30 March 2009

**PLAZA CENTERS N.V.**

**Preliminary Results for the year ended 31 December 2008**

# PLAZA MAINTAINS STRONG FINANCIAL POSITION AND REPORTS GOOD PROGRESS ACROSS ITS PORTFOLIO

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading emerging markets property developer, today announces its preliminary results for the year ended 31 December 2008.

## Financial highlights:

- Profit after tax of €68 million (31 December 2007: €227 million) owing to the disposal of Plzen Plaza in the Czech Republic, price adjustments following the sale of Arena Plaza and gains from financing activity
- Gross revenues and gains from sale and operations of properties of €99 million (31 December 2007: €510 million), with no revaluation gains, as per the Group's policy
- Total assets of €959 million (31 December 2007: €761 million)
- Basic and diluted EPS of €0.23 (31 December 2007: basic €0.78, diluted €0.77)
- Net Asset Value down 35% to €0.7 billion (31 December 2007: €1.06 billion) , Mainly due to increase in exit cap rates and reduction of expected rental levels
- Net Asset Value per share £2.26 (31 December 2007: £2.52 post dividend), a decline of 10.3% (decline lower than Euro NAV due to the weakening of Sterling
- Conservative gearing position maintained with minor debt comprising only 47% of equity (31 December 2007: 10%)
- Current cash position of circa €170 million; €178 million at the year end (31 December 2007: €93 million) with working capital of €698 million (31 December 2007: €625 million)
- Gross proceeds raised of approximately €153 million from a debenture issue to Israeli institutional investors between February and May 2008, providing significant additional financial flexibility
- The Board has taken the prudent decision not to recommend a dividend for 2008 in order to preserve the capital liquidity within the Company
- Share buyback programme initiated with Plaza acquiring 14.5 million shares at an average price of £0.53, purchased up to 15 January 2009 (9.21 million shares at 31 December 2008). Elbit Imaging Ltd. ("Elbit"), Plaza's ultimate parent company also purchased 4.79 million shares, bringing its effective shareholding to 73.69%.

## Operational highlights:

- Good progress on current developments under construction. Development activities limited to eight projects located in areas with the highest market demand and with favourable financing opportunities, namely Casa Radio and Miercurea Ciuc in Romania, Dream Island in Hungary, Suwalki and Zgorzelec in Poland, Liberec in Czech Republic, Koregaon Park in India and Riga in Latvia
- Successful handover of Plzen Plaza in the Czech Republic to Klépierre. The asset value on handover was €61.4 million, an increase of 43% compared to valuation at IPO
- Completed the acquisition of four development projects, located in Romania and Poland:
    - Two developments in Hunedoara and Targu Mures, Romania with an anticipated gross lettable area ("GLA") of 13,000 sqm and 30,000 sqm, respectively
    - Two projects in Poland in the cities of Kielce (GLA 33,000 sqm) and in Leszno (GLA 16,000 sqm)
- A company owned by the consortium members of Dream Island (in which Plaza now holds a 43.5% stake), won the first ever major casino licence to be awarded in Budapest, Hungary for its planned circa €1.5 billion entertainment and mixed use development
- Joint venture signed with Elbit to develop three major mixed use projects in India, located in the cities of Bangalore, Chennai and Kochi

- Acquisition of the entire 50% interest of Plaza's joint venture partner in the Koregaon Park development in Pune, India, for a total consideration of approximately $20 million
- Signed and secured bank loan agreements for the construction of projects in Suwalki, Poland (€42.2 million), Zgorzelec, Poland (€35.1 million) and Miercurea Ciuc, Romania (€19.9 million)
- Significant progress made on two shopping centres to be opened in Q1 2009 - Liberec Plaza, Czech Republic and Riga Plaza, Latvia**.**

**Key highlights since the period end:**

- Plaza acquired a 51% stake (with an option to increase to up to 75%) from a local developer in a new 75,000 sqm gross built area development of retail and office space in Sofia, Bulgaria, for a total consideration of €7.14 million. The development project has a credit facility in place
- In March 2009, Plaza and MKB Bank (a leading Hungarian commercial bank which is a subsidiary of the German Bayerische Landesbank) purchased a 27% interest in Dream Island from CP Holdings Ltd (a company controlled by Sir Bernard Schreier) for a consideration of €21.4 million, incorporating a cash payment and the assumption of debt. Plaza and MKB, as a 50:50 joint venture, now hold an 87% interest in the project
- Liberec Plaza shopping centre opened to the public on 26 March, 2009.

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

"Given our financial strength, the limited number of development projects in progress and our ability to adapt to market conditions, Plaza is strongly placed and does not have to execute forced sales of projects. We will therefore use the extensive experience we have gained over eight years of managing and running shopping malls efficiently to hold, where needed, completed projects as income generating investments in our portfolio, for the benefit of our shareholders, until the investment market improves.

"The current exceptional market conditions serve as the ultimate test for measuring a strong and well-managed company. Companies such as Plaza that want to take advantage of opportunities in the current market as the basis for their future growth must show their ability to adapt their strategies, readjust and reorganize existing projects and maximise liquidity and cash flow. With this in mind, Plaza will not limit itself only to its traditional development business model and markets and to managing its existing holdings as investment assets, but will seek to acquire high yielding mature assets or invest in interesting new markets, such as the United States where exceptional opportunities may arise to enhance capital and income."

"We therefore remain well placed to manage the business through this market downturn and remain confident in the Company's excellent long term growth prospects."

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

"Given the current uncertain economic environment, we have limited our ongoing development programme to eight projects, focusing on areas with the high market demand and where financing terms are more favourable. With letting activity progressing across our developments, we expect to see continued interest from potential occupiers, as we use our strong contacts with key international and local tenants who know and trust the Plaza brand. In addition to this, as many international retailers are only looking at the very best opportunities for international expansion, we are seeing a 'flight to quality', which we believe will leave Plaza's shopping centres ideally positioned to meet such demands."

"We are well positioned to prosper thanks to our conservative gearing levels, with minor debt comprising only 47% of equity, significant cash resources and very good relationships with our financing banks, who recognise Plaza's strong track record and standing. This means that Plaza is well placed to make opportunistic acquisitions at compelling prices and take a flexible approach to our development pipeline, as well as continuing to progress our large scale projects."

"Our further diversification into markets such as India also creates the opportunity for Plaza to continue to expand as we look to ensure that the business will grow significantly over the long term. With that in mind, we will continue to examine other future emerging and mature market opportunities, which we consider to offer the highest returns with minimum risks. Therefore, we will seek to utilize our cash position to find attractive new opportunities including purchasing existing shopping malls in markets other than our traditional areas of operation."

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**Plaza**

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**Financial Dynamics**

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**Notes to Editors**

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

Plaza Centers is a member of the Europe Israel Group of companies which is controlled by its founder, Mr Mordechay Zisser. It has been active in real estate development in emerging markets for over 13 years.

**Forward-looking statements**

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

**CHAIRMAN'S STATEMENT**

We are pleased to report an active year for the Company across all of our operations

We have continued to make good progress on our strategic plans in 2008, despite the ongoing financial turmoil across the world. We continue to build on our strong track record of developing high quality shopping and entertainment centres targeted towards markets where we have identified strong population and economic growth fundamentals. With our strong financial position, the Company has been able, and will continue to, adapt its business model according to prevailing market conditions.

**Key Events**

Over the last year and since the period end, Plaza has made four project acquisitions, entered into three new joint venture partnerships and completed one handover.

Given the limited number of buyers in the market with the financial strength of Plaza, the Company has been able to make a number of development acquisitions at attractive prices. It has invested a total of €22 million across four projects, adding a further 92,000 sqm GLA to the Company's development pipeline.

In addition, Plaza has also signed a joint venture agreement with Elbit Imaging Ltd., for the development of three major mixed use projects in India. Under this agreement, Plaza has acquired a 47.5% stake in Elbit Plaza India Real Estate Holding Limited, which already owns stakes of between 50% and 80% in three mixed-use projects in India, in the cities of Bangalore, Chennai and Kochi, in conjunction with local Indian partners. The three projects, will have a total combined development budget of approximately US$3.4 billion (of which the JV partners will responsible for circa US$1.9 billion) and a built area in excess of 3.8 million sqm (excluding parking spaces).

We also completed Plzen Plaza in the Czech Republic in December 2007 and, in July 2008, handed it over to Klépierre, 100% let on opening. The disposal price of the property was €61.4 million, compared to a value of €42.8 million at IPO in November 2006, representing a 43% rise.

Plaza raised gross proceeds of approximately €153 million from a debenture issue to Israeli institutional investors between February and May 2008, which followed the initial issuance of €53 million in July 2007. This was an exceptional achievement, given debt market conditions, with significant support shown by debenture investors for the highly rated debentures at interest rates which were favourable to the Company.

In addition, in the fourth quarter of the year, Plaza was able to secure additional development finance for the construction of projects in Suwalki, Poland (€42.2 million), Zgorzelec, Poland (€35.1 million) and Miercurea Ciuc, Romania (€19.9 million).

**Results**

Despite the challenging market conditions, it is pleasing to report ending 2008 with a gross profit of €43 million and a net profit of €68 million (2007: €510 million and €227 million respectively), resulting mainly from the sale of Plzen Plaza in Czech Republic, the price adjustment for Arena Plaza, Hungary and financing activities. Basic and diluted EPS was down 70% to €0.23.

A considerable portion of the above stated profit resulting from operations is derived from pure cash gains and is not impacted by property revaluations, as the Company has maintained its accounting policy of not revaluing its inventory of real estate under construction.

Following our continued investment in existing assets under construction, as well as the opportunistic acquisitions that the Company has made over the year, our total investment in real estate inventories under construction ("trading properties") increased to €575 million.

The Company continues to have a strong cash position of approximately €178 million at the period end (and circa €170 million as at today's date), ensuring the Company remains on a solid financial footing to continue its development programme, make opportunistic acquisitions where there is clear potential to create shareholder value and that the Company is able to negotiate project finance, despite the difficult credit environment.

**NAV**

The Company's portfolio was valued by King Sturge LLP as at 31 December 2008 and their summary valuation is shown below.

The main impact on the reduction in NAV came from the decrease in the value of most of the Company's assets, especially in CEE, driven principally by a decline in rental levels as well as yield expansion, a reflection of overall market conditions in the CEE region. This reduction was partially offset by the Arena Plaza price adjustment and the Plzen Plaza value uplift, totalling approximately €23 million. In total, the NAV decreased by 35% compared to 31 December 2007.

The Company's NAV was calculated as follows:

| **Use** | **EUR (Thousand)** |
|---|---|
| Market value of land and projects by King Sturge LLP (1) | 697,055 |
| Assets minus liabilities as at 31 December 2008 (2) | (3,976) |
| **Total** | **693,079** |

(1) per valuation attached below
(2) excluding book value of assets which were valued by King Sturge LLP.

The resulting NAV per issued share is £2.26 (31 December 2007: £2.52, post dividend), a 10.3% decrease compared to 31 December 2007. This relatively small decrease is mainly due to the devaluation of Sterling against the Euro.

**Strategic direction**

The financial turbulence over last twelve months has had a significant impact on activity in real estate markets across the world, with the lack of availability of financing being a key factor behind the dramatic slowdown in the investment market and the deterioration in consumer confidence having a particular impact on retail tenants. Despite this, whilst our existing and potential tenant base cannot be entirely immune from current pressures on retailers, the nature of our assets continue to attract strong letting and customer interest.

In light of market conditions, however, we took the strategic decision in the second half of the year to scale back on project starts and acquisitions though we will continue with the development of the eight projects that are in the construction stage (Casa Radio and Miercurea Ciuc in Romania, Dream Island in Hungary Liberec in Czech Republic, Koregaon Park in India, Riga in Latvia and Suwalki and Zgorzelec in Poland). Most of the other projects are either in the design phase or awaiting permitting and the commencement of these projects will depend on the availability of external financing.

Given the financial strength of the Company, the limited number of development projects in progress, combined with the ability of the Group to adapt to the market conditions, Plaza is strongly placed and does not have to execute forced sales of projects. If yields continue to be high once projects currently under construction are completed, Plaza will capitalise upon its extensive experience gained over eight years of managing and running shopping malls efficiently to hold and manage these as income generating investments in our portfolio, to the benefit of our shareholders, until market conditions improve.

Plaza has been active in CEE since 1996. We pioneered the concept of western-style shopping and entertainment centres in the region, targeting a growing middle class and an increasingly affluent consumer base. We look forward to building upon this proven and successful business model, whilst looking for opportunities to expand the Company's activities both within its existing markets and into new territories.

As demonstrated by the new Joint Venture signed with Elbit, Plaza is now leveraging this experience and proven business model, which we believe can be successfully applied across India. The JV is involved in a number of selected projects in India, a market which it believes has a number of attractive characteristics, which include:

- the significant economic growth the country has experienced over the last five years, which is expected to continue in the coming decade;
- the rapid growth in household income, which is a similar trend to one that the Group experienced in CEE when it commenced operations;
- the Group's experience in emerging markets with similar complex legal and regulatory environments to India;
- the interest from major retailers in the areas being considered by the Group;
- the undeveloped retail industry in India, which is expected to enter a period of exponential growth; and lack of local expertise and, therefore, competition in the development of shopping and entertainment centres.

Furthermore, the Group will examine other countries in CEE and Asia that meet the Group's development criteria with a view to identifying further opportunities in this sector. The Group will also examine other countries or continents with a view to acquiring yielding assets at compelling prices.

**Portfolio progress**

The Company is currently engaged in 33 projects and assets under development located across the Central and Eastern European region and in India. The location of the projects and assets under development is summarised as follows:

| | Number of assets | |
|---|---|---|
| **Location** | **Under development** | **Offices** |
| Romania | 7 | 1 |
| Poland | 6 | - |
| India | 6 | - |
| Czech Republic | 4 | 1 |
| Serbia | 3 | - |
| Hungary | 3 | 1 |
| Bulgaria | 2 | - |
| Latvia | 1 | - |
| Greece | 1 | - |
| **Total** | **33** | **3** |

The Company has invested a total of €40 million in five acquisitions during the year to date, namely: two retail development schemes in Poland (Kielce and Leszno); two retail development schemes in Romania at Hunedoara and Targu Mures; one project in Sofia, Bulgaria and a further 27% stake in its Dream Island project in Budapest with its 50:50 joint venture partner. This is in addition to the €85 million invested in the new joint venture with Elbit in India.

Plaza has also undertaken a number of other significant transactions during the year. The most important of these was the closing of the sale of Plzen Plaza in the city of Plzen (Czech Republic). This transaction was the last under the second agreement with Klépierre. The centre was 100% let prior to its handover, increasing the sales value to €61.4 million, compared to the €42.8 million valuation published in the Company's IPO Admission document.

In May 2008, a consortium of investors in which Plaza then owned a 30% indirect stake was announced as the winner of a large-scale casino licence to be operated on Obuda Island, Budapest. Following the period end, as announced to shareholders on 19 March 2009, Plaza and its 50:50 joint venture partner, MKB Bank (a leading Hungarian commercial bank which is a subsidiary of the German Bayerische Landesbank) purchased a further 27% interest in Dream Island from Obuda Investment Ltd (a company controlled by Sir Bernard Schreier) for a consideration of €21.4 million (comprising a €12 million cash payment and the rest by debt assumption) and now holds a 87% interest in the project.

The granting of the casino licence will enable Plaza to commence construction of this major mixed-use project, named 'Dream Island'. Totalling over 350,000 sqm of GBA, the scheme will include approximately 3,000 hotel rooms in several hotels of different categories as well as approximately 1,000 leisure apartments, a convention centre accommodating 3,500 delegates, a 1,500-seat opera house, a 3,500-seat multi-purpose theatre, a marina with an anchorage for 300 vessels, a shopping and entertainment centre including a prestigious ‘Designer Avenue’, a Roman cultural museum, and parking facilities for approximately 5,500 vehicles, as well as the casino of 40,000 sqm. The scheme is located on the southern end of Obuda Island in the Danube River in central Budapest.

The exclusive licence has been granted to a company held by the consortium members of Dream Island for 20 years from the date of the casino’s opening, with a ten year extension option. During this time, no further major casino licences will be granted by the Hungarian government in the same area of Budapest. The casino will have more than 200 gaming tables and over 4,000 slot machines, and is expected to be the largest and most prestigious destination of its kind in Europe, where currently no other resort and leisure facility of this magnitude exists.

**Liquidity & Financing**

We ended 2008 with a strong liquidity position, holding circa €178 million of cash and cash equivalents (including €32 million restricted cash). This was mainly due to the disposal of Arena Plaza and receipt of gross proceeds of approximately €153 million raised from a debenture issue to Israeli institutional investors between February and May 2008 and provides the Company with significant additional financial flexibility. Our strong liquidity enabled us, together with our ultimate parent company, to commence a share buyback programme of up to 6.61% of the shares currently in issue. As at the balance sheet date, 3.21% of currently issued shares had been purchased.

The real estate market relies on a combination of long term and short term financing sources. As a result of the the credit crunch, the global economic situation has continued to deteriorate sharply and the availability of raising funds from the public and arranging bank loans have become increasingly difficult challenges. However, during the period, it is pleasing to report that Plaza has concluded several new loan agreements despite the limited availability of credit.

Financing was secured on the following projects:

- Suwalki and Zgorzelec located in Poland. The loan facility is for 80% of the project budget (and can be increased to 100% based on the leasing progress) for each project at €42.2 million and €35.1 million, respectively. We are delighted to have already made strong letting progress on these projects. They are already 51% and 63% let in terms of GLA.
- Miercurea Ciuc in Romania for 75% of the project budget, a loan of €19.9 million.

The Group continues to pursue a conservative financing policy to decrease its exposure to the liquidity crisis, with the level of gearing being 47% (debt to equity).

**People**

Over the last decade, the Company experienced impressive growth especially after its IPO in October 2006. As a result, the number of employees increased in line with the number of projects as well as additional staff hired to enable the Company to penetrate new markets such as India. However, in light of current market conditions and the resulting realignment of our strategy, we have taken steps to reduce the Company’s headcount, mainly in the CEE region.

**Dividend policy**

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

Given market conditions over the last twelve months, and as a material part of annual profits are from finance activities rather than realisation of real estate assets, the Board has taken the prudent step not to recommend the payment of a dividend for the year ended 31 December 2008, in order to preserve capital liquidity within the

Company. The Board 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.

**Outlook**

Given the extraordinary economic and financial market conditions worldwide, Plaza has undertaken a number of measures to ensure that the Company protects the interests of shareholders. This has included adopting a strategy and financing structure appropriate to the prevailing market conditions, which takes into account its ongoing capital requirements, as well as being able to make opportunistic acquisitions as appropriate.

We are particularly mindful of the impact of market conditions on investor demand in the regions in which we operate. We are, therefore, taking a cautious view on pipeline projects, which are expected to be delivered from 2010 and will keep the timing of the commencement of these schemes under regular scrutiny.

Given our strong financing position we are able to take a flexible position with regard to future development completions. Plaza is not in a position where it will have to execute forced sales of assets on completion. Until such a time when the investment market improves, we will use our experience gained over eight years of managing and running shopping malls effectively and efficiently to hold developed projects as income generating investments in our portfolio.

The current exceptional market conditions serve as the ultimate test for measuring a strong and well-managed company. Companies such as Plaza that want to take advantage of opportunities in the current market as the basis for their future growth must show their ability to adapt their strategies, readjust and reorganize existing projects and maximise liquidity and cash flow.

With this in mind, Plaza will not limit itself only to its traditional development business model and markets and to managing its existing holdings as investment assets, but will seek to acquire high yielding mature assets or invest in interesting new markets, such as the United States, where clear and sometimes exceptional opportunities may arise to enhance capital and income.

We therefore remain well placed to manage the business through this market downturn and remain confident in the Company's excellent long term growth prospects.

**Mordechay Zisser**
**Chairman**
**30 March 2009**

## CHIEF EXECUTIVE'S REVIEW

Over the last twelve months Plaza has maintained good progress across its development portfolio and delivered a strong financial performance.

For 2008 we are reporting profits of €68 million, resulting mainly from gains from the completion and handover of Plzen Plaza as well as a price adjustment on the sale of Arena Plaza and financial profits. As per the Company's accounting policy, operational profits exclude accounting (IFRS) revaluation gains/losses.

The Plaza brand continues to be as important as ever, playing a crucial role in our ability to source opportunities, work closely with local authorities and communities on issues such as planning, securing financing for development of projects and sourcing tenants for our shopping centres. Through applying these same principles and our business model consistently, we have been able to achieve considerable success in all these activities.

2008 and the period since the year end have been active for Plaza across all areas of its business. Particular highlights include:

- **Exits:** Handover of the interests in Plzen Plaza, Czech Republic to Klépierre;
- **Acquisition of development projects:** Five new developments acquired in the most attractive markets and a joint venture agreement signed with Elbit for three existing mega projects in India;
- **Investments:** Total gross investment in current projects and new pipeline in 2008 of €327 million
- **Financial strength and flexibility:** Gross proceeds of approximately €153 million raised from a debenture issue to Israeli institutional investors between February and May 2008, providing significant additional financial flexibility. The Company has been granted a ilA/Stable updated rating by Standard & Poor Maalot and an updated rating of A2/Stable by the Israeli affiliate of Moody's Investors services, Plaza's current cash balances stand at circa €170 million.

To date, Plaza has been involved in the development of 33 schemes in nine countries, of which seven are located in Romania, six in Poland, six in India, four in the Czech Republic, three in Hungary, three in Serbia, two in Bulgaria one in Latvia and one in Greece. In addition, Plaza owns three additional office buildings in Budapest, Prague and Bucharest.

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

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

| Asset/Project | Location | Nature of asset | Size sqm (GLA) | Plaza's effective ownership % | Status (*) |
|---|---|---|---|---|---|
| Arena Plaza Extension | Budapest, Hungary | Office scheme | 40,000 | 100 | Under planning. Construction will commence in 2010 - 2011; completion scheduled for 2012 |
| 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 2012-2014.<br>Exclusive casino licence obtained |
| Uj Udvar | Budapest, Hungary | Retail and entertainment scheme | 16,000 | 35 | Operating, currently working on refurbishment plans |

| | | | | | |
|---|---|---|---|---|---|
| David House | Budapest, Hungary | Headquarters/Office | 2,000 | 100 | Operational office |
| Suwalki Plaza | Suwalki, Poland | Retail and entertainment scheme | 20,000 | 100 | Construction commenced in 2009; completion scheduled for 2010 |
| Lodz | Lodz, Poland | Residential scheme | 80,000 (GBA) | 100 | Under planning |
| Zgorzelec Plaza | Zgorzelec, Poland | Retail and entertainment scheme | 13,000 | 100 | Construction commenced in 2009; completion scheduled for 2010 |
| Torun Plaza | Torun, Poland | Retail and entertainment scheme | 44,000 | 100 | Construction will commence in2010; completion scheduled for 2011 |
| Kielce Plaza | Kielce, Poland | Retail and entertainment scheme | 33,000 | 100 | Construction will commence in late 2010; completion scheduled for 2012 |
| Leszno Plaza | Leszno, Poland | Retail and entertainment scheme | 16,000 | 100 | Construction will commence in 2011; completion scheduled for 2012 |
| Prague 3 | Prague, Czech Rep. | Office, for future residential use | 61,600 (residential for sale) | 100 | Currently operational as an office building, re-zoning for future residential use is in progress, expected to be obtained in H2 2009 |
| Opava Plaza | Opava, Czech Rep. | Retail and entertainment scheme | 13,000 | 100 | Construction will commence in 2011; completion scheduled for 2012 |
| Liberec Plaza | Liberec, Czech Rep. | Retail and entertainment scheme | 17,000 | 100 | Construction started in 2007; Opened to public in March 2009 |
| Roztoky | Prague, Czech Rep. | Residential units | 14,000 | 100 | Construction will commence in 2011; completion scheduled for 2013 |
| Casa Radio | Bucharest, Romania | Mixed use retail and leisure plus office scheme | 600,000 (GBA including parking) | 75 | Construction commenced in 2007, completion scheduled during 2013; approval of the Urban technical commission has been obtained |
| Timisoara Plaza | Timisoara, Romania | Retail and entertainment scheme | 43,000 | 100 | Construction will commence in 2010; completion scheduled for 2012 |
| Miercurea Ciuc Plaza | Miercurea Ciuc, Romania | Retail and entertainment scheme | 14,000 | 100 | Construction commenced in late 2008; completion scheduled for 2010 |

| | | | | | |
|---|---|---|---|---|---|
| Iasi Plaza | Iasi, Romania | Retail, entertainment and office scheme | 62,000 | 100 | Construction will commence in 2010; completion scheduled for 2012 |
| Slatina Plaza | Slatina, Romania | Retail, entertainment and residential | 17,000 | 100 | Construction will commence in 2010; completion scheduled for 2011 |
| Hunedoara Plaza | Hunedoara, Romania | Retail and entertainment scheme | 13,000 | 100 | Construction will commence in 2010; completion scheduled for 2011 |
| Targu Mures Plaza | Targu Mures, Romania | Retail and entertainment scheme | 30,000 | 100 | Construction will commence in 2010; completion scheduled for 2012 |
| Palazzo Ducale | Bucharest, Romania | Office | 700 | 100 | Operational |
| Belgrade Plaza | Belgrade, Serbia | Hotel and business centre with a shopping gallery | 70,000 (GBA) | 100 | Construction will commence in 2011; completion scheduled for 2013 |
| Sport Star Plaza | Belgrade, Serbia | Retail and entertainment scheme | 45,000 | 100 | Construction will commence in 2010; completion scheduled for 2012 |
| Kragujevac Plaza | Kragujevac, Serbia | Retail and entertainment scheme | 24,500 | 100 | Construction started in late 2008; completion scheduled for 2011 |
| Shumen Plaza | Shumen, Bulgaria | Retail and entertainment scheme | 20,000 | 100 | Construction will commence in 2010; completion scheduled for 2011 |
| Plaza Sofia Business Center | Sofia, Bulgaria | Retail, entertainment and office scheme | 44,000 | 51 | Construction will commence in 2010; completion scheduled for 2012 |
| Riga Plaza | Riga, Latvia | Retail and entertainment scheme | 49,000 | 50 | Construction commenced in 2007; opening 31 March |
| Helios Plaza | Athens, Greece | Retail and entertainment scheme | 25,000 | 100 | Construction will commence in 2010; completion scheduled for 2012 |
| Koregaon Park | Pune, India | Retail, entertainment and office scheme | 111,000 (GBA) | 100 | Construction commenced in late 2007; expected completion in 2011 |
| Kharadi | Pune, India | Retail, entertainment, and office Scheme | 205,000 (GBA) | 50 | Construction will commence in 2010; expected completion in 2012 |
| Trivandrum | Trivandrum, India | Retail, entertainment, office and apart-hotel scheme | 195,000 (GBA) | 50 | Under planning |

| | | | | | |
|---|---|---|---|---|---|
| Bangalore | Bangalore, India | Mixed-use residential, offices, retail, hotel, hospital and other infrastructure | 2,100,000 (GBA) | 23.75 | Under planning; construction will commence in late 2010; completion scheduled for 2012-2017 |
| Chennai | Chennai, India | Mixed-use residential, commercial, office and retail | 1,100,000 (GBA) | 38 | Under planning; construction will commence in late 2010; completion scheduled for 2012-2015 |
| Kochi Island | Kochi, India | Mixed use residential, science park, retail, hospitality, infrastructure and marina | 575,000 (GBA) | 23.75 | Under planning |

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

Details of these activities by country are as follows:

*Hungary*

During 2007, Plaza completed the development of Arena Plaza, its landmark shopping centre scheme in central Budapest, comprising approximately 66,000 sqm GLA which makes it one of the largest in CEE. The centre was sold to aAIM in November 2007. Plaza continues to work on the extension to Arena Plaza, where construction is planned to commence in 2010-2011. The extension will comprise an office complex with 40,000 sqm of GLA.

Following the year end, Plaza increased its stake in Dream Island from 30% to 43.5% through buying the shareholding of CP Holdings Ltd (a company controlled by Sir Bernard Schreier). Plaza and MKB Bank, (a leading Hungarian commercial bank which is a subsidiary of the German Bayerische Landesbank), which together held 60% of the project prior to this transaction, have acquired CP Holdings Ltd's 27% stake for circa €21.4 million. The consideration will consist of a cash payment of €12 million and the assumption of €9.4 million of debt, representing 27% of the project's net debt liability. The consortium now comprises the 87% holding interest of the 50:50 joint venture partnership between Plaza and MKB Bank, a company controlled by the managing director of the consortium (10% interest) and a further 3% owned by another party and small minorities.

The Dream Island project is a prestigious development on the Obuda Island in central Budapest, with a land area of 320,000 sqm, is intended to be developed as a major resort including hotels, recreation facilities, a casino and a business and leisure complex with a development budget of circa €1.5 billion and 350,000 sqm of GBA. Preliminary design, excavation and archaeological works are already underway. As stated above, in 2008 the consortium formed by the owners of Dream Island project won a concession licence for the 20-year operation of a large-scale casino (the first one in Budapest) with an option to extend for an additional 10 years. The project is intended to be completed in 2012-2014.

In accordance with its strategy to acquire operating shopping centres that show significant redevelopment potential for refurbishment and subsequent sale, in September 2007, the Company bought a 35% stake in the Uj Udvar shopping centre in Budapest, Hungary. The shopping centre is operational and the shareholders are working on a new design to be implemented.

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

*Poland*

During 2008, Plaza acquired two further projects in Poland, in Kiecle and Leszno. Leszno will have a GBA of 23,000 sqm as well as a 450 space car park providing space for over 70 shops, with a total lettable area of 16,000 sqm. Kielce was acquired via a competitive tender and will have a GBA of 45,000 sqm and GLA of 33,000 sqm and the construction is planned to commence in 2010.

Since the year end, Plaza has commenced the construction of two developments in Suwalki and Zgorzelec, with the completion of both schemes anticipated to occur in H1 2010. The developments will comprise 20,000 sqm and 13,000 sqm of GLA respectively.

In addition, Plaza continued the feasibility and planning studies for two development schemes in Lodz (designated for residential use) and in Torun (comprising approximately 44,000 sqm of GLA).

*Czech Republic*

On 30 June 2008, Plaza completed the successful handover of its shopping and entertainment centre in Plzen (approximately 20,000 sqm GLA) to Klépierre. It was sold for a total consideration of €61.4 million, compared to a value of €42.8 million at IPO in November 2006, representing a 43% rise. The centre was 100% let on opening.

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

During 2008, Plaza continued the feasibility and planning of its development schemes in Opava (13,000 sqm), and it's residential developments at Roztoky (14,000 sqm) and Prague (61,600 sqm).

The Company continues to own an income generating office and warehouse building in Prague which is designated to be re-zoned for a scheme of 61,600 sqm of residential units. Re-zoning is expected to be received in the second half of 2009.

*Romania*

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

In the second half of 2008, the Group commenced the construction of its development in Miercurea Ciuc (14,000 sqm GLA) which is expected to be completed in late 2010.

The Company continues the feasibility and planning phases of its development schemes in Timisoara, Iasi and Slatina. Timisoara is in the final stages of design and planning. In Iasi, the Company expects to start demolition works in 2010 and, in Slatina, the detailed design has been agreed, the majority of permits secured and construction is due to commence subject to finance. Iasi and Timisoara are expected to be completed in 2012 and Slatina in 2011.

During 2008, the Group continued its expansion in Romania, with the purchase of two sites located in Hunedoara and Targu Mures. In Hunedoara, Plaza is set to build a shopping centre with 13,000 sqm of lettable space. It is located alongside the main road into the city centre, and has a large catchment area with 500,000 people in the region. In Targu Mures, the Company is set to deliver 30,000 sqm of lettable retail space, comprising more than 120 units and 800 car parking spaces. The proposed development is ideally located near to the city centre.

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

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

Any additional value above book value of the Plaza-BAS venture assets has not been included in the year end NAV and was not valued by King Sturge. In light of this, and as stated in our report to shareholders in May 2008, we believe they offer a future potential uplift in value for shareholders.

*Latvia*

Construction works started in March 2007 on the Riga Plaza project, which comprises approximately 49,000 sqm of GLA in Riga, Latvia .Plaza owns a 50% holding in this project. The scheme is located on the western bank of the River Daugava, by the Sala Bridge. The opening is scheduled for 31 March 2009 and the centre is currently approximately 80% pre-let.

*Serbia*

Plaza believes that the Belgrade market offers particular potential, with a catchment area of approximately 2.5 million people. Plaza successfully established its presence in Serbia in 2007 with the acquisition of three plots.

The first of these was a state-owned plot and building in Belgrade, which Plaza secured in a competitive tender. The building was formerly occupied by the federal ministry of internal affairs of the former Yugoslavia and is located in the centre of Belgrade in a neighbourhood of government offices and foreign embassies. On completion, the scheme, Belgrade Plaza, will comprise a hotel, offices and shopping gallery totalling circa 70,000 sqm of GBA. Construction is planned to commence in 2011 and completion is scheduled for 2013. The project is now in the local planning process.

In December 2007, the Company won a second competitive public auction announced by the Government of Serbia for the development of a new shopping and entertainment centre called Sport Star Plaza with a total GLA of approximately 45,000 sqm in Belgrade. Concept design was submitted and the building permit is expected to be granted in 2010.

An additional development in Serbia is located in Kragujevac, a city of 180,000 inhabitants. The planned shopping and entertainment centre will comprise approximately 24,500 sqm of GLA. Construction commenced in Q3 2008 and the opening is planned in 2011. The centre is already 55% let.

*Greece*

Plaza owns a 15,000 sqm plot of land centrally located in Piraeus Avenue, Athens. Plaza is currently working on securing building permits for the construction of a shopping centre, totalling approximately 25,000 sqm of GLA. Construction is planned to start in 2010 and completion is scheduled for 2012.

*Bulgaria*

The Group owns a 20,000 sqm plot of land in Shumen, the largest city in Shumen County, which it intends to develop into a new shopping and entertainment centre with a total GLA of 20,000 sqm. The Company is currently finalizing the design, and construction is expected to commence later in 2010.

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

*India*

Plaza has identified strong potential in India and during 2006 acquired its first development project in the city of Pune in a 50:50 joint venture with a local partner. In November 2008, the Group bought the remaining 50% stake held by its JV partner which enables the Company to have full control over the development. The mixed-use scheme has a total area of 111,000 sqm which will comprise a shopping centre and office space. Construction is already underway and completion is expected in 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 and totals approximately 205,000 sqm of GBA. The second is in Trivandrum, the capital city of the State of Kerala and totals approximately 195,000 sqm GBA. Both projects are for mixed-use developments.

During the last financial year, Plaza formed a joint venture with Elbit Imaging to develop three mega mixed-use projects in India with an approximate end value of $3.4 billion (of which the JV will be responsible for circa US$1.9 billion), 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 will be split 50:50 between Elbit and Plaza. Plaza has paid an initial $126 million (circa €85 million), reflecting the share of the land purchase and related expenses. The acquisition of the locations is completed in parts, with an approximate expected end cost of US$410 million for the three locations (the JV's share).

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 area of over 2.1 million sqm, it will comprise luxury residential units (Villas and high and medium-rise apartment buildings), office complexes, a major retail facility, hotel complex, serviced apartments, hospital, club houses, retirement homes and ancillary amenity facilities.

Chennai - A mixed-use development, 80% owned by the JV and 20% owned by a prominent local developer, will be developed into an integrated mixed-use project consisting of residential units (in both high-rise, medium-rise buildings, and villas), ancillary amenities such as club houses, swimming pools and sports facilities, a local retail facility and an office complex, with a total built area of 1.1 million sqm excluding parking. Chennai is India's fourth largest city with a population of more than 10 million people.

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

All three projects are in the planning and design stages. Construction at Bangalore and Chennai is expected to start in 2010 and at Kochi Island in 2011. The commercial elements are expected to be completed within three to five years while the residential elements will be completed in phases over an average term of five years.

The joint venture will also look for further large-scale mixed-use development opportunities in India, predominantly led by either residential, office or hotel schemes. In addition, Plaza will independently continue to develop, manage and look for new opportunities for shopping centre led projects in India. This activity has no impact upon Plaza's existing three shopping centre developments in the region.

**Prospects**

Given the current uncertain economic environment, we have limited our ongoing development programme to eight projects, focusing on areas with the high market demand and where financing terms are more favourable. With letting activity progressing well across our developments, we expect to see continued interest from potential occupiers, as we use our strong contacts with key international and local tenants, who know and trust the Plaza brand. In addition to this, as many international retailers are only looking at the very best opportunities for international expansion, we are seeing a 'flight to quality', which we believe will leave Plaza's shopping centres ideally positioned to meet such demands.

We are fortunate in being well positioned to prosper thanks to our conservative gearing levels, with minor debt comprising only 47% of equity, significant cash resources and very good relationships with our financing banks, who recognise Plaza's strong track record and standing. This means that Plaza is well placed to make opportunistic acquisitions at compelling prices and take a flexible approach to its development pipeline, as well as continuing to progress our large scale projects, such as our joint venture projects in India.

Furthermore, we also expect to benefit from revenues generated from mature, income producing assets, which Plaza may elect to hold on its balance sheet until the investment market improves. Plaza has a strong history of managing such assets, having owned and managed retail investment properties in the past for over eight years.

Our further diversification into markets such as India also creates the opportunity for Plaza to continue to expand as we look to ensure that the business will grow significantly over the long term. With that in mind, we will continue to examine other future emerging and mature market opportunities, which we consider to offer the highest returns with minimum risks. Therefore, we will seek to utilize our cash position to find attractive new opportunities including purchasing existing shopping malls in markets other than our traditional areas of operation.

**Ran Shtarkman**
**President and CEO**
**30 March 2009**

## FINANCIAL REVIEW

### Results

The 2008 financial year reflects the handover of one shopping and entertainment centre, as well as significant investment in current projects, in four additional schemes acquired during the year and substantial gains from financing activities.

In line with the Group's commercial decision to focus its business more on the development and sale of shopping and entertainment centres rather than operating them, the Group is classifying its current projects under development as trading properties rather than investment properties. Accordingly, revenues from the sale of trading properties are presented as gross amounts. The Group does not revalue its trading properties and profits from these assets therefore represent actual cash-based profits due to realizations.

Revenues for the year ended 31 December 2008 decreased to €99 million (2007: €510 million). These revenues are attributable mainly to the sale of Plzen Plaza in the Czech Republic and the positive price adjustment resulting from the disposal of Arena Plaza earlier in 2007.

No gains or losses were recorded in connection to investment property (2007: €2.1 million – net result from the sale of Duna Plaza Offices).

The majority of the cost of operations is attributable to the cost of the sale of Plzen Plaza mentioned above.

The level of administrative expenses was €24.5 million (2007: €23.1 million). The cost of non cash share-based payments decrease slightly mainly due to the graded vesting method of the employee share option plan (ESOP) resulting in a non-cash payments in 2008 of €6.3 million (2007: €7.6 million). The options are amortized in the profit and loss statement using the conservative graded vesting method as required by IFRS. Using this method, the majority of the expense (approximately 60%) is recognized during the first year (out of three) of vesting, i.e. most of the expenses for the options granted at IPO were reflected in the 2007 financial statements.

In addition, in the second half of 2008, the Company initiated a thorough cost cutting plan under which headcount has been reduced, payroll to current employees was decreased and agreements with construction suppliers, land sellers and service providers were re-negotiated and reduced. Due to these measures it is anticipated that the level of administrative expenses will be materially reduced in 2009.

Depreciation and amortization, as well as the cost of office rents has increased as local headquarters were opened in the course of 2007, which were not present for the whole year of that year, but were in place throughout 2008.

Net finance significantly increased in 2008 to €58 million (2007: €9 million), mainly due to two components; the first being the changes in the fair value of the debentures issued in 2007 and 2008 and presented in the balance sheet at fair value (€30 million), as well as the gain derived from the increase in value of a cross currency swap transaction (€18 million), which is hedging the NIS (New Israeli Shekel) denominated debentures to EUR. Other factors which contributed to the increase are higher cash balances in the Group during the course of 2008, compared to 2007, which resulted in high interest income, net.

Current tax expenses continue to remain very low at €143,000 (2007: €90,000), reflecting less than 1% of profits before tax and resulting from the Group's favourable tax structure. The total increase in the tax expense is attributable to the deferred tax liability increase which is mainly due to gains from change in fair values of debentures and the swap transaction mentioned above.

Net profit for the period amounted to €68 million in 2008, compared to €227 million in 2007.

Basic and diluted earnings per share for 2008 were both €0.23 (2007: €0.78 and €0.77 respectively).

**Balance sheet and cash flow**

The balance sheet as at 31 December 2008 showed current assets of €824 million compared to current assets of €721 million at the end of 2007. This rise results from Plaza's realization of the Plzen project and investment in our substantial pipeline of development projects through bank financing and long term debentures raised.

The Company's cash and restricted cash deposits position increased to €178 million (2007: €91 million), mainly due to the sale of Plzen Plaza, the payment received on Arena Plaza and the debentures issuance effected between February and May 2008. The Company has also invested in its projects under development, the acquisition of four projects and a new joint venture in India.

Trade receivables have decreased significantly from €263 million to €0.8 million as a result of funds received in connection with the sale of Arena Plaza.

There was no change in the value of the investment properties both in 2007 and 2008 as the fair value of the Prague 3 logistics building (which is the only Investment property) has not changed based on management's estimation.

Long term deposits and balances have increased significantly as a result of secured deposits used as collateral in respect of the cross currency interest rate swap, as well as investment in long term financial instruments.

Total bank borrowings (long and short term) increased to €111 million (2007: €6 million) due to the drawdown of construction loans and loans related to investment in long term financial instruments.

Apart from bank financing, Plaza has on its balance sheet a liability with fair value of €175 million (and face value of circa €206 million) from issuing debentures on the Tel Aviv Stock Exchange. These debentures are presented at their fair value. Plaza has hedged the future expected payments in New Israeli Shekels (principal and interest linked to the Israeli CPI index) to correlate with the Euro currency and the Euribor interest rate, using a cross currency interest rate swap.

Trade payables increased to €23 million (2007: €19 million), due to the increase in the volume of construction activities (at year end 2008, eight projects were under construction).

Other liabilities and provisions represent the amount payable in respect of new acquisitions. The balance has decreased from €53 million 2007 to €31 million as most of the land purchase transactions were finalized by the end of the year.

Related Party balances are presented gross (both in the assets and in the liabilities sections of the balance sheet) as the balances are with different Plaza Group subsidiaries and therefore netting was not possible under IFRS. That created a material asset and liability at year end 2007. However, a netting settlement agreement was concluded during 2008 that resulted in a significant decrease in both the liability and asset side of the balance sheet with regard to the Related Party balances. At the 2008 year end, the net balance of the Plaza Group with its controlling shareholders is a liability of approximately €2.3 million of which €1.1 million is due to a provision in respect of liability to Elbit Imaging's ("EI") Vice Chairman through an option granted in connection with Indian operations and €0.9 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 includes a net liability regarding charges and loans to and from Elbit Imaging group companies to the Company as well as loans to Group subsidiaries in Poland.

In conclusion, Plaza's balance sheet reflects significant strength. Our increasing balance of inventories under construction should result in successful returns in the future and the generation of substantial revenues in the coming years. Plaza has a proven ability to be able to generate substantial profits, which arise from the actual realization of cash from assets and not from revaluations. Our high level of liquid balances and low gearing, with the majority of the Group's debt maturing only between 2011 and 2017, will enable us to bring the current portfolio to fruition. High cash balances and substantial (non re-valued) shareholders equity of more than €600 million will enable the Company to make opportunistic purchases of new projects in the best performing markets under current economic conditions.

**Roy Linden, Chief Financial Officer**
**30 March 2009**

# Valuation Summary by King Sturge LLP as at December 31, 2008 (in EUR)

| Country | Project name | Market Value upon completion 31 December, 2007 | Market Value upon completion 31 December 2008 | Market Value of the land and project 31 December 2007 | Market Value of the land and project 31 December 2008 |
|---|---|---|---|---|---|
| Hungary | Duna Plaza extension | 49,600,000 | - | 25,000,000 | - |
| | Arena Plaza extension | 71,500,000 | 69,500,000 | 28,000,000 | 10,400,000 |
| | Dream Island | 462,100,000 | 323,000,000 | 81,200,000 | 59,000,000 |
| | David House | 5,320,000 | 4,360,000 | 5,320,000 | 4,360,000 |
| | Uj Udvar | 7,800,000 | 3,255,000 | 4,113,000 | 3,255,000 |
| Poland | Kielce Plaza | - | 87,000,000 | - | 6,700,000 |
| | Torun Plaza | 132,100,000 | 111,400,000 | 18,700,000 | 14,200,000 |
| | Suwalki Plaza | 57,500,000 | 56,900,000 | 11,500,000 | 7,000,000 |
| | Lodz Plaza | 251,000,000 | 192,000,000 | 21,400,000 | 14,800,000 |
| | Zgorzelec Plaza | 41,800,000 | 30,600,000 | 6,000,000 | 3,700,000 |
| | Leszno | - | 1,500,000 | - | 1,500,000 |
| Czech Republic | Plzen Plaza | 60,382,000 | - | 60,382,000 | - |
| | Prague 3 | 116,500,000 | 160,000,000 | 25,475,000 | 20,000,000 |
| | Opava Plaza | 43,800,000 | 38,390,000 | 14,100,000 | 5,700,000 |
| | Liberec Plaza | 78,600,000 | 45,300,000 | 51,860,000 | 45,300,000 |
| | Roztoky | 23,806,000 | 24,410,000 | 3,910,000 | 3,400,000 |
| Romania | Miercurea Ciuc Plaza | 41,300,000 | 31,300,000 | 4,800,000 | 8,100,000 |
| | Timisoara Plaza | 227,100,000 | 114,500,000 | 30,100,000 | 22,800,000 |
| | Casa Radio Plaza | 761,000,000 | 927,000,000 | 191,300,000 | 158,700,000 |
| | Iasi Plaza | 239,600,000 | 134,000,000 | 35,200,000 | 19,000,000 |
| | Slatina Plaza | 53,300,000 | 37,500,000 | 5,500,000 | 2,700,000 |
| | Palazzo Ducale | 2,600,000 | 2,100,000 | 2,600,000 | 2,100,000 |
| | Targu Mures Plaza | - | 64,700,000 | - | 6,600,000 |
| | Hunedoara Plaza | - | 30,000,000 | - | 3,500,000 |
| Latvia | Riga Plaza | 79,000,000 | 64,050,000 | 25,250,000 | 51,750,000 |
| Greece | Helios Plaza | 105,860,000 | 93,300,000 | 30,220,000 | 24,190,000 |
| India | Koregaon Park | 40,000,000 | 70,200,000 | 12,500,000 | 25,600,000 |
| | Kharadi Plaza | 60,000,000 | 56,300,000 | 16,700,000 | 13,800,000 |
| | Trivandrum Plaza | 43,400,000 | 46,950,000 | 10,600,000 | 9,500,000 |
| | Bangalore | - | 466,900,000 | - | 57,900,000 |
| | Chennai | - | 269,600,000 | - | 18,900,000 |
| | Kochi | - | 105,200,000 | - | 3,000,000 |
| Bulgaria | Shumen Plaza | 52,500,000 | 45,200,000 | 12,700,000 | 10,300,000 |
| Serbia | Belgrade Plaze | 147,800,000 | 183,100,000 | 33,600,000 | 28,200,000 |
| | Sport Star Plaza | 180,300,000 | 170,800,000 | 25,200,000 | 18,800,000 |
| | Kragujevac Plaza | 99,000,000 | 101,600,000 | 9,300,000 | 12,300,000 |
| **TOTAL** | | **3,534,568,000** | **4,166,915,000** | **802,530,000** | **697,055,000** |

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 centre development.
- Plaza Centers has a 35% interest in the Uj Udvar Shopping Centre development.
- Plaza Centers has a 50% interest in Kharadi Plaza and Trivandrum Plaza.
- Plaza Centers has (at 31.12.2008) a 30% share in Dream Island.
- Plaza Centers has a 75% share of Casa Radio Plaza.
- Plaza Centers has a 23.75% share of Bangalore.
- Plaza Centers has a 38% share of Chennai.
- Plaza Centers has a 23.75% share of Kochi.
- All the figures reflect Plaza's share.

## Consolidated Income Statements

| | Note | For the year ended 31 December 2008 € '000 | 2007 € '000 |
|---|---|---|---|
| Revenues | 12 | 98,613 | 507,843 |
| Gain from the sale of investment property, net | | - | 2,071 |
| | | 98,613 | 509,914 |
| Cost of operations | 13 | 55,934 | 268,730 |
| **Gross profit** | | 42,679 | 241,184 |
| Administrative expenses (*) | 14 | 24,540 | 23,117 |
| Other income | | (193) | (85) |
| Other expenses | | 2,882 | 423 |
| **Results from operating activities** | | 15,450 | 217,729 |
| Finance income | | 67,356 | 12,407 |
| Finance expenses | | (9,268) | (3,060) |
| Finance income , net | 15 | 58,088 | 9,347 |
| Share in loss of associate | | (941) | (19) |
| **Profit before income tax** | | 72,597 | 227,057 |
| Income tax expenses | 16 | 4,913 | 90 |
| **Profit for the year** | | 67,684 | 226,967 |
| **Basic earnings per share (in EURO)** | 11 | 0.23 | 0.78 |
| **Diluted earnings per share (in EURO)** | 11 | 0.23 | 0.77 |

(*)Including non-cash expenses due to the share option plan in the amount of €6.3 million (2007- €7.6 million).

## Consolidated Balance Sheets

| | Note | 31 December 2008 € '000 | 31 December 2007 € '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 3 | 146,026 | 66,381 |
| Restricted bank deposits | | 32,253 | 25,155 |
| Short-term deposits and investments | | - | 1,033 |
| Available for sale marketable securities | | 8,608 | - |
| Trade receivables, net | | 838 | 262,595 |
| Other receivable and prepayments | 4 | 60,550 | 48,102 |
| Related parties | | 481 | 19,525 |
| Trading properties | 5 | 575,334 | 298,339 |
| | | 824,090 | 721,130 |
| **Non current assets** | | | |
| Long term deposits and other investments | 6 | 50,385 | 1,987 |
| Investment in associate | | 188 | 1,129 |
| Derivative | | 20,323 | 2,228 |
| Property, plant and equipment | | 15,793 | 16,465 |
| Investment property | | 12,970 | 12,970 |
| Restricted bank deposits | | 34,497 | 5,302 |
| Other non-current assets | | 310 | - |
| | | 134,466 | 40,081 |
| **Total assets** | | 958,556 | 761,211 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Interest bearing loans from banks | 7 | 69,415 | 409 |
| Trade payables | | 23,197 | 19,432 |
| Amounts due to related parties | 8 | 2,748 | 23,103 |
| Provisions | | 16,985 | 17,536 |
| Other liabilities | | 13,673 | 35,200 |
| | | 126,018 | 95,680 |
| **Non-current liabilities** | | | |
| Interest bearing loans from banks | 7 | 41,273 | 5,461 |
| Long term debentures at fair value through profit or loss | 9 | 175,144 | 53,821 |
| Amounts due to related parties | 8 | - | 1,871 |
| Other long term liabilities | | 399 | 355 |
| Deferred tax liabilities | | 6,191 | 552 |
| | | 223,007 | 62,060 |
| Share capital | | 2,924 | 2,924 |
| Translation reserve | | (12,175) | (1,727) |
| Other reserves | | 21,778 | 13,498 |
| Share premium | | 248,860 | 248,860 |
| Treasury stock | | (5,469) | - |
| Retained earnings | | 350,605 | 339,916 |
| **Shareholders' equity attributable to equity holders of the Company** | 10 | 606,523 | 603,471 |
| Minority interest | | 3,008 | - |
| **Total equity** | | 609,531 | 603,471 |
| **Total shareholders' equity and liabilities** | | 958,556 | 761,211 |

## Consolidated Cash flow Statements

| | For the year ended 31 December 2008 | 2007 |
|---|---|---|
| | € '000 | € '000 |
| **Cash flows from operating activities** | | |
| Profit for the year | 67,684 | 226,967 |
| Adjustments necessary to reflect cash flows used in operating activities: | | |
| Depreciation and impairment on property, plant and equipment | 3,295 | 907 |
| Advance payment on accounts of trading properties | (38,567) | (52,358) |
| Finance income, net | (58,088) | (9,347) |
| Interest received in cash | 14,213 | 6,732 |
| Loss on sale of property plant and equipment | 497 | 40 |
| Company's share in loss of associate | 941 | 19 |
| Gain on sale of investment property | - | (2,071) |
| Gain on sale of trading property | (41,644) | (235,499) |
| Income tax expenses | 4,913 | 90 |
| Tax repaid in cash | 235 | - |
| | (46,521) | (64,520) |
| Decrease (Increase) in trade accounts receivable | 277,761 | (5,807) |
| Increase in other accounts receivable | 9,105 | (18,816) |
| Change in restricted cash for projects to be acquired | (56,035) | (24,540) |
| Increase in trading properties | (192,948) | (302,996) |
| Purchase of trading property companies (see appendix A) | (75,238) | (16,244) |
| Increase (decrease) in trade accounts payable | (13,387) | 38,822 |
| Increase (decrease) in other liabilities and provisions | (20,055) | 20,423 |
| Net proceeds from selling of trading property (see appendix B) | 60,189 | 63,718 |
| Share based payment | 6,988 | 7,644 |
| | (3,620) | (237,796) |
| Interest paid | (2,591) | (368) |
| Income tax paid | (202) | (7) |
| **Net cash used in operating activities** | (52,934) | (302,691) |
| **Cash from investing activities** | | |
| Purchase fixed assets and other assets | (2,071) | (9,880) |
| Proceeds from sale of plant, property and equipment | 3,182 | 19 |
| Short term deposits, net | 1,025 | (5,121) |
| Purchase of available for sale marketable securities | (10,011) | - |
| Long term deposits decreased | (162) | 152 |
| Long term deposits increased | - | (5,582) |
| Net proceeds from disposal of other subsidiaries (see appendix B) | - | 11,526 |
| Long term structured deposit | (51,305) | - |
| **Net cash from (used in) investing activities** | **(59,342)** | **(8,886)** |

## Consolidated Cash flow Statements

| | For the year ended 31 December | |
|---|---|---|
| | 2008 | 2007 |
| | € '000 | € '000 |
| **Cash from financing activities** | | |
| Proceeds from bank loans and loans from financial institutions | 105,586 | 124,747 |
| Dividend paid | (56,995) | - |
| Treasury stock purchased | (5,469) | - |
| Proceeds from issuance of long term debentures, net | 151,627 | 53,003 |
| Long term loans repaid to banks | (768) | (7,115) |
| Loans repaid to related parties | (1,260) | (5,735) |
| Loans received from related parties | - | 386 |
| **Net cash from financing activities** | 192,721 | 165,286 |
| | | |
| **Effect on exchange rate fluctuations on cash held** | (800) | (11) |
| **Increase (decrease) in cash and cash equivalents during the year** | 79,645 | (146,302) |
| **Cash and cash equivalents at the beginning of the year** | 66,381 | 212,683 |
| | | |
| **Cash and cash equivalents at the end of the year** | **146,026** | **66,381** |

## Selective Notes to the consolidated financial information:

## NOTE 1 - STATEMENT OF COMPLIANCE

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

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

These consolidated financial statements are not intended for Dutch statutory filing purposes. The Company is required to file consolidated financial statements prepared in accordance with The Netherlands Civil Code, those will be submitted in due course.

The financial statements were approved by the board of directors on March 26, 2009.

## NOTE 2 - BASIS OF PREPARATION

### a. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following:

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

### b. Functional and presentation currency

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

### c. Use of estimates and judgments

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

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

## NOTE 3 - CASH AND CASH EQUIVALENTS

| Interest rate as of December 31, 2008 | December 31, 2008 | December 31, 2007 |
|---|---|---|
| | € '000 | € '000 |
| Mix of fixed and floating interest rates between 2.29%-3.94% - see (1) below | 136,575 | 61,917 |
| 3-4% | 156 | 143 |
| 1.8%-3.7% | 1,670 | 1,586 |
| 0%-1.5% | 196 | 1,174 |
| Mainly 0% | 1,983 | 663 |
| Mainly O/N RIGIDBOR-0.4% | 441 | 350 |
| Mainly O/N LIBOR-0.4% | 2,913 | 263 |
| Mainly 11%-15% | 1,461 | 165 |
| 13.25%-16.23% | 599 | 15 |
| 0% | 32 | 105 |
| | **146,026** | **66,381** |

## NOTE 4 - OTHER RECEIVABLES AND PREPAYMENTS

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| | € '000 | € '000 |
| Advances for plot purchase (1) | 28,140 | 36,340 |
| Advance to suppliers (2) | 12,910 | 4,984 |
| Prepaid expenses | 515 | 230 |
| VAT receivable (3) | 15,706 | 5,848 |
| Partners in companies under joint venture | 1,474 | 117 |
| Accrued interest receivable | 1,203 | 199 |
| Others | 602 | 384 |
| | **60,550** | **48,102** |

(1) As of December 31, 2008, including mainly advance payments of EUR 22.9 million for the purchase of plots in India, as part of the Joint venture with EI. Of this amount, EUR 4.3 million is guaranteed by EI. An additional EUR 5.2 million account for advance payments in respect of plots in Poland, Romania and the Czech Republic.

(2) As of December 31, 2008 including mainly advance payments of EUR 7.9 million mainly to General Contractors in Romania, Latvia, Czech Republic and India.

(3) As of December 31, 2008, VAT receivable is mainly due to projects in Romania (EUR 7.5 million), Czech Republic (EUR 3.5 million), Latvia (EUR 2.1 million) and Poland (EUR 1.2 million). VAT is principally collectible within a few months.

## NOTE 5 - TRADING PROPERTIES

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| | € '000 | € '000 |
| Balance at 1 January | 298,339 | 159,961 |
| Acquisition and construction costs | 254,965 | 336,588 |
| Capitalized interest | 14,600 | 5,693 |
| Addition due to acquisitions of subsidiary | 58,531 | 53,848 |
| Effect of movement in exchange rates | (8,932) | (459) |
| Trading properties disposed | (42,169) | (257,292) |
| Balance at 31 December | **575,334** | **298,339** |

As of December 31, 2008, The Company had trading properties in Poland, Czech Republic, Latvia, India, Romania, Serbia, Bulgaria, Hungary and Greece. The properties are in various stages of development as shopping and entertainment centers, residential units, offices or a combination of uses.

A total carrying amount of EUR 106 million (2007 – nil) of the abovementioned trading property is secured against secured bank loans granted to the Company by banks.

As of 31 December 2008, trading property due includes capitalization of share based payments of EUR 7.8 million (31 December 2007 – EUR 4.7 million).

## NOTE 6 - LONG TERM DEPOSITS AND OTHER INVESTMENTS

| | Interest rate - December 31, 2008 | December 31, 2008 | December 31, 2007 |
|---|---|---|---|
| | | € '000 | € '000 |
| Financial structure A - see 1 below | 11.50% | 38,000 | - |
| Financial structure B - see 1 below | 6.25% | 9,864 | - |
| Long term loan to associated Company (Ercorner) (2) | 6.76% | 2,094 | 1,545 |
| Charges to associated company | 0% | 351 | 367 |
| Long term deposits (2) | | 76 | 75 |
| | | **50,385** | **1,987** |

(1) Structure A - On February 28, 2008 the Group entered into a financial transaction with an issuing bank, according to which the Group invested an amount of EUR 37.96 million (of which EUR 26.2 million by bank financing - see note 7) for a period of 15 years in a note which bears interest of 11.5% per annum, payable to the extent that the margin between the 30 years Euro CMS (Constant Maturity Swap) and the 10 years Euro CMS (measured on a daily basis) is higher than the accrual barrier which was set at 0.05%. For days in which the margin is lower than the barrier no interest is paid. The principal amount is EUR 38 million and the interest is payable quarterly commencing May 28, 2008. The financing bank has a call option to redeem the note at par in whole on February 28, 2009 and on each quarter thereafter by giving at least 5 business days prior notice. The principal is 100% protected at maturity. Structure A is presented in the financial statement as held to maturity financial instruments at amortised cost. The fair value, based on issuer confirmation as of December 31, 2008 was EUR 22 million.

## NOTE 6 - LONG TERM DEPOSITS AND OTHER INVESTMENTS (Cont.)

Structure B -On February 26, 2008 the Group entered into a financial transaction with an Issuing bank, according to which the Group invested an amount of EUR 13 million (of which EUR 10 million by bank financing - see note 7) in a Note which pays a variable interest linked to the 10 year EUR CMS rate subject to a minimum interest of 6.25% p.a and a maximum interest of 12.50% p.a. The Principal is 100% protected at maturity. The interest is payable annually, commencing at February 19, 2009 and up to and including February 19, 2018 (maturity date). Structure B is presented in the financial statement at fair value through profit and loss. As of December 31, 2008, the company recorded an impairment of EUR 3.1 million in respect to structure B. The Company has also provided security deposits in respect of both structures which totals EUR 14.6 million.

(2) The loan to the associated company bears a fixed interest rate of 6.76% per annum as at 31 December 2008, and the previous balance sheet date. The interest is fixed, and was predetermined by both parties to the joint venture. The loan has no stated maturity date; however the Company estimates the maturity date to be no earlier than 2012.

## NOTE 7 - INTEREST BEARING LOANS FROM BANKS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk. All interest bearing loans from banks are of balances of secured bank loans and are all denominated in EUR.

Terms and conditions of outstanding loans were as follows:

| | | | December 31, | |
|---|---|---|---|---|
| | | | **2008** | **2007** |
| | **Nominal interest rate** | **Year of maturity** | **Face value and carrying amounts** | |
| | | | **€ '000** | **€ '000** |
| Secured bank loan | 3M EURIBOR+1.8% | 2009 | 20,189 | - |
| Secured bank loan | 3M EURIBOR+2.7% | 2014 | 38,640 | - |
| Secured bank loan | 3M EURIBOR+0.5% | 2009 | 5,095 | - |
| Secured bank loan | 3M EURIBOR+4.5% | 2009 | 3,633 | - |
| Secured bank loan | 3M EURIBOR+4.75% | 2009 | 700 | - |
| Secured bank loan | 3M EURIBOR+2.5% | 2009 | 750 | - |
| Secured bank loan (*) | 3M EURIBOR+0.4% | 2023 | 26,225 | - |
| Secured bank loan (*) | 12M EURIBOR+0.4% | 2018 | 10,000 | - |
| Secured bank loan(**) | 3M EURIBOR+1.75% | 2016 | 5,456 | 5,870 |
| **Total interest bearing liabilities** | | | **110,688** | **5,870** |

(*) Secured bank loans taken in respect of structures.
(**) Including annual payment of EUR 409 thousands per year, and a balloon payment for the rest in 2016.

## NOTE 8 - AMOUNTS DUE TO RELATED PARTIES

| | Currency | December 31, 2008 | December 31, 2007 |
|---|---|---|---|
| | | € '000 | € '000 |
| **Short term** | | | |
| EI Group- ultimate parent Company - charges | EUR, USD | 2,804 | 5,309 |
| EI Group- ultimate parent Company - loan (1) | EUR | (16,750) | - |
| Other related parties (3) | EUR | 874 | 1,985 |
| Vice chairman of EI | INR | 1,106 | 762 |
| EUL (parent Company) (2) | EUR, USD | 14,714 | 15,047 |
| | | 2,748 | 23,103 |
| **Long term** | | | |
| EUL- parent Company (2) | EUR, USD | 3,837 | 1,871 |
| EI Group- ultimate parent Company - loan (1) | EUR | (3,837) | - |
| | | - | 1,871 |

(1) According to agreement signed between the Company and its controlling shareholders, the company is offsetting its upstream loan to EI with its liabilities (including liabilities of part of the Company's subsidiaries in Poland). The upstream loan bears interest rate of 3 months EURIBOR + 1.625%. Part of the offset is against short term liabilities, and part is allocated to long term liabilities of the Company towards its direct and indirect controlling shareholder. In 2007 financial statements the upstream loan was presented as part of the current assets of the Company.

(2) The loans received from Elbit Ultrasound B.V. (the main shareholder) ("EUL"), bear interest at 3 months USD Libor (or 3 months EURIBOR) plus a margin of between 1.5% and 2.0% (effective interest rate as of December 31, 2008, and December 31, 2007 is 4.5% p.a and 6.5% p.a respectively). Loans are financing trading properties of the Group.

(3) Other related parties reflect liability to the Control Centres group, a group of companies which provides project management services, controlled by the ultimate parent company controlling shareholder.

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

On 5 July 2007, the Company agreed with Israeli institutional investors to issue an aggregate principal amount of NIS 305 million (approximately EUR 53.0 million) Par Value of series one of unsecured non-convertible debentures to institutional investors in Israel. The debentures are repayable in eight equal annual instalments, on December 31 of each of the years 2010 to 2017, inclusive. The debentures bear an annual interest rate of 4.5%. Interest is payable semi-annually in arrears on 31 December and 1 July of each of the years 2007 to 2017 (the first instalment to be effected on 31 December 2007 and the last instalment to be effected on 31 December, 2017). The debentures are linked to the increase in the Israeli Consumer Price Index.

As the Company's functional currency is the Euro, the Company has hedged the future expected payments in NIS (principal and interest) to correlate with the Euro using a Cross currency interest rate swap.

On February 13, 2008 the Company completed an offering to the public in Israel of unsecured non-convertible Series B Notes ("Series B Notes") in the aggregate principal amount of NIS 713.5 million (EUR 137 million) and their listing on TASE. The debentures are repayable in five equal annual instalments, on 1 July of each of the years 2011 to 2015, inclusive. The debentures bear an annual interest rate of 5.4%. Interest is payable semi-annually in arrears on 1 July and 31 December of each of the years 2008 to 2014 and July 2015. The debentures are linked to the increase in the Israeli Consumer Price Index

In April 2008, the Company agreed with Israeli Investors to issue an additional approximately NIS 85 million (approximately EUR 16 million) in principal amount of Series B Notes (the "Additional Notes") for an aggregate consideration of approximately NIS 85 million (approximately EUR 16 million). The terms of the Additional Notes are identical to the terms of the Series B Notes issued to the public under Plaza's prospectus dated February 2008.

These debentures are measured at fair value through profit and loss. Due to the illiquidity of the groups debentures traded on the TASE market as of 31 December 2008, the Company's management considered the market as being inactive market at that date and therefore, did not use the quoted market prices in order to measure the fair value of the debentures. Instead, the determination of the fair value was based on a valuation technique using the average of three independent external valuation reports. The quoted market price of Debentures series A was 56.27% and 67.93% for series B in oppose to 80.86% and 85.89%, according to the average external independent valuation reports.

As of the balance sheet date, the Series A Notes and the Series B Notes are rated Aa3/negative (changed subsequent to the balance sheet date to A2/Stable) by Midroog Ltd. (a subsidiary of Moody's), on a local scale, and the Series A Notes are rated A+/Positive (changed subsequent to the balance sheet date to A/Stable) by S&P Maalot Ltd., on a local scale.

## NOTE 10- EQUITY

| | | December 31 | |
|---|---|---|---|
| | | 2008 | 2007 |
| | Remarks | Number of shares | |
| Ordinary shares of par value EUR 0.01 each | | 1,000,000,000 | 1,000,000,000 |
| Issued and fully paid: | | | |
| At the beginning of the period | | 292,403,787 | 292,346,087 |
| Options exercised to shares | See (a) below | 27,594 | 57,700 |
| At the end of the period | | **292,431,381** | **292,403,787** |

**a.** In the course of the last quarter of 2007, 303,471 vested options were exercised into 57,700 shares of EUR 0.01. In the Course of the first quarter of 2008, 131,711 vested options were exercised into 27,594 shares of EUR 0.01.

## Capital reserve due to share option plan

Capital reserve is in respect of Employee Share Option Plan ("ESOP") in the total amount of EUR 24,955 as of December 31, 2008 (2007 – EUR 13,679).

## Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of balance sheet items of the Company's subsidiaries in India.

## Dividend

Dividends are expected to be paid at the rate of 25% on the first EUR 30 million of such annual net profits, and thereafter at the rate of between 20% and 25%, as determined by the Directors, on any additional annual net profits which exceed EUR 30 million. In accordance with the said Policy, the Company distributed a dividend for the year ended December 31, 2007 of EUR 56,995, which was paid in June 2008.

Given market conditions over the last twelve months, and as a material part of annual profits resulting from finance activities rather than realisation of real estate assets, the Board has taken the prudent step not to recommend the payment of a dividend for the year ended 31 December 2008, in order to preserve capital liquidity within the Company. The Board 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.

## Treasury stock

On 20 October, 2008 the Company announced its intention to commence a share repurchase programme in the framework of which the Company will purchase up to 19,323,536 shares, representing 6.61% of the Company's share capital. The shares will be purchased on-market on the London Stock Exchange in accordance with shareholder approval obtained at the Company's Annual General Meeting on 27 May 2008.

The buyback programme was fully utilized in three months and the purchased shares are held in treasury. The Company has also been informed by its majority shareholder, Elbit Imaging Ltd. ("Elbit"), which held indirectly 68.4% of the Company's share capital that Elbit intends to purchase the Company's shares through a series of on-market purchases. Elbit's purchase of the Company's shares shall be within the above-mentioned limit of the Company's repurchasing programme.

As at balance sheet date, the Company has purchased 9,209,443 of its own shares and Elbit has purchase 200,000 of the Company's shares. Following these purchases Elbit (as of the balance sheet date) indirectly owns 70.6% of the Company.

In the Course of January 2009, both the Company and EI continued with the share buy back programme. In the course of January 2009 the Company purchased 5.3 million shares in an average price of 0.6 pound per share, while EI purchase 4.6 million shares in an average price of 0.62 pound per share.

Following the abovementioned purchase and the conclusion of the share buyback program, the effective holding percentage of Elbit in the Company is 73.69%.

In total, and up to 15 January 2009, Plaza acquired 14.5 million shares at an average price of £0.53.

## NOTE 11 - EARNINGS PER SHARE

The calculation of basic earnings per share at December 31, 2008 was based on the profit attributable to ordinary shareholders of EUR 67,685 thousand (2007: EUR 226,967 thousand) and a weighted average number of ordinary shares outstanding of 291,188 thousand (2008: 292,355 thousand)

**Weighted average number of ordinary shares**

| *In thousands of shares with a EUR 0.01 par value* | **December 31,** | |
|---|---|---|
| | **2008** | **2007** |
| Issued ordinary shares at 1 January | 292,404 | 292,346 |
| Effect of own shares held | (1,243) | |
| Share base payment - exercise of options | 27 | 9 |
| Weighted average number of ordinary shares at 31 December | **291,188** | **292,355** |

The calculation of diluted earnings per share at 31 December 20008 was based on profit attributable to ordinary shareholders of EUR 67,685 thousand and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of EUR 2,735 thousand, calculated as follows:

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

| *In thousands of shares with a EUR 0.01 par value* | **December 31,** | |
|---|---|---|
| | **2008** | **2007** |
| Weighted average number of ordinary shares (basic) | 291,188 | 292,355 |
| Effect of share options on issue | 2,735 | 1,129 |
| Weighted average number of ordinary shares (diluted) at 31 December | **293,923** | **293,484** |

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

## NOTE 12 - REVENUES

| | **For the year Ended December 31,** | |
|---|---|---|
| | **2008** | **2007** |
| | **€ '000** | **€ '000** |
| Revenue from selling trading properties (1) | 82,576 | 495,565 |
| Rental income from tenants (2) | 4,939 | 2,153 |
| Management fees | 951 | 1,395 |
| Operation of entertainment centers (3) | 9,531 | 6,608 |
| Other | 616 | 2,122 |
| **Total** | **98,613** | **507,843** |

(1) Revenue from selling trading properties consists of asset value of shopping centres, as determined between the Company and the buyer of the property. In 2008 - Includes mainly EUR 61.4 million revenues from selling Plzen shopping centre in Plzen Czech Republic, as well as price adjustment from the selling of Arena Plaza in Hungary - EUR 22.3 million. In 2007 the revenue includes the agreed asset value of the following shopping centres: Arena Plaza Hungary - €365,541,000 Rybnik and Sosnowiec Plaza in Poland – €89,323,000 Lublin Plaza in Poland - €38,994,000 and Novo shopping centre in Prague, the Czech Republic (additional proceeds) - €1,707,000.

(2) Rental income relates either to revenues from investment properties the Company held (which totalled in both 2008 and 2007 EUR 1 million), or from the trading properties the Company held in the interim period between the finishing of the construction and the selling of the said trading property.

(3) Revenue from operation of entertainment centres is attributed to special subsidiaries of the Company which provide gaming and entertainment services in active commercial centres. As of December 31, 2008 these subsidiaries operate in nine shopping centres.

## NOTE 13 - COST OF OPERATIONS

| | For the year ended December 31, | |
|---|---|---|
| | **2008** | **2007** |
| | **€ '000** | **€ '000** |
| Direct expenses: | | |
| Cost of sold trading properties | 42,279 | 258,510 |
| Salaries and related expenses | 2,034 | 1,216 |
| Initiation costs | 3,083 | 786 |
| Municipality taxes | 5 | 24 |
| Property taxes | 485 | 206 |
| Property operations and maintenance | 5,556 | 5,909 |
| | 53,442 | 266,651 |
| Other operating expenses | 2,282 | 1,538 |
| | 55,724 | 268,189 |
| Depreciation and amortization | 210 | 541 |
| | **55,934** | **268,730** |

Costs of sold trading properties including the cost of purchasing and developing the trading properties which were sold in 2008, consist almost entirely of the cost of selling the Plzen Plaza shopping centre in the Czech Republic- EUR 42.2 million. The 2007 costs consist mainly of selling costs of the following trading properties: Arena Plaza Hungary – €161,818, Rybnik and Sosnowiec Plaza in Poland – €66,270, Lublin Plaza in Poland – €29,908, others - €514. The cost of operations due to investment properties totalled in both 2008 and 2007 to EUR 0.4 million.

Increase in initiation costs in 2008 is attributable to write offs of costs allocated to planned projects which the Company decided to cease its investment in.

## NOTE 14 - ADMINISTRATIVE EXPENSES

| | For the year ended December 31, 2008 | 2007 |
|---|---|---|
| | **€ '000** | **€ '000** |
| **Selling and marketing expenses** | | |
| Advertising and marketing (1) | 2,465 | 2,649 |
| Salaries and relating expenses | 791 | 761 |
| Others, small | 27 | 23 |
| | 3,283 | 3,433 |
| **General and administrative expenses** | | |
| Salaries and related expenses (2) | 12,273 | 12,167 |
| Depreciation and amortization | 748 | 366 |
| Management fees | 395 | 500 |
| Professional services | 4,087 | 4,206 |
| Traveling and accommodation | 1,364 | 1,071 |
| Offices and office rent (3) | 1,472 | 735 |
| Others | 918 | 639 |
| | 21,257 | 19,684 |
| Total | **24,540** | **23,117** |

**Selling and marketing**

(1) Reduction in 2008 is attributable to opening five new shopping and entertainment centres in 2007 (comparing none opened in 2008); this reduction was mainly offset by additional marketing expenses due to four new gaming an entertainment centres which were opened throughout 2007.

**General and administrative**

(2) Including non-cash expenses due to the share option plan of EUR 6.3 million (2007- EUR 7.6 million).

The increase is principally attributable to the establishment of headquarters offices in India, Serbia and Romania during course of 2007.

## NOTE 15 - FINANCE INCOME, NET

| Recognized in profit and loss | For the year ended December 31, 2008 | 2007 |
|---|---|---|
| | € '000 | € '000 |
| Interest income on bank deposits | 13,477 | 6,468 |
| Interest income on structured deposits | 2,246 | - |
| Loans to related parties | 1,277 | 1,084 |
| Changes in fair value of derivative | 18,111 | 2,228 |
| Changes in fair value of debentures measured at fair value through profit and loss | 30,261 | - |
| Foreign exchange gains - related parties | | 1,101 |
| Other interest income - due to receivables arising from sale of shopping centers | 1,984 | 1,526 |
| **Total finance income** | 67,356 | 12,407 |
| Interest expense on bank loans and debentures | (16,040) | (6,216) |
| Interest paid on structure loan | (1,505) | - |
| Interest on loans from related parties | (547) | (642) |
| Changes in fair value of structure (2007- debentures measured at fair value through profit and loss) | (3,136) | (818) |
| Foreign exchange losses - related parties | (427) | - |
| Foreign exchange losses | (557) | (105) |
| Other finance expenses | (1,656) | (972) |
| | (23,868) | (8,753) |
| Less- Finance expenses capitalized to trading properties under development | 14,600 | 5,693 |
| **Total finance expenses** | (9,268) | (3,060) |
| **Total net finance income** | **58,088** | **9,347** |

| Recognized in equity | For the year ended December 31, 2008 | 2007 |
|---|---|---|
| | € '000 | € '000 |
| Net change in fair value of available-for-sale financial asset | (1,401) | - |
| Net change in fair value of available-for-sale financial asset transferred to profit and loss | 281 | - |
| Foreign currency translation differences for foreign operations | (10,448) | 168 |
| | (11,568) | 168 |

## NOTE 16 - INCOME TAXES

### Income tax expenses

| | For the year ended December 31, 2008 | For the year ended December 31, 2007 |
|---|---|---|
| | € '000 | € '000 |
| Current tax | 143 | 106 |
| Deferred tax | 5,626 | (16) |
| Prior year's taxes (1) | (856) | - |
| **Total** | **4,913** | **90** |

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

### Deferred tax expense

| | For the year ended December 31, 2008 | For the year ended December 31, 2007 |
|---|---|---|
| | € '000 | € '000 |
| Origination and reversal of temporary differences | 9,866 | (15) |
| Recognition of previously unrecognized tax losses | (4,240) | - |
| | **5,626** | **(15)** |

## Reconciliation of effective tax rate:

| | For the year ended December 31, 2008 | 2007 |
|---|---|---|
| | € '000 | € '000 |
| Dutch statutory income tax rate | 25.5% | 25.5% |
| Profit before taxes | 73,538 | 227,077 |
| Tax at the Dutch statutory income tax rate | 18,935 | 57,810 |
| Utilization of prior-year losses for which deferred taxes had not been created in the past | (4,195) | (1,062) |
| Changes in tax burden as a result of differences in statutory tax rates of subsidiaries | 1,870 | 317 |
| Deferred taxes not provided for losses and other temporary differences, net | 3,320 | 1,447 |
| Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes (including exchange-rate differences) | (1,510) | (116) |
| Changes in future tax rate enacted at the balance sheet date | - | 37 |
| Non taxable income (*) | (12,651) | (58,345) |
| Prior years taxes | (856) | - |
| Other differences, net | - | 2 |
| **Income tax expenses** | **4,913** | **90** |

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

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

**The Netherlands**

a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25.5%.Under the amended rules effective January 1 2007 tax losses may be carried forward and off-set against income received the immediately preceding tax year and the 9 subsequent tax years. Transitional rules apply for tax losses on account of tax years up through 2002 which may be carried forward and offset against income through 2011.

b. Under the participation exemption rules, income including dividends and capital gains derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non resident investee companies, are exempt from Netherlands corporate income tax provided the conditions set under these rules have been satisfied. Such conditions require, inter alia, a minimum percentage ownership interest in the investee company and require the investee company to satisfy either, or both of the newly introduced 'assets' - test and the amended 'subject to tax' - test. The Company is in compliance with all participation exemption requirements.

c. Dividend distributions from a Netherlands company to qualifying Israeli corporate shareholders holding at least 25% of the shares of such Netherlands company is subject to withholding tax at a rate of 5% provided certain compliance related formalities have been satisfied. In other situations, dividend distributions from Netherlands companies to Israeli shareholders are subject to withholding tax at a rate of 15%

**Romania**

Corporate income tax rate for resident companies and non-resident entities with a permanent establishment in Romania is 16% (including capital gains). Dividends distributed by a resident entity to EU shareholders are not subject to withholding tax in Romania in line with the provisions of the EU Parent-Subsidiary Directive.. Fiscal losses incurred up to 2008 can be carried forward and relieved against future taxable profits for a period of 5 years. Such period has been extended to 7 years for fiscal losses incurred starting 2009.

**Hungary**

The corporate income tax rate imposed on the income of the subsidiaries incorporated in Hungary is 16%. Capital gains are exempted from corporate income tax provided that certain criteria are fulfilled. A special solidarity tax is levied on companies being 4% of the modified accounting profit as determined by law. Dividends, interest, royalty paid out to companies are not subject to withholding tax. Losses in the first three years of operation can be carried forward without limitation. Losses incurred until 2004 can be carried forward for the period of five years, subject to certain limitations. Losses incurred in 2005 and thereafter, may be carried forward indefinitely, subject to certain limitations.

**Poland**

The corporate tax applicable to income of Polish subsidiaries (including capital gains) is 19%. Dividends paid out of these profits are subject to an additional (final) tax rate of 19%, subject to the relevant double taxation treaty. Distribution of dividend of a Polish subsidiary to a Dutch parent company, holding at least 15% (commencing 2009 - 10%) of shares for a period of at least 2 years, is exempt from withholding tax. Losses may be offset against taxable income over a 5 year period, subject to a maximum annual utilization of up to 50% of the accumulated loss from each particular tax year.

**Serbia**

Corporate income tax ('CIT') rate applicable to income of Serbian subsidiaries is 10%. Losses stated in the tax balance (i.e. losses adjusted according to the CIT Law rules) may be carried forward for the period of ten years and offset against taxable income from the tax balance. Withholding tax at the rate of 20% is due on the payment by residents companies to non-resident companies of dividends and share in the profit of a legal entity, and on royalties, interest, capital gains and proceeds from leasing real estate. Withholding tax may be reduced if such possibility is provided by the respective double taxation avoidance treaty.

**India**

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

**Bulgaria**

Corporate income tax rate for resident companies and non-resident entities with a permanent establishment in Bulgaria is 10% (including capital gains). Dividends paid to resident individuals and non-resident corporations and individuals are subject to a final withholding tax of 5%, unless lower double taxation treaty rates apply. Such final tax is not levied on dividends payable to EU tax resident. Losses may be offset against taxable income for a period of five years from the incurrence year-end.

**Cyprus**

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

**Czech Republic**

Corporate income tax rate imposed on the income of the subsidiaries incorporated in the Czech Republic (including capital gains) in 2008 is 21% which will gradually decreased to 19% in 2010. Tax losses incurred in taxable periods commenced in 2004 or later may be carried forward for up to 5 years. Tax losses incurred earlier may be carried forward up to 7 years. Dividends paid out of net income are subject to a withholding tax of 15%, subject to the relevant double taxation treaty. The Czech Republic exempts domestic dividends paid to EU parent companies that hold a participation of 20% or more for at least two years. Tax losses incurred earlier may be carried forward for up to 7 years.

**Latvia**

Corporate income tax rate imposed on the income of the subsidiaries incorporated in Latvia (including capital gains) is 15% Tax losses incurred prior to 2007 can be carried forward and be offset against taxable income of five years following the accounting year in which they were incurred. Such period of five years was extended to six years for losses incurred in 2008, seven years for losses which will be incurred in 2009 and eight years for losses which will be incurred in 2010 and thereafter. Dividends paid out of net income to non-resident are subject to a withholding tax of 10%, subject to the relevant double taxation treaty or 0 % withholding tax could be applied if the recipient is resident in another EU country or resident in country included in European Economic region.

**Greece**

Corporate income tax rate imposed on the income of the subsidiary incorporated in Greece (including capital gains) is 25% which will be gradually decrease from 24% in 2010 to 20% in 2014.Divednds paid to resident and non- Resident Corporation are subject to a final withholding tax of 10%. 0% withholding tax will apply in respect of dividend distribution if the recipient is the parent company and an EU resident or in country included in the European Economic Region, provided certain criteria are met. Tax losses can be carried forward and offset against taxable income of the five years following the accounting year in which they were incurred.

## NOTE 17 - CASH FLOW APPENDICES

| | For the year ended December 31, 2008 | 2007 |
|---|---|---|
| | € '000 | € '000 |
| **Appendix A - Acquisition of subsidiaries** | | |
| Cash and cash equivalents of subsidiaries acquired | 5,526 | 14 |
| Short term deposits | - | (12,021) |
| Trade receivables and other receivables | 15,622 | 98 |
| Long term deposit | 104 | - |
| Fixed assets | 4,675 | - |
| Trading property | 58,531 | 53,848 |
| other assets | 59 | |
| Trade payables | (20) | (176) |
| Related parties | - | - |
| Minority interest | (3,182) | |
| Other accounts payable | (551) | (25,505) |
| Less- Cash and cash equivalents of subsidiaries acquired | (5,526) | (14) |
| Acquisitions of subsidiaries, net of cash held | 75,238 | 16,244 |
| **Appendix B - Disposal of Subsidiaries** | | |
| Cash and cash equivalents of subsidiaries disposed | 1,388 | 28,693 |
| Short term deposits | - | 3,130 |
| Trade receivables (*) | 800 | 2,937 |
| Other receivables | 80 | 51,005 |
| Trading properties | 40,822 | 257,292 |
| Investment properties | - | 13,684 |
| Long term balances and deposits | - | 748 |
| Interest bearing loan from banks | - | (168,838) |
| Trade payables | (5,248) | (54,700) |
| Other accounts payables | (1,105) | (11,942) |
| Related parties | - | 2,251 |
| Deferred taxes and long term balances | - | (4,167) |
| Foreign currency translation adjustment | - | 637 |
| Net identifiable assets and liabilities disposed | 36,737 | 120,730 |
| Cash from sale of subsidiaries | 61,577 | 103,937 |
| Less- Cash and cash equivalents of subsidiaries disposed | (1,388) | (28,693) |
| | 60,189 | 75,244 |
| **Non cash activities** | | |
| Suppliers and creditors for trading properties | 20,378 | 34,020 |
| Share based options capitalized to trading properties | 2,905 | 4,806 |

(*) 2007 - corrected to exclude debtor from selling of Arena Plaza shopping centre