

24 March 2010

**PLAZA CENTERS N.V.**

**Full Year results for the year ended 31 December 2009**

**PLAZA MAKES GOOD PROGRESS WITH ACQUISITION PROGRAMME AND TARGETED DEVELOPMENT PIPELINE**

**- ROBUST FINANCIAL POSITION MAINTAINED -**

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading emerging markets property developer, today announces its full year results for the year ended 31 December 2009.

**Financial highlights:**

- Total assets of €1.06 billion (31 December 2008: €959 million)
- Net Asset Value down 6% to €659 million (31 December 2008: €700 million) mainly due to the increase in exit cap rates
- Net Asset Value per share £2.02 (31 December 2008: £2.26), a decline of 11%, partially attributable to strengthening of GBP spot rate against the EUR in year end 2009
- Loss for the year of €65 million (31 December 2008: €68 million profit) resulting mainly from impairment of trading properties (real estate inventories) and changes in the fair value of Plaza's traded bonds
- Gross revenues and gains from sale and operations of properties of €16 million (31 December 2008: €99 million) as no sales of trading properties were undertaken in 2009
- Basic and diluted EPS of €0.23 loss (31 December 2008: basic and diluted €0.23 profit)
- Cash position (including restricted deposits, short term deposits and available for sale financial assets) of €179 million (31 December 2008: €202 million) with working capital of €710 million (31 December 2008: €676 million)
  - Current cash position increased to circa €240 million following a bond issuance after the period end
- Additional Series B Notes issued in August and October 2009 totalling approximately NIS 144.5 million in principal amount, representing an approximate consideration of €27 million
- Placing of 14,500,000 ordinary shares, which had previously been held as treasury shares by the Company, with a number of Polish institutional investors. The shares were sold at a price of 6.5 Polish Zlotys ("PLN") per share (circa 141 pence), having been originally purchased by Plaza between October 2008 and January 2009 at an average price of 53 pence per share, resulting in a gross economic gain of circa £12.8 million (circa €13.8 million)

- Conservative gearing position maintained with minor debt comprising only 46% of balance sheet (31 December 2008: 36%).

### **Operational highlights:**

- Ongoing progress of acquisition programme:
  - Acquisition of a 51% stake (with an option to increase to up to 75%) from a local developer in a retail and office development in Sofia, Bulgaria, with a 75,000 sqm Gross Built Area (“GBA”), for a total consideration of €7.14 million, comprising €2.8 million in cash and the balance with debt assumption.
  - Purchase by Plaza and its joint venture partner MKB Bank of an additional 27% interest in the Dream Island project in Budapest from CP Holdings Ltd. for a total consideration of €21.4 million, of which €12 million was in cash and the rest was the assumption of debt. Plaza and MKB now jointly hold an 87% interest in the project.
  - 55,000 sqm site acquired in Lodz, Poland for the development of a major new shopping and entertainment centre with a Gross Lettable Area (“GLA”) of 45,000 sqm. Construction on the site will commence at the beginning of 2011, with a gross development budget of circa €85 million.
- Targeted advancement of development pipeline:
  - Construction expected to commence later this year on two major new projects at Torun, Poland and Kragujevac, Serbia with significant pre-lets in place and development finance set to be finalised shortly.
  - Construction of two shopping centre developments in Poland. The 13,000 sqm GLA Zgorzelec Plaza was subsequently completed and opened on 18 March 2010 following the period end and was circa 75% let on opening. Suwalki Plaza, a 20,000 sqm GLA shopping centre is expected to be completed and opened in June 2010.
  - Completion and opening in March 2009 of Liberec Plaza shopping centre in the Czech Republic and Riga Plaza in Latvia.
  - Completion of Plaza’s first Indian development expected in H1 2011 (mall) - 2012 (offices) at Koregaon Park in Pune, India. Development finance totalling USD 45 million has been secured to fund 50% of the total project costs.
  - Progress continues at Plaza’s other two ongoing developments at Casa Radio in Romania and Dream Island in Hungary.

### **Key highlights since the period end:**

- Additional issuances of Series B bonds in January and February 2010 in the principal amount of NIS 308 million for cash consideration of NIS 330 million (circa €62.8 million). These bonds maintained their rating of ilA/Stable by S&P Maalot and A2/Stable by MIDROOG Ltd., the Israeli Credit Rating Agency and an affiliate of Moody’s Investors Service

- Launch of Elbit Plaza USA, L.P. (“Elbit Plaza USA”), a real estate investment venture jointly formed by Plaza and its parent Elbit Imaging Ltd. (“Elbit”). Co-investment agreement signed with Eastgate Property to invest a combined \$200 million (to be split 50:50), to take advantage of opportunities in the U.S. retail and commercial real estate sectors.
- Zgorzelec Plaza was completed and opened on 18 March 2010. The 13,000 sqm GLA shopping centre was circa 75% let on opening.

**Commenting on the results, Mordechay Zisser, Chairman of Plaza Centers, said:**

“The financial turmoil of 2008 continued, albeit at a slower pace, throughout 2009. However, given the measures we have undertaken since the onset of the credit crunch, we have emerged financially secure and have this year been able to progress with our targeted development and acquisition programme. In addition, our plans to expand our geographical focus beyond our traditional areas of operation have progressed with the launch of Elbit Plaza USA.

“Experienced development companies are characterised by periods in which they realise profits through sales of developments and, in other periods, where they take an entrepreneurial approach without realising profits in order to better position themselves for the future. Plaza’s practical and entrepreneurial response has been to progress its current developments, improve and manage its assets, whilst continuing to seek new opportunities for the future. We therefore remain confident that the evolution of our business model, combined with the financial strength of the Company, leaves us ideally positioned for growth and our prospects for delivering future value for shareholders remains strong.”

**Ran Shtarkman, the Company’s President and CEO, added:**

“We have continued to position Plaza strongly to make the most of current market conditions, by ensuring we conserve cash, maintain our conservative gearing position and restrict our development pipeline to only the very best opportunities. As a result of this, we have emerged as one of the strongest property companies in the region.

“We are one of the few developers who have the financial flexibility, track record and reputation to secure both significant pre-lets and finance for our developments and we expect to be one of the few developers active in the CEE region to be able to deliver high quality shopping centres in the near future. In addition to this, we will continue to actively manage our portfolio of operating assets, with a view to maximising occupancy and therefore income. Relying on our extensive experience of managing retail assets and our strong relationships with both local and international retailers, we are confident that we will be able to grow income from our existing assets.

“Our diversification into markets such as the USA, where we have recently announced the creation of a joint venture with significant third party equity backing, offers us the opportunity to expand into new territories. We firmly believe that, as the global and US markets recover, we are well positioned to deliver significant value growth on our investments for the benefit of our shareholders.”

**For further details please contact:**

**Plaza**

|                                  |                |
|----------------------------------|----------------|
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**Financial Dynamics**

|                                   |                  |
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**Notes to Editors**

**Plaza Centers N.V.** ([www.plazacenters.com](http://www.plazacenters.com)) is a leading emerging markets developer of shopping and entertainment centres. It focuses on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres in both capital cities and important regional centres. The Company is dual listed on the Main Board of the London Stock Exchange and, as of 19 October 2007, the Warsaw Stock Exchange (LSE: "PLAZ", WSE: "PLZ/PLAZACNTR"). Plaza Centers N.V. is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States.

Plaza Centers is a member of the Europe Israel Group of companies which is controlled by its founder, Mr Mordechay Zisser. It has been active in real estate development in emerging markets for over 14 years.

**Forward-looking statements**

This press release may contain forward-looking statements with respect to Plaza Centers N.V. future (financial) performance and position. Such statements are based on current expectations, estimates and projections of Plaza Centers N.V. and information currently available to the company. Plaza Centers N.V. cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. Plaza Centers N.V. has no obligation to update the statements contained in this press release, unless required by law.

## **CHAIRMAN'S STATEMENT**

I am pleased to report that Plaza has made strong operational progress, whilst maintaining a robust financial position during the reporting period.

The financial turmoil of 2008 continued, albeit at a slower pace, throughout 2009. However, given the measures undertaken since the onset of the credit crunch, we have emerged financially secure and have this year been able to progress with our targeted development and acquisition programme. In addition, our plans to expand our geographical focus beyond our traditional areas of operation have progressed with the launch of Elbit Plaza USA, a real estate investment venture jointly formed by Plaza and Elbit, which has already secured a significant amount of third party equity commitment.

### **Key Events**

Over the last year and since the period end, Plaza has acquired two development projects, located in Poland and Bulgaria, increased its stake in an existing development asset in Hungary, commenced the construction of two new shopping centres and completed three openings, with a further opening due in June 2010.

Given the limited number of buyers in the market with the financial strength and wide ranging expertise of Plaza, the Company has been able to make a number of development acquisitions at attractive prices. Plaza has benefited from its rare position of being an experienced CEE developer backed by substantial financial flexibility and firepower to make acquisitions at attractive prices. It invested a total of €15 million in cash across three projects since January 2009.

We also completed and opened to the public Liberec Plaza shopping centre in the Czech Republic on 26 March 2009 and Riga Plaza in Latvia on 31 March 2009 with both assets completed within their construction budget.

Plaza raised gross proceeds of approximately €90 million from debenture issues to Israeli institutional investors between August 2009 and February 2010. This was an exceptional achievement, given debt market conditions, with significant support shown by debenture investors for the highly rated bonds at interest rates which were favourable to the Company.

In addition, Plaza has agreed financing for 50% of its Koregaon Park development project in Pune, India (Total financing of INR 220 Crore, circa USD 45 million). Financing is expected to be finalised soon for a further two new developments located in Poland and Serbia. With strong level of pre-lets already achieved, construction is expected to commence shortly on both projects.

Finally, following the period end, we launched Elbit Plaza USA, a real estate investment venture jointly formed by Plaza and Elbit. The joint venture included a co-investment agreement signed with Eastgate Property to

invest a combined \$200 million (split 50:50), to take advantage of opportunities in the U.S. retail and commercial real estate sectors.

## Results

Given the continuing slowdown in the real estate market worldwide and the non cash financial expenses resulting from the fair value adjustments of bonds and from the impairment of the Company's assets held as trading property, Plaza ended the year with a gross loss of €31 million and a net loss of €65 million. The total impairment for the year was €34 million, representing a reduction of less than 5% of the cost value of the projects. Basic and diluted EPS amounted to a €0.23 loss. The majority of the above stated loss is derived from a pure accounting loss, which is not manifested in cash outflow.

Plaza has invested a total of €166 million through the year in new acquisitions and in real estate inventories under construction.

The Company continues to have a strong cash position (including restricted deposits, short term deposits and available for sale financial assets) of approximately €179 million at the period end (and circa €240 million as at today's date following the recent bond issuance), ensuring the Company remains on a solid financial footing to continue its development programme and make opportunistic investments or acquisitions where there is clear potential to create shareholder value. As a result of its strong financial position and track record, the Company is able to negotiate project finance, despite the difficult credit environment.

## NAV

The Company's property portfolio was valued by King Sturge LLP as at 31 December 2009 and their summary valuation is shown below.

The main impact on the reduction in NAV came from the decrease in the value of most of the Company's assets, driven principally by yield expansion as well as a reduction in expected rental levels, reflecting overall market conditions.

The Company's NAV was calculated as follows:

| Use  | EUR (Thousand) |
|--|----------------|
| Market value of land and projects by King Sturge LLP (1) | 778,100        |
| Assets minus liabilities as at 31 December 2009 (2)      | (119,137)      |
| <b>Total</b>   | <b>658,963</b> |

(1) per valuation attached below

(2) excluding book value of assets which were valued by King Sturge LLP.

In total, the NAV per share decreased by 6% in Euro terms compared to 31 December 2008. However, owing to the strengthening of the GBP spot rate against the EUR at the year end, the resulting NAV per issued share was £2.02 (31 December 2008: £2.26), an 11% decrease compared to 31 December 2008.

### **Strategic direction**

In light of the unprecedented global recession over the last two years, Plaza has adapted its strategy to suit prevailing market conditions. Whilst in 2008, the availability of debt, particularly development finance, was one of the major factors behind the real estate slowdown, the last twelve months has seen a slow improvement in this area.

Whilst the pricing on debt and the level of pre-lets required to secure development finance have increased, we believe that well located and expertly managed shopping centres, delivered by an experienced developer, which are attractive to both occupiers and consumers alike can still meet required risk adjusted investment returns in this market. Therefore, having scaled back our development activities in 2008, we have been in a position over the last year, and since the period end, to proceed selectively with our targeted development programme in our traditional CEE market.

Having completed and opened two shopping centres in 2009, with another opening last week and a further centre due to open in June, we continue to evaluate our development pipeline with a view to commencing construction on further selected developments, as well as continuing to make progress on some of our larger schemes.

We are confident of finalising shortly the bank financing for the construction of two major new projects at Torun, Poland and Kragujevac, Serbia. Significant pre-lets are already in place on both these projects. Both these developments offer a combination of characteristics which are typical of assets which we will look to progress in the future. Location remains crucial, both in terms of transport links and proximity to an economically strong local demographic. This, combined with intelligent design and an experienced operating platform, enables us to secure a strong mix of tenants for pre-lets, combining both international and local retailers. We will continue to evaluate our future development pipeline, seeking to progress only those opportunities which satisfy our stringent investment criteria, bearing in mind market conditions in each region, with any commencement of development also dependent on the availability of external financing.

Once assets are developed, and given the Company's financial strength, Plaza is able to hold developments on its balance sheet as yielding assets. Sales of assets will not be undertaken if offered yields are high and Plaza will capitalise upon its extensive experience gained over eight years of managing and running shopping malls efficiently to hold and manage these as income generating investments in its portfolio, until sufficient offered yields are in place.

Plaza pioneered the concept of western-style shopping and entertainment centres in CEE, having been active in the region since 1996. Whilst we will look to build on our experience in the CEE, we have continued to identify opportunities to expand our activities into new areas.

In 2008 Plaza signed a Joint Venture with Elbit, to develop large scale mixed use projects in India. The JV is involved in a number of selected projects in India, a market which it believes has a number of attractive economic, demographic and market characteristics, similar to those seen in the CEE region when Plaza first became active in the region.

As previously announced, the Group began in 2009 to look at other countries beyond CEE and India with a view to identifying opportunities across global property markets, specifically to acquire yielding assets at compelling prices. We were, therefore, pleased to announce after the period end the launch of Elbit Plaza USA. Elbit Plaza USA is in the process of securing further capital commitments which, including existing commitments by Elbit Plaza and Eastgate Property, are expected to total around \$400 million, to fund the acquisition of properties valued up to a total of \$1 billion. The programme will target to acquire high yielding, income producing investment properties in the USA, focusing on the commercial retail sector.

### Portfolio progress

The Company is engaged in 32 development projects and has two operational assets, located across the Central and Eastern European region and in India. Following the year end, Zgorzelec in Poland was completed and became an operational asset. The location of the projects and assets under development, as at 24 March 2010, is summarised as follows:

| Location       | Number of assets |                   |          |
|----------------|------------------|-------------------|----------|
|                | Active           | Under development | Offices  |
| Romania        |                  | 8                 | 1        |
| Poland         | 1                | 6                 | -        |
| India          |                  | 6                 | -        |
| Hungary        |                  | 3                 | 1        |
| Serbia         |                  | 3                 | -        |
| Czech Republic | 1                | 2                 | 1        |
| Bulgaria       |                  | 2                 | -        |
| Greece         |                  | 1                 | -        |
| Latvia         | 1                |                   | -        |
| <b>Total</b>   | <b>3</b>         | <b>31</b>         | <b>3</b> |

During the year, the Company has invested in cash a total of €9 million in the acquisition of two retail development schemes, located in Poland (Lodz Plaza) and in Bulgaria (Sofia Plaza Business Center). This is in

addition to the €6 million invested in cash in the acquisition of an additional 13.5% stake in Dream Island, Hungary.

## **Liquidity & Financing**

We ended 2009 with an outstanding liquidity position, holding circa €179 million of cash and cash equivalents, restricted deposits, short term deposits and available for sale financial assets. This was mainly due to raising approximately €27 million through a debenture issue to Israeli institutional investors during the year, as well as implementation of a cost cutting plan and scaling back of some of the developments, providing the Company with significant additional financial flexibility.

Whilst the ongoing fallout from the credit crunch has continued to impact on the availability of external debt financing, Plaza's existing financial strength and established track record has enabled it to raise both development finance and issue further bonds in the public markets in Israel.

Development financing was secured for 50% of Koregaon Park development project in Pune, India (Total financing of INR 220 Crore, circa USD 45 million).

The Group continues to pursue a conservative financing policy to decrease its exposure to the liquidity crisis, with the level of debt being only 46% of the balance sheet (2008: 36%).

## **Dividend policy**

The basis of the Company's stated dividend policy at the time of its IPO was to reflect the long-term earnings and cash flow potential of the Group, taking into account its capital requirements, while at the same time maintaining an appropriate level of dividend cover.

As a result of ongoing challenging market conditions, the Board has taken the prudent step not to recommend the payment of a dividend for the year ended 31 December 2009 in order to preserve capital liquidity within the Company. The Board will continue to monitor overall market conditions and the ongoing committed capital requirements of the Company, as well as expected future cash flow, before considering any future dividend payments.

## **Outlook**

Throughout 2009, Plaza continued to adapt its business strategy and maintain its financial strength to ensure that it remains well positioned for future growth in a market which is very different from two years ago. Whilst we are pleased to be in a position to selectively progress developments, we remain cautious in initiating developments in some CEE territories which have been most impacted by the economic climate. We will retain

our stringent investment criteria for new developments and will always reflect heightened risk awareness when considering new developments in the current market, particularly in regions where the outlook for consumer spending remains weak.

Both international and local retailers will only look to expand their presence in a region if they are presented with the most compelling offer. We believe that the strength of the Plaza brand, our excellent relationships with a broad range of retailers, combined with the high quality of our shopping and entertainment centres leaves us well placed to meet the occupational demand. This has been reflected in the lettings progress we have made at both our operational assets and the pre-lets we have achieved on our ongoing developments. However, we continue to believe that rents will remain under pressure over the next year, which has already been prudently reflected in our valuation assumptions on expected rental levels for new developments.

Investor demand for operating assets in the CEE remains subdued, as financing for such acquisitions remains limited and relatively expensive. We will, therefore, continue to hold our operating assets on our balance sheet and utilise our extensive experience in managing retail assets to hold developed projects as income generating investments in our portfolio.

The reduced investor appetite in the CEE is also reflected in the pricing for development assets. This will continue to provide acquisition opportunities for Plaza and has already been reflected in the two acquisitions made in the last year, enabling the Company to use its strong balance sheet to acquire developments at compelling prices. We will continue to evaluate similar opportunities this year.

As previously announced, Plaza has evolved its business beyond its traditional development business model and markets. Whilst these volatile markets continue, it will manage its existing holdings as investment assets, and also seek to acquire high yielding mature assets or invest in interesting new markets, such as the United States, where clear and sometimes exceptional opportunities may arise to enhance capital and income at entry prices at historic lows. Our new joint venture, Elbit Plaza USA, will enable us to take advantage of such opportunities, and we are currently evaluating a number of possible acquisitions in the USA.

Experienced development companies are characterised by periods in which they realise profits through sales of developments and, in other periods, where they take an entrepreneurial approach without realising profits in order to better position themselves for the future. Plaza's practical and entrepreneurial response has been to progress its current developments, improve and manage its assets, whilst continuing to seek new opportunities for the future. We therefore remain confident that the evolution of our business model, combined with the financial strength of the Company, leaves us ideally positioned for growth and our prospects for delivering future value for shareholders remains strong.

**Mordechay Zisser**

**Chairman**

**24 March 2010**

## CHIEF EXECUTIVE'S REVIEW

Over the course of the reporting period and since the year end, Plaza has continued to make good operational and strategic progress, whilst delivering a strong financial performance.

We are reporting losses of €65 million, primarily resulting from the devaluation of real estate inventories (circa €34 million) and the revaluation of our listed debentures, net of hedging (circa €27 million), both of which are taken as pure unrealised accounting losses. Our year-end cash position was strong, at €179 million inclusive of restricted deposits, short term deposits and available for sale financial assets, and increased to €240 million following the bond issue in February 2010. Working capital of €710 million and a conservative gearing position leaves us in a strong financial position, with significant equity available to invest opportunistically.

Highlights for the financial year have included:

- **Openings:** Liberec Plaza in Czech Republic and Riga Plaza in Latvia. Zgorzelec Plaza was completed and opened following the period end on 18 March 2010.
- **Acquisition of development projects:** Two new acquisitions, located in Sofia, Bulgaria and Lodz, Poland, and the increase of our stake in the Dream Island scheme in Budapest, Hungary.
- **Investments:** Total gross investment in current projects and new pipeline in 2009 of €166 million.
- **Financial strength and flexibility:** Gross proceeds of approximately €27 million were raised from a debenture issue to Israeli institutional investors in 2009, providing significant additional financial flexibility. The Company has been granted a iIA/Stable updated rating by Standard & Poor Maalot and an updated rating of A2/Stable by the Israeli affiliate of Moody's Investors services. Plaza's current cash position stand at circa €240 million.

To date, Plaza has been involved in the development of 34 schemes in nine countries, of which eight are located in Romania, seven in Poland, six in India, three in the Czech Republic, three in Hungary, three in Serbia, two in Bulgaria one in Latvia and one in Greece. In addition, Plaza owns three additional office buildings in Budapest, Prague and Bucharest.

The projects are at various stages of the development cycle, from the purchase of land through to the planning and completion of construction.

The Company's current assets and pipeline projects are summarised in the table below:

| Asset/Project         | Location           | Nature of asset                    | Size (GLA) sqm                    | Plaza's effective ownership % | Status (*)  |
|-----------------------|--------------------|------------------------------------|-----------------------------------|-------------------------------|---|
| Arena Plaza Extension | Budapest, Hungary  | Office scheme                      | 40,000                            | 100                           | Under planning. Construction scheduled to commence in 2012; completion scheduled for 2013   |
| Dream Island (Obuda)  | Budapest, Hungary  | Major business and leisure resort  | 350,000 (GBA) (for rent and sale) | 43.5                          | Initial excavation and archaeological works commenced; Staged completion scheduled for 2013-2015. Exclusive casino licence obtained |
| Uj Udvar              | Budapest, Hungary  | Retail and entertainment scheme    | 16,000                            | 35                            | Operating, currently working on refurbishment plans   |
| David House           | Budapest, Hungary  | Office                             | 2,000                             | 100                           | Operational office  |
| Suwalki Plaza         | Suwalki, Poland    | Retail and entertainment scheme    | 20,000                            | 100                           | Construction commenced in 2009; completion scheduled for June 2010  |
| Lodz                  | Lodz, Poland       | Residential scheme                 | 80,000 (GBA)                      | 100                           | Under planning  |
| Lodz Plaza            | Lodz, Poland       | Retail and entertainment scheme    | 45,000                            | 100                           | Construction will commence in beginning 2011; completion scheduled for 2012-2013  |
| Zgorzelec Plaza       | Zgorzelec, Poland  | Retail and entertainment scheme    | 13,000                            | 100                           | Operating, opened to the public on 18 March 2010  |
| Torun Plaza           | Torun, Poland      | Retail and entertainment scheme    | 39,000                            | 100                           | Construction will commence in Q3 2010; completion scheduled for Q1 2012   |
| Kielce Plaza          | Kielce, Poland     | Retail and entertainment scheme    | 33,000                            | 100                           | Construction scheduled to commence in 2011-2012; completion scheduled for 2013 - 2014   |
| Leszno Plaza          | Leszno, Poland     | Retail and entertainment scheme    | 16,000                            | 100                           | Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014   |
| Prague 3              | Prague, Czech Rep. | Office, for future residential use | 61,600 (residential for sale)     | 100                           | Currently operational as an office building, re-zoning for future residential use is in   |

|                      |                         |   |                                 |     |  |
|----------------------|-------------------------|---|---------------------------------|-----|--|
|                      |                         |   |                                 |     | progress, expected to be obtained in 2010  |
| Liberec Plaza        | Liberec, Czech Rep.     | Retail and entertainment scheme                 | 17,000                          | 100 | Operating, opened to the public on 26 March 2009   |
| Roztoky              | Prague, Czech Rep.      | Residential units                               | 14,000                          | 100 | Construction scheduled to commence in 2012; completion scheduled for 2013  |
| Casa Radio           | Bucharest, Romania      | Mixed-use retail and leisure plus office scheme | 600,000 (GBA including parking) | 75  | Initial construction commenced in 2007, completion scheduled for 2013-2015; approval of the Urban technical commission has been obtained |
| Timisoara Plaza      | Timisoara, Romania      | Retail and entertainment scheme                 | 43,000                          | 100 | Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013  |
| Miercurea Ciuc Plaza | Miercurea Ciuc, Romania | Retail and entertainment scheme                 | 14,000                          | 100 | Construction commenced in late 2008; awaiting external financing for completion  |
| Iasi Plaza           | Iasi, Romania           | Retail, entertainment and office scheme         | 62,000                          | 100 | Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013  |
| Slatina Plaza        | Slatina, Romania        | Retail, entertainment and residential           | 17,000                          | 100 | Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013  |
| Hunedoara Plaza      | Hunedoara, Romania      | Retail and entertainment scheme                 | 13,000                          | 100 | Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013  |
| Targu Mures Plaza    | Targu Mures, Romania    | Retail and entertainment scheme                 | 30,000                          | 100 | Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013  |
| Constanta Plaza      | Constanta, Romania      | Retail and entertainment scheme                 | 18,000                          | 100 | Construction scheduled to commence in 2011; completion scheduled for 2012  |
| Palazzo Ducale       | Bucharest,              | Office  | 700                             | 100 | Operational  |

|                             |                       |  |               |       |   |
|-----------------------------|-----------------------|--|---------------|-------|---|
|                             | Romania               |  |               |       |   |
| Belgrade Plaza              | Belgrade, Serbia      | Hotel and business centre with a shopping gallery    | 70,000 (GBA)  | 100   | Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014             |
| Sport Plaza                 | Star Belgrade, Serbia | Retail and entertainment scheme                      | 45,000        | 100   | Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014             |
| Kragujevac Plaza            | Kragujevac, Serbia    | Retail and entertainment scheme                      | 22,000        | 100   | Construction will commence in Q3 2010; completion scheduled for H1 2012                         |
| Shumen Plaza                | Shumen, Bulgaria      | Retail and entertainment scheme                      | 20,000        | 100   | Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014             |
| Sofia Plaza Business Center | Sofia, Bulgaria       | Retail, entertainment and office scheme              | 44,000        | 51    | Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014             |
| Riga Plaza                  | Riga, Latvia          | Retail and entertainment scheme                      | 49,000        | 50    | Operating; opened to the public on 31 March, 2009   |
| Helios Plaza                | Athens, Greece        | Retail and entertainment scheme                      | 26,000        | 100   | Construction scheduled to commence in 2010; completion scheduled for 2012                       |
| Koregaon Park               | Pune, India           | Retail, entertainment and office scheme              | 111,000 (GBA) | 100   | Construction commenced in late 2007; expected completion in H1 2011 (mall) – 2012 (offices)     |
| Kharadi                     | Pune, India           | Retail, entertainment, and office Scheme             | 205,000 (GBA) | 50    | Construction scheduled to commence in 2011-2012; expected completion in 2014                    |
| Trivandrum                  | Trivandrum, India     | Retail, entertainment, office and apart-hotel scheme | 195,000 (GBA) | 50    | Under planning  |
| Bangalore                   | Bangalore, India      | Mixed-use multi level residential units and villas   | 450,000 (GBA) | 23.75 | Under planning; construction scheduled to commence in late 2010; completion scheduled for 2012- |

|              |                |   |               |       | 2017  |
|--------------|----------------|---|---------------|-------|---|
| Chennai      | Chennai, India | Mixed-use of high quality villas and high rise residential buildings with local retail facility                               | 900,000 (GBA) | 38    | Under planning; construction scheduled to commence in late 2010; completion scheduled for 2012-2015 |
| Kochi Island | Kochi, India   | High-end residential apartment buildings, office complexes, a hotel and serviced apartments complex, retail area and a marina | 575,000 (GBA) | 23.75 | Under planning  |

(\* ) all completion dates of the projects are subject to securing external financing.

Details of these activities by country are as follows:

#### *Hungary*

Plaza continues to make progress on the extension to Arena Plaza, with construction expected to commence in 2012 of a 40,000 sqm GLA office complex. The Arena Plaza shopping and entertainment centre, which was developed by Plaza, was sold to aAIM in November 2007 and is now one of the most successful shopping and entertainment centres in the Hungarian Capital.

In March 2009, Plaza increased its stake in Dream Island from 30% to 43.5% through the acquisition of the shareholding of CP Holdings Ltd. Plaza and MKB Bank, (a leading Hungarian commercial bank which is a subsidiary of the German Bayerische Landesbank), which together held 60% of the project prior to this transaction, acquired CP Holdings Ltd's 27% stake for circa €21.4 million. The consortium now comprises the 87% holding interest of the 50:50 joint venture partnership between Plaza and MKB Bank, a company controlled by the managing director of the consortium (10% interest) and a further 3% owned by small minorities.

The Dream Island project is a prestigious development on the Obuda Island in central Budapest, with a land area of 320,000 sqm. It will be developed into a major resort including hotels, recreation facilities, a casino and a business and leisure complex with a development budget of circa €1.5 billion and 350,000 sqm of GBA. Preliminary design, excavation and archaeological works are already underway. A concession licence was obtained in 2008 for the 20-year operation of a large-scale casino (the first in Budapest) with an option to extend for an additional 10 years. The project is intended to be completed in 2013-2015.

Plaza also owns a 35% stake in the Uj Udvar shopping centre in Budapest, Hungary. The shopping centre is operational and a new design to modernize the centre is being implemented.

The Group continues to own its office building in Budapest, David House on Andrassy Boulevard.

#### *Poland*

In September 2009, Plaza acquired its second project in Lodz, Poland. On completion, Lodz Plaza will have a GLA of 45,000 sqm providing space for over 120 shops. Subject to financing, construction of the development is expected to start at the beginning of 2011 with a gross development budget of circa €85 million.

Construction commenced in 2009 of two shopping centre developments in Suwalki and Zgorzelec. Zgorzelec Plaza was subsequently completed and opened on 18 March, 2010. The 13,000 sqm shopping centre was circa 75% let on opening to a broad range of tenants and discussions are continuing with other potential occupiers for the remaining space. Suwalki Plaza, a 20,000 sqm shopping centre, is expected to complete and open in June 2010.

Plaza is aiming to secure finance shortly for its planned development at Torun, which comprises approximately 44,000 sqm of GLA, and construction is expected to commence in Q3 2010.

In addition, Plaza continued the feasibility and planning studies of three development schemes in Lodz (designated for residential use), in Kielce (comprising approximately 33,000 sqm of GLA) and in Leszno (comprising approximately 16,000 sqm of GLA).

#### *Czech Republic*

Construction of Liberec Plaza shopping and entertainment centre (approximately 17,000 sqm GLA) commenced in 2007 and the shopping and entertainment centre was opened on 26 March 2009.

During 2009, Plaza continued the feasibility and planning of its residential developments at Roztoky (14,000 sqm) and Prague (61,600 sqm).

The Company continues to own an income generating office and warehouse building in Prague which is designated to be re-zoned for a scheme of 61,600 sqm of residential units. Re-zoning is expected to be received in 2010.

Plaza's development in Opava was sold at the beginning 2010 for an immaterial amount (circa €1 million, a price close to book value), as the scheme did not fit within Plaza's stringent development criteria.

#### *Romania*

In November 2006, Plaza acquired a 75% interest in a company in partnership with the Government of Romania to develop Casa Radio (Dambovita), the largest development plot available in central Bucharest. It will comprise approximately 600,000 sqm of GBA, including a 170,000 sqm GBA shopping mall and leisure centre (one of the largest in Europe), offices, hotel, casino, hypermarket and a convention and conference hall. The Company has obtained the approval of the urban technical commission of Bucharest, Romania and completion of the first phase is scheduled for 2013.

In the second half of 2008, the Group commenced the construction of its development in Miercurea Ciuc (14,000 sqm GLA). However, as external financial is not currently available on this project, the Group will only resume the development once such financing has been secured.

The Company continues the feasibility and planning phases of its development schemes in Timisoara, Iasi, Slatina, Hunedoara and Targu Mures. Timisoara is in the final stages of design and planning and in Iasi, construction schedule to commence in 2011-2012. In Slatina, the detailed design has been agreed, the majority of permits secured and construction is due to commence in 2011-2012 subject to finance. Iasi, Timisoara and Slatina are expected to be completed in 2012-2013. Hunedoara and Targu Mures are in the preliminary design phase and scheduled for completion in 2012-2013.

During 2009, the Group completed the acquisition of a plot in Constanta, Romania. Constanta Plaza will comprise a GLA of 18,000 sqm.

In addition, Plaza has a 50.1% stake in the Plaza-BAS joint venture. Currently the joint venture company holds seven projects in Bucharest, Brasov and Ploiest:

|                 | <b>Fountain Park</b> | <b>Acacia Park</b> | <b>Primavera Tower</b> | <b>Green Land</b> | <b>Poiana Brasov</b> | <b>Primavera Tower</b> | <b>Pinetree Glade</b> | <b>Total</b> |
|-----------------|----------------------|--------------------|------------------------|-------------------|----------------------|------------------------|-----------------------|--------------|
| <b>Location</b> | Bucharest            | Ploiest            | Ploieast               | Ploieast          | Brasov               | Brasov                 | Brasov                | -            |
| Plaza-Bas Share | 25%                  | 50%                | 50%                    | 50%               | 50%                  | 50%                    | 50%                   | -            |
| Nature          | Residential          | Residential        | Offices                | Residential       | Residential          | Offices                | Residential           | -            |
| Size (sqm)      | 18,000               | 32,000             | 10,000                 | 37,000            | 140,000              | 12,000                 | 50,000                | 299,000      |

Any additional value above book value of the Plaza-BAS venture assets has not been included in the year end NAV and was not valued by King Sturge due to immateriality.

#### *Latvia*

Construction works started in March 2007 on the Riga Plaza project, which comprises approximately 49,000 sqm of GLA in Riga, of which Plaza owns a 50% stake. The scheme is located on the western bank of the River Daugava by the Sala Bridge and was opened to the public on 31 March 2009.

## *Serbia*

Plaza believes that the Belgrade market offers particular potential, with a catchment area of approximately 2.5 million people. Plaza successfully established its presence in Serbia in 2007 with the acquisition of three plots. The first of these was a state-owned plot and building in Belgrade, which Plaza secured in a competitive tender. The building was formerly occupied by the federal ministry of internal affairs of the former Yugoslavia and is located in the centre of Belgrade in a neighbourhood of government offices and foreign embassies. On completion, the scheme, Belgrade Plaza, will comprise a hotel, business centre and shopping gallery totalling circa 70,000 sqm of GBA. Construction is planned to commence in 2011 – 2012 and completion is scheduled for 2013 - 2014. The project is now in the local planning and permitting process.

In December 2007, the Company won a second competitive public auction announced by the Government of Serbia for the development of a new shopping and entertainment centre called Sport Star Plaza with a total GLA of approximately 45,000 sqm in Belgrade. Concept design has been submitted.

An additional development in Serbia is located in Kragujevac, a city of 180,000 inhabitants. The planned shopping and entertainment centre will comprise approximately 22,000 sqm of GLA. Construction will commence in Q3 2010 and the opening is planned for H1 2012. The centre is already 60% let. Plaza is in advanced stages of negotiations for securing external bank financing for the project.

## *Greece*

Plaza owns a 15,000 sqm plot of land centrally located in Piraeus Avenue, Athens. Plaza is currently working on securing updated building permits for the construction of a shopping centre, totalling approximately 26,000 sqm of GLA. Construction is planned to start in 2010 and completion is scheduled for 2012.

## *Bulgaria*

The Group owns a 20,000 sqm plot of land in Shumen, the largest city in Shumen County, which it intends to develop into a new shopping and entertainment centre with a total GLA of 20,000 sqm. The Company is currently finalizing the design, and construction is expected to commence in 2011-2012, subject to agreeing financing.

During 2009, Plaza acquired an additional plot in Sofia by purchasing a 51% stake (with an option to increase to up to 75%) in a development project from a local developer for a total consideration of €7.14 million. The consideration consists of a cash payment of €2.78 million and the assumption of €4.36 million of debt financed by a foreign bank, representing 51% of the project's debt liability. The planned scheme will comprise 44,000 sqm GLA of retail, entertainment and offices. The project has a valid planning permit.

## *India*

Plaza has identified strong long-term potential in India and in 2006 acquired its first development project in the city of Pune in a 50:50 joint venture with a local partner. In November 2008, the Group bought the remaining 50% stake held by its JV partner which enables the Company to have full control over the development. The mixed-use scheme has a total built up area of 111,000 sqm which will comprise a shopping centre and office space. Construction is already underway, with development finance secured totalling USD 45 million, to fund 50% of the total project costs. Completion of the shopping and entertainment centre is expected in H1 2011 and the office scheme in 2012.

During 2007, Plaza acquired two additional development projects in a 50:50 joint venture. The first is located in the Kharadi district of Pune and totals approximately 205,000 sqm of GBA. The second is in Trivandrum, the capital city of the State of Kerala, and totals approximately 195,000 sqm GBA. Both projects are for mixed-use developments.

During 2008, Plaza formed a joint venture with Elbit Imaging to develop three mega mixed-use projects in India located in the cities of Bangalore, Chennai and Kochi. Under this agreement Plaza acquired a 47.5% stake in Elbit India Real Estate Holding Limited, which already owned stakes of between 50% and 80% in three mixed-use projects in India, in conjunction with local Indian partners. This joint venture's voting rights are split 50:50 between Elbit and Plaza.

These three projects are as follows:

Bangalore - This mixed-use project, 50% owned by the JV and 50% owned by a prominent local developer, is located on the eastern side of Bangalore, India's fifth largest city with a population of more than seven million people. With a total built up area of over 450,000 sqm excluding parking, it will comprise luxury residential units, Villas and high and medium-rise apartment buildings.

Chennai - A mixed-use development, 80% owned by the JV and 20% owned by a prominent local developer, will be developed into an integrated mixed-use project consisting of high rise residential units and high quality villas and a local retail facility, with a total built up area of 900,000 sqm excluding parking. Chennai is India's fourth largest city with a population of more than 10 million people.

Kochi Island - A 50:50 partnership with a prominent local developer, this mixed-use project will comprise more than 575,000 sqm of high-end residential apartment buildings, office complexes, a hotel and serviced apartments complex, retail area and a marina. It is located on a backwater island adjacent to the administrative, commercial and retail hub of the city of Kochi, in the state of Kerala, with a local population of more than three million people.

All three projects are in the planning and design stages. Construction at Bangalore and Chennai is expected to start in late 2010.

The joint venture will also look for further large-scale mixed-use development opportunities in India, predominantly led by either residential, office or hotel schemes. In addition, Plaza will independently continue to develop, manage and look for new opportunities for shopping centre led projects in India.

## **Prospects**

Throughout the reporting period, we continued to position Plaza strongly to make the most of current market conditions, by ensuring we conserve cash, maintain our conservative gearing position and restrict our development pipeline to only the very best opportunities. As a result of this, Plaza has emerged as one of the strongest property companies in the region.

We are one of the few developers who have the financial flexibility, track record and reputation to secure both significant pre-lets and finance for our developments and we expect to be one of the few developers active in the CEE region to be able to deliver high quality shopping centres in the near future.

In addition to this, we will continue to actively manage our portfolio of operating assets, with a view to maximising occupancy and therefore income. Relying on our extensive experience of managing retail assets and our strong relationships with both local and international retailers, we are confident that we will be able to grow income from our existing assets, for the benefit of our shareholders.

Our diversification into markets such as the USA, where we have recently announced the creation of a joint venture with significant third party equity backing, offers us the opportunity to expand into new territories. Plaza will look to acquire high quality operating properties at very attractive valuations not seen in the recent past, with potential for significant appreciation. Furthermore, we believe that, as the global and US markets recover, we should be well positioned to deliver significant value growth on our investments, through applying our asset management experience in the retail sector.

**Ran Shtarkman**

**President and CEO**

**24 March 2010**

## FINANCIAL REVIEW

### Results

During 2009, Plaza continued to adapt to the economic climate to be prepared for the upturn. We have made a good progress with projects under construction, and have taken advantage of opportunistic purchases, as well as putting a strong emphasis on cutting costs and development budgets.

In line with the Group's accounting policy, Plaza classifies its current projects under development as trading properties rather than investment properties. Accordingly, revenues from the sale of trading properties are presented as gross amounts. The Group does not revalue its trading properties and profits from these assets therefore represent actual cash-based profits due to realisations.

Revenues for the year ended 31 December 2009 decreased to €16 million (2008: €99 million) as no handovers of trading properties were concluded during the year. These revenues are attributable mainly to rental income from operating malls and income from the entertainment subsidiary Fantasy Park (circa €7.3 million).

The majority of the cost of operations is attributable to the impairment made to the trading properties (land plots, assets under construction and operating assets). However, the total impairment, in an amount of circa €34 million, is less than 5% of the cost value of the projects and relates to some of the Group's projects in Romania, Latvia, Czech Republic, Hungary and Poland.

Administrative expenses amounted to €19.1 million (2008: €24.5 million). The cost of non cash share-based payments decreased mainly due to the graded vesting method of the employee share option plan (ESOP) resulting in a non-cash payments in 2009 of €2.8 million (2008: €6.3 million). The options are amortized in the profit and loss statement using the conservative graded vesting method as required by IFRS. Using this method, the majority of the expense (approximately 61%) is recognized during the first year (out of three) of vesting, i.e. most of the expenses for the options granted at IPO were reflected in the 2007 and 2008 financial statements.

In addition, as the Company initiated a thorough cost cutting plan in the course of the second half of 2008, under which headcount was reduced, payroll to current employees was decreased and agreements with construction suppliers, land sellers and service providers were re-negotiated and reduced. Due to these measures, administrative expenses reduced by a further €2 million in 2009.

Depreciation and amortization, as well as the cost of office rents, have remained at the same level compared to 2008.

Net finance significantly decreased in 2009 to a loss of €18 million (2008: €58 million profit), mainly due to the changes in the market value of the debentures issued since 2007, presented in the balance sheet at fair value (€45 million), mainly offset by the gain derived from value increase of derivatives initiated to hedge the effect of the changes in fair value of the debentures (€18 million). Other factors which contributed to the decrease were lower interest income as a result of the decrease in the interest rates and the average cash balance. It should be noted that in 2008 the Company recorded substantial finance income due to the decrease in the fair market value of its issued debentures during 2008.

Current tax expenses dropped to €74,000 (2008: €143,000). The total tax income of €3.8 million (2008: €4.9 million tax expenses) is attributable to the deferred tax changes which are mainly due to change in fair values of debentures mentioned above.

Net loss for the period amounted to circa €65 million in 2009, compared to €68 million profit in 2008, and as described above derived mainly from impairments of trading properties (circa €34 million) and from the changes in fair value of the issued debentures net of related hedging instruments (circa €27 million).

Basic and diluted earnings per share for 2009 were both €0.23 loss (2008: €0.23 profit).

### **Balance sheet and cash flow**

The balance sheet as at 31 December 2009 showed current assets of €945 million compared to current assets of €839 million at the end of 2008. This rise results from investment in our substantial pipeline of development projects through bank financing and the long term debentures raised.

The Company's cash position deriving from cash, short term deposits, restricted cash deposits and available for sale financial assets slightly decreased to €179 million (2008: €201 million), with the decrease reflecting investments in Plaza's pipeline projects, offset by the raising of additional funds from bond issuance.

Trade receivables have increased from €0.8 million to €2 million as a result of receivables from tenants in the two new operating shopping malls in Riga, Latvia and in Liberec, Czech Republic.

There was a slight uplift in the value of the investment properties in 2009 (from €13 million in 2008 to €13.5 million in 2009) as the fair value of the Prague 3 logistics building (which is the only investment property in the Company's balance sheet) has increased based on management's estimated valuation.

Long term deposits and balances have remained at a similar level (2009: €51 million, 2008: €50 million) consisting chiefly of investment in long term financial instruments.

Restricted bank deposits (short term and long terms) has decreased from €67 million to €54 million as some of the collateral for project financing loans was released in the course of the year.

Total bank borrowings (long and short term) increased to €184 million (2008: €111 million) mainly due to the drawdown of construction loans for malls completed during 2009 and malls under construction.

Apart from bank financing, Plaza has on its balance sheet a liability of €247 million (with a face value of circa €229 million) from issuing debentures on the Tel Aviv Stock Exchange. These debentures are presented at their fair value with the exception of the debentures issued from August 2009 onward, which are presented at amortised cost. Plaza has substantially hedged the future expected payments in New Israeli Shekels (principal and interest linked to the Israeli CPI index) to correlate with the Euro and the Euribor interest rate, using a cross currency interest rate swap, and in certain cases forward transaction to correlate with changes in the EUR/NIS rate.

Trade payables decreased to €20 million (2008: €23 million), due to the completion of two shopping and entertainment centres in the first half of 2009.

At the 2009 year end, the net balance of the Plaza Group with its controlling shareholders is a liability of approximately €2.7 million of which €0.6 million is due to a provision in respect of liability to Elbit Imaging's Vice Chairman through an option granted in connection with Indian operations and €1.3 million is due to a provision in respect of project management fees charged by the Control Centers group. These fees relate to the project supervision services granted in respect of the extensive schemes within the Group. The remaining net balance of €0.8 includes a net liability regarding charges from Elbit Imaging group companies to the Company.

Plaza's balance sheet therefore reflects a high level of liquid balances and low gearing, with the majority of the Group's debt maturing only between 2011 and 2017. High cash balances and substantial (non re-valued) shareholders' equity of approximately €575 million, a total balance sheet of over €1 billion and a debt to balance sheet ratio of circa 46%, will enable the Company to strengthen its market position, develop its current portfolio and make opportunistic purchases of new projects in the best performing markets under current economic conditions.

**Roy Linden**

**Chief Financial Officer**

**24 March 2010**

Valuation Summary by King Sturge LLP as at 31 December 2009 (in EUR)

| Country                                   | Project name                | Market Value upon completion | Market Value upon completion | Market Value of the land and project | Market Value of the land and project |
|---|-----------------------------|------------------------------|------------------------------|--------------------------------------|--------------------------------------|
|   |                             | 31 December 2009             | 31 December 2008             | 31 December 2009                     | 31 December 2008                     |
| Hungary                                   | Arena Plaza extension       | 64,270,000                   | 69,500,000                   | 9,500,000                            | 10,400,000                           |
|   | Dream Island                | 410,400,000                  | 323,000,000                  | 71,900,000                           | 59,000,000                           |
|   | David House                 | 4,180,000                    | 4,360,000                    | 4,180,000                            | 4,360,000                            |
|   | Uj Udvar                    | 3,220,000                    | 3,255,000                    | 3,220,000                            | 3,255,000                            |
| Poland                                    | Kielce Plaza                | 88,100,000                   | 87,000,000                   | 6,600,000                            | 6,700,000                            |
|   | Torun Plaza                 | 100,600,000                  | 111,400,000                  | 15,100,000                           | 14,200,000                           |
|   | Suwalki Plaza               | 53,800,000                   | 56,900,000                   | 24,200,000                           | 7,000,000                            |
|   | Lodz (Resi)                 | 252,600,000                  | 192,000,000                  | 10,800,000                           | 14,800,000                           |
|   | Lodz Plaza                  | 110,200,000                  | -                            | 7,300,000                            | -                                    |
|   | Zgorzelec Plaza             | 30,400,000                   | 30,600,000                   | 16,600,000                           | 3,700,000                            |
|   | Leszno Plaza                | 4,500,000                    | 1,500,000                    | 1,500,000                            | 1,500,000                            |
| Czech Republic                            | Opava Plaza                 | -                            | 38,390,000                   | -                                    | 5,700,000                            |
|   | Prague 3                    | 154,720,000                  | 160,000,000                  | 16,490,000                           | 20,000,000                           |
|   | Liberec Plaza               | 37,010,000                   | 45,300,000                   | 37,010,000                           | 45,300,000                           |
|   | Roztoky                     | 23,800,000                   | 24,410,000                   | 3,100,000                            | 3,400,000                            |
| Romania                                   | Miercurea Ciuc Plaza        | 26,800,000                   | 31,300,000                   | 14,800,000                           | 8,100,000                            |
|   | Timisoara Plaza             | 95,600,000                   | 114,500,000                  | 16,910,000                           | 22,800,000                           |
|   | Casa Radio Plaza            | 693,100,000                  | 927,000,000                  | 181,600,000                          | 158,700,000                          |
|   | Iasi Plaza                  | 113,800,000                  | 134,000,000                  | 17,400,000                           | 19,000,000                           |
|   | Slatina Plaza               | 32,500,000                   | 37,500,000                   | 2,030,000                            | 2,700,000                            |
|   | Palazzo Ducale              | 1,900,000                    | 2,100,000                    | 1,900,000                            | 2,100,000                            |
|   | Targu Mures Plaza           | 55,900,000                   | 64,700,000                   | 6,100,000                            | 6,600,000                            |
|   | Constanta Plaza             | 19,900,000                   | -                            | 11,060,000                           | -                                    |
| Hunedoara Plaza                           | 26,000,000                  | 30,000,000                   | 2,990,000                    | 3,500,000                            |                                      |
| Latvia                                    | Riga Plaza                  | 51,000,000                   | 64,050,000                   | 51,000,000                           | 51,750,000                           |
| Greece                                    | Helios Plaza                | 138,600,000                  | 93,300,000                   | 38,400,000                           | 24,190,000                           |
| India                                     | Koregaon Park               | 78,860,000                   | 70,200,000                   | 36,190,000                           | 25,600,000                           |
|   | Kharadi Plaza               | 55,070,000                   | 56,300,000                   | 12,600,000                           | 13,800,000                           |
|   | Trivandrum Plaza            | 51,590,000                   | 46,950,000                   | 10,210,000                           | 9,500,000                            |
|   | Bangalore                   | 143,500,000                  | 466,900,000                  | 49,070,000                           | 57,900,000                           |
|   | Chennai                     | 203,010,000                  | 269,600,000                  | 20,150,600                           | 18,900,000                           |
|   | Kochi Island                | 135,230,000                  | 105,200,000                  | 2,460,000                            | 3,000,000                            |
| Bulgaria                                  | Plaza Shumen                | 40,650,000                   | 45,200,000                   | 6,430,000                            | 10,300,000                           |
|   | Sofia Plaza Business center | 45,900,000                   | -                            | 7,790,000                            | -                                    |
| Serbia                                    | Belgrade Plaza              | 162,400,000                  | 183,100,000                  | 24,300,000                           | 28,200,000                           |
|   | Sport Star Plaza            | 165,800,000                  | 170,800,000                  | 19,600,000                           | 18,800,000                           |
|   | Kragujevac Plaza            | 61,700,000                   | 101,600,000                  | 17,600,000                           | 12,300,000                           |
| <b>Total (rounded to nearest million)</b> |                             | <b>3,737,000,000</b>         | <b>4,162,000,000</b>         | <b>778,000,000</b>                   | <b>697,000,000</b>                   |

## Notes

- All values of land and project assume full planning consent for the proposed use.
- Plaza Centers has a 50% interest in the Riga Plaza shopping centre development.
- Plaza Centers has a 35% interest in the Uj Udvar Shopping Centre development.
- Plaza Centers has a 50% interest in Kharadi Plaza and Trivandrum Plaza.
- Plaza Centers has a 43.5% interest in Dream Island.
- Plaza Centers has a 75% share of Casa Radio Plaza.
- Plaza Centers has a 23.75% share of Bangalore.
- Plaza Centers has a 38% share of Chennai.
- Plaza Centers has a 23.75% share of Kochi Island.
- Plaza Centers has a 51% interest in Sofia Plaza Business center.
- All the figures reflect Plaza's share.

## Consolidated Income Statements

### In '000 EUR

|  | Note | For the year ended<br>December 31, |                |
|--|------|------------------------------------|----------------|
|  |      | 2009                               | 2008           |
| Revenues   | 13   | 16,045                             | 98,613         |
|  |      | <u>16,045</u>                      | <u>98,613</u>  |
| Impairment losses on trading properties            |      | 33,893                             | -              |
| Cost of operations                                 | 14   | <u>12,970</u>                      | <u>55,934</u>  |
| <b>Gross profit (loss)</b>                         |      | (30,818)                           | 42,679         |
| Administrative expenses (*)                        | 15   | 19,054                             | 24,540         |
| Other income                                       |      | (280)                              | (193)          |
| Other expenses                                     |      | <u>39</u>                          | <u>2,882</u>   |
| <b>Results from operating activities</b>           |      | (49,631)                           | 15,450         |
| Finance income                                     |      | 33,423                             | 67,356         |
| Finance expenses                                   |      | <u>(51,543)</u>                    | <u>(9,268)</u> |
| Net finance income (expenses)                      | 16   | <u>(18,120)</u>                    | <u>58,088</u>  |
| Share in loss of associate                         |      | <u>(780)</u>                       | <u>(941)</u>   |
| <b>Profit (loss) before income tax</b>             |      | (68,531)                           | 72,597         |
| Income tax expenses (tax benefit)                  | 17   | (3,819)                            | 4,913          |
| <b>Profit (loss) for the year</b>                  |      | <u>(64,712)</u>                    | <u>67,684</u>  |
| <b>Profit attributable to:</b>                     |      |                                    |                |
| Owners of the Company                              |      | (64,769)                           | 67,684         |
| Non controlling interest                           |      | 57                                 | -              |
|  |      | <u>(64,712)</u>                    | <u>67,684</u>  |
| <b>Basic earnings (loss) per share (in EURO)</b>   | 12   | (0.23)                             | 0.23           |
| <b>Diluted earnings (loss) per share (in EURO)</b> | 12   | (0.23)                             | 0.23           |

(\*)Including non-cash expenses due to the share option plan to the amount of €2.8 million (2008: €6,3 million).

**Consolidated Statement of Financial Position**  
**In '000 EUR**

|   | Note | December 31,<br>2009    | December 31,<br>2008  |
|---|------|-------------------------|-----------------------|
| <b>ASSETS</b>   |      |                         |                       |
| Cash and cash equivalents   | 3    | 122,596                 | 146,026               |
| Restricted bank deposits  |      | 39,202                  | (*)46,833             |
| Short-term deposits   |      | 2,589                   | -                     |
| Available for sale financial assets                               |      | 15,040                  | 8,608                 |
| Trade receivables   |      | 1,920                   | 838                   |
| Other receivables and prepayments                                 | 4    | 53,605                  | 60,550                |
| Derivatives   |      | 1,810                   | -                     |
| Related parties   |      | 513                     | 481                   |
| Trading properties  | 5    | 707,287                 | 575,334               |
| <b>Total current assets</b>                                       |      | <u>944,562</u>          | <u>838,670</u>        |
| Long term deposits and other investments                          | 6    | 51,447                  | 50,385                |
| Equity accounted investees  |      | -                       | 188                   |
| Derivatives   |      | 20,151                  | 20,323                |
| Property and equipment  |      | 14,990                  | 15,793                |
| Investment property   |      | 13,399                  | 12,970                |
| Restricted bank deposits  |      | 14,737                  | (*)19,917             |
| Other non-current assets  |      | 335                     | 310                   |
| <b>Total non-current assets</b>                                   |      | <u>115,059</u>          | <u>119,886</u>        |
| <b>Total assets</b>   |      | <u><u>1,059,621</u></u> | <u><u>958,556</u></u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                       |      |                         |                       |
| Interest bearing loans from banks                                 | 7    | 176,637                 | (*)105,640            |
| Debentures at fair value through profit or loss                   |      | 7,423                   | -                     |
| Trade payables  |      | 19,953                  | 23,197                |
| Amounts due to related parties                                    | 8    | 3,234                   | 2,748                 |
| Provisions  |      | 16,305                  | 16,985                |
| Other short term liabilities                                      |      | 11,465                  | 13,673                |
| <b>Total current liabilities</b>                                  |      | <u>235,017</u>          | <u>162,243</u>        |
| Interest bearing loans from banks                                 | 7    | 7,435                   | (*) 5,048             |
| Debentures at fair value through profit or loss                   | 9    | 211,940                 | 175,144               |
| Debentures at amortized cost                                      | 10   | 27,792                  | -                     |
| Other liabilities   |      | 291                     | 399                   |
| Deferred tax liabilities  |      | 2,437                   | 6,191                 |
| <b>Total non-current liabilities</b>                              |      | <u>249,895</u>          | <u>186,782</u>        |
| Share capital   |      | 2,942                   | 2,924                 |
| Translation reserve   |      | (9,640)                 | (12,175)              |
| Other reserves  |      | 28,888                  | 21,778                |
| Share premium   |      | 261,773                 | 248,860               |
| Reserve for own shares  |      | -                       | (5,469)               |
| Retained earnings   |      | 285,836                 | 350,605               |
| <b>Total equity attributable to equity holders of the Company</b> |      | <u>569,799</u>          | <u>606,523</u>        |
| Non-controlling interest  |      | 4,910                   | 3,008                 |
| <b>Total equity</b>   | 11   | <u>574,709</u>          | <u>609,531</u>        |
| <b>Total equity and liabilities</b>                               |      | <u><u>1,059,621</u></u> | <u><u>958,556</u></u> |

(\*)Reclassified

## Consolidated Statement of Cash flows

### In '000 EUR

|   | For the year ended    |                       |
|---|-----------------------|-----------------------|
| Note  | December 31,<br>2009  | 2008                  |
| <b>Cash flows from operating activities</b>                                       |                       |                       |
| Profit (loss) for the year  | (64,712)              | 67,684                |
| <u>Adjustments necessary to reflect cash flows used in operating activities:</u>  |                       |                       |
| Depreciation and impairment on property and equipment                             | 35,308                | 3,295                 |
| Change in fair value of investment property                                       | (429)                 | -                     |
| Finance income (expenses), net  | 18,120                | (58,088)              |
| Non-controlling interest  | 57                    | -                     |
| Interest received in cash   | 9,471                 | 14,213                |
| Interest paid   | (5,513)               | (2,591)               |
| Share based payment   | 2,821                 | 6,988                 |
| Loss (gain) on sale of property and equipment                                     | (141)                 | 497                   |
| Share in loss of associate  | 780                   | 941                   |
| Gain on sale of trading property  | -                     | (41,644)              |
| Income tax expenses   | (3,819)               | 4,913                 |
| Tax repaid in cash  | -                     | 235                   |
|   | <u>(8,057)</u>        | <u>(3,557)</u>        |
| Decrease (increase) in trade accounts receivable                                  | (1,001)               | 277,761               |
| Decrease (increase) in other accounts receivable                                  | 7,188                 | 9,105                 |
| Change in restricted cash for projects to be acquired                             | 6,945                 | (56,035)              |
| Increase in advance payment on accounts of trading properties                     | (1,567)               | (38,567)              |
| Increase in trading properties  | (108,940)             | (192,949)             |
| Purchase of trading property companies (see appendix A)                           | (7,202)               | (75,238)              |
| Increase (decrease) in trade accounts payable                                     | (1,538)               | (13,386)              |
| Increase (decrease) in other liabilities and provisions                           | (4,696)               | (20,055)              |
| Proceeds from disposal of trading property, net of cash disposed (see appendix B) | -                     | 60,189                |
|   | <u>(110,811)</u>      | <u>(49,175)</u>       |
| Income tax paid   | (74)                  | (202)                 |
| <b>Net cash used in operating activities</b>                                      | <u>(118,942)</u>      | <u>(52,934)</u>       |
| Purchases of property, equipment and other assets                                 | (1,222)               | (2,071)               |
| Proceeds from sale of property and equipment                                      | 303                   | 3,182                 |
| Decrease (increase) of short term deposits, net                                   | -                     | 1,025                 |
| Purchase of available for sale marketable securities                              | (8,294)               | (10,011)              |
| Proceeds from sale of available for sale marketable securities                    | 3,808                 | -                     |
| Long term deposits, net   | (99)                  | (162)                 |
| Long term structured deposit  | -                     | (51,305)              |
| <b>Net cash used in investing activities</b>                                      | <u>(5,504)</u>        | <u>(59,342)</u>       |
| <b>Cash from financing activities</b>   |                       |                       |
| Proceeds from loans from banks and financial institutions                         | 44,267                | 105,586               |
| Proceeds from selling derivative  | 13,114                | -                     |
| Proceeds from own shares sold   | 21,905                | -                     |
| Dividend paid   | -                     | (56,995)              |
| Treasury shares purchased   | (3,523)               | (5,469)               |
| Proceeds from issuance of long term debentures                                    | 27,408                | 151,627               |
| Long term loans repaid to banks   | (2,478)               | (768)                 |
| Loans repaid to related parties   | (32)                  | (1,260)               |
| <b>Net cash provided by financing activities</b>                                  | <u>100,661</u>        | <u>192,721</u>        |
| <b>Effect of exchange rate fluctuations on cash held</b>                          | 355                   | (800)                 |
| <b>Increase (decrease) in cash and cash equivalents during the year</b>           | (23,430)              | 79,645                |
| <b>Cash and cash equivalents at the beginning of the year</b>                     | 146,026               | 66,381                |
| <b>Cash and cash equivalents at the end of the year</b>                           | <u><u>122,596</u></u> | <u><u>146,026</u></u> |

**Consolidated Statement of Cash flows (Cont.)**  
In '000 EUR

|   | For the year ended<br>December 31, |               |
|---|------------------------------------|---------------|
|   | 2009                               | 2008          |
| <b>Appendix A - Acquisition of subsidiaries</b>           |                                    |               |
| Cash and cash equivalents of subsidiaries acquired        | 1,729                              | 5,526         |
| Short term deposits                                       | -                                  | -             |
| Trade receivables and other receivables                   | 4,673                              | 15,622        |
| Long term deposit   | (1,536)                            | 104           |
| Property and equipment                                    | -                                  | 4,675         |
| Trading property  | 41,555                             | 58,531        |
| other assets  | 24                                 | 59            |
| Trade payables  | (82)                               | (20)          |
| Interest bearing loans from banks                         | (32,477)                           | -             |
| Related parties   | -                                  | -             |
| Minority interest   | (1,147)                            | (3,182)       |
| Deferred taxes  | (139)                              | -             |
| Other accounts payable                                    | (3,669)                            | (551)         |
| Less - Cash and cash equivalents of subsidiaries acquired | (1,729)                            | (5,526)       |
| Acquisitions of subsidiaries, net of cash held            | <u>7,202</u>                       | <u>75,238</u> |
| <b>Appendix B - Disposal of Subsidiaries</b>              |                                    |               |
| Cash and cash equivalents of subsidiaries disposed        | -                                  | 1,388         |
| Short term deposits                                       | -                                  | -             |
| Trade receivables   | -                                  | 800           |
| Other receivables   | -                                  | 80            |
| Trading properties  | -                                  | 40,822        |
| Investment properties                                     | -                                  | -             |
| Long term balances and deposits                           | -                                  | -             |
| Interest bearing loan from banks                          | -                                  | -             |
| Trade payables  | -                                  | (5,248)       |
| Other accounts payables                                   | -                                  | (1,105)       |
| Related parties   | -                                  | -             |
| Deferred taxes and long term balances                     | -                                  | -             |
| Foreign currency translation adjustment                   | -                                  | -             |
| Net identifiable assets and liabilities disposed          | <u>-</u>                           | <u>36,737</u> |
| Cash from sale of subsidiaries                            | -                                  | 61,577        |
| Less - Cash and cash equivalents of subsidiaries disposed | -                                  | (1,388)       |
|   | <u>-</u>                           | <u>60,189</u> |
| <b>Non cash transactions</b>                              |                                    |               |
| Suppliers and creditors for trading properties            | -                                  | 20,378        |
| Share based payment capitalized to trading properties     | 2,067                              | 2,905         |

## **NOTE 1 - STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports. A full set of the consolidated Financial Statements will follow.

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements prepared in accordance with The Netherlands Civil Code. At the date of approving these financial statements the Company had not yet prepared consolidated financial statements for the year ended December 31, 2009 in accordance with the Netherlands civil code.

The consolidated financial statements were authorized for issue by the board of directors on March 23, 2010.

## **NOTE 2 - BASIS OF PREPARATION**

### **a. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of the financial position:

- Investment property is measured at fair value
- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- Available for sale financial assets are measured at fair value
- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value.

### **b. Functional and presentation currency**

These consolidated financial statements are presented in EURO, which is the Company's functional currency. All financial information presented in EURO has been rounded to the nearest thousand, unless otherwise indicated.

## **NOTE 2 - BASIS OF PREPARATION (Cont.)**

### **c. Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 5 - classification of trading property
- Note 9 – debentures at fair value through profit or loss
- Note 13 – revenue recognition

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – valuation of trading properties
- Note 17 – utilisation of tax losses

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(d), which addresses changes in accounting policies.

### **d. Changes in accounting policies**

#### **Overview**

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statement

#### **Determination and presentation of operating segments**

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CODM (refer to note 39), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows. Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share

## NOTE 2 - BASIS OF PREPARATION (Cont.)

### d. Changes in accounting policies (Cont.)

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

#### Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects,<sup>3</sup> there is no impact on earnings per share

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 3 - CASH AND CASH EQUIVALENTS**

|  | Interest rate as of<br>December 31,<br>2009                                    | December 31,<br>2009 | December 31,<br>2008 |
|--|--|----------------------|----------------------|
|  | Mix of fixed and floating interest rates<br>between 0.3%-2.35% - see (1) below | 101,165              | 136,575              |
| Bank deposits - in EUR                                 |  |                      |                      |
| Cash and bank deposits –<br>in Hungarian Forints (HUF) | 0%-6.5%  | 2,112                | 156                  |
| Cash and bank deposits –<br>in Polish Zlotys (PLN)     | 0%-3.1%  | 8,744                | 1,670                |
| Cash and bank deposits –<br>in Czech Crowns (CZK)      | 0%-0.8%  | 2,322                | 196                  |
| Cash and bank deposits –<br>in Indian Rupee (INR)      | Mainly 2%-4%   | 2,105                | 1,983                |
| Cash and bank deposits –<br>in Latvian lats (LVL)      | Mainly 10.2%   | 541                  | 441                  |
| Cash and bank deposits - in USD                        | Mainly 0.2%  | 2,377                | 2,913                |
| Cash and bank deposits –<br>in Romanian Lei (RON)      | Mainly 11%   | 2,972                | 1,461                |
| Cash and bank deposits –<br>in Serbian Dinar (RSD)     | Mainly 1.8%  | 253                  | 599                  |
| Cash and bank deposits –<br>in other currencies        | 0%   | 5                    | 32                   |
| <b>Total</b>   |  | <u>122,596</u>       | <u>146,026</u>       |

**NOTE 4 - OTHER RECEIVABLES AND PREPAYMENTS**

|   | December 31,<br>2009 | December 31,<br>2008 |
|---|----------------------|----------------------|
| Trade receivables (1)                   | 3,034                | 933                  |
| Less - Allowance for doubtful debts (2) | (1,114)              | (95)                 |
|   | <u>1,920</u>         | <u>838</u>           |

- (1) The balances represent amounts receivable from leases of space in shopping centres and offices less any impairment for doubtful debts.
- (2) Increase in allowances created in the amount of EUR 0.9 million, as well as EUR 0.2 million from consolidated of new companies with allowances for doubtful debt.

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 5 - TRADING PROPERTIES**

|  | December 31,<br>2009 | December 31,<br>2008 |
|--|----------------------|----------------------|
| Balance as at 1 January                            | 575,334              | 298,339              |
| Acquisition and construction costs                 | 109,591              | 254,965              |
| Capitalized interest                               | 12,790               | 14,600               |
| yí loss of trading properties (1)                  | (33,893)             | -                    |
| Addition due to acquisitions of subsidiary         | 41,555               | 58,531               |
| Change of translation reserve                      | 1,910                | (8,932)              |
| Trading properties disposed                        | -                    | (42,169)             |
| Balance at 31 December                             | <u>707,287</u>       | <u>575,334</u>       |
| Completed trading property                         | 86,694               | -                    |
| Trading properties under construction              | 260,431              | 213,941              |
| Trading properties under planning and design stage | 360,162              | 361,393              |
| Total  | <u>707,287</u>       | <u>575,334</u>       |

(1) An impairment loss of trading properties was performed based on external valuation reports. Impairment were recognized in respect of projects in the Czech Republic (EUR 13.7 million), Latvia (EUR 10 million), Romania (EUR 7.9 million), Hungary (EUR 1.4 million) and Poland (EUR 0.9 million).

As of December 31, 2009, the Company has trading properties in Poland, Czech Republic, Latvia, India, Romania, Serbia, Bulgaria, Hungary and Greece. The properties are in various stages of development as shopping and entertainment centres, residential units, offices or combination thereof.

As of December 31, 2009, a total carrying amount of EUR 227 million (December 31, 2008 – EUR 106 million) of the abovementioned trading property is secured against bank loans.

As of 31 December 2009, trading properties include capitalization of share base payments in the amount of EUR 9.9 million (December 31, 2008 – EUR 7.8 million).

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 6 - LONG TERM DEPOSITS AND OTHER INVESTMENTS**

|  | Interest rate –<br>December 31,<br>2009 | December 31,<br>2009 | December 31,<br>2008 |
|--|---|----------------------|----------------------|
| Financial structure A (*)              | 0-11.5%                                 | 38,000               | 38,000               |
| Financial structure B (*)              | 6.25%-12.5%                             | 12,952               | 9,864                |
| Long term loan to associated Companies | 8%                                      | 495                  | 2,094                |
| Charges to associated company          | 0%                                      | -                    | 351                  |
| Long term deposits                     |   | -                    | 76                   |
|  |   | <u>51,447</u>        | <u>50,385</u>        |

(\*) Structure A - The EUR 38 million Principal is capital protected and payable at Maturity. Structure A bears interest of 11.5% per annum, payable to the extent that the margin between the 30 years Euro CMS (Constant Maturity Swap) and the 10 years Euro CMS (measured on a daily basis) is higher than the accrual barrier which was set at 0.05%. For days in which the margin is lower than the barrier no interest is paid. Structure A is presented in the financial statements as held to maturity financial instrument at amortised cost. The fair value of the structure, determined by management based on the broker quotes, as of December 31, 2009 was EUR 29.3 million.

Structure B - The EUR 13 million Principal of the structure is capital protected and payable at Maturity. Structure B pays a variable interest linked to the 10 year EUR CMS rate subject to a minimum interest of 6.25% p.a. and a maximum interest of 12.50% p.a. The Company's management has designated structure B at fair value through profit or loss since the contract contains a substantive embedded derivative. The value reflects the clean value of the structure (i.e. without interest. For determining the fair values of the structured deposits refer to note 4. As of December 31, 2009, the Company recorded a fair value gain of EUR 3.1 million (2008 - loss of EUR 3.1 million) in respect to structure B.

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 7 - INTEREST BEARING LOANS FROM BANKS**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 35. All interest bearing loans from banks are of balances of secured bank loans and are all denominated in EUR with the exception of CHF, USD and INR loans mentioned. Terms and conditions of outstanding loans were as follows:

|   | Nominal interest rate          | Year of maturity | December 31,     |                |
|---|--------------------------------|------------------|------------------|----------------|
|   |                                |                  | 2009             | 2008           |
|   |                                |                  | Carrying amounts |                |
| Secured bank loan                         | 3M EURIBOR+2.5%                | 2014             | 36,000           | 20,189         |
| Secured bank loan                         | 3M EURIBOR+2.7%                | 2014             | 37,724           | 38,640         |
| Secured bank loan                         | 3M EURIBOR+3%                  | 2010             | 21,355           | -              |
| Secured bank loan                         | 3M CHF LIBOR+1.9%              | 2010             | 3,546            | -              |
| Secured bank loan                         | 3M EURIBOR+1.5%                | 2016             | 7,310            | -              |
| Secured bank loan                         | 3M EURIBOR+2.75%               | 2016             | 8,503            | -              |
| Secured bank loan                         | 3M EURIBOR+0.5%                | 2010             | 7,017            | 5,095          |
| Secured bank loan                         | 3M EURIBOR+2.25%               | 2011             | 8,182            | -              |
| Secured bank loan                         | INR linked – 11.75%-<br>12.25% | 2010             | 5,055            | -              |
| Secured bank loan (2)                     | 3M USD LIBOR+4%                | 2014             | 3,048            | -              |
| Secured bank loan                         | 3M EURIBOR+4.5%                | 2010             | 3,633            | 3,633          |
| Secured bank loan                         | 3M EURIBOR+4.75%               | 2010             | 700              | 700            |
| Secured bank loan                         | 3M EURIBOR+2.5%                | 2010             | 750              | 750            |
| Secured bank loan (1)                     | 3M EURIBOR+0.4%                | 2010             | 26,225           | 26,225         |
| Secured bank loan (1)                     | 12M EURIBOR+0.4%               | 2010             | 10,000           | 10,000         |
| Secured bank loan (2)                     | 3M EURIBOR+1.75%               | 2016             | 5,024            | 5,456          |
| <b>Total interest bearing liabilities</b> |                                |                  | <b>184,072</b>   | <b>110,688</b> |

(1) – Secured bank loans taken in respect of structured deposits. These loans were extended for a period of between 3 months and 1 year in February 2010.

The Company is required to secure certain amount of cash upon request from the issuing bank as collateral for the credit facilities granted by the issuing bank to finance part of these structures.

The amount of the collateral is determined based on the fair value of the structures calculated by the issuing bank. As of the statement of financial position date the Company had secured total amount of EUR 9.5 million in respect to both structures.

(2) – Presented as long term loans as of statement of financial position date – This includes EUR 0.6 million of current portion of long term liabilities in respect of these loans.

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 8 - AMOUNTS DUE TO RELATED PARTIES**

|   | Currency | December 31,<br>2009 | December 31,<br>2008 |
|---|----------|----------------------|----------------------|
| <b>Current term</b>                         |          |                      |                      |
| EI Group- ultimate parent company - charges | EUR, USD | 1,135                | 2,804                |
| EI Group- ultimate parent company - loan    | EUR      | -                    | (16,750)             |
| Other related parties (*)                   | EUR      | 1,338                | 874                  |
| Vice chairman of EI (refer to note 38)      | INR      | 625                  | 1,106                |
| EUL (parent company)                        | EUR, USD | 136                  | 14,714               |
|   |          | <u>3,234</u>         | <u>2,748</u>         |
| <b>Non-current term</b>                     |          |                      |                      |
| EUL- parent company                         | EUR, USD | -                    | 3,837                |
| EI Group- ultimate parent company - loan    | EUR      | -                    | (3,837)              |
|   |          | <u>-</u>             | <u>-</u>             |

(\*) Liability to the Control Centres group, a group of companies which provides project consulting and supervision services and controlled by the ultimate parent company's controlling shareholder.

Transactions with related parties are priced at an arm's length basis.

## **NOTE 9 - LONG TERM DEBENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS**

As of the statement of financial position date, Series A Debentures (NIS 305 million par value, raised in July 2007) and the Series B Debentures (NIS 943 million par value raised in the course of 2008 and 2009, out of which NIS 144.5 are presented on amortized cost basis– refer to note 23 below) are rated A2/ stable by Midroog Ltd. (an affiliate of Moody's Investor services), on a local scale, and the Series A Debentures are rated iIA/stable by S&P Maalot Ltd. on a local scale.

For the year ended December 31, 2009, a loss of TEUR 44,603 was recorded in finance expenses for changes in fair value of long term debentures at fair value through profit or loss (December 31, 2008: gain of TEUR 30,261). This amount does not represent only the change in the fair value attributable to changes in the Company's credit risk, as other changes in market conditions such as foreign exchange rates and liquidity risk have also occurred during the period and have not been separately measured.

Debentures series A bears an annual interest rate of 4.5% with 8 annual equal principal instalments between 2010 and 2017.

Debentures series B bears an annual interest rate of 5.4% with 5 annual equal principal instalments between 2011 and 2015.

The debentures are linked to the increase in the Israeli Consumer Price Index.

## **NOTE 10 - LONG TERM DEBENTURES AT AMORTISED COST**

On August 12, 2009, following the public offering in Israel of unsecured non-convertible Series B debentures of the Company (the "Series B Debentures"), pursuant to the Company's prospectus from February 2008, the Company has agreed with an Israeli Investor to issue approximately an additional NIS 50 million (approximately EUR 9.0 million) in principal amount of Series B Debentures for an aggregate consideration of approximately NIS 52 million (approximately EUR 9.3 million).

On October 26, 2009, following the public offering in Israel of Series B Debentures, pursuant to the Company's prospectus from February 2008, the Company has agreed with Israeli Investors to issue approximately an additional NIS 94.5 million (approximately EUR 17 million) in principal amount of Series B Debentures for an aggregate consideration of approximately NIS 100 million (approximately EUR 18 million).

The terms of both Additional Debentures are identical to the terms of the Series B Debentures issued to the public under the Company's prospectus from February 2008 (refer to note 9). The additional series B debentures are presented at amortized cost.

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 11- EQUITY**

|  | Remarks       | December 31,     |               |
|--|---------------|------------------|---------------|
|  |               | 2009             | 2008          |
|  |               | Number of shares |               |
| Ordinary shares of par value EUR 0.01 each |               | 1,000,000,000    | 1,000,000,000 |
| <u>Issued and fully paid:</u>              |               |                  |               |
| At the beginning of the year               |               | 292,431,381      | 292,403,787   |
| Exercise of share options                  | See (a) below | 1,764,319        | 27,594        |
| At the end of the year                     |               | 294,195,700      | 292,431,381   |

- a. In the course of the last quarter of 2007, 303,471 vested options were exercised into 57,700 shares of EUR 0.01. In the course of the first quarter of 2008, 131,711 vested options were exercised into 27,594 shares of EUR 0.01. In the course of 2009, 2,970,976 vested options were exercised into 1,764,319 shares of EUR 0.01.

**Capital reserve due to share option plan**

Capital reserve is in respect of Employee Share Option Plan ("ESOP") in the total amount of EUR 28,467 as of December 31, 2009 (2008 – EUR 23,079). Regarding the amendment of ESOP and its effect on the capital reserve refer to note 27.

**Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in India.

**Dividend policy**

The payment of dividends is dependent on the financial performance and condition of the Group, the Company's financial position and the capital and anticipated working capital requirements of the Group. The distribution of dividend is based upon the statutory report's distributable results and retained earnings of the Company itself.

Subject to mandatory provisions of Dutch laws, the dividend policy will reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover.

The Board of Directors of the Company has decided not to distribute dividends to shareholders in respect of the years ended December 31, 2008 and 2009.

**Treasury shares**

The buyback programme announced in October 2008 was fully utilized within three months and the 14,500,000 purchased shares were held in treasury.

On October 9, 2009 the Company placed the 14,500,000 ordinary shares mentioned above with a number of Polish institutional investors. The shares were sold at a price of 6.5 Polish Zlotys ("PLN") per share (circa 141 pence), compared to the Warsaw Stock Exchange closing price on October 9, 2009 of 6.6 PLN per share (circa 143 pence).

The Company received a total gross consideration of circa GBP 20.5 million (EUR 21.9 million) on disposal, representing a gross economic (not accounting) gain of circa GBP 12.8 million (circa EUR 13.8 million). For accounting purposes the excess of amount paid over the value of treasury shares was contributed as share premium.

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 12 - EARNINGS PER SHARE**

The calculation of basic earnings per share at 31 December 2009 was based on the loss attributable to ordinary shareholders of EUR 64,712 thousand (2008: profit of EUR 67,684 thousand) and a weighted average number of ordinary shares outstanding of 281,357 thousand (2008: 291,188 thousand).

**Weighted average number of ordinary shares**

*In thousands of shares with a EUR 0.01 par value*

|   | <b>December 31,</b> |                |
|---|---------------------|----------------|
|   | <b>2009</b>         | <b>2008</b>    |
| Issued ordinary shares at 1 January                       | 283,222             | 292,404        |
| Effect of own shares sold                                 | 3,019               | -              |
| Effect of own shares held                                 | (5,191)             | (1,243)        |
| Share based payment - exercise of options                 | 307                 | 27             |
| Weighted average number of ordinary shares at 31 December | <u>281,357</u>      | <u>291,188</u> |

Diluted earnings per share are not presented as their assumed conversion would have an anti-dilutive effect i.e. increase in earnings per share. The calculation of diluted earnings per share for comparative figures is calculated as follows:

**Weighted average number of ordinary shares (diluted)**

*In thousands of shares with a EUR 0.01 par value*

|   | <b>December 31,</b> |                |
|---|---------------------|----------------|
|   | <b>2009</b>         | <b>2008</b>    |
| Weighted average number of ordinary shares (basic)                  | 281,357             | 291,188        |
| Effect of share options on issue                                    | -                   | 2,735          |
| Weighted average number of ordinary shares (diluted) at 31 December | <u>281,357</u>      | <u>293,923</u> |

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 13 - REVENUES**

|   | For the year ended<br>December 31, |               |
|---|------------------------------------|---------------|
|   | 2009                               | 2008          |
| Revenue from selling of trading properties (1)  | -                                  | 82,576        |
| Rental income from tenants (2)                  | 6,433                              | 4,939         |
| Management fees                                 | 1,413                              | 951           |
| Operation of entertainment centres (3)          | 7,273                              | 9,531         |
| Adjustment to fair value of investment property | 429                                | -             |
| Other   | 497                                | 616           |
| <b>Total</b>                                    | <b>16,045</b>                      | <b>98,613</b> |

- (1) Revenue from selling of trading properties consists of asset value of shopping centres, as determined between the Company and the buyer of the property. 2009 - No revenue was derived from selling trading property. In 2008 - Includes mainly EUR 61.4 million of revenues from selling Plzen shopping centre in Plzen Czech Republic, as well as price adjustment from the selling of Arena Plaza in Hungary – EUR 22.3 million.
- (2) Rental income relates either to revenues from investment properties the Company holds (which totalled in 2009 and 2008 circa EUR 1 million per year), or from the trading properties the Company holds. As of the statement of financial position date, the main rental income is derived from projects in Latvia and in the Czech Republic, which were completed and operative starting late March 2009.
- (3) Revenue from operation of entertainment centres is attributed to special subsidiary of the Company trading as “Fantasy Park” which provides gaming and entertainment services in active shopping centres. As of December 31, 2009, these subsidiaries operate in eleven shopping centres.

**NOTE 14 - COST OF OPERATIONS**

|                                     | For the year ended<br>December 31, |        |
|-------------------------------------|------------------------------------|--------|
|                                     | 2009                               | 2008   |
| Direct expenses:                    |                                    |        |
| Cost of sold trading properties     | 362                                | 42,279 |
| Salaries and related expenses       | 1,853                              | 2,034  |
| Initiation costs                    | 62                                 | 3,083  |
| Doubtful debts                      | 869                                | -      |
| Municipality taxes                  | 65                                 | 5      |
| Property taxes                      | 748                                | 485    |
| Property operations and maintenance | 6,586                              | 5,556  |
|                                     | 10,545                             | 53,442 |
| Other operating expenses            | 2,135                              | 2,282  |
|                                     | 12,680                             | 55,724 |
| Depreciation and amortization       | 290                                | 210    |
|                                     | 12,970                             | 55,934 |

2009 - Includes mainly cost of operating two shopping centres, as well as Fantasy Park operations in eleven shopping centres. Costs of sold trading properties include the cost of purchasing and developing the trading properties which were sold in 2008, derived almost entirely of the cost of selling the Plzen Plaza shopping centre in the Czech Republic - EUR 42.2 million.

**NOTE 15 - ADMINISTRATIVE EXPENSES**

|  | For the year ended<br>December 31, |                      |
|--|------------------------------------|----------------------|
|  | 2009                               | 2008                 |
| <b>Selling and marketing expenses</b>      |                                    |                      |
| Advertising and marketing                  | 1,616                              | 2,465                |
| Salaries and relating expenses             | 758                                | 791                  |
| Others                                     | 27                                 | 27                   |
|  | <u>2,401</u>                       | <u>3,283</u>         |
| <b>General and administrative expenses</b> |                                    |                      |
| Salaries and related expenses (1)          | 7,543                              | 12,273               |
| Depreciation and amortization              | 1,007                              | 748                  |
| Management fees                            | -                                  | 395                  |
| Professional services                      | 4,478                              | 4,087                |
| Travelling and accommodation               | 1,233                              | 1,364                |
| Offices and office rent                    | 1,461                              | 1,472                |
| Others (*)                                 | 931                                | 918                  |
|  | <u>16,653</u>                      | <u>21,257</u>        |
| <b>Total</b>                               | <u><b>19,054</b></u>               | <u><b>24,540</b></u> |

**General and administrative**

(1) Including non-cash expenses due to the share option plan in the amount of EUR 2.8 million (2008- EUR 6.3 million).

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 16 - NET FINANCE INCOME (EXPENSES)**

|  | For the year ended<br>December 31, |                |
|--|------------------------------------|----------------|
|  | 2009                               | 2008           |
| <b>Recognized in profit or loss</b>  |                                    |                |
| Interest income on bank deposits and available for sale financial assets   | 4,578                              | 13,477         |
| Interest income on structured deposits   | 4,709                              | 2,246          |
| Interest from loans to related parties   | 624                                | 1,277          |
| Changes in fair value of derivatives and Forwards  | 17,341                             | 18,111         |
| Changes in fair value of structured deposit  | 3,088                              | -              |
| Changes in fair value of debentures measured at fair value through profit or loss                                  | -                                  | 30,261         |
| Foreign exchange gains on deposits, bank loans   | 1,921                              | -              |
| Foreign exchange gains - related parties   | -                                  | -              |
| Other interest income  | 1,162                              | 1,984          |
| <b>Finance income</b>  | <b>33,423</b>                      | <b>67,356</b>  |
| Interest expense on bank loans and debentures  | (16,269)                           | (16,040)       |
| Interest paid on structured loan   | (834)                              | (1,505)        |
| Interest on loans from related parties   | (306)                              | (547)          |
| Changes in debentures measured at fair value through profit or loss  | (44,603)                           | -              |
| Changes in fair value of structured deposit  | -                                  | (3,136)        |
| Foreign exchange losses - related parties  | (215)                              | (427)          |
| Foreign exchange losses  | (207)                              | (557)          |
| Other finance expenses   | (1,899)                            | (1,656)        |
|  | (64,333)                           | (23,868)       |
| Less- borrowing costs (debentures and bank loan interest only) capitalized to trading properties under development | 12,790                             | 14,600         |
| <b>Finance expenses</b>  | <b>(51,543)</b>                    | <b>(9,268)</b> |
| <b>Net finance income (expenses)</b>   | <b>(18,120)</b>                    | <b>58,088</b>  |

|  | For the year ended<br>December 31, |          |
|--|------------------------------------|----------|
|  | 2009                               | 2008     |
| <b>Recognized in equity</b>  |                                    |          |
| Net change in fair value of available-for-sale financial asset                               | 1,722                              | (1,401)  |
| Net change in fair value of available-for-sale financial asset transferred to profit or loss | -                                  | 281      |
| Foreign currency translation differences for foreign operations                              | 2,535                              | (10,448) |
|  | 4,257                              | (11,568) |

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 17 - INCOME TAXES**

**Income tax expenses**

|                        | For the year ended<br>December 31, |              |
|------------------------|------------------------------------|--------------|
|                        | 2009                               | 2008         |
| Current tax            | 74                                 | 143          |
| Deferred tax           | (3,893)                            | 5,626        |
| Prior year's taxes (1) | -                                  | (856)        |
| <b>Total</b>           | <b>(3,819)</b>                     | <b>4,913</b> |

(1) – 2008 - Prior year tax received relates mainly to a settlement reached with Czech Republic Tax authorities in respect of one of the Group's subsidiaries, following which the Company also received a cash repayment of EUR 0.2 million, as well as the reversal of a previously recorded tax provision.

**Deferred tax expense**

|   | For the year ended<br>December 31, |              |
|---|------------------------------------|--------------|
|   | 2009                               | 2008         |
| Origination and reversal of temporary differences | (3,893)                            | 9,866        |
| Recognition of previously unrecognized tax losses | -                                  | (4,240)      |
|   | <b>(3,893)</b>                     | <b>5,626</b> |

Taking into consideration the structure of the Group, the tax base of some trading properties is higher than its original historic costs. Accordingly no deferred tax liability is required on the difference between the tax base and historic costs of those assets

Reconciliation of effective tax rate:

|  | For the year ended<br>December 31, |              |
|--|------------------------------------|--------------|
|  | 2009                               | 2008         |
| Dutch statutory income tax rate  | 25.5%                              | 25.5%        |
| Profit (loss) before income taxes  | (68,531)                           | 72,597       |
| Tax at the Dutch statutory income tax rate   | (17,475)                           | 18,513       |
| Recognition of previously unrecognized tax losses (see note 10)  | -                                  | (4,195)      |
| Effect of tax rates in foreign jurisdictions   | 3,236                              | 1,864        |
| Deferred taxes not provided for losses and other temporary differences, net  | 6,916                              | 3,508        |
| Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes (including exchange-rate differences) | (713)                              | (1,270)      |
| Changes in future tax rate enacted at the statement of financial position date   | -                                  | -            |
| Non-deductible expenses (Non taxable income) (*)   | 4,217                              | (12,651)     |
| Prior years taxes  | -                                  | (856)        |
| <b>Income tax expenses (tax benefit)</b>   | <b>(3,819)</b>                     | <b>4,913</b> |

(\*) – Non taxable profit is attributable to the participation exemption that the Company has in the Netherlands, refer to the Netherlands section below.

## Selective Notes to the consolidated financial information in '000 EUR

### NOTE 17 -INCOME TAXES (Cont.)

The main tax laws imposed on the Group companies in their countries of residence:

#### The Netherlands

- a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25.5%. Under the amended rules effective January 1, 2007 tax losses may be carried backward for one year and carried forward for nine years. Transitional rules apply for tax losses on account of tax years up through 2002 which may be carried forward and set-off against income up through 2011. On September 15, 2009 the Dutch government announced its tax proposals for 2010 ("2010 Tax Proposals"). The most important tax measures proposed are amendments to improve the participation exemption regime and an option to extend the loss carry back period to three years. It is proposed that these tax measures take effect as of January 1, 2010. In accordance with the 2010 Tax Proposals allow taxpayers to elect for an extension of the loss carry back period to three years (instead of one year). The election is only available for losses suffered in the taxable years 2009 and/or 2010. If a taxpayer makes use of the election, two additional limitations apply: (i) the loss carry forward period for the taxable years 2009 and/or 2010 will be limited to a maximum of six years (instead of nine years); and (ii) The maximum amount of loss that can be carried back to the second and third year preceding the taxable year will be limited to EUR 10 million per year. The amount of loss that can be carried back to the year directly preceding the taxable year for which the election is made will remain unrestricted.
- b. Under the participation exemption rules, income including dividends and capital gains derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non resident investee companies, are exempt from Netherlands corporate income tax provided the conditions as set under these rules have been satisfied. Such conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy either of, or both the 'Assets' - Test and the 'Subject to Tax' - test. Under the 2010 Tax Proposals, the participation exemption will not apply to domestic and foreign subsidiaries which are held as passive investments ("Motive Test"). The Asset Test and the Subject-to-Tax Test will remain in place. If the taxpayer can demonstrate that one of these tests is fulfilled, the participation exemption will apply even if the Motive Test is failed.
- c. Dividend distributions from a Netherlands company to qualifying Israeli corporate shareholders holding at least 25% of the shares of such Netherlands company is subject to withholding tax at a rate of 5% provided certain compliance related formalities have been satisfied. In other situations, dividend distributions from Netherlands companies to Israeli shareholders are subject to withholding tax at a rate of 15%.

#### India

The corporate income tax applicable to the income of Indian subsidiaries is 33.99%. Minimum alternate tax (MAT) of 11.33% is applying to the book profits (i.e. profits shown in the financial statements), if the company's corporate tax liability is less than 10% of its book profits. The paid amount will be credited if the company has taxable profits in the following five years. Capital gains on sale of fixed assets and real estate assets are taxed at the rate of 22.66% provided that they were held at least 36 month immediately preceding the date of the transfer or 33.99% if they were held for not more than 36 months. Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 16.99%. There is no withholding tax on dividends distributed by an Indian company. Losses can be offset against taxable income for a period of eight years from the incurrence year's end.

#### Cyprus

The taxation of companies incorporated in Cyprus is based on tax residence and all companies are taxed at the rate of 10%. Dividend income and profits from the sale of shares and other titles of companies are tax exempt. There is no withholding tax on payments of dividends to non-resident shareholders or shareholders that are companies resident in Cyprus. Companies, which do not distribute 70% of their profits after tax, as defined by the relevant tax law within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. A special levy at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special levy is payable for the account of the shareholders.