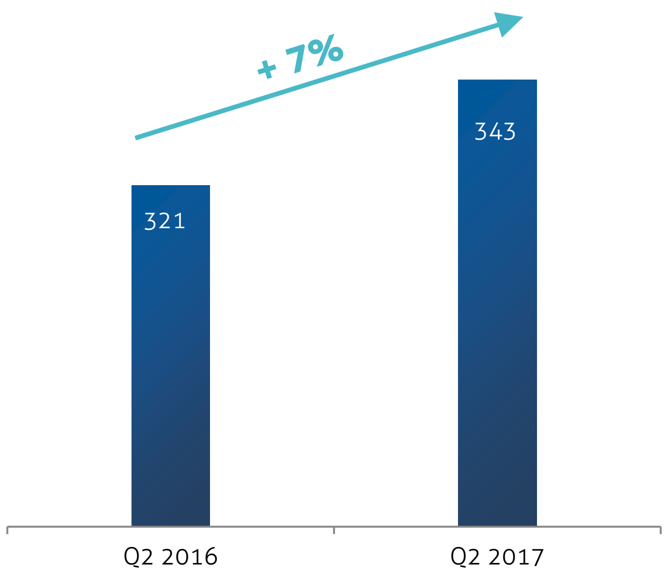


Financial Highlights

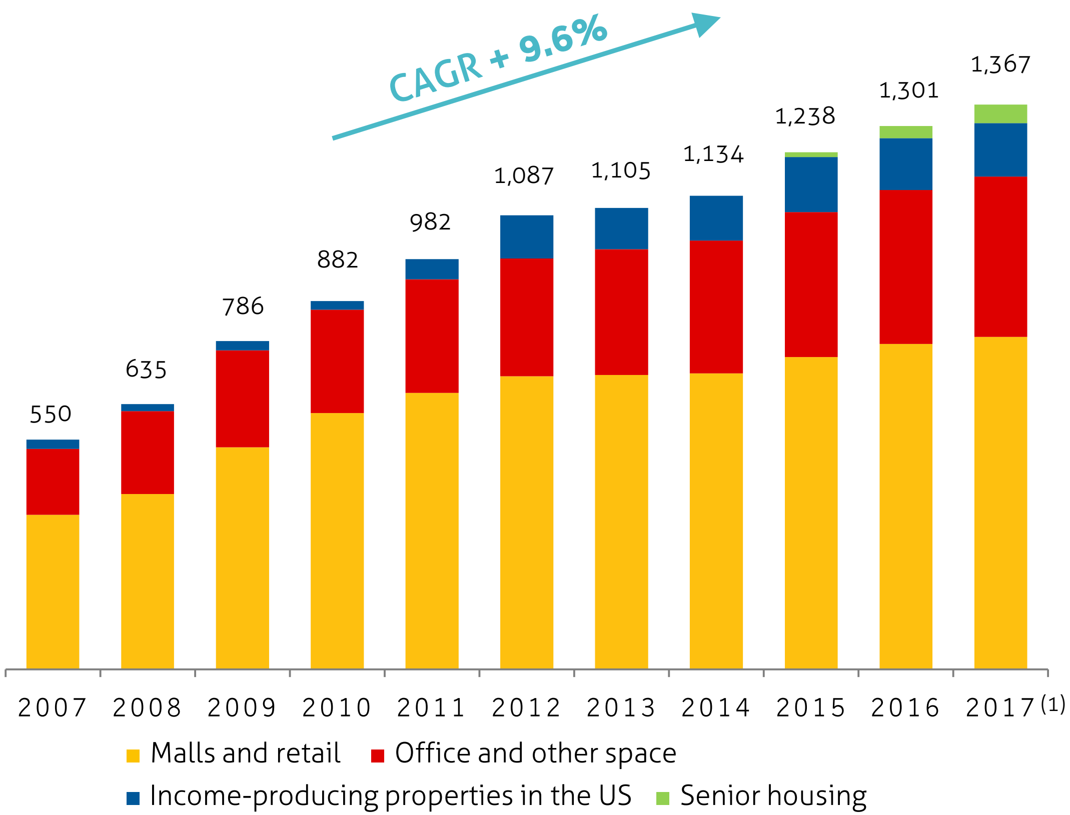


Constant NOI Growth

Quarterly NOI
(NIS in millions)



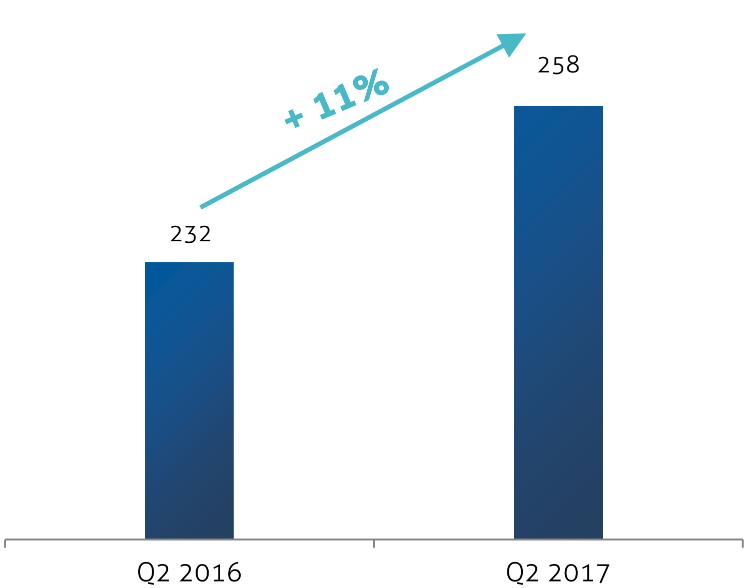
Annual NOI
(NIS in millions)

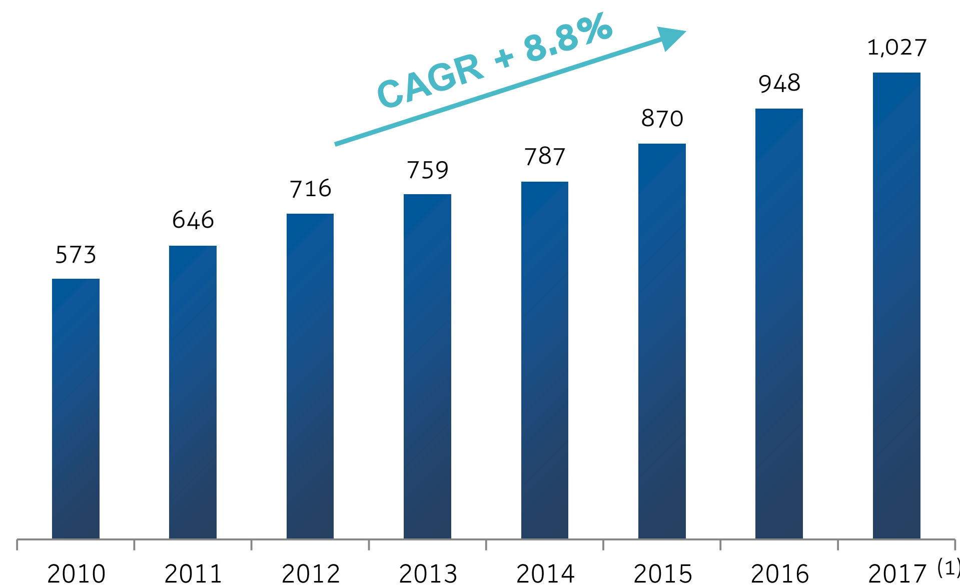


(1) According to a calculation of Q1 NOI + (Q2 NOI X 3), does not reflect any projection for 2017.

Constant FFO Growth

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





* For details with respect to the FFO calculation, see Section 1.3.5 of the Board of Directors' Report.
(1) According to a calculation of Q1 FFO + (Q2 FFO X 3), does not reflect any projection for 2017.

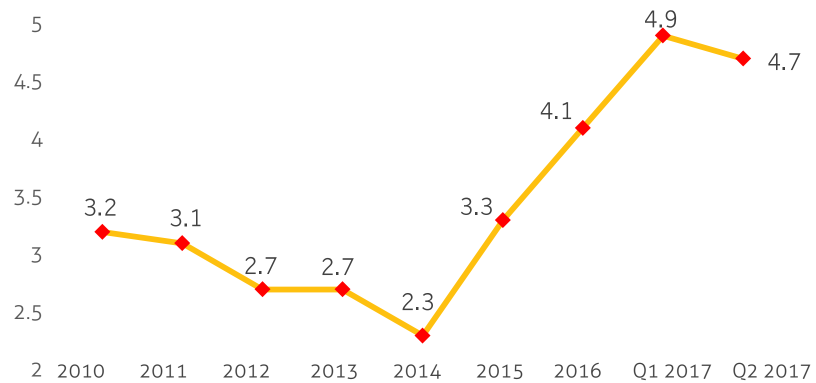
Extension of the Duration and Reduction of the Cost of Debt

Reduction of the average interest on the debt has led to a **savings of approx. NIS 39 million** (in annual terms) in the interest expenses this quarter compared with the same quarter last year.

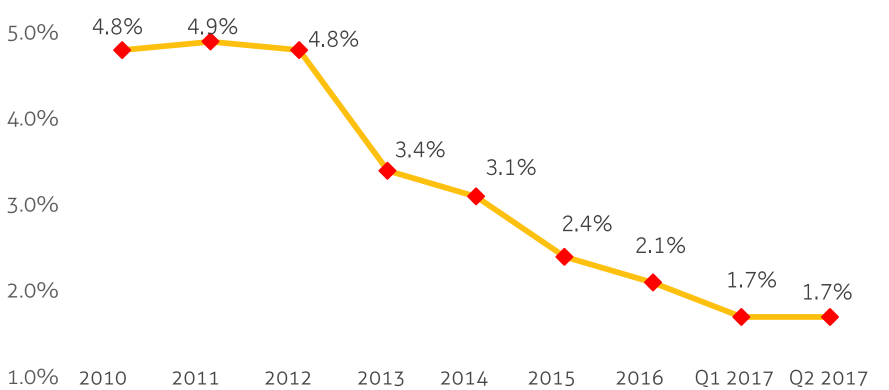
Financial Strength(1)

- **Low leverage ratio** – net financial debt to assets ratio **26%**
- **Equity to assets ratio** of **54%**
- **Cash** and cash equivalents of **NIS 1,291 million**
- **Unencumbered assets** of **NIS 20.5 billion**

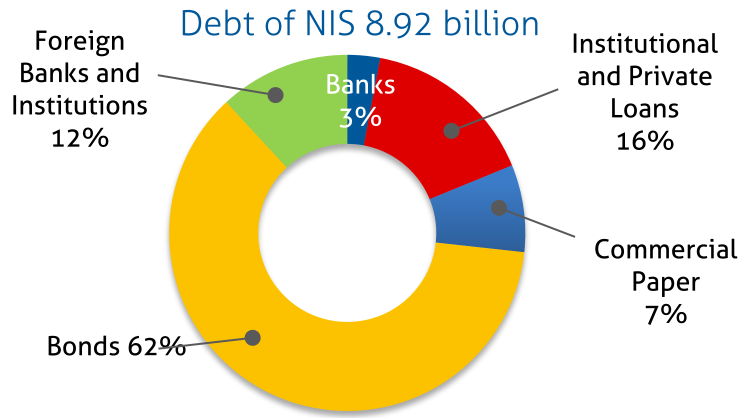
Extension of Average Term of Debt(2)



Reduction of Average Interest Through the Years(2)

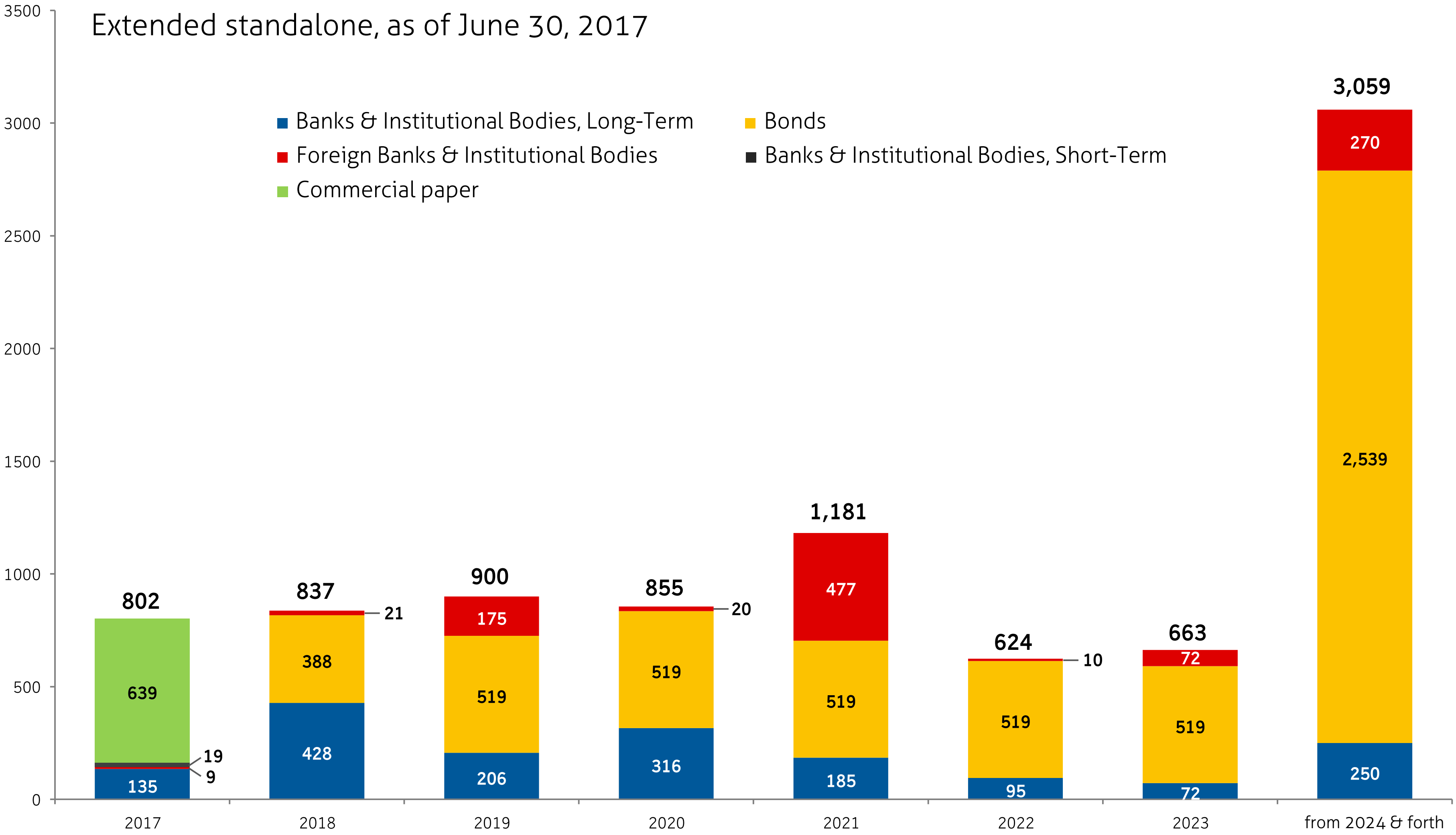


Debt Breakdown by Lenders(1)



(1) As of June 30, 2017 (2) Reflects as of the last day of the referred year/ period.

Well Staggered Debt Maturities (Principal Only)



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

	Q2 2017	Q2 2016	2016
Revenues from rent, management and maintenance fees	460	423	1,755
NOI	343	321	1,301
Same property NOI	323	319	
FFO attributed to the real estate business[1]	258	232	948
Change in the value of investment properties[2]	409	25	547
Net profit, including minority interests	641	244	1,808
Comprehensive income, attributable to the shareholders	650	269	1,895

(1) For details with respect to the calculation of the FFO, see Section 1.3.5 of the Board of Directors' Report.
(2) Net, after tax of 23% (except Q2-2016 - 25%)

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

	June 30, 2017	March 31, 2017	December 31, 2016
Cash, securities and deposits	1,291	**1,833**	1,282
Gross financial debt	8,921	**9,072**	8,627
Net financial debt [1]	7,630	**7,240**	7,345
Net financial debt to assets	26%	**25%**	26%
Financial assets (mainly Leumi and Leumi Card)	1,675	**1,614**	1,625
Fair value of investment properties and properties under construction	24,650	**23,846**	23,723
Equity (excluding minority interests)	15,625	**14,946**	15,273
Equity to assets	54%	**52%**	55%
Total assets	29,095	**28,685**	28,028
Equity per share (NIS)	128.84	**123.49**	125.94
EPRA NAV per share (NIS)[2]	153	**147**	149

(1) Excluding financial assets available for sale.
(2) Excluding the entire component of expected profit in respect of the development projects.

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

Weighted average cap rate – 7.6%

NIS in millions

Total investment properties "extended standalone" as of June 30, 2017	24,740
Net of the value attributed to land reserves, properties under construction and and senior housing	(3,286)
Total income-producing properties	**21,454**
Actual NOI Q2/2017(1)	332
Future quarterly NOI addition(2)	75
Total standardized NOI Q2/2017	407
Proforma Annual NOI	**1,628**
Weighted cap rate derived from investment income-producing properties, including vacant space	7.6%

FFO of the real estate business in the quarter - NIS 258 million

NIS in millions

Net profit for Q2/2017 (attributed to the shareholders)	641
Discounting the profit from Granite and Azrieli E-Commerce (including a deduction of excess cost)	(4)
Appreciation of investment properties	531
Tax	139
Additional adjustments	(1)
Plus interest paid in respect of real investments	3
Cash flow in respect of proceeds of residents' deposits, net, after deduction of forfeiture revenues	9
Total FFO for Q2, 2017, attributed to the income-producing properties segment	**258**

(1) Excluding senior housing, as the cap rate of senior housing properties derives from the FFO rather than the NOI.
(2) Including the lease-up of the offices at the Azrieli Sarona Center in Tel Aviv.

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 launch of the e-commerce segment.

Most of the Company’s operations are in Israel.