AZRIELI GROUP

Conference Call Presentation

Financial Statements March 31, 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 March 31, 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 May 24, 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.
- The binding version of the Presentation for all intents and purposes is the original Hebrew version, filed by the Company with the Israel Securities Authority through the MAGNA website on May 24, 2017. Nothing in this translation constitutes a representation of any kind in connection with the Presentation, nor should it be regarded as a source of interpretation for the Presentation or the Company's reports or statements. In any event of contradiction or discrepancy between this translation and the Hebrew version of the Presentation, the Hebrew version shall prevail.

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 25 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 **1,005,000** sqm(1) 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 **25%** only, and equity to assets ratio of **52%**

(1) As of May 23, 2017 (2) Excluding the two Phase B buildings of the Azrieli Holon Center and Azrieli Rishonim which are in lease-up stages.

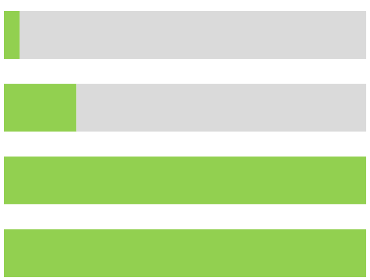
Azrieli Group \\ Company Structure

Shareholders

69.9% The Azrieli family and the Azrieli Foundations

30.1% Public

Holdings



4.2% Bank Leumi

20% Leumi Card

100% Granite

100% Azrieli E-Commerce

Azrieli Group – Breakdown of Properties[1]

43% Real estate in Israel – malls 12,172

29% Real estate in Israel – offices and others 8,320

7% Income-producing properties in the U.S. 2,060

5% Senior housing properties in Israel 1,534

10% Holdings and others 2,766

6% Cash, deposits and short-term investments 1,833

% of Total Properties
Book Value (NIS in millions)

(1) Extended Standalone as of March 31, 2017

Prime Location Asset Portfolio

MALLS and SHOPPING CENTERS

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

OFFICES and OTHERS

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

17 malls **330,000** sqm

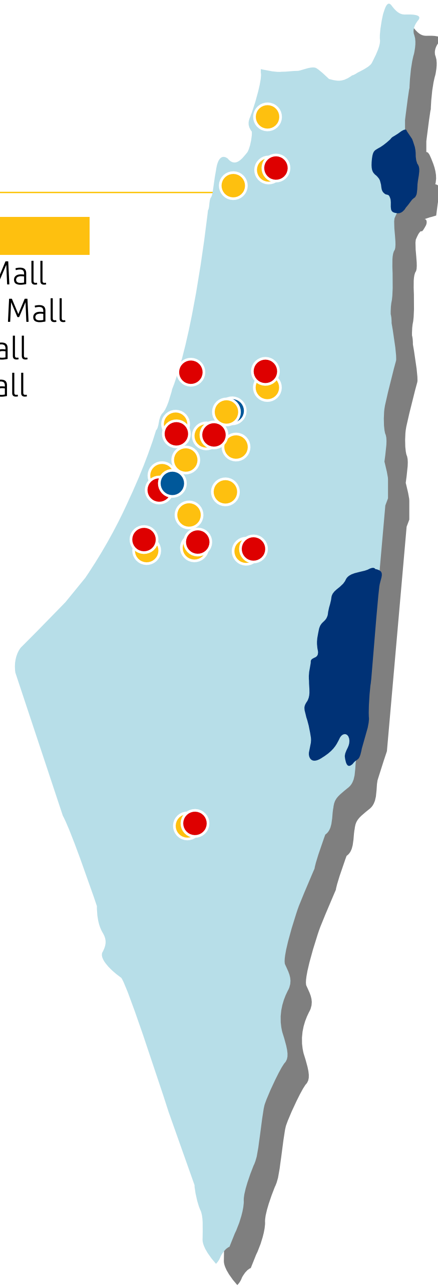
12 office properties **421,000** sqm

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

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

Total **1,005,000** sqm(2)

(1) Including the areas of Medical in Palace Tel Aviv (2) As of March 31, 2017



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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** – up **6%** compared with the same quarter last year.
- **Same Property NOI** – Increase of **3%** in **properties in Israel**.
- **FFO –** 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 255 million** in investment properties, development, the construction of new properties and the upgrade and renovations of existing properties.
- During 2016, this amount totaled NIS 2.5 billion.

Dividend

- In May 2017, the Company distributed a dividend in the sum of NIS 480 million (NIS 3.96 per share).

Financing

- Over the course of the quarter, the Company raised **NIS 1.36 billion** through the expansion of the Company's three traded bond series.

Increase in Turnover of Azrieli Malls

- The Group's sales turnover grew by 3.3% compared with the same quarter last year.

Azrieli Group \\ Azrieli Rishonim Center

AZRIELI RISHONIM
BUSINESS & TOWER
LEISURE MALL

Azrieli Rishonim

Land area – **19,000 sqm**

GLA – **30,000 sqm** of offices
20,000 sqm of retail

Construction cost, including land –
NIS 750-760 million

The mall was opened in **March 2017,** Office Tower in April 2017.

Marketing

The mall was fully leased-up at opening and includes the first Israeli stores of the brands H&M Home, SuperDry and Foot Locker.

30,000 visitors attended the opening of the mall, and since the opening, the mall has had around **15,000 visitors a day on average.**

During March-April, the mall recorded **revenues per sqm** above the national average.

85% of the leasable office space Is under signed contracts and drafts in signing stages. 60% of the leasable office space is under signed leases.

Azrieli Group \\ Azrieli Gift Card

The card was first launched in November 2015.

The only mall gift card in Israel.

Sold to organizations and end consumers digitally.

Passover 2017 Sales

NIS 7.6 million during the holiday month

(Additional revenues and visitors for the Azrieli Malls Group)

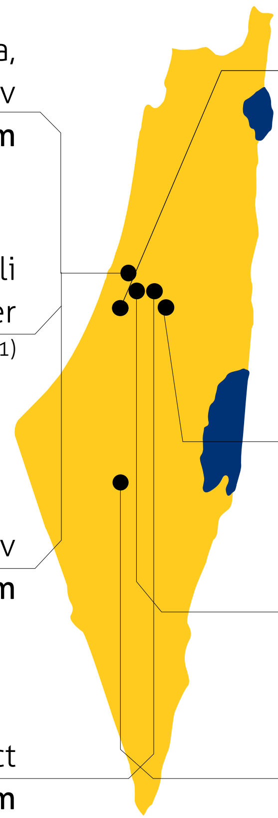
Chains

The Azrieli gift card may be used at more than 70 chains across Israel, including a range of international brands, some of which only accept this card.

Development Pipeline

Azrieli Group \\ Development Pipeline

AZRIELIGROUP



Azrieli Sarona,
Tel Aviv
129,500 sqm

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

Azrieli Town Tel Aviv
75,000 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 at advanced planning stages to increase building rights to 147,260 sqm and an additional 3,000 sqm gross of underground retail space.

Development Projects \\ The Growth Engine

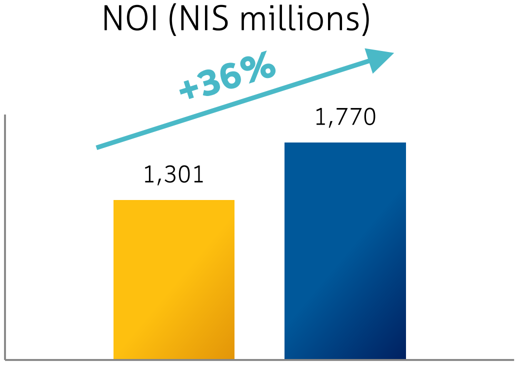
Name of Property	Location	Use	GLA	Estimated Completion Date	Estimated Construction Cost, including Land (NIS in millions) (1)
Development Projects in the Short-Medium Term					
Azrieli Sarona	Tel Aviv	Offices Retail	118,000 11,500	Q3/2017 2018	1,600-1,660
Azrieli Town	Tel Aviv	Retail, Offices and Residences	75,000	2020	1,060-1,110
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	360-370
Holon Hamanor	Holon	Offices and Retail	28,000	2020	220-240
Total			**311,500**		**3,600-3,750**
Development Projects in the Long Term					
Expansion of Azrieli Center Tel Aviv	Tel Aviv	Retail, Offices and Residences	69,000(2)	TBD	1,000-1,050
Senior housing land Rishon Lezion	Rishon Lezion	Senior housing and Retail	29,000	TBD	390-400
Holon 3 (Lodzia)	Holon	Retail and Offices	220,000	TBD	Yet to be determined

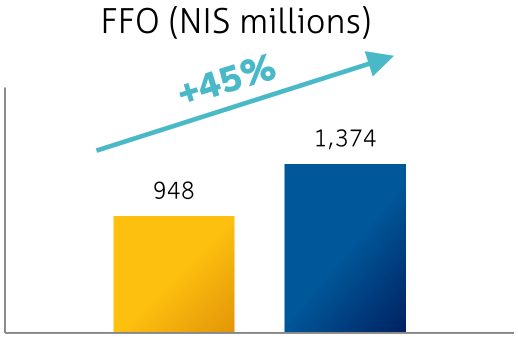
(1) The figure reflects the estimated costs to be invested without discounts and at bare shell level (2) The Company is in the process of promoting a zoning plan for the addition and increase of rights and uses.

Development Projects \\ Expected Contribution to NOI and FFO(1)

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 from deriving from cash flow	390
> Savings from refinancing	36
Projected FFO: after lease-up of projects under development and after refinancing	**1,374**





- **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 Sarona

Azrieli Sarona

Land area - **9,400 sqm**

GLA - **118,000 sqm** of offices
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

Offices: 95% of the leasable office space is under signed contracts and drafts in signing stages. 65% of the leasable office space is under signed leases. During and after the quarter 13,200 sqm were leased.

Retail: 85% of the retail space is under signed contracts and drafts in signing stages.

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

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.

Developments

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

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**

Marketing

As of the Report Release Date, **109 preliminary applications** have been signed, for which **60 contracts** have been signed.

Developments

Structure work is nearly complete.

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 360-370 million**

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

Marketing

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

Developments

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 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**

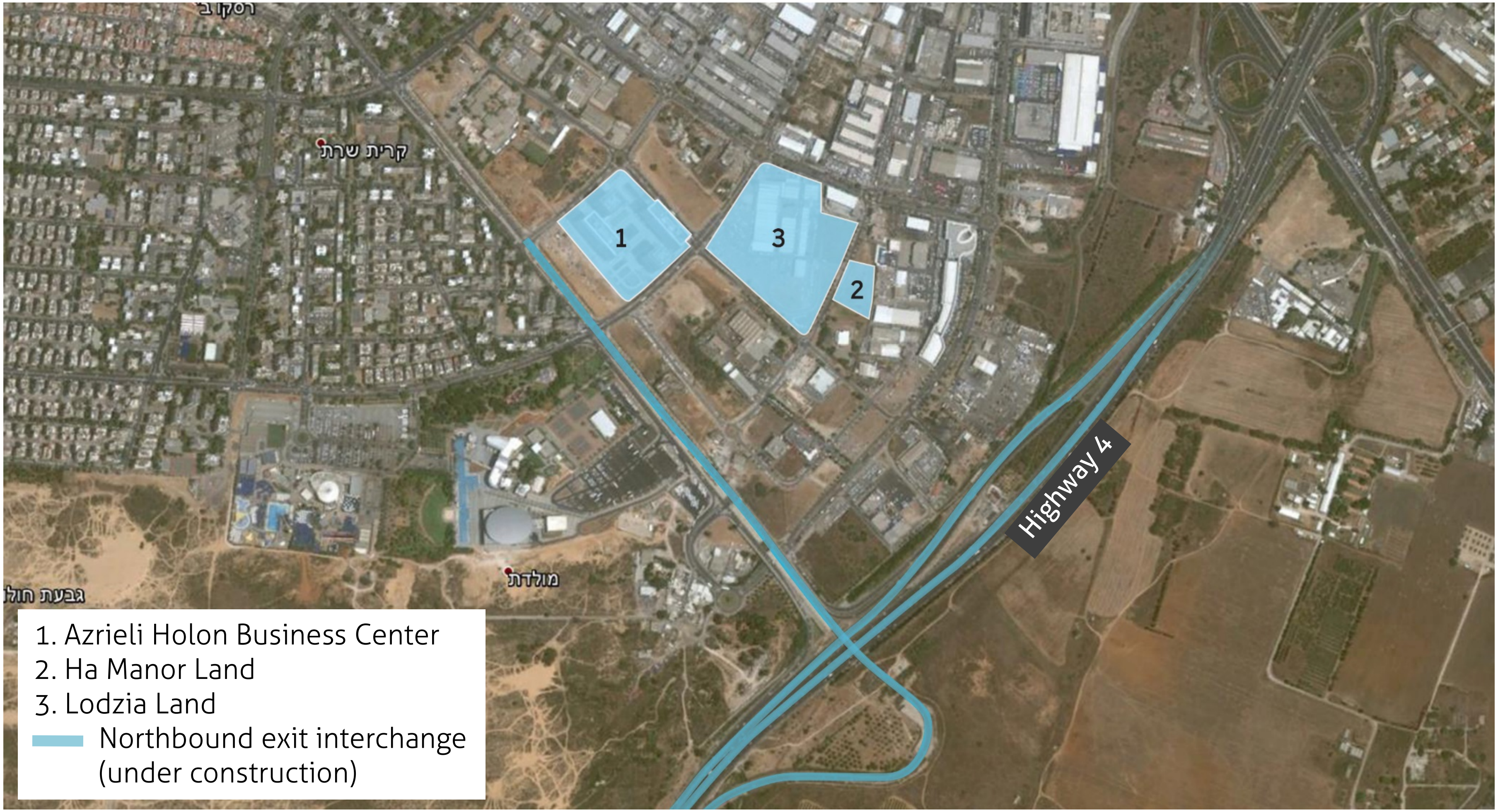
Estimated completion date – **2020**

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

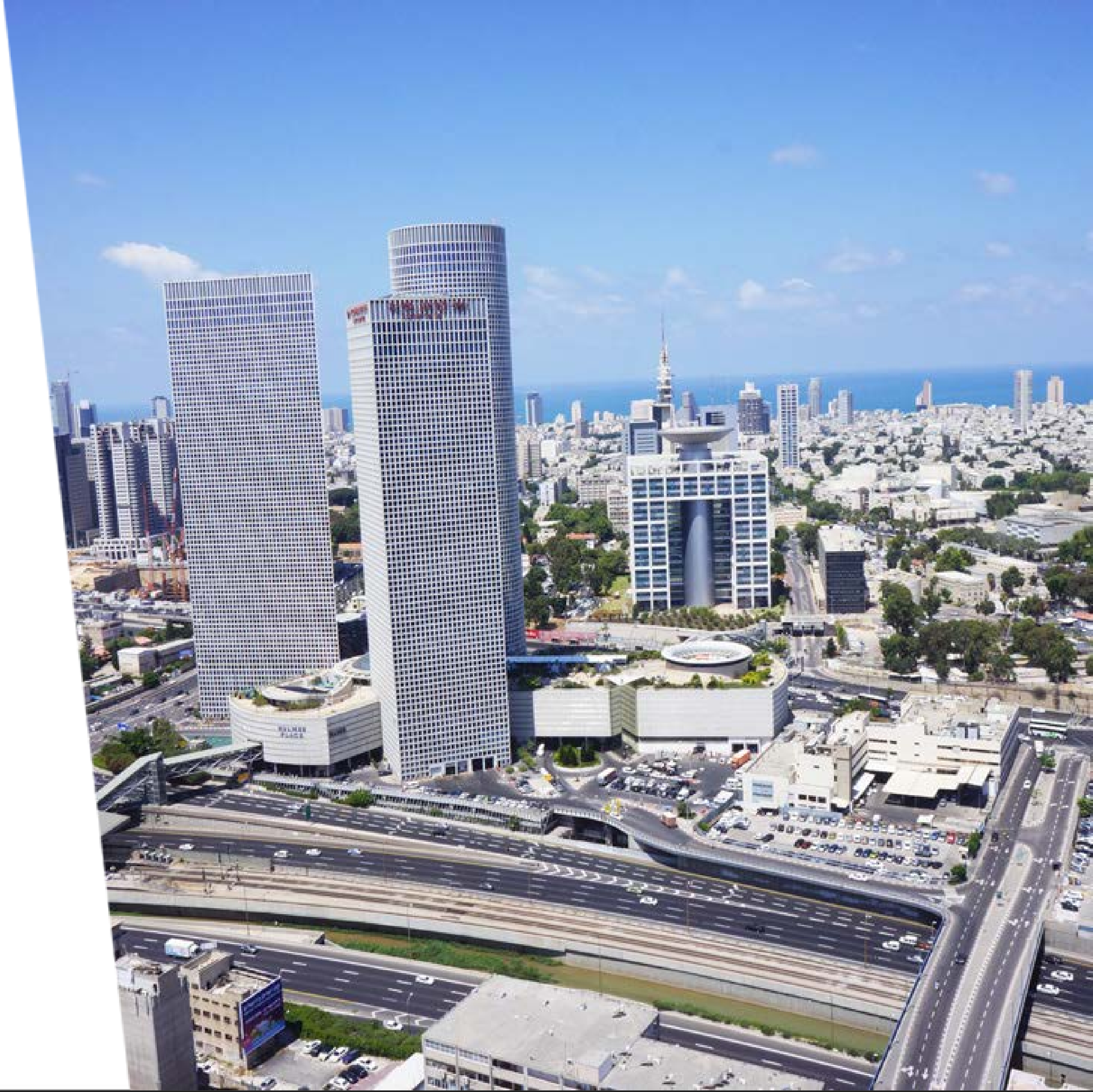
Marketing

The Company has begun marketing the building.

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

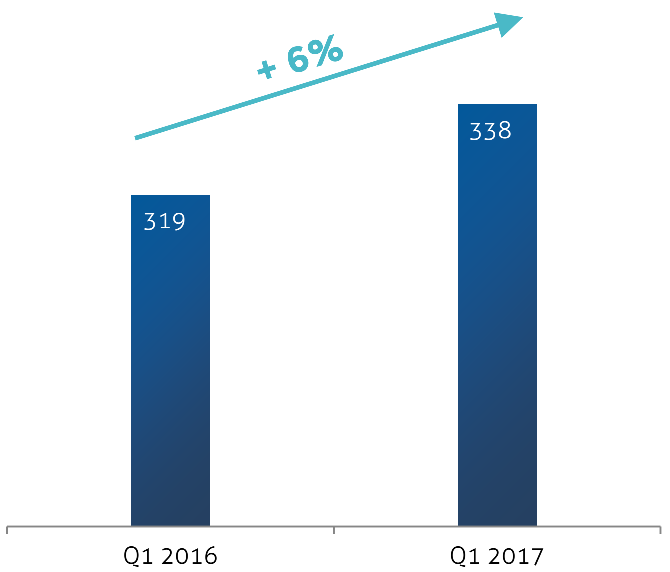


Financial Highlights

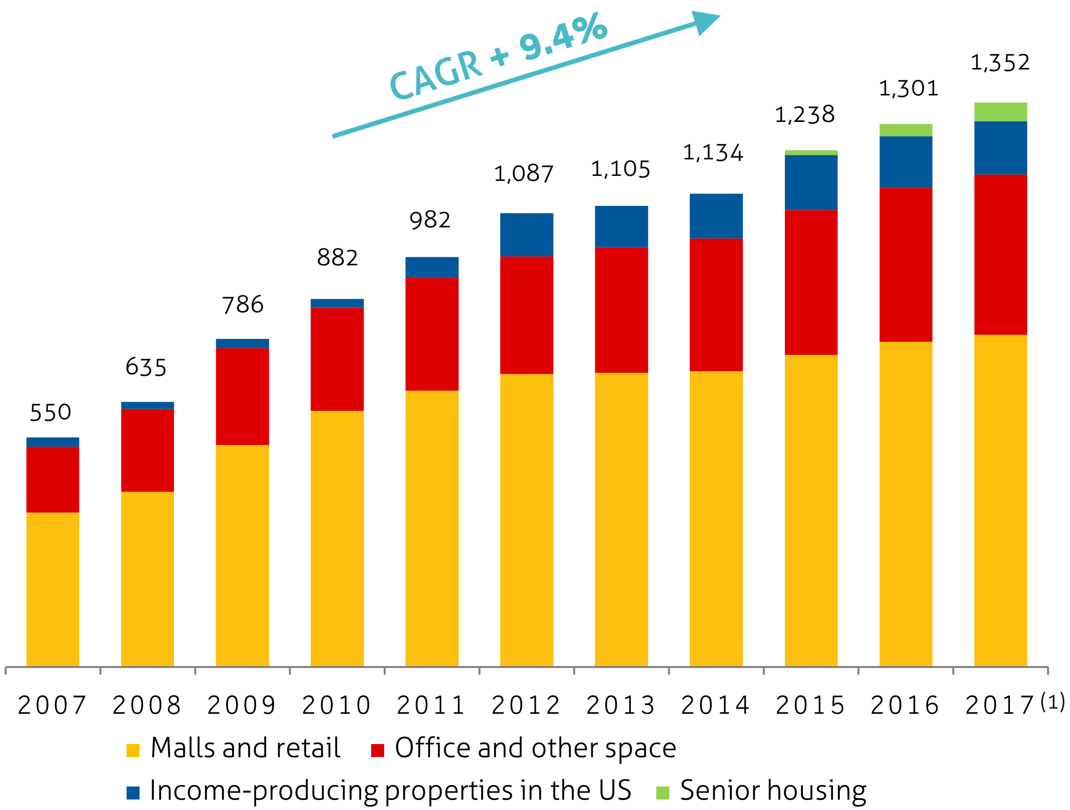


Constant NOI Growth

Quarterly NOI
(NIS in millions)



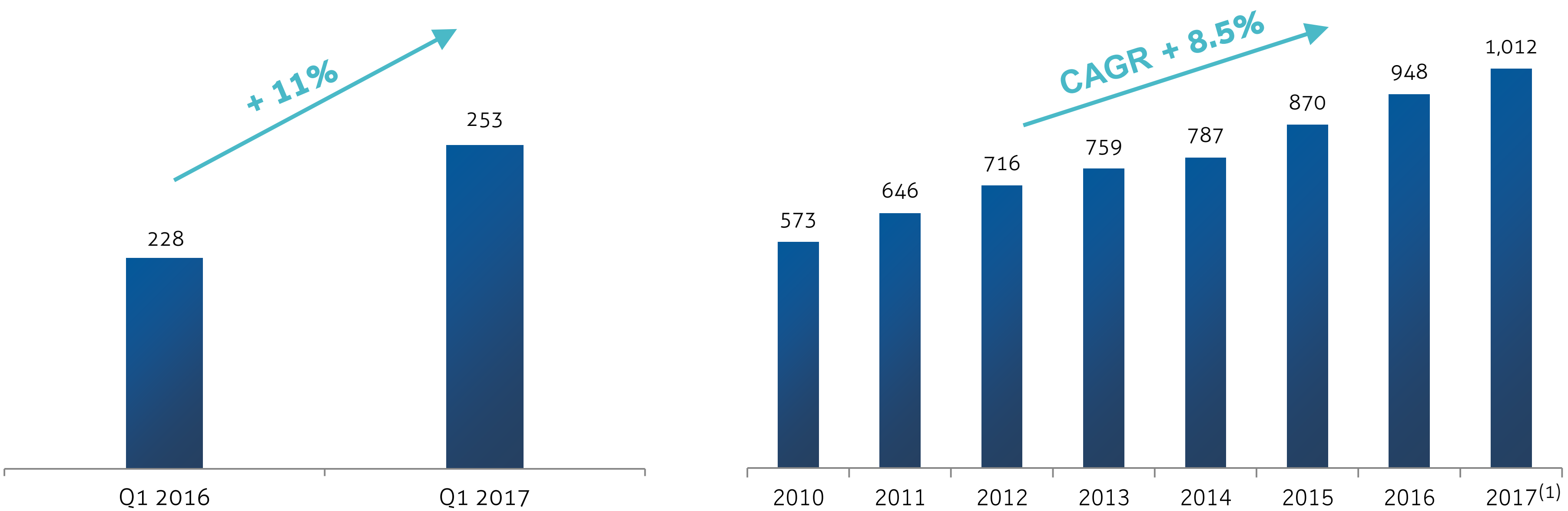
Annual NOI
(NIS in millions)



(1) According to a calculation of Q1 NOI x 4, does not reflect any projection for 2017.

Constant FFO Growth

FFO* (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 x 4, , does not reflect any projection for 2017.

Extension of the Duration and Reduction of the Cost of Debt

> Over the course of the quarter, the Company repaid loans in Israel in the amount of **NIS 750 million** at an average interest rate of **4.8%.**

> During the quarter, the Company **expanded its traded bond series by NIS 1.365 billion at an average effective interest rate of 1.5%** and with a weighted **duration of 6.2 years**.

> Refinancing of debts represents **annual interest savings of NIS 25 million.**

Financial Strength

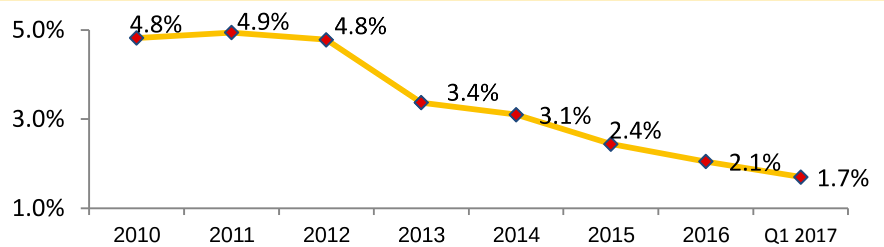
> **Low leverage ratio** – net financial debt to assets ratio **25%**

> **Equity to assets ratio** of **52%**

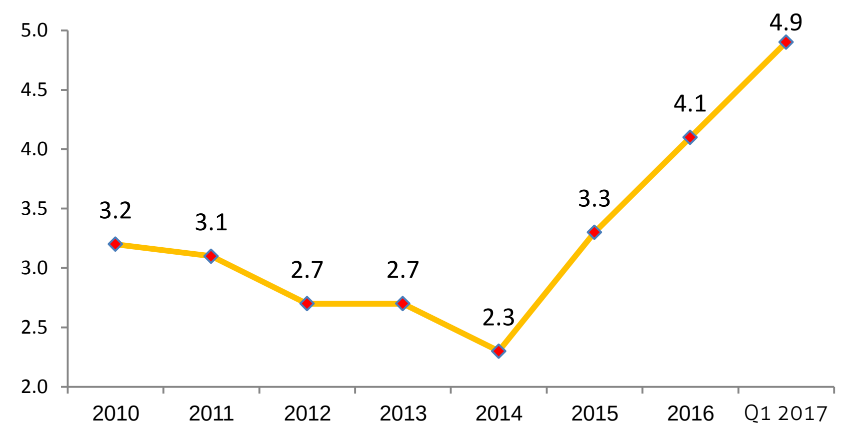
> **Cash** and cash equivalents of **NIS 1,833 million**

> **Unencumbered assets** of **NIS 19.7 billion**

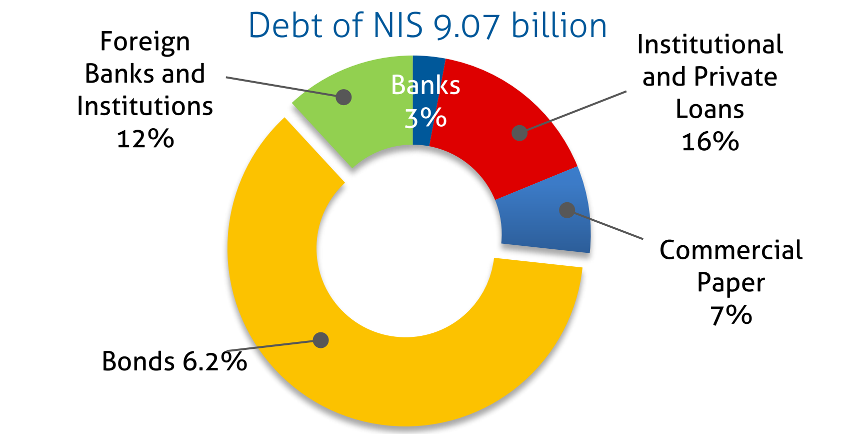
Reduction of Average Interest Through the Years



Extension of Average Term of Debt

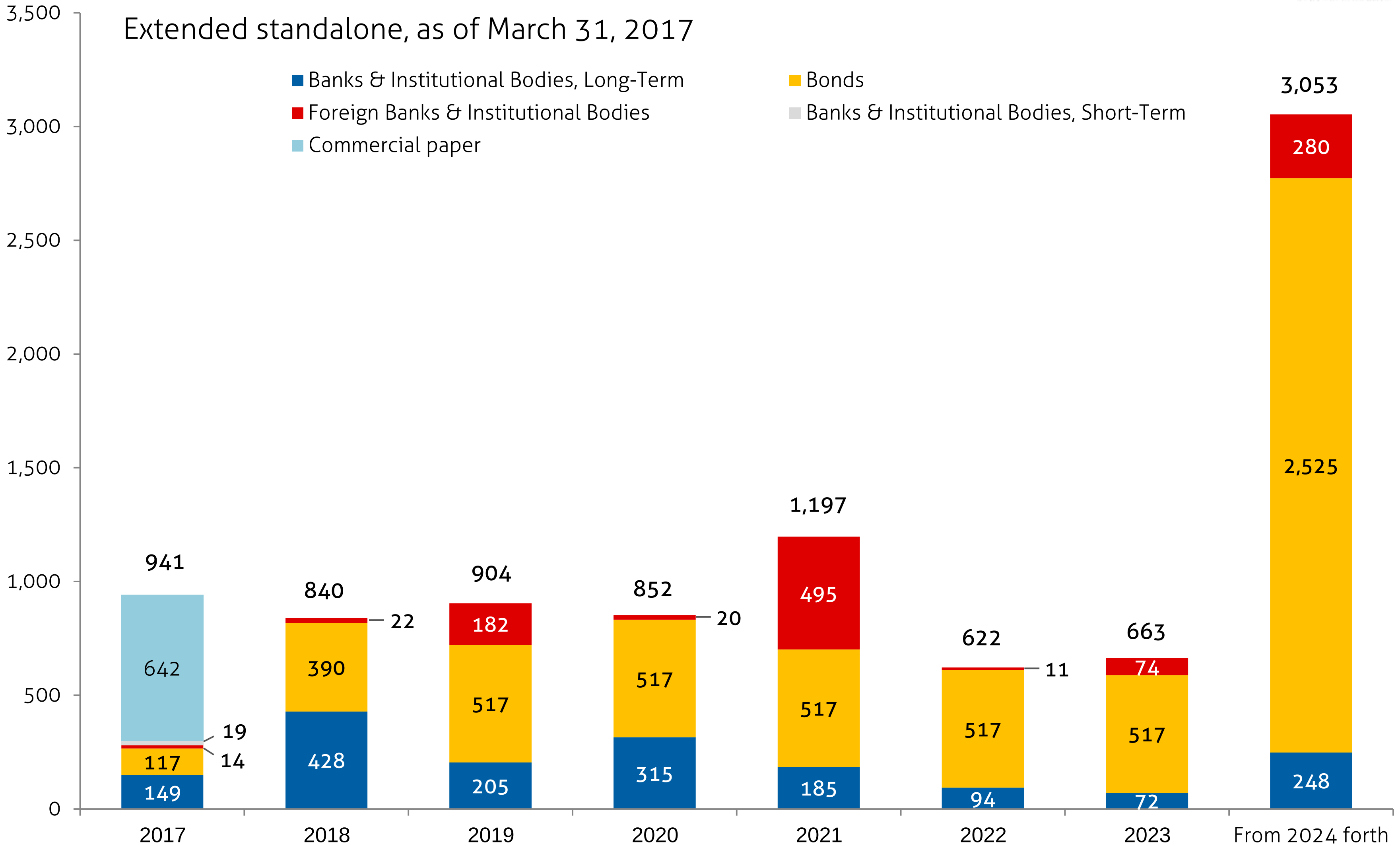


Debt Breakdown by Lenders



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

Well Staggered Debt Maturities (Principal Only)



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

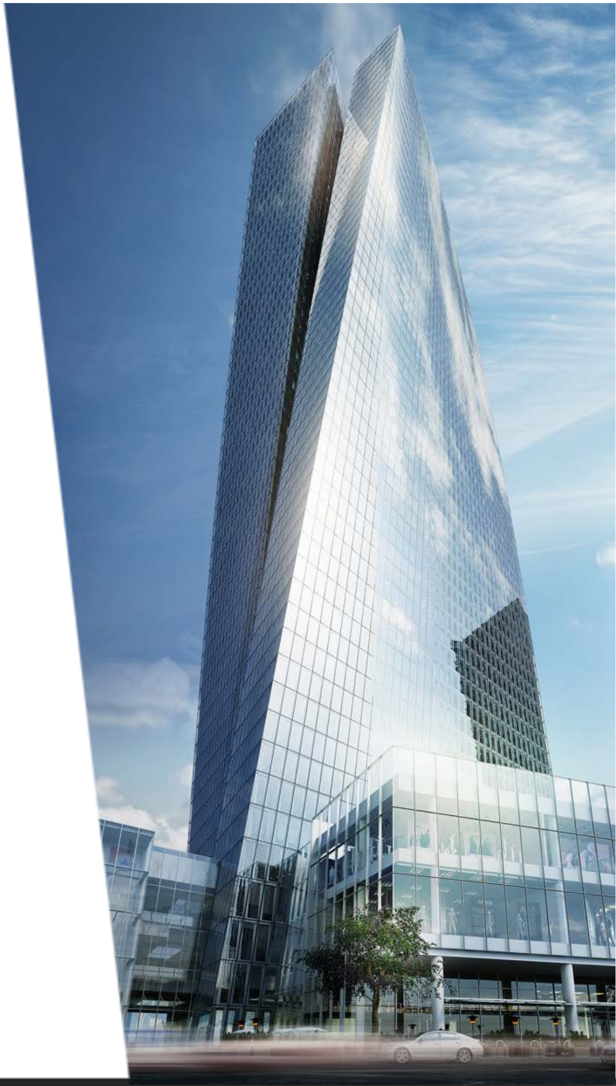
	Q1 2017	Q1 2016	2016
Revenues from rent, management and maintenance fees	453	422	1,755
NOI	338	319	1,301
Same property NOI	326	319	
FFO attributed to the real estate business(1)	253	228	948
Change in the value of investment properties(2)	(12)	268	547
Net profit, including minority interests(3)	241	674	1,808
Comprehensive income, attributable to the shareholders(3)	182	647	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 Q1-2016 - 25%)
(3) Adjusted net profit (net of fair value adjustments net of tax and the effect of reduction of the tax rate) increased by 5% and totaled NIS 253 million. Net of the effect of the decline in the index in Q1/2017, which decreased more moderately than the same quarter last year, the net profit increased by 8%.

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

	March 31, 2017	December 31, 2016
Cash, securities and deposits	**1,833**	1,281
Gross financial debt	**9,072**	8,627
Net financial debt (1)	**7,240**	7,345
Net financial debt to assets	**25%**	26%
Financial assets (mainly Leumi and Leumi Card)	**1,614**	1,625
Fair value of investment properties and properties under construction	**23,846**	23,723
Equity (excluding minority interests)	**14,946**	15,273
Equity to assets	**52%**	55%
Total assets	**28,685**	28,028
Equity per share (NIS)	**123.49**	125.94
EPRA NAV per share (NIS)(2)	**147**	149

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



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

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Weighted average cap rate – 7.6%

NIS in millions

Total investment properties "extended standalone" as of March 31, 2017	23,936
Net of the value attributed to land reserves, properties under construction and yet-unused building rights	(4,763)
Total income-producing properties	**19,173**
Actual NOI Q1/2017(1)	327
Future quarterly NOI addition	38
Total standardized NOI Q1/2017	365
Proforma Annual NOI	**1,460**
Weighted cap rate derived from investment income-producing properties, including vacant space	7.6%

FFO of the real estate business in the quarter - NIS 253 million

NIS in millions

Net profit for Q1/2017 (attributed to the shareholders)	240
Discounting the profit from Granite and Azrieli E-Commerce (including a deduction of excess cost)	(20)
Depreciation of investment properties	15
Tax	22
Additional adjustments	(25)
Plus interest paid in respect of real investments	4
Cash flow in respect of proceeds of residents' deposits, net, after deduction of forfeiture revenues	17
Total FFO for Q1, 2017, attributed to the income-producing properties segment	**253**

(1) Excluding senior housing, as the cap rate of senior housing properties derives from the FFO rather than the NOI.
(2) For details with respect to the FFO calculation, see Section 1.3.13 of the Board of Directors' Report.

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.