

March 20, 2019

Azrieli Group Releases Strong Results in Q4 and Y2018

The NOI in 2018 totaled NIS 1,523 million, up 10% compared with last year

The NOI in the quarter totaled NIS 388 million, up 8% compared with last year

FFO in 2018 totaled NIS 1,254 million, up 23% compared with last year. Excluding senior housing, FFO up 11%

FFO in the quarter totaled NIS 437 million, up 67% compared with last year. Excluding senior housing, FFO up 12%

Store revenues in Azrieli malls (same properties) up 2.3% in 2018

The Company announced the distribution of a NIS 560 million dividend (NIS 4.62 per share)

Financial Highlights for Y2018

- **NOI increased by 10%, totaling NIS 1,523 million**, compared with NIS 1,385 million last year.
- **Same Property NOI up 1%** compared with last year.
- **FFO up 23%** and totaled NIS 1,254 million, compared with NIS 1,023 million last year. **FFO excluding senior housing up 11%** and totaled NIS 1,089 million, compared with NIS 978 million last year.
- **In the course of the year, the Group invested NIS 1.9 billion in investment property**, in development, the construction of new properties and the upgrade and improvement of existing properties.
- **Comprehensive income** totaled NIS 1,325 million. **Net profit from operations* was up some 10% and totaled NIS 962 million.**

Financial Highlights for Q4/2018

- **NOI increased by 8%, totaling NIS 388 million**, compared with NIS 360 million last year.
- **Same Property NOI up 7%** compared with last year.
- **FFO up 67%** and totaled NIS 437 million, compared with NIS 261 million last year. **FFO excluding senior housing up 12%** and totaled NIS 288 million, compared with NIS 257 million last year.
- **Comprehensive income** totaled NIS 433 million. **Net profit from operations* was up some 11% and totaled NIS 240 million.**

* Net profit, net of the effect of property revaluations, profit from the sale of Bank Leumi shares and dividends net of tax.

Eyal Henkin, CEO of Azrieli Group: "We are summarizing a strong year with growth in all of the operating parameters. The office sector is seeing keen demand and its increasing contribution to results is expected to continue. Last quarter we signed a 10-year lease agreement with Bezeq for around 20,000 sqm of office space in the Hamanor Holon project. In the retail and malls sector, the Company continued to demonstrate strong performance with impressive growth in store revenues. Over the course of the year, we continued the significant investments in the existing properties, and in strengthening the mix in the Group's malls, while expanding the entertainment and leisure offerings. In the last quarter of 2018, we launched the Palace Modi'in project, the first senior housing project that we have developed and built from the ground up, and since its launch it is quickly being populated. We are continuing to vigorously develop several projects in parallel, and have invested around NIS 1.9 billion this year in development, in the purchase of new properties and in the upgrade and improvement of existing properties."

Occupancy rates and store revenues

- **The occupancy rate** in the malls segment was 98% and in the offices segment in Israel 99% (excluding space in properties whose construction has been completed and are at lease-up stages for the first time).
- **During the quarter, a 3.2% increase in store revenues was recorded** in Azrieli malls (same properties) compared with the same quarter last year. During 2018, the store revenues in Azrieli malls grew by some 3.2% compared with last year, and growth of 2.3% was recorded in the same property NOI in the same period.

Developments during and after the quarter

- **Azrieli Sarona** – as of the report release date, all of the office space has been leased-up, and around 93% of the office space has been occupied (including an option for one floor that was granted to a significant tenant and expires in the course of next year). At full occupancy the property is expected to generate NOI of NIS 200-210 million.
- **The launch of the "Palace Modiin" project** – in October 2018, the Group launched the "Palace Modiin" project, the first senior housing complex in the city of Modi'in and its vicinity. The complex, in which NIS 390 million were invested, extends over 11,000 sqm, with a built-up area above-ground of 35 thousand sqm. The project includes 239 housing units and 136 Medical beds. This is the first senior home planned and built from the ground up by Azrieli Group, and the high percentage of contracts signed on the launch date is considered to be exceptional, relative to the market for the opening of a new home. **As of the report release date, residents have moved into 133 units.**
- **The launch of the "Spiral Tower"** – during December, the Company revealed Tel Aviv's new iconic landmark, the "Spiral Tower", which will be the tallest in Israel, rising to a height of 350 meters over 91 floors, and shall include 150 thousand sqm of entertainment and retail, commercial, residential and hotel space. NIS 2.3-2.5 billion will be invested in the construction of the tower. As part of the work on construction of the tower, and in view of demand on the part of potential tenants, Azrieli Tel Aviv mall will be expanded by another 13 thousand sqm, resulting in a total area of some 50 thousand sqm.
- **Significant lease agreement with Bezeq** – at the end of the quarter, the Company announced that it had entered into a lease agreement with Bezeq for a period of 10 years, plus options, for the lease of approx. 20,000 sqm of office space and around 900 parking spaces in the Azrieli Hamanor Holon project. The rent for the said period, including for

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parking spaces and storerooms, is expected to total more than NIS 190 million (excluding management fees). Bezeq is vacating a similar space which it leases in the Triangular Tower in Azrieli Tel Aviv for low rent relative to the market price. The estimated date of completion of the project is in the second half of 2020, while Bezeq is expected to move into the building from January 2021.

- **Bond raising** – in January 2019, the Company completed the offering of two new series and raised around NIS 1.5 billion. In the tender, demand of close to NIS 3 billion was recorded from a broad range of leading institutional bodies. The two new bond series (E and F) are index-linked, with a duration of approx. 7 years and approx. 10 years, respectively. In Series E, the Group raised around NIS 1.2 billion at an interest rate of 1.77%, and in Series F, it raised around NIS 300 million at an interest rate of 2.48%.
- **The sale of Leumi Card** – at the end of February 2019, the transaction was closed for the sale, together with Bank Leumi, of all of their holdings in Leumi Card (the Company's share is 20%) to the investment fund Warburg Pincus in consideration for NIS 2.5 billion. The Company's share in the proceeds is NIS 500 million (subject to adjustments).

Balance Sheet (extended standalone) as of December 31, 2018

- The Group has **cash, deposits and short-term investments** in the sum of NIS 646 million.
- **Net debt** totaled NIS 8.9 billion.
- **The value of investment property and investment property under construction** totaled NIS 27.5 billion.
- **Equity to assets ratio** is 54% and **net debt to assets** ratio is 28%.
- **Unmortgaged properties** amount to NIS 22 billion.
- **EPRA NAV per share** was NIS 168 per share, compared with NIS 159 per share on December 31, 2017.

Conference call

The Company will hold its annual conference call, hosted by the Group's senior management, today (Wednesday, March 20, 2019) at 17:00 Israel local time (16:00 CET; 15:00 United Kingdom time and 11:00AM Eastern Time). The call will include a review of the Company's Q4 and year-end 2018 performance as well as a discussion of the Company's strategy and expectations for the future. A Question & Answer session will follow the discussion.

To participate, please dial 03-9180664 from Israel, 1-888-407-2553 from the U.S., 0-800-917-9141 from the U.K., 0-800-024-9936 from the Netherlands, 1-888-604-5839 from Canada, or +972-3-9180664 internationally.

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