



August 16, 2017

## **Azrieli Group: Results of Q2/2017**

**FFO totaled NIS 258 million, up 11% from the same quarter last year**

**NOI totaled NIS 343 million, up 7% from the same quarter last year**

### **Financial Highlights**

- **NOI increased by 7%, and totaled NIS 343 million**, compared with NIS 321 million in the same quarter last year.
- **Same Property NOI from properties in Israel grew by 2%** compared with the same quarter last year.
- **FFO attributed to the real estate activity grew by 11% and totaled NIS 258 million**, compared with NIS 232 million in the same quarter last year.
- **During the quarter, the Group invested NIS 405 million in investment property**, in development, the construction of new properties and the betterment and improvement of existing properties.
- **Net profit in the quarter** totaled NIS 641 million, compared with NIS 244 million in the same quarter last year.
- **Profit from revaluation of the real estate properties**, net of tax, totaled NIS 409 million (totalled NIS 531 million before tax).

**Yuval Bronstein, CEO of Azrieli Group:** "We are pleased to report another strong quarter for Azrieli Group which was characterized by the continued strengthening of the office market and high demand alongside a moderate rise in the retail sector. The key event at the Group occurred towards the end of the quarter when we received the approval for lease-up of the Group's flagship project, Azrieli Sarona tower, and the entry of the first tenant last month. This project is tangible testimony to the extraordinary development capabilities of the Azrieli Group. It is the tallest tower in Israel with the largest office space in a single building. Despite the complexity of the project, we completed it earlier than planned in order to allow the first tenant to enter the building already last month. The project is continuing to attract considerable interest among leading international companies, and recently we signed several contracts with companies of this type, including the mega corporations Facebook, which has leased five floors in the building at the initial stage, and Amazon which has leased seven floors at the initial stage. Azrieli Group is continuing the development momentum and is currently developing several projects at the same time, which include the addition of office space and senior housing above some of the malls which are situated in the centers of the large cities in Israel. We see the combining of the Group's operating segments in the same complex as an additional source for the creation of value for our shareholders".

*Investor Relations Ltd.*



## Highlights:

- The **NOI rose by 7%** compared with the same quarter last year.
- The **Same Property NOI in Israel** recorded a **rise of 2%** 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** which includes the office buildings overseas maintained stability in dollar terms which was offset due to the strengthening of the shekel rate.
- The **occupancy rate** in Israel in the malls segment was 97% and in the offices segment was 99% (discounting the office space in Sarona, the 2 buildings at phase B in Azrieli Holon center and the office tower in Azrieli Rishonim center, which are at lease-up stages).
- In Q2/2017, **increases in revenues** were recorded in Azrieli's malls at a rate of 5.8% compared with the same period last year. Discounting Rishonim mall, which was opened at the end of the first quarter of this year, a rise was recorded of 1.6% in revenues compared with the same quarter last year.

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

- **Azrieli Sarona** – a habitation form has been received and during July, ironSource entered the building and is the first tenant to move into the building. Most of the tenants are expected to begin populating the building gradually from October 2017. During the second quarter and thereafter, contracts and options were signed for 48,000 sqm of the office space. In total, 90% of the office space in the building, including options, has been leased. In addition, the Company is in the process of advanced drafts of contract with respect to areas which, if signed, will bring the total lease-up rate to 95%.
- **Azrieli Rishonim** – all of the retail space has been leased and the property was opened to the public in March 2017, while it continued to be populated during the second quarter. The Company is gradually populating the office space in the project and during the second quarter and thereafter, 5,500 sqm of the space was leased, so that thus far, 75% of the office space has been leased. **In addition, the Company is in the process of advanced drafts of contract which, if signed, will bring the lease-up rate in the office building to 85%.**

## Summary of the NOI and the FFO for Q2/2017:

NIS in Millions				
	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>Change</u>	<u>2016</u>
<b>NOI</b>	<b>343</b>	<b>321</b>	<b>7%</b>	<b>1,301</b>
Malls and retail centers	207	193	7%	<b>779</b>
Offices	95	92	3%	<b>369</b>
Offices in the U.S.	30	30	-	<b>124</b>
Senior housing	11	6	83%	<b>29</b>
<b>FFO from real estate activity<sup>1</sup></b>	<b>258</b>	<b>232</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 June 30, 2017**

- The Group has **cash, deposits and short-term investments** in the amount of NIS 1,291 million.
- **Net debt** totaled NIS 7.6 billion.
- **The value of investment property and investment property under construction** totaled NIS 24.7 billion.
- **Equity to assets ratio** is 54% and **net debt to assets ratio** is 26%.
- **Unmortgaged properties** amount to NIS 20.5 billion.
- **EPRA NAV per share** was NIS 153 per share, compared with NIS 142 per share on June 30, 2016.

For further details:

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