AZRIELI GROUP

Conference Call Presentation

Financial Statements March 31, 2016

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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 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, 2016, Sections 1.1.8 and 1.1.9, including the methods of calculation and the underlying assumptions thereof.
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- All figures are approximate.

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Azrieli Group \\ Business Card

AZRIELIGROUP

Publicly traded since 2010**, the ninth largest company** in the Tel Aviv Stock Exchange

Market Cap of **NIS 19.6 billion**[1]

Listed on all the leading **indices** TA-25, TA-100, Real Estate-15

The only Israeli company included in the **EPRA** Index

The Company owns income-producing properties with a total leasabl area of **912,000 sqm,** and in addition, **9 projects under construction** (on a consolidated basis)

Average **occupancy rate** in Israel of **98%**

90% of the value of investment and under-construction income-producing properties (on a consolidated basis) is attributed **to real estate in Israel**

Leverage rate of **25%** only, and equity to assets ratio of **56%**[2]

(1) As of May 23, 2016
(2) Extended standalone

Azrieli Group \\ Company Structure

69.9% The Azrieli family and the Azrieli Foundations

30.1% Public

Income-Producing Properties and Properties under Construction[1]

- **15** malls and retail centers
- **11** office and other properties
- **9** projects under development
- **1** senior home
- **6** office properties overseas

Holdings

- **4.6%** Bank Leumi
- **20%** Leumi Card
- **100%** Granite

Azrieli Group – Breakdown of Properties[1]

% of Total Properties
Book Value (NIS in millions)

(1) Extended Standalone, as of March 31, 2016

Q1Highlights

Financial Emphases

- **NOI** growth of **7%** compared with the same quarter last year
- **Same Property NOI** growth of **3%** compared with the same quarter last year
- **FFO** growth of **13%** compared with the same quarter last year

Continued development pipeline, improvement and acquisitions

- During the quarter, **the Group invested NIS 665 million** in investment property, improvement of existing properties and construction of properties under development.

Revaluation profits

- The Company recorded a **profit from revaluation of NIS 357 million** from the update of the valuations for land and a property under construction.

Financing

- The Company **raised NIS 1.1 billion in loans** at an average **1.5%** interest rate.
- In the coming year, **loans of NIS 1.1 billion** at an average interest rate of 5% **will be repaid.**

Turnover in store sales

- **7% increase in total turnover sales** 1-4/2016 vs. 2015 in Azrieli Malls

Dividend

- The Group distributed a NIS 400 million dividend (NIS 3.3 per share) in May 2016.

Q1 Highlights

Sale of non-core business

- **An agreement was signed for the sale of Sonol and real estate in Pi Glilot (including shares in the Pi Glilot company)** in consideration for NIS 500 million.

Expansion of senior housing operations

- Purchase agreement **for the 'Ahuzat Bayit' senior home** and the "Park Mall" retail center for NIS 55 million.
- Winning a **tender for the acquisition of land for senior housing in Rishon Lezion** for NIS 26 million (excluding development costs of NIS 22 million).

Closing the acquisition of land for development

- Closing of acquisition of **land in Holon from Lodzia** – 53,000 sqm with building rights of 193,000 sqm of office and retail space for NIS 280 million.
- Closing **the acquisition of "Yedioth Ahronoth" land near the Azrieli Tel Aviv center.**

Increasing the public holdings

- Further to the index reform declared by the Tel Aviv Stock Exchange, **Azrieli Foundation (Canada), an interested party of the Company, sold 5% of the Company's shares,** and the public holdings thus increased to around 30.1%.

Entering the eCommerce sector

- The Company signed an agreement with **Buy2 for the acquisition of its business in the eCommerce sector** in consideration for NIS 62 million.

Strategy

Mainly in Israel

Mainly income-producing real estate

Mainly shopping centers and offices

Mainly development

Long-term holding and management

Focus on the Core Business

NIS 1.6 billion of non-core asset sales in the last two years

Granite Hacarmel Investments Ltd.

Sonol (100%)	Tambour (100%)	Supergas (100%)	GES (100%)
Sale of Sonol's Business(1) — SOLD	Sale of business — SOLD	Sale of solar fields — SOLD	Sale of the Via Maris desalination plant — SOLD
Sale of Pi Glilot shares and land — SOLD		Supergas domestic business	Water treatment business
		Industrial natural gas distribution business	

(1) Closing of the sale is yet to take place.

Development Pipeline

Azrieli Group \\ Development Pipeline

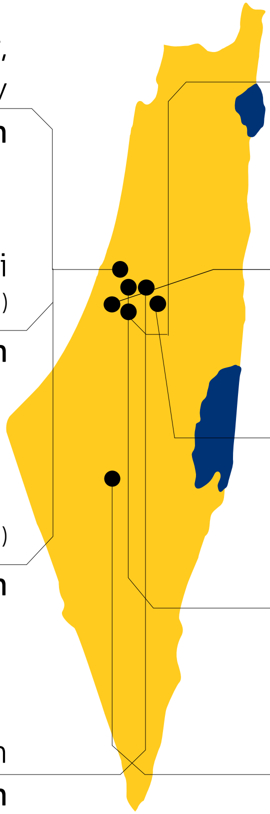



Azrieli Sarona Center, Tel Aviv
126,500 sqm

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

Azrieli Town Tel Aviv(2)
75,000 sqm

Lodzia land Holon
193,000 sqm



Azrieli Rishonim
53,000 sqm

Senior housing Rishon Lezion
28,750 sqm

Senior housing Modiin
35,000 sqm

Land in Holon
55,000 sqm

Senior housing Lehavim
44,000 sqm




(1) The Company is in the process of promoting a zoning plan for increase of the building rights to 145,200 sqm.
(2) Possession is expected to be handed over to the Company in August 2016.

Development Projects \\ The Growth Engine

Name of Property	Location	Use	Holding Rate	GLA	Estimated Completion Date	Estimated Construction Cost, including Land (NIS in millions)
Development Projects Under Construction						
Azrieli Sarona center	Tel Aviv	Retail offices	100%	11,500 115,000	Y2017	1,600-1,660
Azrieli Rishonim	Rishon Lezion	Retail and offices	100%	53,000	12/2016(4)	760-770
Azrieli Town(2)	Tel Aviv	Retail, offices and residences	100%	75,000	Y2020	(4) 1,000-1,050
Senior housing Modiin	Modiin	Senior housing	100%	35,000	Y2018	340-350
Senior housing land Lehavim	Lehavim	Senior housing	100%	44,000	Y2018	320-340
Total				**333,500**		**4,020-4,170(1)**
The projected NOI from projects under construction, as appearing in the above list, is NIS 400 million, reflecting a yield of 10%						
Development Projects in the Pre-Development Phase						
Expansion of Azrieli Tel Aviv center	Tel Aviv	Retail, offices and residences	100%	69,000(3)	Yet to be determined	
Holon land	Holon	Retail and offices	100%	55,000	Yet to be determined	
Senior housing land Rishon Lezion	Rishon Lezion	Senior housing	100%	28,750	Yet to be determined	
Holon Lodzia land	Holon	Retail and offices	100%	193,000	Yet to be determined	

(1) The figure reflects the costs to be invested without discounting and at bare shell level (2) Receipt of possession in August 2016 and estimated construction commencement in September 2016 (3) The Company is in the process of promoting a zoning plan for the addition and increase of rights and uses (4) The offices are expected to be leased up from the end of 2016, while retail spaces will be opened towards the end of Q1/2017.

Development Projects \\ Azrieli Sarona

AZRIELI SARONA
BUSINESS & TOWER
LUXURIOUS MALL

Azrieli Sarona

Land area – **9,400 sqm**

GLA – **115,000 sqm** of office space
11,500 sqm of retail space
1,400 parking spaces

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

Estimated date of completion – **2017**

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

Marketing

To date, contracts have been signed for **46,000 sqm** of leasable office space

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

Development Projects \\ Azrieli Sarona

AZRIELI SARONA
BUSINESS & TOWER
LUXURIOUS MALL

Photograph taken on May 16, 2016

Development Projects \\ Azrieli Rishonim Center

AZRIELI RISHONIM
BUSINESS & TOWER
LEISURE MALL

Azrieli Rishonim

Land area – **19,000 sqm**

GLA – **53,000 sqm** of office and retail space

Estimated construction cost, including land – **NIS 760-770 million**

Estimated date of completion – December **2016** (1)

Marketing

To date, contracts have been signed for **10,000 sqm** of the leasable office space

(1) The offices are expected to be leased up from the end of 2016 while retail spaces will be opened towards the end of Q1/2017.

Development Projects \\ Azrieli Rishonim Center

AZRIELI RISHONIM
BUSINESS TOWER & LEISURE MALL

Photograph taken on May 16, 2016

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**

240 residential units + **60** assisted living units + **2** LTC wings

Estimated construction cost, including land – **NIS 340-350 million**

Estimated date of completion – **2018**

Marketing

Signed preliminary applications for **90** residential units

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 – **44,000 sqm**

360 residential units + **4** LTC wings

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

Estimated date of completion – **2018**

Marketing

Marketing of the project is now beginning

Development Projects \\ Azrieli Town

Azrieli Town[1]

Land area – **10,000 sqm**

GLA – **75,000 sqm** of offices, retail space and residences

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

Estimated date of completion – **2020**

Consideration from apartment sales –
NIS 450 million to be added to the projected NOI from the lease of office and retail areas

Marketing

The Company is acting **to lease the office space in advance** to three principal tenants on long-term contracts

(1) Possession handover scheduled for August 2016

Development Projects \\ Expansion of Azrieli Tel Aviv Center

Yedioth Ahronoth Land

Land area – **8,400 sqm**

Leasable area – **69,000 sqm**

The Company is in the process of promoting a zoning plan for increase of the building rights to **145,200 sqm**

Cost of land – **NIS 374 million**

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

Progress Update

At the end of the quarter, the company **took possession** of the property, and has already **commenced preliminary preparatory work** at the site.

Development Projects \\ Azrieli Holon Business Center

AZRIELIGROUP

Palace Senior Housing Chain

Palace Tel Aviv:	231 residential units + **4** LTC wings
Palace Modi'in*:	240 residential units + 60 assisted living units + 2 LTC wings
Palace Lehavim*:	360 residential units + 4 LTC wings
Palace Rishonim*:	250 residential units + 1 LTC wing
Ahuzat Bayit[(1)]**:**	325 residential units + 2 LTC wings

Latest Developments

- In March 2016 – won an ILA tender **for the construction of a senior home in Rishon Lezion,** near the Azrieli Rishonim center.
- In March 2016 – Signed purchase agreement for **the acquisition of the 'Ahuzat Bayit' senior home in Raanana.**

[(1)]Purchased has not been finalized * Project under construction or in planning stages.

Ahuzat Bayit Senior Home, Ra'anana

Ahuzat Bayit[1]

Land area – **15,000 sqm**

GLA – **29,000 sqm of** senior housing space
4,500 sqm of retail space
325 residential units
2 LTC Units

Acquisition cost – **NIS 55 million**

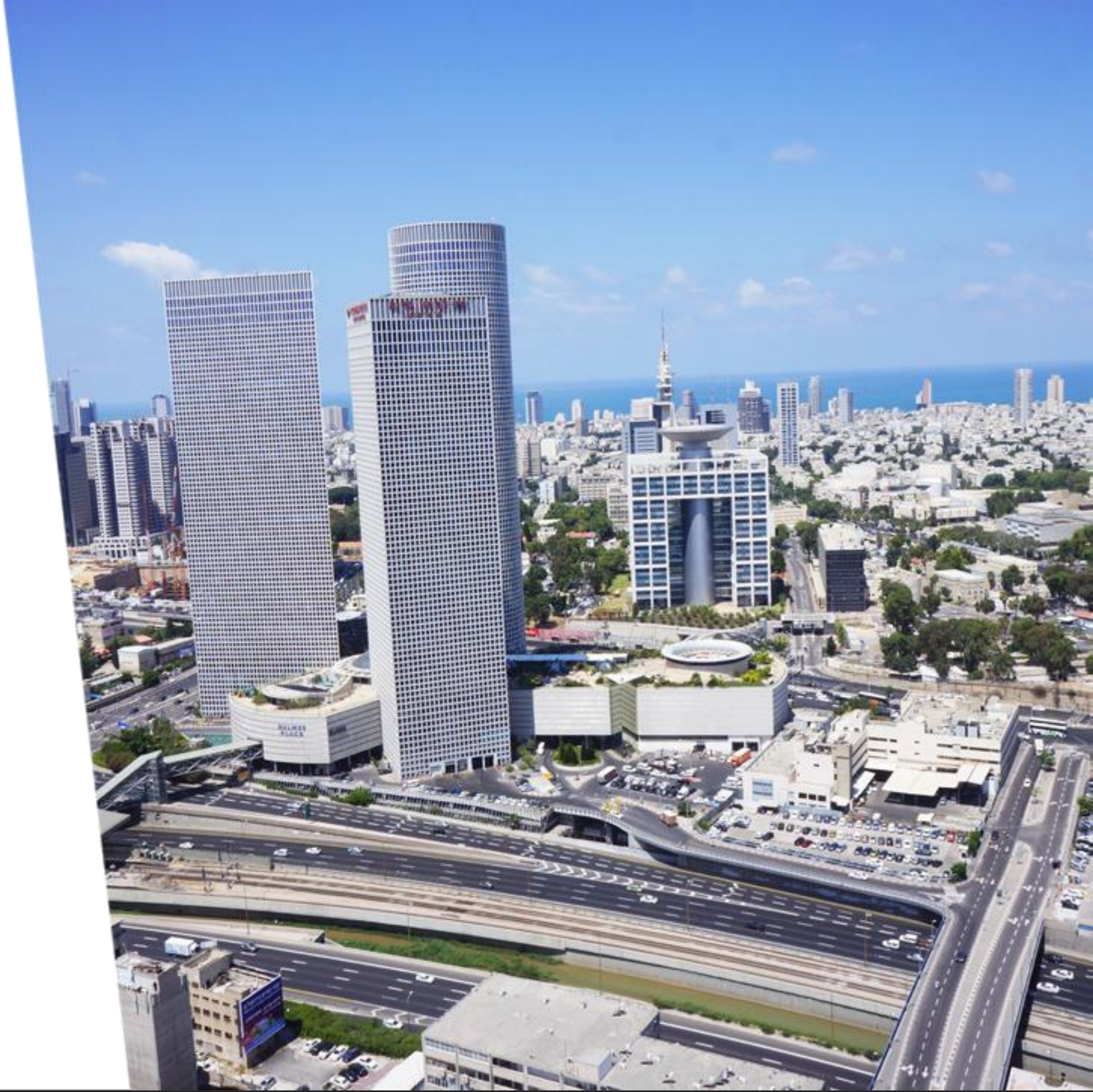
NOI – **NIS 5 million (only from retail)**

Latest Updates

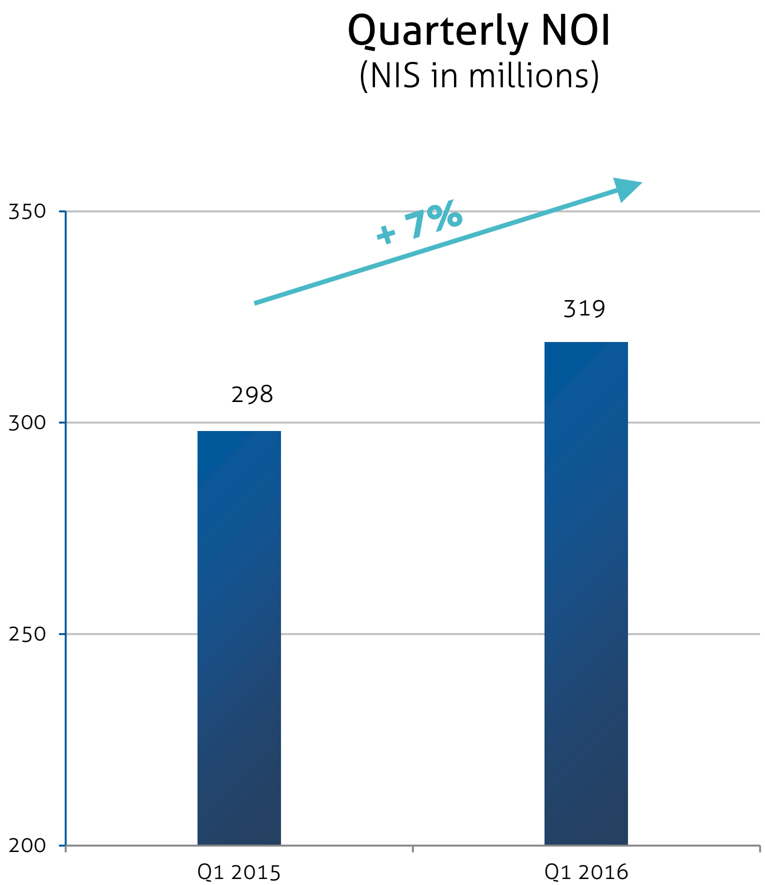
On April, 2016, the purchase agreement was given approval by the Anti-Trust Commissioner

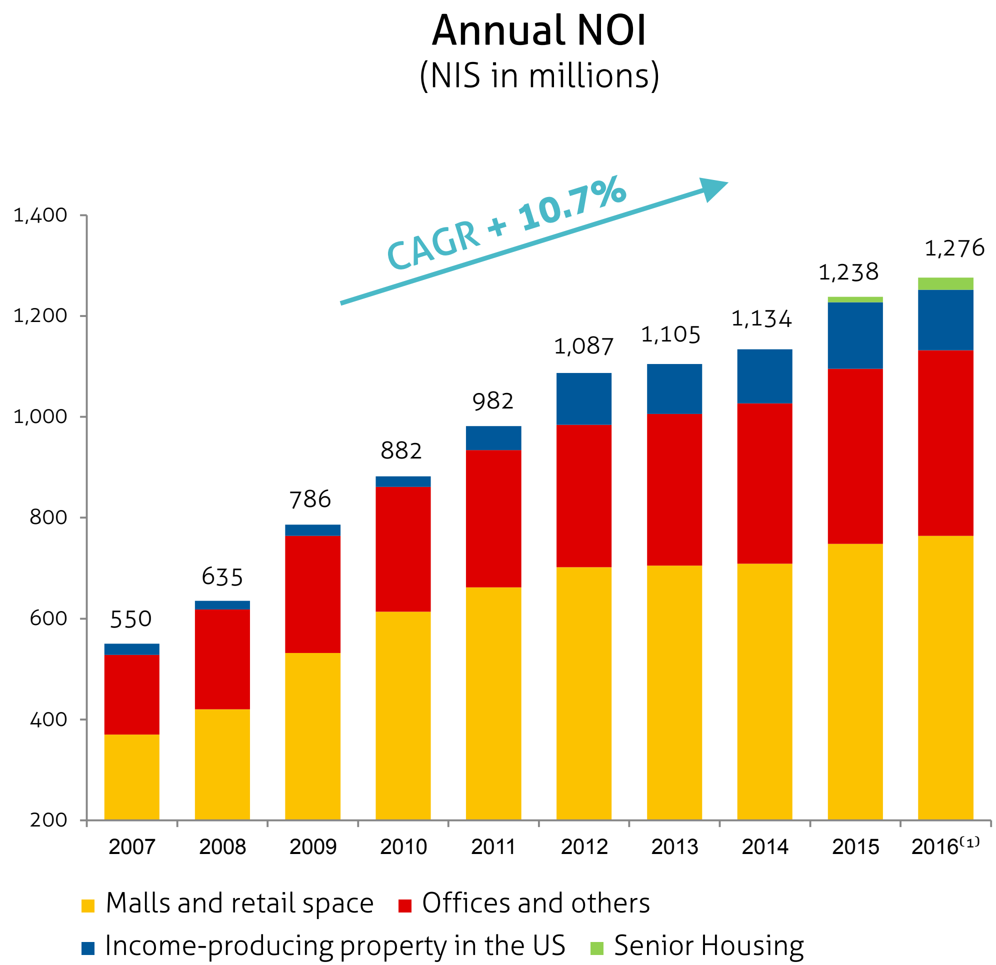
[1] Purchased has not been finalized

Financial Highlights



Continuous Growth in NOI

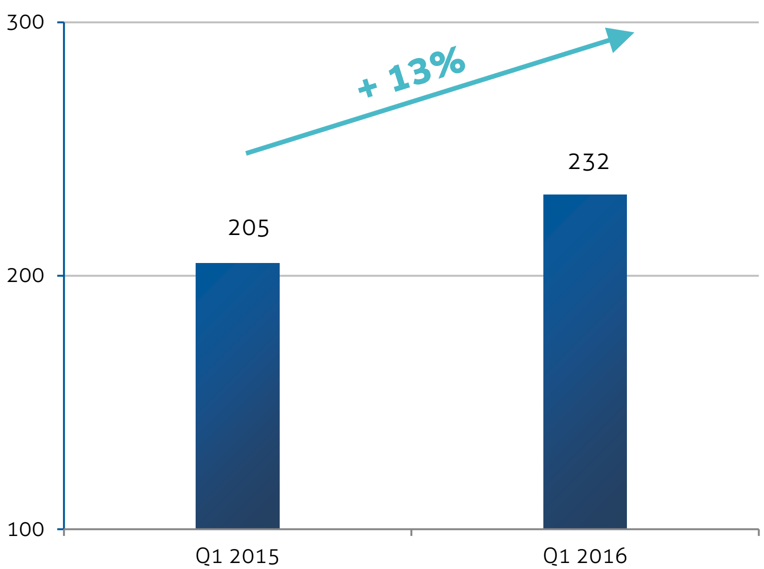


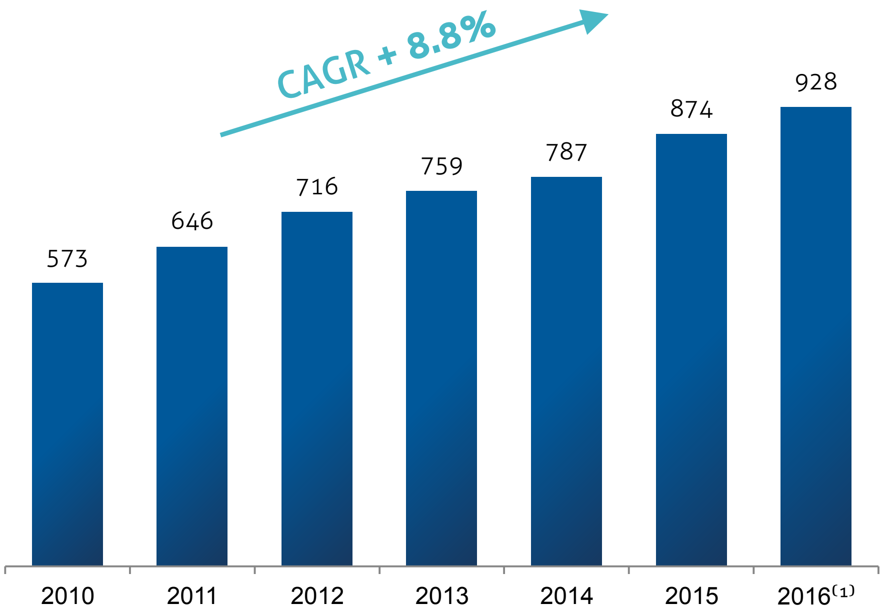


(1) Based on the results of Q1; Q1 multiplied by 4 for each one of the operating segments (Annualized)

Continuous Growth in FFO

Real Estate FFO (NIS in millions)





(1) Based on the results of Q1; Q1 multiplied by 4 (Annualized)

Summary of Financial Results (extended standalone, NIS in millions)

	Q1-2016	Q1-2015	2015
Income from rent, management and maintenance fees	**422**	385	**1,632**
NOI	**319**	298	**1,238**
Same property NOI	**304**	296	**1,183**
Real estate segment FFO	**232**	205	**874**
Change in the value of investment property(1)	**268**	(10)	**132**
Net income, including minority interest(2)	**674**	191	**828**
Net income, attributed to shareholders(2)	**672**	188	**821**
Comprehensive income, attributed to shareholders(2)	**647**	275	**840**

(1) Net, after tax. (2) In 2015, Azrieli Group recorded an impairment of the goodwill attributed to Sonol (held 100% by Granite) at a scope of NIS 103 million.

Summary of Balance Sheet (extended standalone, NIS in millions)

	March 31, 2016	December 31, 2015
Cash, securities and deposits	**576**	861
Financial debt, gross	**6,751**	6,520
Financial debt, net (1)	**6,175**	5,659
Net financial debt to total assets ratio	**25%**	23%
Financial assets (mainly Leumi & Leumi Card)	**1,585**	1,582
Fair value of investment property and property under construction	**21,469**	20,516
Equity (excluding minority interest)	**14,025**	13,771
Equity to total assets ratio	**56%**	57%
Total balance sheet	**25,089**	24,310
Equity per share (NIS)	**115.65**	113.56
EPRA NAV per share (NIS) (2)	**140**	138

(1) Excluding financial assets available for sale.
(2) Excluding the projected profit component from the development projects.

Average Cap-Rate and FFO of the Real Estate Business

Weighted average cap rate of 7.6%

	NIS in millions
Total investment property as of March 31, 2016 (extended standalone)	21,553
Net of the value attributed to land reserves, properties under construction and unused building rights	(3,658)
Total income-producing properties	**17,895**
Actual NOI for Q1/2016[1]	313
Additions to future quarterly NOI[1]	26
Total adjusted NOI for Q1/2016	339
Annual pro-forma NOI	1,356
Weighted cap rate deriving from the income-producing investment property, including vacant space	**7.6%**

Real estate segment FFO – NIS 928 million

	NIS in millions
Net profit for Q1/2016 (attributed to the shareholders)	672
Net of the profit from Granite (including deduction of surplus costs)	(20)
Appreciation of investment property	(357)
Tax expenses	(36)
Other adjustments	(36)
Plus interest paid on real investments	5
Net cash flow from incoming deposits from tenants, net of revenues from forfeiture	4
Total FFO for Q4/2015 attributed to real-estate operations	232
Total annual proforma FFO attributed to real-estate operations	**928**

(1) Excluding senior housing, since the cap rate of senior housing properties is derived from FFO, not from NOI.

Debt Structure and Rating

Financial strength[1]

- Low leverage - net financial liabilities to total assets: **25%**
- Equity to total assets: **56%**
- Liquid resources of **NIS 576 million**
- Non-mortgaged property value of **NIS 17.9 billion**
- Loans from banks and institutional bodies: **NIS 3.4 billion**
- Bonds & commercial paper: **NIS 3.4 billion**
- Average duration: **3.11 years**

Rating

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

	Principal amount (NIS in millions)	Percentage of total gross debt
Up to 1 year	2,703	40%
1 to 4 years	1,650	24%
5 to 10 years	2,399	36%
Total as of March 31, 2016	**6,752**	**100%**

	Principal amount (NIS in millions)	Average interest rate
Linked to CPI	4,535	2.12%
In NIS	1,120	0.90%
Linked to $	1,074	4.72%
Linked to £	23	2.04%
Total as of March 31, 2016	**6,752**	**2.33%** Potential Upside[2]

(1) Based on extended standalone statement as of March 31, 2016.
(2) In the upcoming period, the Company expects to repay loans in the sum of NIS 1.9 billion (excluding short-term loans), NIS 1.1 billion of which bear an average interest rate of 5%.

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:
  1. Internal growth.
  2. Enterprise and development of new properties.
  3. Purchase of income-producing properties and land for future development.
  4. New real estate operating segments (senior housing) and entry into the digital commerce segment.
- Most of the Company's operations are in Israel.