



August 19, 2020

Azrieli Group Releases Q2/2020 Results

Against the backdrop of the COVID-19 pandemic and the relief given to tenants in the malls due to the closure during Q2, the NOI decreased to NIS 232 million and the FFO (excluding senior housing) decreased to NIS 174 million

In the offices segment, Same-property NOI up 4% to NIS 153 million, signing of new contracts for 104 thousand sqm of office space, for 9.1% higher rent

Shoppers were quick to return to the re-opened malls, with the positive trend in shopper traffic maintained since then. Since May 2020, over 15 million shoppers visited the Group's malls

Financial Highlights for Q2/2020

- **NOI** in the quarter totaled NIS 232 million, compared with NIS 400 million in the same quarter last year. The decrease mainly derives from the malls segment against the backdrop of the closure during the quarter. However, in the office segment the quarter ended with a rise of around 4% in the same-property NOI, which totaled NIS 153 million compared with NIS 147 million in the same quarter last year. The new Data Centers operations also contributed to offset the decrease.
- **FFO excluding senior housing** totaled NIS 174 million, compared with NIS 288 million in the same quarter last year. The total **FFO** amounted to NIS 199 million compared with NIS 333 million in the same quarter last year. In the same quarter last year, the Company reported FFO of NIS 45 million in the senior housing segment, most of which from first-time resident move-ins at the Azrieli Modi'in home, versus a contribution of NIS 25 million in the present quarter, in view of the resumption of senior home resident move-ins only in the second half of the quarter.
- **Net profit from operations (mainly net of the increase/decrease in the value of investment properties and capital gains)** totaled NIS 123 million in the quarter, compared with NIS 176 million last year.
- **Loss** in the quarter totaled NIS 72 million, and derives mainly from the decrease in the NOI, fair value impairment of investment property of NIS 234 million, net of a decrease in the financing expenses caused by the negative CPI.
- **In the quarter the Group invested NIS 229 million in investment properties**, in the development and construction of new properties and in the upgrade and improvement of existing properties.

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Eyal Henkin, CEO of Azrieli Group: “The quarter’s results were of course impacted by the two-month closure of the malls. Most of the impact on the segment’s operating results was recorded in this quarter. Azrieli Group’s business diversity is especially notable in this period, with the activity in the offices segment continuing to be strong with growth in the same-property NOI and the signing of several significant lease contracts during and after the quarter. The new Data Centers operations are beginning to be reflected in the results, and their contribution is expected to increase with the progress in the projects under development. In the senior housing activity, we are witnessing impressive stability and the initial contribution of the new home in Lehavim with signed contracts for over 50% of the units and residents gradually moving in. The extraordinary financial strength combined with the high cash balances and the low leverage allow us to continue with the business plans as scheduled, while acting at the same time to identify new business opportunities.”

Occupancy rates and store revenues

- **The average occupancy rate** was 98% in the malls segment (net of properties under lease-up) and 98% in the offices in Israel segment.
- **Store revenues** – due to the fact that many sectors had not resumed normal operations or operated on a partial basis during the quarter (schools, gyms, movie theatres and restaurants), the quarter’s figures cannot be compared with the corresponding quarter. Net of the said sectors, the store revenues reported by the tenants in the Group’s malls in the period from May 7, 2020 until the end of June 2020 were 2.1% higher than the store revenues that were reported in the same period last year, while the store revenues of May 2020 were adjusted to a full month of operations, and net of Azrieli Tel Aviv mall, as much of its footfall comes from public transport, particularly Israel Railways, which were shut down in the context of the restrictions imposed by the government due to the spread of COVID-19.

Business developments

- **Opening of Palace Lehavim** – In the middle of the quarter, the Company launched the fourth Palace Chain senior home, the Palace Lehavim project, and residents have begun moving into the apartments. The complex, in which NIS 400 million were invested, extends 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. As of the report release date, approx. 52% of the apartments have been marketed (contracts, options and resident move-ins).
- **Signing of new contracts in the offices segment** – During the first half until close to the report release date, 128 new contracts and/or option exercises took effect, and existing contracts were extended for around 104,000 sqm for rent 9% higher than contracts renewed / extended or signed with a substitute tenant. In the period between March 1, 2020 and the report release date, the said increase totaled 14.2%.
- **Signing of new contracts in the malls segment** – During the first half until close to the report release date, 695 new contracts and/or option exercises took effect, and existing contracts were extended for around 67,500 sqm, with a slight decrease of 0.8% relative to the previous rent for such space.

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Balance Sheet as of June 30, 2020

- The Group has NIS 3 billion in **cash, deposits and short-term investments**, and NIS 3.8 billion including the Bank Leumi stock, cash and cash equivalents and marketable securities. **As of the release date, the balances are in a similar amount.**
- **Net debt** totaled NIS 9.2 billion.
- **The value of investment properties and investment properties under construction** totaled NIS 29 billion.
- **Equity to assets ratio** is 51% 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
1-888-604-5839 from Canada
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