

March 21, 2018

## **Azrieli Group: Results of Q4 and 2017**

**In 2017 the NOI totaled NIS 1,385 million, up 6.5%**

**Same property NOI in Israel up 2% in 2017**

**FFO up 8% in 2017, for the first time exceeding the NIS 1 billion threshold**

### **Financial Highlights for 2017**

- **NOI increased by 6.5% in 2017, totaling NIS 1,385 million**, compared with NIS 1,301 million last year.
- **Same Property NOI in Israel grew in 2017 by 2%** compared with last year. **The total same property NOI was up 1%** compared with last year.
- **FFO attributed to the real estate activity excluding senior housing grew by 9% in 2017**, totaling NIS 978 million, compared with NIS 894 million last year. **FFO for the entire real estate activity grew by 8%** and totaled NIS 1,023 million, compared with NIS 948 million last year.
- **During the year, the Group invested NIS 1,230 million in investment property**, in development, the construction of new properties and the betterment and improvement of existing properties.
- **The total profit for 2017** amounted to approx. NIS 1,476 million. In 2017, **the adjusted net profit** was up approx. 20% and totaled some NIS 1,034 million, compared with NIS 864 million last year (net of the fair value effects net of tax, and effects of a change in the tax rate).

| <i>NIS in Millions</i>                              | <b>2017</b>  | <b>2016</b>  |
|-----------------------------------------------------|--------------|--------------|
| <b>Net profit for the period, as published</b>      | <b>1,448</b> | <b>1,808</b> |
| Net of:                                             |              |              |
| Fair value adjustments net of tax                   | (399)        | (550)        |
| Tax income as a result of reduction of the tax rate | (15)         | (394)        |
| <b>Adjusted net profit</b>                          | <b>1,034</b> | <b>864</b>   |

## **Financial Highlights for Q4/2017**

- **NOI increased by 7% in Q4, totaling NIS 360 million**, compared with NIS 338 million in the same quarter last year.
- **Same Property NOI from properties in Israel** unchanged in Q4 compared with the same quarter last year. **The total same property NOI** was down 1% in Q4 compared with the same quarter last year, due to the effect of the strengthening of the shekel.
- **FFO attributed to the real estate activity excluding senior housing grew by 12% in Q4**, totaling NIS 257 million, compared with NIS 229 million in the same quarter last year. **FFO for the entire real estate activity grew by 7% in the quarter** and totaled NIS 261 million, compared with NIS 244 million in the same quarter last year.
- **During Q4, the Group invested NIS 411 million in investment property**, in development, the construction of new properties and the betterment and improvement of existing properties.
- **Adjusted net profit** was up some 19% in Q4 and totaled NIS approx. 268 million, compared with approx. NIS 226 million in the same quarter last year (net of the fair value effects net of tax and effects of a change in the tax rate).

| <i>NIS in Millions</i>                              | <b>Q4/17</b> | <b>Q4/16</b> |
|-----------------------------------------------------|--------------|--------------|
| <b>Net profit for the period, as published</b>      | <b>303</b>   | <b>610</b>   |
| Net of:                                             |              |              |
| Fair value adjustments net of tax                   | (20)         | (150)        |
| Tax income as a result of reduction of the tax rate | (15)         | (234)        |
| <b>Adjusted net profit</b>                          | <b>268</b>   | <b>226</b>   |

**Eyal Henkin, CEO of Azrieli Group:** "We are summing up another successful year for Azrieli Group, with continued growth in all of the operating parameters in 2017. The Company's unique property portfolio proved its strength this year and presented growth in all of the main operating metrics. In addition, the Group's malls presented a rise in revenues, despite the competitive and dynamic environment. The Group's offices sector recorded another strong year with high demand, and from 2018 the segment is expected to benefit from the significant contribution of population of the Sarona tower. We are continuing to vigorously promote our various development projects. The Company's extraordinary financial strength allows us to promote several significant projects simultaneously, in all of our operating segments, which will constitute an important layer in the Company's growth in the coming decade".

## **Occupancy rates and revenues:**

- **The occupancy rate** in the malls segment was around 98% and in the offices segment in Israel around 99% (discounting office space in recently-completed projects which are at lease-up stages).

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- **During 2017, a 5% increase in revenues was recorded** in Azrieli malls compared with the same period last year. Discounting the Azrieli Rishonim mall which opened to the public at the end of Q1/2017, a rise of 1.3% was recorded in revenues compared with last year. **During Q4, a 6.3% increase in revenues was recorded** compared with the same quarter last year. Discounting the Azrieli Rishonim mall which opened at the end of Q1/2017, a rise of 1.4% was recorded in revenues compared with the same quarter last year.

#### **Marketing of Properties under Construction and Properties whose Construction was Recently Completed and Development and Construction Activity**

- **Azrieli Sarona** – the process of habitation of the building is moving ahead as planned. There are a few last remaining blocks of space for lease in the building, while as of the date of release of the report, around 95% of the leasable office space in the building, including options, has been leased.
- **Azrieli Rishonim** – the Company is continuing to populate the office space above the mall. Thus far, around 98% of the office space has been leased.
- **Petach Tikva** – in November 2017, the Group engaged in an agreement for the purchase of land in Petach Tikva of an area of around 19,000 sqm for NIS 91 million. The land is situated in the eastern part of the Kiryat Aryeh Industrial Zone, near an existing office project owned by Azrieli Group. The land includes building rights for around 53,000 sqm as well as parking basements. The Company intends to build an office project on the land.
- **Expansion of the Azrieli Tel Aviv center** – during Q4/2017, the Company received the approval of the District Committee for the publication of the plan (zoning plan) for validation for the construction of the fourth tower in the Azrieli Tel Aviv project. In the framework of the approval, the building rights will be increased from around 69 thousand sqm to around 150 thousand sqm of offices, retail, hotel space and residences. The Company intends to build a tower with mixed uses with retail space at its base which will constitute an expansion of the Azrieli mall and will be connected to the light rail station.
- **Purchase of land in Modi'in** – after the balance sheet date, in January 2018, the Group won a tender conducted by the Israel Land Authority for the purchase of lease rights in a lot of an area of around 5,300 sqm. The land is designated for the construction of offices, retail, 50 hotel rooms and 80 housing units in Modi'in, in proximity to the Azrieli Modi'in mall and an Israel Railways station. The Company is thus continuing to act to expand its activity adjacent to existing properties. The Company intends to look into the possibility of adding building rights in the lot. The consideration for the lease rights totaled NIS 101.5 million.

## **Summary of the NOI and the FFO for Q4 and 2017:**

| NIS in Millions                                                               |     |            |            |            |              |              |             |
|-------------------------------------------------------------------------------|-----|------------|------------|------------|--------------|--------------|-------------|
|                                                                               |     | Q4 2017    | Q4 2016    | Change     | 2017         | 2016         | Change      |
| <b>NOI</b>                                                                    |     | <b>360</b> | <b>338</b> | <b>7%</b>  | <b>1,385</b> | <b>1,301</b> | <b>6.5%</b> |
| Malls and retail centers                                                      |     | 210        | 200        | 5%         | 828          | 779          | 6%          |
| Offices                                                                       |     | 111        | 95         | 17%        | 397          | 369          | 8%          |
| Offices in the U.S.                                                           | NIS | 30         | 33         | (9%)       | 121          | 124          | (2%)        |
|                                                                               | USD | 8.7        | 8.5        | 2%         | 33.6         | 32.3         | 4%          |
| Senior housing                                                                |     | 9          | 10         | (10%)      | 39           | 29           | 34%         |
| <b>FFO from real estate activity<sup>1</sup></b>                              |     | <b>261</b> | <b>244</b> | <b>7%</b>  | <b>1,023</b> | <b>948</b>   | <b>8%</b>   |
| <b>FFO from the real estate activity excluding senior housing<sup>1</sup></b> |     | <b>257</b> | <b>229</b> | <b>12%</b> | <b>978</b>   | <b>894</b>   | <b>9%</b>   |

<sup>1</sup> For details regarding the manner of calculation of the FFO, see Section 2.7 of the Board of Directors' report.

## **Balance Sheet (extended standalone) as of December 31, 2017**

- After the balance sheet date, in February 2018, the Company completed a debt raising by way of expansion of the Series D bond series. In the framework of the offering, demand was received for more than NIS 2 billion and the Company raised around NIS 1.4 billion at a price which reflects a gross yield of 0.94%. Series D is index-linked with a duration of around 6.2 years and is repaid between 2018 and 2030. The series is rated Aa1 with a stable outlook by Midroog.
- The Group has **cash, deposits and short-term investments** in the amount of NIS 1,127 million.
- **Net debt** totaled NIS 8 billion.
- **The value of investment property and investment property under construction** totaled NIS 25.2 billion.
- **Equity to assets ratio** is 55% and **net debt to assets ratio** is 27%.
- **Unmortgaged properties** amount to NIS 21 billion.
- **EPRA NAV per share** was NIS 159 per share, compared with NIS 149 per share on December 31, 2016.

### **Conference call**

**The conference call to review the results of Q4/2017 and 2017 will be held today, Wednesday, March 21, 2018 at 11:00. Those wishing to participate in the call are invited to call several minutes before the said time – 03-9180650**

For further details:

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