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Press Release

Azrieli Group Reports its Financial Results

for the Third Quarter of 2010:

Another Material Improvement in the Group's Financial Operations:

Another significant increase of approx. 11% in the operating profit (NOI) from income-producing properties, which amounted to NIS 224 million in the current quarter, compared with approx. NIS 201 million in the same quarter last year.

A significant increase of approx. 9% in the FFO attributed to the real estate activity only (approx. NIS 155 million) in the third quarter compared with the same quarter last year.

Further increase in revenues from income-producing properties (rent, management and maintenance fees) which amounted to NIS 283 million in the current quarter; a 12% rise from the same quarter last year.

Menachem Einan, Azrieli Group's CEO: "This quarter's excellent results reflect the Group's strength and its ongoing growth momentum. The Group's solidity and experience, the variety of its properties and tenants and the continuous improvement of its existing properties enable continued growth in the existing properties.

The Company is also investing in the development and construction of new projects. The construction of the northern malls – Kiryat Ata and Akko, is progressing vigorously and it appears, at this time, that we will be ahead of schedule and that the construction of both malls will be completed by the end of 2011, instead of the initial estimates of March 2012.

Also the additional projects – Azrieli Center Holon, the second floor at Ayalon mall and the construction of Rishonim mall in Rishon LeZion, are progressing,

and the Company believes that these too will constitute the next growth engines for the future.

At the same time, as reported by the Company, the Group is looking into the acquisition of real estate properties in Israel and abroad. At this stage we are checking all the possibilities".

Azrieli Group Reports its Financial Results for Three and Nine Months Ended September 30, 2010

The operating profit (NOI) from income-producing properties in the third quarter rose by approx. NIS 23 million and amounted to approx. NIS 224 million – a rise of approx. 11% compared with the same quarter last year.

In addition, the Company recorded an increase of 7.5% in Same Property NOI. The Same Property NOI in the commercial centers and shopping malls segment amounted to approx. NIS 150 million compared with NIS 137 million in the same quarter last year, and the Same Property NOI in the offices and others segment amounted to approx. NIS 66 million compared with NIS 64 million in the same quarter last year.

During the quarter, Azrieli Group recorded an appreciation in value of investment properties which increased the profit after tax by approx. NIS 125 million, which is attributed only to the rise of the index due to the CPI-linked lease contracts only, and not to other factors affecting property values. The Company reported that the increase in the NOI and other effects, if any, will be reflected in the valuations to be performed in preparation for the annual statement.

For the first time, Azrieli Group is announcing a neutralized FFO index – from the real estate operations only (permanent current cash flow attributed to the real estate business), a globally accepted index for comparing income-producing real estate companies. Its figures indicate a rise of approx. 9% in the neutralized FFO figures compared with the same quarter last year, amounting to approx. NIS 155 in the third quarter.

The Company's total revenues from income-producing properties (the two income-producing real estate sectors) amounted in the third quarter of 2010 to approx. NIS 283 million, an increase of approx. NIS 31 million compared with the same quarter in 2009.

The Group's total leasable area is more than 0.5 million sqm: 12 properties for lease in the commercial centers and shopping malls segment with total leasable area of approx. 233,000 sqm and approx. 1,500 tenants, and 11 properties in the offices segment with total leasable area of 315,000 sqm and approx. 440 tenants. **The average occupancy rate of the properties continues to be close to 100%**.

As of September 30, 2010, the Group has **liquid assets** in the sum of **approx. NIS 2.5 billion.** The Group continues to demonstrate great financial solidity and flexibility due to its independence from external sources of financing. Such properties serve the

Group, among other things, to finance its investments in the new projects it is building. The Company has non-pledged properties amounting to approx. NIS 6.9 billion.

As of September 30, 2010, the total balance sheet was approx. NIS 20.5 billion, an increase of approx. 19% compared with a total balance sheet of approx. NIS 17.2 billion as of the end of 2009.

The net profit in the third quarter of 2010 amounted to NIS 251 million and the total profit amounted to approx. NIS 425 million (approx. NIS 177 million of which after tax due to the change in the value of Bank Leumi’s stock). Excluding other effects (and in particular a one-time tax effect in the third quarter of 2009), an increase of approx. NIS 42 million was recorded in the net profit compared with the same quarter last year.

The net profit in the same quarter in the previous year amounted to approx. NIS 656 million and included a one-time (consolidated) revenue due to the reduction of the corporate tax rate in July 2009 in the sum of approx. NIS 443 million. The total profit in the same quarter last year amounted to approx. NIS 896 million and included other effects in similar amounts.

Bank Leumi’s stock rose by approx. 22% in the third quarter, leading to a rise of approx. NIS 212 million in the value of the Group's holdings (4.8%) in the bank in the third quarter. Close to the date of release of the statement, the fair value of the investment in Bank Leumi (net of tax) further improved, such that had the Company included such appreciation in its financial statements, the total profit (proforma, taking into account the declared and undistributed dividend) for the statement period would have risen by approx. NIS 67 million more and amounted to approx. NIS 492 million in the third quarter of 2010. In addition, Bank Leumi announced a dividend distribution in the scope of NIS 500 million (Azrieli Group's share being NIS 24 million), which will be reflected in the fourth quarter.

Also **Leumi Card** (20% held by Azrieli Group) recorded a further increase and ended the third quarter with a net profit of approx. NIS 46 million, further to a net profit of approx. NIS 38 million in the second quarter and approx. NIS 34 million in the first quarter of the year. The Company recorded the third quarter value of its holdings in Leumi Card according to a valuation as of December 31, 2009, and will prepare a new valuation for the annual statement.

Granite HaCarmel demonstrated an improvement in its business operations and recorded, in the third quarter, a net profit of approx. NIS 15 million and a profit of approx. NIS 42 million in the first nine months of 2010.

Azrieli Group’s construction momentum now continues in central locations throughout Israel – from Akko mall, through Kiryat Ata mall whose date of opening to the public was brought forward by several months, and the current expansion of the office level at Givatayim mall. The mega office project in Holon is also under way, and in one month’s time David Azrieli will lay the cornerstone of the project which includes approx. 100,000 sqm for lease. Another mall to be built in the near future is the Rishonim mall in Rishon LeZion. **The total investment in such projects, including the expansion at Ayalon mall, amounts to approx. NIS 1.5 billion.**

Emphases in the third quarter and first nine months of 2010

- **Approx. 11% additional growth in the NOI figures in the third quarter of 2010**: From approx. NIS 201 million in the same period last year to approx. NIS 224 million. The growth derives mainly from an increase in revenues from rent and the acquisition of Haifa mall.

- **Approx. 13% additional growth in the NOI figures in the statement period**: From approx. NIS 581 million in the same period last year to approx. NIS 657 million. The growth derives mainly from an increase in revenues from rent and from the acquisition of new properties (Givatayim mall and Haifa mall).

- **Approx. 9% increase in the Same Property NOI figures in the shopping malls and commercial centers segment**: In the third quarter, the Same Property NOI amounted to approx. NIS 150 million, compared with approx. NIS 137 million in the same quarter last year.

- **Approx. 3% increase in the Same Property NOI figures in the offices and other space for lease segment**: In the third quarter, the Same Property NOI amounted to approx. NIS 66 million, compared with approx. NIS 64 million in the same quarter last year.

- **Approx. 9% increase in the FFO attributed to the real estate activity only**: The neutralized FFO amounted to approx. NIS 155 million in the third quarter, compared with a neutralized FFO of approx. NIS 142 million in the same quarter in 2009.

- **NIS 425 million total (consolidated) profit**: The Company's total (consolidated) profit in the third quarter of 2010.

- **NIS 251 million net (consolidated) profit**: The Company's net (consolidated) profit in the third quarter of 2010.

- **A rise of approx. NIS 42 million in the net profit**: The net profit rose in the third quarter of 2010 (particularly after neutralizing a one-time tax effect) by approx. NIS 42 million compared with the same quarter last year.

- **Approx. 9.8% - the FFO yield attributed to the real estate activity only**: Compared with the Company's market cap as of November 17, 2010.

- **Approx. 8.2% - the weighted cap rate deriving from income-producing real estate** in the financial statements as of September 30, 2010.

- **Occupancy rate remains very high (on average)**: The occupancy rate in the income-producing properties in Israel owned by the Group as of September 30, 2010 is close to 100%.