

May 24, 2017

## **Azrieli Group: Results of Q1/2017**

**FFO totaled NIS 253 million, up 11% from Q1/2016**

**NOI totaled NIS 338 million, up 6% from Q1/2016**

### **Financial Highlights**

- **NOI increased by 6%, and totaled NIS 338 million**, compared with NIS 319 million in Q1/2016.
- **Same Property NOI from properties in Israel increased by 3%** compared with Q1/2016.
- **FFO attributed to real estate activity increased by 11% and totaled NIS 253 million**, compared with NIS 228 million in Q1/2016.
- **During Q1/2017, the Group invested a total of NIS 255 million in investment properties**, development, construction of new properties and the upgrading and betterment of existing properties.
- **Net profit in Q1/2017** totaled NIS 241 million.
- **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**.

| <i>NIS in Millions</i>                              | <b>Q1 2017</b> | <b>Q1 2016</b> |
|-----------------------------------------------------|----------------|----------------|
| <b>Net profit for the period as published</b>       | <b>241</b>     | <b>674</b>     |
| Plus (net of):                                      |                |                |
| Fair value adjustments net of tax                   | 12             | (268)          |
| Tax income as a result of reduction of the tax rate | -              | (164)          |
| <b>Adjusted net profit</b>                          | <b>253</b>     | <b>242</b>     |

- **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%**.
- **Dividend** – The Group distributed a NIS 480 million dividend (NIS 3.96 per share) in May 2017.

**Yuval Bronstein, CEO of Azrieli Group:** "We are pleased to report another strong quarter of Azrieli Group with consistent growth in all of the operating parameters. During and after the quarter we were witness to the continued rise in the tenants' revenues which contributed to the growth in the results. The Company is continuing the development activity and presents progress in all of the projects, according to the timetables that were set. 2017 is expected to bring the Company another leap forward thanks to the significant development activity which we

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are completing over the course of the year. Next quarter, the Azrieli Rishonim project, which was successfully opened in March 2017 with all of the retail space fully leased-up, is expected to begin contributing to NOI and FFO growth. Azrieli Sarona, which is attracting considerable interest from potential tenants and is in advanced lease-up stages, is expected to open towards the end of 2017. During the quarter, demolition and development work has begun in the Azrieli Town and expansion of Azrieli Center on Yedioth Ahronoth land projects. We are excited about the Company's expected developments in the upcoming year and believe in our ability to continue to create value for our shareholders".

## **Highlights:**

- The **NOI rose by 6%** compared with Q1/2016.
- The **Same Property NOI in Israel rose by 3%** as a result of a real rise in income from rent in the malls and offices segments and from continued lease-up of new projects.  
**The Same Property NOI** including the office buildings overseas, was up in dollar terms but the strengthening of the Israeli Shekel moderated the rise to 2%.
- The **occupancy rate** in Israel in the malls segment was 97% and in the offices segment was 99% (discounting the 2 buildings at phase B in Azrieli Holon center which are at lease-up stages).
- During Q1/2017, **increases in revenues** in Azrieli's malls were recorded at the rate of 3.3% compared with the same quarter last year.

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

**Azrieli Rishonim** – the project opened in March 2017 with full occupancy of retail space. During the first quarter and thereafter 2,500 sqm of the office space has been leased, so that thus far agreements have been signed for the lease of 17,000 sqm of the office space. **In addition, the Company is in the process of advanced drafts of contract with respect to areas for 7,500 sqm, which, if signed, will bring the lease-up rate in the office building to 85%.**

- **Azrieli Sarona** – during the first quarter and thereafter 13,200 sqm of the office space has been leased so that the total of areas which were leased sum up to 74,000 sqm. **In addition, the Company is in the process of advanced drafts of contract with respect to areas for 38,000 sqm which, if signed, will bring the total lease-up rate to 95%.** The building is expected to open to the first tenant during July of this year. Most of the tenants are expected to commence occupying the building in the fourth quarter of 2017.

**In addition, the Company is announcing for the first time that in relation to 85% of the leasable retail space, lease agreements have been signed and/or advanced-stage drafts have been exchanged.**

## **Financing and Rating**

- During the quarter, **the Company completed moves for improving the financing terms** by raising public debt on the capital market and repaying high interest rate debts.
  - **Expansion of Bond Series**– the Company performed an expansion of three marketable bond series in the total amount of NIS 1.365 billion at an effective average interest rate of 1.5% and with a weighted duration of 6.2 years.
  - **Repayment of Series A bonds** – at the end of the quarter the Company fully repaid the Series A bonds in the amount of NIS 487 million at an interest rate of 4.8%.

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## **Summary of the NOI and the FFO for Q1/2017:**

| NIS in Millions                                  |                |                |               |              |
|--------------------------------------------------|----------------|----------------|---------------|--------------|
|                                                  | <u>Q1 2017</u> | <u>Q1 2016</u> | <u>Change</u> | <u>2016</u>  |
| <b>NOI</b>                                       | <b>338</b>     | <b>319</b>     | <b>6%</b>     | <b>1,301</b> |
| Malls and retail centers                         | 199            | 191            | 4%            | 779          |
| Offices                                          | 96             | 92             | 4%            | 369          |
| Offices in the U.S.                              | 32             | 30             | 7%            | 124          |
| Senior housing                                   | 11             | 6              | 83%           | 29           |
| <b>FFO from real estate activity<sup>1</sup></b> | <b>253</b>     | <b>228</b>     | <b>11%</b>    | <b>948</b>   |

<sup>1</sup> For details regarding the manner of calculation of the FFO, see Section 1.3.5 of the Board of Directors' Report.

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

- The Group has **cash, securities and deposits** in the amount of NIS 1,833 million.
- **Net debt** totaled NIS 7.2 billion.
- **The value of investment properties and investment properties under construction** totaled NIS 23.8 billion.
- **Equity to assets ratio** is 52% and **net debt to assets ratio** is 25%.
- **Unencumbered assets** amount to NIS 20 billion.
- **EPRA NAV per share** was NIS 147 per share, compared with NIS 140 per share on March 31, 2016.

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