Plaza Centers
Annual report 2011

Kragujevac Plaza in Serbia, the Group's 33rd completed shopping and entertainment center, opened to the public on March 20, 2012

Kragujevac, the fourth largest city in Serbia and the capital of the Sumadjia Region, is home to Plaza's first completed retail scheme in Serbia. Kragujevac Plaza, the first western style shopping and entertainment center completed outside the capital Belgrade, comprises 22,000 sqm of GLA spread over two floors, with over 95 shops let to major international and local brands and approximately 700 parking spaces.

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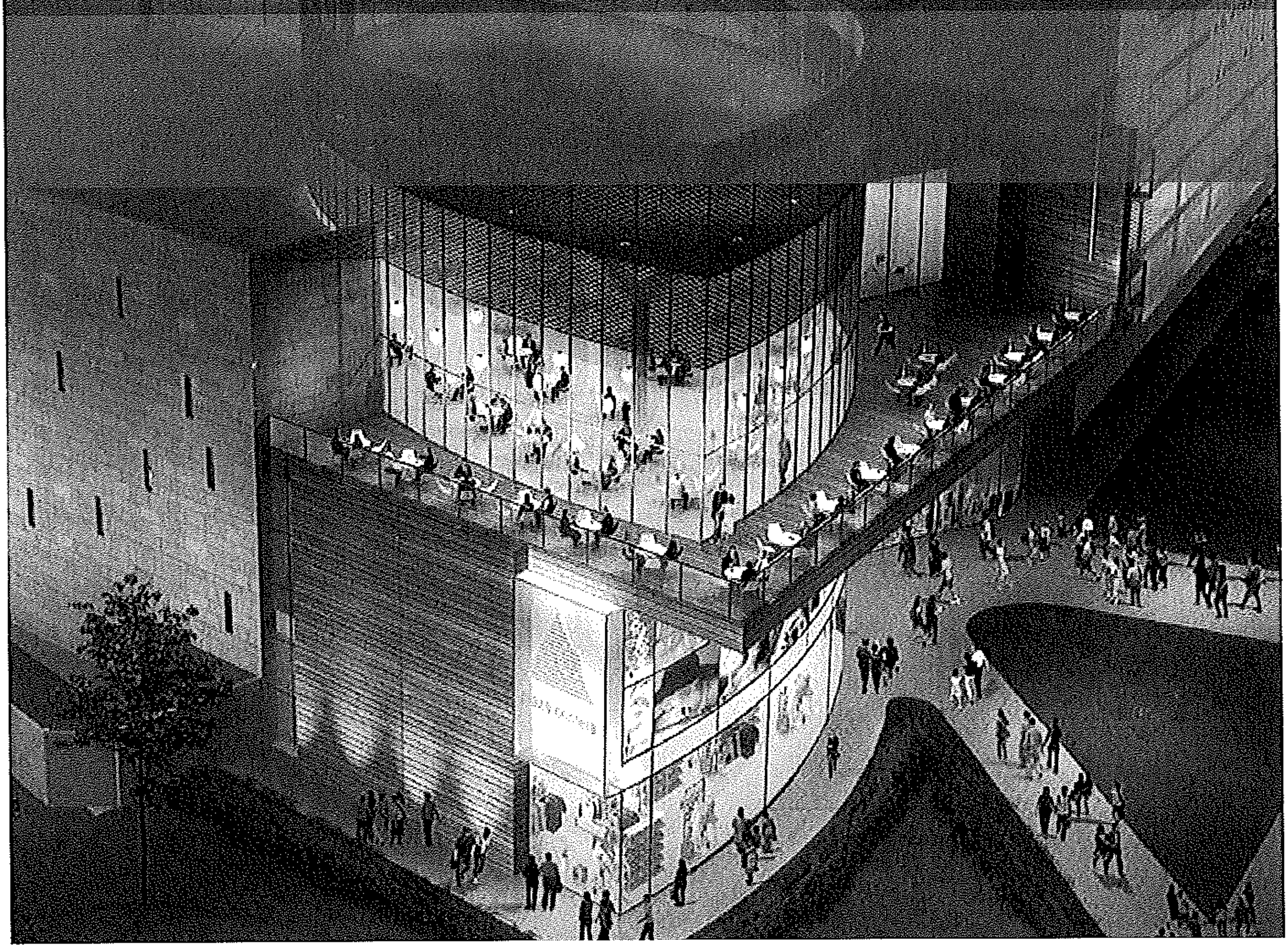
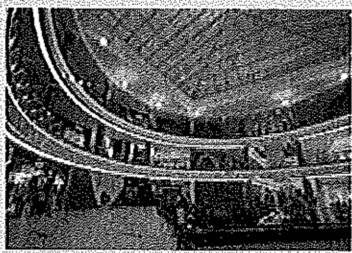


Who we are

We are a leading Central and Eastern European property developer focusing on western-style shopping and entertainment centers, with a growing platform of operations in India and the USA.


Europe


India


USA

The Plaza Centers Group is a leading emerging markets developer of shopping and entertainment centers, focusing on developing new centers and, where there is significant redevelopment potential, redeveloping existing centers, in both capital cities and important regional centers. The Group has been present in the Central and Eastern Europe region ("CEE") since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary. The Group has pioneered this concept throughout the CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centers. Since 2006, the Group has extended its area of operations beyond the CEE into India and, since 2010, into the USA, and is considering development and investment opportunities in other countries. In 2010, Plaza took advantage of real estate opportunities in the USA and made, with its joint venture partners, its first acquisition of a strategic stake in EDT Retail Trust, which owns 48 retail properties located in 20 states, and will continue to source other acquisitions in the region.

The Company 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. Elbit Imaging Ltd. is a subsidiary of Europe Israel (M.M.S) Ltd. EI operates in the following principal fields of business: (i) Commercial and Entertainment Centers – initiation, construction and sale of shopping and entertainment centers and other mixed-use real property projects, predominantly in the retail sector, located in Central and Eastern Europe and in India; (ii) US Real Property – investment in commercial real property in the US; (iii) Hotels – hotel operation and management, primarily in major European cities; (iv) Medical Industries – (a) research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment, and (b) development of stem cell population expansion technologies and stem cell therapy products for transplantation and regenerative medicine; (v) Residential Projects – initiation, construction and sale of residential projects and other mixed-use real property projects, predominately residential, located primarily in India and in Eastern Europe; (vi) Fashion Apparel – distribution and marketing of fashion apparel and accessories in Israel; and (vii) Other Activities – venture capital investments.

The Group has been present in real estate development in emerging markets for more than 16 years, initially pursuing shopping and entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Romania, Latvia, Greece, Serbia, Bulgaria and India. To date, the Group has developed and let 33 shopping and entertainment centers in the CEE region, of which 26 were sold with an aggregate gross value of circa €1.16 billion. Twenty-one of these centers were acquired by Klépierre, a player of the top rank in the continental European shopping center property market, which owns more than 270 shopping centers in 13 countries in continental Europe. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the leading UK institutional property investors at that time. One shopping center was sold in 2007 to active Asset Investment Management ("aAIM"), a UK commercial property investment group. The transaction had a completion value totaling approximately €387 million, representing circa 20% of all real estate transactions completed in Hungary in 2007.

In January 2012, the Group reached an agreement to sell to a joint venture between Blackstone Real Estate and DDR Corp. 47 out of its 49 US-based shopping centers in a deal valued at US$1.428 billion. The transaction is expected to close in June 2012.

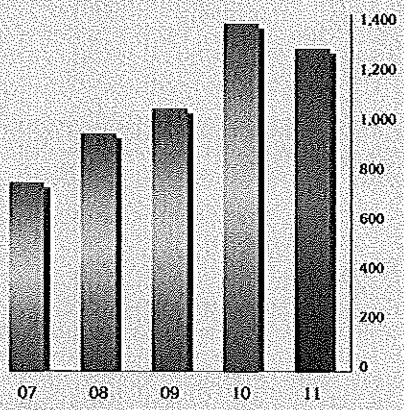
Since November 1, 2006, Plaza Centers N.V.'s shares have been traded on the main board of the London Stock Exchange under the ticker "PLAZ". From October 19, 2007, Plaza Centers N.V.'s shares are also traded on the main list of the Warsaw Stock Exchange under the ticker "PLZ", making it the first property company to achieve this dual listing.

2011 highlights

Plaza reports strong revenue growth and operational progress, including a successful realization of US investment in a deal valued at US$1.4 billion.

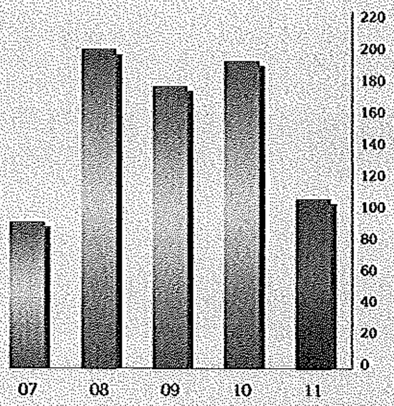
Total assets (€m)

2011: €1.3 billion
2010: €1.4 billion



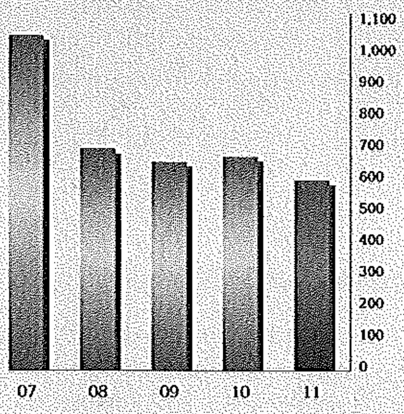
Cash position* (€m)

2011: €108 million
2010: €195 million



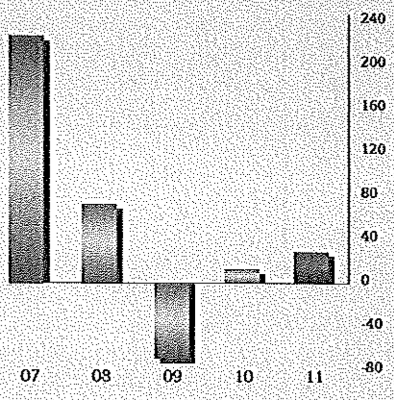
NAV (€m)

2011: €601 million
2010: €675 million



Profit before income tax (€m)

2011: €29 million
2010: €13 million



* Cash position, including restricted deposits, short-term deposits and available-for-sale financial assets.

Operational highlights

- Plaza delivered on its strategy to take advantage of weak market conditions and depressed values in the US, with the completion of the acquisition by the Company's joint US subsidiary of all of the outstanding units of EDT Retail Trust ("EDT") and thereby a US$1.4 billion portfolio of retail assets. The total cost to Plaza of the acquisition was US$82 million for the 22.7% stake. During the year, Plaza also received its US$5.9 million share of a dividend payment from EDT. Subsequent to the year end the vast majority of the assets were sold to a joint venture between Blackstone Real Estate Advisors VII L.P. ("Blackstone Real Estate") and DDR Corp

- Toruń Plaza, Plaza's tenth retail scheme in Poland and its 31st shopping center in the CEE, was completed and opened in November 2011. The 40,000m² GLA center includes an eight-screen cinema complex, a Fantasy Park entertainment center and a Delima delicatessen, as well as over 120 shops, comprising international and local brands such as H&M, C&A, KappAhl, Zara, Bershka, Stradivarius, Pull & Bear, Massimo Dutti, Reserved, Cropp House, Mohito, Mango, New Yorker, Rossmann, Douglas and Sephora. Toruń Plaza is currently approximately 80% let, with ongoing interest from potential tenants

- The construction of Plaza's first retail scheme in Serbia, Kragujevac Plaza, was completed, with the center due to open to the public on March 20, 2012. The 22,000m² GLA center is already 90% pre-let, with a further 6% of space in advanced negotiations and strong interest in the remaining units. Kragujevac Plaza is the first shopping center to be completed outside the capital Belgrade, and will therefore enjoy a catchment area of approximately 590,000 inhabitants

Financial highlights

- Total assets of €1.3 billion (December 31, 2010: €1.4 billion)

- Revenues increased 52% to €57 million (December 31, 2010: €38 million) as a result of an increased number of active shopping centers operational for a full year in CEE, increased income derived from the US portfolio and improved occupancy rates across the portfolio

- Net Asset Value decreased by 11% to €601 million (December 31, 2010: €675 million) primarily through the impairment of assets in Romania and Latvia

- Net Asset Value per share of £1.69 (December 31, 2010: £1.96), a decline of 14%, attributable mainly to the above mentioned impairment

- Profit before income tax of €29 million (December 31, 2010: €13 million profit) arising from the increased income derived from operating shopping centers and an increase in net finance income

- Basic and diluted EPS of €0.03 (December 31, 2010: €0.03)

- Cash position at year end (including restricted bank deposits, short-term deposits and available-for-sale financial assets) of €108 million (December 31, 2010: €195 million) with working capital of €585 million (December 31, 2010: €713 million); current cash position of circa €100 million

- Conservative gearing position maintained, with debt comprising 59% of balance sheet (December 31, 2010: 56%)

- Over the year, the Board of Plaza approved two buyback programs of a total of up to NIS 300 million (approximately €60.5 million) of its Series A and Series B Notes, which are traded on the Tel-Aviv Stock Exchange

- On 14 September 2011, the Board of Directors approved the payment to shareholders of an interim cash dividend payment of €0.1010 per share amounting to total distribution of €30 million.

Key highlights since the period end

- After the balance sheet date, Plaza's US-based joint venture, EPN Group, entered into an agreement to sell 47 of its 49 US-based assets to BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. in a transaction valued at US$1.428 billion. Once closed in June 2012, the transaction is likely to generate a cash inflow of US$120 million (€93 million) to the Company before taxes and transaction costs

- Following the sale of the 47 properties, EPN Group will continue to hold two properties located in the US that are valued at approximately US$43 million, with total non-recourse secured debt of approximately US$14 million

- Phase one of the Kharadi Plaza project known as "Matrix One", a 50:50 joint venture with a local partner, was completed in February 2012. Located in Pune, India, "Matrix One", a 28,000m² GLA office, was 70% pre-sold upon opening. The construction of the second office building, out of a total of four offices planned for the development, is expected to start in Q2 2012

- Koregaon Park Plaza mall, also located in Pune, India, was completed and a successful soft public opening was held on March 2, 2012, with the grand opening scheduled for H2 2012. The 48,000m² total built area (excluding parking) shopping center is circa 85% let with signed lease agreements, with a further 5% committed under memoranda of understanding.

Identifying opportunity

Proceed selectively with our targeted development program in CEE and India, and hold and expertly manage completed assets as income-generating investments until sale yields are sufficient, whilst continuing to identify opportunities to expand our activities into new regions and acquire high-yielding properties that can be repositioned to enhance value.

Our strategy

Develop
Develop modern, western-style shopping and entertainment centers in capital and regional cities, primarily in CEE and India.

Acquire
Acquire operating shopping centers that show significant redevelopment potential or potential value growth.

Flexibility
Depending on market yields, we either pre-sell or hold and manage our assets until the exit yields are sufficiently attractive.

Portfolio acquisitions
Form partnerships with Elbit Imaging and other entities for investing in commercial income-producing properties with appreciation potential in the US.

Maintain liquidity
Maintain high cash balances, conservative leverage levels and well-spread debt maturities. Reliance on material non-revalued shareholders' equity of €550 million.

Objectives
1 Target four or five new development projects per year with returns of at least 40-60% on equity invested.

2 Fund 65-75% of total project construction costs through competitively priced bank finance.

3 Dividend policy – In 2012 and 2013 – The total dividend to be capped at €30 million, payable only from net cash flows received from the realization of assets. Post 2013, 25% of realized development profits up to €30 million, and 20-25% of the excess thereafter, as decided by the directors. Payable annually.

4 Limited commencement of construction for projects meeting the two major criteria as follows:

- intensive demand from tenants
- backed by external banks to ensure minimal equity investment.

5 Utilise expected proceeds from sale of 47 of 49 assets from the EDT portfolio to pay down debt and drive development program, while actively seeking to acquire additional high-yielding properties which, through our expertise in active asset management, can be repositioned to enhance value.

Development criteria
Selection of target countries

Our primary focus is on countries in emerging markets and we are currently present in CEE and India. In order to determine a favorable investment climate, we take into account country risk, GDP per capita and economic growth, ratio of retail sales per capita, political stability, sophistication of banking systems, land ownership restrictions, ease of obtaining building and operating permits, business risks, existing competition and market saturation levels.

Site evaluation
We look to develop our first project in a new country in the capital, and thereafter in regional cities with a minimum catchment area of 50,000 residents. Site evaluation includes site area, catchment area, local zoning and town planning schemes, proximity to transportation and vehicular routes and legal issues. A carefully structured, internally developed evaluation process is in place involving each of the relevant disciplines (economics, engineering, marketing, etc.).

Project development
Once we have approved a site, we manage its development from inception to completion, incorporating engineering, marketing, financial and legal stages, to encompass designs, architects, market forecasts and feasibility studies.

Emerging markets
Plaza Centers has a strong track record in developing real estate projects such as shopping and entertainment centers in emerging markets. The Group has been present in the CEE region since 1996, and was a pioneer in bringing western-style shopping malls to Hungary. The concept was continued throughout the CEE and is now being exported to India, whilst other development and investment opportunities in Asia, other European countries and in the United States are being explored further.

The Company has had considerable success in capitalizing on the fantastic opportunities that its emerging markets have offered. We carefully investigate the benefits and challenges inherent in every proposed project, adhering to our development criteria.

The Company is currently focusing its development efforts on Poland, Serbia and India while continuing to invest in yielding assets in the US. Plaza will continue to advance remaining projects within its land bank which were acquired with equity only and without leverage, through obtaining planning consents and construction permits.

Feature developments

Since foundation, the Group has developed and let 33 shopping and entertainment centers in the CEE region and India of which 26 were sold with an aggregate gross value of €1.16 billion, resulting in a gain of €360 million.

We have averaged two new shopping centers per year in the last 16 years.

Liberec Plaza (Czech Republic)

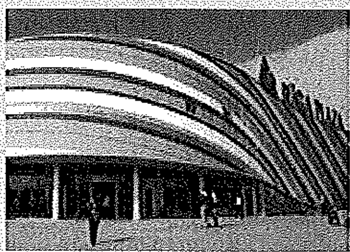
17,000m² | Opened March 2009 | Plaza share 100%

Liberec Plaza shopping and entertainment center was opened in March 2009. Plaza has agreed lettings totaling 78% of the center's GLA to tenants including Billa, Gate, Dracik, Schleker, Triumph, Sephora, Fantasy Park and Dino Park.

Riga Plaza (Latvia)

49,000m² | Opened March 2009 | Plaza share 50%

Riga Plaza shopping and entertainment center is located on the western bank of the Daugava river by the Sala Bridge. In July 2010, an eight-screen cinema multiplex was opened, bringing occupancy at the center to 84%, which has risen to 90% at the reporting date. Discussions are ongoing with potential occupiers for the remaining space at the center.



Zgorzelec Plaza (Poland)

13,000m² | Opened March 2010 | Plaza share 100%

Zgorzelec Plaza continues to perform in line with expectations and has improved occupancy rate to circa 79% (2010: 75%).

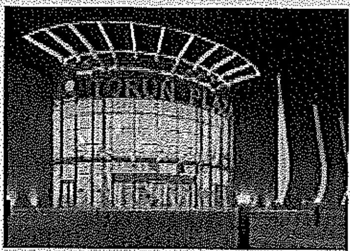
Suwałki Plaza (Poland)

20,000m² | Opened May 2010 | Plaza share 100%

Suwalki Plaza has improved the occupancy rate to circa 89% (2010: 80%) with tenants such as H&M, KappAhl, Deichman, Douglas, Delima Delicatessen and Empik.

Toruń Plaza (Poland)

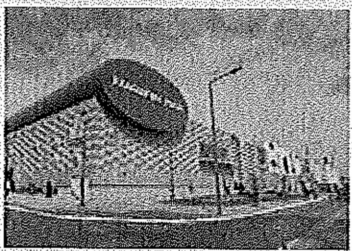
40,000m² | Opened November 2011 | Plaza share 100%

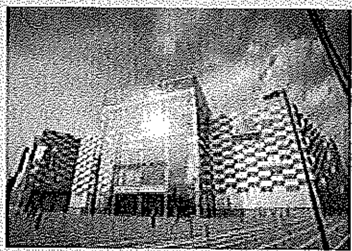


Toruń Plaza represents Plaza's tenth completed center in Poland. The center was approximately 80% let on opening including local and international brands such as Cinema City, H&M, C&A, KappAhl, Zara, Bershka, Stradivarius, Pull & Bear and Massimo Dutti.

Kragujevac Plaza (Serbia)

22,000m² | Opened March 2012 | Plaza share 100%

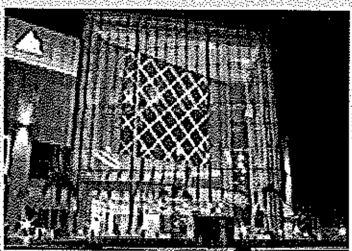




Plaza opened its first Serbian shopping and entertainment center in Kragujevac, a city of 180,000 inhabitants and is already over 90% let to tenants including Nike, Adidas, Aldo, New Yorker, Deichmann, TerraNova, Fashion and Friends, H&O, Oviesse, Fox, Chicco and Home Center.

Koregaon Park Plaza (India)

110,000m² | Opened March 2012 | Plaza share 100%



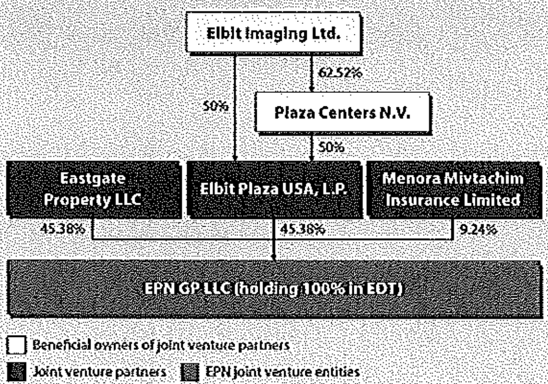
Koregaon Park Plaza mall, located in Pune, comprises 48,000m² of total built area (excluding parking) and is part of a wider 110,000m² development which includes 16,500m² of office development. The mall was 85% let upon opening, with memoranda of understanding signed for a further 5% of the space.

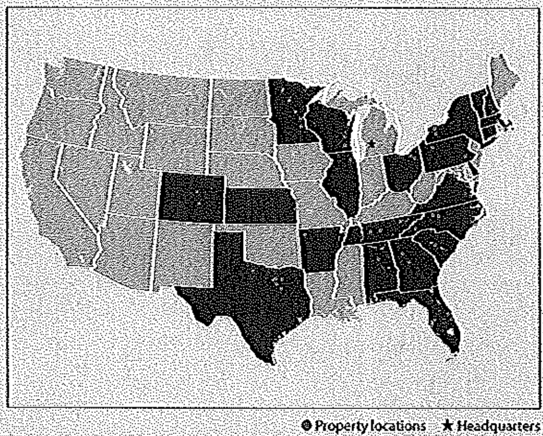
Real estate division in the US

Plaza identified a window of opportunity for investment in the US as result of the dislocation of the property market, specifically within the retail sector, created by recent economic conditions.

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

EPN, in which Plaza owns a circa 22.7% stake, became the major shareholder of EDT in June 2010 in a transaction valued at US$116 million. The ownership process was completed in August 2011 by finalizing an off-market takeover bid for the remaining EDT units at a cost of circa US$242 million and delisting EDT from the Australian Stock Exchange. The total cost of the acquisition to Plaza was US$82 million for a 22.7% stake. Subsequently, in September 2011, EDT distributed an interim dividend payment of US$26 million to EPN (Plaza's share – US$5.9 million).





Key data

49 retail properties
20 states in the US
Over 420 tenants (with over 70% base rent generated from nationally recognized retailers)
89.1% shopping center portfolio occupancy
11.1 million ft² of gross lettable area (GLA) (1.03 million m²)
Over US$100 million net operating income per annum
US$1.47 billion assets value as of December 31, 2011 (EDT's share)
4.5 years weighted average lease expiry
US$947 million secured non-recursed debt as of December 31, 2011

The EDT transaction was completed in six major phases:

Phase I

Acquisition of lending bank Note

EPN acquired a US$50 million note which was part of the Trust's unsecured debt from a commercial bank, at a 15% discount. Within 90 days of the note acquisition, the Trust paid off the face amount of the note.

Phase II

Acquisition of 17.6% of MDT – and 50% of Asset Manager

Prior to the Entitlement Offering referenced below, EPN has acquired a unitholding representing 15% of the Trust's units through a private placement and all of Macquarie's interest in MDT as well as their 50% stake in the external manager. This investment gave EPN access to MDT as well as a foothold investment in the Trust. Phase II also included changing the name of the Trust from MDT to EDT.

Phase III

MDT Entitlement – Offering/Recapitalization

In June 2010, with EPN acting as the sub-underwriter for the Entitlement Offering, new shares in MDT (which was later changed to EDT) were offered to all existing shareholders. With very few existing shareholders electing to purchase additional securities, EPN was able to achieve, a 48% interest by investing US$116 million. EPN became the majority shareholder of EDT and gained control over the Board of Directors.

Within two years EPN has invested over US$360 million of equity, becoming the second largest acquirer of US retail real estate in 2011.

Since the acquisition EPN undertook the following actions to restructure, reposition and improve the EDT portfolio:

- Repaid the entire corporate company level debt of US$108 million;
- Relocated management from Australia to the US in order to improve the Company's oversight of the assets;
- Refinanced or assumed circa US$500 million of portfolio debt;
- Increased Net Operating Income by approximately 5%;
- Actively managed the assets to increase portfolio occupancy by nearly 3% since 2009 and improve tenancy maturities;
- Undertook redevelopment plans for underperforming assets which will generate substantial cash flow growth in 2013 and 2014.

Sale agreement

In January 2012, EPN reached an agreement, subject to the satisfaction of certain closing conditions, to sell 47 of its 49 US-based shopping centers in a deal totaling US$1.428 billion.

The centers are to be acquired by BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate Advisors VII L.P. ("Blackstone Real Estate") and DDR Corp. Of the transaction value of US$1.428 billion, a total of US$934 million (as of the agreement date) shall be paid by way of assumption of the property level debt. In addition, all excess cash within EDT, which currently amounts to US$30 million, will be retained by Plaza and its joint venture partners. By the reporting date the purchasers had satisfactorily completed the due diligence process associated with the transaction.

Transaction details:

Plaza Centers' share – 22.7%
Plaza Centers' expected proceeds – US$120 million*
Plaza Centers' cash surplus – US$44 million*
Return on Equity (ROE) – nearly 50%*

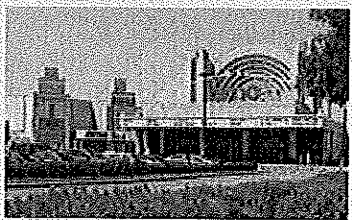
* Pre-tax and transaction costs.

Following the sale of the 47 properties, EPN Group will continue to hold two properties located in the US that are valued at approximately US$43 million with total non-recourse secured debt of approximately US$14 million. These assets are being marketed for sale individually.

The transaction is expected to close in June 2012 and EPN will receive the rental income upon the aforementioned 47 properties until such time.

The EDT translation was successful, because it was (a) sourced on a direct basis in an "off-market" situation; (b) acquired at a favorable price, accretive to above-market returns; (c) effectively asset managed to increase occupancy and NOI; and (d) opportunistically disposed in a transaction that keyed on timing to market.

Following realization of its investment, EPN is gearing up for the next phase. It has identified and continues to source acquisition opportunities which provide access to quality real estate and can yield significant returns to investors.



Shoppers World, Boston MA

Steele Crossing, Fayetteville AK

Woodfield Village Green, Chicago IL

Phase IV

Investment by EPN – Tender Offer/ Company Acquisition

In March 2011, EPN launched a tender offer for the remaining shares of EDT. By September 2011, EPN had invested an additional US$241.5 million and acquired 100% of the company by tender offer. Subsequently the shares of EDT were de-listed from trade and it became a private company.

Phase V

Robust Asset Management

Over the 18 months which EPN held the EDT portfolio, EPN undertook some major actions to restructure, reposition and improve the EDT portfolio (see above).

Phase VI

Disposition

In January 2012, EPN announced that a joint venture of Blackstone and DDR had executed a Purchase and Sale Agreement to acquire 47 of EPN's assets. EDT's remaining two assets are being marketed for sale individually.