

August 17, 2023

Azrieli Group Releases Q2/2023 Results

NOI in Q2 is up 18% year-over-year, totaling some NIS 559 million

Same Property NOI in Q2 is up around 8%

FFO (excluding senior housing) in Q2 is up 11% totaling some NIS 342 million. Total FFO is up 8% totaling some NIS 357 million

Towards the end of Q2, the Company reported the sale of its holdings in Compass for a gross consideration of approx. NIS 3.2 billion. Upon the closing of the transaction, the cash flow profit on the investment (before tax and transaction expenses) is expected to be approx. NIS 2 billion

Financial Highlights for Q2/2023

- **NOI in Q2 totaled some NIS 559 million**, compared to approx. NIS 473 million year-over-year, up some 18%. The increase mainly derives from the acquisition of Mall Hayam together with rent increases in malls, offices and data centers.
- **Same Property NOI** was up around 8% in Q2.
- **FFO excluding senior housing** totaled some NIS 342 million in Q2 compared with around NIS 309 million year-over-year, up some 11%. In Q2, **the total FFO** was approx. NIS 357 million, compared with around NIS 331 million year-over-year, up some 8%.
- **Net profit** attributable to the shareholders totaled approx. NIS 419 million in Q2 and **Comprehensive income** totaled some NIS 512 million in Q2. Q2/2022 included significantly higher revaluation profits.

Eyal Henkin, CEO of Azrieli Group, said:

“We are closing another strong quarter with continued growth in all operating parameters. The Group’s operations in the malls and offices segment presented good results and high occupancy rates. Notwithstanding the uncertainty in the economic environment and the significant challenges, we believe that the location, quality and distinction of the Group’s properties will allow us to maintain high occupancy rates.

In the data centers segment, we recently reported a significant transaction for the sale of the Group’s minority holdings in Compass with a high yield and a profit of billions of shekels. The Group’s data centers sector continues to be a significant growth engine and we intend to expand this activity, through Green Mountain.

Alongside the continued focus on the Group’s core operating segments and the investment in new growth engines, we constantly continue to conduct ourselves responsibly while maintaining a strong balance sheet and high financial stability. This period of uncertainty emphasizes and highlights the Group’s strength and the importance of such behavior.”

Azrieli Group Ltd.

Occupancy Rates and Store Revenues

- **The average occupancy rate** (excluding properties under lease-up) was 99% in malls, 98% in offices in Israel, and 97% in senior housing.
- **Store revenues** – In January-June 2023, a 8.1% increase was recorded in store revenues year-over-year, which included the Omicron wave (the increase does not include store revenues of Mall Hayam in Eilat and the retail space in Azrieli Town Tel Aviv). In March-June, 2023, an increase of 4.5% was recorded in the Group's malls year-over-year.

Recent Business Developments

- In June 2023, the Group reported that its partners in the U.S. company Compass informed it that they had engaged in an agreement for the sale of their holdings in the company, in an amount reflecting a company valuation of \$5.7 billion. In accordance with the mechanisms stipulated in the agreement with the partners, Azrieli Group decided to join the sale transaction, and will sell its minority holdings in Compass according to the same valuation. Subject to the closing of the transaction, the Group is expected to receive a gross consideration of approx. NIS 3.2 billion. If and to the extent that the transaction is closed, the estimated cash flow profit on the investment (before tax and transaction expenses) to be recorded by Azrieli is approx. NIS 2 billion and an accounting profit (before tax and transaction expenses) of approx. NIS 1.3 billion. The said sale reflects an annual IRR in shekels of 40.4% .
- After the balance sheet date, the Company completed a bond offering by way of expansion of Series B and raised approx. NIS 850 million.

Balance Sheet as of June 30, 2023

- The Group has **cash, deposits, and short-term investments** totaling approx. NIS 1.25 billion, and together with Bank Leumi stock, cash and cash equivalents and marketable securities – around NIS 2.25 billion.
- **Net debt** (including Leumi) totals approx. NIS 17.5 billion.
- **The value of investment property and investment property under construction** totals approx. NIS 42 billion.
- **The equity to assets ratio** is approx. 45% and the **net debt to assets ratio** is approx. 37%.
- **Unencumbered assets** total approx. NIS 35 billion.

Conference call

The Company will hold its quarterly conference call, hosted by the Group's senior management, today (Thursday, August 17, 2023) at 11:00 am Israel local time (10:00 am CET; 9:00 am United Kingdom time, and 5:00 am Eastern Time).

The call will include a review of the Company's Q2/2023 performance, as well as a discussion of the Company's strategy and expectations for the future. A question & answer session will follow the discussion.

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