

23 March 2011

## PLAZA CENTERS N.V.

### Full Year results for the year ended 31 December 2010

#### PLAZA REPORTS STRONG PERFORMANCE AND CONTINUED PLANS FOR GROWTH

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading property developer and investor with operations in Central and Eastern Europe, India and the USA, today announces its full year results for the year ended 31 December 2010.

#### Financial highlights:

- Total assets of €1.4 billion (31 December 2009: €1.06 billion )
- Net Asset Value up 2.4% to €675 million (31 December 2009: €659 million) mainly due to gain from accretive purchase in the US
- Net Asset Value per share of £1.96 (31 December 2009: £2.02), a decline of 3%, attributable mainly to strengthening of GBP spot rate against the EUR compared to 31 December 2009
- Revenues doubled to €38 million (31 December 2009: €16 million) mainly due to the increase of rental income. No material asset sales were made during the period
- Profit for the year attributable to the owners of the Company of €10 million (31 December 2009: €65 million loss) arising from the increased income derived from the operation of recently opened assets and investment property acquired throughout the year
- Basic and diluted EPS of €0.03 (31 December 2009: basic and diluted loss per share of €0.23)
- Cash position (including restricted bank deposits, short term deposits and available for sale financial assets) of €195 million (31 December 2009: €179 million) with working capital of €713 million (31 December 2009: €710 million)
  - Current cash position increased to circa €254 million following bond issuance after the period end
- Ongoing support demonstrated by successful bond issuance and approved credit rating during the reporting period:
  - Additional issuances of Series B bonds in January and February 2010 for cash consideration of NIS 330 million (circa €62.8 million)
  - Completion of first tranche of bond offering to Polish institutional investors in November 2010. The Company raised a total of PLN 60 million (circa €15.2 million) of bonds, with a three year maturity bearing an interest rate of six month Polish Wibor plus a margin of 4.5%
- Loan agreements signed for financing 70% (circa €33 million) of the development costs for a new shopping centre in Kragujevac, Serbia and a development loan covering 70% (€52.5 million) of the construction costs of a 40,000 sqm GLA shopping centre in Torun, Poland

- Conservative gearing position maintained with debt comprising only 56% of balance sheet (31 December 2009: 46%).

### **Operational highlights:**

- *Ongoing progress with expansion plans for the United States:*
  - 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 ("Eastgate") to form EPN Real Estate Fund, LP (the "US Fund", "EPN"). Agreement between Elbit Plaza USA and Eastgate to invest an aggregate amount of \$200 million (split 50:50) to take advantage of opportunities in the U.S. retail and commercial real estate sectors
  - In June 2010 the US Fund successfully raised \$31 million of additional capital commitments from Menora Mivtachim Insurance Ltd. ("Menora"), one of Israel's leading insurance companies
  - Completion of the US Fund's first investment in the USA, with a circa \$114 million investment in Macquarie DDR Trust ("Trust"), an Australian publicly traded trust (ASX:EDT), which as at 31 December 2010 owned and managed two US REIT portfolios totalling 48 retail properties located across 20 states. EPN holds an approximate 48% ownership interest in the Trust, which was subsequently renamed the EDT Retail Trust ("EDT"). On 24 February 2011, EDT reported net property income of circa \$50 million for the six months ended December 31, 2010
  - On 29 December 2010 Plaza's US joint subsidiary, EPN, signed a Real Estate Purchase and Sale Agreement, to acquire seven retail shopping centres located in the U.S. for a total purchase price of \$75 million, from certain affiliates of Charter Hall Retail REIT
- *Significant development milestones achieved:*
  - Zgorzelec Plaza in Poland was completed and opened in March 2010. The 13,000 sqm GLA shopping centre was circa 75% let on opening, with tenants including H&M, KappAhl and Douglas
  - Completion of Plaza's 30<sup>th</sup> shopping centre in CEE, with the opening of Suwalki Plaza, Poland in May 2010, which comprises 20,000 sqm of GLA and 450 parking spaces. The centre was circa 80% let on opening to major international and local brands such as H&M, New Yorker, Douglas, and Deichman
  - Construction of Plaza's ninth retail scheme in Poland, the 40,000 sqm GLA Torun Plaza, commenced in September 2010 and is expected to complete in Q4 2011. The centre is already 55% pre-let
  - Along with its 50:50 Indian joint venture partner, Plaza has made good progress with the construction of the first phase of the Kharadi project in Pune, a 28,000 sqm GBA office building known as 'Matrix One'. To date, Plaza has pre-sold 70% of the saleable area.
  - Encouraging progress was made during 2010 on the construction and letting of the 110,000 sqm built up area mixed-use scheme in Pune, the Koregaon Park Plaza, which will comprise a shopping centre and office space. During the year, finance for the project was secured totalling approximately \$45 million, to fund 50% of the total project costs. Approximately 50% of the 48,000 sqm GBA mall (excluding parking) is pre-let with memoranda of understanding signed for a further 10% of the space. Completion of the shopping and entertainment centre is expected in H2 2011.

**Key highlights since the period end:**

- Plaza issued additional sums Series A and B Bonds for an aggregate consideration of approximately NIS 300 million (approximately €65 million) by way of a private placement.
- EPN made an off-market takeover bid to acquire all of the outstanding units of EDT on March 10, 2011. EPN's unconditional offer is to buy all outstanding units of EDT that EPN's affiliate does not already own (approximately 52%), for AUS\$ 0.078 cash per EDT unit. The total consideration, which will be paid by EPN, assuming full take up of EDT units, is approximately \$190 million.

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

“Plaza has made good operational and strategic progress, whilst delivering a strong financial performance. It has continued to advance its targeted development programme across the CEE region and India, achieving a number of development milestones, as well as progressing in its expansion plans in the US by raising third party capital and making strategic acquisitions.

“As the CEE markets continue to recover from the financial turmoil of 2008, Plaza has positioned its development programme to ensure that it can deliver shopping centres into markets with the highest retail demand. We achieved a number of development milestones throughout the year and most notably completed our 30th shopping centre in the region, in Suwalki Plaza, Poland, in a country which has shown to be the most resilient market in Europe during the recent downturn. We also continued our geographical expansion, with the launch of Elbit Plaza USA, a real estate investment venture jointly formed by Plaza and Elbit, which subsequently secured a significant amount of third party equity commitments and made key acquisitions.

“We believe that the next two years will witness a turning point for the markets in which we operate and, indeed, we have already started to see positive signs in 2011 to date. Many competitor companies are no longer operational, representing a substantial market opportunity for well financed companies with a strong track record, such as Plaza. We therefore look forward to significantly increasing our volume of activities and that this will certainly contribute to a further strong performance in the coming years.”

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

“As one of the only active developers in the CEE region, Plaza is strongly positioned to capitalise on its strong track record by selectively delivering projects and creating strong retailer interest. This position is strengthened further by our ability to continue to raise bank financing and debt on competitive terms despite the highly illiquid markets. In addition, our in-house team of expert asset managers are working to deliver a growing income for the Company from our four operating properties to increase their value for future disposal as economic conditions improve. Our global presence remains strong and we are proud we have averaged an opening of two shopping and entertainment centres per year throughout our 15 year history.

“We are also greatly encouraged by the progress at our Indian developments, two of which we will complete and open this year. The level of pre-sales and pre-lets on these projects has been strong and we expect to see further progress in this regard throughout the year. With strong signs of economic growth in India, and little competition in the local real estate market for large-scale mixed use developments such as ours, we see India as an important part of our overall growth strategy.

“Finally, the USA remains a key target for acquisitions after an active year of investment in this exciting market. Our growing investment portfolio exposure in the region has already shown us that value can be created by utilizing our long established track record in the field of development, leasing, management and financing of commercial centres. Our management plans for our existing assets are expected to deliver strong income and capital growth over time. With significant capital still to invest in the region, we will work to build upon this strong platform with additional accretive transactions during the year.

“We are therefore confident that 2011 will be a year in which our extensive and expanding platforms across CEE, India and the US should deliver notable growth for our business on behalf of our shareholders.”

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**Notes to Editors**

**Plaza Centers N.V.** ([www.plazacenters.com](http://www.plazacenters.com)) is a leading property developer and investor with operations in Central and Eastern Europe, India and the USA. 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 15 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 during the reporting period, Plaza has continued to advance its targeted development programme across the CEE region and India, achieving a number of development milestones, as well as progressing in its expansion plans in the US by raising third party capital and making strategic acquisitions.

As the CEE markets continue to recover from the financial turmoil of 2008, Plaza has positioned its development programme to ensure that it can deliver shopping centres into markets with the highest retail demand. We achieved a number of development milestones throughout the year and most notably completed our 30th shopping centre in the region, in Suwalki Plaza, Poland, in a country which has shown to be the most resilient market in Europe during the recent downturn. We also continued our geographical expansion, with the launch of Elbit Plaza USA, a real estate investment venture jointly formed by Plaza and Elbit, which subsequently secured a significant amount of third party equity commitments and made key acquisitions.

Despite 2010 being a year of ongoing economic crisis in many areas of the world, Plaza has been able to use its financial strength and business experience to consolidate its strong market presence and build upon our foundations to establish a potentially highly profitable pipeline of ventures for the next five years.

Our financial position remains robust, with the Company delivering a net profit as a result of the increased income from operating shopping centres and the Company's US investment, whilst an active balance sheet management programme ensures that Company retains a strong cash position and conservative gearing levels.

### **Key Events**

Over the last year and since the period end, Plaza has completed its first investment in the real estate market of the United States and signed a sale & purchase agreement for a second portfolio of assets.

The Company has invested a total of €66.7 million in cash across its entire portfolio of projects under development since January 2010 and a further €20 million into its US portfolio.

Plaza also completed and opened to the public its shopping centres in Zgorzelec and Suwalki in Poland in March and May 2010. Suwalki is the Company's 30<sup>th</sup> shopping mall in the CEE region.

Loan agreements signed for financing 70% (circa €33 million) of the development costs for a new shopping centre at Kragujevac, Serbia and a development loan covering 70% (€52.5 million) of the construction costs of a 39,000 sqm GLA shopping centre in Torun, Poland

Plaza raised gross proceeds of approximately €78 million from the issue of debentures to Israeli and Polish institutional investors during 2010 and a further €65 million in the beginning of 2011. This was an exceptional

achievement, given debt market conditions, with significant support shown by debenture investors for the Company's highly rated bonds at interest rates which were favourable to the Company. The bonds issued in Israel are rated iIA/Negative by S&P Maalot and A2/Negative by MIDROOG Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service

## **Results**

Plaza ended the 2010 financial year with a net profit attributable to the owners of the Company of €10 million. This was mainly as a result of the higher income derived from operating assets in the Company's portfolio and the accounting gain from the highly accretive purchase of EDT in the US. The Company incurred only minor losses from the impairment of its trading properties which are carried at cost, representing less than 1% of the cost value of the projects.

Plaza invested a total of €87 million during the year in new acquisitions and in real estate inventories under construction.

The Company continues to have a strong cash position (including restricted bank deposits, short term deposits and available for sale financial assets) of approximately €195 million at the period end (and circa €254 million as at today's date following the recent bond issuance). This ensures Plaza 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.

The Company's debt position remains conservative, with gearing of 56% at the year end. Given the strength of Plaza's balance sheet, it has been able to secure further financing during the year from a wide range of sources, including bank development finance totalling around €58 million and bond issuances, which have raised total proceeds of €78 million from Israeli and Polish institutional investors.

This strong financial position will ensure that the business can continue its growth strategy through development activities and strategic acquisitions.

## **NAV**

The Company's property portfolio was valued by King Sturge LLP as at 31 December 2010 and their summary valuation is shown below.

The main impact on the increase in NAV came mainly from gain from bargain purchase of the highly accretive EDT in the U.S. and from the increase in the value of the two completed shopping and entertainment centres in Suwalki and Zgorzelec in Poland which were completed and opened during H1 2010.

The Company's NAV was calculated as follows:

<b>Use</b>	<b>EUR (Thousand)</b>
Market value of land and projects by King Sturge LLP (1)	<b>840,741</b>
Assets minus liabilities as at 31 December 2009 (2)	(165,598)
<b>Total</b>	<b>675,143</b>

(1) per valuation attached below

(2) excluding book value of assets which were valued by King Sturge LLP, but including Plaza's proportionate share of the US portfolio at market value valued by the external valuer (46% of the total portfolio value) and the management of EDT.

In total, the NAV per share increased by 2% in Euro terms compared to 31 December 2009. However, owing to the strengthening of the GBP spot rate against the EUR and options exercised during the year to 31 December 2010, the resulting NAV per issued share was £1.96 (31 December 2009: £2.02), representing a minor 3% decrease.

### **Portfolio progress**

As at the year end, the Company was engaged in 30 development projects and owned four operational assets, located across the Central and Eastern European region and in India. The location of the projects and assets under development, as at 23 March 2010, is summarised as follows:

<b>Location</b>	<b>Number of assets (CEE and India)</b>		
	<b>Active</b>	<b>Under development</b>	<b>Offices</b>
Romania	-	8	1
India	-	6	-
Poland	2	5	-
Hungary	-	3	1
Serbia	-	3	-
Czech Republic	1	2	1
Bulgaria	-	2	-
Greece	-	1	-
Latvia	1	-	-
<b>Total</b>	<b>4</b>	<b>30</b>	<b>3</b>

During the year, the Company invested a total of €20 million in cash to acquire the EDT portfolio in US, and an additional €66.5 million into the projects under development. Out of the total investment €53 million was financed by bank loans.

### **Liquidity & Financing**

We ended 2010 with a strong liquidity position, with cash (including restricted bank deposits, short term deposits and available for sale financial assets) of €195 million, compared to €179 million at the end of 2009. Working capital at 31 December 2010 totalled €713 million (31 December 2009: €710 million), and the current cash position has increased to circa €254 million following the bond issuance after the period end.

The principal impact on the cash position was the raising of approximately €78 million through a number of bond issuances to Israeli and Polish institutional investors, as well as an ongoing cost cutting programme throughout the business. The Group continues to pursue a conservative financing policy, with the level of debt being only 56% of the balance sheet (2009: 46%).

The combination of Plaza's strong balance sheet and exceptional operational track record has meant that it has been able successfully to secure funding for new developments during the year. The new debt, totalling circa €85 million, is for two new projects in Kragujevac, Serbia and Torun in Poland. This represents 70% of the anticipated development costs for the projects and is an exceptional achievement in what is largely a closed market for new finance.

### **Strategy and Outlook**

The Company continues to benefit from its unrivalled track across Central and Eastern Europe, having been active in the region for over 15 years. Whilst the economic situation in the region remains somewhat challenging, the long term fundamentals of the market remain the same. Our continued belief in the strength of this market was underlined this year by the achievement of a major milestone for Plaza, the completion of our 30<sup>th</sup> CEE shopping centre. To date, 26 of these have been subsequently sold with an aggregate gross value of circa €1.16 billion. These disposals comprise 17 shopping centres in Hungary, seven in Poland and two in the Czech Republic, with the remaining four shopping centres currently being held as operational assets, of which two are located in Poland, one in the Czech Republic and one in Latvia.

Whilst the conditions in the investment market in CEE remain uncertain, with the limited availability of debt suppressing transactional activity, Plaza continues to implement its development strategy and will continue to attempt selling completed developments while holding them on its balance sheet until sufficient sale prices are achieved.

Beyond the CEE, we have been encouraged by both the overall improvement in sentiment towards the Indian real estate market and the operational progress we have made there this year. Following our entry into this market in 2006, we have maintained our long term view of the strong potential demand for commercial Indian real estate, especially for well-located large scale development projects. We are pleased to be nearing the completion of our first office development in India, which we anticipate to occur at the end of this year, which has already achieved high level of pre-sales to date (70%). We also expect to open our first shopping and

entertainment centre at Koregaon Park in Pune in the second half of 2011, which is already attracting strong retailer interest.

Lastly, having monitored the US real estate market for a number of years, we announced our first transaction in the region last year. With our joint venture partners, the acquisition of a strategic stake in EDT Retail Trust which now owns 48 retail assets across the US, was an important step forward for us in becoming a major retail investor in the region. In addition, we expect to complete the acquisition of a portfolio of seven shopping centres, which we announced at the end of the year, by mid 2011 and, as announced earlier in March 2011, we have launched an offer for EDT's outstanding shares. We will continue to source other acquisitions in the region, as we build up a critical mass in the region.

We therefore believe that we have realigned our strategy over the last two years, ensuring that we have the appropriate balance of targeted development activity and a growing income profile from completed developments and investment acquisitions appropriate for a continually evolving market across the globe. We remain firmly committed to our key areas of operation across CEE, India and the US, where we now established substantial platforms and look forward to growing the business across these exciting markets.

We believe that the next two years will witness a turning point for the markets in which we operate and, indeed, already have started to see positive signs in 2011 to date. Many competitor companies are no longer operational, representing a substantial market opportunity for well financed companies with a strong track record, such as Plaza. We therefore look forward to significantly increasing our volume of activities and that this will certainly contribute to a further strong performance in the coming years.

**Mordechay Zisser**

**Chairman**

**23 March 2011**

## 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.

Highlights for the financial year included:

- **Openings:** Zgorzelec and Suwalki Plaza in Poland opened in March and May respectively.
- **Acquisition of projects:** Acquisition through a jointly controlled investment of 48% of a listed trust holding operating community shopping centres across the US and signing a sale & purchase agreement to acquire a further seven shopping centres
- **Investments:** Total gross investment in current projects and new pipeline activity in 2010 of €86 million.
- **Financial strength and flexibility:** Gross proceeds of approximately €78 million were raised from a debenture issue to Israeli and Polish institutional investors in 2010, while additional €65 million raised from a debenture issue to Israeli institutional investors post balance sheet, providing significant additional financial flexibility. Plaza's current cash position stand at circa €254 million.

To date, Plaza has been involved in the development of 30 schemes in nine countries, of which eight are located in Romania, six in India, five in Poland, three in Hungary, three in Serbia, two in the Czech Republic, two in Bulgaria and one in Greece. In addition, Plaza owns four operating shopping and entertainment centres in Poland, Czech Republic and Latvia and three office buildings in Budapest, Prague and Bucharest.

The development 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:

<b>Asset/Project</b>	<b>Location</b>	<b>Nature of asset</b>	<b>Size sqm (GLA)</b>	<b>Plaza's effective ownership %</b>	<b>Status (*)</b>
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 2014-2016. Exclusive casino licence obtained
Uj Udvar	Budapest, Hungary	Retail and entertainment scheme	16,000	35	Operating, currently working on refurbishment plans, Building permit expected to be granted by year end
David House	Budapest, Hungary	Office	2,000	100	Operational office
Suwalki Plaza	Suwalki, Poland	Retail and entertainment scheme	20,000	100	Operating, opened in May 2010
Lodz	Lodz, Poland	Residential scheme	80,000 (GBA)	100	Under planning
Lodz Plaza	Lodz, Poland	Retail and entertainment scheme	45,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Zgorzelec Plaza	Zgorzelec, Poland	Retail and entertainment scheme	13,000	100	Operating, opened in March 2010
Torun Plaza	Torun, Poland	Retail and entertainment scheme	40,000	100	Construction commenced in Q3 2010; completion scheduled for Q4 2011
Kielce Plaza	Kielce, Poland	Retail and entertainment scheme	33,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Leszno Plaza	Leszno, Poland	Retail and entertainment scheme	16,000	100	Construction scheduled to commence in 2012; completion scheduled for 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 2011

Liberec Plaza	Liberec, Czech Rep.	Retail and entertainment scheme	17,000	100	Operating, opened in March 2009
Roztoky	Prague, Czech Rep.	Residential units	14,000 (GBA)	100	Zoning is on place. Construction scheduled to commence in 2012; completion scheduled for 2013 - 2014
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 from the Urban Technical Commission has been obtained
Timisoara Plaza	Timisoara, Romania	Retail and entertainment scheme	40,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Csiki 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 2013; completion scheduled for 2014
Slatina Plaza	Slatina, Romania	Retail, entertainment and residential	17,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Hunedoara Plaza	Hunedoara, Romania	Retail and entertainment scheme	13,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Targu Mures Plaza	Targu Mures, Romania	Retail and entertainment scheme	30,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Constanta Plaza	Constanta, Romania	Retail and entertainment scheme	18,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational
Belgrade Plaza	Belgrade, Serbia	Apart-hotel and business centre with a shopping gallery	70,000 (GBA)	100	Construction scheduled to commence in 2012; completion scheduled for 2014

Sport Star Plaza	Belgrade, Serbia	Retail and entertainment scheme	45,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Kragujevac Plaza	Kragujevac, Serbia	Retail and entertainment scheme	22,000	100	Construction commenced in Q4 2010; completion scheduled for H1 2012
Shumen Plaza	Shumen, Bulgaria	Retail and entertainment scheme	20,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013-2014
Sofia Plaza Business Center	Sofia, Bulgaria	Retail, entertainment and office scheme	44,000	51	Currently being let to hyper-market operator. Under planning
Riga Plaza	Riga, Latvia	Retail and entertainment scheme	49,000	50	Operating; opened in March, 2009
Helios Plaza	Athens, Greece	Retail and entertainment scheme	26,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Koregaon Park	Pune, India	Retail, entertainment and office scheme	110,000 (GBA)	100	Construction commenced in late 2007; expected mall completion in H2 2011
Kharadi	Pune, India	Office Scheme	165,000 (GBA)	50	Construction commenced in late 2010; expected completion in 2011-2014
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	320,000 (GBA)	23.75	Under planning; construction scheduled to commence in late 2011; completion scheduled for 2012-2017
Chennai	Chennai, India	Mixed-use of high quality villas and high rise residential buildings with local retail facility	800,000 (GBA)	38	Under planning; construction scheduled to commence in 2012; completion scheduled for 2013-2015
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 owns a plot of land which will serve as an office extension next to the previously built Arena Plaza. The extension will comprise an office complex with approximately 40,000 sqm of GLA. Arena Plaza, which the Company developed and sold in 2007, remains one of the most high profile and successful shopping centre in Budapest.

Plaza currently holds a stake of 43.5% in the Dream Island large scale, mixed-use development in Budapest. The consortium now comprises an 87% holding interest of the 50:50 joint venture partnership between Plaza and MKB Bank (a leading Hungarian commercial bank which is a subsidiary of the German Bayerische Landesbank), a company controlled by the managing director of the consortium (10% interest) and a further 3% owned by other minority shareholders.

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 €900 million and 350,000 sqm of GBA. Preliminary design, excavation and archaeological works are continuing at the site. In addition, 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 phases between 2014-2016.

In accordance with its strategy to acquire operating shopping centres that show significant redevelopment potential for refurbishment and subsequent sale, in September 2007 the Company bought a 35% stake in the Uj Udvar shopping centre in Budapest, Hungary. The shopping centre is currently operational and Plaza's co-shareholders are working on a new design to be implemented. A new zoning permit was awarded for the project and the process for obtaining the building permit is at an advanced stage and is expected to be received by year end.

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

### *Poland*

During the reporting period, Plaza completed and opened to the public two shopping and entertainment centres in Suwalki (comprising approximately 20,000 sqm of GLA and forms the 30<sup>th</sup> completed centre constructed by Plaza in the CEE region) and in Zgorzelec (comprising approximately 13,000 sqm of GLA). The centres were approximately 80% and 75% let on opening, respectively.

Construction of Torun Plaza (comprising approximately 40,000 sqm of GLA) commenced in Q3 2010. Bank Financing was secured for 70% of the expected development cost and completion is expected for Q4 2011. The development is already circa 55% pre-let, and among major tenants are Cinema City, H&M, KappAhl, Camaieu, Orsay, Rossmann, New Yorker, Stokrotka and Douglas.

In addition, Plaza continued the feasibility and planning studies of four development schemes; in Kielce (comprising approximately 33,000 sqm of GLA) in Leszno (comprising approximately 16,000 sqm of GLA) and two schemes in Lodz, Lodz Residential (designated for residential use) and Lodz Plaza (comprising approximately 45,000 sqm of GLA).

#### *Czech Republic*

Plaza continues to hold Liberec Plaza shopping and entertainment centre (approximately 17,000 sqm GLA), which was opened in March 2009. Plaza has agreed lettings totalling 72% of the centre's GLA to tenants including Billa, Gate, Dracik, Schleker, Triumph, Sephora, Fantasy Park and Dino Park.

During the reported period, Plaza continued the feasibility and planning studies for its residential developments at Roztoky (14,000 sqm) and Prague 3 (61,600 sqm). The latter is held as an income generating office and warehouse building and a Re-zoning permission is expected to be received in 2011.

Plaza's development in Opava was sold at the beginning of 2010 for circa €0.8 million, a price close to book value, as the scheme did not meet Plaza's stringent development criteria.

#### *Romania*

Plaza holds a 75% interest in a company in partnership with the Government of Romania to develop Casa Radio (Dambovita), the largest development plot 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, an apartment hotel, casino, hypermarket and a convention and conference hall. The Company has obtained the approval of the Urban Technical Commission of Bucharest 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 finance is not currently available for this project, the Group will only resume 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 and Iasi are in the design and planning stage and construction is scheduled to commence on projects in 2012 and 2013 respectively, with completion expected in 2014. In

Slatina, the detailed design has been agreed, the majority of permits secured and construction is due to commence in 2012, subject to financing. Slatina is expected to be completed in 2013. Hunedoara and Targu Mures are in the preliminary design phase and scheduled for completion in 2013.

During 2009, the Group completed the acquisition of a plot in Constanta, Romania. Constanta Plaza will comprise a retail and entertainment scheme with a GLA of 18,000 sqm and completion is expected in 2013.

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

	<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	Ploiesti	Ploiesti	Ploiesti	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

#### *Latvia*

In March 2009, Plaza completed and opened its Riga Plaza project, which comprises approximately 49,000 sqm of GLA, in which Plaza owns a 50% stake. The scheme is located on the western bank of the River Daugava by the Sala Bridge. In July 2010, an eight screen cinema multiplex was opened, bringing occupancy at the centre to 84%. Discussions are ongoing with potential occupiers for the remaining space at the centre and Plaza hopes to conclude further lettings shortly.

#### *Serbia*

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 an apartment-hotel, business centre and shopping gallery totalling circa 70,000 sqm of GBA. Construction is planned to commence in 2012 and completion is scheduled for 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 in Belgrade called Sport Star Plaza with a total GLA of approximately 45,000 sqm. Concept design has been submitted. Construction is planned to commence in 2012 and the completion is scheduled for 2014.

During H2 2010, Plaza signed a loan agreement for development financing of 70% of its project in Kragujevac, a city of 180,000 inhabitants. The planned shopping and entertainment centre will comprise approximately 22,000 sqm of GLA. Construction commenced in Q4 2010 and the opening is planned for H1 2012. The centre has already seen good interest from retailers and is already 75% pre-let.

### *Greece*

Plaza owns a 15,000 sqm plot of land centrally located in Piraeus Avenue, Athens. During 2010 Plaza obtained updated building permits for the construction of a shopping centre totalling approximately 26,000 sqm of GLA. Construction is planned to start in 2012 and completion is scheduled for - 2014. The Company has already made good progress in its discussions with banks to secure funding for the scheme.

### *Bulgaria*

The Group owns a 25,000 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 finalising the design, and construction is expected to commence in 2012, subject to agreeing financing.

In 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 for the office scheme and is currently being leased to a hypermarket operator.

### *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 Koregaon Park Plaza development. The mixed-use scheme has a total built-up area of 110,000 sqm which will comprise a shopping centre and office space. Construction is already underway with development finance secured totalling approximately \$45 million, to fund 50% of the total project costs. Encouraging progress on this scheme has been made this year on construction and lettings. Approximately 50% of the 48,000 GBA mall (excluding parking) is pre-let with memoranda of understanding signed for a further 10% of the space. Completion of the shopping and entertainment centre is expected in H2 2011.

During 2007, Plaza acquired two additional development projects in a 50:50 joint venture. The first is located in the Kharadi district of Pune, opposite to EON Park (the best quality IT park in the region), and totals approximately 165,000 sqm of GBA including parking). The second is in Trivandrum, the capital city of the State of Kerala, and totals approximately 195,000 sqm GBA. The Kharadi development consists of three office buildings and a small retail area, and the Trivandrum development is designed for a mixed-use development.

Plaza has made good progress with the construction of the first phase of Kharadi, a 300,000 sq ft office building known as 'Matrix One'. To date, Plaza has pre-sold 70% of the saleable area. This first office building has a total expected development cost of \$23.5 million, and, based on accumulated sales of office space to date inclusive of underground parking revenues, will have an end development value of approximately \$36.5 million. Plaza therefore anticipates this will deliver a development pre-tax profit of approximately \$13.0 million.

During 2008, Plaza formed a joint venture with Elbit Imaging ("JV") 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 320,000 sqm excluding parking, it will comprise over 1,000 luxury residential villas.

Recently, the JV has signed a new framework agreement which entitles the JV to receive 70% of the net proceeds from the project until a target 20% IRR is received. Once the JV has received this 20% IRR on its investment, the JV will exit the project.

Chennai - A mixed-use development, which is 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 800,000 sqm. 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.

The construction of the JV's first project in Bangalore is planned to commence in late 2011, in Chennai the construction is scheduled to commence in 2012 and the Kochi Island development is in the design phase.

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.

## *USA*

Plaza believes that there is a rare window of opportunity for investment in the United States, given the dislocation in the market, and specifically in the retail sector, created by recent economic conditions. With its 15 years of experience of developing and managing shopping and entertainment centres in the CEE, Plaza is well placed to take full advantage of this.

During the period from April to June 2010, EPN (a real estate investment venture jointly formed by Elbit Plaza USA, L.P. (a subsidiary of Elbit Imaging Ltd. and Plaza) and Eastgate Property LLC ("Eastgate")), entered into a series of agreements for the investment in EDT, an Australian investment trust which holds and manages two US REIT portfolios.

As a result of this, EPN has become EDT's largest unitholder, and has appointed its representatives to be the majority members of the board of the responsible entity of the Trust. Plaza's effective holding in EPN is 21.65%, bringing its effective share in EDT to 10.35%.

EDT currently holds interests in 48 operating retail properties covering approximately 10.9 million sqf of leasable area across 20 states in the US. The portfolio provides access to over 420 existing tenants operating in the stores, with over 78% of base rent generated from nationally recognized retailers and generates approximately \$100 million Net Operating Income per annum.

The portfolio's occupancy rate is approximately 88.8% with a weighted average lease term of 5 years. The value of the portfolio was approximately \$1.38 billion as at 31 December 2010 and the secured non-recourse debt related to it amounted to circa \$926 million as at 31 December 2010.

Among our first actions in EDT:

- the entire corporate company debt of \$108 million was repaid
- major refinances in two portfolios of assets were closed for a sum of \$380 million with long maturities and attractive rate of interest
- transformation of the management location and efforts from Australia to the US.

In December 2010, Plaza has signed a purchase agreement to acquire a further seven shopping centres located in the US for a total purchase price of \$75 million from certain affiliates of Charter Hall Retail REIT. Out of the total purchase price of \$75 million, \$22.7 million will be paid through the assumption of property-level debt.

The portfolio of shopping centres comprises four assets located in Georgia, two in Oregon and one in Florida, with a total GLA of approximately 650,000 sqf (circa 60,000 sqm) and a current occupancy rate of approximately 91%. Net operating income from the seven assets totals circa \$7 million per annum, which reflects a yield of approximately 9.2%.

## **Prospects**

In CEE, Plaza remains one of the only active developers in the region. This is due to the fact that we have a track record in the region for delivering the highest quality products tailored for the local market. Retaining a conservative financing position has also been a significant factor behind our ongoing progress over the last few years and, as a result, we have been able to cultivate our strong relationships with banks, retailers and, where appropriate, joint venture partners in the region. All of this means that we can continue to be active with our development programme, selectively delivering projects when we are able to secure bank financing on competitive terms and creating strong retailer interest. In addition, our in-house team of expert asset managers are working to deliver a growing income for the Company from our four operating properties to increase their value for future disposal as economic conditions improve.

We have been encouraged by the progress with regards to our Indian developments, especially given that we will complete and open our first retail and development projects in the region later this year. The level of pre-sales and pre-lets on both these projects has been strong and we expect to see further progress in this regard throughout the year. With strong signs of economic growth in India, and little competition in the local real estate market for large-scale mixed use developments such as ours, we see India as an important part of our overall growth strategy.

Finally, the USA remains a key target for acquisitions. Our growing investment portfolio exposure in the region has already shown us that value can be created by utilizing our long established track record in the field of development, leasing, management and financing of commercial centres. Our management plans for our existing assets are expected to deliver strong income and capital growth over time. With significant capital still to invest in the region, we will work to build upon this strong platform we expect additional transactions to close this year in the US.

We are therefore confident that 2011 will be a year in which our extensive and expanding platforms across CEE, India and the US will deliver strong growth for our business on behalf of our shareholders.

**Ran Shtarkman**  
**President and CEO**  
**23 March 2011**

## FINANCIAL REVIEW

### Results

During 2010, Plaza opened its 30<sup>th</sup> shopping mall in the CEE region. Currently the Company manages four completed shopping centres, with a further four projects currently under construction. The acquisition in the US market has also a substantial impact on the Company's financial statements.

As Plaza focuses its business on the development and sale of shopping and entertainment centres, the Group classifies its current projects under development or self developed projects as trading properties rather than investment properties. Accordingly, revenues from the sale of trading properties are presented at gross amounts. The Group does not revalue its trading properties, and profits from these assets therefore represent actual cash-based profits due to realisations. On the other hand an impairment of value is booked in the income statement where applicable.

The investment in the US is treated as investment property as it is the intention of the Company to hold those assets for capital appreciation and to obtain rental income.

Revenues for the year ended 31 December 2010 increased to €38 million (2009: €16 million) as there were more assets in operation compared to 2009 (increase of EUR 14 million, mainly due to US operations) and there was a fair value adjustment in connection with the US portfolio. The revenues are attributable mainly to rental income, management and utilities fees from operating malls and income from the entertainment subsidiary Fantasy Park (which totalled €7.4 million and €7.3 million for 2010 and 2009, respectively) and the fair value adjustment (an increase totalling €4.6 million and €0.4 million for 2010 and 2009, respectively).

The total cost of operation amounted to €28 million (2009: €47 million). The majority of the cost of operations is attributable to the utility, maintenance and other costs of shopping malls in operation. In 2010 impairment losses of €6.7 million were recorded (€34 million in 2009) in respect of the trading properties, amounting to less than 1% of the book value of projects.

Administrative expenses amounted to €17.9 million (2009: €19.1 million). The cost of non cash share-based payments decreased to €2.5 million (2009: €2.8 million). The cost of professional services has also fallen to €3.7 million from €4.5 million in 2009. The travel and office expenses have also decreased as a result of cost saving measures introduced in 2008.

Depreciation and amortization, as well as selling and marketing expenses, have remained at the same level compared to 2009.

Other income increased significantly to €42 million, mainly from an accounting gain resulting from the EDT transaction.

As a result of EPN acquiring approximately 48% of EDT as well as 50% of the responsible entity for the Trust, EPN is required by IFRS to consolidate 100% of the financial statements of EDT, while allocating approximately 52% to non-controlling interests.

As Plaza's effective interest in EPN is 21.65% (reflecting Plaza's commitments of \$50 million out of \$231 million of total investment commitments) and it has joint control (together with its partners), it has proportionally consolidated 21.65% of the financial statements of EPN, and as a result reflects 21.65% of the assets and liabilities of EDT in its financial statements. EDT's results are included in Plaza's financial statements from 1 July, 2010 onwards.

As the net value of EDT's equity was substantially higher than the purchase price paid by EPN, combined with the value of the non-controlling interests per market quoted price of EDT's units, the difference, under IFRS, is assumed as "gain from a bargain purchase" and as such should be attributed upon acquisition to the income statement. As described, Plaza's share in this recognised gain amounted to €38 million.

Net finance expenses have increased to a loss of €21 million (2009: €18 million loss). The change is caused by a number of factors including an increase in the interest expense of the loans financing shopping malls already in operation, as well as an increase in the loss from the increase in the fair value of debentures measured through profit or loss and related foreign exchange differences. This was partly offset by the increase of the gain in the fair value of the derivatives (hedging instruments for the bonds issued in ILS and linked to the Israeli CPI).

Current tax expenses represent a non material expense of €143,000 (2009: €74,000). The total tax benefit of €1.3 million (2009: €3.8 million) is attributable to the deferred tax changes which are mainly due to change in fair values of debentures mentioned above, as well as tax losses incurred in 2010.

Net profit for the period amounted to circa €14 million in 2010, compared to €65 million loss in 2009. The change is caused by the increase rental revenues, the sharply decreased impairment losses and the recognition of the bargain purchase gain attributable to the US portfolio. Net profit attributed to owners of the company amounted to circa €10 million in 2010, compared to €65 million loss in 2009

Basic and diluted earnings per share for 2010 were both €0.03 (2009: €0.23 loss).

## Balance sheet and cash flow

The balance sheet as at 31 December 2010 showed current assets of €1.065 billion compared to current assets of €945 million at the end of 2009. This rise results from the investment in our substantial pipeline of development projects mainly 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 increased to €195 million (2008: €179 million), with the increase reflecting long term debentures raised, offset by investments in Plaza's pipeline projects.

Gearing position remained conservative with debt comprising only 56% of balance sheet (31 December 2009: 46%).

Trade receivables have increased from €2 million to €4 million as a result of receivables from tenants in the US, as well as in the two new operating shopping malls in Zgorzelec and Suwalki, Poland, in addition to the other two centres already operational in 2009.

The value of the investment property increased significantly in 2010 (from €13 million to €239 million) as Plaza entered the US market through its joint venture. This portfolio is classified as investment property rather than trading property as the Company is not actively seeking buyers, and it is its intention to hold the assets and achieve appreciation in the value and receive income from the operation.

Long term deposits and balances have remained at a similar level (2010: €53 million, 2009: €51 million) consisting mainly of investment in long term financial instruments.

Total bank borrowings (long and short term) amounted to €366 million (2009: €184 million). This increase is partly the result of the acquisition in the US (circa €144 million) and the consequent proportionate consolidation and also from loans drawn in respect of the shopping malls under construction, or completed in the course of 2010.

Apart from bank financing, Plaza has on its balance sheet a liability of €379 million (with a par value of circa €370 million) from issuing debentures on the Tel Aviv Stock Exchange and to the Polish institutional investors. 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) and Polish Zloty to correlate with the Euro and the Euribor interest rate, using cross currency interest rate swaps, and in certain cases selling call options and entering into forward transaction to correlate with changes in the EUR/NIS rate. At December 31, 2010 the value of these hedge transactions amounted to circa €53 million and is presented in the assets in the balance sheet as Derivatives.

Trade payables decreased to €11 million (2009: €20 million), due to the completion of two shopping and entertainment centres in the first half of 2010.

Non-controlling interest increased to €24 million at 31 December 2010, mainly due to Plaza's proportion of the non-controlling interest recorded in EPN as a result of the purchase of EDT.

At the 2010 year end, the net balance of the Plaza Group with its controlling shareholders is a liability of approximately €2.6 million, of which €0.4 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 €2.2 million includes a net liability regarding charges from Elbit Imaging group companies to the Company.

In summary, Plaza's balance sheet reflects a high level of liquid balances and conservative gearing, with the majority of the Group's debt maturing only between 2011 and 2017. High cash balances and substantial total equity of approximately €624 million, a total balance sheet of over €1.4 billion and a debt to balance sheet ratio of circa 56%, 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. During the coming years, Plaza expects to complete three additional shopping and entertainment centres, in Torun, Kragujevac and Koregaon Park, resulting in an active portfolio of seven shopping and entertainment centres in the CEE region and India. The additional material expected income from these centres, along with the acquisition of EDT that has created a stable yielding income stream, will enhance further Plaza's ability to present recurring income and deliver future value enhancement.

**Roy Linden**

**Chief Financial Officer**

**23 March 2011**

Valuation Summary by King Sturge LLP as at 31 December 2010 (in EUR)

Country	Project name	Market Value upon completion 31 December 2010	Market Value upon completion 31 December 2009	Market Value of the land and project 31 December 2010	Market Value of the land and project 31 December 2009
Hungary	Arena Plaza extension	64,270,000	64,270,000	9,100,000	9,500,000
	Dream Island	410,400,000	410,400,000	62,865,000	71,900,000
	David House	4,180,000	4,180,000	4,180,000	4,180,000
	Uj Udvar	3,045,000	3,220,000	3,045,000	3,220,000
Poland	Kielce Plaza	89,300,000	88,100,000	6,500,000	6,600,000
	Torun Plaza	100,000,000	100,600,000	25,000,000	15,100,000
	Suwalki Plaza	48,000,000	53,800,000	48,000,000	24,200,000
	Lodz (Resi)	252,600,000	252,600,000	12,600,000	10,800,000
	Lodz Plaza	114,500,000	110,200,000	8,500,000	7,300,000
	Zgorzelec Plaza	24,000,000	30,400,000	24,000,000	16,600,000
	Leszno Plaza	5,800,000	4,500,000	2,000,000	1,500,000
Czech Republic	Prague 3	156,700,000	154,720,000	16,180,000	16,490,000
	Liberec Plaza	33,710,000	37,010,000	33,710,000	37,010,000
	Roztoky	19,260,000	23,800,000	3,100,000	3,100,000
Romania	Csiki Plaza	26,800,000	26,800,000	14,580,000	14,800,000
	Timisoara Plaza	95,100,000	95,600,000	16,400,000	16,910,000
	Casa Radio Plaza	772,535,000	693,100,000	182,400,000	181,600,000
	Iasi Plaza	113,800,000	113,800,000	17,500,000	17,400,000
	Slatina Plaza	32,500,000	32,500,000	2,020,000	2,030,000
	Palazzo Ducale	1,900,000	1,900,000	1,900,000	1,900,000
	Targu Mures Plaza	55,900,000	55,900,000	6,070,000	6,100,000
	Constanta Plaza	19,900,000	19,900,000	11,250,000	11,060,000
	Hunedoara Plaza	26,000,000	26,000,000	2,990,000	2,990,000
Latvia	Riga Plaza	50,500,000	51,000,000	50,500,000	51,000,000
Greece	Helios Plaza	125,900,000	138,600,000	34,300,000	38,400,000
India	Koregaon Park	89,990,000	78,860,000	59,425,000	36,190,000
	Kharadi Plaza	66,675,000	55,070,000	19,000,000	12,600,000
	Trivandrum Plaza	50,010,000	51,590,000	10,100,000	10,210,000
	Bangalore	153,200,000	143,500,000	49,090,000	49,070,000
	Chennai	219,145,000	203,010,000	20,965,000	20,150,600
	Kochi Island	155,013,000	135,230,000	3,335,000	2,460,000
Bulgaria	Shumen Plaza	37,568,000	40,650,000	6,070,000	6,430,000
	Sofia Plaza Business center	44,480,000	45,900,000	7,466,000	7,790,000
Serbia	Belgrade Plaza	162,400,000	162,400,000	24,800,000	24,300,000
	Sport Star Plaza	117,000,000	165,800,000	20,400,000	19,600,000
	Kragujevac Plaza	54,300,000	61,700,000	21,400,000	17,600,000
<b>Total</b>		<b>3,796,000,000</b>	<b>3,737,000,000</b>	<b>840,741,000</b>	<b>778,000,000</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 centre.
- All the figures reflect Plaza's share.

**Consolidated Income Statements**  
In '000 EUR

	Note	For the year ended December 31,	
		2010	2009
Revenues	13	37,641	16,045
Impairment losses - trading properties	5	6,710	33,893
Cost of operations	14	20,853	12,970
<b>Gross profit (loss)</b>		10,078	(30,818)
Administrative expenses (*)	15	17,923	19,054
Other income		(42,603)	(280)
Other expenses		260	39
<b>Results from operating activities</b>		34,498	(49,631)
Finance income	16	49,596	33,423
Finance expenses	16	(70,773)	(51,543)
Net finance expenses		(21,177)	(18,120)
Share in loss of associate		(381)	(780)
<b>Profit (loss) before income tax</b>		12,940	(68,531)
Tax benefit	17	(1,308)	(3,819)
<b>Profit (loss) for the year</b>		14,248	(64,712)
<b>Profit (loss) attributable to:</b>			
Owners of the Company		10,273	(64,769)
Non controlling interests		3,975	57
		14,248	(64,712)
<b>Basic earnings (loss) per share (in EURO)</b>	12	0.03	(0.23)
<b>Diluted earnings (loss) per share (in EURO)</b>	12	0.03	(0.23)

(\*) Including non-cash expenses due to the share option plan in the amount of EUR 2.5 million (2009-EUR 2.8 million).

## Consolidated Statement of Financial Position In '000 EUR

	Note	December 31, 2010	December 31, 2009
<b>ASSETS</b>			
Cash and cash equivalents	3	137,801	122,596
Restricted bank deposits		29,954	39,202
Short-term deposits		-	2,589
Available for sale financial assets		27,098	15,040
Trade receivables		4,064	1,920
Other receivables and prepayments	4	47,828	54,118
Derivatives		10,535	1,810
Trading properties	5	807,887	707,287
<b>Total current assets</b>		<u>1,065,167</u>	<u>944,562</u>
Long term deposits and other investments		52,559	51,447
Deferred tax assets		282	-
Derivatives		42,110	20,151
Property and equipment		11,361	14,990
Investment property	6	238,702	13,399
Restricted bank deposits		15,751	14,737
Other non-current assets		364	335
<b>Total non-current assets</b>		<u>361,129</u>	<u>115,059</u>
<b>Total assets</b>		<u><u>1,426,296</u></u>	<u><u>1,059,621</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Interest bearing loans from banks	7	232,902	176,637
Debentures at fair value through profit or loss	9	48,318	7,423
Debentures at amortized cost	10	20,762	-
Trade payables		11,260	19,953
Related parties	8	3,758	3,234
Provisions		15,597	16,305
Other liabilities		19,474	11,465
<b>Total current liabilities</b>		<u>352,071</u>	<u>235,017</u>
Interest bearing loans from banks	7	133,514	7,435
Debentures at fair value through profit or loss	9	211,997	211,940
Debentures at amortized cost	10	97,979	27,792
Other liabilities		5,330	291
Deferred tax liabilities		956	2,437
<b>Total non-current liabilities</b>		<u>449,776</u>	<u>249,895</u>
Share capital	11	2,967	2,942
Translation reserve	11	8,074	(9,640)
Other reserves	11	31,272	28,888
Share premium	11	261,773	261,773
Retained earnings		296,109	285,836
<b>Total equity attributable to equity holders of the Company</b>		<u>600,195</u>	<u>569,799</u>
Non-controlling interests		24,254	4,910
<b>Total equity</b>		<u>624,449</u>	<u>574,709</u>
<b>Total equity and liabilities</b>		<u><u>1,426,296</u></u>	<u><u>1,059,621</u></u>

March 22, 2011

Date of approval of the  
financial statements

Ran Shtarkman  
Director, President and Chief  
Executive Officer

Shimon Yitzchaki  
Director and Chairman of the  
Audit Committee

## CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR

		For the year ended December 31,	
	Note	2010	2009
<b>Cash flows from operating activities</b>			
Profit (loss) for the year		14,248	(64,712)
<u>Adjustments necessary to reflect cash flows used in operating activities:</u>			
Depreciation and impairment on trading property, property and equipment and other assets		8,953	35,365
Change in fair value of investment property	6	(4,647)	(429)
Finance expenses, net	16	21,177	18,120
Interest received in cash		8,631	9,471
Interest paid		(28,234)	(5,513)
Share based payment		2,540	2,821
Gain from a bargain purchase		(42,039)	-
Loss (gain) on sale of property and equipment		212	(141)
Share in loss of associate		381	780
Loss on sale of trading property		133	-
Income tax expenses (tax benefit)	17	(1,308)	(3,819)
		(19,953)	(8,057)
Decrease (increase) in trade accounts receivable		390	(1,001)
Decrease in other accounts receivable		9,881	7,188
Change in restricted cash		(9,030)	6,945
Increase in advance payment on accounts of trading properties		(4,035)	(1,567)
Increase in trading properties	5	(62,693)	(108,940)
Purchase of trading property companies (see appendix A)		-	(7,202)
Decrease in trade accounts payable		(6,343)	(1,538)
Increase (decrease) in other liabilities and provisions		3,904	(4,696)
Proceeds from disposal of trading property, net of cash disposed (see appendix B)		965	-
		(86,914)	(110,811)
Income tax paid		(121)	(74)
<b>Net cash used in operating activities</b>		(87,035)	(118,942)
Purchases of property, equipment and other assets		(466)	(1,222)
Proceeds from sale of property and equipment		3,135	303
Capital expenditure on Investment properties		(1,168)	-
Acquisition of subsidiaries, net of cash acquired		(14,354)	-
Purchase of available for sale financial assets		(21,935)	(8,294)
Proceeds from sale of available for sale financial assets		10,195	3,808
Long term deposits, net		(33)	(99)
<b>Net cash used in investing activities</b>		(24,626)	(5,504)
<b>Cash from financing activities</b>			
Proceeds from loans from banks and financial institutions	7	53,274	44,267
Proceeds from loans from partners		5,130	-
Proceeds from selling derivatives		9,259	13,114
Proceeds from own shares sold		-	21,905
Treasury shares purchased		-	(3,523)
Proceeds from issuance of long term debentures	10	77,968	27,408
Long term loans and debentures repaid to banks		(18,694)	(2,478)
Loans repaid to related parties		-	(32)
<b>Net cash provided by financing activities</b>		126,937	100,661
<b>Effect of exchange rate fluctuations on cash held</b>		(71)	355
<b>Increase (decrease) in cash and cash equivalents during the year</b>		15,205	(23,430)
<b>Cash and cash equivalents at the beginning of the year</b>		122,596	146,026
<b>Cash and cash equivalents at the end of the year</b>		<b>137,801</b>	<b>122,596</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR (Cont.)

	For the year ended December 31,	
	2010	2009
<b>Appendix A - Acquisition of subsidiaries</b>		
Cash and cash equivalents of subsidiaries acquired	-	1,729
Short term deposits	-	-
Trade receivables and other receivables	-	4,673
Long term deposit	-	(1,536)
Property and equipment	-	-
Trading property	-	41,555
other assets	-	24
Trade payables	-	(82)
Interest bearing loans from banks	-	(32,477)
Related parties	-	-
Minority interest	-	(1,147)
Deferred taxes	-	(139)
Other accounts payable	-	(3,669)
Less - Cash and cash equivalents of subsidiaries acquired	-	(1,729)
Acquisitions of subsidiaries, net of cash held	-	7,202
<b>Appendix B - Disposal of Subsidiary</b>		
Other receivables	41	-
Trading properties	1,057	-
Net identifiable assets and liabilities disposed	1,098	-
Cash from sale of subsidiaries	965	-
Less - Cash and cash equivalents of subsidiaries disposed	-	-
	965	-

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

### **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, 2010 in accordance with the Netherlands civil code.

The consolidated financial statements were authorized for issue by the Board of Directors on March 22, 2011.

### **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 are 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.

#### **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.

The accounting policies 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.

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

**d. Changes in accounting policies**

**(i) Accounting for business combinations**

From January 1, 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

**Acquisitions on or after January 1, 2010.**

For acquisitions on or after January 1, 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

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

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

#### Acquisitions prior to January 1, 2010

For acquisitions prior to January 1, 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

#### (ii) Accounting for acquisitions of non-controlling interests

From January 1, 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

#### (iii) Accounting for results of non-controlling interests

Starting January 1, 2010, the total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### NOTE 3 - CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	Interest rate as of December 31, 2010	December 31, 2010	December 31, 2009
	Mix of fixed and floating interest rates between 0-		
EURO ("EUR")	4.3% - see (1) below	111,789	101,165
Hungarian Forints (HUF)	0%-5.5%	422	2,112
Polish Zlotys (PLN)	0%-3.7%	6,171	8,744
Czech Crowns (CZK)	0%-0.8%	458	2,322
Indian Rupee (INR)	0%-6.5%	3,282	2,105
Latvian lats (LVL)	Mainly 0.6%	226	541
United States Dollar (USD)	0.25%-0.75%	14,587	2,377
Romanian Lei (RON)	Mainly 0%	285	2,972
Serbian Dinar (RSD)	Mainly 0%	23	253
New Israeli Shekel (NIS)	0%	541	5
in other currencies	0%	17	-
<b>Total</b>		<b>137,801</b>	<b>122,596</b>

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 4 - OTHER RECEIVABLES AND PREPAYMENTS**

	December 31, 2010	December 31, 2009
Advances for plot purchase (1)	33,090	27,339
Advances to suppliers (2)	3,028	7,882
Prepaid expenses	711	603
VAT receivables (3)	3,323	10,744
Related parties	1,185	513
Loans to partners in jointly controlled entities	3,379	5,013
Accrued interest receivable	2,027	1,560
Others	1,085	464
	<u>47,828</u>	<u>54,118</u>

- (1) As of December 31, 2010, including mainly advance payments in the amount of EUR 31.8 million for the purchase of plots in India, as part of the Joint venture with EI. Out of this amount, an amount of EUR 4.7 million is guaranteed by EI.
- (2) As of December 31, 2010 including mainly advance payments to general contractors in India.
- (3) As of December 31, 2010, VAT receivable is mainly due to projects in Romania (EUR 1 million) and Poland (EUR 1 million).

**NOTE 5 - TRADING PROPERTIES**

	December 31, 2010	December 31, 2009
Balance as at 1 January	707,287	575,334
Acquisition and construction costs	74,111	109,591
Capitalized borrowing costs (1)	19,742	12,790
Write-down of trading properties (2)	(6,710)	(33,893)
Addition due to acquisitions of subsidiary	-	41,555
Effect of movements in exchange rates	14,514	1,910
Trading properties disposed	(1,057)	-
Balance at 31 December (3)	<u>807,887</u>	<u>707,287</u>
Completed trading property	146,626	86,694
Trading properties under construction	107,825	260,431
Trading properties under planning and design stage	553,436	360,162
Total	<u>807,887</u>	<u>707,287</u>

- (1) Suspension of capitalizing borrowing costs - The Group principally ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete. In certain cases, where the efforts to develop a project are significantly diminished due to lack of external finance, or problems in obtaining permits, the Company suspends the capitalization of borrowing costs to the relevant project.
- (2) Write-down of trading properties to net realisable value was performed based on external valuation reports. The write-downs were recognized in respect of projects in the Czech Republic (EUR 4 million), Latvia (EUR 1 million), Romania (EUR 1.3 million), Hungary (EUR 0.7 million) and Poland (EUR 0.3 million net uplift of value from 2009 impairment).

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

### NOTE 5 - TRADING PROPERTIES (Cont.)

(3) Including cost of Large scale projects (Bangalore in India, Casaradio in Romania and Dream Island in Hungary) in a total amount of EUR 225 million (2009 – EUR 199 million). The abovementioned projects are expected to generate an operating cycle closer to eight years comparing to other projects the Company holds.

As of December 31, 2010, 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 mixed use.

As of December 31, 2010, a total carrying amount of EUR 275 million (December 31, 2009 – EUR 227 million) of the abovementioned trading property is secured against bank loans.

As of 31 December 2010, trading properties include capitalization of share based payments in the amount of EUR 10.5 million (December 31, 2009 – EUR 9.9 million).

### NOTE 6 - INVESTMENT PROPERTY

	December 31, 2010	December 31, 2009
Balance at 1 January	13,399	12,970
Capital expenditures on investment properties	1,168	-
Effect of movements in exchange rate	(24,776)	-
Acquisition through business combination	256,477	-
Exclusion of MV LLC	(12,213)	-
Fair value revaluation	4,647	429
Balance at 31 December	<u>238,702</u>	<u>13,399</u>

The below information relates to Investment property acquired in June 2010 acquired through business combination, which totalled EUR 225 million as of the date of statement of financial position:

#### (i) Valuation basis

EDT obtains independent valuations in accordance with its accounting policy. The directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. At the end of the reporting period, the key assumptions used in determining fair value were in the following ranges for the Group's portfolio of properties:

	Independent valuation range	Directors valuation range
Discount rate	6.50% - 10.50%	n/a
Terminal yield	6.75% - 9.50%	n/a
Capitalization yield	6.50% - 8.75%	7.56% - 16.65%
Expected vacancy rate	1.00% - 9.00%	0.00% - 10.00%
Rental growth rate	0% - 3%	0%

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

### NOTE 6 - INVESTMENT PROPERTY (Cont.)

#### Sensitivity analysis

Capitalization rates used in the Independent and Directors' valuations involve judgment using the most recent information available from the investment property market. The impact on the profit for the Company, by having a higher and lower capitalization rate is shown in the table below.

	Profit (loss) 31 December 2010
Capitalisation rate - increase 50bps	(7,299)
Capitalisation rate - decrease 50bps	19,904

#### (ii) Non-current assets pledged as security

All Investment properties held in the US are pledged as security to loans provided from financial institutions, which totalled EUR 144 million, as of December 31, 2010.

#### (iii) Contractual obligations

There are no contractual obligations related to investment properties at the end of the period.

#### (iv) Leasing arrangements

Investment properties are normally leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties (Company part) are as follows:

	<u>December 31,</u> 2010	<u>December 31,</u> 2009
Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivable as follows:		
Within One year	17,066	N/A
More than one year up to five years	48,154	N/A
More than five years	22,026	N/A
Balance at 31 December	<u>87,246</u>	<u>N/A</u>

Apart of the abovementioned Investment property assets in the US, the Company has one logistic building in Prague that is leased to third parties. Generally, leases contain an initial period of 1 to 10 years.

Subsequent renewals are negotiated with the lessees. The vast majority of the contracts for the Prague logistic building are denominated in, or linked, to the EUR.

The yield used for fair value valuation was 7.3% and 7.5% for 2010 and 2009, respectively.

## 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. All interest bearing loans from banks are of balances of secured bank loans. Terms and conditions of outstanding loans were as follows:

	December 31, 2010	December 31, 2009		
<b><u>Non-current loans</u></b>				
Investment property secured bank loans	130,601	4,555		
Other secured bank loans	2,913	2,880		
	<u>133,514</u>	<u>7,435</u>		
<b><u>Current loans (including current maturities of long term loans)</u></b>				
Trading property secured bank loans	170,546	132,758		
Investment property secured bank loans	17,904	469		
Other secured bank loans	44,452	43,410		
	<u>232,902</u>	<u>176,637</u>		
			December 31,	
			2010	2009
			Carrying amounts	
	Nominal interest rate	Curren- cy	Year of maturity	
Trading property secured bank loan	3M EURIBOR+2.5%	EUR	2014	34,590
Trading property secured bank loan	3M EURIBOR+3.5%	EUR	2014	24,069
Trading property secured bank loan	3M EURIBOR+3%	EUR	2010	21,037
Trading property secured bank loan	3M EURIBOR+3%	EUR	2012	1,971
Trading property secured bank loan	3M EURIBOR+2.5%	EUR	2012	3,772
Trading property secured bank loan	3M EURIBOR+1.5%	EUR	2016	29,665
Trading property secured bank loan	3M EURIBOR+2.75%	EUR	2016	20,691
Trading property secured bank loan	3M EURIBOR+5.5%	EUR	2027	3,930
Trading property secured bank loan	3M EURIBOR+2.25%	EUR	2011	8,182
Trading property secured bank loan	INR linked – 11.75%-12.25%	INR	2011	16,589
Trading property secured bank loan	3M EURIBOR+4.5%	EUR	2011	4,100
Trading property secured bank loan	3M EURIBOR+4.75%	EUR	2011	1,200
Trading property secured bank loan	3M EURIBOR+2.5%	EUR	2011	750
				<b>170,546</b>
				<b>132,758</b>
Other secured bank loans	3M EURIBOR+0.5%	EUR	2011	8,047
Other secured bank loans (1)	3M EURIBOR+0.4%	EUR	2011	26,225
Other secured bank loans (1)	12M EURIBOR+0.4%	EUR	2011	10,000
Other secured bank loans	3M USD LIBOR+4%	USD	2014	3,093
				<b>47,365</b>
				<b>46,290</b>
Investment property secured bank loan	4.91%	USD	2012	13,232
Investment property secured bank loan	5.01%	USD	2017	22,504
Investment property secured bank loan	5.1%	USD	2012	5,245
Investment property secured bank loan (2)		USD		-
Investment property secured bank loan	4.18%	USD	2011	17,282
Investment property secured bank loan	3M LIBOR+3.25%	USD	2013	28,274
Investment property secured bank loan	6%	USD	2013	11,655
Investment property secured bank loan	6.4%	USD	2015	44,224
Investment property secured bank loan	5.5%	USD	2013	1,261
Investment property secured bank loan	6.25%	USD	2013	247
Investment property secured bank loan	3M EURIBOR+1.75%	EUR	2016	4,581
				<b>148,505</b>
				<b>5,024</b>
<b>Total interest bearing liabilities</b>				<b>366,416</b>
				<b>184,072</b>

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

### NOTE 7 - INTEREST BEARING LOANS FROM BANKS (Cont.)

- (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 2011. 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 end of the reporting period the Company had secured total amount of EUR 9.1 million in respect to both structures.
- (2) As of the date of statement of financial position, EDT has a number of assets which are collateralized against the following facility which mature within 12 months: A USD 103.9 million (EUR 78 million) facility which is non-recourse to EDT is separately secured on thirteen properties which have a book value of USD 181.1 million (EUR 135.4 million). The loan to value ratio is 57% and EDT has executed a non-binding letter of intent to complete a new financing for at least comparable proceeds prior to the loan maturity.

### NOTE 8 - RELATED PARTIES

	Currency	December 31, 2010	December 31, 2009
EI Group- ultimate parent company - recharged	EUR, USD	1,803	1,135
Other related parties (*)	EUR	404	1,338
Former vice chairman of EI	INR	1,164	625
EUL (parent company)	EUR, USD	387	136
		<u>3,758</u>	<u>3,234</u>

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

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

The Company is presenting its series A Debentures (raised in July 2007) and series B debentures (raised in February and May 2008) at fair value through profit or loss. Both debentures are linked to the increase in the Israeli Consumer Price Index. Accrued interest on both debentures is paid every six months. Series A and Series B debentures raised from 2009 onwards are presented at amortized cost (refer to note 10). Below is a summary of information on the debentures presented at fair value through profit or loss:

	Series A debentures		Series B debentures	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Fair value (EUR)	65,538	59,382	194,777	159,981
Par value (NIS)	266,994	305,136	797,957	797,957
Adjusted par value (NIS)	303,760	136	880,381	860,744
Adjusted par value (EUR)	64,113	56,074	185,817	158,176

Both debentures series are rated (effective 2011) iIA/negative by S&P Maalot Ltd. on a local scale and A2/negative MIDROOG Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service ("Midroog"). Furthermore, Midroog has ratified the same rating for the additional NIS 300 million series A and B notes issued in January 2011 (see note 10 below). Debentures series A bears an annual interest rate of 4.5% with 8 annual equal principal instalments between December 2010 and 2017. Debentures series B bears an annual interest rate of 5.4% with 5 annual equal principal instalments between July 2011 and 2015.

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

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

In the course of 2009 through 2010, following the public offering in Israel of unsecured nonconvertible Series B debentures of the Company (the "Series B debentures"), pursuant to the Company's prospectus dated February 3, 2008 ("prospectus"), it was agreed with Israeli Investors to issue an additional principal amount of NIS 453 million (approximately EUR 84.6 million) of Series B debentures (the "Additional Debentures") for an aggregate consideration of approximately NIS 482 million (approximately EUR 90 million).

In January 2011, following the public offering in Israel of unsecured nonconvertible Series A and B debentures, pursuant to The Company's prospectus, it was agreed with Israeli Investors to issue an additional principal amount of approximately NIS 88 million (approximately EUR 19 million) in principal amount of Series A Debentures for an aggregate consideration of approximately NIS 99 million (approximately EUR 21 million), and an additional principal amount of approximately NIS 179 million (approximately EUR 39 million) in principal amount of Series B Debentures for an aggregate consideration of approximately NIS 201 million (approximately EUR 44 million) by way of a private placement. The purpose of the issuance is purported to refinance debt principal. For credit rating refer to note 9. The terms of all Additional Debentures are identical to the terms of the Series A and B Debentures issued under the Company's prospectus dated July 2007 and February 2008, respectively (refer to note 9).

#### **Bonds issuance in Poland**

On November 16, 2010, the Company completed the first tranche of a bond offering to Polish institutional investors. The Company raised a total of PLN 60 million (approximately EUR 15.2 million). The unsecured bearer bonds governed by Polish law (the "Bonds") have a three year maturity and will bear interest rate of six months Polish Wibor plus a margin of 4.5%. Interest will be paid to holders every six months and principal after three years.

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

### NOTE 11 - EQUITY

	Remarks	December 31,	
		2010	9
		<u>Number of shares</u>	
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		294,195,700	292,431,381
Exercise of share options	See (a) below	2,526,429	1,764,319
At the end of the year		296,722,129	294,195,700

- a. In the course of 2009, 2,970,976 vested options were exercised into 1,764,319 shares of EUR 0.01. In the course of 2010, 3,954,541 vested options were exercised into 2,526,429 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 31,029 as of December 31, 2010 (2009 – EUR 28,467).

#### Translation reserve

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

#### 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.

#### 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 recorded 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 2010 was based on the profit attributable to ordinary shareholders of EUR 10,273 thousand (2009: loss of EUR 64,712 thousand) and a weighted average number of ordinary shares outstanding of 296,454 thousand (2009: 281,357 thousand).

#### Weighted average number of ordinary shares

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

	December 31,	
	2010	2009
Issued ordinary shares at 1 January	294,196	283,222
Effect of own shares sold	-	3,019
Effect of own shares held	-	(5,191)
Share based payment - exercise of options	2,258	307
Weighted average number of ordinary shares at 31 December	296,454	281,357

In 2009, 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*

	December 31,	
	2010	2009
Weighted average number of ordinary shares (basic)	296,454	281,357
Effect of share options on issue	15,287	-
Weighted average number of ordinary shares (diluted) at 31 December	311,741	281,357

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 December 31,	
	2010	2009
Revenue from selling trading properties (1)	924	-
Rental income from tenants (2)	20,576	6,433
Management fees	2,861	1,413
Operation of entertainment centres (3)	7,442	7,273
Adjustment to fair value of investment property	4,647	429
Other	1,191	497
<b>Total</b>	<b>37,641</b>	<b>16,045</b>

- (1) Revenue from selling trading properties in 2010 is due to selling a plot in the Czech Republic.
- (2) Rental income relates either to revenues from investment properties the Company holds (which totalled in 2010 EUR 13.4 million, including revenues of EUR 12.4 million from US operations, and in 2009 circa EUR 1 million or from the trading properties the Company holds. As of the end of the reporting period, and apart of the abovementioned US operations, the main rental income is derived from projects in Latvia, Poland and in the Czech Republic, which were completed and operative in the course of 2009 through 2010.
- (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, 2010, these subsidiaries operate in twelve shopping centres.

### NOTE 14 - COST OF OPERATIONS

	For the year ended December 31,	
	2010	2009
Direct expenses:		
Cost of sold trading properties	1,057	362
Salaries and related expenses	1,899	1,853
Initiation costs	812	62
Doubtful debts	120	869
Municipality taxes	531	65
Property taxes	907	748
Property operations and maintenance	13,589	6,586
	18,915	10,545
Other operating expenses	1,623	2,135
	20,538	12,680
Depreciation and amortization	315	290
	20,853	12,970

2010 - includes PCNV share (21.65 percent) in cost of operating of 48 shopping centres in the US, totalling EUR 5.4 million, as well as cost of operating four shopping centres, and in addition also Fantasy Park operations in twelve shopping centres. 2009 - Includes mainly cost of operating two shopping centres, as well as Fantasy Park operations in eleven shopping centres.

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 15 - ADMINISTRATIVE EXPENSES**

	For the year ended December 31,	
	2010	2009
<b>Selling and marketing expenses</b>		
Advertising and marketing	1,665	1,616
Salaries and relating expenses	941	758
Others	36	27
	<u>2,642</u>	<u>2,401</u>
<b>General and administrative expenses</b>		
Salaries and related expenses (1)	7,661	7,543
Depreciation and amortization	1,086	1,007
Management fees	-	-
Professional services	3,721	4,478
Travelling and accommodation	968	1,233
Offices and office rent	1,077	1,461
Others	768	931
	<u>15,281</u>	<u>16,653</u>
<b>Total</b>	<b><u>17,923</u></b>	<b><u>19,054</u></b>

**General and administrative**

(1) Including non-cash expenses due to the share option plan in the amount of EUR 2.5 million (2009- EUR 2.8 million).

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 16- NET FINANCE EXPENSES**

	For the year ended December 31,	
	2010	2009
<b>Recognized in profit or loss</b>		
Interest income on bank deposits and available for sale financial assets	4,300	4,578
Interest income on structured deposits	5,162	4,709
Interest from loans to related parties	136	624
Changes in fair value of derivatives	37,308	17,341
Changes in fair value of structured deposit	1,065	3,088
Foreign exchange gains on deposits, bank loans	456	1,921
Other interest income	1,169	1,162
<b>Finance income</b>	<b>49,596</b>	<b>33,423</b>
Interest expense on bank loans and debentures	(27,540)	(16,269)
Interest expenses on loan on structures	(462)	(834)
Interest on loans from related parties	-	(306)
Changes in debentures measured at fair value through profit or loss	(50,112)	(44,220)
Foreign exchange losses on debentures at amortized cost	(10,366)	(383)
Foreign exchange losses - related parties	-	(215)
Foreign exchange losses	(742)	(207)
Other finance expenses	(1,293)	(1,899)
	(90,515)	(64,333)
Less- borrowing costs capitalized to trading properties under development	19,742	12,790
<b>Finance costs</b>	<b>(70,773)</b>	<b>(51,543)</b>
<b>Net finance expenses</b>	<b>(21,177)</b>	<b>(18,120)</b>

	For the year ended December 31,	
	2010	2009
<b>Recognized in equity</b>		
Net change in fair value of available-for-sale financial asset	(179)	1,722
Foreign currency translation differences for foreign operations	17,714	2,535
	17,535	4,257

Selective Notes to the consolidated financial information in '000 EUR

**NOTE 17 - TAX BENEFIT**

	For the year ended December 31,	
	2010	2009
Current tax (*)	(143)	74
Deferred tax	(1,261)	(3,893)
Prior year's taxes	96	-
<b>Total</b>	<b>(1,308)</b>	<b>(3,819)</b>

(\*) Mainly due to withholding tax refund in respect of US operations which was repaid to US entities in the beginning of 2011 in the amount of EUR 0.2 million (Company part).

**Deferred tax expense (tax benefit)**

	For the year ended December 31,	
	2010	2009
Origination and reversal of temporary differences	381	(3,893)
Recognition of previously unrecognized tax losses	(1,642)	-
	(1,261)	(3,893)

**Reconciliation of effective tax rate:**

	For the year ended December 31,	
	2010	2009
Dutch statutory income tax rate	25%	25.5%
Profit (loss) before income taxes	12,940	(68,531)
Tax at the Dutch statutory income tax rate	3,235	(17,475)
Recognition of previously unrecognized tax losses	(1,642)	-
Effect of tax rates in foreign jurisdictions	9,197	3,236
Deferred taxes not provided for losses and other temporary differences, net	8,428	6,916
Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes (including exchange-rate differences)	(4,557)	(713)
Non-deductible expenses (Non taxable income) (*)	(15,873)	4,217
Prior years taxes	(96)	-
<b>Tax benefit</b>	<b>(1,308)</b>	<b>(3,819)</b>

(\*) – Non taxable profit is attributable mainly to gain from bargain purchase in the US.

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

### NOTE 17 - TAX BENEFIT (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% (25% commencing the year 2011). The first EUR 200,000 of profits are taxed at a rate of 20%. Tax losses may be carried back for one year and carried forward for nine years. As part of the measures to combat the consequences of the economic crisis, taxpayers can 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, 2010 and 2011. If a taxpayer makes use of the election, two additional limitations apply: (i) the loss carry forward period for the taxable years 2009, 2010 and/or 2011 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, is 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 at least one of the following tests:
  - Motive Test, the investee company is not held as passive investment;
  - Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);
  - Asset Test, the investee company owns (directly and indirectly) less than 50% low taxed passive assets.

#### The Netherlands (cont.)

- 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.

#### India

The corporate income tax applicable to the income of Indian subsidiaries is 33.2175%. Minimum alternate tax (MAT) of 16.99% is applicable to the book profits (i.e. profits shown in the financial statements). The final tax payable is higher of the MAT liability or Corporate tax payable. If taxes are paid under MAT, then credit to the extent of MAT paid over corporate tax is available (MAT credit). MAT Credit will be credited, if the company has taxable profits in the following ten years. Capital gains on sale of fixed assets (on which tax depreciation has not been claimed) and real estate assets are taxed at the rate of 22.145% provided that they were held for more than 36 months immediately preceding the date of the transfer or 33.2175% if they were held for less than 36 months. Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 16.61%. There is no withholding tax on dividends distributed by an Indian company and no additional taxes need to be paid by the Shareholder. Business losses can be offset against taxable income for a period of eight years from the incurrence year's end. There is no limit for carry forward of unabsorbed depreciation.

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

### NOTE 17 - TAX BENEFIT (Cont.)

#### 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.

#### USA and Australia

Under current Australian income tax legislation, EDT (which is holding 2 Real Estate Investment Trust ("REIT 1" and "REIT 2") incorporated in the US) is not liable to pay income tax provided its taxable income (including assessable realised capital gains) is fully distributed to unitholders, by way of cash or reinvestment. US REIT I and US REIT II have elected to be taxed as Real Estate Investment Trusts (REITs) under US federal taxation law, and on this basis, will generally not be subject to US income taxes on that portion of the US REITs' taxable income or capital gains which are distributable to the US REITs' shareholders, provided that the US REITs comply with the requirements of the US Internal Revenue Code of 1986 and maintain their REIT status.

The US REITs may ultimately realise a capital gain or loss on disposal which may attract a US income tax liability if the proceeds from disposal are not reinvested in a qualifying asset. If the capital gain is realised, it may give rise to a foreign tax credit which would be available to unitholders. A deferred tax liability is recognised based on the temporary difference between the carrying amount of the assets in the Statement of Financial Position and their associated tax cost bases.

A current tax liability is recognised in the financial statements for realised gains on disposals of US investments, except where the proceeds of such disposals are reinvested in a qualifying asset. This special levy is payable for the account of the shareholders. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Trust and contribute to the tax deferred component of distributions.