



AZRIELIGROUP

AZRIELI GROUP

Conference Call Presentation

Financial Statements December 31, 2017



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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, 2017, Section 2.7, 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 numbers and figures are approximate.

Convenience Translation from Hebrew // Important Notice

- › The following English translation of Azrieli Group's presentation for the conference call of March 21, 2018 (the "**Presentation**") is provided for convenience. Please note that this document should not be regarded as a substitute for reading the full original Hebrew version of the Presentation. 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 March 21, 2018. Nothing in this translation constitutes a representation of any kind in connection with the Presentation, nor should it be regarded as a source for interpretation of 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 5th largest company⁽¹⁾** on the Tel Aviv Stock Exchange

Market cap of **NIS 20 billion⁽¹⁾**

Listed in 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 **1,145,000 m²** and **9 additional projects under construction**

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

92% 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 is only **27%**, and equity to assets ratio of **55%**



(1) As of March 20, 2018 (2) Excluding recently-completed properties in the process of occupancy.

Income-Producing Properties Map



Malls and Retail 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 in Israel

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

17 malls 332,000 m²

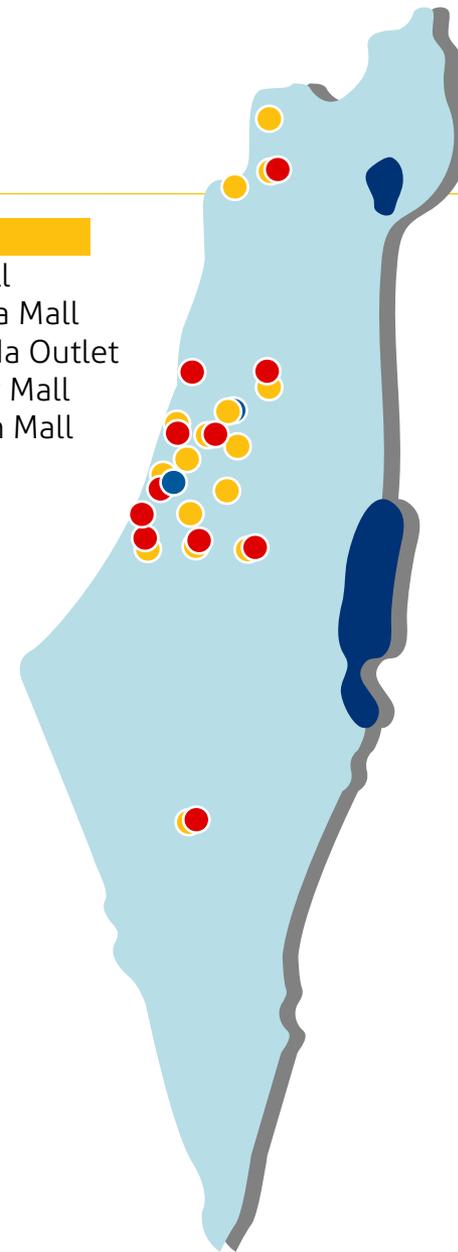
13 office properties 541,000 m²

2 senior homes 49,000 m² 560 residential units

7 office properties overseas 223,000 m²

Total 1,145,000 m² (1)

(1) As of December 31, 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 Y/2017 and for Q4/2017*

Financial Highlights For Y/2017

- > NOI totaled NIS 1,385 million, **an increase of 6.5%** compared with 2016.
- > Same Property NOI – **an increase of 2% in properties in Israel.**
- > FFO totaled NIS 1,023 million, **an increase of 8%** compared with 2016.

Financial Highlights For Q4/2017

- > NOI totaled NIS 360 million, **an increase of 7%** compared with Q4/2016.
- > Same Property NOI – **no change in properties in Israel in the quarter.**
- > FFO totaled NIS 261 million, **an increase of 7%** compared with Q4/2016.

Continued Momentum of Development, Betterment and Acquisitions

- > Over the course of 2017, **the Group invested NIS 1.2 billion** in investment properties, the purchase of properties, the redevelopment of existing properties, and the development of new properties.

Land Purchases

- > In January 2018, **The company purchased land for development in Modi'in** in an area of 5.3 thousand m² in consideration for 101.5 Million.
- > In November 2017, **the company purchased land for development in Petach-Tikva**, next to an existing income-property of the company in consideration for NIS 91 Million.

Dividend

- > A dividend distribution for 2017 in the amount of NIS 520 million, up 8% from 2016.



* Some of the highlights present data and events as of the report release date.

Highlights for Y/2017 and for Q4/2017*

Marketing of Projects

- > **Azrieli Sarona** - contracts have been signed ⁽¹⁾ for **95% of the leasable office space**. (40,600 m² were leased during the year and thereafter)
- > **Azrieli Rishonim** - contracts have been signed for **98% of the leasable office space**. (13,300 m² were leased during the year and thereafter)
- > **Azrieli Holon** - contracts have been signed for **89% of the leasable space**. (8,400 m² were leased during the year and thereafter)

Financing

- > In February 2018, the Company **raised NIS 1.4 billion** through an expansion of the Series D Bonds.
- > In March 2017, the company **raised NIS 1.4 billion** through an expansion of the Company's three negotiable bond series (B, C, and D).

Net and Total Profit

- > **The total profit** for 2017 amounted to **NIS 1,476 million**.
- > The adjusted net profit ⁽²⁾ increased **20% in 2017 to NIS 1,034 million** and increased 19% in Q4/2017 to NIS 268 million.

Increase in Revenues of Azrieli Malls

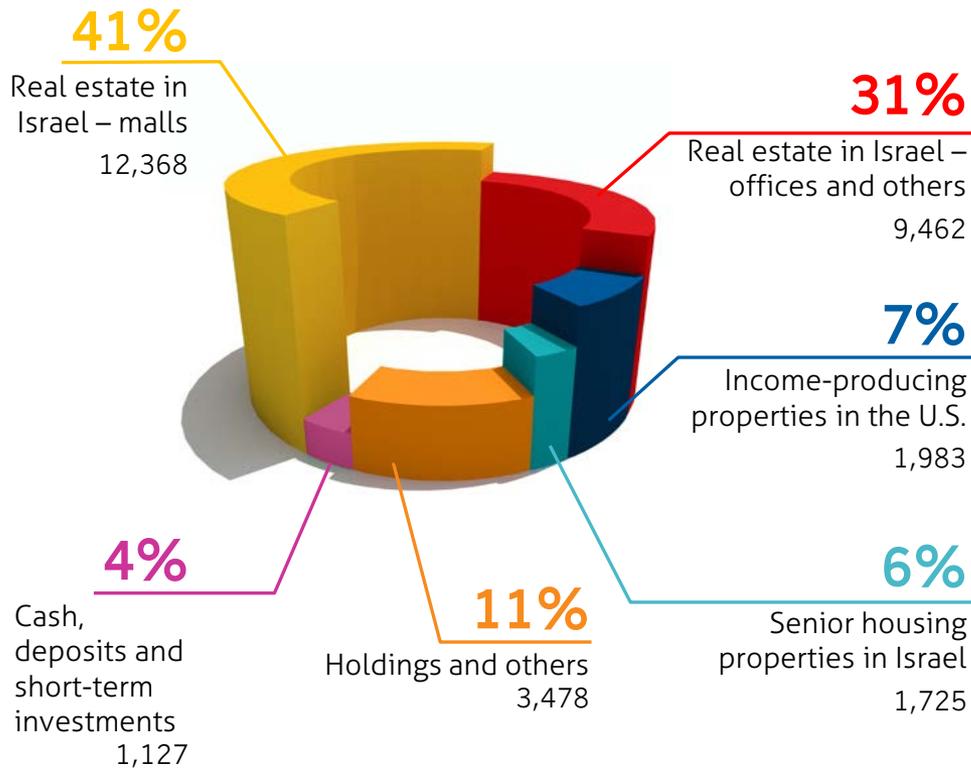
- > 2017 saw an increase of 5% in the revenues of the Group, compared with 2016. Same properties recorded a 1.3% rise. Q4/2017 saw **increase of 6.3% in the revenues of the Group**, compared with Q4/2016. Same properties recorded a 1.4% rise.



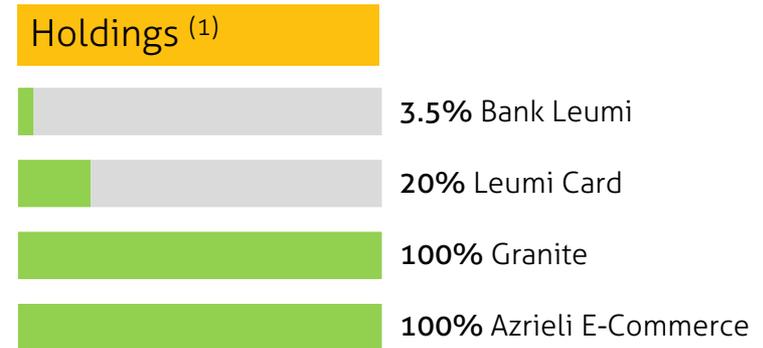
* Some of the highlights present data and events as of the report release date.

(1) Including options. (2) Net profit discounting the effect of real estate revaluations net of tax and the effects of the tax rate change.

Azrieli Group // Breakdown of Properties⁽¹⁾



% of Total Properties
Book Value (NIS in millions)



(1) Extended Standalone as of December 31, 2017, for further details refer to section 1.2.1 in part A of the annual report.



Income-Producing Property // Azrieli Sarona

Azrieli Sarona

Land area - 9,400 m²

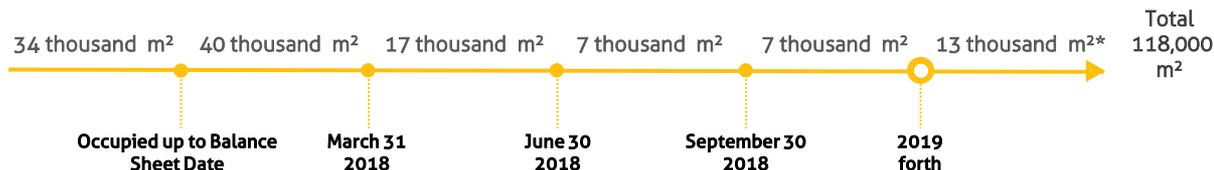
GLA - 118,000 m² of office space
10,500 m² of retail space - opening in Q3/2018
1,247 parking spaces

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

Projected NOI - NIS 200-210 million⁽¹⁾

Marketing and Occupancy

Up to the balance sheet date, 34,000 m² of office space are occupied.
The occupancy plan for the coming quarters is as follows, Assuming that all options are exercised and occupied on their expiration date:



* Including options of present major tenants that will expire during 2019 and assuming that areas with respect to which binding agreements have not yet been signed will be occupied.

(1) Estimated NOI reflects additional investments at finishing level of NIS 185 million.



Azrieli Group // Acquisition of Land for Development

Land for Development, Petach Tikva

Land area - **19,000 m²**

Cost of acquisition - **NIS 91 million**

Date of acquisition - **November 2017**

The land is adjacent to an existing office property owned by the Group, most of which is leased to Teva.

Approved zoning plan - **53,000 m²**
and underground parking



- Existing income producing property
- Land Purchased

Land for Development, Modi'in

Land area - **5,300 m²**

Cost of acquisition - **NIS 101.5 million**

Date of acquisition - **January 2018**

The land is adjacent to the Azrieli Modi'in Mall

The land is designated for the construction of offices, retail space, 50 hotel rooms and 80 residential units. The Company intends to examine the possibility of increasing the building rights on the land.



Azrieli Group // Malls and Retail Centers



Total revenues in 2017 – **NIS 1,032 million** compared with NIS 974 million in 2016 – **up 6%**

NOI in 2017 – **NIS 828 million** compared with NIS 779 million in 2016 – **up 6% in a year**

GLA – **332,000 m² (1)**

Average occupancy rate – **98%**

Book value – **NIS 12.4 billion**

During the year, the Group invested **NIS 321 million** in the malls segment, in the purchase of properties, the betterment of existing properties and the development of new properties.



(1) GLA (gross leasable area) on a consolidated basis as of December 31, 2017

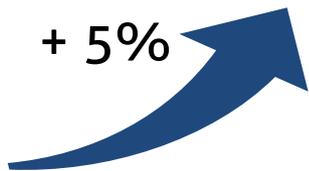
Azrieli Malls Group // Revenues and Rent to Revenue Ratio



2017 vs. 2016

Total Increase in
Azrieli Malls Group Revenues

+ 5%



+6.3%

Q4/2017 vs. Q4/2016

Average in the last 5 years

+2.6%



Total Increase in Azrieli Malls Group
Revenues – Same properties

+ 1.3%

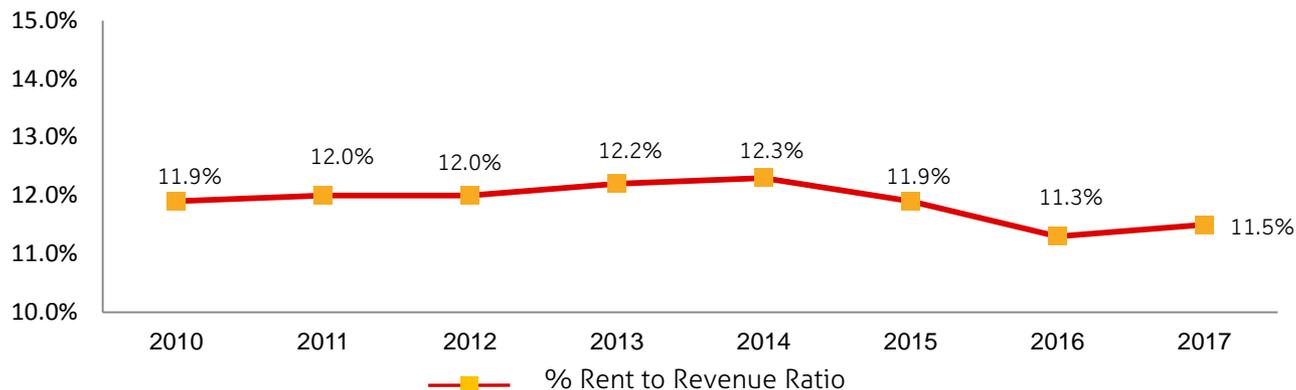


+1.4%

Q4/2017 vs. Q4/2016

Average in the last 5 years

+0.64%



Material Properties // Azrieli Jerusalem Mall

Occupancy rate - 100%

GLA - 40,000 m²

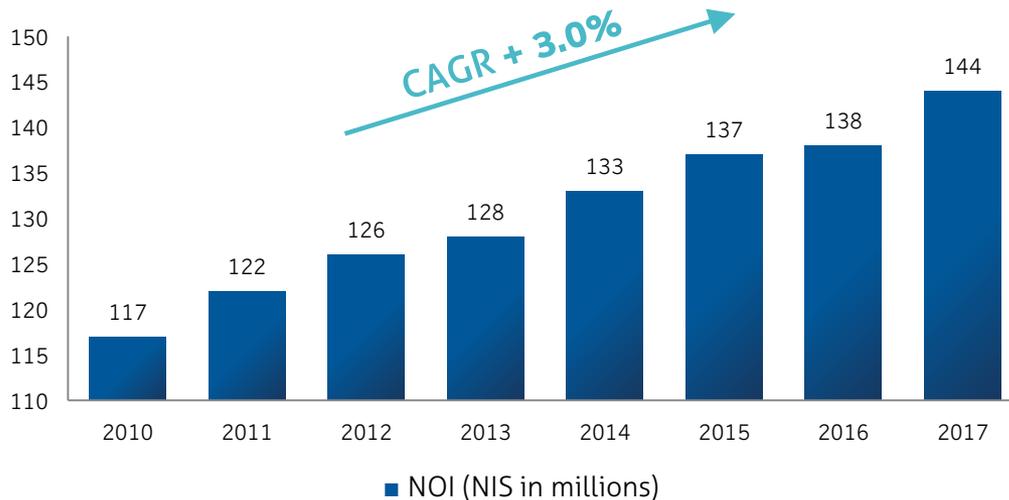
Property value - NIS 2,058 million

NOI in 2017 – 144 million

Increase of 4% from the end of 2016

Developments

- > In December 2017, the renovation of the mall was completed, including the improvement of the public spaces and an update of the store mix.
- > The Company is working to promote a zoning plan for expansion of the mall, and the addition of senior housing and office spaces.



Material Properties // Azrieli Tel Aviv Mall

Occupancy rate – 100%

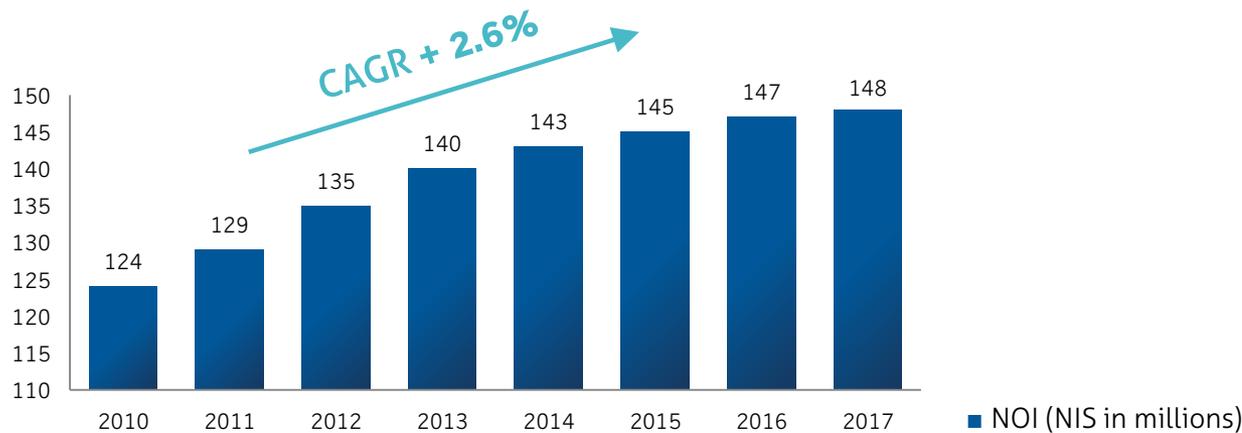
GLA – 36,000 m²

Property value – NIS 2,162 million

NOI ⁽¹⁾ in 2017 – NIS 148 million

Developments

- > In the previous year, the food court was **renovated and upgraded** to achieve a new and modern look.
- > In addition, the restrooms were renovated and diaper changing rooms and a family room were added.
- > Change in the mall's store mix, including: **Opening of the first PUMA store in Israel** and the **Foot Locker** and **Bershka** stores.



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

Azrieli Group // Office and Other Space (Israel)

Total revenues in 2017 – NIS 489 million, compared with NIS 447 million in 2016 – up 9%

NOI in 2017 – NIS 397 million compared with NIS 369 million in 2016 – up 8%

GLA of 541,000 m² ⁽¹⁾

Average occupancy rate – 99% ⁽²⁾

Book value – NIS 9.5 billion

During the year, the Group invested NIS 600 million in the office segment, in the purchase of properties, the betterment of existing properties and the development of new properties.



(1) GLA figures on a consolidated basis as of December 31, 2017

(2) Excluding the 2 buildings of phase B in the Azrieli Holon Center, and the offices in the Azrieli Rishonim and Azrieli Sarona projects, which were opened recently and are in lease up stages.

Highly Material Property // Azrieli Towers Tel Aviv

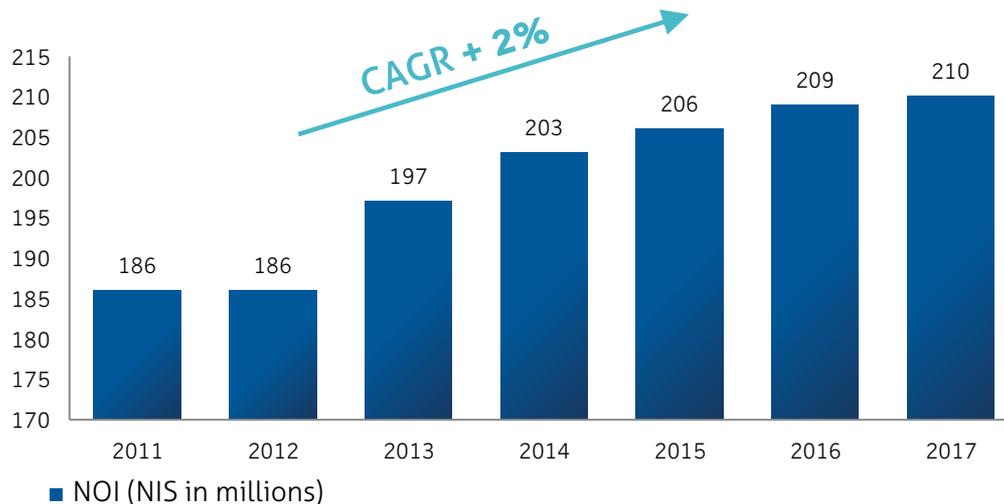
Occupancy rate – **100%**

GLA – **148,000 m²**

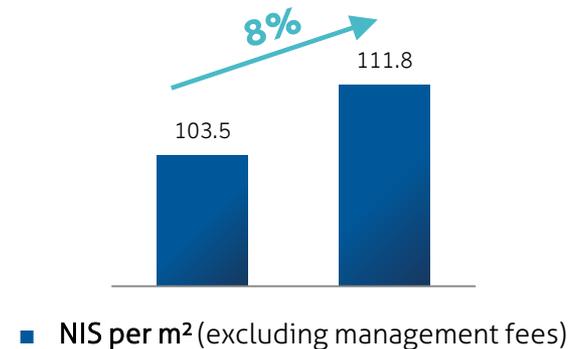
Property value – **NIS 3,008 million**

Developments

- > In the course of 2017, new contracts were signed with the average rent per m² **15% higher (NIS 122 per m² per month)** than the average monthly rent for the property (NIS 106)⁽¹⁾.
- > **An 8% increase** in rents in contract renewals (including new contracts and option renewals) for **21,000 m²** in 2017.



Increase in Rent per m² in Contract Renewals and New Contracts



(1) The average monthly rent for the property does not include the hotel rent.,

Palace Senior Housing Chain

Operating Homes

Palace Tel Aviv: 231 residential units + 4 LTC units

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

Homes under Construction

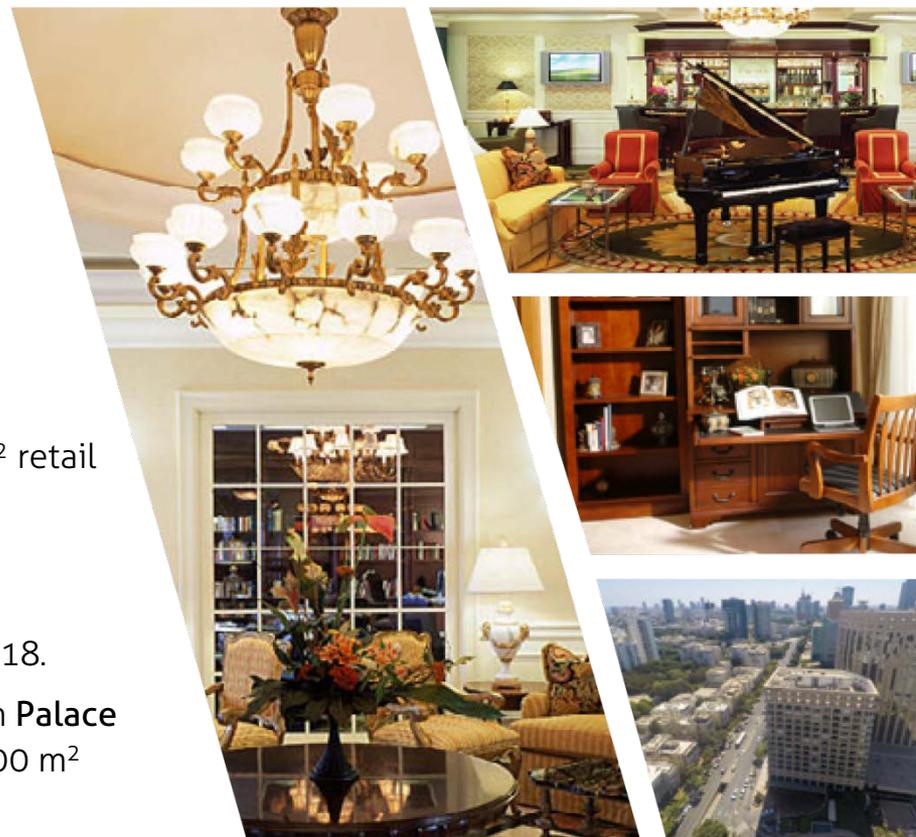
Palace Modi'in: 239 residential units + 136 LTC beds

Palace Lehavim: 350 residential units + 36 LTC beds

Palace Rishonim: 250 residential units + 1 LTC unit + 3,000 m² retail space

Developments

- > **Palace Modi'in** – construction completion expected in Q3/2018.
- > The Group is promoting a plan for the expansion of areas in **Palace Rishonim**, such that the rights in the project will total 61,000 m² (currently usage rights are 29,000 m²).





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Development Pipeline



Azrieli Group // Development Momentum



Azrieli Sarona,
Tel Aviv – retail
10,500 m²



Expansion of Azrieli
Tel Aviv Center
150,000 m² (1)



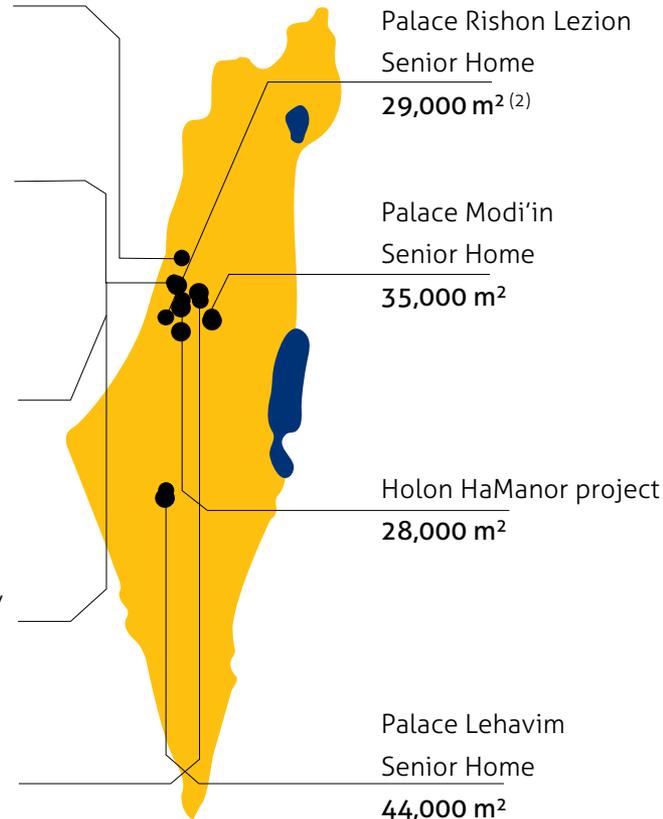
Land for Development
Petach Tikva
53,000 m²



Azrieli Town Tel Aviv
75,000 m² (2)



Holon 3 Project
(ex. Lodzia)
220,000 m²



(1) According to approval by the District Committee for publication of a plan for validation in October 2017 (2) The Company is promoting a zoning plan for the addition of building rights.

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 Sarona	Tel-Aviv	Retail	10,500	Q3/2018	330-340
Palace Senior housing	Modi'in	Senior Housing	35,000 ⁽²⁾	Q3/2018	380-390
Palace Senior housing	Lehavim	Senior Housing	Stage A -32,000	Stage A -2019	380-390
			Stage B- 12,000	Stage B- TBD	
Azrieli Town ⁽³⁾	Tel-Aviv	Retail, Offices and Residences	Offices 50,000	Retail and Offices 2020	1,060-1,110
			Retail 4,000		
			210 Residential Units	Residences TBD	
Holon Hamanor	Holon	Offices and Retail	Offices 26,000	2020	220-240
			Retail 2,000		
Total			192,500		2,370-2,470
Development Projects in the Long Term					
Expansion of Azrieli Center Tel Aviv	Tel Aviv	Retail, Offices and Residences	150,000 ⁽⁴⁾	Yet to be determined	2,300-2,500
Palace Rishon Lezion	Rishon Lezion	Senior housing and Retail	28,750 ⁽²⁾⁽⁵⁾	Yet to be determined	310-320
Holon 3 (ex. Lodzia)	Holon	Retail and Offices	220,000	Yet to be determined	Yet to be determined
Land Petach – Tikva	Petach - Tikva	Offices	53,000	Yet to be determined	Yet to be determined
Total			451,750		2,610-2,820 + projects that cost has not been finalized
Total			644,250		4,980-5,290

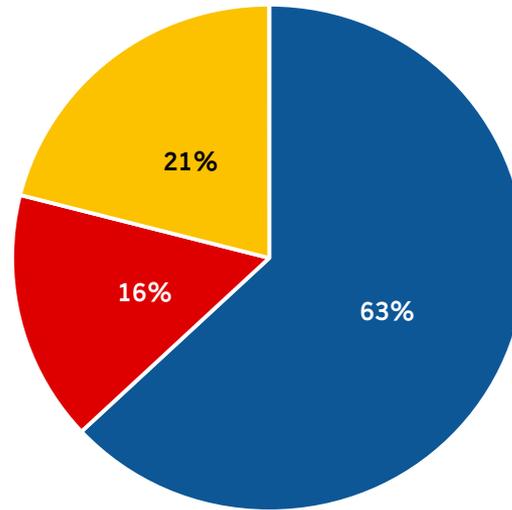
1) The cost without capitalizations and without tenant adjustments | (2) The figure constitutes the scope of the building rights in sqm | (3) The Company is in the process of increasing the building rights in the project by around 20,000 sqm | (4) According to the District Committee's approval for publication of a plan for validation in October 2017 | (5) The Company is in the process of increasing the building rights in the project by around 32,250 sqm.

Azrieli Group // Development Investments by Sectors

Investments in properties under development by sectors

Investments by sectors, total for projects

NIS 4,980-5,290 Million



- Offices & others (include residences)
- Retail
- Senior-Housing



Investments in properties under development include: Azrieli Sarona (retail), Azrieli Town, Palace Modi'in, Palace Lehavim, Holon HaManor, expansion of Azrieli Center Tel Aviv and Palace Rishon Lezion and exclude the Holon 3 project (Lodzia) and land in Petach Tikva.

Development Projects // Expected Contribution* to NOI and FFO

Actual NOI in 2017 **1,385**

> Additional NOI from development projects (1) 187

> Annualized Additional NOI from existing properties (2) 222

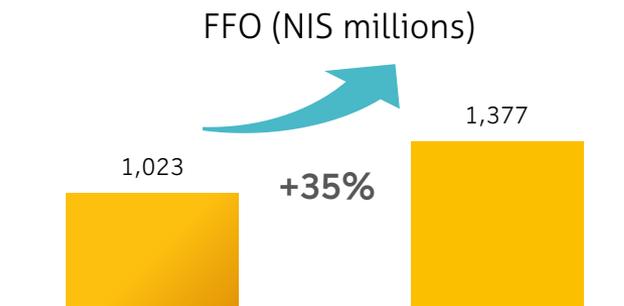
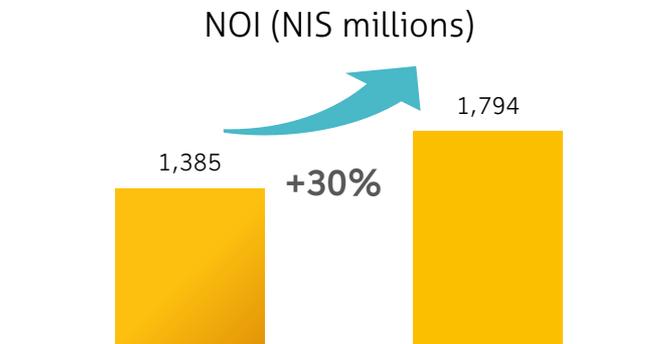
Projected NOI after lease-up of projects under development **1,794**

Actual FFO in 2017 **1,023**

> Additional FFO from cash flow 345

> Saving from refinancing 9

Projected FFO after lease-up of projects under development and refinancing **1,377**



(1) NOI from projects under development includes Sarona retail space, Town, Palace Modi'in, Palace Lehavim, Holon HaManor, and excludes Expansion of Azrieli Tel Aviv Center, Holon 3 project (Lodzia), Rishonim senior housing land and land in Petach Tikva

(2) Annualized additional NOI from existing properties includes Azrieli Sarona Center offices, Azrieli Holon Center and Azrieli Rishonim.

* 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 m²**

GLA ⁽¹⁾ - **50,000 m²** of offices
4,000 m² of retail space
210 residential units

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

Estimated date of completion – Offices and retail – **2020**
Residence - TBD

Marketing

The Company has signed two major lease agreements for **26,000 m²** with the **PWC** accounting firm and the Fischer, Behar, Chen law firm.

Progress Update

The Company is promoting a zoning plan for the addition of building rights for offices and residence.



(1) Figures refer to the current zoning plan.

Development Projects // Palace Modi'in Senior Home

Palace Modi'in Senior Home

Land area - **10,500 m²**
at the entrance to the city of Modi'in, on Route 443

Building rights – **35,000 m²**

239 RUs+ 136 LTC beds

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

Estimated date of completion – **Q3/2018**

Marketing

As of the Report Release Date, 139 preliminary applications have been signed, out of which **111 contracts have been signed.**



Development Projects // Expansion of Azrieli Tel Aviv Center

Yedioth Ahronoth Land

Land area – **8,400 m²**

GLA – **150,000 m²**

including 13,000 m² of retail space
for expansion of the Azrieli Tel Aviv Mall

Cost of land – **NIS 374 million**

Estimated construction cost, including land –
NIS 2.3-2.5 billion

Progress Update

In October 2017 the Company received approval from the District Committee for publication of a plan for validation of additional retail, office, hotel, residential and senior housing building rights, **such that building rights in the project will total 150,000 m².**



Development Projects // Palace Lehavim Senior Home

Palace Lehavim Senior Home

Land area – **28,000 m²**, in the southern part of the town of Lehavim, not far from the train station

Building rights

Phase A - **32,000 m²**

Phase B - **12,000 m²**

350 RUs + 36 LTC beds

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

Estimated date of completion – **Phase A – 2019**
Phase B - TBD

Marketing

As of the Report Release Date, **61 preliminary applications** have been signed, out of which 27 contracts were signed.

Progress Update

An aboveground permit was received in July 2017.



Development Projects // Azrieli Holon HaManor

Azrieli Holon HaManor Center

Land area – **6,200 m²**

GLA – Retail: **26,000 m²**
Office space: **2,000 m²**

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

Estimated completion date – **2020**

The land is adjacent to the Holon 3 project land (formerly Lodzia) and close to the **Azrieli Holon Center**.

Marketing

The Company has commenced activities for the marketing of the building.

Progress Update

In February 2018, a basement permit was received and an application for an aboveground permit was conditionally approved.



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





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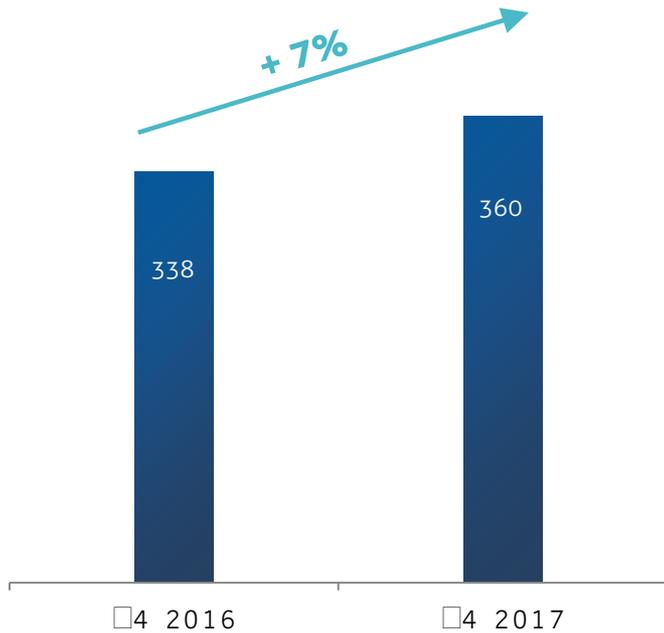
Financial Highlights



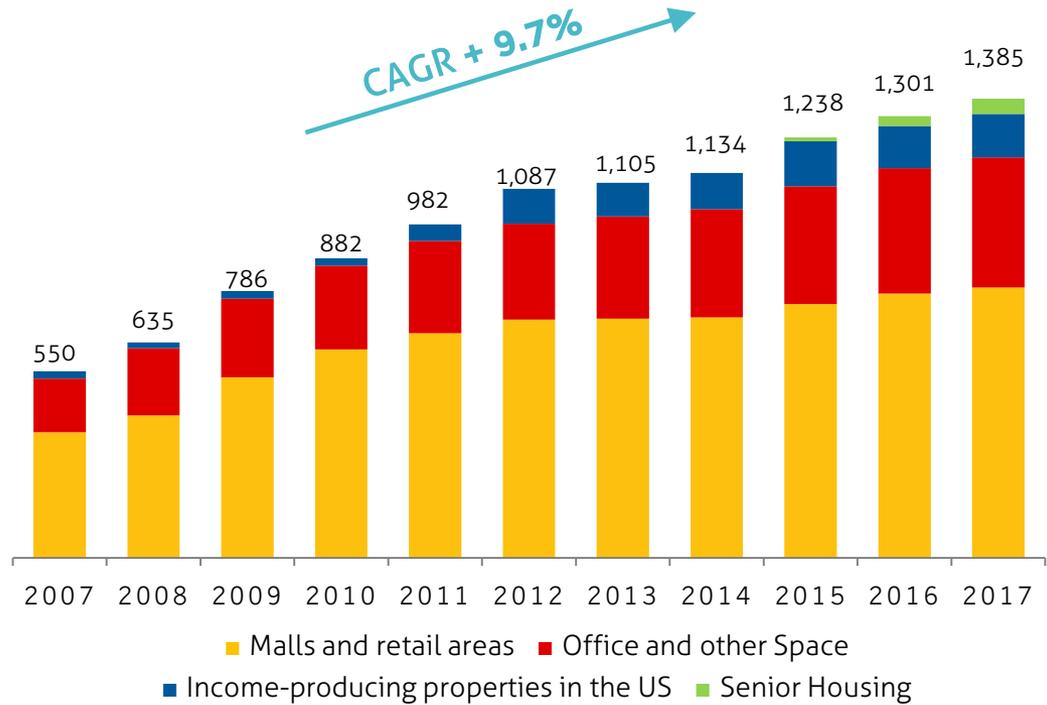
Constant NOI Growth



Quarterly NOI
(NIS in millions)



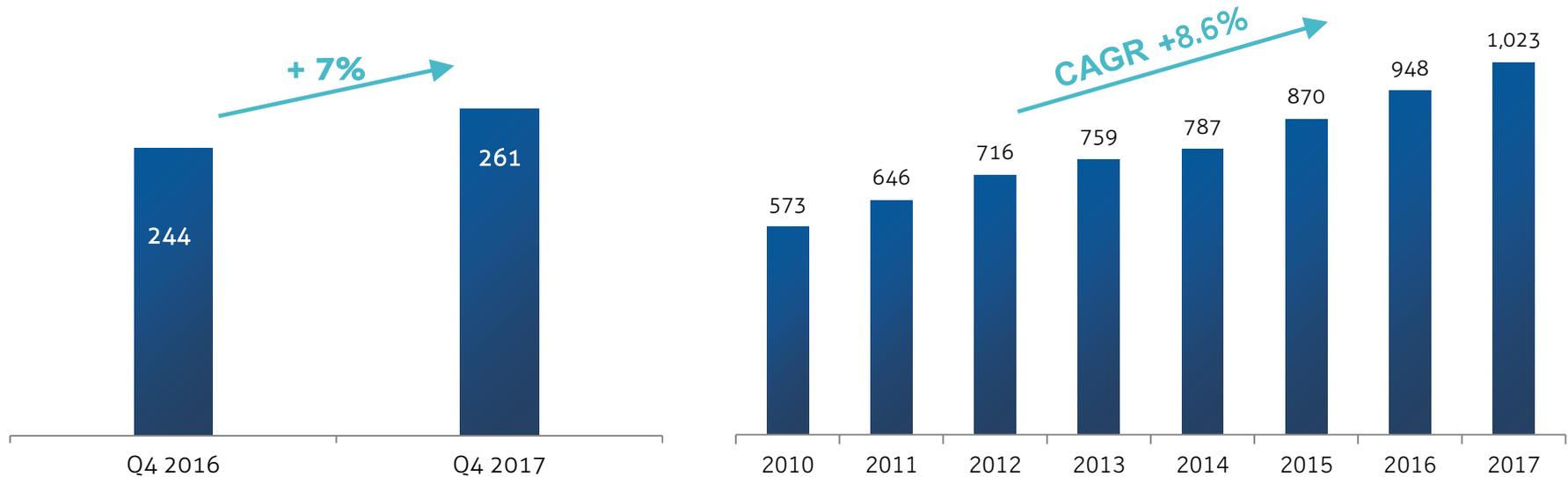
Annual NOI
(NIS in millions)



Constant FFO Growth // Over NIS 1 Billion

12% increase in FFO, excluding senior housing, compared with the Q4/2016⁽¹⁾

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

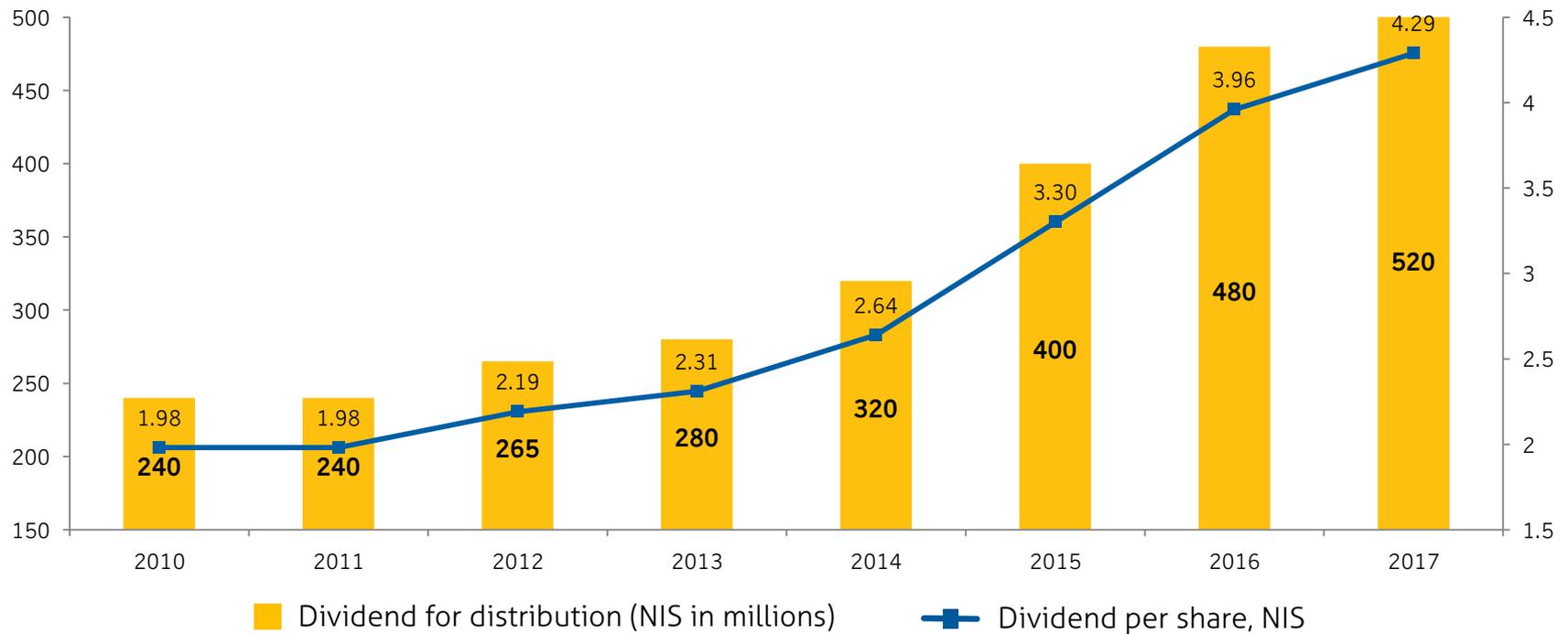


* For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.

(1) FFO for Q4/2017 includes NIS 4 million from the senior housing business and Q4/2016 includes NIS 15 million from the senior housing business. It is noted that in Q4/2016 a large number of vacant units were occupied for the first time in Palace Ra'anana', which the Group had acquired in Q2/2016, and it is now fully occupied

Constant and Increasing Dividend Distribution

A dividend distribution of NIS 520 million for 2017.



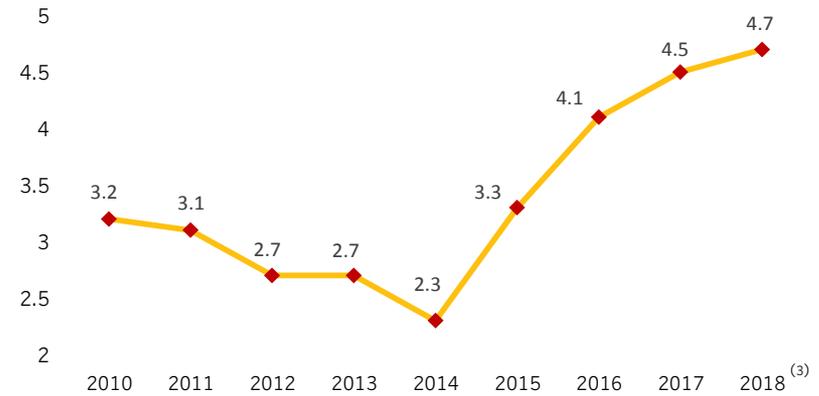
Extension of the Duration and Reduction of the Cost of Debt

- > In February 2018, the Company raised NIS 1.4 billion by expanding the Series D Bonds in effective rate of 0.94%
- > In March 2017, the company raised NIS 1.4 billion by expanding the Company's three negotiable bond series (B, C, and D).
- > The debt recycling is expected to reduce the annual interest costs by approx. NIS 35 million.

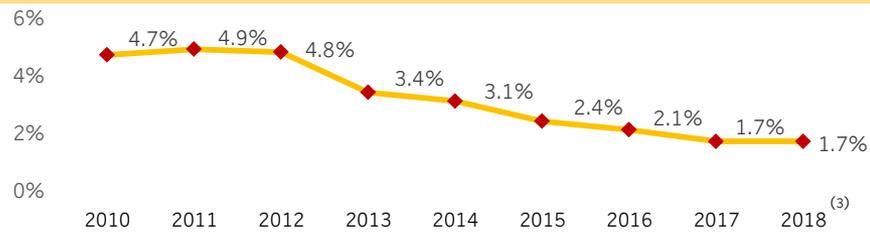
Financial Strength⁽¹⁾

- > Low leverage ratio – net financial debt to assets is **27%**
- > Equity to assets is **55%**
- > Cash and cash equivalents total **NIS 1,127 million**
- > Unencumbered assets total **NIS 21 billion**

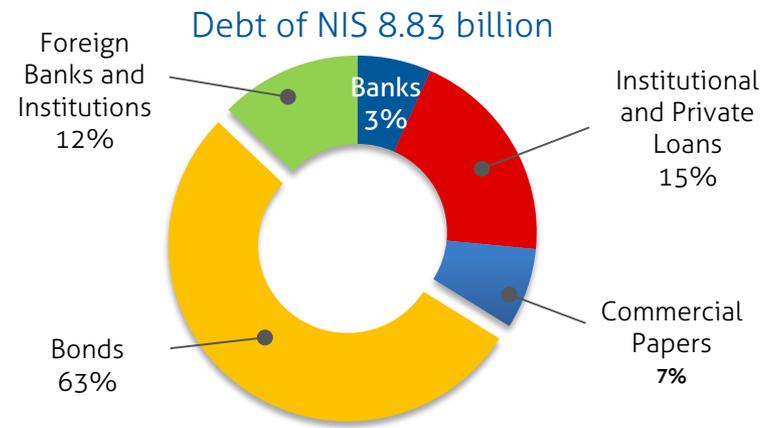
Extension of Average Duration of Debt ⁽²⁾



Average Interest Decrease through the Years ⁽²⁾



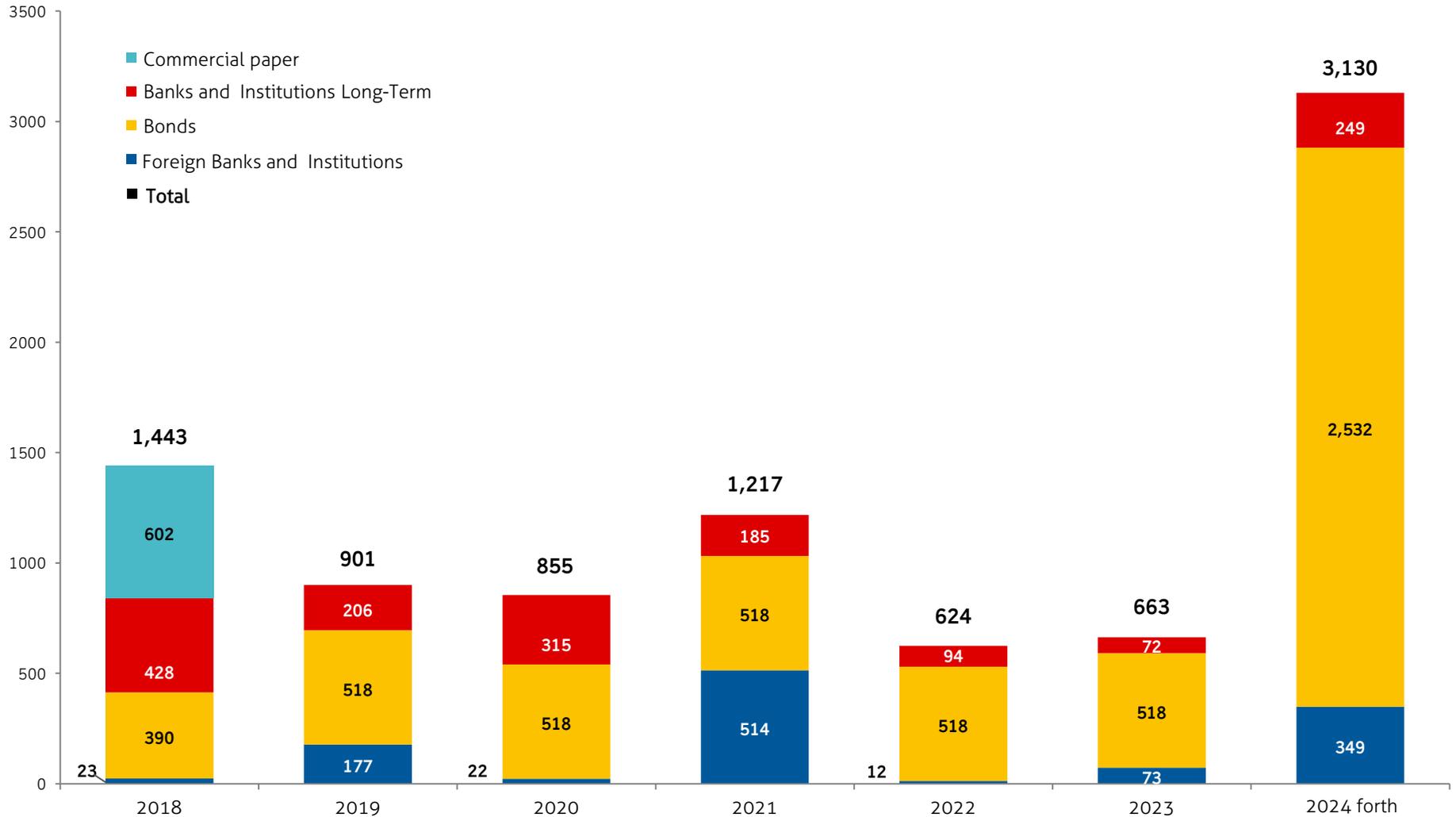
Debt Breakdown by Lender



(1) As of December 31, 2017 (2) Figures are as of the last day of the year / the reported period. (3) The average interest and duration after a debt raising in February 2018.

Payment Schedule (Principal Only)

Extended standalone as of Dec 31, 2017



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

	Q4 2017	Q4 2016	2017	2016
Revenues from rent, maintenance and management fees	479	459	1,875	1,755
NOI	360	338	1,385	1,301
Same-property NOI	332	335	1,294	1,280
FFO attributed to the real estate business ⁽¹⁾	261	244	1,023	948
Change in the value of investment properties ⁽²⁾	20	150	399	550
Net profit, including minority interests	303	610	1,448	1,808
Net profit, attributable to the shareholders	311	615	1,456	1,810
Comprehensive income, attributable to the shareholders	366	686	1,488	1,895

(1) For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.

(2) Net, after tax.



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

	December 31, 2017	December 31, 2016
Cash, securities and deposits	1,127	1,281
Gross financial debt	8,833	8,627
Net financial debt ⁽¹⁾	7,706	7,345
Net financial debt to assets	27%	27%
Financial assets (mainly Leumi and Leumi Card)	1,685	1,625
Fair value of investment properties and properties under construction	25,206	23,723
Equity (excluding minority interests)	16,281	15,273
Equity to assets	55%	55%
Total assets	29,664	28,028
Equity per share (NIS)	134.25	125.94
EPRA NAV per share (NIS) ⁽²⁾	159	149

(1) Excluding financial assets available for sale.

(2) Excluding part of the component of expected profit in respect of development projects.



Average Cap Rate and FFO of the Income - Producing Real Estate Business

Weighted average cap rate - 7.4%

	NIS millions
Total investment properties "extended standalone" as of December 31, 2017	25,317
Net of the value attributed to land reserves, properties under construction and senior housing	(3,588)
Total income-producing properties	21,729
Actual NOI Q4/2017 ⁽¹⁾	351
Future quarterly NOI addition	51
Total standardized NOI Q4/2017	402
Proforma annual NOI	1,608
Weighted cap rate derived from income-producing investment properties, including vacant space	7.4%

Annual FFO ⁽²⁾ attributed to the real estate business - NIS 1,023 million

	NIS in millions
Net profit for (attributable to shareholders)	1,456
Discounting the loss from Granite and Azrieli E-Commerce (including a deduction of excess cost)	(20)
Increase in the value of investment properties	(510)
Taxes	253
Additional adjustments	(195)
Plus interest paid in respect of real investments	13
Cash flow from the receipt of residents' deposits, net, after deduction of forfeiture revenues	26
Total FFO for Y/2017 attributed to the income-producing real estate business	1,023
Total cash flow of financing of projects under development ⁽³⁾	38
Total FFO attributed to the income-producing real estate business, excluding the cash flow of financing of properties under development.	1,061

- (1) Excluding senior housing. (The weighted cap rate of the senior housing as of the report date is 8.75%) because 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 2.7 of the Board of Directors' Report. (3) The FFO calculation also includes cash-flow financing expenses in connection with projects under construction, calculated according to the credit costs capitalized to qualified properties and investment property under construction

Conclusion – 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
- Acquisition of income-producing properties and land for future development
- New real estate operating segments (senior housing) and entry into the e-commerce segment

Most of the Company's operations are in Israel

