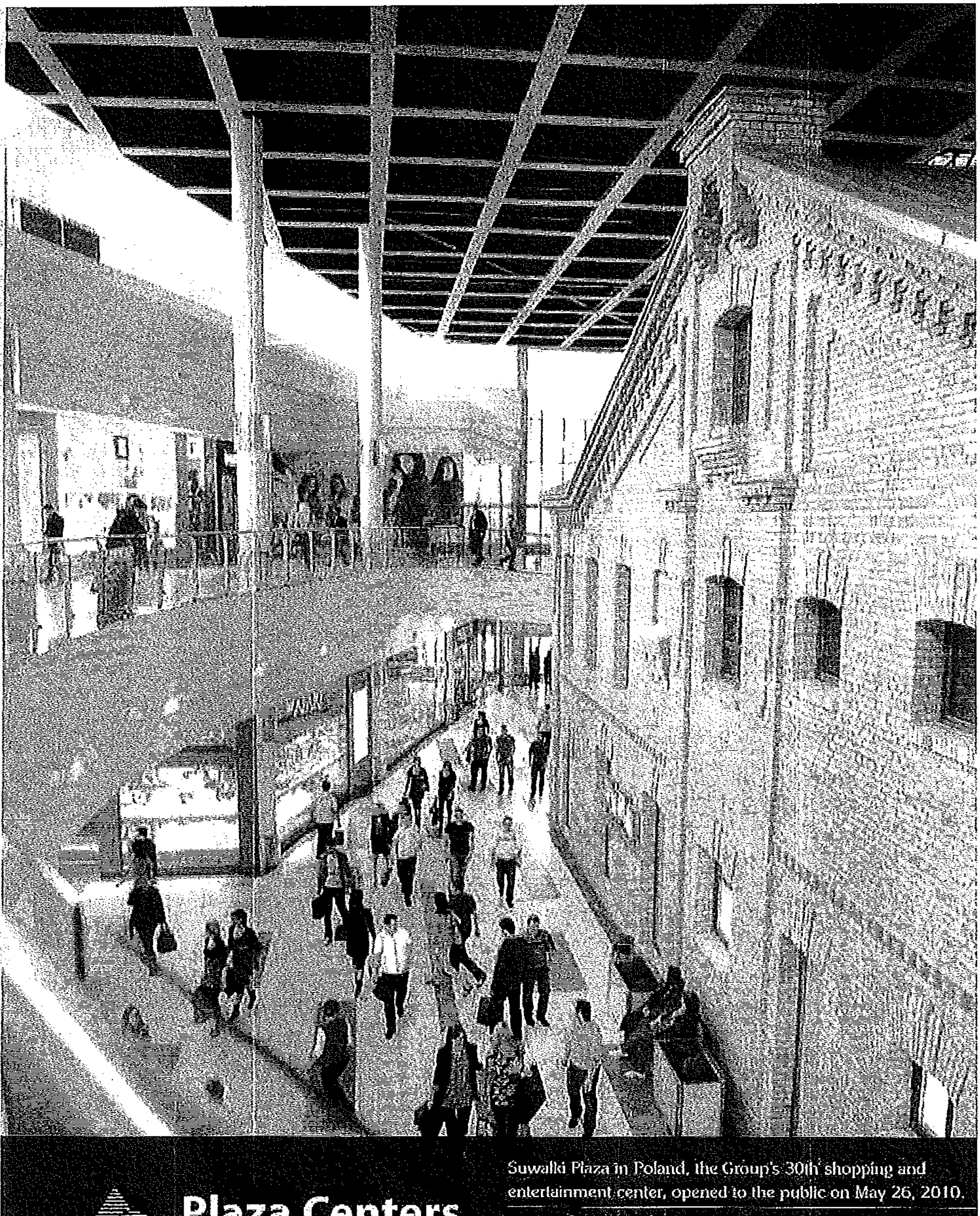

Plaza Centers
Annual report 2010

Suwalki Plaza in Poland, the Group's 30th shopping and entertainment center, opened to the public on May 26, 2010.

The three-floor 20,000m² center comprising of over 65 retail units has as its central focus two old prison buildings, originally built in 1901, which have been integrated to represent the site's heritage.

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Overview

Business review

Management and governance

Financial statements

Other information

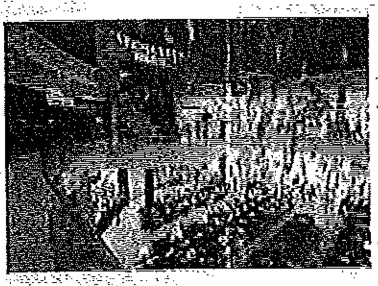
Additional information

Toruń Plaza, Poland

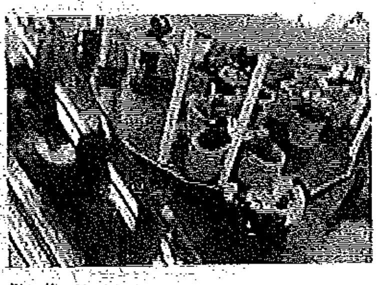
Overview

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.



Arena Plaza



Riga Plaza

Suwalki Plaza

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, such as Croatia and Slovakia. In 2010 Plaza took advantage of real estate opportunities in the US 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's activities are divided into the following principal fields: (i) Initiation, construction, and sale of shopping and entertainment centers and other mixed-use property projects, predominantly in the retail sector, located in Central and Eastern Europe ("CEE"), and in India. In certain conditions and depending on market conditions, EI operates and manages part of its commercial and entertainment centers prior to their disposal; (ii) Investment in commercial real property in the United States; (iii) Hotels operation and management, primarily in major European cities; (iv)(a) Investments in the 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) Initiation, construction and sale of residential projects and other mixed-use property projects, located primarily in India and in Eastern Europe; (vi) Distribution and marketing of fashion apparel and accessories in Israel; and (vii) Other activities consisting of (a) venture capital investments and (b) investments in hospitals and farm and dairy plant in India.

The Group has been present in real estate development in emerging markets for over 15 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 30 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.

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.

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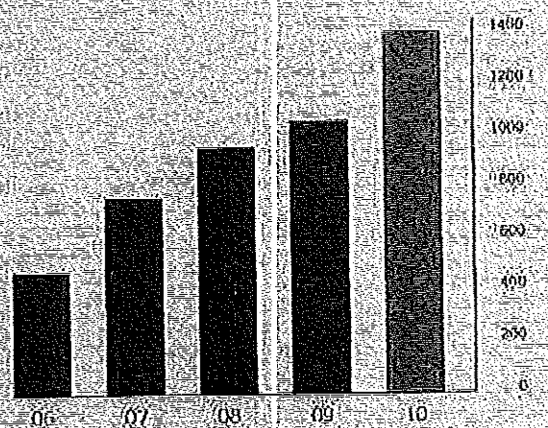
Overview

2010 highlights

Plaza makes good progress with its US acquisition programme and targeted development pipeline. Robust financial position maintained.

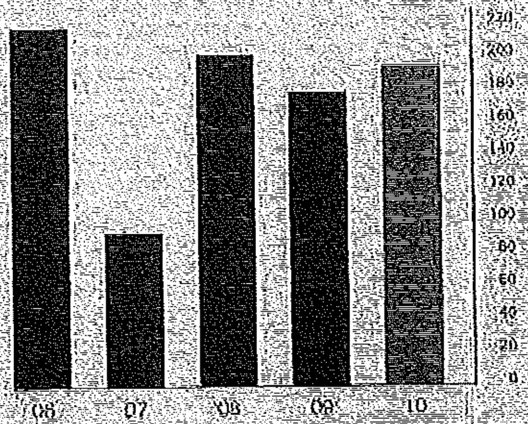
Total assets (€)

2010: €1.4 billion
2009: €1.6 billion



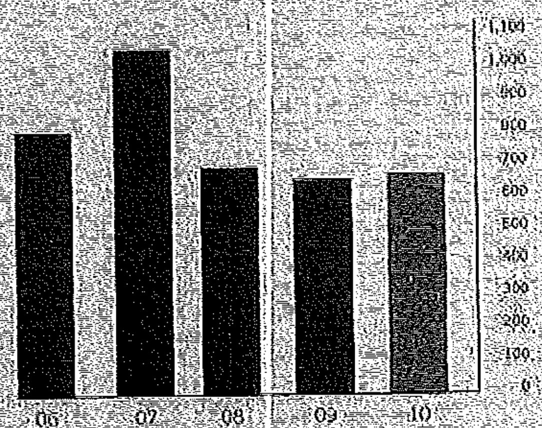
Cash position¹ (€)

2010: €195 million
2009: €179 million



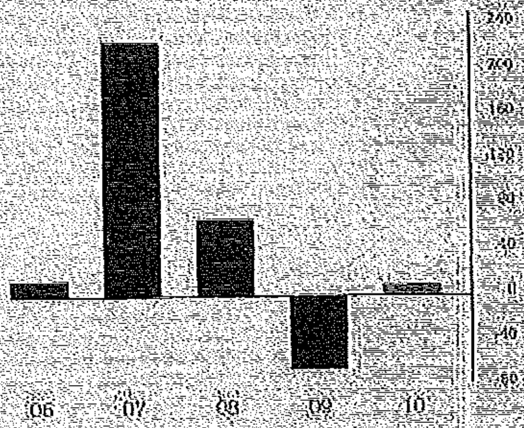
NAV (€)

2010: €675 million
2009: €659 million



Profit after tax (€)

2010: €10 million
2009: €45 million loss



¹ Cash position, including restricted deposits, short-term deposits and available-for-sale financial assets.

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Operational highlights

Ongoing progress with expansion plans for the United States:

- Launch of Elbit Plaza USA, L.P., a real estate investment venture jointly formed by Plaza and its parent, Elbit Imaging Ltd. 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 US$200 million (split 50:50) to take advantage of opportunities in the US retail and commercial real estate sectors. The US Fund successfully raised US$31 million of additional capital commitments from Menora Mivtachim Insurance Ltd., one of Israel's leading insurance companies

- Completion of the first investment in the USA, with a circa US$116 million investment in Macquarie DDR Trust ("Trust"), an Australian publicly traded trust (ASX:EDT), which owns and manages 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"). EDT reported net property income of circa US$50 million for the six months ended December 31, 2010

- In December 2010 EPN signed an agreement to acquire seven retail shopping centers located in the US for a total purchase price of US$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 13,000m² GLA shopping center was circa 75% let on opening, with tenants including H&M, KappAhl and Douglas

- Completion of Plaza's 30th shopping center in CEE, with the opening of Suwalki Plaza, Poland in May 2010, which comprises 20,000m² of GLA and 450 parking spaces. The center 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 tenth retail scheme in Poland, the 40,000m² GLA Torun Plaza, commenced in September 2010 and is expected to complete in Q4 2011. The center is already 55% pre-let

- Plaza has made good progress with the construction of the first phase of the Kharadi project in Pune, a 28,000m² 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 110,000m² built-up area mixed-use scheme in Pune, the Koregaon Park Plaza, which will comprise a shopping center and office space. Approximately 50% of the 48,000m² GBA mall is pre-let with MOUs signed for a further 10% of the space and completion is expected in H2 2011.

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 net 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. A total of PLN 60 million (circa €15.2 million) of bonds issued with a three-year maturity

- Loan agreements signed for financing 70% (circa €33 million) of the development costs for a new shopping center in Kragujevac, Serbia and a development loan covering 70% (€52.5 million) of the construction costs of a 40,000m² GLA shopping center in Torun, Poland

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

Key highlights since the period end

- Additional sums Series A and B bonds issued for an aggregate consideration of approximately NIS 300 million (€65 million)

- EPN made an off-market takeover bid to acquire all of the remaining outstanding units of EDT (approximately 52%) in March 2011 for AUS$0.078 cash per EDT unit (in total up to AUS$190 million).

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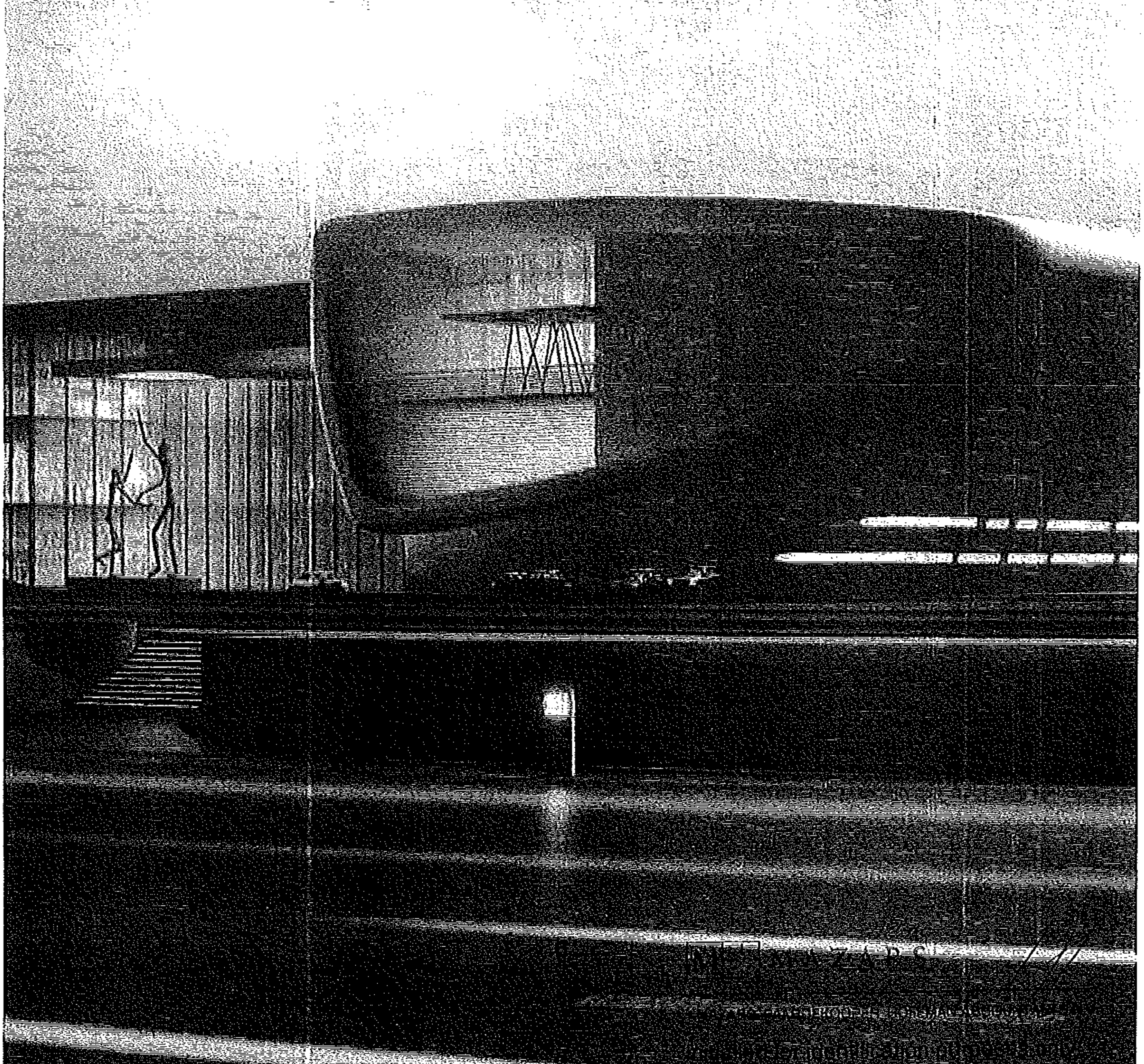
Proceed selectively with our targeted development program in CEE and India, and hold and expertly manage completed assets as income-generating investments until sale yields are sufficient, whilst continuing to identify opportunities to expand our activities into new regions.



Overview

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 show significant 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

A partnership with Elbit Imaging and other entities for investing in commercial income-producing properties with appreciation potential in the US

Maintain liquidity

Maintaining high cash balances, conservative leverage levels and well-spread debt maturities. Reliance on material non-revalued shareholders' equity of €624 million

1 Target 4–5 new development projects per year

2 Target returns of at least 40–60% on equity invested

3 Dividend policy – 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
- based on external bank accompaniment which require minimal equity investment

5 Capital raising of approximately US$231 million is a part of the initial plan for raising up to US$400 million for real estate investments in the US.

Development criteria

Selection of target countries

We focus upon countries in emerging markets and are currently present in Central and Eastern Europe 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 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 (economies, 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 Central and Eastern European ("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 great 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.

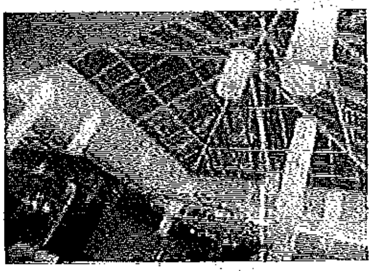
The gross domestic product ("GDP") growth in CEE and India is likely to continue to outperform that of Western Europe, and we plan to continue to capitalize on the opportunities inherent in the region, whilst investigating new areas of opportunity such as Asia and the United States.

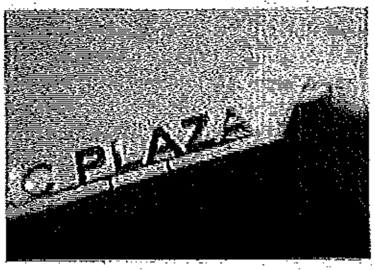
Feature developments

Since foundation, the Group has developed and let 30 shopping and entertainment centers in the CEE region of which 26 were sold with an aggregate gross value of €1.16 billion.

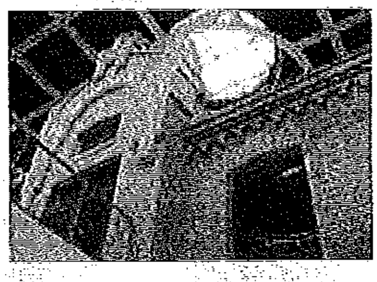
We have averaged two new shopping centers per year in the last 15 years.

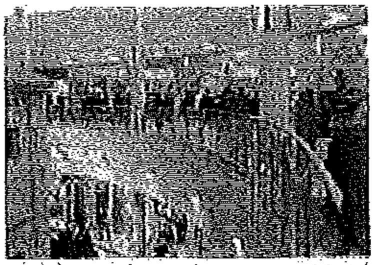
Zgorzelec Plaza
13,000m² opened in March 2010





Suwalki Plaza
20,000m² opened in May 2010





Zgorzelec Plaza
In March 2010 Plaza Centers opened Zgorzelec Plaza in South-West Poland, near the German border and the Czech Republic border. The shopping and entertainment center comprises approximately 13,000m² of GLA and 300 parking spaces. Zgorzelec Plaza is the first shopping center in the region to combine shopping with entertainment elements, as well as introducing a number of international tenants to the local market. Among the tenants are retailers such as H&M, KappAhl, Empik, Rossmann, Orsay, Camaieu, Stokrotka and Douglas.

Suwalki Plaza
Plaza Centers opened to the public in May 2010 its 30th shopping and entertainment center in Suwalki, Poland, which is also the ninth development in Poland.

Suwalki Plaza is located in Suwalki, which links Augustow with the Lithuanian border. Suwalki Plaza is also located in the main commercial and residential district of the city. Suwalki Plaza comprises 20,000m² of lettable area spread over three floors, with over 65 retail units let to a mixture of international and domestic brands such as Delima delicatessen, H&M, New Yorker, KappAhl, Deichman, Douglas, Empik. An integral element of the modern design of the center was to consider the heritage of the site, which included two old prison buildings originally built in 1901. They are now a central focus of the center.

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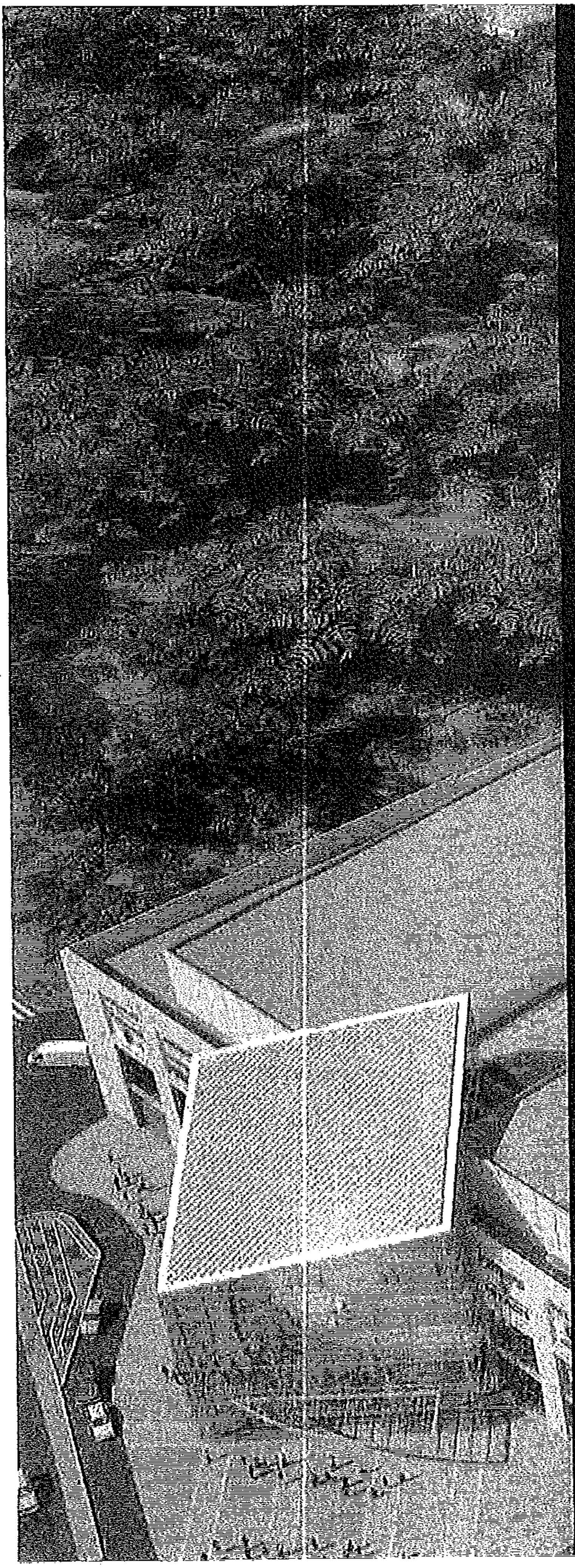


Koregaon Park Plaza

(pictured)

110,000m² expected opening H2 2011

In February 2007, Plaza Centers acquired its first development project in India, Koregaon Park Plaza. The six-acre (24,000m²) plot is located in the Koregaon Park district, an up-market area of Pune. The mixed use scheme has a total GBA of approximately 110,000m² including a shopping center (93,000m²) and offices (17,000m²) all inclusive of underground parking spaces. The project is already under construction and the shopping center is scheduled for completion in H2 2011. It will be the Company's first completed development in India.

Torun Plaza

40,000m² expected opening Q4 2011

Torun Plaza is located in Torun, a city of 200,000 inhabitants. Torun will be a three-floor shopping center with approximately 40,000m² of GLA anchored by a supermarket, a department store, a multiscreen cinema as well as a bowling and entertainment area. The shopping and entertainment center is already 55% pre-let and scheduled to open in Q4 2011.

Kragujevac Plaza

22,000m² expected opening H1 2012

Kragujevac Plaza is the first development of the Group in Serbia. Kragujevac is the fourth largest city in Serbia. Plaza is developing a new shopping and entertainment center starting Q4 2010, with a total GLA of 22,000m², which will include a cinema, fashion retailer, a food court, restaurants and parking spaces for approximately 600 cars.

The shopping and entertainment center is already 70% pre-let and is expected to be completed in H1 2012.

Overview

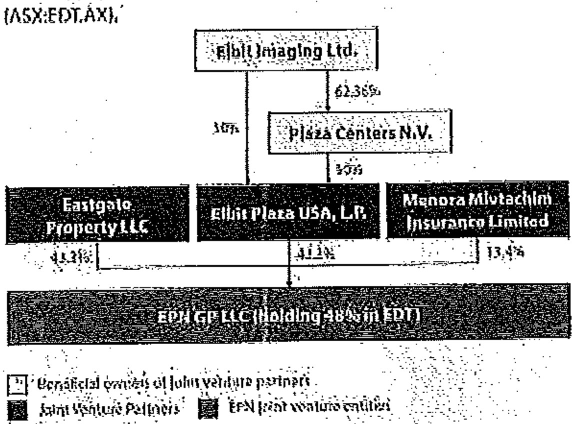
Real estate division in the US

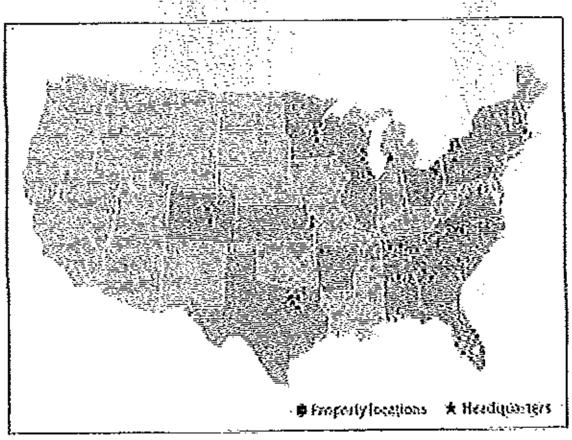
Plaza believes that there is a rare window of opportunity for investment in the United States, given the dislocation in the market, and specifically in the retail sector, created by recent economic conditions.

2008
In 2008, in the midst of the global financial crisis the Company identified the potential embodied in the income-producing market in the US where it was feasible to purchase active and income-producing centers at appropriate prices without the risks of entrepreneurship and development that are coupled with initiation activities (Central and Eastern Europe and India).

2009
In 2009, we outlined the entry to the commercial centers market in the US. For this purpose, a local management team was established and the desired transaction outline was formulated while defining the criteria that mainly included an income-producing property portfolio with appreciation potential.

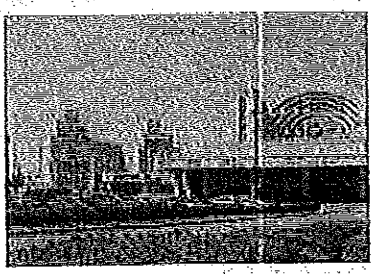
EDT transaction – first transaction in commercial centers
In June 2010, Plaza Centers has completed its first investment in the US through EPN GP LLC, a real estate investment venture jointly formed by Elbit Plaza USA, L.P. (a subsidiary of Elbit Imaging Ltd. and Plaza Centers) and Eastgate Property LLC, with a US$116 million investment in Macquarie DDR Trust ("EDT" (formerly "MDT") or the "Trust"), an Australian listed real estate investment trust (ASX:EDT.AX).





EDT key data

48 property assets
20 states in the US
701 leases with over 420 tenants
88.8% shopping center portfolio occupancy
10.9 million ft^2 of gross lettable area (GLA) (1.02 million m^2)
1.3 million ft^2 successfully leased during the financial year (0.12 million m^2)
US$100 million net operating income per annum
US$1.38 billion assets value as of December 31, 2010 (Trust's share)
5 years weighted average lease expiry


EDT


EDT

Charter Hall

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- As a result of that transaction, EPN gained control (48%) in EDT and purchased 50% in the management company partnering with DDR (shopping malls management company that manages approximately 570 properties in the US, Brazil and Puerto Rico) for approximately US$120 million.

- EDT currently holds and manages 48 active commercial centers in 20 states in the US with an aggregate property value of approximately US$1.4 billion.

- The properties generate annual net operating income of over US$100 million.

- These centers are 90% occupied where approximately 80% of annual revenues from rental derive from retail anchors with nationwide locations who are signed on long-term leases.

- The properties have rentable areas spanning over 1.02 million m² which are leased to hundreds of diverse tenants.

Progress to date

Since the acquisition of EDT, the Company has made good progress, among others, by securing additional long-term credit, leasing of vacant spaces and reorganizing the management's structure.

Financing

- A debt in the headquarters' level was repaid in the amount of approximately US$108 million that was due for immediate repayment and currently the Company is not indebted at this level.

- In September 2010, a refinancing of approximately US$380 million was carried out in two different property portfolios in attractive (and mainly fixed) interest rates for long term and that is based on the Company's estimate that in the coming years interest may increase.

- In March 2011, the Trust closed another US$115 million non-recourse refinancing for five years. Proceeds from the refinance will be used to repay current debt of US$103.2 million and the rest will be used for the Trust's long-term capital goal to fund its business and provide future operational flexibility.

Leasing

- The Company increased the occupancy rates by leasing vacant spaces and renewing leases with existing tenants. Since the acquisition leasing activity was robust and the trust successfully leased more than 1.3 million ft² or 12.2% of the portfolio

Changing the management's structure

- The management's focus was pushed to the US from Australia while focusing on proactive management of the properties.

- In March 2011 EPN announced an off-market takeover bid to acquire all of the outstanding units of EDT that its affiliates do not already own ("Bid"). EPN's unconditional offer is to buy all outstanding units of EDT that EPN does not already own (approximately 52%) for AU$0.078 cash per EDT unit.

Charter Hall transaction

- In December 2010, the Company entered into an agreement with the Australian company Charter Hall to purchase seven commercial centers of grocery anchored shopping centers type in the US at property value of US$75 million.

The acquired centers are located in three different states in the US

650,000 ft² (60,000 m²) of gross rentable area

91% shopping center occupancy

US$7 million net operating income per annum

9.2% return on the purchase price

The company's strategy in new transactions and purchases

We intend to carry out additional purchases of quality property and individual property portfolios. Furthermore, purchase of Mall type properties will be considered. The EDT and Charter Hall transactions shall constitute a platform to purchase additional properties which will be in line with our investment profile. Once exit yields decline sufficiently, the Company intends to realize the properties while generating capital gains.

Shopping Center – principal tenant register (EDT)

Rank	Tenant	Rating	Market capitalization (US$ billion)	% of ABR*	EDT Owned GLA**	Number of leases
1	TJX Companies	A	18.65	6.0%	655.4	17
2	PetsMart	BB/-	4.71	4.8%	389.1	17
3	Kohl's	BBB+/-	14.84	4.7%	811.1	9
4	Best Buy	BBB-/Baa2	13.67	3.2%	282.1	6
5	Dick's Sporting Goods	-/-	4.19	2.6%	254.9	5
6	Bed Bath & Beyond	BBB/-	12.16	2.6%	246.3	8
7	Jo-Ann Stores	BB-/-	1.59	2.3%	220.4	6
8	Wal-Mart	AA/Aa2	199.19	2.2%	304.9	4
9	Gap	BB+/-	12.18	2.4%	141.7	8
10	Home Depot	BBB+/Baa1	59.92	2.0%	219.0	2
Total				32.4%	3,527.9	82

* ABR – Annual Base Rent
** Thousand ft²

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Competitive strengths

Plaza is strongly positioned to capitalize 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 relatively illiquid markets.

As the CEE markets continue to recover from the financial turmoil of 2008, Plaza has positioned its development program to ensure that it can deliver shopping centers into markets with the highest retail demand. We achieved a number of development milestones throughout the year and most notably completed our 30th shopping center in the region, 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.

Proven track record

Plaza continues to benefit from its unrivaled track record across Central and Eastern Europe, having been active in the region for more than 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 30th CEE shopping center. To date, 26 of the completed centers have been subsequently sold with an aggregate gross value of circa €1.16 billion. These disposals comprise 17 shopping centers in Hungary, seven in Poland and two in the Czech Republic, with the remaining four shopping centers currently being held as operational assets, of which two are located in Poland, one in the Czech Republic and one in Latvia.

Creating an attractive tenants mix, including fashion, Hypermarkets, food courts, electronics, sports and other retailers, with a special focus on entertainment. Most centers include a cinema multiplex, as well as a Fantasy Park, a state-of-the-art entertainment and amusement facility operated by Plaza's subsidiary, which includes bowling alleys, billiard tables, video arcades, internet cafés, children's playgrounds, bars and discos.

Flexible business model

During the years 1996–2004, when exit yields were high, the Group retained and operated shopping centers on completion and gained rental income. Once property yields decreased, between 2004–2008 the Group sold 26 shopping centers in line with the Group's commercial decision to focus its business more on development and sale rather than operational management.

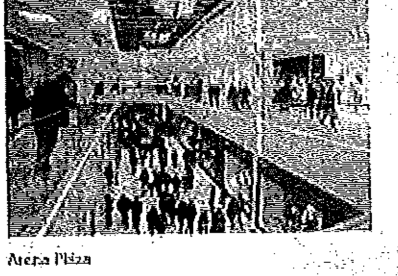
Whilst the conditions in the investment market in CEE remain uncertain, with the limited availability of debt suppressing transactional activity, Plaza continues to implement its development strategy and will continue to attempt selling completed developments while holding them on its balance sheet until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

Diversification

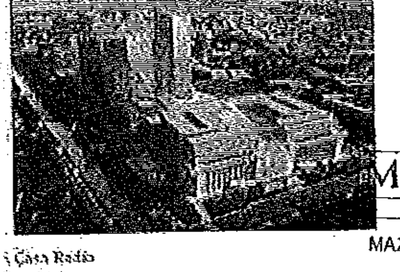
The Group is well diversified and active in eight countries in CEE and India, while additional countries are examined for further expansion.

Plaza sees strong importance in its investment in India, which has been less affected by the current global crisis and will offer Plaza development prospects for at least 15 years. Plaza has maintained its long-term view of the strong potential demand for commercial Indian real estate, especially for well-located large-scale development projects.

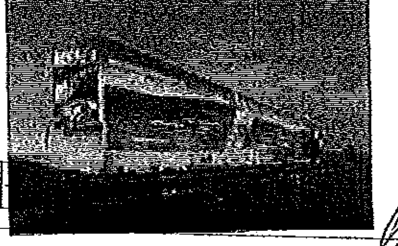
Having monitored the US real estate market for a number of years, Plaza announced its first transaction in the region last year. With its joint venture partners, the acquisition of a strategic stake in EDT Retail Trust was an important step forward for Plaza in



Arena Plaza



Casa Radio



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becoming a major retail investor in the region. In addition, Plaza expects to complete the acquisition of a portfolio of seven shopping centers by mid 2011. Plaza will continue to source other acquisitions in the region as we build up a critical mass in the region.

Limited number of projects
In light of market conditions, Plaza took the strategic decision in the second half of 2008 to scale back on project starts and to focus on projects with availability of external financing or strong tenants demand. Currently, Plaza is focusing on the following projects: Kragujevac Plaza in Serbia, Koregaon Park Plaza and Kharadi Plaza in India and Torun Plaza in Poland.

Strong cash position
Plaza continues to have a strong cash position 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 program and make opportunistic investments or acquisitions where there is clear potential to create shareholder value.

Low and conservative leverage
The Group'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 totaling around €85 million and issuance of bonds in amount of €78 million from Israeli and Polish institutional investors, as well as an ongoing cost cutting program throughout the business. The vast majority of the debt is long term, maturing mainly between 2011 and 2017.

Clearly identified pipeline and acquisitions
Plaza is engaged in 30 development projects, and owns three office buildings and four operational assets, located across the Central and Eastern European region and in India – the Group has the ability to identify new growth opportunities, constantly targeting attractive returns in fast- growing emerging markets.

Acquisition through a jointly controlled investment of 48% of a listed Australian trust holding operating community shopping centers across the US and signing a sale and purchase agreement to acquire a further seven shopping centers.

Timing for delivery
As the majority of the developments will mature from 2012 onwards, and due to its financial strength, Plaza is not required to execute forced sales of projects at current market conditions. Once the projects are completed, we will therefore use the extensive experience to hold and manage, where needed, completed projects as income- generating investments in our portfolio until the investment market improves. Currently Plaza owns four operating shopping and entertainment centers in Poland, Czech Republic and Latvia.

Supportive financing banks
The Group maintains good relations with financing banks who remain supportive of companies with a strong track record.

During 2010 loan agreements were signed for financing 70% (circa €33 million) of the development costs for a new shopping center in Kragujevac, Serbia and a development loan covering 70% (€52.5 million) of the development costs of a shopping center in Torun, Poland.

Capital markets
Ongoing support demonstrated by successful bond issuance and approved solid credit rating during the reporting period:

- Additional issuances of Series A and B bonds in 2010 for cash consideration of NIS 330 million (circa €62.8 million), and NIS 300 million (circa €65 million) Series A and B bonds after balance sheet date.
- Completion of first tranche of bond offering to Polish institutional investors in November 2010 by raising PLN 60 million (circa €15.2 million).

Strong brand name
Plaza Centers has become a widely recognized brand name for successful property development in CEE which is beneficial at all stages of project execution (e.g. following portfolio sales to Klepierre, Dawnay Day and aAIM, the purchasers continue to use the "Plaza Centers" trade name under license).

Highly skilled management team
Extensive local and business knowledge with a proven ability to source strategic development sites as well as purchasing yielding assets at an attractive price and design projects that meet the demands of the local market. Many management team members have been with us for several years.

Extensive network
A vast and extremely well-established network of business connections with most anchors and large international tenants and extensive business relationships with large international funds and real-estate players as demonstrated by the proven ability to pre-sell projects (before or during the construction) and achieve high pre-let levels and will be used by the US Fund in sourcing single investments portfolios of attractive retail properties.

Thorough project evaluation
Prior to each project, Plaza goes through a carefully developed, structured evaluation process involving each of the relevant disciplines (economics, engineering, marketing, etc).

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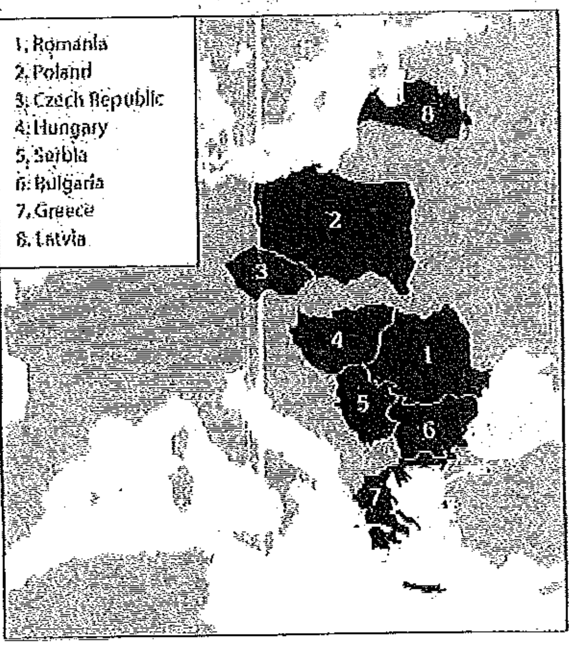
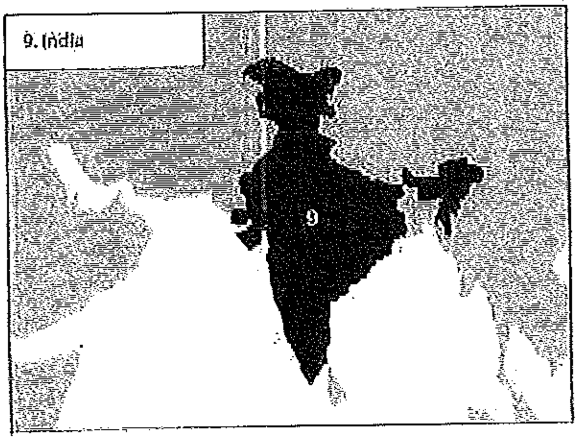
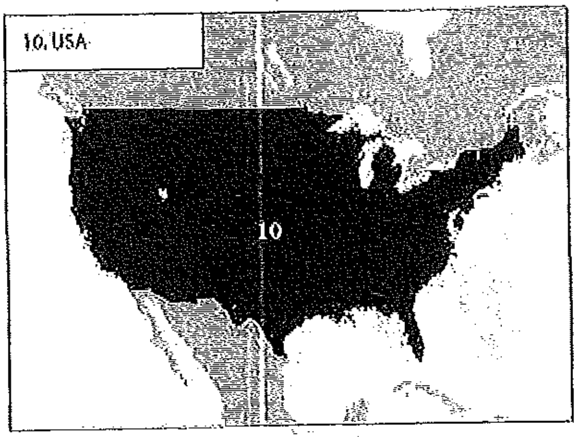
Our markets







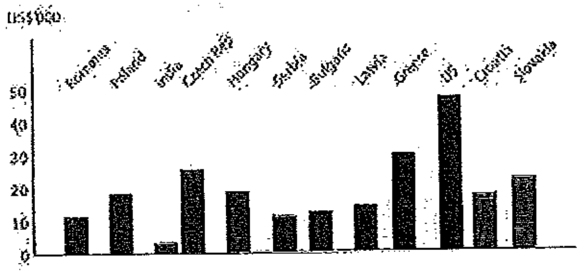
Market data

■ Current market ■ Potential market

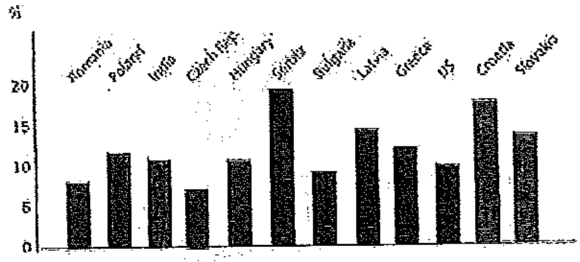
Population (m)

■ Romania	22	■ Bulgaria	7
■ Poland	38	■ Latvia	2
■ India	1,189	■ Greece	11
■ Czech Republic	10	■ United States	313
■ Hungary	10	■ Croatia	4.5
■ Serbia	7	■ Slovakia	5.5

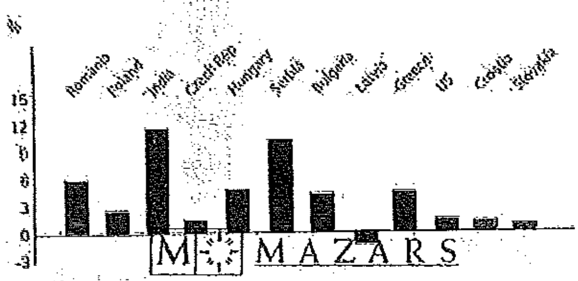
GDP per capita



Unemployment



CPI – Change in 2010



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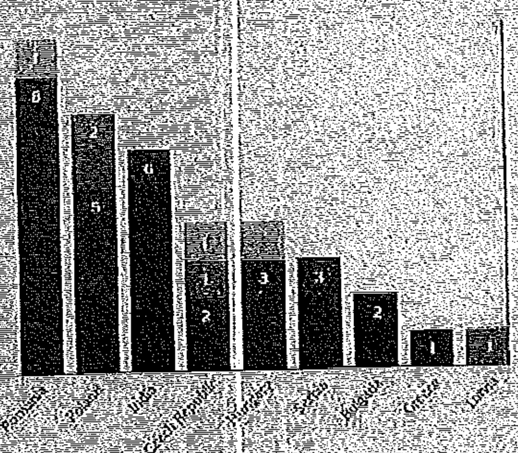
Overview

Our portfolio at a glance

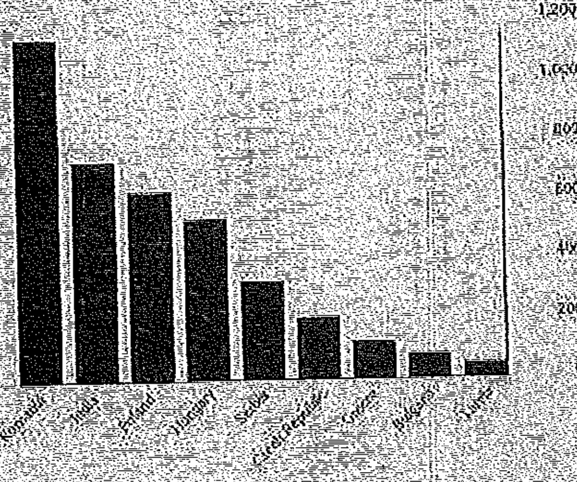
Total of 37 assets in nine countries. Estimated value of €3,853.2m on completion

Portfolio composition – by country (excluding US)

Under development · Complete and active · Offices



Estimated market value on completion €m (excluding US)



	Market value on completion €m[1]	Market value of the land and project €m[1]	Total GLA m²[2]
Active shopping and entertainment centers	156.2	156.2	99,000
Shopping and entertainment center developments	903.6	180.5	398,000
Dream Island	467.2	62.9	350,000 (GBA)
Casa Radio	772.5	182.4	600,000 (GBA)
Indian mixed-use projects	734.0	161.8	2,165,000 (GBA)
Mixed-use projects	320.7	49.8	176,000
Other projects and developments	499.0	47.1	198,000
Total as at December 31, 2010	3,853.2	840.7	3,986,000

Group NAV at December 31, 2010	€000
Market value of land and projects by King Sturge LLP[1]	840,741
Assets minus liabilities as at December 31, 2010 under IFRS[3]	(165,598)
Total	675,143
NAV per issued share	£1.96

1. Value of Plaza Centers stake by King Sturge LLP.
2. All figures reflect 100%.
3. Excluding book value of assets which were valued by King Sturge LLP but including Plaza's proportionate share [illegible] (100% of the total portfolio value) and the [illegible] of EUR.

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Current developments

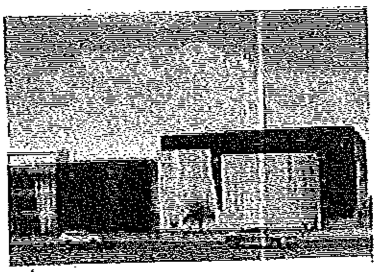
Poland

Project	City	Ownership (%)	GLA (m²)	Market value on completion (€m)[1]	Market value of land and project (€m)[1]	Expected completion
Suwalki Plaza	Suwalki	100%	20,000	48.0	48.0	Operating
Zgorzelec Plaza	Zgorzelec	100%	13,000	24.0	24.0	Operating
Torun Plaza	Torun	100%	40,000	100.0	25.0	Q4 2011
Lodz Plaza	Lodz	100%	45,000	114.5	8.6	2014
Lodz (Resi)	Lodz	100%	80,000[2]	252.4	12.6	
Kielce Plaza	Kielce	100%	33,000	89.3	6.5	2014
Leszno Plaza	Leszno	100%	16,000	5.8	2.0	2014

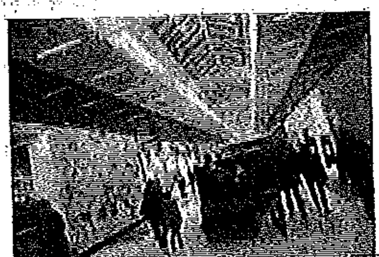
1 Values as per King Sturge valuation report as at December 31, 2010.
2 GBA.

Plaza has already completed nine shopping and entertainment centers in Poland of which seven have already been sold. In March, 2010 the Company opened to the public its eighth shopping and entertainment center in Poland, Zgorzelec Plaza. In May 2010 the company opened its ninth shopping and entertainment center in Poland and the 30th in CEE in Suwalki, Poland. Currently the Group has four sites for the development of shopping and entertainment centers, including Torun Plaza, which is expected to be completed in Q4 2011, and one additional site for residential development.

Suwalki Plaza



Kielce Plaza



Zgorzelec Plaza

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Suwalki Plaza: operating, opened to the public in May 2010

Suwalki Plaza is located in Suwalki, a city crossed by expressway E67(8), which links Augustow with the Lithuanian border. The expressway is to be part of a larger road network called "Via Baltica".

The creation of the Suwalki Special Economic Zone offers new opportunities for trade and commerce. Suwalki is also becoming a tourist destination.

Suwalki Plaza is located in the main commercial and residential district of the city and is fronted by an important arterial route to the East. It is also located on the junction of a street which links directly into the city center. The PKS bus terminal and main railway station are located approximately 1km from the shopping and entertainment center.

Suwalki Plaza is a three-floor shopping and entertainment center with approximately 20,000m² of GLA (anchored by Delima delicatessen, H&M, New Yorker, KappAhl, Deichmann, Douglas, Empik). The entertainment area comprises a three-screen cinema and bowling and entertainment center.

Zgorzelec Plaza: operating, opened to the public in March 2010

Zgorzelec Plaza is located in Zgorzelec in South-west Poland, near the German border.

Thanks to two road border crossings (including one of the largest in Poland), a railway border crossing and the restored Old Town Bridge which connects the old towns of Zgorzelec and Goerlitz (58,000 citizens on the German side), Zgorzelec is called the "gate" between Germany and Poland.

In the vicinity of Zgorzelec there is a spedition terminal, road and a railway (freight) border crossing with the Czech Republic and a freight border crossing with Germany.

The shopping and entertainment center is situated less than five minutes walking distance from the railway station.

Zgorzelec Plaza comprises approximately 13,000m² of GLA and 300 parking spaces anchored by H&M, KappAhl, Douglas, with a Fantasy Park entertainment area.

Torun Plaza: under construction

Torun Plaza is located in Torun, an almost 800-year-old city of 200,000 inhabitants.

Torun is one of the most beautiful cities of Poland located at the intersection of ancient trade routes. Gothic buildings of Torun's Old Town won the designation of a World Heritage Site from UNESCO in 1997.

Torun Plaza will be a three-floor shopping center with approximately 40,000m² of GLA anchored by a supermarket, a department store, a multiscreen cinema as well as a bowling and entertainment area.

The shopping and entertainment center is already 55% pre-let and scheduled to open in Q4 2011.

Lodz Plaza: planning and permits stage

Lodz Plaza is located in Lodz, the second largest city in Poland with 750,000 inhabitants.

Lodz is recognized as an important academic and cultural center in Poland, hosting cultural events such as the Camerimage Festival and Dialogue of Four Cultures Festival.

The site is located in a residential district of the city, with a catchment area of 270,000 people.

Lodz Plaza will be a three-floor shopping and entertainment center with approximately 45,000m² of GLA anchored by a supermarket, a department store as well as a multi-screen cinema, bowling and entertainment area.

Lodz (Resi): under planning

The Group owns part of a development site and has a use-right over the remaining part of the site, located in the center of Lodz, which is suitable for use as a residential area.

The site is located in the central university district of Lodz, within 500m of the popular Piotrkowska pedestrian street, at the intersection of two of the main arteries into the city.

Kielce Plaza: planning and permits stage

Kielce Plaza is located in Kielce, a city of 200,000 inhabitants and catchment of 350,000 inhabitants.

The center will be located on a 30,000m² plot alongside a major road and two kilometers from the heart of Kielce.

Kielce Plaza will have a GBA of 47,000m² with 33,000m² of GLA, and approximately 1,000 car-parking spaces.

Leszno Plaza: under planning

Leszno Plaza is ideally located in the center of Leszno, a city with 64,000 inhabitants.

Leszno is situated in Western Poland between the two big economic centers of Poznan and Wroclaw, and is close to the central railway and bus station.

The planned shopping and entertainment center will comprise approximately 16,000m² of GLA providing more than 70 units, and 450 car-parking spaces.

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Current developments

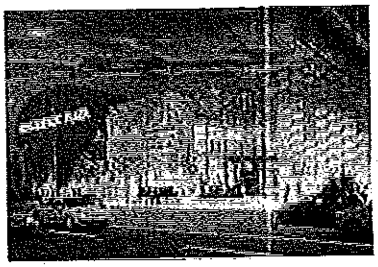
continued

Serbia

Project	City	Ownership (%)	GLA (m²)	Market value on completion (€m)[1]	Market value of land and project (€m)[1]	Expected completion
Kragujevac Plaza	Kragujevac	100%	22,000	54.3	21.5	H1 2012
Sport Star Plaza	Belgrade	100%	45,000	137.0	20.4	2014
Belgrade Plaza	Belgrade	100%	70,000[2]	162.3	74.6	2014

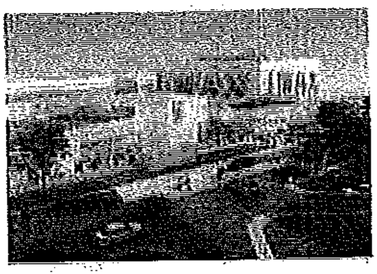
1 Value as per King Sturge valuation report as at December 31, 2010.
2 GBA.

Plaza currently owns three sites in Serbia, two in Belgrade, the capital city of Serbia, and one in Kragujevac. During the third quarter of 2010 the Company commenced the construction of Kragujevac Plaza, which scheduled for completion in the first half of 2012.



Kragujevac Plaza

Belgrade Plaza



Sport Star Plaza

Kragujevac Plaza: under construction

The Group has purchased a 24,500m² plot of land in Kragujevac, the fourth largest city in Serbia with a population of 180,000 inhabitants and catchment area of approximately 220,000 inhabitants.

Kragujevac is the largest city in the Sumadija region and the administrative center of Sumadija district.

Plaza is developing on the land a new shopping and entertainment center, with a total gross lettable area of 22,000m².

The shopping center is expected to be completed in H1 2012 and will include a cinema, fashion retailers, a food court, restaurants and parking spaces for approximately 600 cars.

The center has already seen good interest from retailers and is already 75% pre-let.

Sport Star Plaza: planning and permit stage

The Group has purchased a 31,000m² plot of land in Belgrade, the capital city of Serbia.

Plaza plans to build on the land a new shopping and entertainment center, with a total gross lettable area of 45,000m².

Belgrade Plaza: planning and permit stage

The new complex will be located on the prominent site of the former Federal Ministry of Internal Affairs; situated on the main street which runs through the center of Belgrade. The area is home to foreign embassies, the Serbian Government and the Ministry of Finance. Belgrade chamber of commerce and Belgrade's largest public hospital are also nearby as well as the city fair and the future railway station.

Serbia is one of the South-eastern European nations where Plaza sees strong potential for future investment opportunities. Plaza also believes that the Belgrade market offers particular potential, with its large populated catchment area of approximately 2.5 million people.

Belgrade has not, to date, benefited from "Institutional grade" investment in retail or commercial real estate. This development will have particular significance in terms of providing a new commercial and cultural destination for both domestic and international visitors.

The 70,000m² scheme will comprise an apartment hotel, business center and shopping gallery as well as 700 car-parking spaces.

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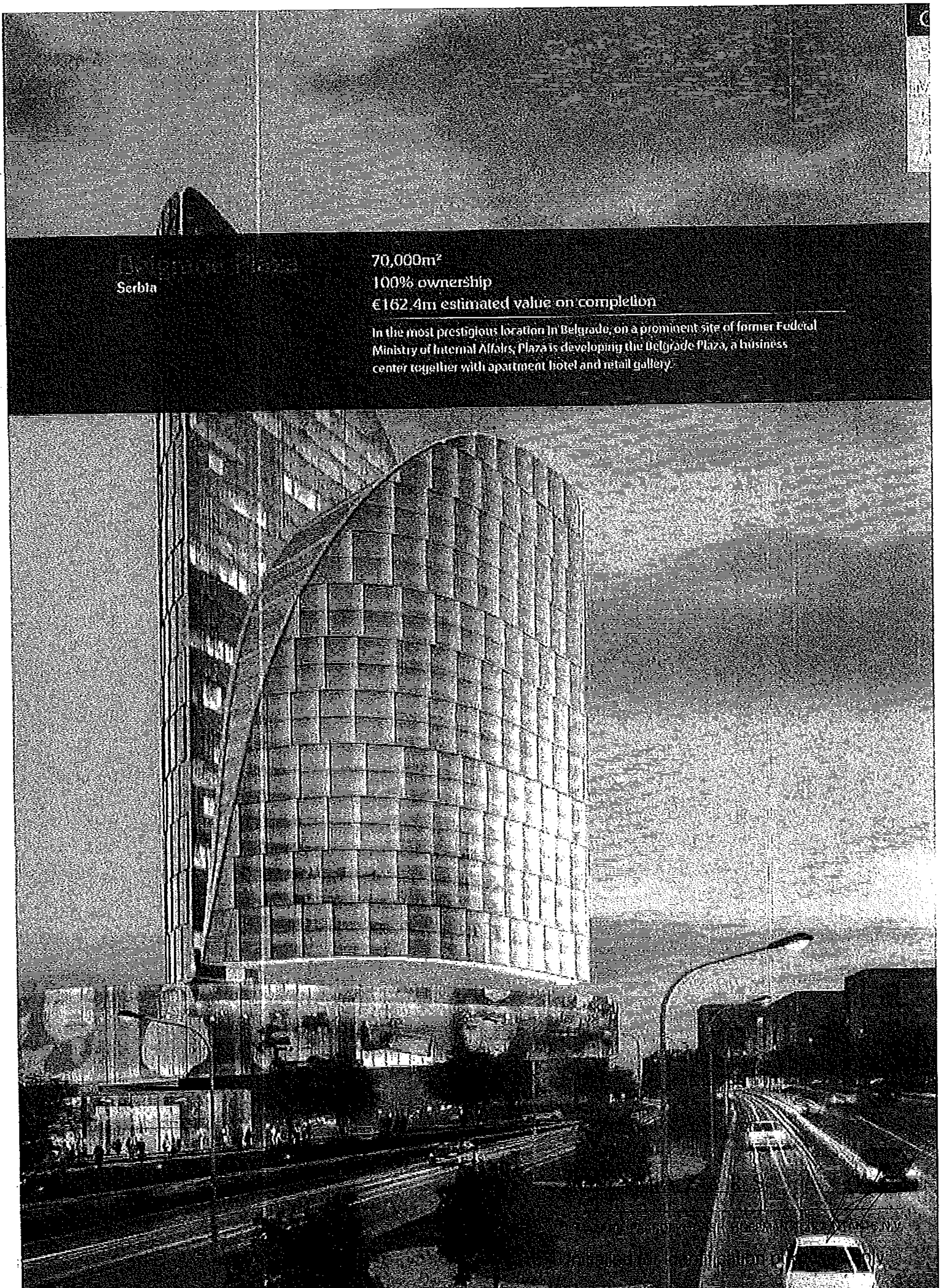


Belgrade Plaza
Serbia

70,000m²
100% ownership
€162.4m estimated value on completion

In the most prestigious location in Belgrade, on a prominent site of former Federal Ministry of Internal Affairs, Plaza is developing the Belgrade Plaza, a business center together with apartment hotel and retail gallery.

Current developments

continued

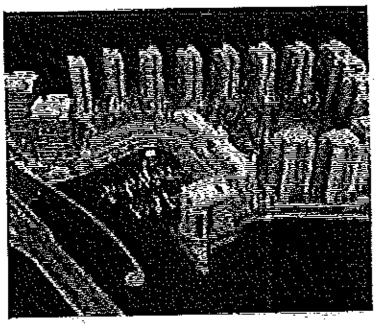
India

Project	City	Ownership (%)	GLA (m^2)	Market value on completion (€m)[1]	Market value of land and project (€m)[1]	Expected completion
Koregaon Park Plaza	Pune	100%	110,000	90.0	59.4	H2 2011 (mall)
Kharadi Plaza	Pune	50%	165,000	69.7	19.0	2011-2014
Trivandrum Plaza	Trivandrum	50%	195,000	50.0	10.1	
Bangalore	Bangalore	23.75%	320,000	153.2	49.1	2012-2017
Chennai	Chennai	38%	200,000	219.1	21.0	2013-2015
Kochi Island	Kochi	23.75%	575,000	155.0	3.5	

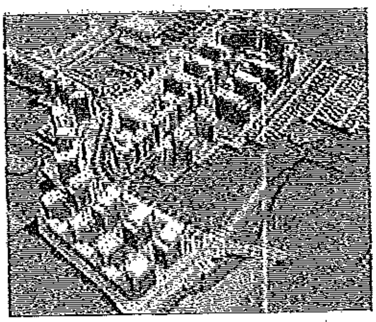
1 Value as per King Sturge valuation report as at December 31, 2010.

The Group is currently developing six large-scale schemes in India, three commercial-led developments and three residential developments. During 2008, Plaza formed a joint venture with Elbit Imaging to develop three mega mixed-use projects in India located in the cities of Bangalore, Chennai and Kochi. Under this agreement Plaza acquired a 47.5% stake in Elbit India Real Estate Holding Limited, which already owned stakes of between 50% and 80% in three mixed-use projects in India, in conjunction with local Indian partners.

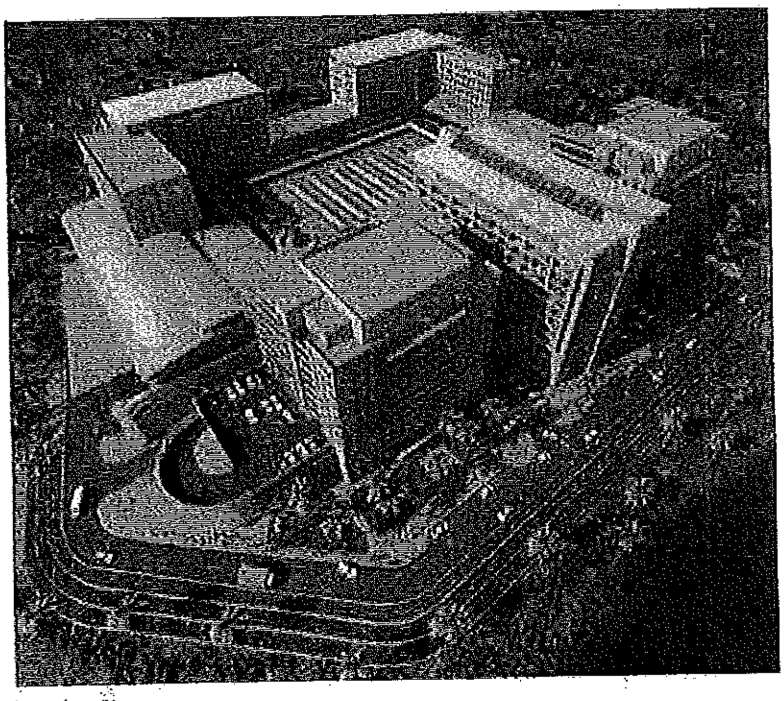
The three residential mega schemes will comprise in total approximately 1.7 million m^2 of built area and the construction of the first two is expected to commence in late 2011/beginning 2012. The Company expects to complete its first shopping and entertainment center in India, the Koregaon Park Plaza, in H2 2011 as well as its first office building in Kharadi, Pune.



Kochi Island



Chennai



Trivandrum Plaza

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Koregaon Park Plaza: under construction

In 2007 Plaza purchased a plot of land of approximately six acres (24,000m²) in Koregaon Park, an up-market area of Pune, Maharashtra State, India.

Plaza is developing the site into a mixed-use scheme with a total GBA of approximately 110,000m² including shopping center (93,000m²) and offices (17,000m²) all inclusive of underground parking.

The project is currently under construction and approximately 55% of the mall is pre-let.

Koregaon Plaza will become the Company's first completed project in India during H2 2011.

Kharadi Plaza: under planning

Plaza Centers is party to a 50:50 joint venture with a local Indian developer which holds 14 acres of land (56,000m²) in the Kharadi area in Pune, Southern India.

The Company intends to develop its plot of land through the construction of three office buildings comprising approximately 165,000m² of gross built area.

Plaza has made good progress with the construction of the first phase, a 28,000m² building known as "Matrix One" which is expected to be completed in H2 2011.

To date, Plaza has pre-sold 70% of the saleable area in Matrix One.

Trivandrum Plaza: under planning

The Group has a site in the city of Trivandrum (with direct linkage to the bypass road which is adjacent to the project premises) on which it intends to develop 195,000m² GBA of a shopping and entertainment center together with office premises and a serviced apartment facility.

Trivandrum is a major city in the South of India. The city is the State of Kerala capital and houses many central and state government offices, organizations and IT companies. Apart from being the political center of Kerala, it is also a major academic hub and is home to several educational institutions. It has a population of three million inhabitants.

Bangalore: under planning

The JV has a 50% stake in a company which holds a 165 acre plot in Bangalore.

The site is located on the Eastern side of Bangalore, India's fifth largest city, with a population of over seven million people.

The JV intends to develop the site into a mega project with a total built area of over 320,000m².

The project will comprise over 1,000 residential luxury villas.

Chennai: under planning

The JV has an 80% stake in a company which holds a 90 acre plot in Chennai.

Chennai is India's fourth largest city with a population of over ten million people.

The site will be developed into an integrated mixed-use project consisting of high-rise residential units and high-quality villas with a total built area of 800,000m².

Kochi Island: under planning

The JV has a 50% stake in a company which holds a 41 acre plot in Kochi.

The site 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 mixed-use project will comprise over 575,000m² of high-end residential apartment buildings, office complexes, a hotel and serviced apartment complex, retail area and marina.

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Casa Radio
Romania

600,000m²
75% ownership
€772.5m estimated value on completion (Plaza share)

In the heart of Bucharest, Plaza is developing its mega mixed-use Casa Radio project, the company's biggest development in Central and Eastern Europe.

Current developments

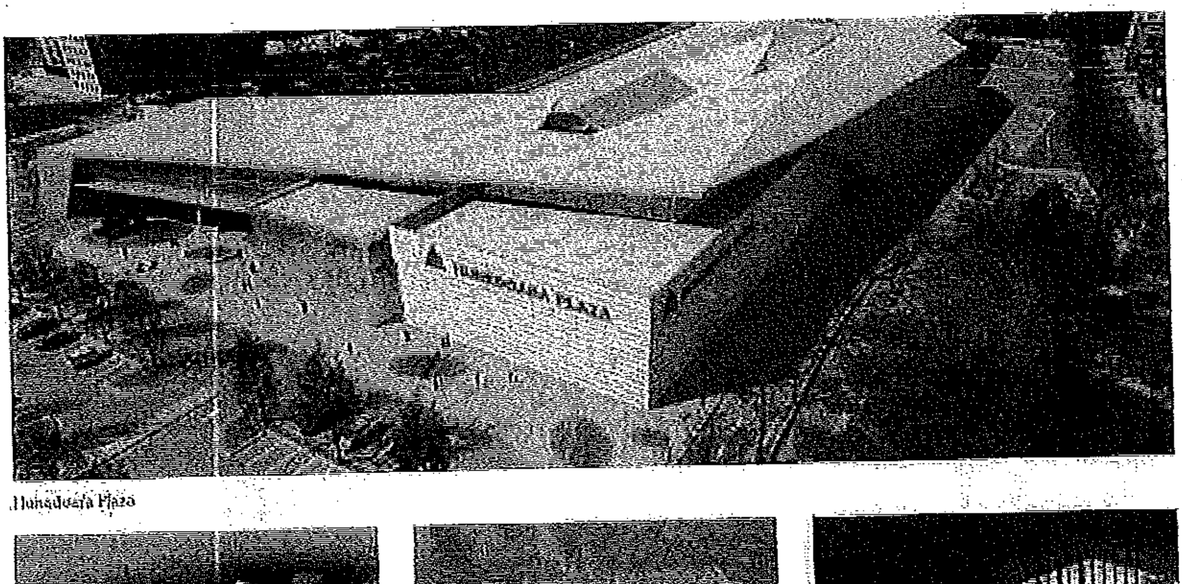
continued

Romania

Project	City	Ownership (%)	GLA (m²)	Market value on completion (€m)[1]	Market value of land and project (€m)[1]	Expected completion
Casa Radio	Bucharest	75%	600,000[2]	777.5	102.4	2013-2015
Iasi Plaza	Iasi	100%	62,000	133.8	17.5	2014
Timisoara Plaza	Timisoara	100%	40,000	95.1	16.4	2014
Targu Mures Plaza	Targu Mures	100%	30,000	55.9	6.1	2013
Constanta Plaza	Constanta	100%	18,000	39.9	11.3	2013
Slatina Plaza	Slatina	100%	17,000	32.5	7.0	2015
Csiki Plaza	Miercurea Ciuc	100%	14,000	26.8	16.6	2013
Hunedoara Plaza	Hunedoara	100%	13,000	29.9	3.0	2013
Palazzo Ducale	Bucharest	100%	700	1.9	1.9	Operating office

1 Values as per King Sturge valuation report as at December 31, 2010.
2 GBA.

Plaza has a significant development pipeline in Romania, with eight sites for shopping and entertainment centers and mixed-use schemes in various stages of development. During 2010, the Group continued with the feasibility and planning phase and made good progress with obtaining permits.



Hunedoara Plaza

Iasi Plaza

Slatina Plaza

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Current developments

continued

Romania continued

Casa Radio: initial construction commenced; approval of the certificate de urbanism has been obtained

Plaza acquired a 75% interest in a company which has entered into a public-private partnership agreement with the Government of Romania to develop the Casa Radio (Dambovita) scheme in Bucharest, the largest development plot available in central Bucharest.

The Romanian Government will remain a 15% partner in the scheme, as well as another developer holding 10%.

The Casa Radio development will comprise approximately 600,000m² of GBA, including 170,000m² shopping mall and leisure center (one of the largest in Europe), ferris wheel, offices, hotel, apartment hotel, casino, hypermarket and a convention and conference hall. The project is the Group's biggest project in Europe and has obtained the approval of the urban technical commission of Bucharest, Romania.

Iasi Plaza: under planning

The Group purchased a 46,500m² plot of land in Iasi (population of 350,000 inhabitants and catchment area of approximately 820,000 inhabitants), a city in the North-east of Romania, which will be developed as a shopping and entertainment center and office space.

The shopping center will comprise approximately 40,000m² of GLA and will include an anchor supermarket, a cinema, fashion retailers, a fantasy park, a food court and restaurants.

There will be office space with GLA of 22,000m².

Timisoara Plaza: under planning

In Timisoara, the Group has a 32,000m² plot of land situated on a three-way junction with excellent visibility.

Timisoara Plaza is situated in the North-east of Timisoara, a city in Western Romania, close to the Hungarian border (population of 350,000 inhabitants, catchment area of approximately 700,000 inhabitants).

The planned shopping center will have GLA of approximately 40,000m² and will include a supermarket, a cinema complex, fashion retailers, a fantasy park, a cinema, a food court and restaurants.

Targu Mures Plaza: under planning

The Group has acquired a 31,000m² site in Targu Mures, Romania, to develop a significant shopping and entertainment center.

The modern, western-style center will have 30,000m² of lettable retail space, comprising more than 140 units.

The proposed development is ideally located near the city center, close to the main road that links to the neighboring towns of Cluj Napoca and Alba Iulia.

Constanta Plaza: under planning

Plaza Centers Romania acquired a 26,000m² plot in Constanta in June 2008. The plot is conveniently located on one of the two main entrance roads to the city and consists of an existing shopping center and an open parking lot of 8,500m².

Constanta is located on the Black Sea bank and is one of Romania's main industrial, commercial and tourist centers.

The Group are investigating the option of adapting the existing shopping center to create approximately 18,000m² of lettable area which will be suitable for a number of larger anchors such as a leading supermarket and/or DIY store and a number of smaller retail units.

Slatina Plaza: under planning

Plaza plans to build a shopping and entertainment center with approximately 17,000m² of gross lettable area and 750 parking spaces.

Slatina is a city with around 80,000 inhabitants and is considered a major city in the county of Olt which has a population of 520,000. It has a strong industrial base, with companies such as Pirelli Tyres located there.

Csiki Plaza: construction commenced in late 2008, awaiting external financing for completion

The Group purchased a plot of land with an area of 33,000m² in Miercurea Ciuc, on which it intends to develop a shopping and entertainment center.

Csiki Plaza is situated in the center of Miercurea Ciuc, a city with a population of 50,000 inhabitants and a catchment area of approximately 300,000 inhabitants. The site is situated 400m from the city hall.

The planned shopping center will have a GLA of approximately 14,000m² and will include a supermarket, fashion retailers, a food court and restaurants.

Hunedoara Plaza: under planning

The Group purchased a 41,000m² plot, near Hunedoara city center.

It is ideally located alongside the main road to the city center, and has a large catchment of 500,000 people in the region.

Palazzo Ducale: operating

Plaza Centers has acquired a prestigious French-style villa converted into an office building. The building is located in the center of Bucharest and was completely renovated in 2005.

The building has become the headquarters of Plaza Centers in Romania.

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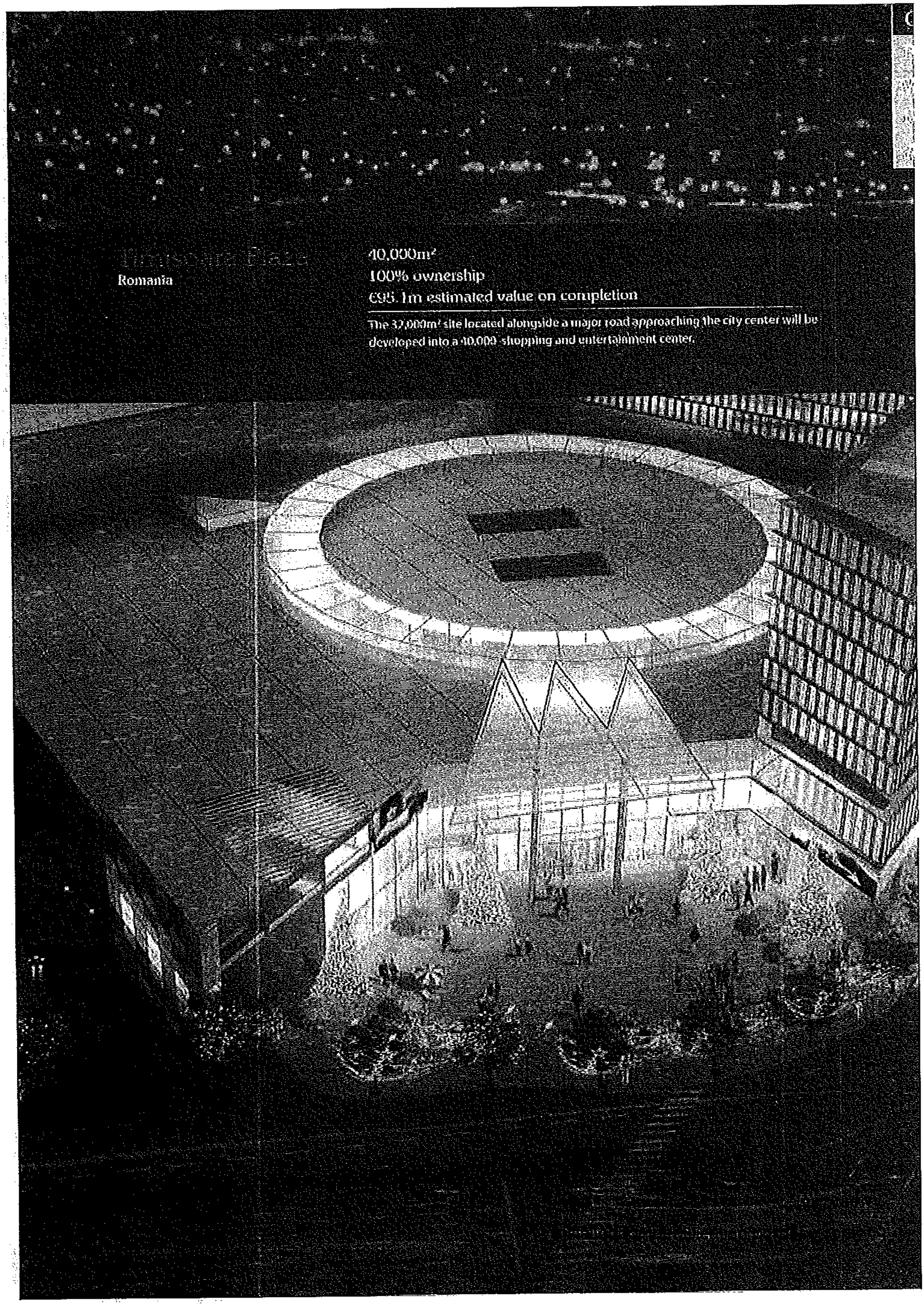
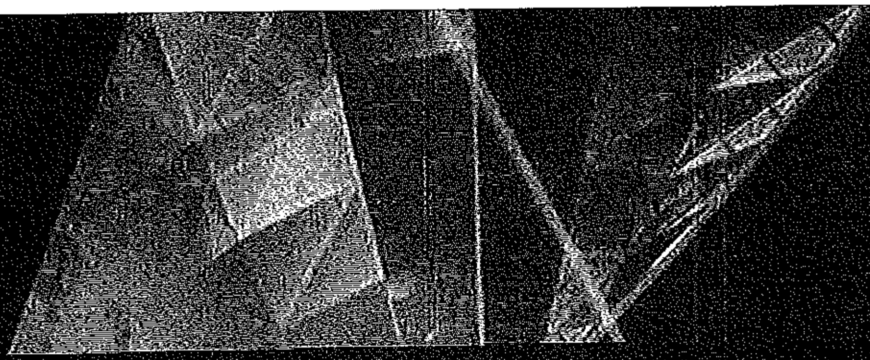
Timisoara Plaza

Romania

40,000m²
100% ownership
€95.1m estimated value on completion

The 37,000m² site located alongside a major road approaching the city center will be developed into a 40,000 shopping and entertainment center.



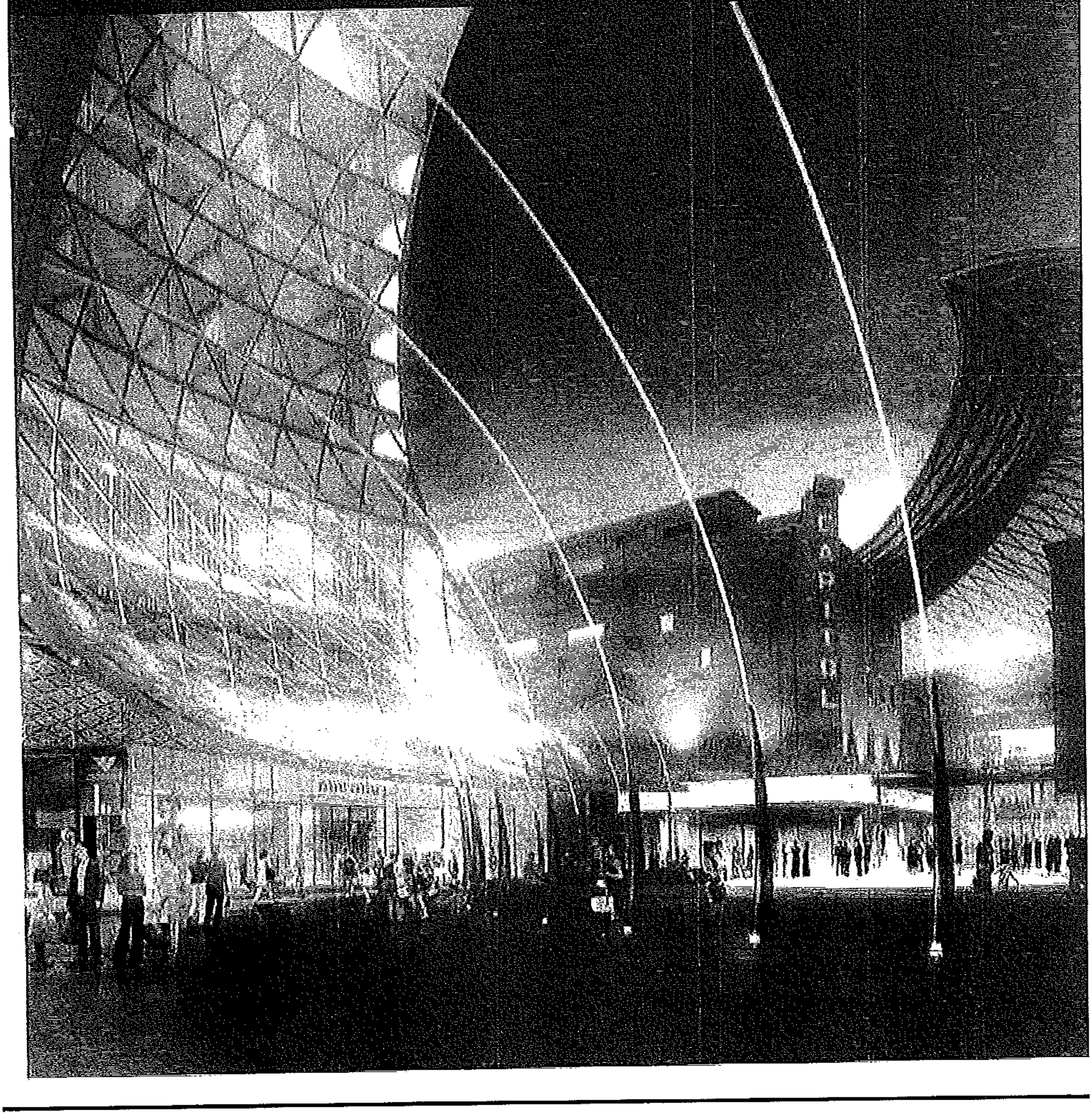


Dream Island

Hungary

350,000m²
43.5% ownership
€467.2m estimated value on completion

A major resort on the Obuda Island in central Budapest. With a land area of 370,000m the development will comprise hotels, Casino and business and leisure complex.



Overview

Current developments

continued

Hungary

Project	City	Ownership (%)	GLA (m²)	Market value on completion (€m)[1]	Market value of land and project (€m)[1]	Expected completion
Dream Island	Budapest	43.5%	350,000[2]	457.2	62.9	2014-2016
Arena Plaza Extension	Budapest	100%	40,000	64.8	9.1	2013
Uj Udvar	Budapest	35%	16,000	3.0	3.0	2013
David House	Budapest	100%	2,000	4.2	4.2	Operating

1 Value as per King Sturge valuation report as at December 31, 2010.
2 GBA.

Plaza has already completed and sold 17 shopping and entertainment centers and one office building in Hungary. During 2007, The Arena Plaza shopping and entertainment center, which was developed by Plaza, was sold to aAIM for a total consideration of circa €387 million, representing circa 20% of all real estate transactions in Hungary in 2007 and currently is one of the most successful shopping and entertainment centers in the Hungarian capital. Plaza currently owns one office building and three development sites in Hungary, including the Dream Island mega scheme which is intended to be developed as a major resort area including hotels, recreation facilities, a casino and a business and leisure complex.

Dream Island: initial excavation and archaeological works commenced, casino license for 20 years (+ ten years option) obtained

Plaza holds a 43.5% stake in Dream Island, a prestigious development on the Obuda Island in central Budapest, with a land area of 240,000m², which is intended to be developed as a major resort area including hotels, recreation facilities, a casino and a business and leisure complex comprising 350,000m² GBA.

Arena Plaza Extension: under planning

Arena Plaza Extension is a planned office addition to the Arena Plaza that will comprise GLA of approximately 40,000m².

The development will offer A-class offices in a central location in Budapest.

The Arena Plaza Extension will occupy part of the former historic Kerepesi trotting track.

Uj Udvar: operating, currently working on refurbishment plans

In September 2007, the Company bought a stake in a company holding Uj Udvar shopping center in Budapest. Subsequently, Plaza's interest in the asset is 35%.

Uj Udvar is located in the center of the third district of Budapest, next to the Kolosy square on the Becsi street, surrounded by housing estates, office buildings and family houses.

The shopping center is currently active and has approximately 12,000m² of GLA and approximately 14,000m² of parking areas.

Uj Udvar shopping center shows significant redevelopment potential for refurbishment and subsequent sale.

David House: active office building, mainly serves as Plaza Centers' headquarters in Hungary

The Company owns an office building located on Andrássy Boulevard, a prestigious location and one of the most sought-after streets in the center of Budapest with several foreign embassies situated nearby.

The facades of all buildings on the Andrássy Boulevard, including David House, are listed in the "World Heritage" list.

The building was reconstructed/refurbished by the Group during 2000/2001 in co-operation with the local monument preservation authority. Many of the original features have been retained, including the inner courtyard, staircases, stucco, ornate metalwork and fine wood carvings.

The building is located on a 796m² plot and consists of four floors, an atrium and a basement, with a total constructed area of approximately 2,400m².

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Overview

Current developments

continued

Czech Republic

Project	City	Ownership (%)	GLA (m²)	Market value on completion (€m)[1]	Market value of land and project (€m)[1]	Expected completion
Prague 3	Prague	100%	61,600[2]	156.7	16.2	
Liberec Plaza	Liberec	100%	17,000	33.7	33.7	Operating
Roztoky	Prague	100%	14,000[2]	19.3	3.3	2013-2014

1 Value as per King Sturge valuation report as at December 31, 2010.
2 GBA.

In March 2009, Plaza opened to the public its third shopping and entertainment center in Czech Republic, the Liberec Plaza (approximately 17,000m² GLA) in the city of Liberec. Plaza continues the feasibility and planning of its residential developments at Roztoky (14,000m²) and Prague (61,600m²). In addition, Plaza owns an income-generating office and warehouse building in Prague which is designated to be re-zoned for a scheme of 61,600m² of residential units.

Prague 3: currently operating as an office building and warehouse short lease, future residential use is in progress and is expected to be obtained in H2 2010

The Praha Plaza s.r.o., Company's wholly owned subsidiary, owns a logistics and commercial center in the Prague III district.

The buildings are located on a site of approximately 46,500m² with current total GLA of approximately 44,300m² and potentially 61,600m² built area for future residential use.

The Prague III district has a number of major domestic and multinational companies such as Vodafone, Cesky Telecom and others. The area also has an extensive range of public services

Due to planning difficulties, it is not possible to develop the site into a shopping and entertainment center. Due to its strategic location and good public transport connections, the Group is currently examining the possibilities of developing a residential complex on the site with a three-phase construction program comprising 61,600m² of built area.

Liberec Plaza: completed, opened to the public

Liberec Plaza is located in the center of Liberec, a city in the North of the Czech Republic, close to the border with Germany and Poland, with a population of 98,000 and a catchment area of approximately 350,000 inhabitants.

The site is situated 20m from the city's main square.

The shopping and entertainment center, which was completed in March 2009, comprises 17,000m² of GLA including an anchor supermarket, fashion retailers, a food court and restaurants.

The center also includes approximately 1,000m² of residential apartments and 1,100m² of office space.

Roztoky: planning and permits stage

The Group owns 39,000m² of land in Roztoky, a town located North-east to Prague on the way to the airport (6,500 inhabitants). The site is located on the West side of the town, on a hill and attached to a park

The Company intends to develop a residential compound which will include 15 row houses and 64 semi-detached units of 150-200m² each.

The plot includes a valid planning permit for 81 units of family houses.

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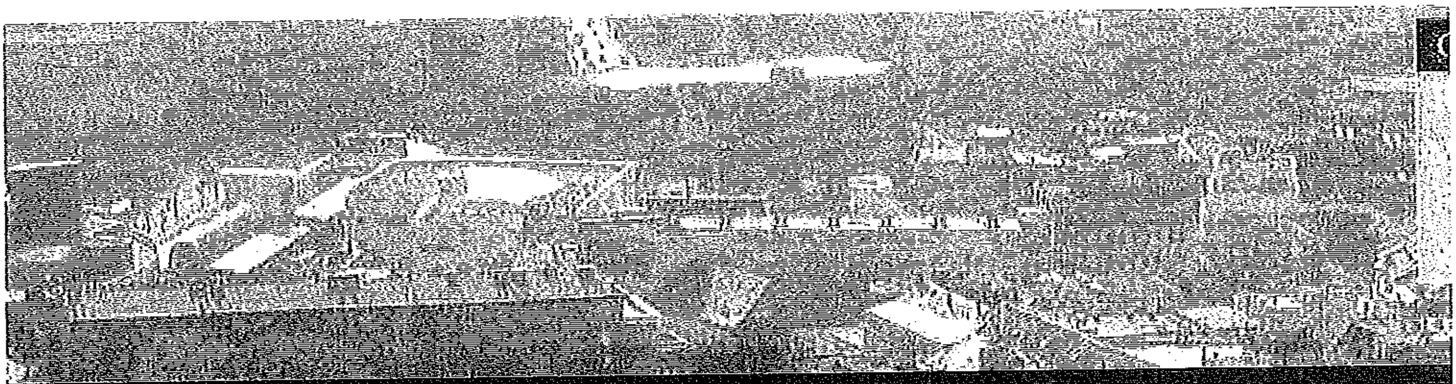
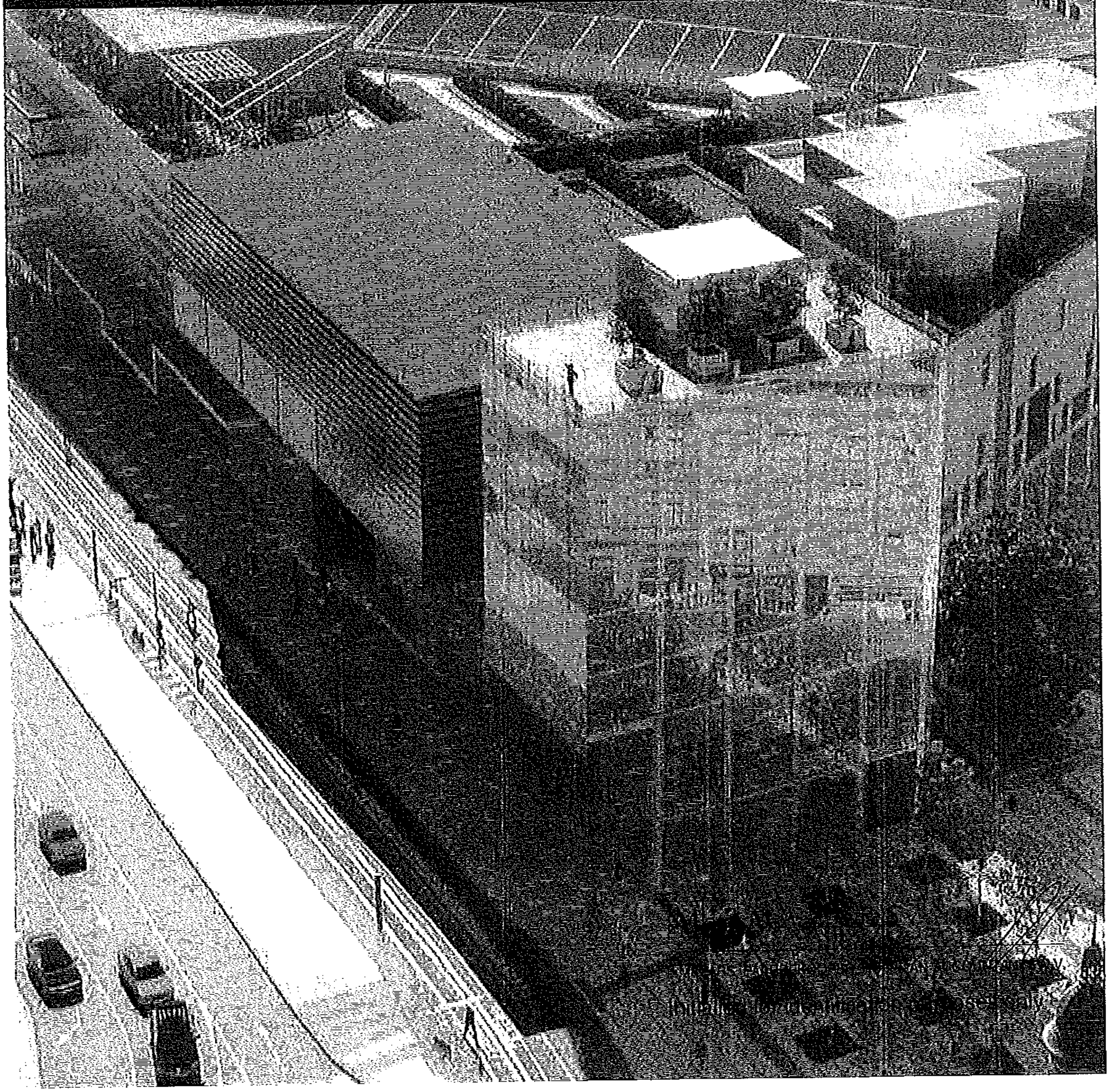


Liberec Plaza

Czech Republic

17,000m²
100% ownership
€33.7m estimated value on completion

Located in the center of Liberec near the city's main square, Liberec Plaza, our third shopping and entertainment center in the Czech Republic, was opened in March 2009. Comprising 17,000m² GLA, the center also includes approximately 1,000m² of residential apartments and 1,100m² of office space.



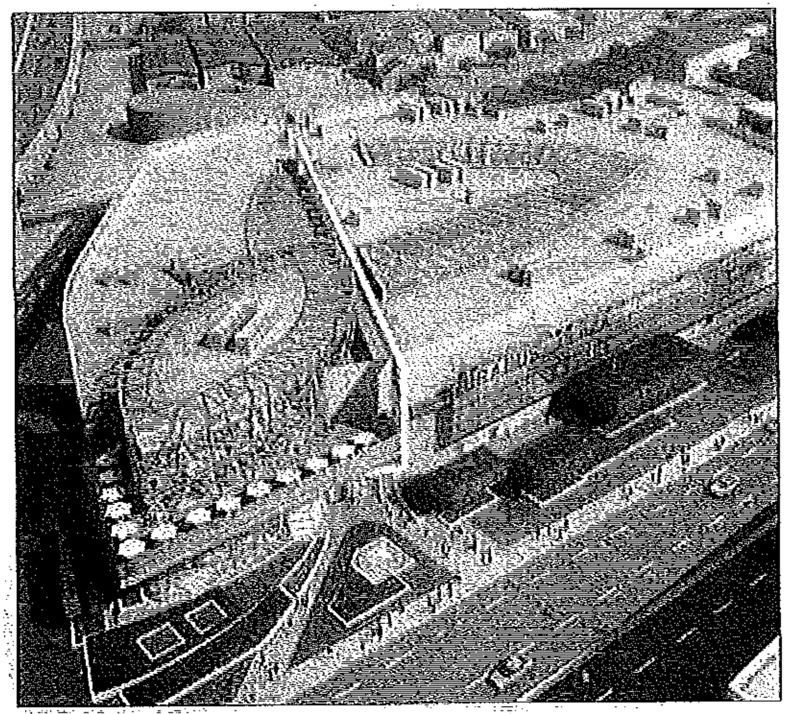
Current developments
continued

Latvia, Greece, Bulgaria

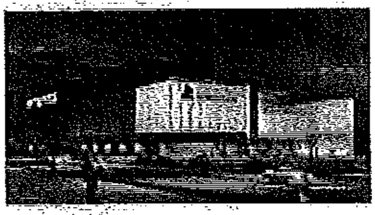
Project	City	Ownership (%)	GLA (m²)	Market value on completion (€m)[1]	Market value of land and project (€m)[1]	Expected completion
Latvia						
Riga Plaza	Riga	50%	49,000	51.0	51.0	Operating
Greece						
Piraeus Plaza	Athens	100%	26,000	125.9	34.3	2014
Bulgaria						
Sofia Plaza Business Center	Sofia	51%	44,000	41.5	7.5	–
Shumen Plaza	Shumen	100%	20,000	37.6	6.1	2013-2014

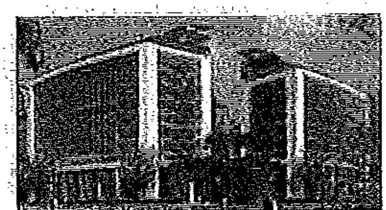
1 Value as per King Sturge valuation report as at December 31, 2010

In March 2009, Plaza completed the development of Riga Plaza shopping and entertainment center, its first development in the Baltic states. Plaza is currently developing one shopping and entertainment center and one mixed-used project in Bulgaria. During 2010, Plaza received a building permit for its planned development in Piraeus, Athens, which will comprise 26,000m² GLA. The Company intends to start the construction in 2012 and has already made good progress in its discussions with banks to secure funding for the scheme.


Piraeus Plaza

Riga Plaza


Shumen Plaza


Sofia Plaza Business Center

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Bulgaria

Sofia Plaza Business Center: under planning

In February 2009, the Group acquired a controlling stake in a 75,000m² project in Sofia, the capital of Bulgaria.

Plaza shall retain the right to acquire a further 24% stake in the project within six months following the start of construction.

The project will be situated on a 9,500m² site on a main junction at the South-west side of the city, 3km from the top center and very close to Lulin (the biggest neighborhood in Sofia). It will be easily accessible by foot, car and public transportation.

Sofia Plaza will be developed as 44,000m² GLA of retail and business complex, served by 900 underground parking spaces.

The project has a valid planning permit for the office scheme and is currently being leased to a hypermarket operator.

Shumen Plaza: under planning

The Group has purchased a 26,000m² plot of land in Shumen, one of the largest cities in North-eastern Bulgaria, 80km from Varna.

The site is ideally situated at the crossroad of the two major traffic arteries in Shumen, within short walking distance of the city center, railway station and University.

It will be the first western-style shopping center in the district and shall serve the city population of 100,000 people and a larger catchment of 205,000 people.

Shumen Plaza will be a three-floor commercial and entertainment complex with 20,000m² GLA and 650 parking spaces.

The shopping center will include supermarket, digital cinema, 70 retail shops, entertainment complex with bowling, billiards and games, food court, restaurants and cafes.

Latvia

Riga Plaza: completed, opened to the public

In March 2004, the Group entered into a 50:50 JV with an American capital fund with extensive experience in Latvia for this project.

Riga Plaza is located on the West bank of the Daugava River, south-west of Riga's city center (population of approximately 740,000 people, the largest city in the Baltic states) with excellent transportation connections to the city center and primary catchment of 350,000 inhabitants.

Riga Plaza is a three-floor shopping and entertainment center with a GLA of approximately 49,000m², anchored by a hypermarket, an eight-screen multiplex cinema and 2,000m² bowling and entertainment area.

Greece

Piraeus Plaza: under planning

The Group currently owns a plot of approximately 15,000m² in the city of Piraeus, a commercial-industrial center – only 10km from the heart of Athens.

The site has an ideal highly visible and commercial position at the junction of two of the biggest arteries in Attica: National Highway, running from the North to the South of Greece and Piraeus Avenue, connecting the center of Athens with the port of Piraeus. Conveniently located in front of the ISAP metro line, bus stations and in walking distance of Europe's largest passenger port of Piraeus, the project will be easily accessed by a large catchment of more than one million people.

Piraeus Plaza will be a three-storey commercial and entertainment complex with 26,000m² GLA and will be served by four underground parking levels for 775 cars.

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Chairman's statement

Mordechay Zisser

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 further strong performance in the coming years.

Milestones

Strong financial position
Total assets exceeded €1.4 billion at the year end and Plaza maintained a strong cash position with net working capital of €713 million; conservative gearing position maintained at 56%.

Acquisition programme in the US
Completion of first investment in the real estate market of the United States with a circa US$116 million investment in Macquarie DDR Trust ("Trust"), an Australian publicly traded trust (ASX: EOT), a sale and purchase agreement signed for a second portfolio of assets for a total purchase price of US$75 million.

Completion of developments
Two major shopping centers were completed during the year. Completion and opening of shopping centres in Zgorzelec and Suwalki in Poland in March and May 2010. Suwalki is the Company's 30th shopping mall in the CEE region.

Construction in Poland
Construction of Plaza's tenth retail scheme in Poland, the 40,000m² GLA Torun Plaza, commenced in September 2010 and is expected to complete in Q4 2011. The centre is already 55% pre-let.

Progress in India
Encouraging progress was made during 2010 on the construction and letting of the 110,000m² mixed-use scheme in Pune, the Koregaon Park Plaza, which will comprise a shopping center and office space. Completion is expected in H2 2011, and is already over 50% let.

Plaza has made good progress with the construction of the first phase of the Kharadi project in Pune, a 28,000m² GBA office building known as "Matrix One". To date, Plaza has pre-sold 70% of the saleable area.

Project finance
Loan agreements signed for financing 70% of the development costs for a new shopping center at Kragujevac, Serbia and a development loan covering 70% of the development costs for a new shopping center in Torun, Poland.

Capital markets
Plaza raised gross proceeds of approximately €78 million from the issue of debentures to Israeli and Polish institutional investors during 2010 and a further [illegible] million at the start of 2011. This was an exceptional achievement, given debt market conditions, with significant support shown by investors.

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I am pleased to report that during the reporting period, Plaza has continued to advance its targeted development program 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 program to ensure that it can deliver shopping centers into markets with the highest retail demand. We achieved a number of development milestones throughout the year and most notably completed our 30th shopping center 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 centers and the Company's US investment, whilst an active balance sheet management program ensures the 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 and 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 centers in Zgorzelec and Suwalki in Poland in March and May 2010. Suwalki is the Company's 30th shopping mall in the CEE region.

Loan agreements signed for financing 70% (circa €33 million) of the development costs for a new shopping center at Kragujevac Serbia and a development loan covering 70% (€52.5 million) of the construction costs of a 39,000m² GLA shopping center 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 favorable to the Company. The bonds issued in Israel are rated ilA/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 program 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 totaling 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.

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Chairman's statement

continued

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 the bargain purchase of the highly accretive EDT in the US and from the increase in the value of the two completed shopping and entertainment centers in Suwalki and Zgorzelec in Poland which were completed and opened during H1 2010.

The Company's NAV was calculated as follows:

Use	€000
Market value of land and projects by King Sturge LLP[1]	840,741
Assets minus liabilities as at 31 December 2010[2]	(165,598)
Total	675,143

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 ([illegible] 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 December 31, 2010, the resulting NAV per issued share was £1.96 (December 31, 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 March 23, 2010, is summarized as follows:

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

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 and 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 December 31, 2010 totaled €713 million (December 31, 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 program 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%).

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The combination of Plaza's strong balance sheet and exceptional operational track record has meant that it has been able to successfully secure funding for new developments during the year. The new debt, totaling 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 unrivaled 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 30th CEE shopping center. To date, 26 of these have been subsequently sold with an aggregate gross value of circa €1.16 billion. These disposals comprise 17 shopping centers in Hungary, seven in Poland and two in the Czech Republic, with the remaining four shopping centers 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 a high level of pre-sales to date (70%). We also expect to open our first shopping and entertainment center 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 centers, 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 further strong performance in the coming years.

Mordechay Zisser
Chairman
April 28, 2011

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Chief Executive's review

Ran Shtarkman

As one of the only active developers in the CEE region, Plaza is strongly positioned to capitalize 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 centers per year throughout our 15-year history.

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.

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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 centers across the US and signing a sale and purchase agreement to acquire a further seven shopping centers.
- 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 stands 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 centers 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 summarized in the table below:

Asset/Project	Location	Nature of asset	Size m^2 (GLA)	Plaza's effective ownership %	Status[1]
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 Q3 2011

[1] All completion dates of the projects are subject to securing external financing.

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Chief Executive's review

continued

Asset/Project	Location	Nature of asset	Size m² (GLA)	Plaza's effective ownership %	Status*
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 Republic	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 Republic	Retail and entertainment scheme	17,000	100	Operating, opened in March 2009
Roztoky	Prague, Czech Republic	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 and entertainment scheme	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

* All completion dates of the projects are subject to securing external financing

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Asset/Project	Location	Nature of asset	Size m² (GLA)	Plaza's effective ownership %	Status*
Belgrade Plaza	Belgrade, Serbia	Apart-hotel and business center 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 hypermarket 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

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Chief Executive's review

continued

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 40,000m² of GLA. Arena Plaza, which the Company developed and sold in 2007, remains one of the most high-profile and successful shopping centers 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 320,000m². 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 350,000m² 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 ten years. The project is intended to be completed in phases between 2014 and 2016.

In accordance with its strategy to acquire operating shopping centers that show significant redevelopment potential for refurbishment and subsequent sale, in September 2007 the Company bought a 35% stake in the Uj Udvar shopping center in Budapest, Hungary. The shopping center 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 centers: in Suwalki (comprising approximately 20,000m² of GLA and forming the 30th completed center constructed by Plaza in the CEE region) and in Zgorzelec (comprising approximately 13,000m² of GLA). The centers were approximately 80% and 75% let on opening, respectively.

Construction of Torun Plaza (comprising approximately 40,000m² 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 33,000m² of GLA), in Leszno (comprising approximately 16,000m² of GLA) and two schemes in Lodz, Lodz Residential (designated for residential use) and Lodz Plaza (comprising approximately 45,000m² of GLA).

Czech Republic

Plaza continues to hold Liberec Plaza shopping and entertainment center (approximately 17,000m² GLA), which was opened in March 2009. Plaza has agreed lettings totaling 72% of the center'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 (14,000m²) and Prague 3 (61,600m²). 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 600,000m² of GBA, including a 170,000m² GBA shopping mall and leisure center (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 (14,000m² 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 18,000m² and completion is expected in

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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:

Location	Fountain Park Bucharest	Acacia Park Ploiesti	Primavera Tower Ploiesti	Green Land Ploiesti	Poiana Brasov Brasov	Primavera Tower Brasov	Pinetree Glade Brasov	Total
Plaza-Bas Share	25%	50%	50%	50%	50%	50%	50%	–
Nature	Residential	Residential	Offices	Residential	Residential	Offices	Residential	–
Size (m^2)	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 49,000m² 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 center to 84%. Discussions are ongoing with potential occupiers for the remaining space at the center 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 center of Belgrade in a neighborhood of Government offices and foreign embassies. On completion, the scheme, Belgrade Plaza, will comprise an apartment-hotel, business center and shopping gallery totaling circa 70,000m² 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 center in Belgrade called Sport Star Plaza with a total GLA of approximately 45,000m². 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 center will comprise approximately 22,000m² of GLA. Construction commenced in Q4 2010 and the opening is planned for H1 2012. The center has already seen good interest from retailers and is already 75% pre-let.

Greece

Plaza owns a 15,000m² plot of land centrally located in Piraeus Avenue, Athens. During 2010 Plaza obtained updated building permits for the construction of a shopping center totaling approximately 26,000m² 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 25,000m² plot of land in Shumen, the largest city in Shumen County, which it intends to develop into a new shopping and entertainment center with a total GLA of 20,000m². The Company is currently finalizing 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 44,000m² 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 110,000m² which will comprise a shopping center and office space. Construction is already under way with development finance secured totaling approximately US$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 center 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 165,000m² of GBA including parking). The second is in Trivandrum, the capital city of the State of Kerala, and totals approximately 195,000m² of 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.

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Business review

Chief Executive's review

continued

Plaza has made good progress with the construction of the first phase of Kharadi, a 300,000 ft^2 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 US$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 US$36.5 million. Plaza therefore anticipates this will deliver a development pre-tax profit of approximately US$13.0 million.

During 2008, Plaza formed a joint venture with Elbit Imaging ("the 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 320,000m^2 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 800,000m^2. Chennai is India's fourth largest city with a population of more than ten million people.

Kochi Island – A 50:50 partnership with a prominent local developer, this mixed-use project will comprise more than 575,000m^2 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 center 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 centers 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 ft^2 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 US$100 million net operating income per annum.

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

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Among our first actions in EDT:

- the entire corporate company debt of US$108 million was repaid
- major refinances in two portfolios of assets were closed for a sum of US$380 million with long maturities and attractive rates 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 centers located in the US for a total purchase price of US$75 million from certain affiliates of Charter Hall Retail REIT. Out of the total purchase price of US$75 million, US$22.7 million will be paid through the assumption of property-level debt.

The portfolio of shopping centers comprises four assets located in Georgia, two in Oregon and one in Florida, with a total GLA of approximately 650,000ft² (circa 60,000m²) and a current occupancy rate of approximately 91%. Net operating income from the seven assets totals circa US$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 program, 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 centers. 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 and 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
April 28, 2011

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Financial review

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Results

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

As Plaza focuses its business on the development and sale of shopping and entertainment centers, 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 realizations. 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 December 31, 2010 increased to €38 million (2009: €16 million) as there were more assets in operation compared to 2009 (increase of €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 totaled €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 US$50 million out of US$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 July 1, 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 recognized gain amounted to €38 million.

Net finance expenses have increased to a loss of €71 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 [illegible] million in 2010, compared to €65 million loss in 2009. The change is caused by the

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increased 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 December 31, 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 centers 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 amortized 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 centers in the first half of 2010.

Non-controlling interest increased to €24 million at December 31, 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 centers, in Torun, Kragujevac and Koregaon Park, resulting in an active portfolio of seven shopping and entertainment centers in the CEE region and India. The additional material expected income from these centers, 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
April 28, 2011

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Business review

Valuation summary by King Sturge LLP

as at December 31, 2010

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	467,225,000	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	50,425,000	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	5,335,000	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
Total		3,853,208,000	3,737,000,000	840,741,000	778,000,000

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 center development.
Plaza Centers has a 35% interest in the Uj Udvar shopping center 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 35% 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.

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Management structure

Plaza Centers' Board

Executive directors

- Mordechay (Motti) Zisser – Chairman
- Ran Shtarkman – President & CEO

Directors

- Shimon Yitzhaki – Director
- Edward Paap – Director
- Marco Wichers – Director
- Marius van Eibergen Santhagens – Director

- Oversight of Company strategy and all project development decisions
- Wide-ranging property development expertise
- Review and approval of business plan and budgets
- Active management and monitoring of development risks

Senior management

- Ran Shtarkman – President & CEO
- Roy Linden – CFO
- Uzi Eli – General Counsel
- Ami Hayut – Chief Engineer
- Functional Management Support

- Experienced property development professionals with global property development expertise
- Responsible for sourcing development projects
- Development of business plans
- Overseeing the management of development projects

Local country management

- Eli Mazor – Country Director (Poland & Latvia), Regional Marketing Director (Europe)
- Sagiv Meger – Country Director (Czech Republic & Serbia)
- Luc Ronsmans – Country Director (The Netherlands & Romania)
- Yossi Ofir – Country Director (India)
- Daniel Belhassen – Country Director (Bulgaria & Greece), Head of shopping centers management
- Alexander L. Berman – Country Director (USA)

- Extensive local experience
- Cultivating connections within market to source opportunities
- Day-to-day management of local operations and developments

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Board of Directors and Senior Management

Executive Directors

Mordechay Zisser, Chairman (male, 55, Israeli)

Mordechay Zisser is the founder and Chairman of the Europe Israel Group of companies, of which Plaza Centers is a member. During more than 25 years' active involvement in some of the world's most prestigious real estate developments, he has led successful projects in Israel, Western Europe, Central and Eastern Europe (CEE), South Africa and India. Mr Zisser was appointed as Executive Director and Chairman of the Board of Directors of the Company on August 17, 2006 and reappointed in 2008 for an additional three years.

Ran Shtarkman, President and CEO (male, 43, Israeli)

Ran Shtarkman (CPA, MBA) joined Plaza Centers in 2002, becoming Chief Financial Officer in 2004 and CEO in September 2006. He was additionally appointed as Executive Director on October 12, 2006 (and reappointed in 2008 for an additional three years), as President in 2007 and as Co-CEO of Elbit Imaging Ltd. in January 2010. Previous roles include CFO of SPL Software Ltd., Finance and Administration Manager for Continental Airlines' Israeli operations and Controller of Natour Ltd.

Non-executive Directors

Shimon Yitzhaki (male, 55, Israeli)

Shimon Yitzhaki (CPA), Chairman of Elbit Imaging Ltd. (the Company's indirect controlling shareholder) since January 2010 (prior to that he was the President of Elbit Imaging Ltd. since 1999). Mr Yitzhaki has been with the Europe Israel Group since 1985 and has held several positions within the Group, among which, he served as Executive Director of Plaza Centers for the period commencing on March 3, 2000 and ending on October 12, 2006, thereafter he was appointed as Non-executive Director of Plaza Centers for a period of three years and reappointed in 2010 for an additional three years.

Edward Paap (male, 47, Dutch)

Edward Paap is an expert in international tax, having gained a master's degree as a tax lawyer from the University of Leiden. Following seven years as a tax adviser in a medium-sized accountancy practice, working principally in the international tax field, since 1997 he has been acting as Managing Director of an Amsterdam-based Trust Office with many international clients. Mr Paap served as Executive Director of Plaza Centers for the period commencing on March 3, 2000 and ending on October 12, 2006, thereafter he was appointed as Non-executive Director of Plaza Centers for a period of three years and reappointed in 2010 for an additional three years.

Independent Non-executive Directors

Marius van Eibergen Santhagens (male, 59, Dutch)

Marius van Eibergen Santhagens has over 25 years at the forefront of corporate finance and change management, with a specialist focus on leisure since 2000. Today, he is the General Manager and owner of Leisure Investments & Finance B.V., prior to which he was a consultant at Beauchamp Leasing and Metro B.V. and held a number of positions at Generale Bank Nederland B.V. Mr van Eibergen Santhagens was appointed as Non-executive Director of Plaza Centers on November 1, 2006 and reappointed in 2009 for an additional three years.

Marco Wichers (male, 51, Dutch)

Marco Wichers is the CEO and owner of AMGEA Holding BV and the CEO of real estate consultancy AMGEA Vastgoed Adviseurs B.V. Previously, he was the CEO of two New York-based manufacturing companies – Branco International Inc. (1988-1995) and Cravat Club Inc. (1983-1995), which he also owned. Mr Wichers was appointed as Non-executive Director of Plaza Centers on November 1, 2006 and reappointed in 2009 for an additional three years.

Senior Management

Roy Linden (34) BBA, CPA (USA, Isr), Chief Financial Officer

Roy Linden joined Plaza Centers in November 2006 and acts as the Group's CFO. Prior to joining the Company, he spent nearly four years at KPMG in Hungary, acting as Manager in the real estate desk, specializing in auditing, business advisory, local and international taxation for companies operating throughout the CEE region. He also spent three years at Ernst and Young in Israel, as a senior member of an audit team specialized in high-tech companies.

Ami Hayut (45) BSc, Chief Engineer

Ami Hayut joined Plaza Centers in November 2008 and acts as the Group's Chief Engineer and Head of Construction. Prior to joining the Company he acted as a management member in a project management firm, Nizan Inbar Ltd, and for the last 15 years acted as the head of management teams of various multidiscipline complex projects and as a member of the Ben Gurion Airport management in Israel (1995-1997).

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Uzi Eli (35), LLB, Attorney at Law (Isr), MBA, General Counsel and Compliance Officer
Uzi Eli joined Plaza Centers as the Group's General Counsel and Compliance Officer in 2007. Prior to joining the Company, he practiced law in two of the leading commercial legal firms in Israel. His main practice was concentrated in commercial and corporate law, providing ongoing legal services to corporate clients (mainly to hi-tech and bio-tech companies, and venture capital funds) in all aspects of corporate governance, and representation in various transactions, such as financing and M&A transactions and other wide varieties of licensing and technology transactions.

Luc Ronsmans (60), MBA, Netherlands and Romania Country Director
Luc Ronsmans joined the Europe Israel Group in 1999. Located in Amsterdam and Bucharest, he acts as Manager for European operations for both the Company and its Group affiliates. Prior to joining the Europe Israel Group, he was active in the banking sector, holding managerial positions with Manufacturers Hanover Bank, Continental Bank (Chicago), AnHyp Bank and Bank Naggelmachers in Belgium.

Eli Mazor (56), Regional Marketing Director and Poland and Latvia Country Director
Eli Mazor, who acted as a Regional Marketing Manager in Poland since joining the Group in 2005, was appointed Poland Country Director and Regional Marketing Director in 2007 and Latvia Country Director in 2009. Prior thereto, he acted as the CEO of a shopping center in Israel.

Yossi Ofir (54), Republic of India Country Director
Yossi Ofir joined Plaza Centers in 2008 as a Country Director for the Republic of India. Prior to joining the Company, he acted as Head of the Commercial Department in Pelephone Communication Ltd. (a leading company in the Israeli telecommunications sector). Prior to this position he acted as Head of the National Marketing Department in an Israeli credit card company.

Sagiv Meger (33), Republic of Serbia and Czech Republic Country Director
Sagiv Meger joined the Company in late 2007 as the Country Director of Plaza Centers Serbia and was appointed as Country Director of the Czech Republic in 2009. Prior to joining Plaza Centers he was the COO of a company based in Angola, Africa for four years, supporting over 50 various projects, ranging from telecommunications, real estate, agriculture to military intelligence. He gained an extensive range of first-hand experience in previous management positions.

Daniel Belhassen (41), LLB in Law and BA in Economics and Business Administration, Republic of Bulgaria and Greece Country Director and Head of Shopping Centers Management
Daniel Belhassen joined the Plaza team in the beginning of 2008, as the Country Director for Plaza Centers Bulgaria and since the beginning of 2009 for Greece as well. Prior to joining Plaza Centers, Mr Belhassen was acting for two years as a business development manager in a real estate development company based in Israel, supporting several retail projects in Hungary, Poland, Germany, and the Czech Republic. Mr Belhassen has gained vast experience in the purchasing, financing, development and management of retail projects in CEE region. At the end of 2010 he was appointed as the head of shopping centers management.

Alexander L Berman (51), CPA, MBA, United States Country Director
Alexander Berman joined the Group in 2009 as a Country Director for the United States. Alexander has over 25 years of management, investment, finance and business development experience in the United States and internationally. Prior to joining the Group, he was an executive with General Growth Properties, Inc. ("GGP"), one of the most prominent US mall developers, owners and operators, where he was a Corporate Officer. Most recently, he was the Founder and Head of GGP International and previously held the position of GGP's Senior Vice President of Capital Markets and Finance. He is a member of the International Council of Shopping Centers.

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Directors' report*

Principal activities and review of business

Plaza Centers N.V. is a leading developer of shopping and entertainment centers with a focus on the emerging markets of Central and Eastern Europe ("CEE"), where it has operated since 1996 when it became the first company to develop Western-style shopping and entertainment centers in Hungary. This followed its early recognition of the growing middle class and increasingly affluent consumer base in such markets.

Since then, it has expanded its CEE operations into Poland, Czech Republic, Latvia, Romania, Bulgaria, Greece and Serbia. In addition, the Group has extended its area of operations beyond the CEE into India and the US. The Group has been present in real estate development in emerging markets for over 15 years. To date, the Group has developed, let and opened 30 shopping and entertainment centers and one office building. Twenty-one of these centers were acquired by Klépierre, one of the largest shopping center owners/operators in 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 and one shopping center (Arena Plaza in Budapest, Hungary) was sold to Active Asset Investment Management ("aAIM"), a UK commercial property investment group. The remaining four centers which were completed during 2009 and last year are being held and managed by the Company, while utilising the Company's extensive experience in managing retail assets.

For a more detailed status of current activities and projects, the directors refer to the Chairman's statement and the Chief Executive's report on pages 30 to 41, as well as to the following chapters: Overview, Business review and Management and governance.

Pipeline projects

The Company is active in seeking new sites and development opportunities, and is actively involved in securing the necessary contracts to undertake further projects in countries in which the Company is currently operating. The Company is also analyzing and contemplating to invest in further countries that meet its development parameters and investment criteria.

Going concern

The directors' review of the 2011 budget and long-term plans for the Company has satisfied them that, at the time of approving the financial statements, it is appropriate to adopt the "going concern" basis in preparing the financial statements of the Company.

Dividends

According to the Company's dividend policy, dividends are expected to be paid at the rate of 25% on the first €30 million of such annual net profits, and thereafter at the rate of between 20% and 25%, as determined by the Company's Board of Directors, on any additional annual net profits which exceed €30 million.

The Company did not distribute a dividend for the year ended December 31, 2009 due to the market conditions and the ongoing global financial crisis, and as a material part of annual profits resulting from finance activities rather than realization of real estate assets.

The Board will propose to the annual general meeting not to distribute a dividend for the year ended December 31, 2010. The Company's Board of Directors will continue to monitor overall market conditions, ongoing committed capital requirements of the Company, as well as expected future cash flow, before considering any future dividend payments or payments from the Company's general reserves.

Directors' interests

The directors have no interests in the shares of the Company, other than the director's share options as given on page 64 of this report.

Directors and appointments

The following served as directors of the Company at December 31, 2010:

Mordechay Zisser, Executive Director, Chairman
Ran Shtarkman, Executive Director, President and CEO
Shimon Yitzhaki, Non-executive Director
Edward Paap, Non-executive Director
Marius van Eibergen Santhagens, Independent Non-executive Director
Marco Wichers, Independent Non-executive Director

The general meeting of shareholders is the corporate body authorized to appoint and dismiss the directors. All directors in function, unless they are retiring, submit themselves for re-election every three years, pursuant to the rotation scheme for directors as laid down in article 15.3 of the articles of association. The general meeting of shareholders is entitled to suspend and dismiss directors by a simple majority vote.

* Chapters 1 (Overview), 2 (Business review) and 3 (Management and governance) are part of the directors' report

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Substantial shareholdings

As of the balance sheet date, ING Open Pension Fund, Poland held approximately 5.81% of the entire issued share capital of the Company, BZ WBK AIB Asset Management S.A. of Poland held approximately 5.95% of the entire issued share capital of the Company and Aviva PTE, Poland held approximately 7.64% of the entire issued share capital of the Company. Other than that and except as disclosed under "directors' interests" above, the Company is not aware of any additional interests amounting to 3% or more in the Company's shares besides that of its parent company Elbit Imaging Ltd.

Issue of shares

Pursuant to the articles of association, the general meeting of shareholders is the corporate body authorized to issue shares and to disapply pre-emption rights. In each Annual General Meeting, the general meeting of shareholders is requested to delegate these powers to the Board. The scope of this power of the Board shall be determined by the resolution of the general meeting of shareholders to give the authorization. Typically, the Company requests in each Annual General Meeting of shareholders the authorization for the Board to issue shares up to an aggregate nominal value of 33% of the then issued share capital and an authorization for the Board to disapply pre-emption rights which is limited to the allotment of shares up to a maximum aggregate nominal amount of 10% of the then issued share capital. The authorization is valid for a period ending on the date of the next Annual General Meeting.

Employee involvement

The Company has 163 employees and other persons providing similar services. The Company's employees are vital to its ongoing success. It is therefore important that all levels of staff are involved in its decision-making processes. To this end, the Company has an open culture and flexible structure, and staff are encouraged formally and informally to become involved in discussions on the Company's future strategy and developments. An employee share option scheme was adopted on October 26, 2006 (as was amended in October 2008) which enables employees to share directly in the success of the Company. The Company does not expect any significant development in employees.

Annual General Meeting (AGM)

The Annual General Meeting of shareholders is held every year within six months from the end of the financial year in order to discuss and approve the Annual Report and adopt (vaststellen) the annual accounts, discharge of the directors from their liability for the conduct of business in the preceding year and any other issues mentioned below.

The main powers of the general meeting of shareholders relate to the appointment of members of the Board, the adoption of the Dutch Statutory annual accounts, declaration of dividend, the release of the Board's members from liability and amendments to the Articles of Association.

The Annual General Meeting of shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, The Netherlands on May 25, 2010 at 1pm (CET).

In this AGM, inter alia, the following resolutions were taken by the shareholders: (i) to approve the Company's Dutch statutory annual accounts and annual report being drawn up in the English language; (ii) to consider the Company's Dutch statutory annual accounts and the annual report for the year ended December 31, 2009; (iii) to adopt the Company's Dutch statutory annual accounts for the year ended December 31, 2009; (iv) to discharge the directors of the Company from their liability for the conduct of business for the year ended December 31, 2009; (v) to resolve to pay no dividend to the holders of ordinary shares in respect of the year ended December 31, 2009; (vi) to authorize the Board generally and unconditionally to exercise all powers of the Company to allot equity securities in the Company up to an aggregate nominal value of €978,394, being 33% of the Company's issued ordinary share capital (as of May 2010), provided that such authority shall expire on the conclusion of the Annual General Meeting to be held in 2011 unless previously renewed, varied or revoked by the Company in a general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities

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Directors' report

continued

in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (vii) to give a special instruction to the Board authorizing it to disapply the pre-emption rights set out in article 6 of the Company's Articles of Association, such power to expire at the conclusion of the next Annual General Meeting to be held in 2011, and the Board may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of the equity securities up to a maximum aggregate nominal amount of €296,483; (viii) to amend the Company's Articles of Association in order to adjust the conflict of interest article in the Articles of Association; (ix) to authorize Mr Ran Shtarkman, as special authority of the general meeting of shareholders, to represent the Company, also in matters where a conflict of interest exists, which authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2011 (unless such authority is revoked or renewed prior to such time); (x) to approve a proposal from the Board to issue 1,000,000 (one million) options over ordinary shares in the capital of the Company, under the Company's Incentive Plan, to Mr Shimon Yitzchaki, non-executive director of the Company; (xi) to approve and to the extent necessary ratify the issue and offering to the public in Israel by the Company of unsecured Series B Notes of the Company (Series B Notes) in the aggregate nominal amount of NIS 457,717,000 and the subsequent admission of those Series B Notes to listing on the Tel Aviv Stock Exchange; (xii) to re-elect as a director, Mr Shimon Yitzchaki; (xii) to re-elect as a director, Mr Edward Paap; and (xiii) to authorize the Company, generally and unconditionally, for the purpose of Article 8 of the Articles of Association of the Company, to make market purchases of ordinary shares in the capital of the Company on such terms and in such manner as the directors may from time to time determine, subject to certain conditions.

Article 10 of Directive 2004/25

With regard to the information referred to in the Resolution of article 10 of the EC Directive pertaining to a takeover bid which is required to be provided according to the Dutch law, the following can be reported:

- There are no special restrictions on the transfer of the shares of the Company.
- There are no special statutory rights related to the shares of the Company.
- There are no restrictions on the voting rights on the Company's shares.
- Information on significant shareholding can be found above.
- There are no agreements between the shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights.
- The applicable provisions regarding the appointment and dismissal of members of the Board and amendments to the Articles of Association are set forth above.
- The power of the Board regarding the issue of shares and the exclusion of pre-emption rights and the repurchase of shares in the Company can be found above.
- There are no significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.
- There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.
- Other information can be found in the notes to the financial statements (please see note 25 Equity)

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Corporate governance

The Company was incorporated in The Netherlands on May 17, 1993 as a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid). The Company was converted into a public limited liability company (naamloze vennootschap) on October 12, 2006, with the name 'Plaza Centers N.V.' The principal applicable legislation and the legislation under which the Company and the ordinary shares in the Company have been created is book 2 of the Dutch Civil Code (Burgerlijk Wetboek).

Compliance

The Board is committed to high standards of Corporate Governance, in order to maintain the trust of the Company's shareholders and other stakeholders. The Company has a one-tier board whereas the Dutch Corporate Governance Code is based on a separate management board and supervisory board. Where possible, taking the aforesaid into consideration, the Company complies with the Dutch Corporate Governance Code and Section 1 of the UK Combined Code, with the exception of a limited number of best practice provisions which it does not consider to be in the interests of the Company and its stakeholders or which are not practically feasible to implement.

These exceptions are listed below.

The Best Practice Provisions of the Dutch Corporate Governance Code not applied by the Company in the year 2010 are:

- Best Practice Provision II.1.3 stipulates inter alia that the Company should have an internal risk management and control system which should in any event employ as instruments of the internal risk management and control system a code of conduct which should be published on the Company's website. Such code of conduct is not available at the date of publication of this document.

- Best Practice Provision II.1.4 (b) stipulates that the management board shall provide a description of the design and effectiveness of the internal risk management and control system for the main risks. Since the Company has no such written code, it cannot refer its design and effectiveness.

- Best Practice Provision II.2.4 stipulates that granted options shall not be exercised in the first three years after the date of granting. The current share incentive scheme of the Company does not restrict the exercise of options to a lockup period of three years. The reason therefore is that the Company and the Elbit group share the same remuneration policy and the Company's Share Option Scheme was drafted in accordance with Elbit's Share Option Scheme, in order to maintain the incentive for all employees of Elbit group based upon the same principles.

- Best Practice Provision II.2.7 stipulates that neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except insofar as prompted by structural changes relating to the shares of the Company in accordance with established market practice. The Company has on November 25, 2008 adjusted the exercise price of the granted options. This has been done since the Board was of the view that the current Share Option Scheme should serve as an effective incentive for the employees of the group of companies, headed by the Company, to encourage them to remain in employment and work to achieve the best possible results for the Company and its shareholders. Market conditions, however, led to a strong decline in the Company's share price at both the London Stock Exchange and the Warsaw Stock Exchange resulting in practically all options being out of the money without the favorable outlooks for a quick recovery. In order to maintain the incentive for all employees, the Board has submitted to the extraordinary meeting of shareholders that was held on November 25, 2008, a proposal to amend the Share Option Scheme and to determine the exercise price of all options granted on or prior to October 25, 2008, to GBP 0.52. In an attempt to insure that the options are and remain an effective incentive and to assist in the retention of employees, the revised Share Option Scheme includes an extension of the vesting term for options granted less than one year prior to October 25, 2008. The shareholders approved the amendment of the Share Option Scheme and the adjustment of the exercise price.

- Best Practice Provision II.2.12 and Best Practice Provision II.2.13 stipulate *inter alia* that the remuneration report of the supervisory board shall include account of the manner in which the remuneration policy has been implemented in the past financial year as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years and should contain the information specified in these provisions. Not all requirements of Best Practice Provisions 11.2.12 have been implemented in the remuneration report. The current remuneration policy of the Company has remained unchanged from 2006 at the moment the Company's shares were admitted to listing and is fairly straight forward, as such that 'implementation' is not an issue. Furthermore, pursuant to the articles of association, the general meeting of shareholders determines the remuneration policy, and not the non-executive directors. When the remuneration policy needs changes, this will be addressed in a general meeting of shareholders

- Best Practice Provision II.3.3 and Best Practice Provision III.6.2 stipulate that both executive directors and non-executive directors shall not take part in any discussion of decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the Company. Section 17.2 of the Articles stipulates that a member of the Board may take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company, provided that any

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Corporate governance

continued

resolution in such respect shall be adopted unanimously in a meeting in which all members of the Board are present or represented. Since Mr Ran Shtarkman is, as of January 1, 2010, both executive director of the Company and Co-Chief Executive Officer with Elbit Imaging, the Company's parent company, there may be conflicts of interest in respect of Mr Shtarkman representing the Company. In order to enable Mr Shtarkman to, in his capacity of CEO represent the Company in all matters, the Articles of Association include this possibility, provided, as stated above, that in such matter the underlying Board resolution has been adopted annonymously.

- Best Practice Provision II.3.4 and Best Practice Provision III.6.3 stipulate *inter alia* that decisions to enter into transactions in which there are conflicts of interest with management board members that are of material significance to the Company and/or to the relevant Board members require the approval of the non-executive directors. Though, pursuant to the Articles, each Board member is obliged to notify all direct and indirect conflicts of interest, the Articles contain no specific approval clause.

- Best Practice Provision III.1.7 stipulates that the supervisory board shall discuss at least once a year on its own, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the supervisory board shall also be discussed. Moreover, the supervisory board shall discuss at least once a year without the management board being present, the functioning of the management board as an organ of the Company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. In 2010 the non-executive directors have not specifically discussed the items that appear in this Best Practice Provision on separate occasions. The Board, however, feels it important to notify the shareholders that as a rule, every Board meeting includes an assessment by all Board members of their own functioning and that of their fellow Board members. The Board is of the view that, given the fact that the Company has a one-tier board rather than a separate management board and supervisory board, this course of action appropriately meets the requirements as laid down in this Best Practice Provision.

- Best Practice Provision III.1.8 stipulates that the supervisory board shall discuss at least once a year the corporate strategy and the risks of business and the results of assessment by the management board of the structure and operation of the internal risks management and control systems, as well as any significant changes thereto. In 2009, there have not been separate meetings of the non-executive directors to discuss the items mentioned in this Best Practice Provision. The reason therefore is that risk management at the Company is, pursuant to the internally applicable Corporate Governance regulations, a matter specifically reserved for decision by the full Board. Board meetings in 2009 have included discussions in respect of corporate strategy and risk management and periodically throughout the year, the internal system of risk management has been assessed by the full Board.

- Best Practice Provision III.3.3 and Best Practice Provision III.4.1 (a) stipulate that all supervisory board members shall follow an induction program. Since 2006, no new non-executive directors have started working in the Company and it is not envisaged that in the foreseeable future, there will be new non-executive directors; there is currently no induction program in place.

- Best Practice Provision III.3.5 stipulates that a non-executive director (in terms of the Dutch Corporate Governance Code a supervisory director (commissaris)) may be appointed to the Board for a maximum of three four-year terms. Section 15 of the Articles provides for a retirement schedule whereby directors who have been in office for not less than three consecutive Annual General Meetings shall retire from office. Pursuant to section 15.6 of the Articles, such a director may be reappointed, which could result in a term of office which is longer than three four-year terms.

- Best Practice Provision III.4.2 states that the chairman of the supervisory board shall not be a former member of the management board of the Company. Mr Mordechay Zisser functions as Chairman of the Board while being an executive director. For an explanation of the deviation from this Best Practice Provision, see the remark made for Best Practice Provision III.8.1.

- Best Practice Provision III.5.1 provides that the committee rules stipulate that a maximum of one member of each committee need not be independent within the meaning of Best Practice Provision III.2.2 The Company's Nomination Committee is comprised of three members, two of whom, Messrs Yitzhaki and Paap, are considered to be non-independent. The Board believes that the composition of the Nomination Committee as currently envisaged is in the best interests of the Company, given the skills and experience of the Committee members.

- Best Practice provision III.5.6 stipulates that the Audit Committee must not be chaired by the Chairman of the Board or by a former executive director of the Company. The Company's Audit Committee is chaired by Mr Shimon Yitzhaki, who has been an executive director of the Company and thus the Company deviates from this Best Practice Provision. The Board, however, believes that given Mr Yitzhaki's extensive financial experience, chairmanship of the Audit Committee is appropriate.

- Best Practice Provision III.5.11 *inter alia* provides that the Remuneration Committee shall not be chaired by a non-executive director who is either a former executive director or a member of the management board of another listed company. Since the Remuneration Committee is chaired by Mr Shimon Yitzhaki, who is a former executive director and serves as President of Elbit Imaging Ltd., the Company deviates from this requirement. The Board is convinced that the experience of Mr Yitzhaki in this respect should be considered more important than the fact that Mr Yitzhaki is a Board member of another listed company.

MAZARS

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

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- Best Practice Provision III.7.1 stipulates that non-executive directors should not be granted any shares and/or rights to shares by way of remuneration. Under the Share Option Scheme, prior to Admission, options were granted to Mr Yitzhaki, a non-executive director. Furthermore, the Share Option Scheme does not exclude the possibility of making further grants of options to non-executive directors. In particular, the Board believes that the granting of options to Mr Yitzhaki is appropriate, given his extensive involvement in the Company to date and his special efforts made in respect of the preparation of the Company for Admission. Furthermore, the Company has retained the right to grant options to non-executive directors as it believes that granting such options is appropriate in order to offer present and future non-executive directors a competitive remuneration package.

- Best Practice Provision III.8.1 states that the Chairman of the Board shall not also be or have been an executive director. Mr Zisser is Executive Chairman and the Board considers, given Mr Zisser's extensive business experience that this is in the best interests of the Company.

- Best Practice Provision III.8.4 stipulates that the majority of the members of the Board shall be independent non-executives within the meaning of Best Practice Provision III.2.2. The Company currently has two executive directors (who are considered to be non-independents) and four non-executive directors out of whom two non-executive directors are considered to be independent, applying the criteria of Best Practice Provision III.2.2. The non-executive directors who are considered to be non-independent are Messrs Shimon Yitzhaki and Edward Paap. The independent non executive directors are: Messrs Mark Wichers and Marius Van Elbergen Santhagens. See also page 46 – Additional information for an overview of the directors' former and current functions. Consequently, two out of the six directors are considered to be independent. The Board believes that the experience of the non-independent directors is of great importance to the Company.

- Best Practice Provision V.3 stipulates *inter alia* that the Company should have an internal auditor. Though in fact the Company does not have an internal auditor itself, as part of the Europe Israel Group, the Company has a Quality Control Regulator, which practically functions as an internal auditor.

The Best Practice Provisions of Section 1 of the UK Combined Code not applied by the Company in the year 2010 are:

- Best Practice Provision A.1.3 and Best Practice Provision A.6.1 stipulate that the Chairman should hold a meeting with the non-executive directors without the executive present and the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance and that the Board should state in the annual report how performance evaluation of the Board, its committees and its individual directors has been conducted. The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the Chairman, taking into account the views of executive directors. In 2010 the Chairman and the non-executive directors have not met separately as mentioned in this Best Practice Provision. The Board however feels it important to notify the shareholders that as a rule, every Board meeting includes an assessment by all Board members of their own functioning and that of their fellow Board members. The Board is of the view that, given the fact that the Company has a one-tier board rather than a separate management board and supervisory board, this course of action appropriately meets the requirements as laid down in this Best Practice Provision.

- Best Practice Provision A.2.1 stipulates *inter alia* that the division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the Board. Such document is not available at the date of publication of this document, however the division of responsibilities between the Chairman and Chief Executive in the Company is clear, specifically in light of the fact that the Company's Chairman is also an executive director.

- Best Practice Provision A.3.3 stipulates that the Board should appoint one of the independent non-executive directors to be the senior independent director. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate. Since the financial year ended December 31, 2010 is the first year that the provisions of the UK Combined Code should be complied with, not all adjustments pursuant to the requirements of Best Practice Provision A.3.3 have been made. Steps have been taken to comply with this provision.

- Best Practice Provision A.4.1 stipulates *inter alia* that a majority of members of the Nomination Committee should be independent non-executive directors. The Chairman or an independent non-executive director should chair the committee. Since the Nomination Committee is chaired by Mr Shimon Yitzhaki, who is a non-independent non-executive director, the Company deviates from this requirement. The Board is convinced that the experience of Mr Yitzhaki in this respect should be considered more important than the fact that Mr Yitzhaki is a Board member of another listed company.

- Best Practice Provision C.3.5 stipulates *inter alia* that where there is no internal audit function, the Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board; and the reasons for the absence of such a function should be explained in the relevant section of the annual report. Since the financial year ended December 31, 2010 is the first year the provisions of the English UK Combined Code should be complied with, not all adjustments pursuant to the requirements of Best Practice Provision A.3.5 have been made. This will be adjusted in the forthcoming year.

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

Initialled for identification purposes only

Corporate governance
continued

- Best Practice Provision D.1.1 stipulates that the Chairman should ensure that the views of shareholders are communicated to the Board as a whole. The Chairman should discuss governance and strategy with major shareholders. Non-executive directors should be offered the opportunity to attend meetings with major shareholders and should expect to attend them if requested by major shareholders. The senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. This provision is complied with, with the exception of the fact that in the past year, there was no senior independent director (see above).

- Best Practice Provision D.2.2 stipulates *inter alia* that the company should ensure to make available on its website the numbers of the shares in respect of which proxy appointments have been validly made, the number of votes for and against the resolution and the number of shares in respect of which the vote was directed to be withheld. Since the financial year ended December 31, 2010 is the first year the provisions of the UK Combined Code should be complied with, not all adjustments pursuant to the requirements of Best Practice Provision D.2.2 have been made. This will be adjusted in the forthcoming year.

The Code of Best Practice for WSE-Listed Companies (the "WSE Corporate Governance Rules") applies to companies listed on the WSE, irrespective of whether such companies are incorporated outside of Poland. The WSE Corporate Governance Rules consist of general recommendations related to best practice for listed companies (Part I) and best practice provisions relating to management boards, supervisory board members and shareholders (Parts II to IV). The WSE Corporate Governance Rules impose upon the companies listed on the WSE an obligation to disclose in their current reports continuous or incidental non-compliance with best practice provisions (with the exception of the rules set forth in Part I). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules (including the rules set forth in Part I) by way of a statement submitted with the company's annual report. Companies listed on the WSE are required to justify non-compliance or partial compliance with any WSE Corporate Governance Rule and to present possible ways of eliminating the potential consequences of such non-compliance or the steps such company intends to take to mitigate the risk of non-compliance with such rule in the future. The Company intends, to the extent practicable, to comply with all the principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent permitted by Dutch law. Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, will be included in the aforementioned reports, which will be available on the Company's website and published by way of a current report.

Role of the Board
The Board sets *inter alia* the Company's strategic aims, policy and standards of conduct. It monitors performance against business plans and budget, ensuring that the necessary human and financial resources are in place to meet its objectives and that the Board and all employees act ethically and in the best interests of all stakeholders. It has decision-making authority over a formal schedule of matters such as important business matters, policies and budgets. It delegates authority to various committees that are described herein.

Board practices
Dutch statutory law does not provide for a one-tier governance structure, in which a board of directors is made up of executive and non-executive directors. Instead, it provides for a two-tier structure comprising separate management and supervisory boards. It is, however, well-established practice to have a structure for the management board that resembles a one-tier structure. Under this organization, all members are formally managing directors with the Articles of Association allocating to certain members' tasks and obligations similar to those of executive directors, and to others tasks and obligations that are similar to those of non-executive directors.

This is the structure the Company operates, providing that some directors are responsible for day-to-day management and others for supervising day-to-day management of the Company. All statutory provisions relating to members of the Board apply in principle to all members of this (one-tier) Board.

All responsibilities are subject to the overall responsibility of the Board.

The Board is accountable to the General Meeting of Shareholders.

Composition and operation of the Board
The Company has six directors – two executive directors (Chairman and CEO/President) and four non-executive directors, of whom two are independent.

The Board meets regularly throughout the year, when each director has full access to all relevant information. Non-executive directors may, if necessary, take independent professional advice at the Company's expense. The Company has established three committees, in line with the UK Combined Code and the Dutch Corporate Governance Code. These are the Audit Committee, the Remuneration Committee and the Nomination Committee, and a brief description of each may be found below.

Audit Committee
Comprising three non-executive directors, the Audit Committee meets at least three times each financial year. The Audit Committee has the general task of evaluating and advising the Board on matters concerning the financial administrative control, the financial reporting and the internal and external auditing

MAZARS

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

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Among other matters, it must consider the integrity of the Company's financial statements, the effectiveness of its internal controls and risk management systems, auditors' reports and the terms of appointment and remuneration of the auditor.

Composition: Mr Yitzchaki, Mr Wichers, Mr van Eibergen Santhagens. Chairman: Mr Yitzchaki.

Remuneration Committee

The Remuneration Committee, comprising three non-executive directors, meets at least twice each financial year to prepare the Board's decisions on the remuneration of directors and other senior employees and the Company's share incentive plans (Under Dutch law and the Articles, the principal guidelines for directors' remuneration and approval for directors' options and share incentive schemes must be determined by a General Meeting of Shareholders). The Committee also prepares an annual report on the Company's remuneration policy. The remuneration report may be found on pages 64 and 65 of this document.

Composition: Mr Yitzchaki, Mr Wichers, Mr van Eibergen Santhagens. Chairman: Mr Yitzchaki.

Nomination Committee

Meeting at least twice a year, the Nomination Committee comprises three non-executive directors. Its main roles are to prepare selection criteria and appointment procedures for Board members and to review the Board's structure, size and composition. Whereas all senior management of the Company was already nominated and since there wasn't any other necessity, the Nomination Committee met only once in 2010.

Composition: Mr Paap, Mr Yitzchaki, Mr van Eibergen Santhagens. Chairman: Mr Paap.

Internal control/risk management

The Board has established a continuous process for identifying and managing the risks faced by the Company, and confirms that any appropriate actions have been or are being taken to address any weakness.

It is the responsibility of the Audit Committee to consider the effectiveness of the Company's internal controls, risk management procedures, and risks associated with individual development projects.

Share dealing code

The Company operates a share dealing code, which limits the freedom of directors and certain employees of the Company to deal in the Company's shares. The share dealing code imposes restrictions beyond those that are imposed by law. The Company takes all reasonable steps to ensure compliance by those parties affected. The Company operates a share dealing code, particularly relating to dealing during close periods, for all Board members and certain employees, as is appropriate for a listed company. The Company takes all reasonable steps to ensure compliance by those parties affected.

The share dealing code meets the requirements of both the Model Code set out in the Listing Rules and the Market Abuse chapter of the Netherlands Act on the financial supervision.

Controlling Shareholder and conflicts of interest

The Company has a Controlling Shareholder who owns approximately 62.36% of the share capital and therefore has effective control of the Company. The Board is satisfied that the Company is capable of carrying on its business independently of the Controlling Shareholder, with whom it has a relationship agreement to ensure that all transactions and relationships he has with the Group are conducted at arm's length and on a normal commercial basis.

The Articles of Association of the Company include provisions on conflicts of interest between the Company and holders of control. If a conflict of interest arises between the Controlling Shareholder and the Company, the Board's decisions on the matter should be adopted unanimously in a meeting in which all members of the Board are present or represented.

Shareholder communication

The Company's management meets with shareholders each year at the Annual General Meeting (AGM) to discuss matters relating to the business.

Details of this year's AGM can be found on pages 49 and 50.

The Board is committed to maintaining an open, honest and positive dialogue with shareholders.

To ensure that all its communications are factually correct, it is furnished with full information before every meeting on the state and performance of the business. It also has ultimate responsibility for reviewing and approving all information contained in its annual, interim and other reports, ensuring that they present a balanced assessment of the Company's position.

The main channels of communication with shareholders are the Chairman, CEO, CFO and our financial PR advisers, although all directors are open to dialogue with shareholders as appropriate. The Board encourages communication with all shareholders at any time other than during close periods, and is willing to enter dialogue with both institutional and private shareholders.

It also actively encourages participation at the AGM, which is the principal forum for dialogue with private shareholders. As well as presentations outlining the progress of the business, it includes an open question and answer session in which individual interests and concerns may be addressed. Resolutions put to vote and their results will be published following the meeting.

MAZARS

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

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Corporate governance

continued

The Company's website (www.plazacenters.com) contains comprehensive information about the business, and there is a dedicated Investor relations section where detailed financial information on the Company may be found.

Corporate, social and ethical policies

The Company is responsible not only to its shareholders, but also to a range of other stakeholders including employees, customers, suppliers and the communities upon whom its operations have an impact.

It is therefore the responsibility of the Board to ensure that the Company, its directors and its employees act at all times in an ethical manner. As a result, the Company seeks to be honest and fair in its relations with all stakeholders and to respect the laws and sensitivities of all the countries in which it operates.

Environment

The Company regards compliance with environmental legislation in every country where it operates as its minimum standard, and significant levels of management attention are focused on ensuring that all employees and contractors achieve and surpass both regulatory and internal environmental standards.

The Company undertakes a detailed environmental impact study of every project it undertakes, including an audit of its waste management, water and energy usage, emissions to air and water, ozone depletion and more.

Health and safety

The Company regards compliance with environmental legislation in every country where it operates as its minimum standard, and significant levels of management attention are focused on ensuring that all employees and contractors achieve and surpass both regulatory and internal environmental standards.

The Company undertakes a detailed environmental impact study of every project it undertakes, including an audit of its waste management, water and energy usage, emissions to air and water, ozone depletion and more.

Corporate Governance declaration

This declaration is included pursuant to Article 2a of the Decree: further stipulations regarding the content of annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) of 23 December 2004 (as amended) (hereafter the "Decree").

For the statements in this declaration as understood in Articles 3, 3a and 3b of the Decree, please see the relevant sections of this annual report. The following should be understood to be inserts to and repetitions of these statements:

- Compliance with the provisions and best practice principles of the Code (pages 51 to 53);
- The functioning of the Shareholders' Meeting and its primary authorities and the rights of shareholders and how they can be exercised (page 49 and 55);
- The composition and functioning of the Board and its committees (starting on pages 46, 54 and 55);
- The regulations regarding the appointment and replacement of members of the Board (page 48);
- The regulations related to amendment of the Company's Articles of Association (page 49); and
- The authorizations of the members of the Board in respect of the possibility to issue or purchase shares (page 49).

MAZARS

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

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Risk management

Plaza mainly operates its business in emerging markets and therefore it is exposed to a relatively high degree of inherent risk in such activities. The Management Board is responsible for setting financial, operational and strategic objectives as well as for implementing risk management according to these objectives.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Business strategy

Plaza is focused on further expanding its businesses in CEE region, India (emerging markets) and United States. By nature, various aspects of the emerging markets are relatively underdeveloped and unstable and therefore often exposed to risks arising from unforeseen changes, such as legal, political, regulatory, and economic changes. Plaza's investments in emerging markets expose the Company to a relative high degree of inherent risk.

The fact that Plaza has – to a certain degree – diversified its business over different markets (geographic segments) and sectors also results in some risk mitigation.

In addition, to ensure knowledge and understanding of its business environments, Plaza employs local employees and consultants, and in some cases entering into local partnerships

The Group has entered the US market by acquiring yielding assets at compelling prices. It has launched a real estate investment venture jointly formed by Plaza and its parent Elbit Imaging. Co-investment agreement signed with Eastgate Property to invest a combined US$200 million, to take advantage of opportunities in the US retail and commercial real estate sectors.

The main characteristics of Plaza's risk appetite can be described as follows:

- To fulfill its strategic intent, Plaza is prepared to accept the considerable risks involved, for instance in acquisition and disposal plans; and interest rate risk
- Plaza takes a conservative approach to managing financial risks.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors also monitors the level of dividends to ordinary shareholders (e.g. decision on no distribution of dividend following the years 2009 and 2010).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

In some cases the Group purchases its own shares on the market; the timing of these purchases depends on market prices. No purchase is made unless the expected effect will be to increase earnings per share. The purchase of shares by the Company under this authority would be affected by a purchase in the market.

Financing risk management

The current economic downturn has restricted Plaza's access to debt and equity capital markets although Plaza's existing financial strength and established track record has enabled it to raise both development finance and issue further bonds in the public markets in Israel, and private issuance in Poland.

A prolonged restriction on accessing the capital markets and additional financing may negatively affect Plaza's ability to fund existing and future development projects.

As Plaza depends on external financing and has high exposure to emerging markets, Plaza bears the risks that due to fluctuations in interest rates, selling yields and other indices, its financial assets value, cash flow, covenants and cost of capital will be effected, thereby affecting its ability to raise capital.

As a basis for and contribution to effective risk management and to ensure that Plaza will be able to pursue its strategy even during periods of economic downturn, Plaza retains a strong balance sheet and limits its financial risks by hedging these risks if and when expedient.

Plaza continues to pursue a conservative financing policy to decrease its exposure to the liquidity crisis, with the level of debt being only 56% of the balance sheet (2009: 46%).

External factors influencing the results

The Company's streaming/fixed revenues are sensitive to various external factors, which influence the financial results. Such variables are:

- Market yield determining the valuation of the investment property, and in certain circumstances the need for impairment of trading property. The higher the market yields are the less the value of the investment property is, and the probability for impairment is increasing
- Occupancy rate of the operating malls together with the rental fee level defines the rental income derived from the shopping center, and the other component of the valuation of the investment property. Higher occupancy rates and higher rental levels result in better operating results, and also in higher valuation of the investment property.

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

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Risk management

continued

Interest rate risks

The Group incurs certain floating rate indebtedness and changes in interest rates may increase its cost of borrowing, impacting on its profitability. Currently, the Group does not hedge against interest rate fluctuations unless obliged to do so by the lending banks if interest rates exceed certain levels.

Foreign currency exchange rates

As Plaza's functional currency is EUR, it is exposed to risks deriving from changes in foreign currency exchange rates as some of its purchases of services and construction agreements are conducted in local currencies, or are affected by them. Its rental revenues may also be denominated in local currencies.

The Group seeks to minimize these risks by ensuring that its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals) are all denominated in the same currency (namely the EUR), or are linked to the rate of exchange of the local currency and the EUR. In order to limit the foreign currency exchange risk in connection with the Debentures, the Company has hedged the future payments to correlate with the EUR under certain cross currency swap arrangements, forward transactions and call options in respect of the Series A and Series B Debentures previously issued, and may enter into similar hedging arrangements (as necessary) in respect of each of the Series of Debentures, subject to market conditions. If the Company is not successful in fully hedging its foreign exchange rate exposure, changes in currency exchange rates relative to the EUR may adversely affect the Group's profits and cash flows. A devaluation of the local currencies in relation to the EUR, or vice versa, may adversely affect the Group's profitability.

Furthermore, Plaza is monitoring its currency exposure on a continuous basis and acts accordingly by investing in foreign currencies in certain cases for which it expects that future development projects will be purchased in foreign currency or when cash flows denominated in foreign currency are needed according to project construction budget. As a policy, the Group does not invest in foreign currencies for speculative purposes.

The financial statements include additional information about and disclosure on Plaza's use of financial instruments.

The Company's top risks

The following risks and related mitigation actions, where applicable, are reported below:

- **Global financial and economic developments**
  Risk description: Plaza's financial performance reflects the financial turmoil of 2008 continued, albeit at a slower pace, throughout 2009 and in 2010 as well. The global economy is still very fragile and a "double dip recession" or a very slow pace of recovery cannot be excluded. This could jeopardize Plaza's development project, profitability and cash flows as demand and rents for shopping and entertainment centers may decline and adversely affect the Group's financial condition, results and prospects. Furthermore, economic recession may detrimentally affect the ability of the Group (where it has retained a development) to collect rent from tenants, which could negatively impact cash flow and debt service reserve covenants under its financing facilities.

  Risk mitigation: In reaction to the economic downturn, Plaza has successfully initiated measures to reduce costs and focus on cash-generating activities, maintain its conservative gearing position and restrict its development to only the very best opportunities focusing on projects with tenant demand or availability of external financing. These measures have been and will be pursued with vigor. Market development will be closely watched and additional measures will be taken if necessary.

- **The Group's financial performance is dependent on local real estate prices and rental levels**
  Risk description: There can be no guarantee that the real estate markets in these countries will continue to develop, or develop at the rate anticipated by the Group, or that the market trends anticipated by the Group will materialize. In case the yields will be high, such as some of the current market yields, the Group will not be able to achieve substantial capital gains by selling the centers.

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

MAZARS

MAZARS PAARDEKOOPER HOFFMAN ACCOUNTANTS N.V.

Initialled for identification purposes only

- **Real estate valuation is inherently subjective and uncertain**
Risk description: The valuation of real estate and real estate related assets is inherently subjective. As a result, valuations are subject to uncertainty. Moreover, all real estate valuations are made on the basis of assumptions which may not prove to reflect the accurate fair market value of the portfolio. Accordingly, there is no assurance that the valuations of the Group's sites will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date. Also, while the level of pre-letting is assured, this level may not be achieved in practice.

Risk mitigation: Plaza will rely on its extensive experience and knowledge of managing retails assets and strong relationships with local and international retailers while using estimates and associated assumptions. These estimates and underlying assumptions are closely reviewed on an ongoing basis.

- **The Group has significant capital needs and additional financing may not be available**
Risk description: The sector in which the Group competes is capital intensive. The Group requires substantial up-front expenditures for land acquisition, development and construction costs as well as certain investments in research and development. In addition, following construction, capital expenditures are necessary to maintain the centers in good condition. Accordingly, the Group requires substantial amounts of cash and construction financing from banks and other capital resources (such as institutional investors and/or the public) for its operations. The Group cannot be certain that such external financing would be available on favorable terms or on a timely basis or at all. The world markets have undergone a global financial crisis, which resulted in lower liquidity in the capital markets. Lower liquidity may result in difficulties to raise additional debt or in the raising of such debt on less favorable interests. In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of predetermined construction and space leasing milestones. If the Group fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. In addition, a change in credit ratings of notes issued by the Company could adversely affect its financing costs and its ability to raise funds in the future. If the Group is not successful in obtaining financing to fund its planned projects and other expenditures, its ability to undertake additional development projects may be limited and its future profits and results of operations could be materially adversely affected.

Risk mitigation: Plaza is making big efforts to raise external financing for capital needs and continues to investigate different forms of financing. Plaza succeeded in raising additional debenture issued to Israeli and Polish institutional investors in 2010. This was an exceptional achievement, given debt market conditions, with significant support shown by debenture investors for the highly rated bonds at interest rates which were favorable to the Company.

In addition, Plaza has secured financing for 70% of its two development sites in Serbia and Poland.

- **Limitations by the Indian government to invest in India may adversely affect the group's business and results of operations**
Risk description: Under the Indian government's policy on Foreign Direct Investment ("FDI Policy"), an acquisition of or investment by the Group, in an Indian sector or activity in particular in the shopping and entertainment centers business, which does not comply with certain limitations, is subject to a governmental approval. With respect to the real estate sector, these limitations include, among other things, a minimum investment and minimum size of build-up land. In addition, under the FDI Policy it is not permitted for foreign investors to acquire agricultural land for real estate development purposes. There is no assurance that the Group will comply with the limitations prescribed in the FDI Policy in order to not be required to receive governmental approvals. Failure to comply with the requirements of the FDI Policy will require the Group to receive governmental approvals which it may not be able to obtain or which may include limitations of conditions that will make the investment unviable or impossible, and non-compliance with investment restrictions may result in the imposition of penalties. This would have an adverse effect on the Group's business and results of operations.

Risk mitigation: The Company conducts a thorough due diligence procedure and acquires local legal advice prior to concluding any transaction.

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Risk management

continued

Legal and regulatory risk

Like all companies, the Company is exposed to the changing regulatory environment in the countries and regions where it conducts business. The most notable risks are related to changes in environmental policy, changes in tax laws or their interpretation and expropriation of lands.

In respect of the environmental policy, there is an increasing awareness of environmental issues in Central and Eastern Europe. This may be of critical importance in areas previously occupied by the Soviet Army, where soil pollution may be prevalent. The changes are coming in the form of environmental policy. New environmental regulations or a change in regulatory bodies that have jurisdiction over Plaza projects could result in new restrictions. The Group generally insists upon receiving an environmental report as a condition for purchase, or alternatively, conducts environmental tests during its due diligence investigations. Also, some countries such as Poland and the Czech Republic require that a developer carries out an environmental report on the land before building permit applications are considered. Nevertheless, the Group cannot be certain that all sites acquired will be free of environmental pollution. If a property that the Group acquires turns out to be polluted, such a finding will adversely affect the Group's ability to construct, develop and operate a shopping and entertainment center on such property, and may cause the Group to suffer expenses incurred in cleaning up the polluted site which may be significant.

Changes to the tax laws or practice in the countries in which the Company operates or any other tax jurisdiction affecting the Group could be relevant. Such changes could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to shareholders. The tax positions taken by the Group, including the tax effect of transfer pricing and the availability of tax relief provisions, are also subject to review by various tax authorities. Under the Dutch participation exemption rules, income including dividends and capital gains derived by Dutch companies in respect of qualifying investments in the nominal paid-up share capital of resident or non-resident investee companies, are exempt from Dutch corporate income tax provided the conditions as set under these rules have been satisfied. The participation exemption rules and more particularly the statutory conditions thereunder have been amended with effect of January 1, 2007. Such amended conditions require, among others, a minimum percentage of ownership interest in the investee company and require the investee company to satisfy either of, or both, the newly introduced assets test and the amended "subject to tax" test. Should the Company not be in compliance with all participation exemption requirements or should the participation exemption rules be amended, this could affect its tax relief which will have an adverse effect on its cash flow position and net profits. In addition, if the Company were to be treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it develops shopping and entertainment centers or in which its centers are managed, income attributable to or effectively connected with such permanent establishment for trade or business may be subject to tax.

While the Group makes every effort to conduct thorough and reliable due diligence investigations, in some countries where former communist regimes carried out extensive land expropriations in the past, the Group may be faced with restitution claims by former land owners in respect of project sites acquired by it. If upheld, these claims would jeopardize the integrity of its title to the land and its ability to develop the land.

Internal control and risk management procedures

I) Definition and objectives

Internal control is the structure within which resources, behavior, procedures and actions are implemented by the Executive Board and throughout the Company to ensure that activities and risks are fully controlled and to obtain the reasonable assurance that the Company's strategic objectives have been met.

Plaza's internal control procedures aim to ensure:

- the optimization of operations and the smooth functioning of the Groups internal processes;
- compliance with current laws and regulations;
- the application of instructions and directions given by the Executive Board;
- the reliability of financial information.

The system is based on the following three key principles:

- the involvement of and taking responsibility by all personnel: all Group employees contribute to internal control procedures; each employee, at his or her level, should exercise effective control over the activities for which he or she is responsible;
- the full extent of the scope covered by the procedures: the procedures should apply to all entities (operational and legal);
- separation of tasks: control functions should be independent of operating functions.

The internal control procedures designed to address the objectives described above cannot, however, ensure with certainty that these objectives will be achieved, since all procedures have inherent limitations. However, they aim to make a very significant contribution in this direction.

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