



AZRIELIGROUP

# AZRIELI GROUP

Conference Call Presentation

Financial Statements September 30, 2020



AG

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- › The information included in this presentation is a summary only and does not exhaust all of the information on the Company and its business, nor is it a substitute for inspection of the Periodic Report for 2019, the quarterly reports for September 30, 2020, the Company's current reports and the presentations released thereby, as reported to the ISA via the Magna distribution site. The presentation does not constitute an offering or an invitation to purchase securities of the Company, and the provisions thereof do not constitute a recommendation or opinion or substitute for the discretion of the investor. The Company is not responsible for the integrity or accuracy of the information.
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- › All numbers and figures are approximate.

# Convenience Translation from Hebrew // Important Notice

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- › The following English translation of Azrieli Group's presentation for the conference call of November 25, 2020 (the "**Presentation**") is provided for convenience. Please note that this document should not be regarded as a substitute for reading the full original Hebrew version of the Presentation. This translation was neither prepared nor checked by the Company. Accordingly, the Company does not warrant that the translation fully, correctly or accurately reflects the Presentation and its contents.
- › The binding version of the Presentation for all intents and purposes is the original Hebrew version, filed by the Company with the Israel Securities Authority through the MAGNA website on November 25, 2020. Nothing in this translation constitutes a representation of any kind in connection with the Presentation, nor should it be regarded as a source for interpretation of the Presentation or the Company's reports or statements. In any event of contradiction or discrepancy between this translation and the Hebrew version of the Presentation, the Hebrew version shall prevail.

# Azrieli Group // Business Card

Traded on the capital market since 2010, the **6<sup>th</sup> largest company<sup>(1)</sup>** on the Tel Aviv Stock Exchange

Market cap of **NIS 24 billion<sup>(1)</sup>**

Listed in all leading **indices**: TA-35, TA-125, TA-Real Estate

The company's share is included in the **EPRA** Index

The Company owns income-producing properties with a total leasable area of **1,278,000 m<sup>2</sup>**, **11 additional projects under construction**, and **6 projects under renovation and expansion**

Average **occupancy rate** in Israel of **98%<sup>(2)</sup>**

**90%** of the value of investment and under-construction income-producing properties (on a consolidated basis) attributed to real estate in Israel

**Rating: AA+** (Ma'alot S&P); **Aa1** (Midroog Moody's)

**Leverage ratio** of only **26%**, and equity to assets ratio of **52%**



(1) As of November 24, 2020

(2) Excluding completed properties in the first stages of occupancy.



# Income-Producing Properties Map



## Malls and Retail Centers

|                   |                      |                  |                  |
|-------------------|----------------------|------------------|------------------|
| Ayalon Mall       | Jerusalem Mall       | Holon Mall       | Akko Mall        |
| Hod Hasharon Mall | Modi'in Mall         | Ramla Mall       | Kiryat Ata Mall  |
| Herzliya Outlet   | Azrieli Mall         | Azrieli Ra'anana | Or Yehuda Outlet |
| Givatayim Mall    | Azrieli Holon Center | Haifa Mall       | HaNegev Mall     |
| Sarona Mall       | Rishonim Mall        |                  |                  |

## Offices and Others in Israel

|                      |                    |            |
|----------------------|--------------------|------------|
| Azrieli Towers       | Modi'in            | Givatayim  |
| Azrieli Sarona       | Modi'in Residences | Kiryat Ata |
| Azrieli Holon Center | Petach Tikva       | Hanegev    |
| Caesarea             | Jerusalem          | Rishonim   |
| Herzliya             | TOWN building E    | Hamanor    |

## Senior Homes

Palace Tel Aviv  
Palace Ra'anana  
Palace Modi'in  
Palace Lehavim

## Overseas

Galleria  
1 Riverway  
3 Riverway  
Plaza  
8 West  
Aspen II  
San Clemente  
Leeds

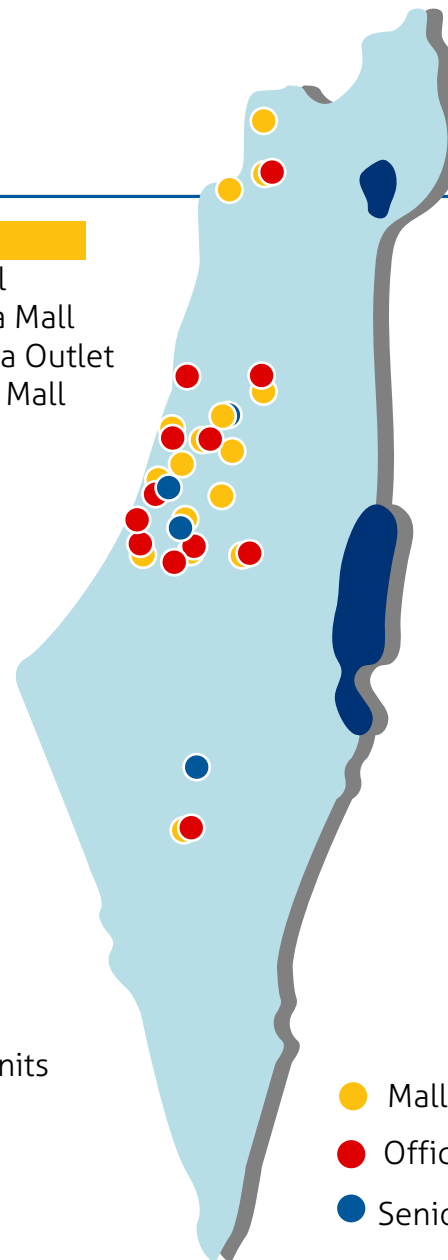
18 Malls and Retail Centers 351,000 m<sup>2</sup>

15 Office properties 576,000 m<sup>2</sup>

4 Senior Homes 105,000 m<sup>2</sup> 1,034 residential units

8 Office properties overseas 246,000 m<sup>2</sup>

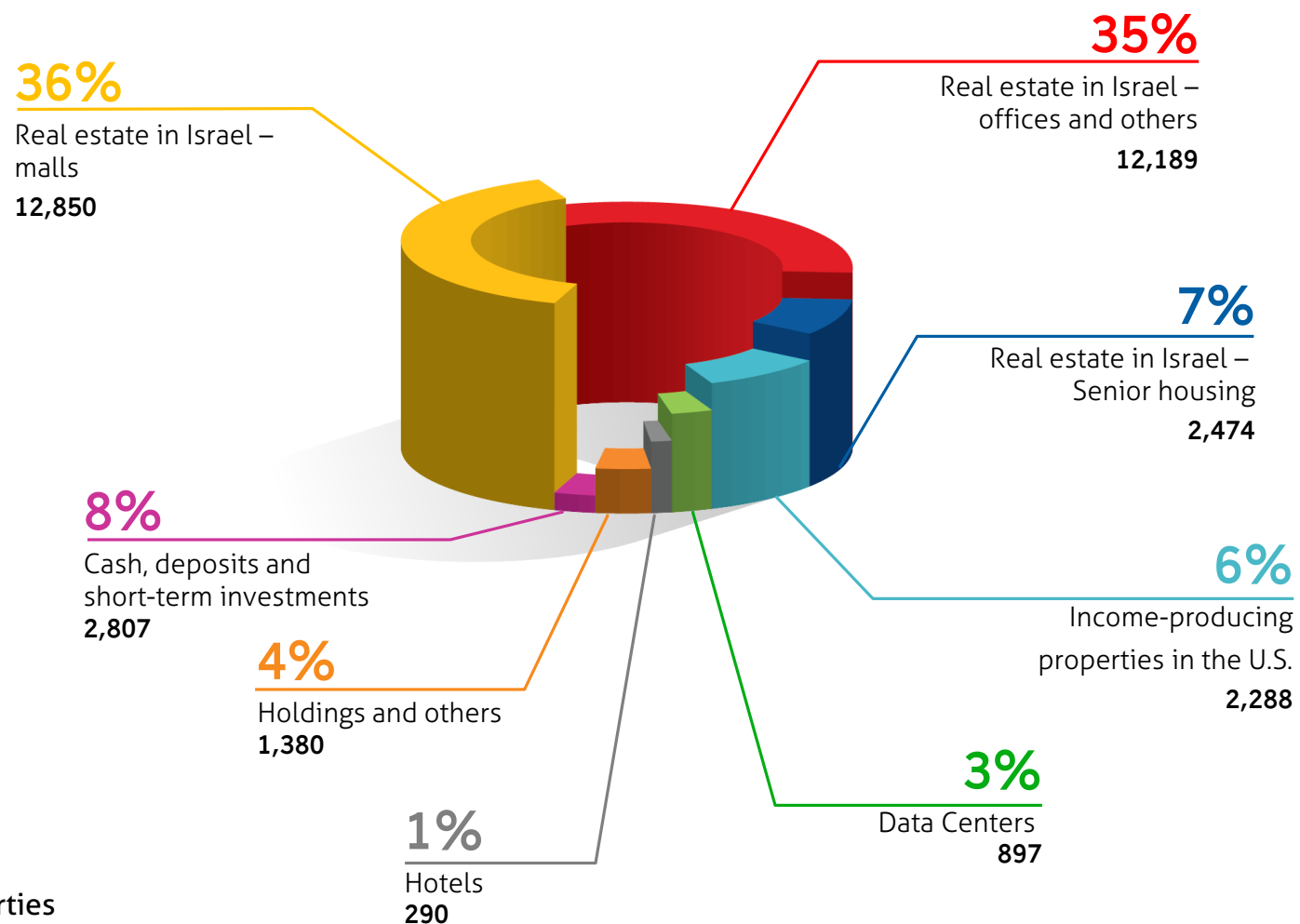
Total 1,278,000 m<sup>2</sup> (1)



- Malls
- Offices
- Senior Homes

(1) As of September 30, 2020.

# Azrieli Group // Breakdown of Properties<sup>(1)</sup>



% of Total Properties  
Book Value (NIS in millions)

(1) Consolidated, as of September 30, 2020. For details regarding the Company's structure, see Section 1.2.1 of Chapter A of the Annual Report.

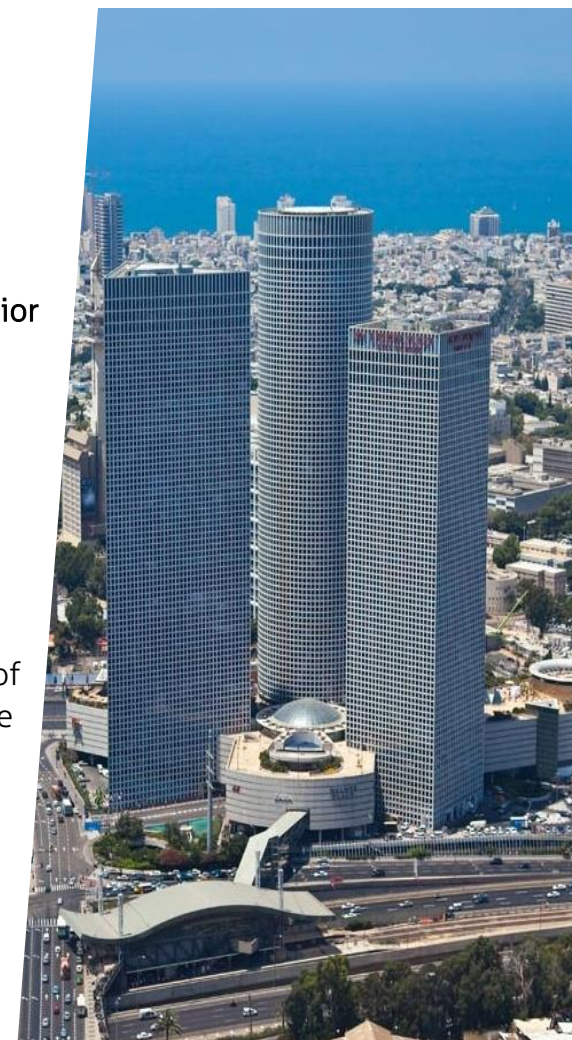
# Highlights for Q3/2020<sup>(1)</sup>

## Financial Highlights

- > NOI totaled **NIS 352 million**, down 14% compared with Q3/2019, mainly due to relief given for tenants in the retail sector.
- > Same Property NOI – a 13% decrease in the quarter.
- > FFO totaled **NIS 282 million**, compared with NIS 321 million in Q3/2019. **Excluding senior housing, FFO totaled NIS 260 million**, compared with NIS 292 million in Q3/2019.

## Continued Momentum of Development, Betterment and Acquisitions

- > Over the course of Q3/2020, **the Group invested NIS 307 million** in investment properties, redevelopment of existing properties, and development of new properties.
- > In 2020, the Group invested NIS 765 million in investment properties, redevelopment of existing properties and development of new properties, NIS 264 million in the purchase of Mount Zion Hotel, and \$67 million (NIS 231 million)<sup>(2)</sup> in Compass Datacenters.



(1) Some of the highlights present data and events that are subsequent to the report release date.

(2) The Company has an option to increase its holdings up to 33% according to the current value against future investments in Compass.



# Development During and Subsequent to the Quarter



### Business

|                  |   |
|------------------|---|
| Diversification  | Diversification over several real estate sectors  |
| Tenant diversity | Very broad (approx. 2,800 tenants)                |
| Portfolio        | High-quality properties in prime locations        |
| Occupancy rate   | Close to 100% in all operating segments in Israel |
| Contracts        | Long term, 3-5-10 years                           |

### Financial

|                           |   |
|---------------------------|---|
| Cash and cash equivalents | NIS 2.8 billion. Including Bank Leumi shares - NIS 3.5 billion. |
| FFO                       | Strong cash flow  |
| Low leverage              | 26% net debt to assets and 52% <sup>(2)</sup> equity to assets  |
| Unencumbered assets       | NIS 24 billion  |
| Debt                      | Long duration and balanced payment schedule                     |
| Financing                 | Average interest rate of 1.6% and average duration of 5.4 years |



(1) As of September 30, 2020.  
 (2) Including deferred taxes – 61%.

# Renewals and New Lease Agreements (Israel)

During 1-9 / 2020, until the report release date

| Segment | Lease Type  | Number of Leases Signed | GLA     | Change |
|---------|---|-------------------------|---------|--------|
| Offices | Options exercised and new leases (excluding space in the first stages of occupancy) | 203                     | 130,578 | +10.7% |
| Retail  | Options exercised and new leases (excluding space in the first stages of occupancy) | 736                     | 78,317  | - 1%   |

| Type                  | Units                        | Sum of New Deposits (NIS in millions) | Average Deposit (NIS in millions) |      |
|-----------------------|------------------------------|---------------------------------------|-----------------------------------|------|
| Palace Senior Housing | Existing homes and new homes | 105                                   | 140 <sup>(1)</sup>                | 1.33 |

(1) Adjusted to deposit payments.



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# Real Estate Segments

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# Azrieli Group // Malls and Retail Centers

NOI in Q3/2020 – **NIS 156 million**, compared with NIS 210 million in Q3/2019. The decrease is attributed to discounts given to tenants due to the COVID-19 crisis.

GLA – **351,000 m<sup>2</sup>** <sup>(1)</sup>

Average occupancy rate – **98%** <sup>(2)</sup>

Book value – **NIS 12.9 billion**

## Innovation and Upgrading

- > Azrieli E-Commerce
- > Azrieli Gift Card
- > Azrieli App
- > Betterment and upgrading of malls and retail centers



(1) GLA (gross leasable area) is based on the Company's share as of September 30, 2020.

(2) Excluding completed properties in the first stages of occupancy.

# Azrieli Group Malls // Store revenues and Rent to Sales Ratio

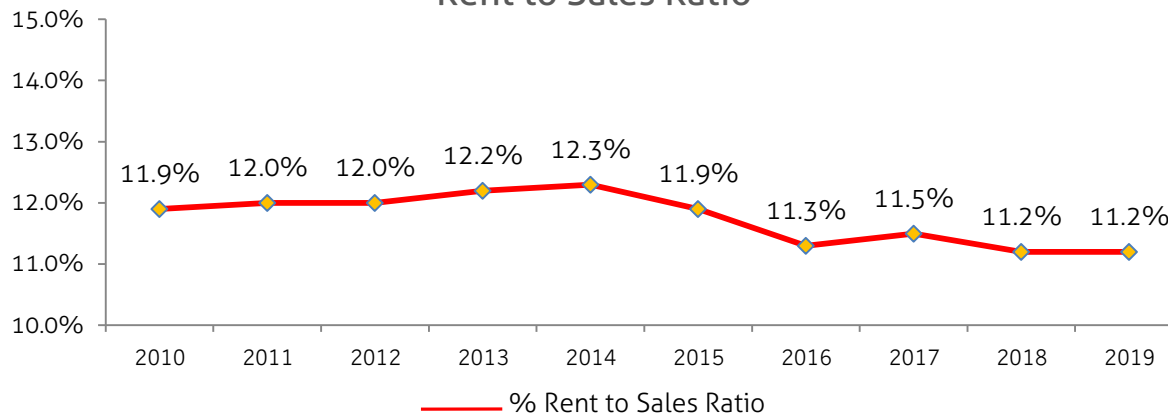
1-2 + 5-9 / 2020 <sup>(1)</sup>  
Vs.  
1-2 + 5-9 / 2019 <sup>(1)</sup>

+ 1.2%

Total Increase in Revenues of  
Azrieli Group Mall Stores



Rent to Sales Ratio



(1) The presented figures of the change in store revenues for May Net of the months of March and April, while the months of May and September 2020 were standardized to a full month of activity, and excluding store revenues of tenants that did not resume normal operations or operated on a partial basis in the period due to regulatory restrictions and government decisions pertaining to the spread of COVID-19, including store revenues of restaurants and coffee shops, movie theatres, food courts, gyms, conference centers, etc., and net of Azrieli Tel Aviv mall, which is significantly affected by restricted use of the public railways.



# Azrieli Group // Office and Other Space (Israel)

NOI in Q3/2020 – **NIS 151 million**, compared with NIS 152 million in Q3/2019.

GLA of **576,000 m<sup>2</sup>** <sup>(1)</sup>

Average occupancy rate – **98%** <sup>(2)</sup>

Book value – **NIS 12.2 billion**

## Innovation and Upgrading

- > Community
- > Technology
- > Betterment and upgrading of the office towers



(1) GLA (gross leasable area) is based on the Company's share as of September 30, 2020.  
 (2) Excluding completed properties in the first stages of occupancy.

# Palace Senior Housing Chain

## Operating Homes

**Palace Tel Aviv:** 231 residential units + 4 LTC units

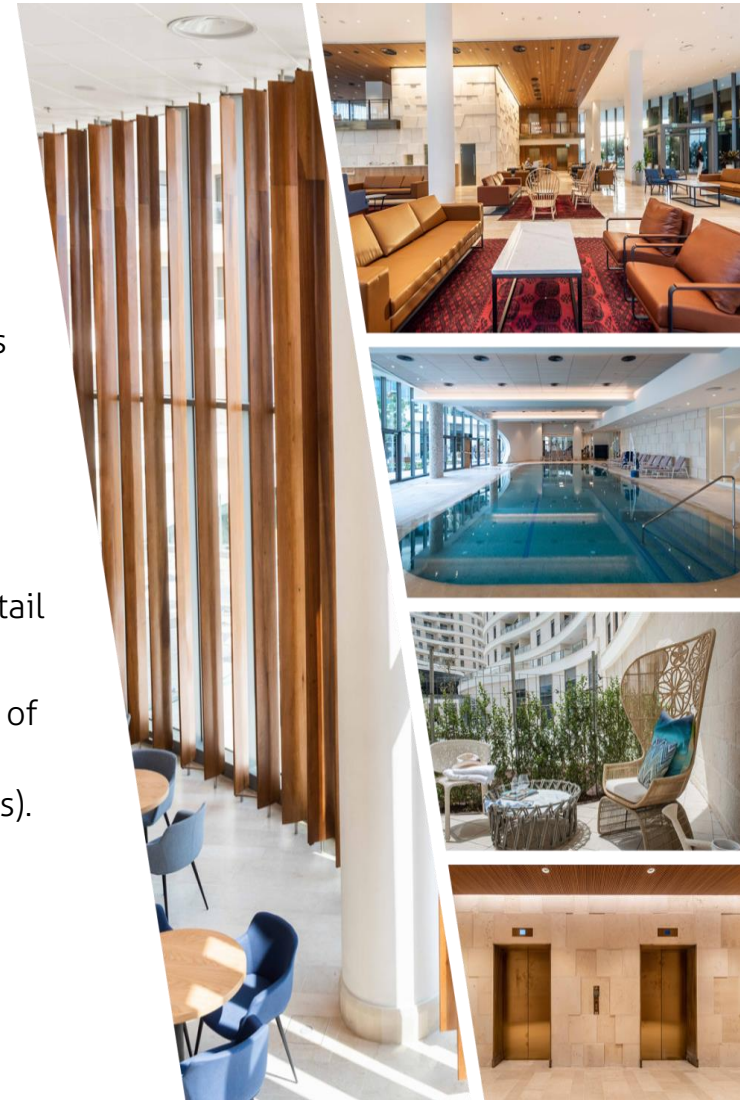
**Palace Ra'anana:** 323 residential units + 2 LTC units

**Palace Modi'in:** 239 residential units + 4 LTC units

**Palace Lehavim:** 350 residential units (241 units in phase A) + 2 LTC units

## Homes under Development

- > **Palace Rishon Lezion:** 275 residential units + 1 LTC unit + 3,000 m<sup>2</sup> retail space
- > **Palace Jerusalem:** the Group is promoting a plan for the development of a new senior home which will be built adjacent to the mall, on a gross area of approx. 40,000 sqm (up to 300 residential units and 4 LTC units).





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# Development Pipeline

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# Azrieli Group // Development Pipeline



Expansion of Azrieli Mall and  
the Spiral Tower, Tel Aviv  
**150,000 m<sup>2</sup> (1)(3)**



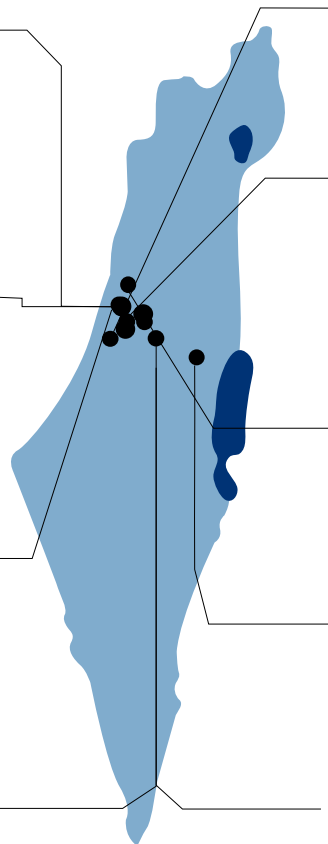
Azrieli Town E Building  
Tel Aviv Center  
**21,000 m<sup>2</sup> (4)**



Azrieli Town, Tel Aviv  
**75,000 m<sup>2</sup> (1)(5)**



Lot 10 Modi'in  
**37,000 m<sup>2</sup>**



Palace Rishon Lezion  
Senior Home  
**37,300 m<sup>2</sup> (1)(3)**

Holon 3 Project  
(formerly Lodzia)  
**250,000 m<sup>2</sup>**

Land for Development  
Petach Tikva  
**53,000 m<sup>2</sup> (2)**












Mount Zion Hotel  
Jerusalem  
**34,000 m<sup>2</sup> (1)**

Lot 21  
Modi'in  
**20,000 m<sup>2</sup> (1)(2)**



(1) The figure depicts the scope of building rights in sqm | (2) The Company is working to increase the building rights to approx. 250,000 sqm in Petach Tikva and to approx. 28,000 sqm in Modi'in. | (3) A plan was published and validated. | (4) Rights for additional construction purchased in May 2018 in the context of the acquisition of the income-producing property Mivney Gazit. | (5) The Company is working to receive additional construction rights in the project to approx. 99,000 sqm.

# Development Projects // The Growth Engine

| Name of Property                           | Location      | Use   | GLA <sup>(2)</sup>                          | Estimated Completion Date | Estimated Construction Cost, including Land (NIS in millions) <sup>(1)</sup> |
|--|---------------|---|---|---------------------------|--|
| Short-term construction projects           |               |   |   |                           |  |
| Azrieli Town <sup>(4)</sup>                | Tel Aviv      |    | Offices 50,000                              | Q4/2020                   | 1,100-1,150  |
|  |               |   | Retail 4,000                                | 2022                      |  |
|  |               |   | Residence 21,000<br>(210 Residential Units) |                           |  |
| Azrieli Akko Mall                          | Akko          |    | 8,000                                       | Q1/2021                   | 70-75  |
| Total                                      |               |   | 83,000                                      |                           | 1,170-1,225  |
| Medium-term construction projects          |               |   |   |                           |  |
| Palace Lehavim <sup>(3)</sup>              | Lehavim       |    | 10,000                                      | 2022                      | 110-115  |
| Modi'in, Lot 21                            | Modi'in       |    | 20,000 <sup>(6)</sup>                       | 2023                      | 340-370  |
| Palace Rishon Lezion                       | Rishon Lezion |    | 37,300 <sup>(5)</sup>                       | 2024                      | 450-470  |
| Expansion of Azrieli Mall and Spiral Tower | Tel Aviv      |    | 150,000 <sup>(5)</sup>                      | 2025                      | 2,300-2,500  |
| Total                                      |               |   | 217,300                                     |                           | 3,200-3,455  |
| Total                                      |               |   | 300,300                                     |                           | 4,370-4,680  |
| Development projects in the planning phase |               |   |   |                           |  |
| Holon 3 (formerly Lodzia)                  | Holon         |    | 250,000 <sup>(7)</sup>                      | TBD                       | TBD  |
| Petach Tikva land                          | Petach Tikva  |  | 53,000 <sup>(6)</sup>                       | TBD                       | TBD  |
| Azrieli TOWN Building E                    | Tel Aviv      |  | 21,000 <sup>(8)</sup>                       | TBD                       | TBD  |
| Modi'in, Lot 10                            | Modi'in       |  | 37,000                                      | TBD                       | TBD  |
| Mount Zion Hotel                           | Jerusalem     |  | 34,000                                      | TBD                       | TBD  |
| Total                                      |               |   | 395,000                                     |                           | Projects whose construction cost is yet to be determined                     |
| Total                                      |               |   | 695,300                                     |                           |  |

(1) Cost without capitalizations and without tenant adjustments | (2) Senior housing and/or residential rights are stated in sqm | (3) Occupancy permit for medical received in July 2020. (4) The Company is promoting an increase of rights for the addition of office and hospitality areas totaling approx. 24,000 sqm (gross). | (5) A plan was published and validated. | (6) The Company is working to increase the building rights to approx. 250,000 sqm in Petach Tikva and to approx. 28,000 sqm in Modi'in | (7) GLA increased due to consolidation of plots of land. | (8) Additional building rights which were purchased in May 2018 in the context of the purchase of the income-producing property Mivney Gazit.



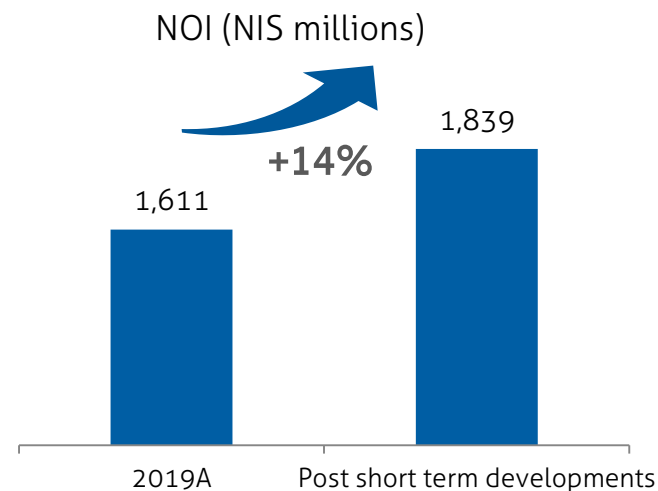
# Development Projects // Expected Contribution\* to NOI and FFO

|                    |       |
|--------------------|-------|
| Actual NOI in 2019 | 1,611 |
|--------------------|-------|

|   |     |
|---|-----|
| > Additional NOI from development projects <sup>(1)</sup> | 142 |
|---|-----|

|   |    |
|---|----|
| > Annualized additional NOI from existing properties <sup>(2)</sup> | 86 |
|---|----|

|  |              |
|--|--------------|
| <b>Projected NOI after lease-up of short-term projects under development</b> | <b>1,839</b> |
|--|--------------|



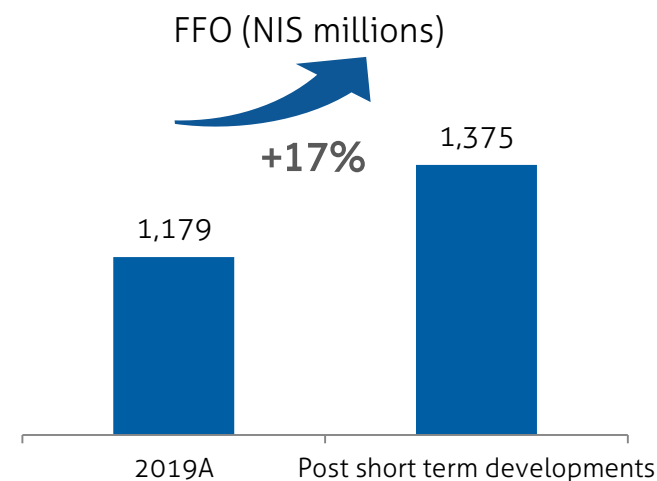
|                    |       |
|--------------------|-------|
| Actual FFO in 2019 | 1,313 |
|--------------------|-------|

|   |       |
|---|-------|
| > Excl. first-time deposits from Palace Modi'in senior home | (134) |
|---|-------|

|  |       |
|--|-------|
| Actual FFO in 2019 excl. first-time deposits from Palace Modi'in | 1,179 |
|--|-------|

|                                 |     |
|---------------------------------|-----|
| > Additional FFO from cash flow | 196 |
|---------------------------------|-----|

|  |              |
|--|--------------|
| <b>Projected FFO after lease-up of short-term projects under development</b> | <b>1,375</b> |
|--|--------------|



\* The calculations are not forecasts, and the basic assumption is that upon completion, the NOI of income producing properties will be similar to pre-COVID-19 figures.  
 The main assumptions underlying the calculations are: full lease-up of the projects under development, NOI and FFO of senior housing in steady state (excluding first time occupancy), a tax rate of 23%.

(1) NOI from projects under development includes Azrieli TOWN, Palace Modi'in, Palace Lehavim, Holon HaManor, NIS 22 million from the leasing of residential units in TOWN project and Akko offices and excludes expansion of Azrieli Center Tel Aviv, Holon 3 project (Lodzia), Rishonim senior housing land and land in Petach Tikva, Modi'in Lots 21 and 10 and Mount Zion Hotel.  
 (2) Annualized additional NOI from existing properties includes Azrieli Sarona offices and retail, Azrieli Holon Center and Azrieli Rishonim, Azrieli TOWN building E acquired in May 2018, data center activity acquired in July 2019 and Palace Modi'in opened in October 2018.



# Azrieli Group // The CBD of Tel-Aviv





# Development Projects // Expansion of Azrieli Mall and the Spiral Tower, Tel Aviv

Land area – **8,400 m<sup>2</sup>**

GLA – **150,000 m<sup>2</sup>**

including 13,000 m<sup>2</sup> of retail space  
for expansion of the Azrieli Tel Aviv Mall

Cost of land – **NIS 374 million**

Estimated construction cost, including land –  
NIS 2.3-2.5 billion

Use – 

Estimated date of completion – **2025**

## Progress Update

The Group is carrying out excavation and shoring work on the site.

In January 2020, a discussion was held in the local committee, and the committee decided to grant conditional approval for the design plan. The Company is working to receive final approval of the design plan.



Illustration

# Development Projects // Azrieli Town

Land area - **10,000 m<sup>2</sup>**

GLA <sup>(1)</sup> - **50,000 m<sup>2</sup>** of offices  
**4,000 m<sup>2</sup>** of retail space  
**21,000 m<sup>2</sup>** residential (**210 units**)

Estimated construction cost, including land -  
**NIS 1,100-1,150 million**

Estimated date of completion – Offices – **Q4 2020**  
 Residences and Retail – **2022**

Use –     
 RENT

## Progress Update

The Group is carrying out finishing work on the office tower, and structural work on the residential tower. The Group is working to increase the building rights for the addition of office and hospitality areas totaling approx. 24,000 m<sup>2</sup> (gross).

## Marketing

**To date, lease contracts have been signed for ~100% of the office space**, including with a leading technology company, law firm Fischer Behar Chen, accounting firm PwC, and WeWork.  
**The projected annual NOI from the office building is NIS 67 million, and the construction cost (land and development including TI) is NIS 677 million.**



Illustration

(1) Figures refer to the current zoning plan.

# Palace Lehavim Senior Home

Land area – **28,000 m<sup>2</sup>**, in the southern part of the town of Lehavim, not far from the train station

## Building rights

Phase A - **32,000 m<sup>2</sup>**

Phase B - **10,000 m<sup>2</sup>**

**350 Residential Units + 2 LTC Units**

Use –  

Estimated construction cost, including land – **NIS 400-410 million**

Estimated date of completion – **Phase A – Completed<sup>(1)</sup>**  
**Phase B – 2022**

OPENED

## Progress Update

Phase A completed and occupancy permit received in May 2020.

## Marketing

As of the Report Release Date – **140 contracts and preliminary applications** (for 58% of Phase A) have been signed, of which 127 signed contracts, and **94 units have been occupied**.



(1) Phase A – 241 units.  
(2) Occupancy permit for the LTC units received in July 2020.






# Azrieli Holon HaManor

Land area – 6,200 m<sup>2</sup>

GLA – Office space: **28,000 m<sup>2</sup>**

Completion date – **Q3 2020**

Use – 

The land is adjacent to the Holon 3 project land (formerly Lodzia) and close to the **Azrieli Holon Center**.

## Progress Update

The project was completed and occupancy permit was received in September 2020.




## Marketing

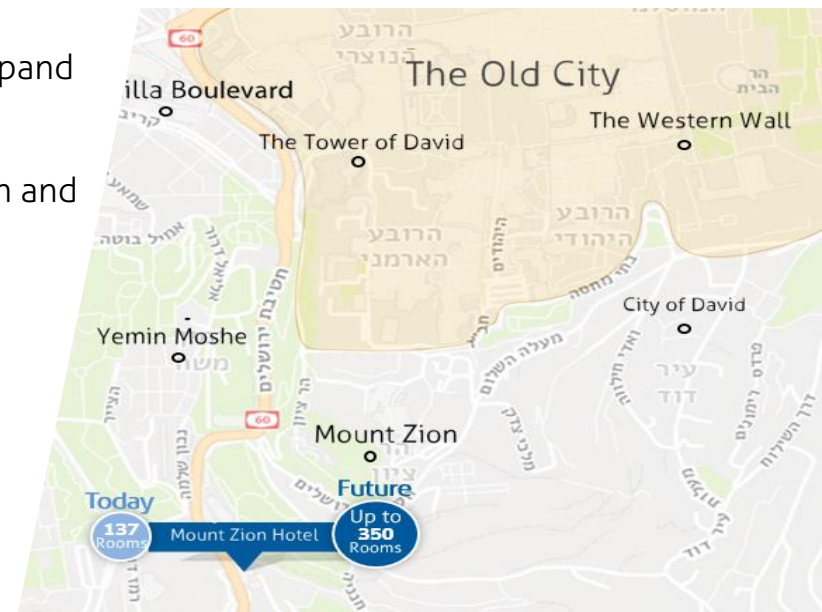
The Group signed a lease contract with Bezeq for 20,000 sqm plus approx. 900 parking spaces, of which 600 parking spaces are in the Azrieli Holon 3 project). Bezeq occupied the space at the beginning of October, 2020.

The Group projects an annual NOI of NIS 26 million, and the construction cost (land and construction including TI) is NIS 336 million.



# Azrieli Group // Purchase of Mount Zion Hotel, Jerusalem

- > Land area - approx. 13,000 sqm.
- > Built-up area including renovation and expansion - **34,000 m<sup>2</sup>, up to 350 rooms.**
- > Use – 
- > Acquisition cost – **NIS 275 million.**
- > Expected expansion and renovation cost – approx. NIS 500-600 million.
- > Estimated date of completion – TBD.
- > The Group intends to renovate (from B rating to A+ rating) and expand the hotel in accordance with the lot's applicable zoning plan.
- > Additional uses: parking, restaurants, a spa, a health club, function and reception halls, a swimming pool, and the Cable Car Museum.

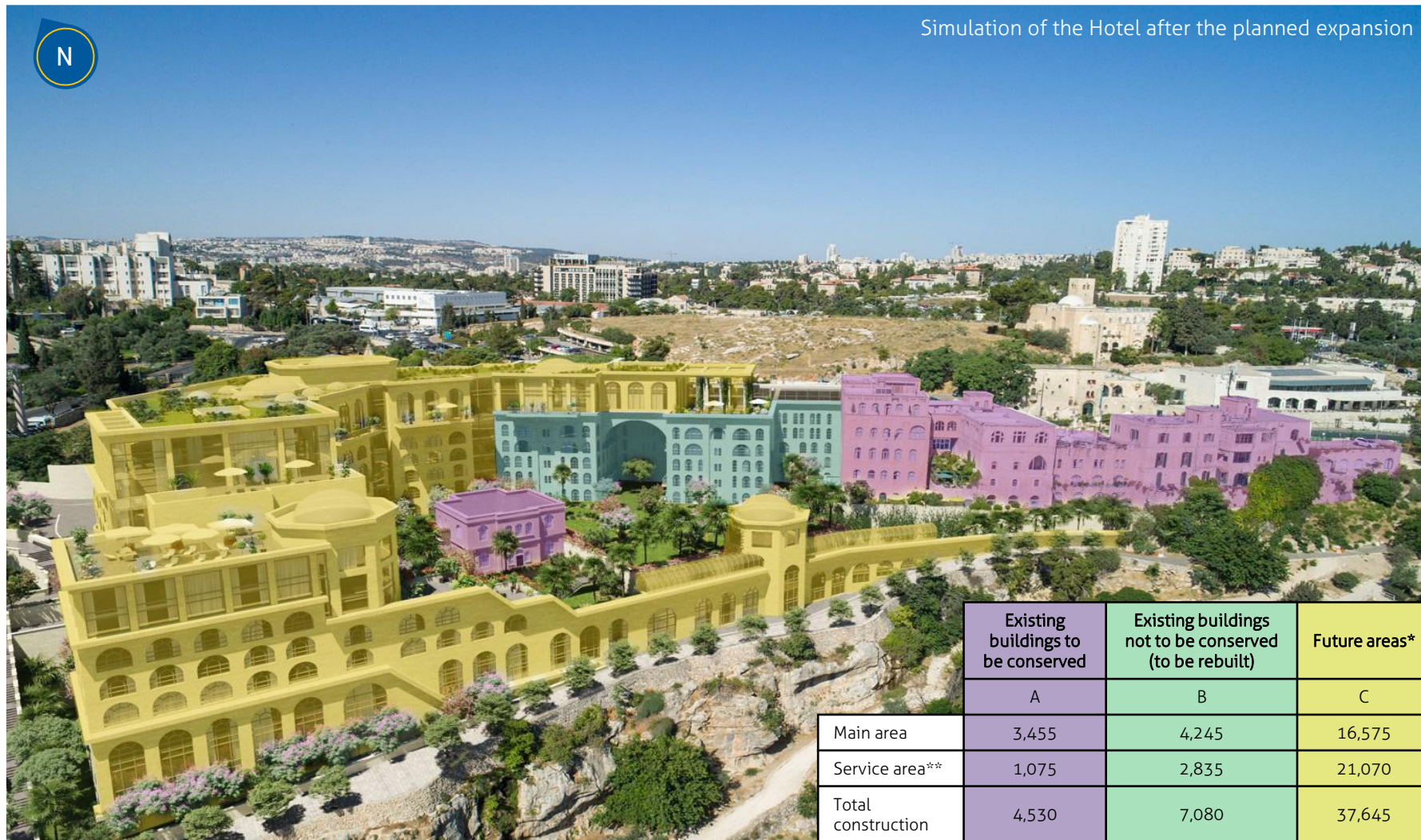


## Progress Update

Planning and preparing for permit.



# Azrieli Group // Purchase of Mount Zion Hotel, Jerusalem









\* Including additional construction also in the existing buildings

\*\* Including 15,225 sqm for underground parking

# Existing Properties // Expansion and Betterment

The following projects are undergoing betterment and various statutory proceedings:

| Name of the Property   | Location      | Project in the Property   | Status      | Gross Area                 | Timeframe for Completion of the Statutory Proceeding |
|------------------------|---------------|---|-------------|----------------------------|--|
| Azrieli Jerusalem mall | Jerusalem     | Increasing retail and office space;<br>Construction of senior home  | Zoning plan | 100,000 sqm                | Medium-term  |
| Petach Tikva land      | Petach Tikva  | Addition of offices    | Zoning plan | 200,000 <sup>(1)</sup> sqm | Long-term  |
| Azrieli TOWN           | Tel Aviv      | Addition of offices    | Zoning plan | 24,000 sqm                 | Medium-term  |
| Azrieli Rishonim       | Rishon Lezion | Addition of offices    | Zoning plan | 21,000 sqm                 | Short-term   |
| Modi'in land (Lot 21)  | Modi'in       | Addition of offices    | Zoning plan | 8,000 sqm                  | Medium-term  |
| Herzliya Business Park | Herzliya      | Addition of offices and retail                                      | Zoning plan | 4,000 sqm                  | Medium-term  |
| <b>Total</b>           |               |   |             | <b>357,000 sqm</b>         |  |

(1) Some of the building rights are attributed to an existing property owned by the Company.



# Development Projects // Expansion of Azrieli Jerusalem Mall

## Expansion of the Azrieli Jerusalem Mall

The group is promoting a plan for expansion of the area of the Azrieli Jerusalem mall by approx. **100,000 sqm gross above ground**.

If the zoning plan is approved, it **will enlarge the retail areas** by approx. 22,000 sqm and the office areas by approx. 36,000 sqm.

As part of the plan, **a senior home will be built** adjacent to the mall, on an area of approx. 40,000 sqm gross (up to 300 residential units).

Concurrently with the expansion of the mall, work is expected to progress on construction of the blue line of the Jerusalem Light Rail. A light rail station will be built near the mall, further improving transportation access to the area.

## Progress Update

In January 2020, the local committee held a discussion on the objections. The local committee recommended to the district committee to approve the plan as submitted, subject to minor amendments, while denying all of the third-party objections. In September 2020, a discussion was held in the district committee.





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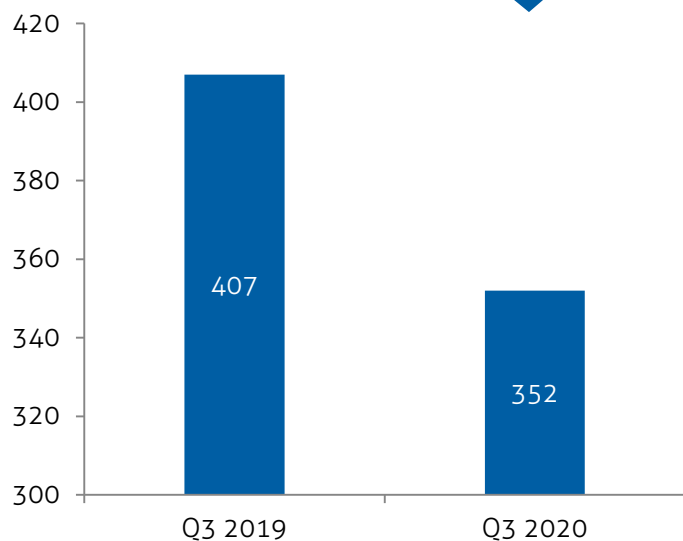
# Financial Highlights

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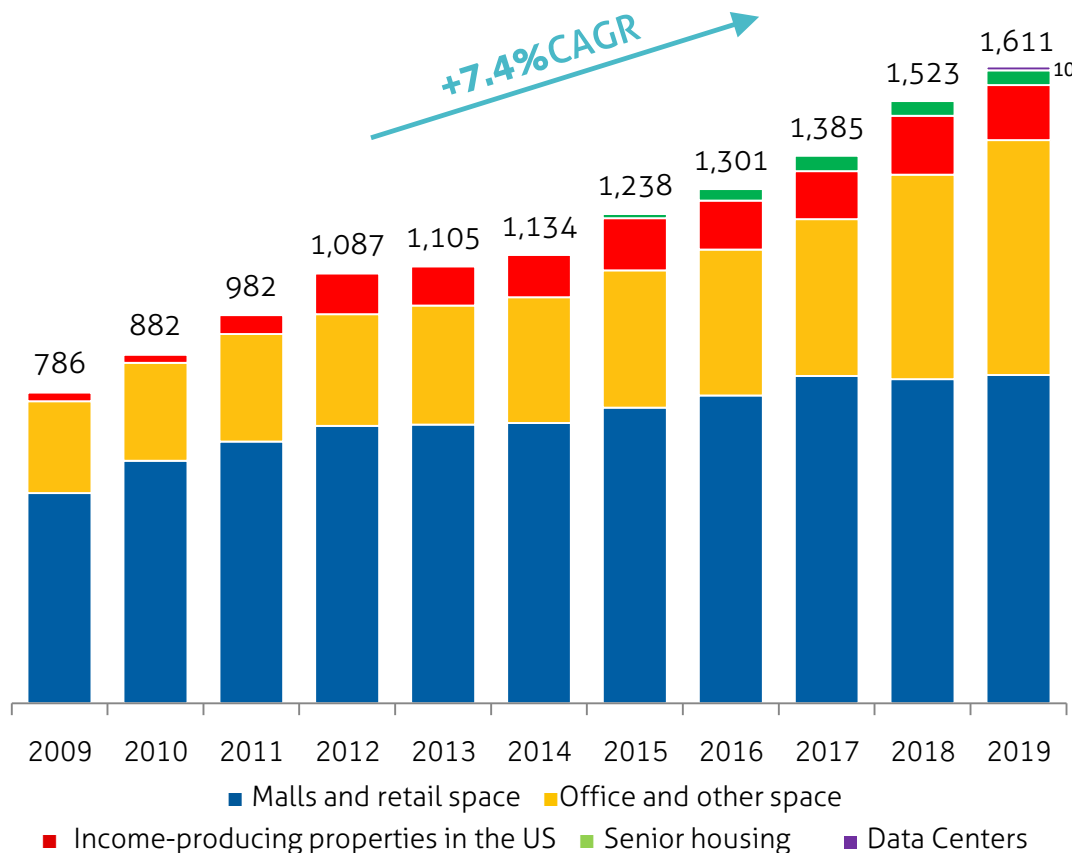
# Constant NOI Growth

Quarterly NOI  
(NIS in millions)

The decrease in the NOI this quarter is attributed mainly to relief given to tenants in the retail sector in the sum of around NIS 48 million, which was recognized in full this quarter.



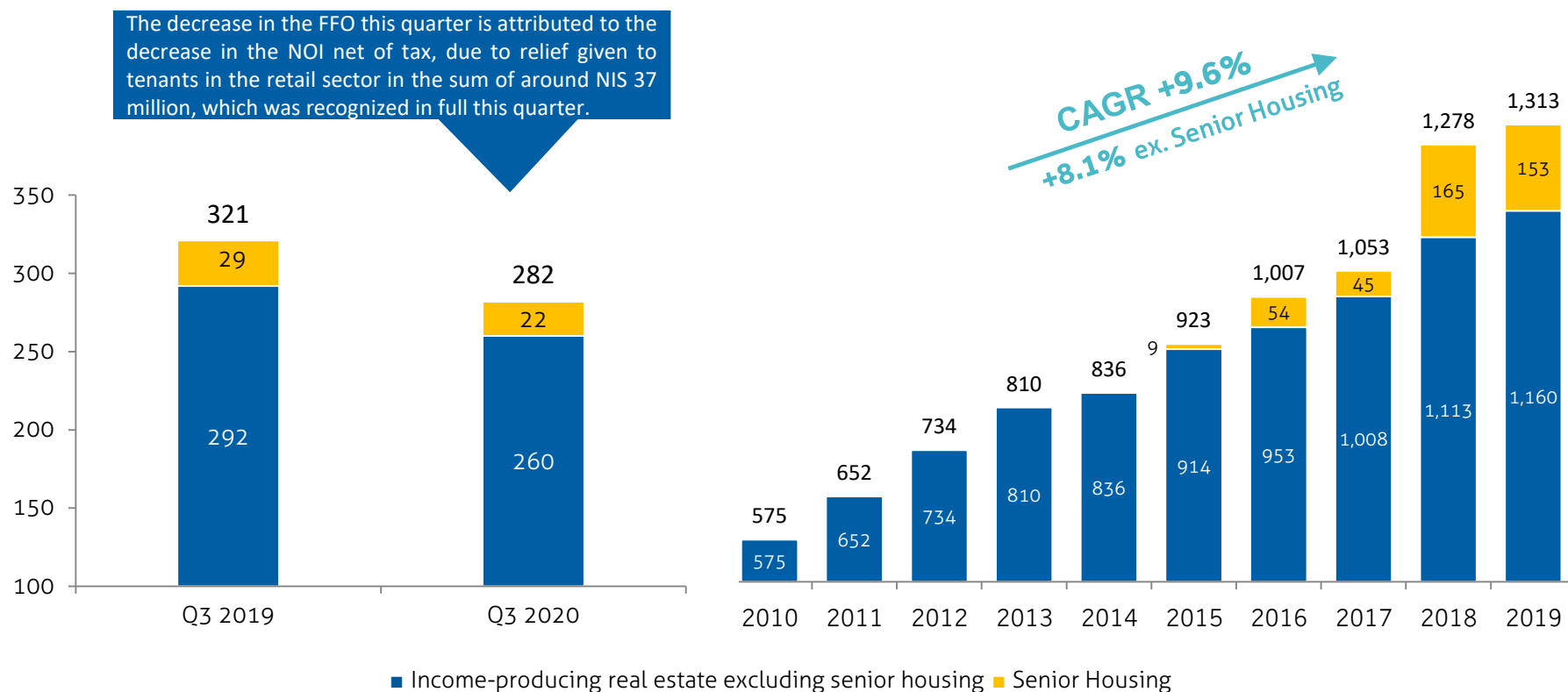
Annual NOI  
(NIS in millions)



# Constant FFO<sup>(1)</sup> Growth

## Funds From Operations (FFO), compared with Q3-2019

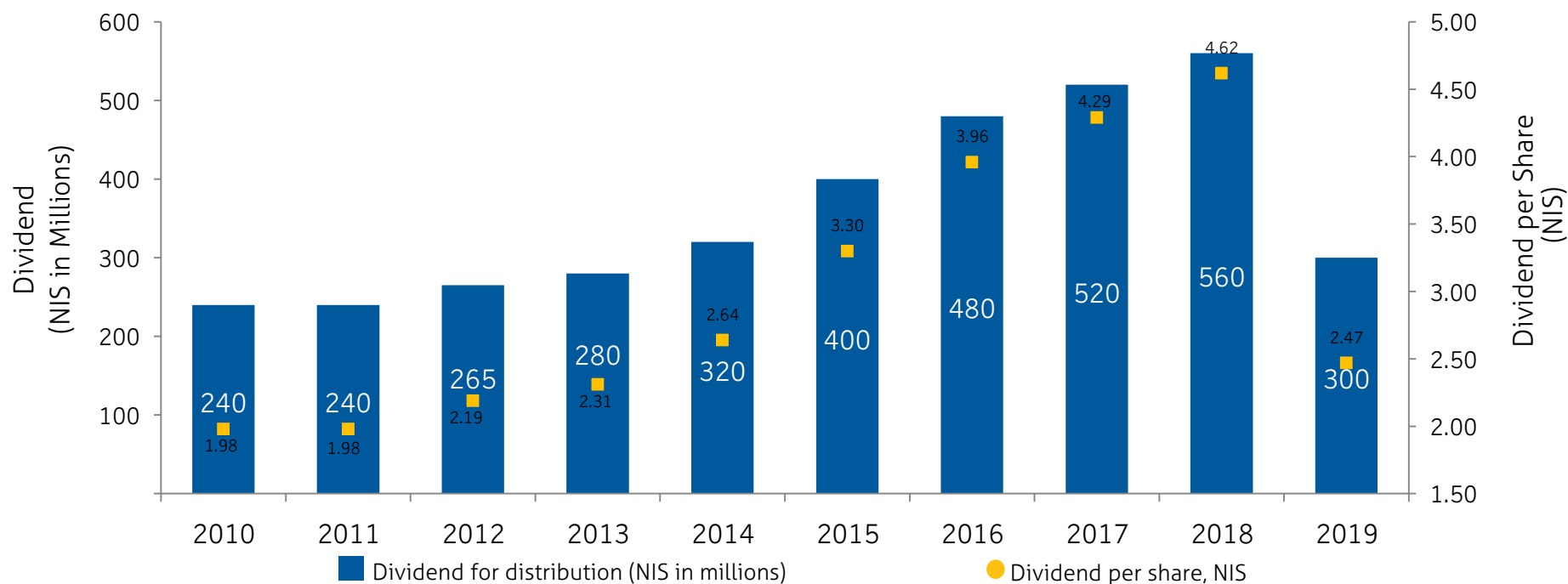
FFO attributed to the Real Estate Business<sup>(1)</sup> (NIS in millions)



(1) For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.

# Constant and Increasing Dividend Distribution

A dividend distribution of NIS 300 million for 2019. <sup>(1)</sup>



(1) Notwithstanding the financial soundness of the Company, for the sake of caution, including in view of the uncertainty surrounding the impact of the spread of COVID-19, the Board decided to distribute NIS 300 million only, and to re-discuss a distribution of up to NIS 300 million more during the year.



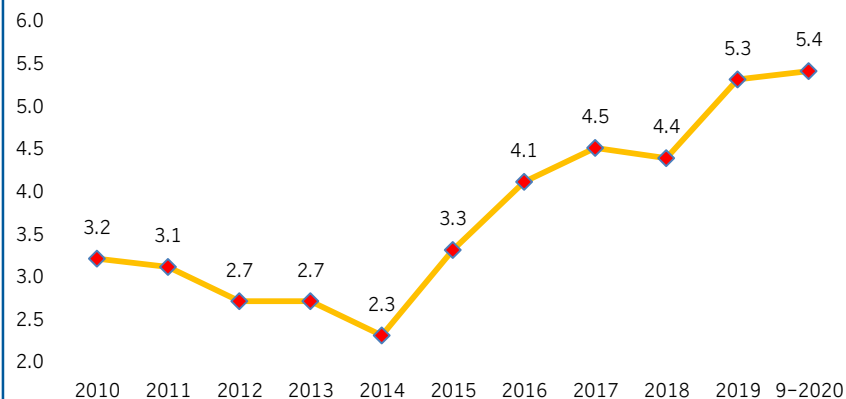


# Extension of the Duration and Reduction of the Cost of Debt

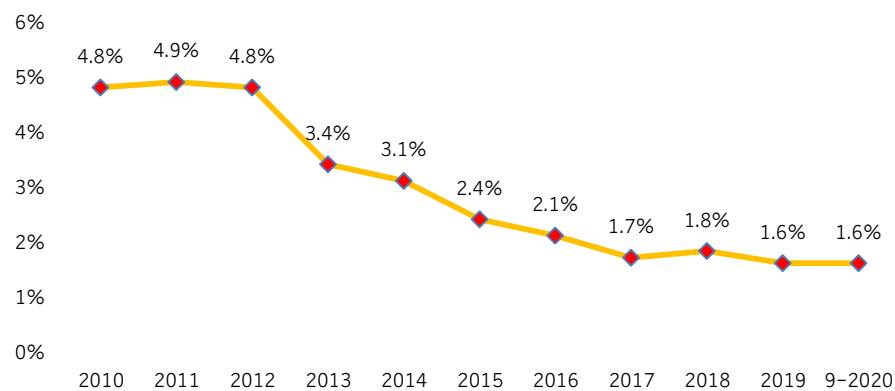
## Financial Strength<sup>(1)</sup>

- > Low leverage – net financial debt to assets ratio of **26%**
- > Equity to assets ratio of **52%**
- > Cash and cash equivalents total **NIS 2.8 billion**
- > Unencumbered assets total **NIS 24 billion**

## Extension of Average Duration of Debt <sup>(2)</sup>

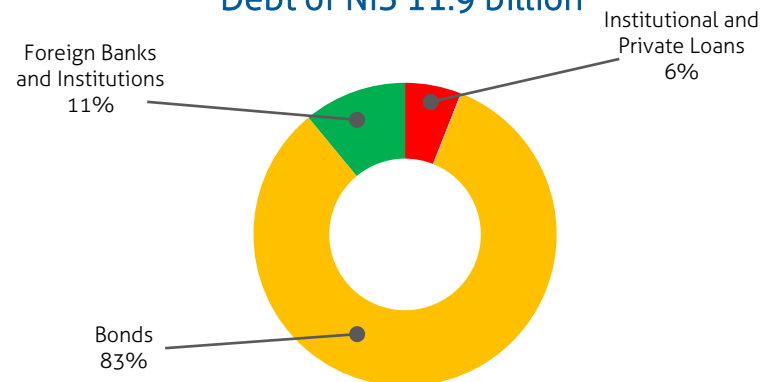


## Decrease of Average Effective Interest Rate Over the Years <sup>(2)</sup>



## Debt Breakdown by Lender

### Debt of NIS 11.9 billion

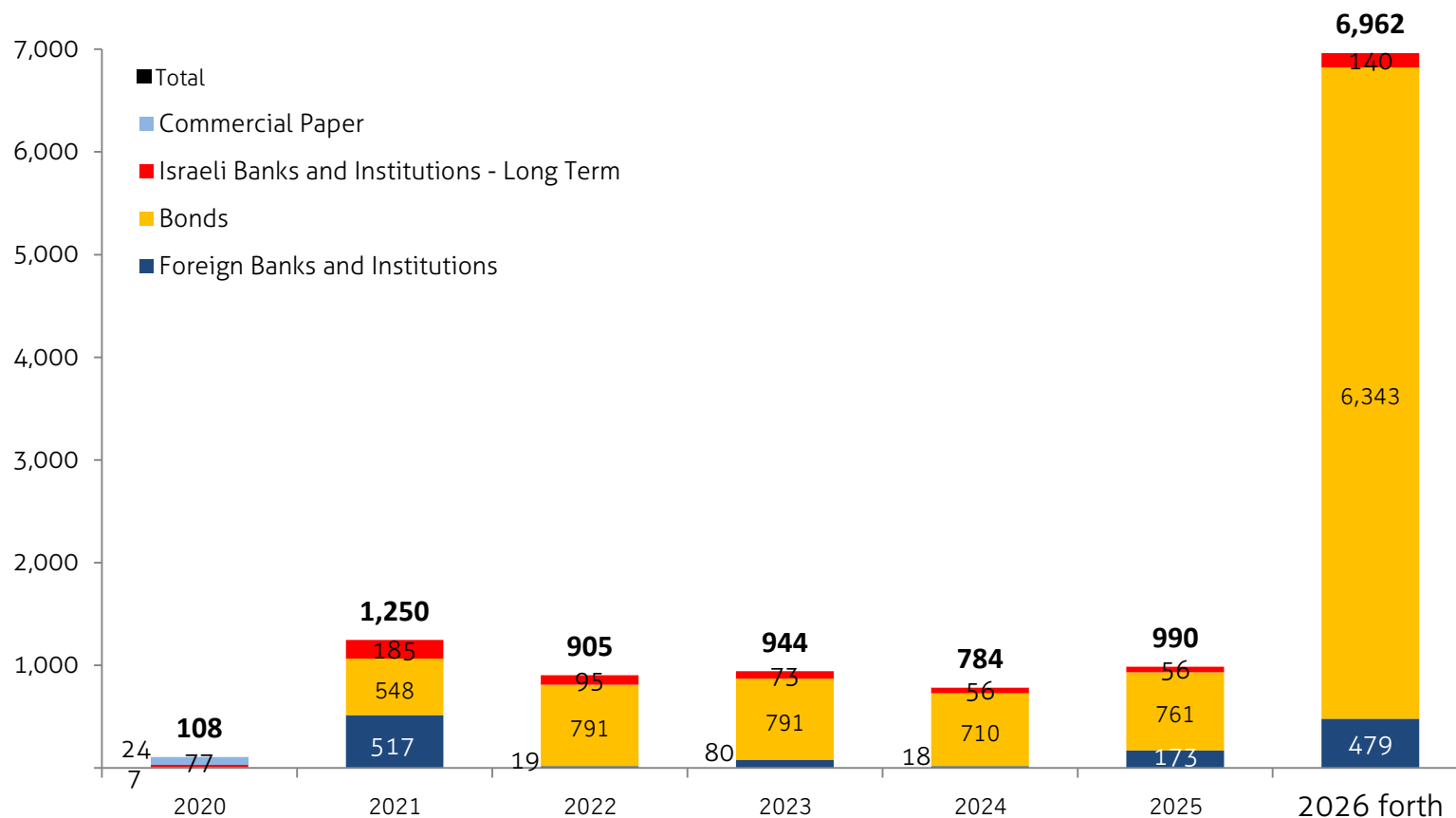


(1) As of September 30, 2020.

(2) Figures are as of the last day of the year / the reported period.

# Payment Schedule (Principal Only)

Consolidated as of September 30, 2020



# Summary of Financial Results (NIS in millions)

|   | Consolidated<br>Q3 2020 | Consolidated<br>Q3 2019 | Consolidated<br>2019 |
|---|-------------------------|-------------------------|----------------------|
| Revenues from rent, maintenance, management fees and sales    | 511                     | 571                     | 2,235                |
| NOI   | 352                     | 407                     | 1,611                |
| Same-property NOI   | 349                     | 403                     | 1,572                |
| FFO attributed to the real estate business <sup>(1)</sup>     | 282                     | 321                     | 1,313                |
| Change in the value of investment properties <sup>(2)</sup>   | 2                       | (2)                     | 694                  |
| Net profit (loss), including minority interests               | 193                     | 289                     | 2,097                |
| Net profit (loss), attributable to the shareholders           | 192                     | 289                     | 2,099                |
| Comprehensive income (loss), attributable to the shareholders | 107                     | 226                     | 2,003                |



(1) For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report.

(2) Net, after tax.

# Summary of Balance Sheet Data (NIS in millions)

|   | Consolidated<br>September 30,<br>2020 | Consolidated<br>December 31,<br>2019 |
|---|---------------------------------------|--------------------------------------|
| Cash, securities and deposits   | 2,807                                 | 2,861                                |
| Gross financial debt  | 11,942                                | 11,419                               |
| Net financial debt <sup>(1)</sup>                                     | 9,135                                 | 8,558                                |
| Net financial debt to assets  | 26%                                   | 24%                                  |
| Financial assets (mainly Bank Leumi shares)                           | 693                                   | 1,167                                |
| Fair value of investment properties and properties under construction | 29,444                                | 29,145                               |
| Equity (excluding minority interests)                                 | 18,088                                | 18,534                               |
| Equity to assets  | 52%                                   | 53%                                  |
| Total assets  | 35,175                                | 35,239                               |
| Equity per share (NIS)  | 149.2                                 | 152.8                                |
| EPRA NRV per share (NIS) <sup>(2)</sup>                               | 178                                   | 182                                  |



(1) Excluding financial assets (Bank Leumi shares).

(2) Excluding part of the expected profit component in respect of development projects.



# Average Cap Rate and FFO of the Income - Producing Real Estate Business

Weighted average cap rate - 7.1%

NIS in millions

|  |         |
|--|---------|
| Total investment properties, as of September 30, 2020  | 29,579  |
| Net of the value attributed to land reserves, properties under construction and senior housing | (5,788) |
| Total income-producing properties  | 23,791  |
| Actual NOI Q3/2020 <sup>(1)</sup>  | 340     |
| Future quarterly NOI addition  | 34      |
| Adjustments due to COVID-19 discounts <sup>(3)</sup>   | 48      |
| Total standardized NOI Q3/2020   | 422     |
| Proforma annual NOI  | 1,688   |
| Weighted cap rate derived from income-producing investment properties, including vacant space  | 7.1%    |

Annual FFO <sup>(2)</sup> attributed to the real estate business - NIS 282 million

NIS in millions

|   |      |
|---|------|
| Net Operating Income (NOI)  | 352  |
| Overhead excl. management fees from Granite                       | (37) |
| Depreciation  | 3    |
| EBITDA  | 318  |
| Net interest expenses   | (49) |
| Tax   | (22) |
| Cash flow from senior housing deposits excl. depreciation         | 22   |
| Excluding financial expenses attributed to development projects   | 13   |
| Total FFO attributed to the income-producing real estate business | 282  |

(1) Excluding senior housing, (the weighted cap rate of the senior housing as of the report date is 8.5%) and excluding Mout Zion Hotel and Data Centers which appear in the statements according to the method of fixed assets and investments in companies accounted for by the equity method. | (2) For details with respect to the FFO calculation, see Section 2.7 of the Board of Directors' Report. | (3) The FFO calculation also includes cash-flow financing expenses in connection with projects under construction, calculated according to the credit costs capitalized to qualified properties and investment property under construction. | (4) Net of temporary discounts granted in the report period due to the COVID-19 crisis.

# Conclusion – Leadership, Innovation and Strength



Continued growth in the key parameters of the core business (NOI, FFO)

Consistent high occupancy rate



Exceptional financial soundness and strength

Significant growth engines:

- Internal growth
- Enterprise and development of new properties
- Acquisition of income-producing properties and land for future development
- New real-estate operating segments
- Innovation



Business focus in Israel

