

March 22, 2017

Azrieli Group: Results of 2016 and Q4

Continued growth in all operating parameters

FFO in 2016 totaled NIS 948 million, up 9% from last year

FFO in Q4 totaled NIS 244 million, up 10% from last year

The Company announced a dividend of NIS 480 million

Occupancy rate at the Azrieli Sarona Tower - 95% of the office space (signed contracts + drafts in signing stages, of which 60% are signed contracts)

Occupancy rate at Azrieli Rishonim - 78% of the office space (signed contracts + drafts in signing stages, of which 57% are signed contracts)

Financial Highlights for 2016

- **NOI increased by 5% and totaled NIS 1,301 million**, compared with NIS 1,238 million last year.
- **Same Property NOI from properties in Israel grew by 3%** versus last year.
- **FFO grew by 9% and totaled NIS 948 million**, compared with NIS 870 million last year.
- **During the year, the Group invested a total of NIS 2.5 billion in investment properties**, the purchase of new properties, the redevelopment of existing properties, and the development of new properties.
- **Net profit totaled NIS 1,808 million compared with NIS 828 million** last year
- **Gains from revaluation of real estate, net of tax, totaled NIS 533 million**, compared with NIS 132 million last year.
- **The comprehensive income totaled NIS 1,893 million compared with NIS 846 million** last year.

Financial Highlights for Q4/2016

- **NOI increased by 5% and totaled NIS 338 million** compared with NIS 323 million in the same quarter last year.
- **Same Property NOI from properties in Israel grew by 2%** versus the same quarter last year.
- **FFO grew by 10% and totaled NIS 244 million** compared with NIS 222 million in the same quarter last year.
- **During the quarter, the Group invested a total of NIS 246 million in investments properties**, the purchase of new properties, the redevelopment of existing properties, and the construction of properties under development.

- **Net profit in the quarter totaled NIS 610 million, compared with NIS 288 million in the same quarter last year.**
- **Comprehensive income in the quarter totaled NIS 682 million compared with NIS 227 million in the same quarter last year.**

Yuval Bronstein, CEO of Azrieli Group: "We are concluding a strong year for Azrieli Group. We have achieved impressive growth in all of the operating parameters thanks to high-quality property management and the continued rise in the tenants' sales revenues. We have refinanced a significant amount of debt which will reduce the annual financing expenses and contribute to growth in FFO during the current and the following years. In 2016 we have invested approx. NIS 2.5 billion mainly in the development of new properties. This activity is expected to contribute to a significant growth in NOI and FFO already this year with the opening of Rishonim Mall and more intensely upon entry of most of the tenants into the Group's flagship project, the Azrieli Sarona Tower in Tel Aviv. We are preparing for its opening in accordance with the timetables defined at the outset of the project and consider this to be a concrete testimony to the exceptional development capabilities of Azrieli Group. There is a great amount of interest in Azrieli Sarona and Azrieli Rishonim from potential tenants and these days we are in the midst of advanced marketing stages for the remaining space in both assets. We are presently diligently working on the development plans that will serve us in the years following the completion of the projects that are under construction today. We intend to maintain the significant scopes of development in the different in-demand areas and believe in our ability to successfully realize these plans".

Highlights:

- The **occupancy rate** in Israel in the malls segment was 98% and in the offices segment was 99% (without taking into consideration the 2 buildings at phase B in Azrieli Holon Center which are at lease-up stages).
- **During 2016, increases in revenues** in Azrieli's malls were recorded at the rate of 5% compared with last year.

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

- **Azrieli Sarona** – During and after Q4, 8,500 sqm of office space were leased so that the sum of space leased totaled 68,000 sqm of the office space. **Furthermore, the Company is in the process of advanced draft contracts for areas in the scope of 44,000 sqm, which will bring the total occupancy rate to 95%.** The building is expected to be opened for the first tenant in July 2017. Most of the tenants are expected to move into the building in Q4/2017.
- **Azrieli Rishonim** – During and after Q4, 7,000 sqm of office space were leased and thus far agreements have been signed for the lease of 17,000 sqm of the office space. **Furthermore, the Company is in the process of advanced draft contracts for areas in the scope of 6,400 sqm, which will bring the occupancy rate in the office building to 78%.** The mall has been fully leased-up and officially opened last Thursday.
- **Azrieli Holon Center**– During and after Q4, 4,700 sqm of office space were leased. Occupancy rate in the center is 84%.



Financing and Rating

- During the year the Company raised NIS 3.1 billion at an average interest rate of 1.4%.
- During the year, the Company repaid loans in the sum of NIS 1.2 billion at an average interest rate of 3.2%.

Summary of the NOI and the FFO for Q4 and for Y2016:

| NIS in Millions | | | | | | |
|--------------------------|----------------|----------------|---------------|--------------|--------------|---------------|
| | <u>Q4 2016</u> | <u>Q4 2015</u> | <u>Change</u> | <u>2016</u> | <u>2015</u> | <u>Change</u> |
| NOI | 338 | 323 | 5% | 1,301 | 1,238 | 5% |
| Malls and retail centers | 200 | 192 | 4% | 779 | 748 | 4% |
| Offices | 95 | 94 | 1% | 369 | 347 | 6% |
| Offices in the U.S. | 33 | 31 | 6% | 124 | 132 | (6%) |
| Senior housing | 10 | 6 | 67% | 29 | 11 | 164% |
| FFO¹ | 244 | 222 | 10% | 948 | 870 | 9% |

¹ See Section 1.3.13 of the Board of Directors' Report for details regarding the manner of calculation of the FFO.

Balance Sheet (extended standalone) as of December 31, 2016

- The Group has **cash, securities and deposits** in the amount of NIS 1,282 million.
- **Net debt** totaled NIS 7.3 billion.
- **The value of income-producing properties (excluding construction)** owned by the Group totaled NIS 20 billion, compared with NIS 18.4 billion on December 31, 2015.
- **The value of investment properties under construction (including land and advance payments on account on land)** totaled NIS 3.7 billion, compared with NIS 2.1 billion on December 31, 2015.
- **Equity to assets ratio** is 55% and **net debt to assets ratio** is 26%.
- **Unencumbered assets** total NIS 19.6 billion.
- **EPRA NAV per share** was NIS 149, compared with NIS 138 on December 31, 2015.

For further details:
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