



August 14, 2019

Azrieli Group Releases the Results of Q2/2019

NOI in the quarter totaled NIS 400 million, up 5% compared with the same quarter last year

FFO in the quarter totaled NIS 327 million, up 21% compared with the same quarter last year

Same Property NOI up 4% compared with the same quarter last year

Net profit in the quarter totaled NIS 332 million compared with NIS 236 million in the same quarter last year – up 41%

Financial Highlights for Q2/2019

- **NOI increased by 5%, totaling NIS 400 million**, compared with NIS 380 million last year.
- **Same Property NOI up 4%** compared with last year.
- **FFO up 21%**, totaling NIS 327 million, compared with NIS 271 million last year. **FFO excluding senior housing up 5.2%**, totaling NIS 282 million, compared with NIS 268 million last year.
- **Net profit up 41%, totaling NIS 332 million** compared with NIS 236 million last year. **Comprehensive income up 34% in the quarter**, totaling NIS 358 million.
- **During the quarter, the Group invested NIS 206 million in investment property**, development, the construction of new properties and the upgrade and betterment of existing properties.

Eyal Henkin, CEO of Azrieli Group: "We are concluding another positive quarter with growth in all of the parameters. The office sector continues to enjoy strong demand in Israel, and we recently signed a contract for the lease of the remaining vacant space of approx. 9,000 sqm in Azrieli Town. The building is now fully leased-up, around one and a half years before completion of construction. In the retail and malls sector, we are witnessing the continued positive trend which is for us tangible evidence of the importance of the investments that we have made and continue to make to adapt the malls to the constantly changing business environment and retail market. We recently announced two important transactions. In the first transaction, we took an additional step in realizing our strategy of focusing on our core business through the sale of Supergas in a transaction which reflects our significant improvement of Supergas over the years. We further announced an investment in a company in the global Data Centers industry, which is at the heart of our income-producing real estate business, and presents attractive yields and significant growth potential. We believe that a large and dominant company such as Azrieli Group, with its extraordinary financial positioning, should always look into new business opportunities in line with the Company's business strategy of developing its core business".

Azrieli Group Ltd.



Occupancy rates and store revenues

- **The average occupancy rate** in the malls segment was 98% and in the offices segment in Israel, also 98%.
- **During March-June (in order to include the effect of the Passover holiday which last year fell in March and this year in April), a 2.6% increase in store revenues was recorded** in Azrieli malls compared with the same period last year. Growth of 2.4% was recorded in the same-property store revenues.

Developments during and after the quarter

- **Entry into the Data Centers industry in North America** – after the quarter, the Company announced that it was acquiring 20% of Compass Holdco in consideration for \$135 million with an option to increase its holdings to 33% by December 2020. Compass is an active platform with operations in North America, having significant future enterprise and development potential. Compass has 10 active sites and 3 sites under construction and development. Its facilities currently produce close to 30 MW and may produce approx. 560 MW per year after completion of the development projects and land pipeline in another few years. Compass currently generates an annualized NOI of approx. \$38 million, (including signed contracts that have not yet been closed), which is expected to increase significantly in the coming years with realization of the development in the existing pipeline.
- **Sale of Supergas** – after the quarter, the Company reported that it had signed an agreement for the sale of all of its holdings in Granite Hacarmel, a company which wholly owns Supergas, to Elco according to an enterprise value of approx. NIS 1,017 million and a net value (after debt) of approx. NIS 770 million. Upon the closing of the transaction, the Company is expected to record a capital gain after tax of approx. NIS 355 million.
- **Azrieli Town** – the Company recently signed a lease agreement with a leading technology company, for the lease of approx. 9,000 sqm, thus completing the lease-up of most of the office space in the building. Structural work is currently being carried out on the office tower and the residential tower. The construction of some of the offices is expected to be completed during 2020.

Balance Sheet (extended standalone) as of June 30, 2019

- The Group has **cash, deposits and short-term investments** in the sum of NIS 1.7 billion.
- **Net debt** totaled NIS 9 billion.
- **The value of investment property and investment property under construction** totaled NIS 27.9 billion.
- **Equity to assets ratio** is 53% and **net debt to assets ratio** is 27%.
- **Unmortgaged properties** amount to NIS 22 billion.



Conference call

The Company will hold its quarterly conference call, hosted by the Group's senior management, today (Wednesday, August 14, 2019) at 17:00 Israel local time (15:00 CET; 15:00 United Kingdom time and 10:00AM Eastern Time). The call will include a review of the Company's Q2 2019 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:
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1-888-407-2553 from the U.S.
0-800-917-9141 from the U.K.
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