

May 16, 2018

Azrieli Group: Results of Q1/2018

The NOI in the quarter totaled NIS 371 million, up 10%

FFO attributed to real estate business, excluding senior housing up 11%

FFO attributed to real estate business, including senior housing up 5%

Net profit up 8%, totaling NIS 259 million, comprehensive income up 54% totaling NIS 277 million

Financial Highlights for Q1/2018

- **NOI increased by 10%, totaling NIS 371 million**, compared with NIS 338 million last year.
- **Same Property NOI up 1%** compared with last year.
- **FFO attributed to the real estate activity excluding senior housing grew by 11%**, totaling NIS 257 million, compared with NIS 232 million last year. **FFO for the entire real estate activity grew by 5%** and totaled NIS 266 million, compared with NIS 253 million last year.
- **During the quarter, the Group invested NIS 332 million in investment property**, in development, the construction of new properties and the betterment and improvement of existing properties.
- **Net profit was up some 8%** and totaled around NIS 259 million, compared with around NIS 240 million last year. **Comprehensive income was up 54%** and totaled around NIS 277 million compared with around NIS 180 million last year.

Eyal Henkin, CEO of Azrieli Group: "We are summing up a good quarter with growth in all of the operating parameters. The offices sector is continuing to enjoy high demand, mainly for large leasable space. In the retail sector, we are seeing significant growth in revenues thanks to a unique and high-quality property portfolio which benefits from an especially high number of visitors, despite the competitive and dynamic environment. In order to maintain the market lead, we are constantly investing in upgrading the malls and adapting them to the changing tastes of the customers and the tenants, including expanding the leisure, entertainment and dining elements. We are continuing to simultaneously promote several development projects, which will constitute a significant addition to our property portfolio in the coming years. As part of our preparation for the constant building of future growth engines, we recently announced another transaction in Tel Aviv, where we purchased a building with unused building rights, which is expected to contribute to the Group's continued growth".

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).
- **During Q1, a 9.4% increase in revenues was recorded** in Azrieli malls compared with the same quarter last year. Discounting the Azrieli Rishonim mall which was opened to the



public at the end of Q1/2017, a rise of 5.3% was recorded in revenues compared with 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 98% of the leasable office space in the building, including options and advanced drafts, 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.
- **Purchase of land in Modi'in** – 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 approx. NIS 101.5 million.
- **Purchase of land rights in Menachem Begin Road in Tel Aviv** – after the balance sheet date, at the end of April 2018, the Company announced that it had signed an agreement for the purchase of land rights in 148 Menachem Begin Road in Tel Aviv, which include a 4-story building above a retail ground floor of a total area of approx. 5,500 sqm, the majority of which is leased for the purpose of offices in consideration for NIS 260 million. The property includes unused building rights in accordance with the zoning plan that applies to the land at a scope of approx. 21,000 sqm above-ground and the sellers' rights to lease underground areas in the adjacent parcel which are designated for expansion of the building's parking basements. On May 14, 2018, the Company announced that the transaction had been closed.
- **Palace Rishon Lezion Senior Home** – the land, of an area of approx. 3,400 sqm, located in the Givat HaRakafot neighborhood in East Rishon Lezion, was purchased in March 2016 and the project is in planning stages. The Company intends to build on the land a senior home which is expected to include approx. 250 residential units and approx. 3,000 sqm of retail space. In April 2018, the recommendation of the Local Committee for the deposit of a zoning plan to add aboveground building rights at a scope of 19,000 sqm, was accepted. In addition, a zoning plan for additional areas in the basements at a scope of approx. 14,000 sqm was published for deposit.
- **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. The work in the area is moving ahead as planned.
- **Azrieli Town Tel Aviv** – the Group is continuing to act for modification of the zoning plan in order to increase the building rights in the site. In May 2018, the Local Committee approved for deposit a zoning plan for the addition of commercial and hotel space at a total scope of approx. 24 thousand sqm (gross). As of the report release date, the Group has signed agreements for the lease of around 27 thousand sqm of office space in the project.



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Summary of the NOI and the FFO for Q1/2018:

NIS in Millions			
	<u>Q1 2018</u>	<u>Q1 2017</u>	<u>Change</u>
NOI	371	338	10%
Malls and retail centers	205	199	3%
Offices	121	96	26%
Offices in the U.S.	35	32	9%
Senior housing	10	11	(9%)
FFO from real estate activity¹	266	253	5%
FFO from the real estate activity excluding senior housing¹	257	232	11%

¹ 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 March 31, 2018

- During the quarter, 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 around 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 5.86 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 2,314 million.
- **Net debt** totaled NIS 7.8 billion.
- **The value of investment property and investment property under construction** totaled NIS 25.5 billion.
- **Equity to assets ratio** is 52% and **net debt to assets** ratio is 25%.
- **Unmortgaged properties** amount to NIS 21 billion.
- **EPRA NAV per share** was NIS 157 per share, compared with NIS 147 per share on March 31, 2017.

Conference call

The conference call to review the quarter's results will be held today, Wednesday, May 16, 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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