



June 1, 2020

Azrieli Group Releases Q1/2020 Results

NOI in Q1/2020 up 3% from Q1/2019 at NIS 410 million

FFO (excluding senior housing) stable at NIS 293 million

Same-property NOI in Q1/2020 up 1% from Q1/2019

Financial Highlights for Q1/2020

- **NOI up 3% at NIS 410 million**, compared with NIS 399 million in Q1/2019.
- **Same-property NOI up 1%** compared with Q1/2020.
- **FFO excluding senior housing** remained stable and totaled NIS 293 million, compared to Q1/2019. The increase in FFO was mostly counterbalanced by a decrease in NOI in the U.S., coupled with one-time expenses related to the data centers transaction.
- **FFO** totaled NIS 305 million compared with NIS 345 million in Q1/2019. In Q1/2019, the Company's reported FFO in the senior housing segment totaled NIS 51 million, most of which resulted from residents moving into Azrieli Modi'in for the first time, compared with the senior housing's contribution of NIS 12 million in the current quarter, which saw a smaller number of first-time residents in the Modi'in senior home, as most of the residents had already moved in.
- **Net profit from operations (mainly net of the increase/decrease in the value of investment properties and capital gains)** totaled NIS 266 million, compared with NIS 255 million in Q1/2019. Net profit totaled NIS 92 million, compared with NIS 369 million in Q1/2019. The decrease in profit derives from value impairments of NIS 184 million due to benefits granted to tenants during the lockdown period.
- **In Q1/2020 the Group invested NIS 230 million in investment properties**, in the development and construction of new properties and in the upgrade and improvement of existing properties.

Eyal Henkin, CEO of Azrieli Group: "We entered this crisis with the benefit of immense financial strength with a high balance of cash and cash equivalents and a low leverage ratio. It is thanks to these factors that we were able to dedicate all our efforts to the management of the ongoing operating activities in all segments, the promotion of projects under development and the identification of new business opportunities. To date, we have seen a very limited impact on the office segment, which is the reason that extremely high collection rates – 95% of the tenants – were recorded in April 2020. In the second week of May, we launched the process of reopening the malls. We see significant progress with every passing day and we are happy to see the public eager and ready to return to venues of entertainment and leisure. As of this time, about 99% of businesses in malls that were permitted to resume operations have been opened, and shoppers' traffic is strong and has even consistently increased over the past month. We are most encouraged by the present state of operations and are looking ahead toward the Group's operations in all segments, with anticipation toward the realization and execution of our many business plans."

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Occupancy rates and store revenues

- **The average occupancy rate** was 98% in the malls segment and 99% in the offices in Israel segment.
- **January and February saw an increase in store revenues** in Azrieli malls (same property), 3.2% higher than the same period last year. March saw a decrease due to malls closing in Israel at the Government's order.

Recent key developments – The COVID-19 crisis

- The NIS 200 million benefit plan for **mall** tenants for the period between the closing of the malls and June 30, 2020.
- **Malls** have reopened since May 7, with operating restrictions imposed. Shoppers' traffic demonstrates a positive trend, and as of the Report Release Date 99% of businesses in malls that were permitted to resume operations have been opened.
- As of the Report Release Date, there are limited effects on the **office segment**. High collection rates – 95% of the tenants, in April 2020.
- A significant growth of ~95% during the Coronavirus period in the **E-commerce (Azrieli.com)** and growth in the number of retailers and business partners using the platform.

Business developments

- **Opening of Palace Lehavim** – In mid-May, the Company launched the fourth Palace Chain senior home, the Palace Lehavim project. The complex, in which NIS 400 million were invested, stretches over 28 thousand sqm with a built-up area of 44 thousand sqm above ground, and includes 350 residential units, 1,500 sqm of leasable retail space and 72 "Medical" beds.
- **Sale of GES** – On May 10 the Company announced the closing of the GES sale transaction in consideration for NIS 105 million. Upon the closing of this transaction, the Company has completed the process of selling all of the assets of its subsidiary, Granite Hacarmel, and the holding in Leumi Card, for an aggregate consideration of NIS 2.6 billion, and with an aggregate profit (including dividends over time) of NIS 1.2 billion, as part of the measures taken in order to focus the Group's operations on the core segments in the income-producing real estate sector.
- **Bond offering** – The Company raised NIS 1.7 billion in April by expanding Series E and F with an average effective interest rate of 1.32% and a duration of 7.6 years.

Balance Sheet as of March 31, 2020

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- The Group has NIS 2 billion in **cash, deposits and short-term investments**, and NIS 2.9 billion including the Bank Leumi stock, cash and cash equivalents. **As of the Report Release Date: NIS 4 billion.**
- **Net debt** totaled NIS 8.8 billion.
- **The value of investment properties and investment properties under construction** totaled NIS 29 billion.
- **Equity to assets ratio** is 53% and **net debt to assets** ratio is 26%.
- **Unencumbered properties** amount to NIS 24 billion.

Conference call

The Company will hold its quarterly conference call, hosted by the Group's senior management, today (Monday, June 1st, 2020) at 17:00 Israel local time (16:00 CET; 15:00 United Kingdom time and 10:00AM Eastern Time). The call will include a review of the Company's interim Q1 2020 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.
0-800-024-9936 from the Netherlands
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