Plaza Centers
Annual report 2009

This Annual report is not intended for Dutch statutory filing purposes. The Company is required to file an Annual report containing consolidated and Company financial statements prepared in accordance with the Netherlands Civil Code – such a report will be submitted in due course to the Dutch authorities and will be available for shareholders' inspection at the Company's offices in Amsterdam.

SECTION ONE: OVERVIEW

WHO WE ARE

Plaza Centers is a leading emerging markets developer of western-style shopping and entertainment centers.

The Plaza Centers Group is a leading emerging markets developer of shopping and entertainment centers, focusing on developing new centers and, where there is significant redevelopment potential, redeveloping existing centers, in both capital cities and important regional centers. The Group has been present in the Central and Eastern Europe region ("CEE") since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary. The Group has pioneered this concept throughout the CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centers. Since 2006, the Group has extended its area of operations beyond the CEE into India and is considering development and investment opportunities in other countries, such as Russia and Ukraine, and to take advantage of real estate opportunities in the US, primarily in the retail sector.

The Company is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. Elbit Imaging Ltd. is a subsidiary of Europe Israel (M.M.S) Ltd. EI's activities are divided into the following principal fields: (i) Initiation, construction, and sale of commercial and entertainment centers and other mixed-use real estate projects, predominantly in the retail sector, located in Central and Eastern Europe and in India. In certain conditions and depending on market conditions, EI operates and manages part of its commercial and entertainment centers prior to their disposal; (ii) Hotels operation and management, primarily in major European cities; (iii) Investments in the research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment; (iv) Initiation, construction and sale of residential projects and other mixed-use real estate projects, predominantly residential, located primarily India and in Eastern Europe; (v) Distribution and marketing of fashion apparel and accessories in Israel; and (vi) Other activities consisting of venture-capital investments, investments in hospitals and farm and dairy plant in India, which are in preliminary stages and wholesale trade of home applications in India.

The Group has been present in real estate development in emerging markets for over 14 years, initially pursuing shopping and entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Romania, Latvia, Greece, Serbia, Bulgaria and India. To date, the Group has developed and let 29 shopping and entertainment centers in the CEE region, of which 26 were sold. Twenty-one of these centers were acquired by Klépierre, an operator in the top rank in the continental European shopping center property market, which owns more than 270 shopping centers in 13 countries in continental Europe. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the leading UK institutional property investors at that time. One shopping center was sold in 2007 to active Asset Investment Management ("aAIM"), a UK commercial property investment group. The transaction had a completion value totaling approximately €387 million, representing circa 20% of all real estate transactions completed in Hungary in 2007.

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

2009 HIGHLIGHTS

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

Financial highlights:

Total assets (€)

2009	1059.6m
2008	958.6m
2007	761.2m
2006	474.9m

Total assets of €1.06 billion (December 31, 2008: €958.6 million).

NAV (€)

2009	659m
2008	700m
2007	1,060m
2006	809m

Net Asset Value down 6% to €659 million (December 31, 2008: €700 million) mainly due to the increase in exit cap rates.

Cash position* (€)

2009	179m
2008	202m
2007	93m
2006	219m

Current cash position increased to circa €240 million following a bond issuance after the period end.

Debt to balance sheet ratio (%)

2009	46
2008	36
2007	21
2006	23

The relative increase in the debt to balance sheet ratio is due to the bond issuance in 2008 and 2009, in line with the Company's strategy of raising external finance to support its core activities.

Gross revenues (€)

2009	16m
2008	99m
2007	510m
2006	74m

Gross revenues and gains from sale and operations of properties of only €16 million (December 31, 2008: €99 million) as no sales of trading properties were undertaken in 2009. Gross revenues and gains from sale with no revaluation gains, as per the Group policy.

Profit after tax (€) (loss in 2009)

2009	(65)m
2008	68m
2007	227m
2006	15m

Loss for the year of €65 million (December 31, 2008: €68 million profit) resulting mainly from impairment of trading properties (real estate inventories) and changes in the fair value of Plaza's traded bonds.

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




Financial highlights: continued

Net Asset Value per share £2.02 (December 31, 2008: £2.26), a decline of 11%, partially attributable to strengthening of GBP spot rate against the EUR in year end 2009.

Basic and diluted EPS of €0.23 loss (December 31, 2008: basic and diluted €0.23 profit).

Cash position (including restricted deposits, short-term deposits and available for sale financial assets) of €179 million (December 31, 2008: €202 million) with working capital of €710 million (December 31, 2008: €676 million).

Additional Series B Notes issued in August and October 2009 totaling approximately NIS 144.5 million in principal amount, representing an approximate consideration of €27 million.

Placing of 14,500,000 Ordinary Shares, which had previously been held as treasury shares by the Company, with a number of Polish institutional investors. The shares were sold at a price of 6.5 Polish Zlotys ("PLN") per share (circa 141 pence), having been originally purchased by Plaza between October 2008 and January 2009 at an average price of 53 pence per share, resulting in a gross economic gain of circa £12.8 million (circa €13.8 million).

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

Operational highlights:

Ongoing progress of acquisition program:
Acquisition of a 51% stake (with an option to increase to up to 75%) from a local developer in a retail and office development in Sofia, Bulgaria, with a 75,000m² Gross Built Area ("GBA"), for a total consideration of €7.14 million, comprising €2.8 million in cash and the balance with debt assumption.

Purchase by Plaza and its joint venture partner MKB Bank of an additional 27% interest in the Dream Island project in Budapest from CP Holdings Ltd for a total consideration of €21.4 million, of which €12 million was in cash and the rest was the assumption of debt. Plaza and MKB now jointly hold an 87% interest in the project.

55,000m² site acquired in Lodz, Poland for the development of a major new shopping and entertainment center with a Gross Lettable Area ("GLA") of 45,000m². Construction on the site will commence at the beginning of 2011, with a gross development budget of circa €85 million.

Targeted advancement of development pipeline:
Construction expected to commence later this year on two major new projects at Torun, Poland, and Kragujevac, Serbia, with significant pre-lets in place and development finance set to be finalized shortly.

Construction of two shopping center developments in Poland. The 13,000m² GLA Zgorzelec Plaza was subsequently completed and opened on 18 March 2010 following the period end and was circa 75% let on opening. Suwalki Plaza, a 20,000m² GLA shopping center is expected to be completed and opened in June 2010.

Completion and opening in March 2009 of Liberec Plaza shopping center in the Czech Republic and Riga Plaza in Latvia.

Completion of Plaza's first Indian development expected in H12011 (mall) – 2012 (offices) at Koregaon Park in Pune, India. Development finance totaling USD 45 million has been secured to fund 50% of the total project costs.

Progress continues at Plaza's other two ongoing developments at Casa Radio in Romania and Dream Island in Hungary.

Key highlights since the period end:

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

Launch of Elbit Plaza USA, L.P. ("Elbit Plaza USA"), a real estate investment venture jointly formed by Plaza and its parent Elbit Imaging Ltd ("Elbit"). Co-investment agreement signed with Eastgate Property to invest a combined US$200 million (to be split 50:50), to take advantage of opportunities in the US retail and commercial real estate sectors.

Zgorzelec Plaza was completed and opened on March 18, 2010. The 13,000m² GLA shopping center was circa 75% let on opening.




OUR STRATEGY

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

Strategy

Develop

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

Acquire

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

Flexibility

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

Utilize

Where the opportunity exists in CEE, draw upon skills of the Europe Israel Group to participate in residential, hotel, offices and other development schemes

Objectives

1 Target 4–5 new development projects per year

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

3 Dividend policy – 25% of realized development profits up to €30 million, and 20–25% of the excess thereafter, as decided by the directors. Payable annually

Development criteria

Selection of target countries

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

Site evaluation

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

Project development

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

Emerging markets

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

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

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

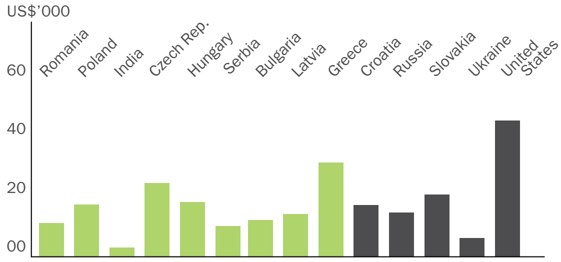
Market data

■ Current market ■ Potential market

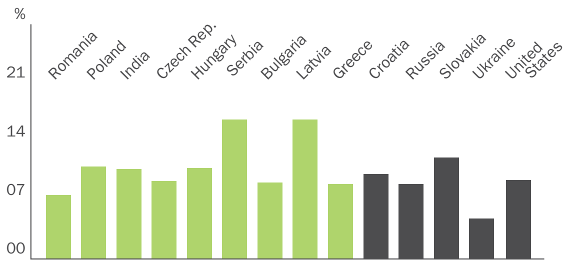
Population

■ Romania	22.2	■ Croatia	45
■ Poland	38.5	■ Russia	140
■ India	1,157	■ Slovakia	5.5
■ Czech Republic	10.2	■ Ukraine	45.7
■ Hungary	9.9	■ United States	307.2
■ Serbia	7.4		
■ Bulgaria	7.2		
■ Latvia	2.2		
■ Greece	10.7		

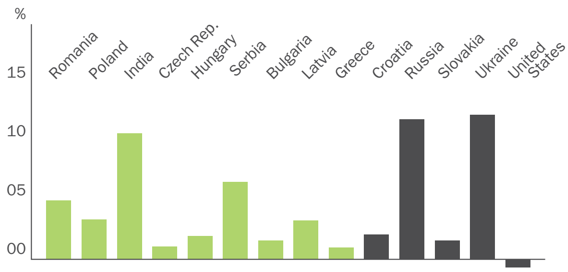
GDP per capita



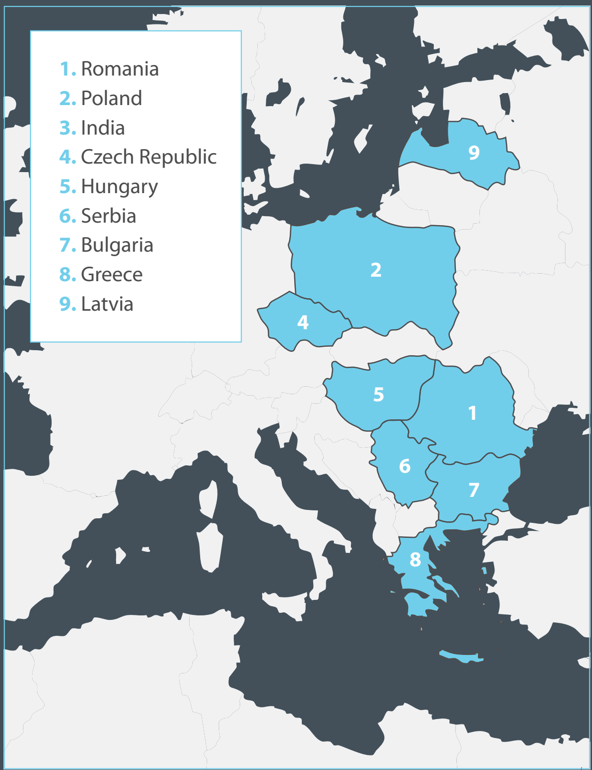
Unemployment



CPI

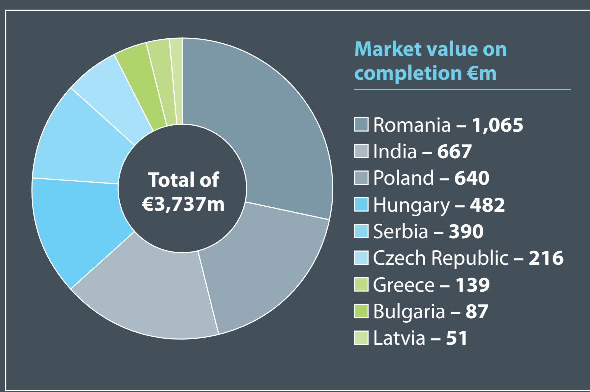


OUR PORTFOLIO AT A GLANCE

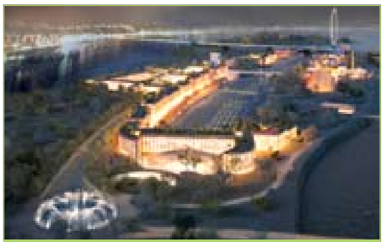


Portfolio composition – by country

Portfolio value – by country




Shopping and entertainment center developments


Dream Island


Casa Radio


Indian mixed-use projects


Mixed-use projects


Other projects and developments


Active shopping and entertainment centers

	Market value on completion €m (1, 3)	Market value of the land and project €m (1, 3)	Total GLA m² (2)
Active shopping and entertainment centers	118.4	104.6	79,000
Shopping and entertainment center developments	1,023.8	193.7	417,000
Dream Island	410.4	71.9	350,000 (GBA)
Casa Radio	693.1	181.6	600,000 (GBA)
Indian mixed-use projects	667.3	130.8	2,441,000 (GBA)
Mixed-use projects	322.1	49.5	176,000
Other projects and developments	501.5	46.0	158,000
Total as at December 31, 2009	**3,736.6**	**778.1**	**4,261,000**

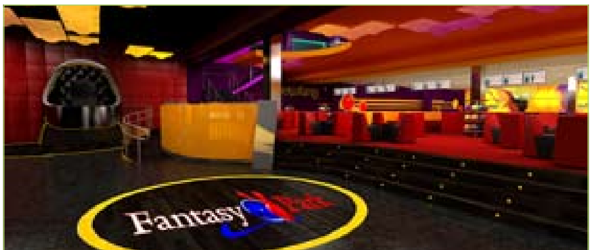
Group NAV at December 31, 2009	€'000
Market value of land and projects by King Sturge LLP(1)	778,100
Assets minus liabilities as at December 31, 2009 under IFRS(3)	(119,137)
Total	**658,963**
NAV per issued share	**£2.02**

1 Value of Plaza Centers' stake by King Sturge LLP.
2 All figures reflect 100%.
3 Excluding book value of assets which were valued by King Sturge LLP.

COMPETITIVE STRENGTHS

Through our extensive specialist retail experience and strong financial platform, we are ideally positioned to deliver significant value growth on our investments.

We are, however, mindful of the impact of these extraordinary markets on investor demand in the regions in which we operate. Although we see slight improvement in our target markets, we are taking a cautious view on the projects on which we have not yet started construction and will keep the timing of the commencement of these under regular scrutiny in order to identify the optimal time to deliver these projects into a recovering market. We are also fortunate in being well positioned to prosper thanks to our conservative gearing levels, significant cash resources and very good relationships with our financing banks, who appreciate Plaza's strong track record. We believe the current situation in the real estate market will enable Plaza to improve its portfolio at favorable terms.



Fantasy Park

Proven track record

14-year track record of developing shopping and entertainment centers in CEE – Plaza Centers has been active in the region since 1996 and was the first to develop western-style shopping centers in Hungary.

Developed and let 29 shopping and entertainment centers in the CEE region, of which 26 were sold with an aggregate gross value of €1,164 million.

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

Arena Plaza, Budapest

Flexible business model

Flexibility and ability to anticipate and adapt to market trends – Plaza is well positioned to satisfy the significant retail demand resulting from rapidly growing incomes as well as increasingly westernized tastes and habits of emerging market populations. Decisions to dispose of portfolio properties are based on an in-depth analysis of market situation.

During the years 1996–2004, when exit yields were high, the Group retained and operated shopping centers on completion and gained rental income. Once property yields decreased, from 2004, the Group started selling its shopping centers in line with the Group's commercial decision to focus its business more on development and sale rather than operational management. Should yields be high, the Group has the management skills to operate the assets, as done in the past, until the next low yields cycle.

Koregaon Park Plaza, Pune

Diversification

The Group is well diversified and active in nine countries while additional countries are examined for further expansion.

Plaza sees strong importance in its investment in India, which has been less affected by the current global crisis and will offer Plaza development prospects for at least 15 years. Plaza is also aiming to take advantage of real estate opportunities in the US, primarily in the retail sector.

Casa Radio

Limited number of projects

In light of market conditions, Plaza took the strategic decision in the second half of 2008 to scale back on project starts and to focus on projects with availability of external financing or strong tenants demand. At the moment Plaza is focusing on the following projects: Casa Radio in Romania, Dream Island in Hungary, Kragujevac Plaza in Serbia, Koregaon Park Plaza and Kharadi Plaza in India, Suwalki Plaza and Torun Plaza in Poland and Pireas Plaza in Greece.

Torun Plaza

Strong cash position

With a current cash position of circa €240 million, Plaza is ideally placed to survive the current crisis and to take advantage of new acquisitions at favorable terms.

Sport Star Plaza

Low and conservative leverage

The Group continues to pursue a conservative financing policy to decrease its exposure to the liquidity crisis, with the current level of gearing being only 46% debt to balance sheet. The vast majority of the debt is long term, maturing mainly between 2011 to 2017.

Clearly identified pipeline

Plaza has 31 development assets, three active shopping and entertainment centers and three office buildings which it owns, as well as a broad and constantly evolving pipeline in both CEE and India – the Group has the ability to identify new growth opportunities, constantly targeting attractive returns in fast growing emerging markets, evidenced by recent portfolio additions.

Timing for delivery

As the majority of the developments will mature from 2011 onwards, and due to its financial strength, Plaza is not required to execute forced sales of projects at current market conditions. Once the projects are completed, we will therefore use the extensive experience we have gained over eight years of managing and running shopping malls efficiently to hold and manage, where needed, completed projects as income generating investments in our portfolio until the investment market improves.

Supportive financing banks

The Group maintains good relations with financing banks who remain supportive of companies with a strong track record. During the past year and during the credit crunch, Plaza has signed and secured bank loan agreements for the construction of the projects in Suwalki Plaza, Poland, Zgorzelec Plaza, Poland, Koregaon Park Plaza, India, and is currently securing bank finance for Torun Plaza in Poland and Kragujevac Plaza in Serbia.

Strong brand name

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

Highly skilled management team

Extensive local and business knowledge with a proven ability to source strategic development sites and design projects that meet the demands of the local market. Many management team members have been with us for several years.

Thorough project evaluation

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

Extensive network

Strong relationships with both leading international retailers and property investors as demonstrated by the proven ability to pre-sell projects (before or during the construction) and achieve high pre-let levels.

Unique developments

With mega and unique projects such as Arena Plaza, Dream Island and Casa Radio, Plaza is creating the next national destinations.

What we have accomplished

Since foundation, the Group has developed and let 29 shopping and entertainment centers and one office project in CEE region of which 26 of the centers and the office project were sold for gross value of €1,164 million.

Liberec Plaza

In March 2009 Plaza Centers completed and opened to the public its shopping and entertainment center in Liberec, Czech Republic. Liberec Plaza is located adjacent to the main square of Liberec city center and comprises 17,000m² of gross lettable area. It is the Company's 27th completed development and third development in the Czech Republic following Novo Plaza and Plzen Plaza, which were already sold.

Riga Plaza

Plaza Centers opened Riga Plaza in Latvia, its first development in the Baltic States, on March 31, 2009. The center, which is located on the left bank of the Daugva River, South-west of Riga's city center, houses over 140 retailers spread across 49,000m² of GLA. Riga Plaza is the Company's 28th completed development and its second largest project following Arena Plaza, Budapest, which was opened in November 2007.

Opened in 2009 – Liberec Plaza & Riga Plaza

What we are working on

In line with the Company's strategic decision to focus on projects with availability of external financing or strong tenants demand, the Company currently is focusing on eight projects:

Casa Radio in Romania, Dream Island in Hungary, Kragujevac Plaza in Serbia, Koregaon Park Plaza and Kharadi Plaza in India, Suwalki Plaza and Torun Plaza in Poland and Pireas Plaza in Greece.

Koregaon Park Plaza

In February 2007, Plaza Centers acquired its first development project in India, Koregaon Park Plaza. The six-acre plot is located in the Koregaon Park district, an upmarket area of Pune. The mixed-use development will comprise 83,500m² of retail area, 27,500m² of office space and over 1,100 parking spaces. The project is already under construction and the shopping center scheduled for completion in H1 2011 while the office space is scheduled for completion in 2012. It will be the Company's first completed development in India.

Suwalki Plaza

Suwalki Plaza is located in Suwalki, the most important center of commerce in North-east Poland, just 30km from the Lithuanian border. It is the Company's ninth development in Poland and the 30th development overall. The shopping and entertainment center will comprise 20,000m² of GLA housing over 100 shops and over 500 parking spaces. Suwalki Plaza is scheduled for completion in June 2010 and will be the Company's second completed development in Poland in 2010 following Zgorzelec Plaza which was opened to the public on 18 March 2010.

Due in 2010/11 – Koregaon Park Plaza & Suwalki Plaza

ROMANIA

Project	City	Ownership (%)	GLA (m^2)	Market value on completion (€m) [1]	Market value of land and project (€m) [1]	Expected completion
Casa Radio	Bucharest	75%	600,000 [2]	693.1	181.6	2013-2015
Iasi Plaza	Iasi	100%	62,000	113.8	17.4	2012-2013
Timisoara Plaza	Timisoara	100%	43,000	95.6	16.9	2012-2013
Targu Mures Plaza	Targu Mures	100%	30,000	55.9	6.1	2012-2013
Constanta Plaza	Constanta	100%	18,000	19.9	11.1	2012
Slatina Plaza	Slatina	100%	17,000	32.5	2	2012-2013
Csiki Plaza	Miercurea Ciuc	100%	14,000	26.8	14.8	2011
Hunedoara Plaza	Hunedoara	100%	13,000	26	3	2012-2013
Palazzo Ducale	Bucharest	100%	700	1.9	1.9	Operating office

1 value as per King Sturge valuation report as at December 31, 2009
2 GBA

Plaza has a significant development pipeline in Romania, with eight sites for shopping and entertainment centers and mixed-use schemes in various stages of development. During 2009, the Group completed the acquisition of a plot in Constanta, Romania, which will comprise a GLA of 18,000m². In addition, it holds one office building which operates as its head office for the country.


Casa Radio


Iasi Plaza


Targu Mures Plaza


Timisoara Plaza

Casa Radio: initial construction commenced; approval of the urban technical commission has been obtained

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

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

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

Iasi Plaza: under planning

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

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

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

Timisoara Plaza: under planning

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

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

The planned shopping center will have GLA of approximately 43,000m² and will include a supermarket, a cinema complex, fashion retailers, a fantasy park, a cinema, a food court and restaurants.

Targu Mures Plaza: under planning

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

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

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

Constanta Plaza: under planning

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

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

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

Slatina Plaza: under planning

Plaza plans to build a shopping and entertainment center with approximately 44,000m² of built area including 750 parking spaces.

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

The Slatina site will total approximately 17,000m² of GLA and is located in the North-western part of Slatina.

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

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

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

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

Hunedoara Plaza: under planning

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

The site will be developed into a modern, western-style shopping and entertainment center, with a built area of 32,000m² (including parking) and 13,000m² of lettable space.

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

Palazzo Ducale: operating

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

The total office area is approximately 700m², built on a plot of around 600m² and consists of three floors, a basement and a garage.

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

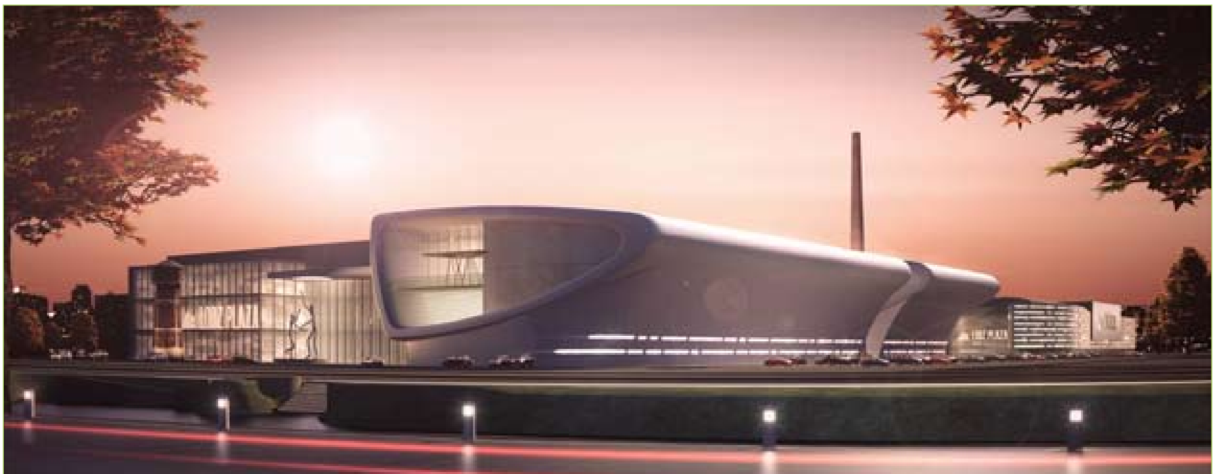
CURRENT DEVELOPMENTS

POLAND

Project	City	Ownership (%)	GLA (m^2)	Market value on completion (€m) (1)	Market value of the land and project (€m) (1)	Expected completion
Lodz (Resi)	Lodz	100%	80,000 (2)	252.6	10.8	–
Lodz Plaza	Lodz	100%	45,000	110.2	7.3	2012-2013
Torun Plaza	Torun	100%	39,000	100.6	15.1	Q1 2012
Kielce Plaza	Kielce	100%	33,000	88.1	6.6	2013-2014
Suwalki Plaza	Suwalki	100%	20,000	53.8	24.2	June 2010
Leszno Plaza	Leszno	100%	16,000	4.5	1.5	2013-2014
Zgorzelec Plaza	Zgorzelec	100%	13,000	30.4	16.6	Operating

1 value as per King Sturge valuation report as at December 31, 2009
2 GBA

Plaza has already completed eight shopping and entertainment centers in Poland of which seven have already been sold. In March, 2010 the Company opened to the public its eighth shopping and entertainment center in Poland, Zgorzelec Plaza. Currently the Group has five sites for the development of shopping and entertainment centers, including Suwalki Plaza, which is expected to be completed in June 2010, and one additional site for residential development.



Lodz Plaza

Suwalki Plaza

Kielce Plaza

Torun Plaza

Lodz (Resi): under planning

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

The site is located in the central university district of Lodz, the second largest city in Poland with 750,000 inhabitants, within 500m of the popular Piotrkowska pedestrian street, at the intersection of two of the main arteries into the city.

Lodz Plaza: planning and permits stage

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

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

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

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

Torun Plaza: planning and permits stage

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

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

Torun Plaza will be a three-floor shopping center with approximately 39,000m² of GLA (anchored by a supermarket, a department store, a multiscreen cinema as well as a bowling and entertainment area).

Kielce Plaza: planning and permits stage

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

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

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

Suwalki Plaza: under construction, completion scheduled for June 2010

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

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

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

Suwalki Plaza will be a three-floor shopping and entertainment center with approximately GLA of 20,000m² (anchored by a supermarket, a department store as well as a bowling and entertainment area).

Leszno Plaza: under planning

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

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

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

Zgorzelec Plaza: operating, opened to the public on 18 March 2010

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

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

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

The site is situated less than five minutes walking from the railway station.

The shopping and entertainment center comprises approximately 13,000m² of GLA and 300 parking spaces anchored by H&M, Stokrotka, KappAhl, Empik and Fantasy Park.

INDIA

Project	City	Ownership (%)	GBA (m²)	Market value on completion (€m) [1]	Market value of the land and project (€m) [1]	Expected completion
Chennai	Chennai	38%	900,000	203.0	20.2	2012-2015
Kochi Island	Kochi	23.75%	575,000	135.2	2.5	–
Bangalore	Bangalore	23.75%	450,000	143.5	49.1	2012-2017
Kharadi Plaza	Pune	50%	205,000	55.1	12.6	2014
Trivandrum Plaza	Trivandrum	50%	195,000	51.6	10.2	–
Koregaon Park Plaza	Pune	100%	111,000	78.9	36.2	2011-2012

1 value as per King Sturge valuation report as at December 31, 2009

The Group is currently developing three large-scale, mixed-use schemes in India, which combine shopping and entertainment centers with office/hotel development. In addition, in August 2008, Plaza Centers signed a joint venture agreement with Elbit Imaging Ltd., of which Plaza is an indirect subsidiary, for the development of mega mixed-use projects in India. Under this agreement Plaza acquired a 47.5% stake in Elbit Plaza India Real Estate Holding Ltd ("JV"), which already owns stakes of between 50% and 80% in three mixed-use projects in India, located in the cities of Bangalore, Chennai and Kochi, in conjunction with local Indian partners.

Koregaon Park Plaza

Kochi Island

Trivandrum Plaza

Kharadi Plaza

Chennai: under planning

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

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

The site will be developed into an integrated mixed-use project consisting high-rise buildings and high-quality villas with a total built area of 900,000m².

Kochi Island: under planning

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

The site is located on a backwater island adjacent to the administrative, commercial and retail hub of the city of Kochi, in the state of Kerala, with a local population of more than three million people.

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

Bangalore: under planning

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

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

The JV intends to develop the site into a mega mixed-use project with a total built area of over 450,000m².

The project will comprise multi-level residential units and villas.

Kharadi Plaza: under planning

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

The Company intends to develop its plots of land through the construction of a project comprising approximately 205,000m² GBA which will include a shopping center with a total area of approximately 150,000m² and an office complex with an area of approximately 55,000m².

Trivandrum Plaza: under planning

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

Trivandrum is a major city in the South of India. The city is the State of Kerala capital and houses many central and state government offices, organizations and IT companies. Apart from being the political center of Kerala, it is also a major academic hub and is home to several educational institutions. It has a population of 3,000,000 inhabitants.

Koregaon Park Plaza: under construction

Plaza Centers acquired a 100% stake from Elbit Imaging in a subsidiary that holds 50% in another Indian private limited liability company.

In November 2008, Plaza bought the remaining 50% interest in the project from its joint venture partner.

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

Plaza is developing the site into a mixed-use scheme with a total GBA of approximately 111,000m² including shopping center 83,500m² and offices 27,500m² (all inclusive underground parking).

CURRENT DEVELOPMENTS

CZECH REPUBLIC

Project	City	Ownership (%)	GLA (m^2)	Market value on completion (€m) [1]	Market value of the land and project (€m) [1]	Expected completion
Prague 3	Prague	100%	61,600 [2]	154.7	16.5	–
Liberec Plaza	Liberec	100%	17,000	37	37	Operating
Roztoky	Prague	100%	14,000	23.8	3.1	2013

1 value as per King Sturge valuation report as at December 31, 2009
2 GBA

In March 2009, Plaza opened to the public its shopping and entertainment center in Liberec (approximately 17,000m^2 GLA). Plaza continues the feasibility and planning of its residential developments at Roztoky (14,000m^2) and Prague (61,600m^2). In addition, Plaza owns an income-generating office and warehouse building in Prague which is designated to be re-zoned for a scheme of 61,600m^2 of residential units.

Liberec Plaza

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

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

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

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

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

Liberec Plaza: completed, opened to the public

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

The site is situated 20m from the main square.

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

The center also includes 850m² of residential apartments and 800m² of office space.

Roztoky: planning and permits stage

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

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

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

HUNGARY

Project	City	Ownership (%)	GLA (m^2)	Market value on completion (€m) [1]	Market value of the land and project (€m) [1]	Expected completion
Dream Island	Budapest	43.50%	350,000 [2]	410.4	71.9	2013-2015
Arena Plaza Extension	Budapest	100%	40,000	64.3	9.5	2013
Uj Udvar	Budapest	35%	16,000	3.2	3.2	2012
David House	Budapest	100%	2,000	4.2	4.2	Operating

1 value as per King Sturge valuation report as at December 31, 2009
2 GBA

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

Dream Island

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

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

Arena Plaza Extension: under planning

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

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

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

Uj Udvar: operating, currently working on refurbishment plans

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

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

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

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

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

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

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

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

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

CURRENT DEVELOPMENTS

SERBIA

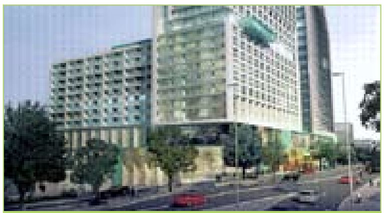
Project	City	Ownership (%)	GLA (m²)	Market value on completion (€m) (1)	Market value of the land and project (€m) (1)	Expected completion
Belgrade Plaza	Belgrade	100%	70,000 (2)	162.4	24.3	2013-2014
Sport Star Plaza	Belgrade	100%	45,000	165.8	19.6	2013-2014
Kragujevac Plaza	Kragujevac	100%	22,000	61.7	17.6	H1 2012

1 value as per King Sturge valuation report as at December 31, 2009
2 GBA

Plaza currently owns three sites in Serbia which will be developed into mixed-use, retail-led properties totaling approximately 170,000m² of GBA. During the third quarter of 2010 the Company intends to start the construction of Kragujevac Plaza, which scheduled for completion in the first half of 2012.

Kragujevac Plaza

Sport Star Plaza



Belgrade Plaza

Kragujevac Plaza

Belgrade Plaza: planning and permit stage

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

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

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

Belgrade Plaza will be developed into an office space together with hotel and retail gallery. The development will comprise a total of 70,000m² of built area as well as 650 car-parking spaces.

Sport Star Plaza: planning and permit stage

The Group has purchased a 30,000m² plot of land in Belgrade, the capital city of Serbia.

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

Kragujevac Plaza: initial construction

The Group has purchased a 24,500m² plot of land in Kragujevac (population of 180,000 and catchment of approximately 220,000), the largest city in the Sumadija region and the administrative center of Sumadija district.

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

The shopping center will include a cinema, fashion retailer, a food court, restaurants and parking spaces for approximately 600 cars.

BULGARIA, LATVIA, GREECE

Project	City	Ownership (%)	GLA (m^2)	Market value on completion (€m) [1]	Market value of the land and project (€m) [1]	Expected completion
Bulgaria						
Sofia Plaza Business Center	Sofia	51%	44,000	45.9	7.8	2013-2014
Shumen Plaza	Shumen	100%	20,000	40.7	6.4	2013-2014
Latvia						
Riga Plaza	Riga	50%	49,000	51	51	Operating
Greece						
Pireas Plaza	Athens	100%	26,000	138.6	38.4	2012

1 value as per King Sturge valuation report as at December 31, 2009

In Q1 2009, Plaza completed the development of Riga Plaza shopping and entertainment center, its first development in the Baltic States. Plaza is currently developing one shopping and entertainment center and one mixed-used project in Bulgaria. During 2010, Plaza intends to start the construction of its development in Pireas, Athens, which will comprise 26,000m² GLA and is expected to be completed in 2012.

Pireas Plaza

Sofia Plaza Business Center

Riga Plaza

Shumen Plaza

BULGARIA

Sofia Plaza Business Center: under planning

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

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

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

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

Shumen Plaza: under planning

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

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

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

Shumen Plaza will be a three floor commercial and entertainment complex with 20,000m² GLA and 650 parking spaces. The shopping center will include supermarket, digital cinema, 70 retail shops, entertainment complex with bowling, billiards and games, food court, restaurants and cafes.

LATVIA

Riga Plaza: completed, opened to the public

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

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

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

GREECE

Pireas Plaza: under planning

The Group currently owns a plot of approximately 15,000m² in the city of Pireas, huge marine and commercial-industrial center, only on 10km from the heart of Athens.

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

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

CHAIRMAN'S STATEMENT

Mordechay Zisser

I am pleased to report that Plaza has made strong operational progress, whilst maintaining a robust financial position during the reporting period. Given the measures that we have undertaken since the onset of the credit crunch, we have emerged financially secure and have this year been able to progress with our targeted development and acquisition program.

Major milestones

Strong financial position
Total assets exceeded €1 billion at the year end and Plaza maintained a strong cash position with working capital of €710 million.

Acquisition programme
Plaza's acquisition programme made good progress, which included the purchase of a 51% stake in a retail and office development in Sofia, Bulgaria, the acquisition of an additional stake in the Dream Island project in Budapest and a 55,000 sqm site acquisition in Lodz, Poland.

Completion of developments
Two major shopping centers were completed during the year. Completion and opening in March 2009 of Liberec Plaza shopping center in the Czech Republic and Riga Plaza in Latvia.

Construction in Poland
Construction continued on two shopping center developments in Poland. The 13,000 sqm GLA Zgorzelec Plaza was subsequently completed and opened on March 18, 2010 following the year end and Suwalki Plaza, a 20,000 sqm GLA shopping center, is expected to be completed and opened in June 2010.

Progress in India
Good progress is being made on other developments with the completion of Plaza's first Indian development expected in H1 2011 at Koregaon Park in Pune, India.

New markets
Following the year end, the Company launched a major new partnership, Elbit Plaza USA, a real estate investment venture jointly formed by Plaza and its parent Elbit Imaging Ltd.
A co-investment agreement was signed with Eastgate Property to invest a combined US$200 million to take advantage of opportunities in the US retail and commercial real estate sectors.

Dividend policy
Strategic decision taken to preserve liquidity within the Company and not pay a dividend following the year 2009.

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

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

Key events

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

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

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

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

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

Finally, following the period end, we launched Elbit Plaza USA, a real estate investment venture jointly formed by Plaza and Elbit. The joint venture included a co-investment agreement signed with Eastgate Property to invest a combined US$200 million (split 50:50), to take advantage of opportunities in the US retail and commercial real estate sectors.

Results

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

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

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

NAV

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

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

The Company's NAV was calculated as follows:

Use	€'000
Market value of land and projects by King Sturge LLP [(1)]	778,100
Assets minus liabilities as at December 31, 2009 [(2)]	(119,137)
Total	**658,963**

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

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

CHAIRMAN'S STATEMENT

Strategic direction

In light of the unprecedented global recession over the last two years, Plaza has adapted its strategy to suit prevailing market conditions. Whilst in 2008, the availability of debt, particularly development finance, was one of the major factors behind the real estate slow down, the last 12 months has seen a slow improvement in this area.

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

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

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

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

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

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

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

Portfolio progress

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

	Number of assets		
Location	Active	Under development	Offices
Romania	–	8	1
Poland	1	6	–
India	–	6	–
Hungary	–	3	1
Serbia	–	3	–
Czech Republic	1	2	1
Bulgaria	–	2	–
Greece	–	1	–
Latvia	1	–	–
Total	**3**	**31**	**3**

During the year, the Company has invested in cash a total of €9 million in the acquisition of two retail development schemes, located in Poland (Lodz Plaza) and in Bulgaria (Sofia Plaza Business Center). This is in addition to the €6 million invested in cash in the acquisition of an additional 13.5% stake in Dream Island, Hungary.

Liquidity and financing

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

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

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

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

Dividend policy

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

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

Outlook

Throughout 2009, Plaza continued to adapt its business strategy and maintain its financial strength to ensure that it remains well positioned for future growth in a market which is very different from two years ago. Whilst we are pleased to be in a position to selectively progress developments, we remain cautious in initiating developments in some CEE territories which have been most impacted by the economic climate. We will retain our stringent investment criteria for new developments and will always reflect heightened risk awareness when considering new developments in the current market, particularly in regions where the outlook for consumer spending remains weak.

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

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

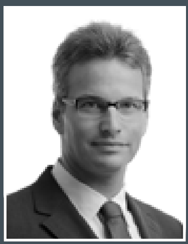
The reduced investor appetite in the CEE is also reflected in the pricing for development assets. This will continue to provide acquisition opportunities for Plaza and has already been reflected in the two acquisitions made in the last year, enabling the Company to use its strong balance sheet to acquire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

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

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

Mordechay Zisser
Chairman
March 23, 2010

CHIEF EXECUTIVE'S REVIEW



Ran Shtarkman

Over the last year, we have continued to position Plaza according to prevailing market conditions, by ensuring we conserve cash, maintain our conservative gearing position and restrict our development pipeline to only the very best opportunities. As a result of this, we have emerged as one of the strongest property companies in the region.

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

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

Highlights for the financial year have included:

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

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

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

The Company's current assets and pipeline projects are summarized 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 scheduled to commence in 2012; completion scheduled for 2013
Dream Island (Obuda)	Budapest, Hungary	Major business and leisure resort	350,000 (GBA) (for rent and sale)	43.5	Initial excavation and archaeological works commenced; staged completion scheduled for 2013-2015. Exclusive casino license obtained
Uj Udvar	Budapest, Hungary	Retail and entertainment scheme	16,000	35	Operating, currently working on refurbishment plans
David House	Budapest, Hungary	Office	2,000	100	Operational office
Suwalki Plaza	Suwalki, Poland	Retail and entertainment scheme	20,000	100	Construction commenced in 2009; completion scheduled for June 2010
Lodz	Lodz, Poland	Residential scheme	80,000 (GBA)	100	Under planning

Asset/project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Lodz Plaza	Lodz, Poland	Retail and entertainment scheme	45,000	100	Construction will commence in beginning 2011; completion scheduled for 2012-2013
Zgorzelec Plaza	Zgorzelec, Poland	Retail and entertainment scheme	13,000	100	Operating, opened to the public on March 18, 2010
Torun Plaza	Torun, Poland	Retail and entertainment scheme	39,000	100	Construction will commence in Q3 2010; completion scheduled for Q1 2012
Kielce Plaza	Kielce, Poland	Retail and entertainment scheme	33,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014
Leszno Plaza	Leszno, Poland	Retail and entertainment scheme	16,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014
Prague 3	Prague, Czech Rep.	Office, for future residential use	61,600 (residential for sale)	100	Currently operational as an office building, re-zoning for future residential use is in progress, expected to be obtained in 2010
Liberec Plaza	Liberec, Czech Rep.	Retail and entertainment scheme	17,000	100	Operating, opened to the public on March 26, 2009
Roztoky	Prague, Czech Rep.	Residential units	14,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	600,000 (GBA including parking)	75	Initial construction commenced in 2007, completion scheduled for 2013-2015; approval of the urban technical commission has been obtained
Timisoara Plaza	Timisoara, Romania	Retail and entertainment scheme	43,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013
Miercurea Ciuc Plaza	Miercurea Ciuc, Romania	Retail and entertainment scheme	14,000	100	Construction commenced in late 2008; awaiting external financing for completion
Iasi Plaza	Iasi, Romania	Retail, entertainment office scheme	62,000	100	Construction scheduled to and commence in 2011-2012; completion scheduled for 2012-2013
Slatina Plaza	Slatina, Romania	Retail, entertainment and residential	17,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013

Asset/project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Hunedoara Plaza	Hunedoara, Romania	Retail and entertainment scheme	13,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013
Targu Mures Plaza	Targu Mures, Romania	Retail and entertainment scheme	30,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2012-2013
Constanta Plaza	Constanta, Romania	Retail and entertainment scheme	18,000	100	Construction scheduled to commence in 2011; completion scheduled for 2012
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational
Belgrade Plaza	Belgrade, Serbia	Hotel and business center with a shopping gallery	70,000 (GBA)	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014
Sport Star Plaza	Belgrade, Serbia	Retail and entertainment scheme	45,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014
Kragujevac Plaza	Kragujevac, Serbia	Retail and entertainment scheme	22,000	100	Construction will commence in Q3 2010; completion scheduled for H1 2012
Shumen Plaza	Shumen, Bulgaria	Retail and entertainment scheme	20,000	100	Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014
Sofia Plaza Business Center	Sofia, Bulgaria and office scheme	Retail, entertainment	44,000	51	Construction scheduled to commence in 2011-2012; completion scheduled for 2013-2014
Riga Plaza	Riga, Latvia	Retail and entertainment scheme	49,000	50	Operating; opened to the public on March 31, 2009
Helios Plaza	Athens, Greece	Retail and entertainment scheme	26,000	100	Construction scheduled to commence in 2010; completion scheduled for 2012
Koregaon Park	Pune, India	Retail, entertainment and office scheme	111,000 (GBA)	100	Construction commenced in late 2007; expected completion in H1 2011 (mall) – 2012 (offices)
Kharadi	Pune, India	Retail, entertainment office scheme	205,000 (GBA)	50	Construction scheduled to and commence in 2011-2012; expected completion in 2014
Trivandrum	Trivandrum, India	Retail, entertainment, office and apart-hotel scheme	195,000 (GBA)	50	Under planning

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Asset/project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status
Bangalore	Bangalore, India	Mixed-use multi level residential units and villas	450,000 (GBA)	23.75	Under planning; construction scheduled to commence in late 2010; completion scheduled for 2012-2017
Chennai	Chennai, India	Mixed-use of high-quality villas and high rise residential residential buildings with local retail facility	900,000 (GBA)	38	Under planning; construction scheduled to commence in late 2010; completion scheduled for 2012-2015
Kochi Island	Kochi, India	High-end residential apartment buildings, office complexes, a hotel and serviced apartments complex, retail area and a marina	575,000 (GBA)	23.75	Under planning

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

Details of these activities by country are as follows:

Hungary

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

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

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

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

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

Poland

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

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

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

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

Czech Republic

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

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

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

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

Romania

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

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

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

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

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

	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 due to immateriality.

CHIEF EXECUTIVE'S REVIEW

Latvia

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

Serbia

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

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

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

Greece

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

Bulgaria

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

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

India

Plaza has identified strong long-term potential in India and in 2006 acquired its first development project in the city of Pune in a 50:50 joint venture with a local partner. In November 2008, the Group bought the remaining 50% stake held by its JV partner which enables the Company to have full control over the development. The mixed-use scheme has a total built up area of 111,000 sqm which will comprise a shopping center and office space. Construction is already under way, with development finance secured totaling USD45 million, to fund 50% of the total project costs. Completion of the shopping and entertainment center is expected in H1 2011 and the office scheme in 2012.

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

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

These three projects are as follows:

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

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

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

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

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

Prospects

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

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

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

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

Ran Shtarkman
President and CEO
March 23, 2010

FINANCIAL REVIEW

Roy Linden

Results

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

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

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

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

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

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

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

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

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

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

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

Balance sheet and cash flow

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

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

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

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

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

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

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

Apart from bank financing, Plaza has on its balance sheet a liability of €247 million (with a face value of circa €229 million) from issuing debentures on the Tel Aviv Stock Exchange.

These debentures are presented at their fair value with the exception of the debentures issued from August 2009 onward, which are presented at amortized cost. Plaza has substantially hedged the future expected payments in New Israeli Shekels (principal and interest linked to the Israeli CPI index) to correlate with the euro and the Euribor interest rate, using a cross-currency interest rate swap, and in certain cases forward transaction to correlate with changes in the EUR/NIS rate.

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

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

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

Roy Linden
Chief Financial Officer
March 23, 2010

VALUATION SUMMARY BY KING STURGE LLP

As at December 31, 2009 (in €)

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

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

MANAGEMENT STRUCTURE

Plaza Centers' board

Executive directors

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

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

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

Senior management

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

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

Local country management

- **Eli Mazor** – Country Director (Poland & Latvia), Regional Marketing Director (Europe)
- **Sagiv Meger** – Country Director, Czech Republic, Serbia
- **Luc Ronsmans** – Country Director, The Netherlands, Romania
- **Yossi Ofir** – Country Director, India
- **Daniel Belhassen** – Country Director, Bulgaria, Greece
- **Rostislav Levinzon** – Country Director, Ukraine and Russia Federation
- **Alexander L. Berman** – Country Director, USA

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mordechay Zisser, Chairman (male, 54, Israeli)

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

Ran Shtarkman, President and CEO (male, 42, Israeli)

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

Non-executive Directors

Shimon Yitzhaki (male, 54, Israeli)

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

Edward Paap (male, 46, Dutch)

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

Independent Non-executive Directors

Marius van Eibergen Santhagens (male, 58, Dutch)

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

Marco Wichers (male, 50, Dutch)

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

Senior Management

Roy Linden (33) BBA, CPA (USA, Isr), Chief Financial Officer

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

Ami Hayut (44) BSc., Chief Engineer

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

Uri Shetrit (58) B. Arch & T.P., MAUD, Chief Architect

Uri Shetrit is the Chief Architect of Plaza Centers and is in charge of the whole Group's architectural design and urban planning activities in Europe and Asia. Before becoming the Chief Architect for the Group, he was the Director of urban planning, urban design and architectural administration for the City of Jerusalem, Israel from 2000 until 2005. He is also the Principal and owner of Uri Shetrit Architects Ltd., a private company established in 1993. Prior to this, he collaborated with Moshe Safdie and Associates from 1982, for over 12 years, at which time he held the positions of Associate and Principal, both in Boston and in Jerusalem. Since 2003, he is also the Chairman of the Israel National Council of Engineering and Architecture. He is a graduate of Harvard University's Graduate School of Design (1982, MAUD), and a graduate of the Israel Institute of Technology – "Technion" (1980, B.Arch.and T.P.).

Senior Management continued

Uzi Eli (34) LL.B, Attorney at Law (Isr.), MBA, General Counsel and Compliance Officer

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

Luc Ronsmans (59) MBA, Netherlands and Romania Country Director

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

Eli Mazor (55) Regional Marketing Director and Poland and Latvia Country Director

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

Yossi Ofir (53) Republic of India Country Director

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

Rostislav Levinzon (45) Master of Engineering, Ukraine and Russia Federation Country Director

Rostislav Levinzon joined the Company in 2007 and acts as Country Director for Ukraine and Russia federation. Prior to joining the Company, he provided advisory and business supporting services to investment, engineering and development companies dealing with property, industry and finance projects in the Ukraine, particularly international financial institutions involved in large-scale projects with governmental enterprises. Prior to that, he served for four years as Deputy General Manager for an Ukrainian conglomerate with its core competence in the airspace industry, with responsibility for the overall management and strategic business development. Prior to this, he worked in Israel as Deputy General Manager for the Israeli branch of a Japanese company, a leading manufacturer of medical Hi-Tech equipment and materials worldwide.

Sagiv Meger (32) Republic of Serbia and Czech Republic Country Director

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

Daniel Belhassen (40) LL.B and B.A. in Economics and Business Administration, Republic of Bulgaria and Greece Country Director

Daniel Belhassen joined the Plaza team in the beginning of 2008, as the Country Director for Plaza Centers Bulgaria and since the beginning of 2009 for Greece as well. Prior to joining Plaza Centers, Mr Belhassen was acting for two years as a business development manager in a real estate development company based in Israel, supporting several retail projects in Hungary, Poland, Germany, and the Czech Republic. Mr Belhassen has gained vast experience in the purchasing, financing, development and management of retail projects in the CEE region.

Alexander L. Berman (50) CPA, MBA, United States Country Director

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

DIRECTORS' REPORT

Principal activities and review of business

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

Since then, it has expanded its CEE operations into Poland, Czech Republic, Latvia, Romania, Bulgaria, Greece and Serbia. In addition, the Group has extended its area of operations beyond the CEE into India and the US. The Group has been present in real estate development in emerging markets for over 14 years, initially pursuing shopping and entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Greece, Latvia, Romania, Bulgaria, Serbia and India. To date, the Group has developed, let and opened 29 shopping and entertainment centers and one office building. Twenty-one of these centers were acquired by Klépierre, one of the largest shopping centers owners/operators in Europe. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the leading UK institutional property investors and one shopping center (Arena Plaza in Budapest, Hungary) was sold to Active Asset Investment Management ("aAIM"), a UK commercial property investment group. The remaining three centers which were completed during the last year are being held and managed by the Company, while utilizing the Company's extensive experience in managing retail assets.

The Company has also evolved its business beyond its traditional development business model and markets, such as the United States, which present today exceptional opportunities to enhance capital and income at entry prices at historic lows. The Company established a new joint venture with Elbit, its parent company, Elbit Plaza USA L.P., in order to enable the Company to take advantage of such opportunities, and the Company is currently evaluating a number of possible acquisitions in the USA.

For a more detailed status of current activities and projects, the Directors refer to the Chairman's statement and the Chief Executive's report on pages 26 to 37.

Pipeline projects

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

Going concern

The directors' review of the 2010 budget and longer term plans for the Company has satisfied them that, at the time of approving the financial statements, it is appropriate to adopt the "going concern" basis in preparing the financial statements of the Company.

Dividends

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

The Company did not distribute a dividend for the year ended December 31, 2008 due to the market conditions and the ongoing global financial crisis, and as a material part of annual profits resulting from finance activities rather than realization of real estate assets.

In accordance with the said policy and given the annual financial results the Company will not distribute a dividend for the year ended 31 December 2009. The Company's Board of Directors will continue to monitor overall market conditions, ongoing committed capital requirements of the Company, as well as expected future cash flow, before considering any future dividend payments.

Directors' interests

The directors have no interests in the shares of the Company. Details of the directors' share options are given on page 56 of this report.

Directors and appointments

The following served as directors of the Company at December 31, 2009:

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

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

Substantial shareholdings

As of the balance sheet date, ING Open Pension Fund, Poland held approximately 9.92% of the entire issued share capital of the Company and BZ WBK AIB Asset Management S.A. of Poland held approximately 6.03% of the entire issued share capital of the Company. Other than that and except as disclosed under "directors' interests" above, the Company is not aware of any additional interests amounting to 3% or more in the Company's shares besides that of its parent company.

Issue of shares

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

Buyback

The Company may acquire fully paid-up shares in its own capital by virtue of a resolution of the Board, subject to prior authorization by the general meeting of shareholders (which is required pursuant to the Netherlands Civil Code and the articles of association), which authorization specifies the amount of shares and the price limit for the acquisition of own shares. The par value of shares that the Company may acquire, shall amount to no more than 10% of the issued share capital of the Company, pursuant to Article 8 of the articles of association. On October 16, 2008, the Board of Directors of the Company resolved to approve a share repurchase program, in the framework of which the Company would be able to purchase up to 19,323,536 shares, representing 6.61% of the Company's share capital. The shares should be purchased on-market on the London Stock Exchange in accordance with shareholder approval obtained at the Company's Annual General Meeting on May 27, 2008.

The buyback program was fully utilized in three months and the purchased shares were held in treasury. The Company has also been informed by its majority shareholder, Elbit, that it intended to purchase the Company's shares through a series of on-market purchases. Elbit's purchase of the Company's shares was within the above-mentioned limit of the Company's repurchasing program.

On October 9, 2009 the Company placed the abovementioned 14.5 million shares, which had previously been held as treasury shares by the Company, with a number of Polish institutional investors. The shares were sold at a price of 6.5 Polish Zlotys ("PLN") per share (circa £1.41). The Company received a total gross consideration of circa £20.5 million on disposal, representing a gross economic (not accounting) gain of circa £12.8 million (circa €13.8 million). Following the disposal of these shares, there are no shares held in treasury by the Company.

In addition, on October 9, 2009, on the same day, Elbit sold to Polish institutional investors 4,794,292 shares at a price of 6.5 PLN per share.

Employee involvement

The Company has 181 employees and other persons providing similar services. The Company's employees are vital to its ongoing success. It is therefore important that all levels of staff are involved in its decision-making processes. To this end, the Company has an open culture and flexible structure, and staff are encouraged formally and informally to become involved in discussions on the Company's future strategy and developments. An employee share option scheme was adopted on October 26, 2006 which enables employees to share directly in the success of the Company.

Annual General Meeting (AGM)

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

The main powers of the general meeting of shareholders related to the appointment of members of the Board, the adoption of the annual financial statements, declaration of dividend, release the Board's members from liability and amendments to the Articles of Association.

The Annual General Meeting of Shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, The Netherlands on May 26, 2009 at 10am (CET).

In this AGM, inter alia, the following resolutions were taken by the shareholders: (i) to approve the Company's Dutch statutory annual accounts and annual report being drawn up in the English language; (ii) to consider the Company's Dutch statutory annual accounts and the annual report for the year ended December 31, 2008; (iii) to adopt the Company's Dutch statutory annual accounts for the year ended December 31, 2008; (iv) to discharge the directors of the Company from their liability for the conduct of business for the year ended December 31, 2008; (v) To resolve to pay no dividend to the holders of ordinary shares in respect of the year ended December 31, 2008 and to include the profits in the general (profit) reserve; (vi) to authorise the Board of managing directors of the Company generally and unconditionally to exercise all powers of the Company to allot equity securities in the Company up to an aggregate nominal value of €965,052, being 33% of the Company's issued ordinary share capital (as of May 2009), provided that such authority shall expire on the conclusion of the Annual General Meeting to be held in 2010 unless previously renewed, varied or revoked by the Company in a general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (vii) to give a special instruction to the Board authorizing it to disapply the pre-emption rights set out in article 6 of the Company's Articles of Association, such power to expire at the conclusion of the next Annual General Meeting to be held in 2010, and the Board may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of the equity securities up to a maximum aggregate nominal amount of €292,440; (viii) to re-elect as a director, Mr Marius Willem van Eibergen Santhagens; (ix) to re-elect as a director, Mr Marco Habib Wichers; and (x) to authorise the Company, generally and unconditionally, for the purpose of Article 8 of the Articles of Association of the Company, to make market purchases of ordinary shares in the capital of the Company on such terms and in such manner as the directors may from time to time determine, subject to certain conditions.

Article 10 of Directive 2004/25

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

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

Appointment of Mr Ran Shtarkman as Co-Chief Executive Officer of Elbit

On December 2009, Ran Shtarkman, the Company's President and Chief Executive Officer, has been appointed as Co-Chief Executive Officer of Elbit, Plaza's parent company, with effect from January 1, 2010 (the Company's Board of Directors approved and ratified such appointment). Ran Shtarkman continues to work full time as the CEO of the Company, based at the Company's head office, but now also assumes, certain responsibilities for Elbit, with particular emphasis on overseeing its real estate interests in India. The appointment reflects the importance of the Company to Elbit. The Company constitutes over 60% of Elbit's balance sheet, and the appointment of Ran Shtarkman as Elbit's joint CEO will result in the further alignment of Elbit and the Company's shared interests, including joint ventures in India and the United States. In addition, the Company will continue to benefit from Elbit's experience, particularly in territories outside Central and Eastern Europe, complementing the Company's existing expertise across the retail sector.

CORPORATE GOVERNANCE

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

Compliance

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

These exceptions are listed below.

The Best Practice Provisions not applied by the Company in the year 2009 are:

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

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

- Best Practice Provision II.1.6 the management board shall describe the sensitivity of the results of the company to external factors and variables. Since the Company has no streaming/fix annual revenue from operation of properties, it does not perform such analysis.

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

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

- Best Practice Provision II.2.12 and Best Practice Provision II.2.13 stipulate inter alia that the remuneration report of the supervisory board shall include account of the manner in which the remuneration policy has been implemented in the past financial year as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years and should contain the information specified in these provisions. Since the Netherlands Corporate Governance Code has changed and the financial year ended December 31, 2009 is the first year the new provisions should be complied with, not all adjustments pursuant to the requirements of Best Practice Provisions II.2.12 and II.2.13 in the new corporate governance code have been made in the remuneration report and the Company has chosen to keep the remuneration report in the form as it was published in the annual report 2008. This will be adjusted in the remuneration report that is to come for the forthcoming year.

- Best Practice Provision II.3.2 and Best Practice Provision III.6.1 stipulate that both executive directors and non-executive directors shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him, to the Chairman and to the other Board members and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. Section 17.3 of the Articles now, inter alia, provides that a Board member shall inform the Board of any possible direct and/or indirect conflicting interest as soon as practically possible after becoming aware of such possible conflict. It is, however, envisaged that Board members shall comply with the contents of Best Practice Provision II.3.2 and Best Practice Provision III.6.1 in respect of providing the additional information as required under the Dutch Corporate Governance Code.

- Best Practice Provision II.3.3 and Best Practice Provision III.6.2 stipulate that both executive directors and non-executive directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the Company. Section 17.2 of the Articles stipulates that a member of the Board shall neither be counted in the quorum nor vote upon a resolution approving a transaction with the Company in which he has a material personal interest. Thus the Company does not apply Best Practice Provision II.3.3 and Best Practice Provision III.6.2 to the extent it relates to non-material personal interests or material non-personal interests. However, the Company does intend to adopt procedures to ensure that the non-independent directors shall not vote on matters in which they have an interest as a result of their ties with the controlling shareholder. Furthermore, Best Practice Provision II.3.4 and Best Practice Provision III.6.3 stipulate, inter alia, that decisions to enter into transactions in which there are conflicts of interest with management Board members that are of material significance to the Company and/or to the relevant Board members require the approval of the non-executive directors. Such provision has not been inserted into the Articles.

- Best Practice Provision III.1.7 stipulates that supervisory board shall discuss at least once a year on its own, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the supervisory board shall also be discussed. Moreover, the supervisory board shall discuss at least once a year without the management board being present, the functioning of the management board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. In 2009 the Non-executive Directors have not specifically discussed the items that appear in this Best Practice Provision on separate occasions. The Board, however, feels it important to notify the shareholders that as a rule, every board meeting includes an assessment by all Board members of their own functioning and that of their fellow Board members. The Board is of the view that, given the fact that the Company has a one-tier board rather than a separate management board and supervisory board, this course of action appropriately meets the requirements as laid down in this Best Practice Provision.

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

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

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

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

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

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

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

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

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

- Pursuant to Best Practice Provision III.8.4 of the Dutch Corporate Governance Code, the majority of the members of the Board shall be independent non-executives within the meaning of Best Practice Provision III.2.2. The Company currently has two executive directors (who are considered to be non-independents) and four non-executive directors out of whom two non-executive directors are considered to be independent, applying the criteria of Best Practice Provision III.2.2. The non-executive directors who are considered to be non-independent are Messrs Shimon Yitzhaki and Edward Paap. The independent non-executive directors are: Messrs Mark Wichers and Marius Van Eibergen Santhagens. See also page 42 – Additional Information for an overview of the directors' former and current functions. Consequently, two out of the six directors are considered to be independent. The Company believes that the experience of the non-independent directors is of great importance to the Company.

- Best Practice Provision V.3 stipulates inter alia that the Company should have an internal auditor. The Company, however, believes that it has no need to have an internal audit function, since as part of the Europe Israel Group, the Company has a Quality Control Regulator, which practically functions as an internal auditor.

On July 4, 2007, the WSE Supervisory Board adopted the Corporate Governance rules of the WSE contained in the Code of Best Practice for WSE-Listed Companies (the "WSE Corporate Governance Rules"). The WSE Corporate Governance Rules apply to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The WSE Corporate Governance Rules consist of general recommendations relating to best practice for listed companies (Part I) and best practice provisions relating to management boards, supervisory board members and shareholders (Parts II to IV). The WSE Corporate Governance Rules impose upon the companies listed on the WSE an obligation to disclose in their current reports continuous or incidental non-compliance with best practice provisions (with the exception of the rules set forth in Part I, in respect of which and based on a resolution of the Management Board of the WSE dated December 11, 2007 WSE-listed companies are not required to publish a current report). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules (including the rules set forth in Part I) by way of a statement submitted with the company's annual report. Companies listed on the WSE are required to justify non-compliance or partial compliance with any WSE Corporate Governance Rule and to show the ways of eliminating the possible consequences of such non-compliance or the steps such company intends to take to mitigate the risk of non-compliance with such rule in future. The Issuer intends, to the extent where practicable, to comply with all principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent permitted by Dutch law. Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, will be included in the aforementioned reports, which will be available on the Company's website and published by way of a current report.

Role of the Board

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

CORPORATE GOVERNANCE CONTINUED

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

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

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

The Board is accountable to the General Meeting of Shareholders.

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

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

Audit Committee
Comprising three non-executive directors, the Audit Committee meets at least three times each financial year. The Audit Committee has the general task of evaluating and advising the Board on matters concerning the financial administrative control, the financial reporting and the internal and external auditing. Among other matters, it must consider the integrity of the Company's financial statements, the effectiveness of its internal controls and risk management systems, auditors' reports and the terms of appointment and remuneration of the auditor.

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

Remuneration Committee
The Remuneration Committee, comprising three non-executive directors, meets at least twice each financial year to prepare the Board's decisions on the remuneration of directors and other senior employees and the Company's share incentive plans (Under Dutch law and the Articles, the principal guidelines for directors' remuneration and approval for directors' options and share incentive schemes must be determined by a General Meeting of Shareholders). The Committee also prepares an Annual Report on the Company's remuneration policy.
The remuneration report may be found on pages 56 and 57 of this document.

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

Nomination Committee
Meeting at least twice a year, the Nomination Committee comprises three non-executive directors. Its main roles are to prepare selection criteria and appointment procedures for Board members and to review the Board's structure, size and composition. Whereas all senior management of the Company was already nominated and since there wasn't any other necessity, the Nomination Committee didn't meet in 2009 as frequently as required.

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

Internal control/risk management
The Company fully complies with the internal control provisions of the Dutch Corporate Governance Code. The Board has established a continuous process for identifying and managing the risks faced by the Company, and confirms that any appropriate actions have been or are being taken to address any weaknesses.

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

Share dealing code
The Company operates a share dealing code, particularly relating to dealing during close periods, for all Board members and certain employees, as is appropriate for a listed company. The Company takes all reasonable steps to ensure compliance by those parties affected.

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

Controlling Shareholder and conflicts of interest

The Company has a Controlling Shareholder who owns approximately 67.46% of the Enlarged Share Capital and therefore has effective control of the Company. The Board is satisfied that the Company is capable of carrying on its business independently of the Controlling Shareholder, with whom it has a relationship agreement to ensure that all transactions and relationships he has with the Group are conducted at arm's length and on a normal commercial basis.

The Articles of Association of the Company include provisions on conflicts of interest between the Company and holders of control. If a conflict of interest arises between the Controlling Shareholder and the Company, the non-independent directors will take no part in the Board's decisions on the matter.

Shareholder communication

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

Details of this year's AGM can be found on pages 45 and 46.

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

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

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

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

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

Corporate, social and ethical policies

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

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

Environment

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

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

Health and safety

The Company is committed to promoting the health, safety and welfare of its employees, and is supported in achieving its "zero harm" goal through an active health and safety educational program involving all employees across the organization.

Corporate Governance declaration

This declaration is included pursuant to Article 2a of the Decree: further stipulations regarding the content of annual reports dated April 30, 2009 (hereafter the "Decree").

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

- Compliance with the provisions and best practice principles of the Code (pages 47 to 49);
- The functioning of the Shareholders' Meeting and its primary authorities and the rights of shareholders and how they can be exercised (page 45);
- The composition and functioning of the Board and its Committees (starting on pages 42 and 43 and page 50);
- The regulations regarding the appointment and replacement of members of the Board (page 44);
- The regulations related to amendment of the Company's Articles of Association (page 45);
- The authorizations of the members of the Board in respect of the possibility to issue or purchase shares (page 45)

RISK MANAGEMENT

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

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

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

Business strategy

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

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

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

The Group began in 2009 to look into identifying opportunities in the US market, specifically to acquire yielding assets at compelling prices. It has recently launched a real estate investment venture jointly formed by Plaza and its parent Elbit Imaging. Co-investment agreement signed with Eastgate Property to invest a combined US$200 million, to take advantage of opportunities in the US retail and commercial real estate sectors.

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

- To fulfill its strategic intent, Plaza is prepared to accept the considerable risks involved, for instance in acquisition and disposal plans; and

- Plaza takes a conservative approach to managing financial risks.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors also monitors the level of dividends to ordinary shareholders (e.g. decision on no distribution of dividend following the years 2008 and 2009).

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

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

Financing risk management

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

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

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

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

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

Interest rate risk

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

Foreign currency exchange rates

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

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

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

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

The Company's top risks

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

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

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

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

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

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

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

- **The Group has significant capital needs and additional financing may not be available**

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

  Risk mitigation: Plaza is making big efforts to raise external financing for capital needs and continues to investigate different forms of financing. Plaza succeeded in raising additional debenture issued to Israeli institutional investors between August 2009 and February 2010. This was an exceptional achievement, given debt market conditions, with significant support shown by debenture investors for the highly rated bonds at interest rates which were favorable to the Company.

  In addition, Plaza has secured financing for 50% of its Koregaon Park development project in Pune, India, and additional financing for a further two new developments located in Poland and Serbia is expected to be finalized in the near future.

- **Limitations by the Indian government to invest in India may adversely affect the Group's business and results of operations**

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

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

Legal and regulatory risk

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

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

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

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

REMUNERATION REPORT

Remuneration Committee

As stated in the Corporate Governance report on pages 47 to 51 of this document, the Remuneration Committee meets at least twice each financial year to prepare, among other matters, the decision of the Board relating to the remuneration of directors and any share incentive plans. It is also responsible for preparing an annual report on the Company's remuneration policies and for giving full consideration in all its deliberations to the principles set out in the Combined Code.

The committee comprises three non-executive directors – it is chaired by Shimon Yitzhaki and the other members are Marius van Eibergen Santhagens and Marco Wichers.

Under Dutch corporate law and the Articles of the Company, a General Meeting of Shareholders must determine the principal guidelines governing the remuneration both of executive and non-executive directors. In addition, such a meeting also has to approve the granting to them of options and share incentive plans.

The Board may only determine the remuneration of directors within such guidelines, and no director or manager may be involved in any decisions relating to his or her own remuneration.

Remuneration policy

Plaza Centers' remuneration policy is designed to attract, motivate and retain the high-calibre individuals who will enable the Company to serve the best interests of shareholders over the long term, through delivering a high level of corporate performance. Remuneration packages are aimed at balancing both short-term and long-term rewards, as well as performance and non-performance related pay.

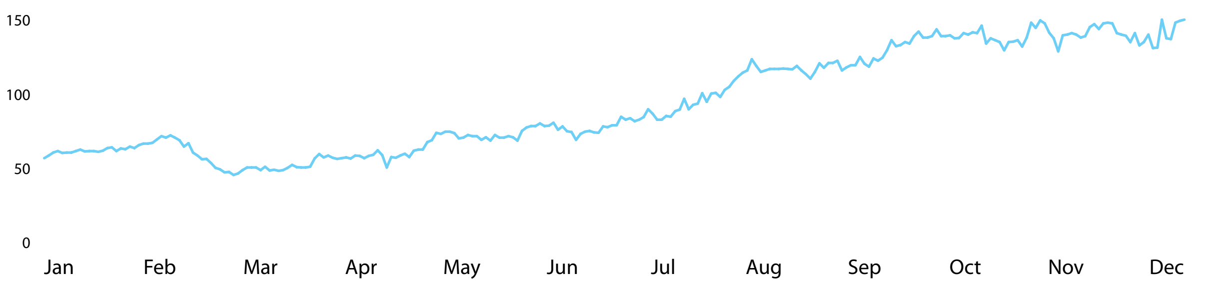
The Remuneration Committee reviews base salaries annually. Increases for all employees are recommended by reference to cost of living, responsibilities and market rates, and are performed at the same time of year.

The Remuneration Committee believes that any director's total remuneration should aim to recognize his or her worth on the open market and to this end pays base salaries in line with the market median supplemented by a performance-related element with the capacity to provide more than 50% of total potential remuneration.

2009	Salary and fees €'000	Share incentive plan[1] €'000	Total non-performance related remuneration €'000	Total performance related remuneration €'000
Chairman and executive directors				
Mr Mordechay Zisser	**214**	**704**	**918**	–
Mr Ran Shtarkman	**396**	**1,564**	**1,960**	–
Total	**610**	**2,268**	**2,878**	–
Non-executive directors				
Mr Shimon Yitzhaki	–	**201**	**201**	–
Mr Marius van Eibergen Santhagens	**50**	–	**50**	–
Mr Edward Paap	**50**	–	**50**	–
Mr Marco Wichers	**50**	–	**50**	–
Total	**150**	**201**	**351**	–
Total – all directors	**760**	**2,469**	**3,229**	–

1 Accounting non-cash expenses recorded in the Company's income statement in connection with the share option plan.

Total shareholder return performance 2009



Service arrangements

The executive directors have rolling service contracts with the Company, which may be terminated on 12 months' and three months' notice in the cases of the Chairman and the CEO/President respectively.

The non-executive directors have specific terms of reference. Their letters of appointment state an initial 12-month period, terminable by either party on three months' written notice. Save for payment during respective notice periods, these agreements do not provide for payment on termination.

Bonuses

The Company has a performance-linked bonus policy for senior executives and employees, under which up to 3% of net annual profits are set aside for allocation by the directors to employees on an evaluation of their individual contributions to the Company's performance. In addition, the Board can award ad hoc bonuses to project managers, area managers and other employees on the successful completion and/or opening of each project. The directors also have the authority to award discretionary bonuses to outstanding employees which are not linked to the Company's financial results.

Share options

The Company adopted its Share Option Scheme on October 26, 2006 which was amended on November 25, 2008 (refer to note 27 to the consolidated financial statements). The terms and conditions of which (except for the exercise price) are regulated by the Share Option Scheme. Options will vest in three equal annual portions and have contractual life of seven years following grant.

In the course of 2009, 1,335,000 options were granted. For the exercise and forfeit of options refer to the table below.

	Number of options granted	Number vested as at December 31, 2009	Exercise price of options £
Mr Mordechay Zisser	**3,907,895**	**2,171,053**	**0.52**
Mr Ran Shtarkman	**10,150,376**	**5,639,098**	**0.52**
Mr Shimon Yitzhaki	**1,116,541**	**620,300**	**0.52**
Mr Marius van Eibergen Santhagens	–	–	**N/A**
Mr Edward Paap	–	–	**N/A**
Mr Marco Wichers	–	–	**N/A**

	Number of options as at December 31, 2009
Total pool	**33,834,586**
Granted	**35,162,174**
Exercised	**3,406,158**
Forfeited	**(5,500,534)**
Left for future grant	**4,172,946**

Amsterdam, April 30, 2010

The Board of Directors

Mordechay Zisser **Ran Shtarkman** **Shimon Yitzhaki**

Marius van Eibergen Santhagens **Marco Wichers** **Edward Paap**

STATEMENT OF THE DIRECTORS

The responsibilities of the directors are determined by applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The directors are responsible for preparing the Annual report and the annual financial statements in accordance with applicable law and regulations.

Netherlands law requires the directors to prepare financial statements for each financial year that give, according to generally acceptable standards, a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the companies that are included in its consolidated accounts for that period.

Netherlands law requires the directors to prepare an Annual report that gives a true and fair view of the position as per the balance sheet date, the course of business during the past financial year of the Company and its affiliated companies included in the annual financial statements, and that the Annual report contains a proper description of the principal risks the company faces.

Directors are required to abide by certain guidelines in undertaking these tasks.

The directors need to select appropriate accounting policies and apply them consistently in their reports. They must state whether they have followed applicable accounting standards, disclosing and explaining any material departures in the financial statements.

Any judgments and estimates that directors make must be both reasonable and prudent. The directors must also prepare financial statements on a "going concern" basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Throughout the financial year, the directors are responsible for keeping proper accounting records which disclose at any time and with reasonable accuracy the financial position of the Company. They are also responsible for ensuring that these statements comply with applicable company law.

In addition, they are responsible for internal control systems that help identify and address the commercial risks of being in business, and so safeguard the assets of the Company. They are also responsible for taking reasonable steps to enable the detection and prevention of fraud and other irregularities.

The Company's website may be accessed in many countries, which have different legal requirements. The directors are responsible for maintaining the accuracy of corporate and financial information on the website, where a failure to update or amend information may cause inappropriate decision making.

On the basis of the above and in accordance with Best Practice Provision II.1.4. of the Netherlands Corporate Governance Code, taking into account the recommendation of the Corporate Governance Monitoring Committee on the application thereof, the directors confirm that internal controls over financial reporting within the Company provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirm that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so.

The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

In view of all of the above, hereby following the requirements of article 5:25c paragraph 2 under c. of the Netherlands Act on the financial supervision (Wet op het financieel toezicht), the directors hereby confirm that (i) the annual financial statements 2009 as included herein give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and its affiliated companies that are included in the consolidated financial statements; and (ii) the Annual report includes a fair review of the position at the balance sheet date and the development and performance of the business of the Company and its affiliated companies that are included in the consolidated annual financial statements and that the principal risks and uncertainties that the company faces are described.

The Board of managing directors

Mordechay Zisser
Executive director and Chairman

Ran Shtarkman
Executive director and CEO

Shimon Yitzhaki
Non-executive director

Edward Paap
Non-executive director

Marius van Eibergen Santhagens
Non-executive director

Marco Habib Wichers
Non-executive director

April 30, 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Plaza Centers N.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Plaza Centers N.V. ("the Company"), which comprise the consolidated statement of financial position as December 31, 2009, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2009 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the EU.

KPMG Hungária Kft.
Budapest, Hungary
March 23, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**December 31, 2009 €'000**	December 31, 2008 €'000
Assets			
Cash and cash equivalents	5	**122,596**	146,026
Restricted bank deposits	6	**39,202**	46,833*
Short-term deposits	16	**2,589**	–
Available-for-sale financial assets	7	**15,040**	8,608
Trade receivables	8	**1,920**	838
Other receivables and prepayments	9	**53,605**	60,550
Derivatives	16	**1,810**	–
Related parties		**513**	481
Trading properties	10	**707,287**	575,334
Total current assets		**944,562**	838,670
Long-term deposits and other investments	11	**51,447**	50,385
Equity accounted investees	15	**–**	188
Derivatives	16	**20,151**	20,323
Property and equipment	12	**14,990**	15,793
Investment property	13	**13,399**	12,970
Restricted bank deposits	6	**14,737**	19,917*
Other non-current assets		**335**	310
Total non-current assets		**115,059**	119,886
Total assets		**1,059,621**	958,556
Liabilities and shareholders' equity			
Interest-bearing loans from banks	17	**176,637**	105,640*
Debentures at fair value through profit or loss	22	**7,423**	–
Trade payables	18	**19,953**	23,197
Amounts due to related parties	19	**3,234**	2,748
Provisions	20	**16,305**	16,985
Other short-term liabilities	21	**11,465**	13,673
Total current liabilities		**235,017**	162,243
Interest-bearing loans from banks	17	**7,435**	5,048*
Debentures at fair value through profit or loss	22	**211,940**	175,144
Debentures at amortized cost	23	**27,792**	–
Other liabilities		**291**	399
Deferred tax liabilities	24	**2,437**	6,191
Total non-current liabilities		**249,895**	186,782
Share capital	25	**2,942**	2,924
Translation reserve	25	**(9,640)**	(12,175)
Other reserves	25	**28,888**	21,778
Share premium	25	**261,773**	248,860
Reserve for own shares	25	**–**	(5,469)
Retained earnings		**285,836**	350,605
Total equity attributable to equity holders of the Company		**569,799**	606,523
Non-controlling interest		**4,910**	3,008
Total equity		**574,709**	609,531
Total equity and liabilities		**1,059,621**	958,556

* Reclassified

Date of approval of the financial statements: March 23, 2010
The notes on pages 66 to 126 are an integral part of these consolidated financial statements.

Ran Shtarkman
Director, President and Chief Executive Officer

Shimon Yitzchaki
Director and Chairman of the Audit Committee

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended December 31, 2009 €'000	2008 €'000
Revenues	28	**16,045**	98,613
Gain from the sale of investment property, net		**–**	–
		16,045	98,613
Impairment losses on trading properties	10	**33,893**	–
Cost of operations	29	**12,970**	55,934
Gross profit (loss)		**(30,818)**	42,679
Administrative expenses *	30	**19,054**	24,540
Other income	31	**(280)**	(193)
Other expenses	31	**39**	2,882
Results from operating activities		**(49,631)**	15,450
Finance income	32	**33,423**	67,356
Finance expenses	32	**(51,543)**	(9,268)
Net finance income (expenses)		**(18,120)**	58,088
Share in loss of associate	15	**(780)**	(941)
Profit (loss) before income tax		**(68,531)**	72,597
Income tax expenses (tax benefit)	33	**(3,819)**	4,913
Profit (loss) for the year		**(64,712)**	67,684
Profit attributable to:			
Owners of the Company		**(64,769)**	67,684
Non-controlling interest		**57**	–
		(64,712)	67,684
Basic earnings (loss) per share (in EURO)	26	**(0.23)**	0.23
Diluted earnings (loss) per share (in EURO)	26	**(0.23)**	0.23

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

The notes on pages 66 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31, 2009 €'000	2008 €'000
Profit (loss) for the year	**(64,712)**	67,684
Other comprehensive income		
Net change in fair value of available-for-sale financial assets.	**1,722**	(1,120)
Foreign currency translation differences for foreign operations	**2,586**	(10,618)
Income tax on other comprehensive income	**–**	–
Other comprehensive income (loss) for the year, net of income tax	**4,308**	(11,738)
Total comprehensive income (loss) for the year	**(60,404)**	55,946
Total comprehensive income (loss) attributable to:		
Equity holders of the Company:	**(60,512)**	56,116
Non-controlling interest	**108**	(170)
Total comprehensive income (loss) for the year	**(60,404)**	55,946

The notes on pages 66 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company									
	Share capital €'000	Share premium €'000	Other capital reserves €'000	Trans-lation reserve €'000	Reserve for own shares €'000	Financial assets available for sale reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total €'000
Balance at December 31, 2007	2,924	248,860	13,498	(1,727)	–	–	339,916	603,471	–	603,471
Own shares acquired	–	–	–	–	(5,469)	–	–	(5,469)	–	(5,469)
Dividend paid	–	–	–	–	–	–	(56,995)	(56,995)	–	(56,995)
Effect of acquisition of subsidiaries	–	–	–	–	–	–	–	–	3,178	3,178
Share based payment	–	–	9,400	–	–	–	–	9,400	–	9,400
Comprehensive income for the year										
Profit or loss	–	–	–	–	–	–	67,684	67,684	–	67,684
Foreign currency translation differences	–	–	–	(10,448)	–	–	–	(10,448)	(170)	(10,618)
Available for sale reserve	–	–	–	–	–	(1,120)	–	(1,120)	–	(1,120)
Total comprehensive income for the year	–	–	–	(10,448)	–	(1,120)	67,684	56,116	(170)	55,946
Balance at December 31, 2008	2,924	248,860	22,898	(12,175)	(5,469)	(1,120)	350,605	606,523	3,008	609,531
Own shares acquired	–	–	–	(3,523)	–	–	(3,523)	–	(3,523)	
Own shares sold	–	12,913	–	–	8,992	–	–	21,905	–	21,905
Effect of acquisition of subsidiaries	–	–	–	–	–	–	–	–	1,794	1,794
Share-based payment	–	–	5,388	–	–	–	–	5,388	–	5,388
Share option exercised	18	–	–	–	–	–	–	18	–	18
Comprehensive income for the year										
Profit or loss	–	–	–	–	–	–	(64,769)	(64,769)	57	(64,712)
Foreign currency translation differences	–	–	–	2,535	–	–	–	2,535	51	2,586
Available for sale reserve	–	–	–	–	–	1,722	–	1,722	–	1,722
Total comprehensive income for the year	–	–	–	2,535	–	1,722	(64,769)	(60,512)	108	(60,404)
Balance at December 31, 2009	**2,942**	**261,773**	**28,286**	**(9,640)**	**–**	**602**	**285,836**	**569,799**	**4,910**	**574,709**

The notes on pages 66 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended December 31, 2009 €'000	2008 €'000
Cash flows from operating activities			
Profit (loss) for the year		**(64,712)**	67,684
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment on property and equipment	12,31	**35,308**	3,295
Change in fair value of investment property		**(429)**	–
Finance income (expenses), net	32	**18,120**	(58,088)
Non-controlling interest		**57**	–
Interest received in cash		**9,471**	14,213
Interest paid		**(5,513)**	(2,591)
Share-based payment		**2,821**	6,988
Loss/(gain) on sale of property and equipment		**(141)**	497
Share in loss of associate		**780**	941
Gain on sale of investment property		**–**	–
Gain on sale of trading property	37	**–**	(41,644)
Income tax expenses		**(3,819)**	4,913
Tax repaid in cash		**–**	235
		(8,057)	(3,557)
Decrease/(increase) in trade accounts receivable	8	**(1,001)**	277,761
Decrease/(increase) in other accounts receivable		**7,188**	9,105
Change in restricted cash for projects to be acquired		**6,945**	(56,035)
Increase in advance payment on accounts of trading properties		**(1,567)**	(38,567)
Increase in trading properties	10	**(108,940)**	(192,949)
Purchase of trading property companies (see appendix A)	37	**(7,202)**	(75,238)
Increase/(decrease) in trade accounts payable		**(1,538)**	(13,386)
Increase/(decrease) in other liabilities and provisions		**(4,696)**	(20,055)
Proceeds from disposal of trading property, net of cash disposed (see appendix B)	37	**–**	60,189
		(110,811)	(49,175)
Income tax paid		**(74)**	(202)
Net cash used in operating activities		**(118,942)**	(52,934)
Purchases of property, equipment and other assets		**(1,222)**	(2,071)
Proceeds from sale of property and equipment		**303**	3,182
Decrease/(increase) of short-term deposits, net		**–**	1,025
Purchase of available for sale marketable securities	7	**(8,294)**	(10,011)
Proceeds from sale of available-for-sale marketable securities		**3,808**	–
Long-term deposits, net		**(99)**	(162)
Net proceeds from disposal of other subsidiaries (see appendix B)		**–**	–
Long-term structured deposit	11	**–**	(51,305)
Net cash used in investing activities		**(5,504)**	(59,342)
Cash from financing activities			
Proceeds from loans from banks and financial institutions	17	**44,267**	105,586
Proceeds from selling derivative		**13,114**	–
Proceeds from own shares sold		**21,905**	–
Dividend paid	25	**–**	(56,995)
Treasury shares purchased		**(3,523)**	(5,469)
Proceeds from issuance of long-term debentures	22,23	**27,408**	151,627
Long term loans repaid to banks		**(2,478)**	(768)
Loans repaid to related parties		**(32)**	(1,260)
Loans received from related parties		**–**	–
Net cash provided by financing activities		**100,661**	192,721
Effect of exchange rate fluctuations on cash held		**355**	(800)
Increase (decrease) in cash and cash equivalents during the year		**(23,430)**	79,645
Cash and cash equivalents at the beginning of the year		**146,026**	66,381
Cash and cash equivalents at the end of the year		**122,596**	146,026

The notes on pages 66 to 126 are an integral part of these consolidated financial statements.

	For the year ended December 31, 2009 €'000	2008 €'000
Appendix A – Acquisition of subsidiaries		
Cash and cash equivalents of subsidiaries acquired	**1,729**	5,526
Short-term deposits	**–**	–
Trade receivables and other receivables	**4,673**	15,622
Long-term deposit	**(1,536)**	104
Property and equipment	**–**	4,675
Trading property	**41,555**	58,531
other assets	**24**	59
Trade payables	**(82)**	(20)
Interest-bearing loans from banks	**(32,477)**	–
Related parties	**–**	–
Minority interest	**(1,147)**	(3,182)
Deferred taxes	**(139)**	–
Other accounts payable	**(3,669)**	(551)
Less – Cash and cash equivalents of subsidiaries acquired	**(1,729)**	(5,526)
Acquisitions of subsidiaries, net of cash held	**7,202**	75,238
Appendix B – Disposal of subsidiaries		
Cash and cash equivalents of subsidiaries disposed	**–**	1,388
Short-term deposits	**–**	–
Trade receivables (*)	**–**	800
Other receivables	**–**	80
Trading properties	**–**	40,822
Investment properties	**–**	–
Long-term balances and deposits	**–**	–
Interest bearing loan from banks	**–**	–
Trade payables	**–**	(5,248)
Other accounts payables	**–**	(1,105)
Related parties	**–**	–
Deferred taxes and long-term balances	**–**	–
Foreign currency translation adjustment	**–**	–
Net identifiable assets and liabilities disposed	**–**	36,737
Cash from sale of subsidiaries	**–**	61,577
Less – Cash and cash equivalents of subsidiaries disposed	**–**	(1,388)
	–	60,189
Non-cash transactions		
Suppliers and creditors for trading properties	**–**	20,378
Share-based payment capitalized to trading properties	**2,067**	2,905

The notes on pages 66 to 126 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – PRINCIPAL ACTIVITIES AND OWNERSHIP

Plaza Centers N.V. ("the Company") was incorporated and registered in the Netherlands. The Company's registered office is at Keizersgracht 241, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe, and India. The consolidated financial statements for each of the periods presented comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Company's shares are traded on the Official List of the London Stock Exchange ("LSE") and starting October 19, 2007, the Company's shares are also listed in the Warsaw Stock Exchange ("WSE").

The Company's immediate parent company is Elbit Ultrasound B.V. ("EUL"), which holds 68% of the Company's shares, as of the end of the reporting period. The ultimate parent company is Elbit Imaging Limited ("EI"), which is indirectly controlled by Mr Mordechay Zisser. Regarding share purchase and selling of the Company by EI and treasury shares purchase and sell refer to note 25. For the list of the Company's subsidiaries, joint ventures and affiliates, refer to note 42.

NOTE 2 – BASIS OF PREPARATION

a. Statement of compliance

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

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

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

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

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

- Note 10 – classification of trading property
- Note 11 – held to maturity investment
- Notes 22 and 23 – debentures at fair value through profit or loss
- Note 28 – revenue recognition

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

- Note 10 – valuation of trading properties
- Note 13 – valuation of investment property
- Notes 20 and 36 – provisions and contingencies
- Note 27 – measurement of share-based payments
- Note 33 – utilization of tax losses
- Note 35 – valuation of financial instruments. (Bonds, Swaps, Forwards structured deposits)

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

NOTE 2 – BASIS OF PREPARATION CONTINUED

e. Changes in accounting policies

Overview

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

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

Determination and presentation of operating segments

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

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

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

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

Presentation of financial statements

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation

1. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under IFRS 3, when acquiring subsidiaries and operations that do not constitute a business as defined in IFRS 3, the consideration for the acquisition is only allocated between the identifiable assets and liabilities of the acquiree, according to the proportion of their fair value at the acquisition date and without attributing any amount to goodwill or deferred taxes, with the participation of the minority, if any, according to its share in the net fair value of these recognized assets at the acquisition date.

When non-controlling interests in subsidiaries are acquired, the difference between the amount paid and the amount of the acquired share in the non-controlling interest at the acquisition date is attributed to assets and liabilities as aforesaid. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

2. Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the associate. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

The consolidated financial statements include the Group's share of the total recognized income and expense and equity movements of associates after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are reduced until the investment is brought to nil, and then further losses are only recognized if the Group has incurred a legal/constructive obligation to fund such losses.

Any excess of the cost of acquisition over the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition is recognized as goodwill. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. When the cost of acquisition is below the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition (i.e. discount on acquisition), the difference is recognized in the income statement in the period of acquisition.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3. Jointly controlled entities

Joint ventures (“JV”) are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. JVs are accounted for using the proportional consolidation method of accounting.

The financial statements of JVs are included in the consolidated financial statements from the date that joint control commences until the date that joint control ceases. Where necessary, adjustments are made to the financial statements of JVs to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

4. Acquisitions from entities under common control

Transactions arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at their fair value at the date of the acquisition. Any excess of the cost of acquisition over the Group’s interest in the fair values of the net identifiable assets acquired is recognized as goodwill. When the excess is negative (negative goodwill), it is recognized directly in profit or loss in the period of acquisition.

5. Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with JVs and associates are eliminated to the extent of the Group’s interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euros at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. Since January 1, 2003, the Group’s date of transition to IFRSs, such differences have been recognized in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the FCTR.

The EUR is the functional currency for Group companies (with the exception of Indian companies – in which the functional currency is the Indian Rupee – INR) since it best reflects the business and results of operations of the Group companies. This is based upon the fact that the EUR (and in India – the INR) is the currency in which management determines its budgets, transactions with tenants, potential buyers and suppliers, and its financing activities and assesses its currency exposures.

3. Net investment in foreign operations.

Differences arising from translation of the net investment in foreign operations are taken to translation reserve. They are released into the income statement upon disposal.

c. Financial instruments

1. Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Restricted deposits and cash in escrow

Restricted deposits consist of deposits in banks and other financial institutions that the Group has pledged to secure banking facilities and other financial instruments for the Group and cannot be used freely for operations.

Cash in escrow represents cash paid into an escrow account held by a third party as payment for purchases of property by the Group until such purchase transactions are finalized and legal title is passed to the Group.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss includes structured deposit B (see note 11(1)) and unsecured non-convertible Debentures series A and partially series B (see note 22, 23).

Upon initial recognition a financial asset or a financial liability may be designated by the Company as at fair value through profit or loss. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, or it eliminates or significantly reduces a measurement or recognition inconsistency. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments comprise of structure deposit A (see note 11).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

c. Financial instruments continued

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 10), are recognized in other comprehensive income and presented within equity in the fair value reserve.

When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. (ii) Non-derivative financial liabilities The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

2. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately, the Company shall designate the entire financial instrument at fair value through profit or loss.

Swap and Forwards transactions

When the Group measures Cross Currency Interest Rate Swaps and Forwards transactions not held for sale and are not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

d. Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to issue of Ordinary Shares and share options are recognized as a deduction from equity, net of any tax effect. Costs attributable to listing existing shares are expensed as incurred.

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

e. Trading properties

Properties that are being constructed or developed for future use as trading properties (inventory) are classified as trading properties and measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete construction and selling expenses.

Lands which are designated for development of trading properties projects are not written down below costs if the completed projects are expected to be sold at or above cost.

Costs comprise all costs of purchase, direct materials, direct labour costs, subcontracting costs and other direct overhead costs incurred in bringing the properties to their present condition. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the costs of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they incurred. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use.

Non-specific borrowing costs are capitalized to such qualifying asset, by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowing of the Group that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the period does not exceed the amount of borrowing costs incurred during that period.

f. Normal operating cycle

The Group is involved in projects some of which may take up to five years to complete from the asset acquisition date. The cost of inventory and loans which financed the development projects is presented as current assets and liabilities (refer to note 10).

g. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value at the end of the reporting period. For measuring fair value of Investment property refer to note 4. Any gain or loss arising from a change in fair value is recognized in the income statement in the period in which it arises. Rental income from investment property is accounted for as described in accounting policy 3(j).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy 3(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income or other expenses in the income statement.

Depreciation of items of property and equipment is charged to the income statement over their estimated useful lives, using the straight-line method, on the following rates:

	%
Land – owned	0
Office buildings	2–4
Mechanical systems in the buildings	7–10
Aircrafts	5
Other*	6–33

* Consists mainly of motor vehicles, office furniture and equipment, computers, peripheral equipment, etc.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

i. Other non-current assets

1. Initiation costs of shopping centers

Expenditure on assessment and research activities, undertaken with the prospect of developing new shopping centers, are recognized in the income statement as an expense as incurred.

Costs which are directly related to initiation activities (prior to the conclusion of the land acquisition, etc.) are capitalized as they arise, when a property acquisition transaction is foreseen and probable, and are charged to the cost of constructing of the real estate project upon execution of the transaction. When there is no longer a probable expectation of completing the transaction, the above mentioned costs are written-off to the statement of income.

2. Cost of obtaining long-term lease agreements

Direct incremental costs related to obtaining long-term lease agreements with tenants are capitalized when they arise and charged to the statement of income over the weighted average term of the lease period.

j. Impairment

1. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

2. Non-financial assets

The carrying amounts of the Group's assets, other than investment property, trading properties and deferred tax assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

3. Reversal of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

k. Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Provision in respect to sold projects

The Group's financial statements include provisions for expenses for further works to be provided on real estate assets already delivered to the buyer.

Warranties

Provision for warranty costs is recognized at the date on which the shopping centers are sold, at the Company's best estimate of the expenditure required to settle the Group's obligation. Such estimates take into consideration warranties given to the Group by subcontractors.

Provisions for construction costs in regard to agreements with governmental institutions are recognized at the sign-off date, at the Company's best estimate of the expenditure required to settle the Group's obligation.

l. Revenue recognition

(i) Rental income from tenants, management fees and operation of shopping centers and investment properties.

Revenues from the leasing of property and management fees are recognized on a straight-line basis over the term of the lease and/or the service. Lease incentives granted are recognized as an integral part of the total income, over the term of lease.

Revenues from operation of shopping centers are recognized when the service is provided or the goods are delivered and when cash is received by the purchaser.

(ii)Revenues from selling of trading properties and investment properties

Revenues from selling of trading properties and investment properties are measured at the fair value of the consideration received or receivable. Revenues are recognized when all the following conditions are met:

a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c. the amount of revenue can be measured reliably;

d. it is probable that the economic benefits associated with the transaction will flow to the Group (including the fact that the buyer's initial and continuing investment is adequate to demonstrate commitment to pay);

e. the costs incurred or to be incurred in respect of the transaction can be measured reliably; and

f. there are no significant acts that the Group is obliged to complete according to the sale agreement.

Determination whether these criteria have been met for each sale transaction, requires a significant judgment by the Group management.

Significant judgment is made in determination whether, at the end of the reporting period, the Group has transferred to the buyer the significant risks and rewards associated to the real estate assets sold. Such determination is based on an analysis of the terms included in the sale agreement executed with the buyer as well as an analysis of other commercial understandings with the buyer in respect of the real estate sold. Generally, the sale agreement with the buyer is signed during the construction period and the consummation of the transaction is subject to certain conditions precedents which have to be fulfilled prior to delivery. Revenues are, therefore, recognized when all the significant conditions precedent included in the agreement have been fulfilled by the Group and/or waived by the buyer prior to the end of the reporting period.

The delivery of the shopping center to the buyer is generally executed close to the end of construction and to the opening of the shopping center to the public. As a result, the Group has to use estimates in order to determine the costs and expenses required to complete the construction works which, as of the delivery date, has not been completed and/or been paid in full.

Generally, the Group is provided with a bank guarantee from the buyer for the total estimated proceeds in order to secure the payment by the buyer at delivery. Therefore, the Group is not exposed to any significant risks in respect of payment of the proceeds by the buyer.

m. Operational lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease but are immediately capitalized as long as the project is under construction period.

n. Finance income and expenses

Finance income comprises interest receivable on funds invested (including available-for-sale financial debt and equity securities), changes in the fair value of financial instruments at fair value through profit or loss, gains on hedging instruments that are recognized in profit or loss, gain on the disposal of available-for-sale financial assets, interest on late payments from receivables and foreign exchange gains.

Finance expenses which are not capitalized comprise interest expense on borrowings, changes in the fair value of financial instruments at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. For capitalisation of borrowing costs, please refer to note 10.

Interest income and expense which are not capitalized are recognized in the income statement as they accrue, using the effective interest method.

For the Company's policy regarding capitalization of borrowing costs refer to note 3(d).

o. Taxation

Income tax expense on the profit or loss for the year comprises current and deferred tax.

The tax currently payable is based on taxable profit for the year and any adjustment to tax payable in respect of previous years. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

o. Taxation continued

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CODM (see note 39) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

q. Employee benefits

1. Bonuses

The Group recognizes a liability and an expense for bonuses, which are based on agreements with employees or according to management decisions based on Group performance goals and on individual employee performance. The Group recognizes a liability where contractually obliged or where past practice has created a constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Share-based payment transactions

The fair value of options granted to employees to acquire shares of the Company is recognized as an employee expense or capitalized if directly associated with development of trading property, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees as measured at the date of modification.

The fair value of the amount payable to employees in respect of share-based payments, which may be settled in cash, at the option of the holder, is recognized as an expense, with a corresponding increase in liability, over the period in which the employees become unconditionally entitled to payment. The fair value is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as an additional cost in salary and related expenses in the income statement. As of the end of the reporting period share-based payments which may be settled in cash are options granted to only one person and can be cash settled at the option of the holder. Refer also to note 27.

r. Earning per share

The Group presents basic and diluted earnings per share (EPS) data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of Ordinary Shares outstanding for the effects of all dilutive potential Ordinary Shares, which comprise share options granted to employees.

s. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2009, and have not been applied in preparing these consolidated financial statements.

- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after July 1, 2009)

  The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:

- All items of consideration transferred by the acquirer are recognized and measured at fair value as of the acquisition date, including contingent consideration.

- Subsequent change in contingent consideration will be recognized in profit or loss.

- Transaction costs, other than share and debt issuance costs, will be expensed as incurred.

- The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.

- Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009).

  In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.

  The Group has not yet completed its analysis of the impact of the revised Standard.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual period beginning on or after February 1, 2010).

  The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

  The amendments to IAS 32 are not relevant to the Group's financial statements as the Group has not issued such instruments at any time in the past.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after July 1, 2009)

  The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.

  The amendments to IAS 39 are not relevant to the Group's financial statements as the Group does not apply hedge accounting.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

s. New standards and interpretations not yet adopted continued

- IFRIC 12 Service Concession Arrangements (effective for first annual reporting period beginning on or after April 1, 2009)

  The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

  IFRIC 12 is not relevant to the Group's operations as none of the Group entities have entered into any service concession arrangements.

- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2010)

  IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognized by reference to the stage of completion of the contract activity in the following cases:

- the agreement meets the definition of a construction contract in accordance with IAS 11.3;

- the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and

- the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

  In all other cases, revenue is recognized when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).

  IFRIC 15 is not relevant to the Group's financial statements as the Group does not provide real estate construction services or develop real estate for sale.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after July 1, 2009)

  The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

  The Group has not yet completed its analysis of the impact of the new Interpretation.

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after November 1, 2009)

  As the Interpretation is applicable only from the date of application, it will have no impact on the financial statements for periods prior to the date of adoption of the interpretation.

- IFRIC 18 Transfers of Assets from Customers (effective prospectively for annual period beginning on or after November 1, 2009)

  IFRIC 18 is not relevant to the Group's financial statements as the Group does normally receive contributions from customers.

NOTE 4 – DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Available-for-sale financial assets

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Structured deposit B at fair value through profit or loss (see note 11)

The fair value of structured deposit B is based on broker quote. This quote is tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of the contract and using market interest rates for a similar instrument at the measurement date. The test is being done by using yield analysis for structured model.

Investment property

The fair value of investment properties is determined using an internal valuation technique. The method of the valuations is based on discounted cash flows and takes into consideration the actual rental income and the relevant market yield.

Forwards transactions

The fair value of forwards transactions is based on Bank quotes received. Those quotes are tested by an external, independent valuation company, having appropriate recognized qualifications and recent experience in the field of the financial instruments being valued, which estimated the fair value by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Swap transactions

Interest rate cross-currency swaps ("swaps") are recognized initially at fair value. In the normal course of business, the fair value of the swaps on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of the swaps measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants. Fair values of the swaps may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data, where current prices or observable market data are not available.

Factors such as bid-offer spread, credit profile collateral requirements and model uncertainty are taken into account, as appropriate, when fair values are calculated using valuation techniques. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, and exchange rates. If the fair value of a financial asset measured at fair value becomes negative, it is recorded as a financial liability until its fair value becomes positive, at which time it is recorded as a financial asset.

NOTE 4 – DETERMINATION OF FAIR VALUES CONTINUED

Long-term debentures at fair value through profit or loss

The fair value of long-term debentures is principally determined with reference to an active market price quotation, as the debentures are traded in the Tel Aviv Stock Exchange ("TASE"). However, in 2008 financial statements, and due to the significant decrease in the volume of trading in the debentures , the increase in the spread between the BID and the ASK prices for the Company's debentures and the significant increase in the risk premium attributable to the Company's debentures as of December 31, 2008, the Company's management believes, based on a professional advice received, that the quoted market prices of the debentures in the TASE were not considered to be the best estimates for the fair value of the debentures as of December 31, 2008 since there are significant indications that the trade in the debentures as of the end of 2008 point to the existence of an inefficient market and that the market for the Company's debentures is no longer active as of December 31, 2008. Accordingly, the Company determined the fair value of the debentures using a valuation technique. These fair values include adjustments that market participants would make including assessment of the appropriate credit spread and liquidity premium, to apply to the Company's liabilities. The amount of change during the period, and cumulatively, in the fair value of designated financial liabilities and loans and advances that is attributable to changes in the Company's credit spread is determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk. The quoted market prices as of December 31, 2008 of debentures series A (1 NIS par value) was 0.563 NIS compared with 0.812 NIS using the valuation technique. The quoted market price of debentures series B was 0.679 in opposed to 0.852 using the valuation technique.

Share-based payments transactions

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information and the tendency of volatility to revert to its mean and other factors indicating that expected future volatility might defer from past volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTE 5 – CASH AND CASH EQUIVALENTS

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

1 As at December 31, 2009, cash in banks is deposited for periods between overnight deposits and 3 months deposits. The Group has deposits in several commercial banks. Fixed deposits bear interest rates varying between 0.3% and 2.35%, while floating deposits bear overnight interest rates, as determined by the EONIA benchmark.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 35.

NOTE 6 – RESTRICTED BANK DEPOSITS

	Interest rate as of December 31, 2009	December 31, 2009	December 31, 2008
Short-term restricted bank deposits			
In EUR	**See[1] and[4] below**	**37,456**	42,617
In NIS	**1.5%**	**185**	488
In RON	**–**	**71**	1,855
In USD	**–**	**–**	431
In PLN	**See[2] below**	**1,490**	1,442
Total short term		**39,202**	46,833
Long-term restricted bank deposits			
In EUR	**See[3] below**	**14,336**	19,638
In other currencies	**0%**	**401**	279
Total long term		**14,737**	19,917

The Group pledged the above restricted bank deposits to secure banking facilities received to secure acquisition and construction activities to be performed by the Group, or as guarantees for non-qualified hedging instruments.

1 As of December 31, 2009, this amount includes cash in escrow in respect of the Casaradio project in Bucharest, Romania for a total amount EUR 5.7 million. This amount bears a fixed annual interest rate of 0.25%. An additional EUR 16 million is restricted in respect of bank facility agreements signed to finance the Projects in the Czech Republic, Poland and Latvia. This amount carries an annual interest rate of three months Euribor + 1.65%. The remaining amount of EUR 6.3 million is cash in restricted deposit in connection with a Forwards transaction the Company entered into. This amount bears an interest of 0.75%–1.4%. Regarding the release of the Forwards transactions restricted cash after the end of the reporting period, refer to note 16.
2 As of December 31, 2009, an amount of PLN 6.1 million (EUR 1.5 million) is cash in escrow in respect to the purchase of one of the Company's projects in Poland. This amount bears an interest equals to 90% of the Warsaw Interbank bid rate (WIBID).
3 As of December 31, 2009, an amount of EUR 14.3 million is restricted in respect of the swap transactions (see note 16). The deposits are carrying fixed interest rates ranging between 0.73%-1.05%.
4 An amount of EUR 9.5 million is restricted in respect of investment in long-term financial instruments (see note 11). This amount is carrying an interest rate of one month EUR Libor. An amount of EUR 14.6 million was reclassified from long term to short term consistent to loan received which was reclassified to current liabilities.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 35.

NOTE 7 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

Interest-bearing available-for-sale financial assets with a face value of EUR 16 million are outstanding as of December 31, 2009, (2008: EUR 11.4 million). The available-for-sale financial assets have stated fixed and float interest rates of 1.2% to 9.4% and mature in a range between one year to perpetual.

As of December 31, 2009, the Company recorded a capital reserve due to increase in fair value of available-for-sale financial assets in a total amount of EUR 1.7 million (2008: EUR 1.4 million decrease in fair value, and reallocated out of this amount EUR 0.3 million as an expense, due to objective evidence of impairment in fair value in one of its marketable securities).

NOTE 8 – TRADE RECEIVABLES

	December 31, 2009	December 31, 2008
Trade receivables[1]	**3,034**	933
Less – Allowance for doubtful debts[2]	**(1,114)**	(95)
	1,920	838

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

NOTE 9 – OTHER RECEIVABLES AND PREPAYMENTS

	December 31, 2009	December 31, 2008
Advances for plot purchase [1]	**27,339**	28,140
Advances to suppliers [2]	**7,882**	12,910
Prepaid expenses	**603**	515
VAT receivables [3]	**10,744**	15,706
Partners in jointly controlled entities	**5,013**	1,474
Accrued interest receivable	**1,560**	1,203
Others	**464**	602
	53,605	60,550

1 As of December 31, 2009, including mainly advance payments in the amount of EUR 25.1 million for the purchase of plots in India, as part of the Joint venture with EI (refer also to note 37). Out of this amount, an amount of EUR 4.6 million is guaranteed by EI.
2 As of December 31, 2009 including mainly advance payments to general contractors in Romania and India.
3 As of December 31, 2009, VAT receivable is mainly due to projects in Romania (EUR 5.7 million) and Poland (EUR 3.4 million). After the end of the reporting period the Company refunded EUR 4.5 million of VAT in Romania.

NOTE 10 – TRADING PROPERTIES

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

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

As of December 31, 2009, the Company has trading properties in Poland, Czech Republic, Latvia, India, Romania, Serbia, Bulgaria, Hungary and Greece. The properties are in various stages of development as shopping and entertainment centers, residential units, offices or combination thereof. Regarding segment reporting, refer to note 39.

Regarding the changes in global markets and their effect on the development of trading properties under construction, refer to note 37.

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

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

Below is a summary table for project status:

		December 31, 2009		Share holding	General information		
Project	Location	Purchase/ transaction year	Rate (%)	Nature of rights	Status of registration of land	Permit status	GLA (sqm)
Suwalki Plaza	Poland	2006	100	Ownership	Completed	Building permit valid	20,000
Zgorzelec Plaza	Poland	2006	100	Leasing for 25 years	Completed	Building permit valid	13,000
Torun Plaza	Poland	2007	100	Perpetual leasehold	In process	Building permit pending	39,000
Lodz	Poland	2001	100	Ownership/ Perpetual usufruct	Completed	Building permit valid	80,000*
Lodz – New	Poland	2009	100	Ownership	Completed	Building permit pending	45,000
Kielce Plaza	Poland	2008	100	Perpetual leasehold	Completed	Planning permit pending	33,000
Leszno Plaza	Poland	2008	100	Perpetual leasehold	Completed	Planning permit pending	16,000
Liberec Plaza	Czech Republic	2006	100	Construction lease period with subsequent ownership	Completed	Occupancy permit valid	17,000
Opava Plaza	Czech Republic	2006	100	Construction lease period with subsequent ownership	Completed	Planning permit pending	13,000
Roztoky	Czech Republic	2007	100	Ownership	Completed	Planning permit valid	14,000*
Riga Plaza	Latvia	2004	50	Ownership	Completed	Occupancy permit valid	49,000
Bangalore	India	2008	23.75	Ownership	In process	Under negotiations	450,000*
Chennai	India	2008	38	Ownership	In process	Under negotiations	900,000*
Koregaon Park	India	2006	100	Ownership	Completed	Building permit valid	111,000*
Kharadi	India	2007	50	Ownership	Completed	Excavation permit valid	205,000*
Trivandrum	India	2007	50	Ownership	Completed	Under negotiations	195,000*
Casa Radio	Romania	2007	75	Leasing for 49 years	Completed	Planning permit valid	600,000*
Timisoara Plaza	Romania	2007	100	Ownership	Completed	Planning permit pending	43,000
Miercurea Ciuc Plaza	Romania	2007	100	Ownership	Completed	Building permit valid	14,000
Iasi Plaza	Romania	2007	100	Ownership	In Process	Planning permit pending	62,000
Slatina Plaza	Romania	2007	100	Ownership	Completed	Planning permit valid	17,000
Targu Mures Plaza	Romania	2008	100	Ownership	Completed	Planning permit pending	30,000
Hunedoara Plaza	Romania	2008	100	Ownership	Completed	Planning permit valid	13,000
Constanta Plaza	Romania	2009	100	Ownership	Completed	Building permit pending	18,000
Belgrade Plaza**	Serbia	2007	100	Leasing for 99 years	In Process	Under negotiations	70,000*
Kragujevac Plaza**	Serbia	2007	100	Leasing for 99 years	In Process	Building permit valid	22,000
Sport Star Plaza**	Serbia	2007	100	Leasing for 99 years	In Process	Under negotiations	45,000
Shumen Plaza	Bulgaria	2007	100	Ownership	In Process	Planning permit valid	20,000
Sofia Plaza Business Center	Bulgaria	2009	50.1	Ownership	In Process	Planning permit valid	44,000
Dream Island Budapest)	Hungary	2003	43.5	Land use rights	Completed	Under negotiations	350,000
Arena Plaza Extension	Hungary	2007	100	Land use rights	Completed	Building permit valid	40,000
Uj Udvar	Hungary	2007	35	Ownership	Completed	Permit under progress	16,000
Pireas Plaza	Greece	2002	100	Ownership	Completed	Building permit pending	26,000

* GBA (sqm)

** In respect of all the projects in Serbia, the Company is retaining the 100% holding in these projects after a decision to discontinue the negotiations with a Serbian developer. The Company paid, as of the end of the reporting period, an amount of EUR 1.3 million as part of a settlement agreement signed with the Serbian developer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – LONG-TERM DEPOSITS AND OTHER INVESTMENTS

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

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

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

NOTE 12 – PROPERTY AND EQUIPMENT

	Land and buildings	Equipment	Fixtures and fittings	Airplanes	Total
Cost					
Balance at December 31, 2007	7,785	2,523	1,172	8,655	20,135
Additions	–	1,874	86	4,581	6,541
Disposals	(530)	–	–	(3,921)	(4,451)
Reclassification	(198)	198	–	–	–
Exchange rate effect	–	(23)	–	(216)	(239)
Balance at December 31, 2008	7,057	4,572	1,258	9,099	21,986
Additions	–	320	118	–	438
Disposals	–	(229)	–	–	(229)
Exchange rate effect	–	6	–	75	81
Balance at December 31, 2009	**7,057**	**4,669**	**1,376**	**9,174**	**22,276**
Accumulated depreciation					
Balance at December 31, 2007	701	1,334	905	730	3,670
Depreciation expenses	1,622	534	23	1,116	3,295
Disposals	–	(29)	–	(743)	(772)
Reclassification	(34)	34	–	–	–
Balance at December 31, 2008	2,289	1,873	928	1,103	6,193
Depreciation expenses	92	611	25	459	1,187
Disposals	–	(69)	–	–	(69)
Exchange rate effect	–	–	–	(25)	(25)
Balance at December 31, 2009	**2,381**	**2,415**	**953**	**1,537**	**7,286**
Carrying amounts					
At December 31, 2008	4,768	2,699	330	7,996	15,793
At December 31, 2009	4,676	2,254	423	7,637	14,990

NOTE 13 – INVESTMENT PROPERTY

	December 31, 2009	December 31, 2008
Balance at January 1	**12,970**	12,970
Fair value revaluation	**429**	–
Balance at December 31	**13,399**	12,970

Investment property comprises one logistic building in Prague that is leased to third parties. Generally, leases contain an initial period of 1 to 10 years. Subsequent renewals are negotiated with the lessees. The vast majority of the contracts are denominated in, or linked, to the EUR. As of the Company's policy for determining the fair value of the investment property, refer to note 4. The yield used for fair value valuation was 7.5% and 8.1% for 2009 and 2008 respectively.

NOTE 14 – PROPORTIONATE CONSOLIDATION

The following amounts are included in the Group's financial statements as a result of proportionate consolidation of companies:

	2009*	2008
Current assets	**230,170**	160,609
Non-current assets	**4,529**	4,016
Current liabilities	**71,761**	34,614
Non-current liabilities	**119**	67
Non-controlling interest	**4,910**	3,008

	For the year ended December 31, 2009	2008
Revenues	**5,173**	1,116
Expenses	**(19,285)**	(2,828)
Loss after tax	**(14,112)**	(1,712)

* From the first quarter of 2009, Ercorner Ltd. is proportionally consolidated (refer to note 15). Regarding list of jointly controlled entities and Percentage of ownership and Control see Note 42.

NOTE 15 – EQUITY ACCOUNTED ASSOCIATES

Following the additional purchase through Ercorner of a 27% stake of its subsidiary Alom Sziget 2004 Kft. ("Alom Sziget") (refer to note 37), the Company has started to perform proportionate consolidation of Ercorner since the second quarter of 2009. The Company owns 50% of the share capital of Ercorner. The additional 50% is held by a large commercial bank. As of December 31, 2008, Ercorner, through its 60% owned subsidiary, Alom Sziget, owned a plot of land on the Hajogyari Island located in Budapest. Ercorner is a holding company with no activity of its own, and in addition, decisions in Alom Sziget are required to be taken with a 75% majority, thus Ercorner did not hold control over Alom Sziget as of December 31, 2008. In respect of commitments with Ercorner refer to note 36.

The Company is also holding, through the Holding Company of the BAS Group ("Plaza BAS B.V."), a 25% ownership in Malibu invest s.r.l ("Malibu"). Malibu is engaged in the development of residential project in Bucharest, Romania. As Malibu has negative equity as of the end of the reporting period, the carrying value of the investment is nil as of December 31, 2009.

NOTE 16 – DERIVATIVES

Forwards transactions

On May 12, 2009, the Company entered into a Forwards transactions ("Forward A"), to hedge its foreign currency exposure risk in respect of Series A debentures issued in July 2007, following the settlement explained below. Forward A transaction intended to decrease the foreign currency exposure in connection with NIS payments of Series A debentures up and until December 31, 2010. In September 2009 the Company settled Forward A for a total consideration of NIS 14.5 million (approximately EUR 2.6 million). As of the end of the reporting period, a short-term deposit is recorded.

On November 10, 2009, the Company entered into an additional Forwards transaction in a notional amount of EUR 90 Million ("Forward B"), to hedge its foreign currency risk exposure in respect of Series A debentures issued in July 2007, as well as in respect of the private issuance of debentures which are referred to in note 23. Forward B is intended to decrease the foreign currency exposure risk in connection with NIS payments of Series A debentures and exposed part of Series B debentures up and until December 1, 2010.

As of the end of the reporting period, a short-term derivative in the amount of circa NIS 10 million (EUR 1.8 million) is recorded.

In January 2010 the Company settled Forward B for a total consideration of NIS 29.6 million (approximately EUR 5.6 million).

As at the date of these financial statements, the Company has pledged security deposits in the amount of EUR 6.3 million (refer to note 6(1) above).

The Forwards are measured at fair through profit or loss, based on issuing banks quotes.

Cross currency interest rate swap

As of the end of the reporting period, the Group maintains, consistent with its risk management policies, an interest rate swap with par value of NIS 799 million with an Israeli financial institutions. The Company will pay interest in a range between six-month Euribor + 3.52% and 3.66% and receive 5.4% interest linked to the Israeli CPI with the same amortization schedule as the series B Debentures. At each payment date of the annual installments of the debentures the Company will receive the principal amount in NIS and will pay the principal amount in EUR (subject to the amortization schedule).

In January 2009 the Company settled its Cross Currency transaction in respect of its series A debentures ("swap transaction"), for total proceeds of EUR 13.1 million. In addition, the Company released a long term restricted deposit in the amount of EUR 5.3 million, which served as a security for the swap transaction.

The swaps are measured at fair value at the end of each reporting period with changes in the fair value are charged to the profit or loss. The aggregate fair value of the swaps, relating to series B debentures, based on a valuation technique was EUR 20.2 million and the swaps are presented as long term derivative as of the end of the reporting period. For the input used in the valuation technique refer to note 35.

As at the date of these financial statements, the Company has pledged a security deposit in the amount of EUR 14.3 million (refer to note 6(3) above).

The above mentioned hedge is non-qualified hedge for accounting purposes.

NOTE 17 – 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 amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 35. All interest-bearing loans from banks are of balances of secured bank loans and are all denominated in EUR with the exception of CHF, USD and INR loans mentioned. Terms and conditions of outstanding loans were as follows:

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

1 Refer to note 36 (d) for details on a breach of certain covenants regarding this loan.

2 Secured bank loans taken in respect of structured deposits (see note 11). These loans were extended for a period of between 3 months and 1 year in February 2010. The Company is required to secure certain amount of cash upon request from the issuing bank as collateral for the credit facilities granted by the issuing bank to finance part of these structures.
The amount of the collateral is determined based on the fair value of the structures calculated by the issuing bank. As of the end of the reporting period, the Company had secured total amount of EUR 9.5 million in respect to both structures (refer to note 36). These loans were reclassified to current liabilities.

3 Presented as long-term loans as of the end of the reporting period – this includes EUR 0.6 million of current portion of long-term liabilities in respect of these loans.

NOTE 18 – TRADE PAYABLES

	Currency	**December 31, 2009**	December 31, 2008
Construction related suppliers	Mainly in EUR, PLN	**19,210**	22,482
Other trade payables		**743**	715
		19,953	23,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – AMOUNTS DUE TO RELATED PARTIES

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

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

For payments (including share based payments) to related parties refer to note 38. Transactions with related parties are priced at an arm's length basis.

NOTE 20 – PROVISIONS

	Provision in respect of liability to governmental institution*	Provision in respect of liability due to selling of trading and investment property	Total
Current provisions			
Balance at January 1, 2009	16,418	567	16,985
Provision used during the period	(584)	(96)	(680)
Balance at December 31, 2009	**15,834**	**471**	**16,305**

* The Group's provision relates to liability with the Romanian government. The provision is expected to be settled by 2013.

NOTE 21 – OTHER SHORT-TERM LIABILITIES

	Currency	**December 31, 2009**	December 31, 2008
Short term			
Obligation in respect of plot purchase[1]	Mainly EUR	**1,946**	7,553
Advance payment received	EUR	**2,133**	593
Accrued expenses and commissions	EUR	**258**	515
Accrued bank interest	EUR	**295**	539
Government institutions and fees	HUF, PLN, CZK	**366**	333
Salaries and related expenses[2]	EUR, HUF, PLN, CZK, USD	**487**	2,156
Loan from partners in joint controlled company and subsidiaries[3]	EUR	**4,861**	1,779
Other	HUF, PLN, CZK	**1,119**	205
Total		**11,465**	13,673

1 Decline in 2009 is chiefly attributable to the payment of obligation in respect of projects in Romania.
2 Decline in 2009 is chiefly due to reduction in headcount and provision for year-end incentives.
3 Increase in 2009 is attributable to New project purchase in Bulgaria (see note 37).

NOTE 22 – LONG-TERM DEBENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

NOTE 23 – LONG-TERM DEBENTURES AT AMORTIZED COST

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

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

The terms of both Additional Debentures are identical to the terms of the Series B Debentures issued to the public under the Company's prospectus from February 2008 (refer to note 22). The additional series B debentures are presented at amortized cost.

NOTE 24 – DEFERRED TAX ASSETS AND LIABILITIES

Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

Liabilities/(assets)	**December 31, 2009**	Acquired in purchase of subsidiary	Recognized in profit or loss	December 31, 2008
Investment property	**732**	–	6	726
Property and equipment and other assets	**478**	118	(22)	382
Debentures and structures at fair value through profit or loss	**(3,113)**	–	(7,727)	4,614
Derivatives	**6,260**	–	1,078	5,182
Impaired receivables and others, net	**53**	21	–	32
Tax value of losses carry-forwards recognized, net	**(1,973)**	–	2,772	(4,745)
Net deferred tax liability	**2,437**	139	(3,893)	6,191

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following item:

	December 31, 2009	December 31, 2008
Tax losses	**6,341**	3,698

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from. Main increase is due to Operation in Serbia and Romania.

As of December 31, 2009, the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2010	2011	2012	2013	2014	After 2014
49,649	1,370	1,736	2,295	5,253	2,838	36,157

Tax losses are mainly generated from operations in Hungary, Romania, Serbia, Latvia and the Netherlands. Tax settlements may be subjected to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

NOTE 25 – EQUITY

	Remarks	December 31, **2009** Number of shares	December 31, 2008 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 year		**292,431,381**	292,403,787
Exercise of share options	See (a) below	**1,764,319**	27,594
At the end of the year		**294,195,700**	292,431,381

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

Capital reserve due to share option plan

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

Translation reserve

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

Dividend policy

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

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

The Board of Directors of the Company has decided not to distribute dividends to shareholders in respect of the years ended December 31, 2008 and 2009 (refer to note 35).

Treasury shares

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

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

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

NOTE 26 – EARNINGS PER SHARE

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

Weighted average number of Ordinary Shares

In thousands of shares with a EUR 0.01 par value	**December 31, 2009**	December 31, 2008
Issued Ordinary Shares at January 1	**283,222**	292,404
Effect of own shares sold	**3,019**	–
Effect of own shares held	**(5,191)**	(1,243)
Share-based payment – exercise of options	**307**	27
Weighted average number of Ordinary Shares at December 31	**281,357**	291,188

NOTE 26 – EARNINGS PER SHARE CONTINUED

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

Weighted average number of Ordinary Shares (diluted)

In thousands of shares with a EUR 0.01 par value	**December 31, 2009**	December 31, 2008
Weighted average number of Ordinary Shares (basic)	**281,357**	291,188
Effect of share options on issue	**–**	2,735
Weighted average number of Ordinary Shares (diluted) at 31 December	**281,357**	293,923

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 27 – EMPLOYEE SHARE OPTION PLAN

On October 26, 2006 the Company's Board of Directors approved the grant of up to 33,834,586 non-negotiable options by the Company's Ordinary Shares to the Company's Board members, employees in the Company and other persons who provide services to the Company including employees of the Group ("Offerees"). The options were granted to the Offerees for no consideration.

Exercise of the options was subject to the following mechanism:

On exercise date the Company shall allot, in respect of each option so exercised, shares equal to the difference between (A) the opening price of the Company's shares on the London Stock Exchange (LSE) on the exercise date, provided that if the opening price exceeds 180% of the Exercise Price the opening price shall be set at 180% of the Exercise Price; less (B) the Exercise Price of the Options; and such difference (A minus B) will be divided by the opening price of the Company's Shares in the LSE on the exercise date. The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/employees entitled	Number of options	Vesting conditions	Contractual life of options
Option grant to key management at October 27, 2006	16,818,145	see[2] below	7 years
Option grant to employees at October 27, 2006	4,586,355	see[2] below	7 years
Total granted in 2006	21,404,500	see[2] below	7 years
Total granted in 2007[1]	1,947,093	see[2] below	7 years
Total granted in 2008[1]	1,678,889	see[2] below	7 years
Total granted in 2009[1]	1,225,000	Three years of service	7 years
Total share options Granted	26,255,482		

1 2007 – 200,000 share options granted to key management. 2008 – 626,667 share options granted to key management. 2009 – 85,000 share options granted to key management.
2 Vesting conditions – refer to modification of employee share option paragraph below.

	Weighted average exercise price 2009 GBP	**Number of options 2009**	Weighted average exercise price 2008 GBP	Number of options 2008
Outstanding at the beginning of the year	**0.52**	**30,115,208**	1.81	28,945,704
Forfeited during the period – back to pool	**0.50**	**(2,223,750)**	1.80	(2,323,785)
Exercised during the year	**0.52**	**(2,970,976)**	1.80	(131,711)
Granted during the year	**0.80**	**1,335,000**	1.67	3,625,000
Outstanding at the end of the year	**0.532**	**26,255,482**	0.60*	30,115,208
Exercisable at the end of the year		**12,800,446**		9,031,603

* The options outstanding at December, 31 2009 have an exercise price in the range of GBP 0.52 to GBP 1.64 (app. EUR 0.59–EUR 1.85) and a weighted average contractual life of four years. The weighted average share price at the date of exercise for share options exercised in 2009 was GBP 1.32 (2008: GBP 2.29).

Modification of employee share option plan

On November 25, 2008 the Company's general shareholders meeting and the Board of Directors approved to amend the exercise price of all options granted more than one year prior to October 25, 2008 ("Record Date") to the average closing price of the Shares on the London Stock Exchange during the 30-day period ending on November 25, 2008 (i.e., GBP 0.52 per option). In addition, the amendment plan determined that all Options that were not vested on the Record Date shall vest over a new 3 (three) years period commencing on the Record Date, in such way that each year following that date 1/3 (one-third) of such Options shall be vested. Furthermore, the Option Term was extended in additional 2 (two) years to a total period of 7 (seven) years, which starts at the date of grant by the Company's Board of Directors. The above-mentioned 180% limit on the potential benefit from each Option was changed to a cap of 324 pence per Option. The number of options which were modified under the amendment was 28,182,589. The incremental fair value granted (i.e, the increase in fair value of the share options measured immediately before and after the modifications) as a result of the above-mentioned modifications was EUR 6.4 million which will be recognized over the vesting period or immediately for vested options. The immediate effect of the modification on the profit or loss statement was an expense of EUR 1.8 million. Following the modification of the employee share option plan, the contractual life of the options (7 years) is used for future grants and the assumed suboptimal exercise multiple is 3 for management and 2.5 for Employees due to the cap of 324 pence.

Following the modification of the option plan, the maximum number of shares issuable upon exercise of all outstanding options as of the end of the reporting period is 21,201,017.

The estimated fair value of the services received is measured based on a binomial lattice model using the following assumptions:

	Key management personnel 2009 EUR	Key management personnel 2008(*) EUR	**Employees 2009 EUR**	Employees 2008 EUR
Fair value of share options and assumptions				
Fair value at measurement date (in EUR)*	**26,609**	529,723	**516,691**	1,959,766
Weighted average Exercise price	**0.56**	1.38	**0.99**	1.87
Expected volatility	**55.9%**	35%-51.1%	**49.01-61.11%**	35%-51.1%
Weighted average share price	**0.62**	1.38	**1.18**	1.88
Suboptimal exercise multiple	**3**	1.8-3	**2.39-2.5**	1.8-2.5
Expected dividends	**–**	–	**–**	–
Risk-free interest rate (based on the yield rates of the non indexed linked UK treasury bonds)	**1.67%-3.89%**	2.89%-4.82%	**0.65%-4.57%**	2.89%-4.82%

* 2008 – not including information in respect of the amended option plan

During 2009 the total employee costs for the share options granted (including the modifications) was EUR 5,402 (2008: EUR 9,453).

Due to the changes in the global economy, the data regarding share prices and companies' volatilities do not reflect the future results. The share prices data of the Company during the last quarter of 2008 presents a high volatility that is in irregular form, and therefore could not be implemented as the expected volatility for the relevant term of the options. Since the Company has been publicly traded for two and a half years only, the state of the financial markets at the end of 2008 affects the Company's volatility in a greater manner and is not reflecting the predicted volatility. In order to estimate the Company's expected volatility, the calculation was based on the Company's share performance during the last two and a half years and a comparison to similar companies with historical share price of five–seven years. The difference in the volatility between two years and five–seven years, while neutralizing the fourth quarter of 2008 for each company is significant. Therefore, the implemented volatility for options granted in 2009 was set at a range of 55.9%-61.11% (2008: volatility set at 51.1%), which takes into account the influence of the current state of the markets if the Company has been publicly traded for a longer period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28 – REVENUES

	For the year ended December 31, 2009	2008
Revenue from selling of trading properties[1]	**–**	82,576
Rental income from tenants[2]	**6,433**	4,939
Management fees	**1,413**	951
Operation of entertainment centers[3]	**7,273**	9,531
Adjustment to fair value of investment property	**429**	–
Other	**497**	616
Total	**16,045**	98,613

1 Revenue from selling of trading properties consists of asset value of shopping centers, as determined between the Company and the buyer of the property. 2009 – No revenue was derived from selling trading property. In 2008 – Includes mainly EUR 61.4 million of revenues from selling Plzen shopping center in Plzen Czech Republic, as well as price adjustment from the selling of Arena Plaza in Hungary – EUR 22.3 million.

2 Rental income relates either to revenues from investment properties the Company holds (which totaled in 2009 and 2008 circa EUR 1 million per year), or from the trading properties the Company holds. As of the end of the reporting period, the main rental income is derived from projects in Latvia and in the Czech Republic, which were completed and operative starting late March 2009.

3 Revenue from operation of entertainment centers is attributed to special subsidiary of the Company trading as "Fantasy Park" which provides gaming and entertainment services in active shopping centers. As of December 31, 2009, these subsidiaries operate in eleven shopping centers.

NOTE 29 – COST OF OPERATIONS

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

2009 – Includes mainly cost of operating two shopping centers, as well as Fantasy Park operations in 11 shopping centers. Costs of sold trading properties include the cost of purchasing and developing the trading properties which were sold in 2008, derived almost entirely of the cost of selling the Plzen Plaza shopping center in the Czech Republic – EUR 42.2 million.

NOTE 30 – ADMINISTRATIVE EXPENSES

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

General and administrative

1 Including non-cash expenses due to the share option plan in the amount of EUR 2.8 million (2008 – EUR 6.3 million) refer to note 27 for more details on share based payments.

NOTE 31 – OTHER INCOME AND OTHER EXPENSES

	For the year ended December 31, 2009	2008
a. Other income		
Gain from selling property and equipment	**167**	167
Non-claimed payable	**–**	–
Other income	**113**	26
Total other income	**280**	193
b. Other expenses		
Write offs of receivables	**–**	–
Loss from selling property and equipment	**(26)**	(664)
Impairment of property and equipment	**–**	(2,214)
Other expenses	**(13)**	(4)
Total other expenses	**(39)**	(2,882)
Total	**241**	(2,689)

NOTE 32 – NET FINANCE INCOME (EXPENSES)

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

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

NOTE 33 – INCOME TAX EXPENSES

	For the year ended December 31, 2009	2008
Current tax	**74**	143
Deferred tax	**(3,893)**	5,626
Prior year's taxes[1]	**–**	(856)
Total	**(3,819)**	4,913

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

Deferred tax expense

	For the year ended December 31, 2009	2008
Origination and reversal of temporary differences	**(3,893)**	9,866
Recognition of previously unrecognized tax losses	**–**	(4,240)
	(3,893)	5,626

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

Reconciliation of effective tax rate:

	For the year ended December 31, 2009	2008
Dutch statutory income tax rate	**25.5%**	25.5%
Profit (loss) before income taxes	**(68,531)**	72,597
Tax at the Dutch statutory income tax rate	**(17,475)**	18,513
Recognition of previously unrecognized tax losses (see note 23)	**–**	(4,195)
Effect of tax rates in foreign jurisdictions	**3,236**	1,864
Deferred taxes not provided for losses and other temporary differences, net	**6,916**	3,508
Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes (including exchange-rate differences)	**(713)**	(1,270)
Changes in future tax rate enacted at the end of the reporting period	**–**	–
Non-deductible expenses (Non taxable income) (*)	**4,217**	(12,651)
Prior year's taxes	**–**	(856)
Income tax expenses (tax benefit)	**(3,819)**	4,913

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

NOTE 33 – INCOME TAX EXPENSES CONTINUED

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

The Netherlands

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

On September 15, 2009 the Dutch government announced its tax proposals for 2010 ("2010 Tax Proposals"). The most important tax measures proposed are amendments to improve the participation exemption regime and an option to extend the loss carry back period to three years. It is proposed that these tax measures take effect as of January 1, 2010.

In accordance with the 2010 Tax Proposals, allow taxpayers to elect for an extension of the loss carry back period to three years (instead of one year). The election is only available for losses suffered in the taxable years 2009 and/or 2010. If a taxpayer makes use of the election, two additional limitations apply: (i) the loss carry forward period for the taxable years 2009 and/or 2010 will be limited to a maximum of six years (instead of nine years); and (ii) The maximum amount of loss that can be carried back to the second and third year preceding the taxable year will be limited to EUR 10 million per year. The amount of loss that can be carried back to the year directly proceeding the taxable year for which the election is made will remain unrestricted.

b. Under the participation exemption rules, income including dividends and capital gains derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non-resident investee companies, are exempt from Netherlands corporate income tax provided the conditions as set under these rules have been satisfied. Such conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy either of, or both the "Assets" – Test and the "Subject to Tax" – test.

Under the 2010 Tax Proposals, the participation exemption will not apply to domestic and foreign subsidiaries which are held as passive investments ("Motive Test"). The Asset Test and the Subject-to-Tax Test will remain in place. If the taxpayer can demonstrate that one of these tests is fulfilled, the participation exemption will apply even if the Motive Test is failed.

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

India

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

Cyprus

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

NOTE 34 – OPERATING LEASES

The Company is a lessee of a number of plots of land and paid a total rent of EUR 0.1 million in the year ended December 31, 2009 (EUR 0.05 million for year ended December 31, 2008) under operating leases in Poland. The leases typically run for a period of 99 years. The leases in Poland which are held under perpetual usufruct are governed by the law of management over real estate. Lease payments regarding perpetual use of land can be changed according to a new valuation of the plot. None of the leases includes contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	For the year ended December 31,	
	2009	2008
Less than one year	**126**	42
Between one and five years	**446**	220
More than five years	**895**	785
	1,467	1,047

NOTE 35 – FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

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

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

NOTE 35 – FINANCIAL INSTRUMENTS CONTINUED

Financial risk management continued

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial instruments held in banks and from receivables and other financial institutions.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral in the form of a bank guarantee or deposit equal to three months of rent from tenants of shopping centers.

Cash and deposits, including structured deposits and available for sale financial assets.

The Group limits its exposure to credit risk in respect to cash and deposits, including structured deposits and available-for-sale financial assets by investing only in deposits and other financial instruments with counterparties that have a credit rating of at least investment grade from international rating agencies. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses frequent budget meetings with senior management in order to assist management in monitoring cash flow requirements for a period of 60 days.

The Company's Board and Audit Committee instructed the management to maintain during all times in the Company's reserves a net cash balance of at least EUR 40 million.

c. Market risk

Currency and inflation risk

Currency risk is the risk that the Company will incur significant fluctuations in its reports as a result of utilizing currencies other than its functional currency.

The Group is exposed to currency risk mainly on borrowings (debentures issued in Israel) that are denominated in a currency other than the respective functional currency of the Group, which is the EUR. The currency in which these transactions primarily are denominated is the NIS. As this currency is subject to fluctuations, the Company is holding small amount of financial instruments denominated in these currencies, and hedging them, where appropriate. Regarding currency and inflation risk hedging of the debentures, refer also to note 16.

Interest rate risk

The Group's interest rate risk arises mainly from short- and long-term borrowing (as well as debentures). Borrowings issued at variable rate expose the Group to cash flow interest risk. Borrowings issued at fixed rate expose the Group to fair value interest risk. Except for the debentures, the Group does not currently engage in hedging or use of other financial arrangement to minimise the exposure to these risks. Regarding interest rate risk hedging of the debentures, refer to note 16.

d. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- compliance with regulatory and other legal requirements;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- IT Controls and manuals;
- training and professional development;
- SOX controls (from ultimate parent company); and
- Risk mitigation, including insurance where this is effective.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors also monitors the level of dividends to ordinary shareholders (e.g. decision on no distribution of dividend due to 2008 and 2009).

The Board's view is that given the fact that the crisis also affects the primary markets the Company is operating in, the non-payment of dividend is appropriate to exercise adequate caution to the financial position of the Company, to keep strong cash position and high liquidity.

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

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. No purchase is made unless the expected effect will be to increase earnings per share. The purchase of shares by the Company under this authority would be effected by a purchase in the market. It should not be confused with any share dealing facilities that may be offered to shareholders by the Company from time to time.

At present employees hold 0% of Ordinary Shares, but with future potential of about 6% assuming that all outstanding employee share options vest and are exercised at maximum price.

The Board of Directors was authorized by the general meeting of the shareholders to allot equity securities in the Company up to an aggregate nominal value of EUR 965 thousands, being approximately 33% of the Company's issued ordinary share capital. Such authorization shall expire on the conclusion of the Annual General Meeting to be held in May 2010.

There were no changes in the Group's approach to capital management during the year.

NOTE 35 – FINANCIAL INSTRUMENTS CONTINUED

Financial risk management continued

d. Operational risk continued

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount December 31, 2009	2008
Cash and cash equivalents	5	**122,596**	146,026
Restricted bank deposits	6	**39,202**	32,253
Derivative and short-term deposits	16	**4,399**	–
Available-for-sale financial assets	7	**15,040**	8,608
Trade receivables, net	8	**1,920**	838
Other receivables and prepayments	9	**18,384**	19,500
Related parties	19	**513**	481
Derivatives	16	**20,151**	20,323
Long-term deposits and other investments	11	**51,447**	50,385
Restricted bank deposits	6	**14,737**	34,497
		288,389	312,911

The maximum exposure to credit risk for the abovementioned table at the reporting date by type of debtor was as follows:

	December 31, 2009	December 31, 2008
Banks and financial institutions	**268,637**	290,774
Trade receivables	**1,920**	838
Governmental institutions	**10,744**	15,706
Related parties and other	**7,088**	5,593
	288,389	312,911

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2009

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	184,072	(217,103)	(41,364)	(5,138)	(18,282)	(91,366)	(60,953)
Unsecured debentures issued	247,155	(277,399)	(5,741)	(13,539)	(52,462)	(144,878)	(60,779)
Trade and other payables	48,014	(48,014)	(31,905)	–	(16,109)	–	–
Related parties	3,234	(3,234)	–	(3,234)	–	–	–
	482,475	**(545,750)**	**(79,010)**	**(21,911)**	**(86,853)**	**(236,244)**	**(121,732)**

December 31, 2008

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	110,688	(152,526)	(2,664)	(7,514)	(4,392)	(18,880)	(119,076)
Unsecured debentures issued (1)	175,144	(244,592)	(5,111)	(5,111)	(16,849)	(127,694)	(89,827)
Trade and other payables	54,254	(54,254)	(53,878)	–	(376)	–	–
Related parties	2,748	(2,748)	–	(2,748)	–	–	–
	342,834	**(454,120)**	**(61,653)**	**(15,373)**	**(21,617)**	**(146,574)**	**(208,903)**

1 Unsecured debentures issued are presented at their fair value. In 2009 part of the debentures are presented at amortized cost.

NOTE 35 – FINANCIAL INSTRUMENTS CONTINUED

Financial risk management continued

d. Operational risk continued

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

December 31, 2009

	NIS	USD	HUF	PLN	CZK	RON	INR	LVL	RSD	Other
Current assets	**27,792**	**2,562**	**3,324**	**14,501**	**3,179**	**9,070**	**2,536**	**1,123**	**625**	**27**
Non-current assets	**211,940**									
Total	**239,732**	**2,562**	**3,324**	**14,501**	**3,179**	**9,070**	**2,536**	**1,123**	**625**	**27**

December 31, 2008

	NIS	USD	HUF	PLN	CZK	RON	INR	LVL	RSD	Other
Current assets	488	3,451	774	5,054	3,799	11,201	2,524	2,788	1,500	147
Non-current assets	208,158	–	–	–	–	–	–	–		–
Total	208,646	3,451	774	5,054	3,799	11,201	2,524	2,788	1,500	147

December 31, 2009

	NIS	USD	HUF	PLN	CZK	RON	INR	LVL	RSD	Other
Current liabilities	**–**	**168**	**1,522**	**10,586**	**6,229**	**1,235**	**7,367**	**366**	**216**	**3,578**
Non-current liabilities	**239,732**	**2,880**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**239,732**	**3,048**	**1,522**	**10,586**	**6,229**	**1,235**	**7,367**	**366**	**216**	**3,578**
Net exposure	**–**	**(486)**	**1,802**	**3,915**	**(3,050)**	**7,835**	**(4,831)**	**757**	**409**	**(3,551)**

December 31, 2008

	NIS	USD	HUF	PLN	CZK	RON	INR	LVL	RSD	Other
Current liabilities	–	–	501	2,730	8,379	2,019	2,036	180	356	49
Non-current liabilities	208,158	–	–	–	–	–	–	–	–	–
Total	208,158	–	501	2,730	8,379	2,019	2,036	180	356	49
Net exposure	488	3,451	273	2,324	(4,580)	9,182	488	2,608	1,144	98

The following significant exchange rates applied during the year:

EUR	Average rate 2009	2008	2007	Reporting date spot rate 2009	2008	2007
RSD 10	**0.107**	0.123	0.130	**0.105**	0.113	0.126
USD 1	**0.718**	0.680	0.730	**0.694**	0.714	0.679
PLN 1	**0.231**	0.285	0.265	**0.243**	0.240	0.279
HUF 100	**0.357**	0.398	0.398	**0.369**	0.378	0.395
RON 1	**0.236**	0.272	0.300	**0.237**	0.251	0.277
CZK 10	**0.378**	0.401	0.361	**0.378**	0.371	0.376
INR 10	**0.148**	0.157	0.177	**0.149**	0.147	0.172
NIS 1	**0.183**	0.190	0.178	**0.184**	0.189	0.177

Sensitivity analysis

The following table demonstrates the pre-tax impact of devaluation of various currencies against the EUR in the below quoted rates with all other variables held constant (the impact on the Group's equity is the same):

	Increase in currency rate	Effect on pre-tax profit (loss) for the year ended December 31, 2009	2008	2007
EUR vs. HUF	16%	**(288)**	(44)	(24)
EUR vs. USD	13%	**63**	(448)	1,515
EUR vs. RSD	8%	**(61)**	(171)	–
EUR vs. PLN	18%	**(705)**	(418)	(760)
EUR vs. INR[1]	12%	**580**	(59)	7
EUR vs. CZK	11%	**335**	504	(282)
EUR vs. LVL	2%	**(15)**	(52)	4
EUR vs. RON	7%	**(548)**	(643)	106
EUR vs. NIS	13%	**–**	(63)	–

1 effect on equity

A similar weakening of the Euro against all currencies at December 31, would have had the equal but adverse effect on the pre-tax profit (loss) and equity to the amount shown above provided that all other variables remain constant.

Derivatives and debentures

Sensitivity analysis – changes in Exchange rates EUR-NIS

	Fair Value change 12.27%	Fair Value 5.4417	Fair Value change -13.98%
Forward A+B	(10,924)	1,810	12,447
Derivative B	(19,708)	20,151	22,455
Debentures A	7,286	(59,382)	(8,302)
Debentures B	19,630	(159,981)	(22,365)
Total net	**(3,716)**	**197,402**	**4,235**

NOTE 35 – FINANCIAL INSTRUMENTS CONTINUED

Financial risk management continued

d. Operational risk continued

Interest rate risk

Profile

As of the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2009	2008
Fixed rate instruments		
Financial assets	**210,939**	64,301
Financial liabilities	**(5,055)**	–
	205,884	64,301
Variable rate instruments		
Financial assets	**36,482**	207,468
Financial liabilities	**(429,406)**	(288,580)
	(392,924)	(81,112)

Cash flow sensitivity analysis for variable rate instruments

A change of 30 basis points in EURIBOR interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

Variable Interest balances (excluding debentures and structure A)

	Profit or loss 30 bp Increase	30 bp Decrease
December 31, 2009	**(226)**	**226**
December 31, 2008	97	(97)

Fair value sensitivity analysis for structure B

The Group accounts for one structure at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. The change in interest rates at the reporting date would result in the following affect on the structure value:

Sensitivity analysis – changes in interest on structure

	Fair Value change – increase 5 bp	Fair Value	Fair Value change – decrease 5 bp
Structure B (see note 11)	12,904	12,951	12,990

Derivatives and debentures
Sensitivity analysis – changes in Israeli CPI

	Fair Value change 2%	Fair Value 105.2	Fair Value change -2%
Derivative-B	3,615	20,151	(3,615)
Debenture-A	(1,187)	(59,382)	1,187
Debenture-B	(3,199)	(159,981)	3,199
Total net	**(771)**	**(199,212)**	**771**

Sensitivity analysis – changes in interest on debentures

	Fair Value change – increase 100 bp	Fair Value	Fair Value change – decrease 100 bp
Derivative-B	(5,676)	20,151	5,958
Debenture-A	2,159	(59,382)	(2,291)
Debenture-B	4,759	(159,981)	(4,985)
Total net	**1,242**	**(199,212)**	**(1,318)**

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities shown in the statement of financial position are a reasonable approximation of the fair value of such financial assets and liabilities, with the exception of Structure A (refer also to note 11).

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2009				
Available-for-sale financial assets	15,040	–	–	15,040
Structured deposit B (refer to note 11)	–	–	12,952	12,952
Derivative financial assets	–	21,961	–	21,961
	15,040	21,961	12,952	49,953
Option plan to VC of Elbit (refer to note 36)	–	–	(625)	(625)
Debentures at fair value through profit or loss	(211,940)	–	–	(211,940)
	(196,900)	**21,961**	**12,327**	**(162,612)**

Both Level 3 financial instruments were outstanding at the beginning and at the end of the year. The total gains included in profit or loss for the year ended December 31, 2009 is as follows:

- Structured deposit B – 3,088 TEUR as part of finance income (refer to note 32)
- Option plan to VC of Elbit – 500 TEUR (refer to note 38)

NOTE 36 – CONTINGENT LIABILITIES AND COMMITMENTS

a. Commitments and contingent liabilities to related parties:

The Company and/or its subsidiaries are bound by the following agreements, with Control Centers Ltd ("Control Centers"), a company controlled by the ultimate shareholder of EI and/or companies controlled thereby

1. On October 27, 2006, the Company entered into an agreement with Control Centers under which Control Centers will provide coordination, planning, and execution and supervision services in respect of the Group's projects ("the Agreement"). Such Agreement is substantially the same as a similar agreement concluded between EI and Control Centers, which was approved by the shareholders of EI on May 31, 2006 under the applicable provisions of Israeli law. The Company will receive from Control Centers (either directly or through its subsidiaries or affiliates, other than the Company and its subsidiaries) coordination, planning, execution and supervision services (the "Services") over Real Estate Projects (as defined below) of the Group and/or its affiliates in consideration for a fee equal to 5% of the actual execution costs of each project, plus value added tax.

   At December 31, 2009 the financial statements include a liability for engineering supervision services supplied by a related parties in the Control Centers Group in the amount of EUR 1.3 million related to 12 projects under development in Serbia, Poland, Czech Republic and Bulgaria (for the total charges in 2009 and 2008, refer to note 37).

2. On October 27, 2006 the Company signed an agreement with Jet Link Ltd (a company owned by the ultimate shareholder of the Company and which owns an airplane) under which the Group and/or its affiliates may use the airplane for their operational activities up to 275 flight hours per year. The Company will pay Jet Link Ltd in accordance with its price list, reduced by a 5% discount. The agreement is in effect for a five-year term (refer to note 37).

3. On October 27, 2006, the Company entered into an agreement with the Executive Vice-Chairman of EI ("VC") who has responsibility for the Company's operations in India, under which the VC will be entitled to receive options ("the Options") to acquire up to 5% of the holding company through which the Company will carry on its operations in India. The options are fully vested as of the end of the reporting period. The vested options may be exercised at any time, at a price equal to the Company's net equity investment made in the projects as at the Option exercise date plus interest at the rate of LIBOR plus 2% per annum from the date of the investment until the Options exercise date ("Exercise price").

   VC has cash-in right to require the Company to purchase shares held by the VC following the exercise of the Options, at a price to be determined by an independent valuator.

   As of December 31, 2009, the liability recorded in these financial statements in respect of this agreement, is EUR 0.6 million.

4. On January 17, 2008 EI's shareholders approved another agreement with the VC according to which EI has undertaken to allot the VC 5% of the aggregate issued and outstanding share capital in the Company's jointly controlled subsidiary with EI (see note 37), Elbit Plaza India Real Estate Holdings Limited("EPI"). The allotment has been performed and as of the end of the reporting period, VC holds 5% of the shares of EPI, while each of the Company and EI hold 47.5% each.

   The VC shares in EPI shall not be entitled to receive any distributions (including, but not limited to, payment of dividends, interest, other expenses and principal repayments of shareholder loans, management fees or other payments made to the VC and any loans provided by the EPI to the VC) from EPI until the Group's investments (principal and interest calculated in accordance with a mechanism provided for in the agreement) in EPI have been repaid in full. The agreement includes "tag along" and "drag along" rights.

5. On October 27, 2006 the Company and the chairman of its Board entered into a service agreement, pursuant to which the Chairman will be entitled to a monthly salary of USD25 thousand (EUR 17 thousand) which includes pension, retirement and similar benefits for his services as the Company's Chairman.

6. In October 2006, the Company and EI entered into an agreement, pursuant to which with effect from January 1, 2006 the Company will pay commissions to EI in respect of all and any outstanding corporate and first demand guarantees which have been issued by EI in favour of the Company up to 0.5% of the amount or value of the guarantee, per annum. As of the end of the reporting period, the Group has no outstanding guarantees from EI and no consideration was paid in this respect.

7. On October 13, 2006, EI entered into an agreement ("the Agreement") with the Company, under which EI is obliged to offer to the Company potential real estate development sites sourced by it in India. Under the agreement, EI is obliged to offer the Company the exclusive right to develop all of the shopping center projects which EI acquires during the 15-year term of the agreement. The agreement was terminated upon the signing of the joint venture in India (refer to note 37), but both EI and the Company agreed that upon the termination of the Joint Venture agreement they will re-execute the agreement.

8. On November 1, 2007 the Annual General Meeting of EI approved the Grant by the Company of a deed of indemnity to the Executive Chairman of the Board of Directors of the Company – the maximum indemnification amount to be granted by the Company to the Chairman shall not exceed 25% of the shareholders' equity of the Company based on the shareholders' equity set forth in the Company's last consolidated financial statements prior to such payment. No consideration was paid by the Company in this respect since the agreement was signed.

9. On November 1, 2007 the Annual General Meeting of EI approved the grant by the Company of a deed of indemnity to one of the Company's non-executive directors. No consideration was paid by the Company in this respect since the agreement was signed.

b. Commitments and contingent liabilities to others

1. Tesco

The Company is liable to the buyer of its previously owned shopping center in the Czech Republic ("NOVO") – sold in June 2006 – in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping center for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for EUR 6.9 million. The entire amount of EUR 6.9 million was paid in advance. According to the lease agreement, the tenant has the right to terminate the lease agreement subject to fulfilment of certain conditions as stipulated in the agreement. The Company's management believes that it is not probable that this commitment will result in any material amount being paid by the Company.

2. General commitments in respect of trading property and investment property disposals

In the framework of the transactions for the sale of the Group's real estate assets, the Group has undertaken to indemnify the respective purchasers for any losses and costs incurred in connection with the sale transactions. The indemnifications usually include: (i) Indemnifications in respect of completeness of title on the assets and/or the shares sold (i.e. that the assets and/or the shares sold are owned by the Group and are clean from any encumbrances and/or mortgage and the like). Such indemnifications generally survived indefinitely and are capped to the purchase price in each respective transaction; and (ii) Indemnifications in respect of other representation and warranties included in the sales agreements (such as: development of the project, responsibility to defects in the development project, tax matter and others). Such indemnifications are limited in time (generally three years from signing a closing agreement) and are generally capped to 25% to 50% of the purchase price.

The tax authorities have challenged the applied tax treatment in two of the entities previously sold. Currently the issue is being re-examined by the first instance of the authorities.

The Group's management estimates, based, inter alia, on a professional opinion and past experience that no significant costs will be born thereby, in respect of these indemnifications.

3. Aggregate amount of the Group's commitments in respect of construction services and in respect of purchase of plots totaled, as of December 31, 2009, approximately EUR 240 million.

c. Contingent liabilities due to legal proceedings

On April 5, 2006 the Company and EI were sued by a third party requesting the court to order the Company and EI to pay the plaintiff an amount of NIS 10.8 million (approximately EUR 2 million) as an intermediary fee for certain sales of shopping centers in Poland and the Czech Republic

The Company's management believes based, among others, on legal advice, that it is not probable that this litigation will cause any outflow of resources to settle it, and therefore no provision was recorded.

The Company is involved from time to time in litigation arising in the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time, the Company's management believes, based on legal advice, that it is not probable that these litigations will cause any outflow of resources to settle them.

NOTE 36 – CONTINGENT LIABILITIES AND COMMITMENTS

d. Securities, guarantees and liens under bank finance agreements

1. Certain companies within the Group which are engaged in the purchase, construction or operation of shopping centers ("Project Companies") have secured their respective credit facilities awarded by financing banks, in a total amount of EUR 241 million (for projects in Romania, Hungary, Latvia, Czech Republic, India and Bulgaria), by providing the first or second ranking (fixed or floating) charges on property owned thereby, including right in and to real estate property as well as the financed projects, on goodwill and other intangible assets, on rights pertaining to certain contracts (including lease, operation and management agreements), on rights arising from insurance policies, and the like. Shares of Project Companies were also pledged in favor of the financing banks. The Company guarantees fulfilment of one of the project companies' obligations under loan agreements to an aggregate amount of EUR 31 million.

   Shareholders loans as well as any other rights and/or interests of shareholders in and to the Project Companies were subordinated to the respective credit facilities. Payment is permitted to the shareholders (including the distribution of dividends but excluding management fees) subject to fulfilling certain preconditions.

   Certain loan agreements include an undertaking to fulfil certain financial and operational covenants throughout the duration of the credit, namely: complying with "a minimum debt services cover ratio", "loan outstanding amount" to secured assets value ratio; complying with certain restrictions on interest rates; maintaining certain cash balances for current operations; maintaining equity to project cost ratio and net profit to current bank's debt; occupancy percentage and others. All of the companies are in compliance with the entire loan covenants with the exception of covenants in respect of one of the secured loan granted. The Company is in negotiation with the financing bank in respect of settling the bank requirement and a waiver on all covenants was provided until June 30, 2011.

   The Project Companies undertook not to make any disposition in and to the secured assets, not to sell, transfer or lease any substantial part of their assets without the prior consent of the financing bank. In certain events the Project Companies undertook not to allow, without the prior consent of the financing bank: (i) any changes in and to the holding structure of the Project Companies nor to allow for any change in their incorporation documents; (ii) execution of any significant activities, including issuance of shares, related party transactions and significant transactions not in the ordinary course of business; (iii) certain changes to the scope of the project; (iv) the assumption of certain liabilities by the Project Company in favor of third parties; (v) receipt of loans by the Project Company and/or the provision thereby of a guarantee to third parties; and the like.

   The Company has committed to repay 43.5% of the outstanding Part of the Alom Sziget (refer to note 15) bank loan in the amount of EUR 21 million in case Alom Sziget fails to do so.

2. **Commitment in respect of derivative transaction**
   Within the framework of Forwards and cross currency interest rate swap transactions (see note 16), executed between the Company and Israeli banks (the "Banks") , the Company agreed to provide the Banks with a cash collateral deposit which will be calculated in accordance with a specific mechanism provided in each swap transaction agreement . Accordingly, as of the end of the reporting period, the Company has pledged, a security deposit in the amount of EUR 20.6 million in respect of these swap and Forwards transactions.

3. **Commitment in respect of structures**
   In order to secure credit lines provided to the Company for the purpose of investing in financial structures (see note 16), the Company has provided the issuing banks a pledge on the structures issued. In addition the Company also has to comply with certain covenants stipulated in the loan agreement (mainly loan to value covenants). Failing to comply with the said covenants shall oblige the Company to provide an additional cash collateral. As of the end of the reporting period, the Company has secured cash collateral of EUR 9.5 million.

NOTE 37 – SIGNIFICANT ACQUISITIONS AND EVENTS

Purchase of additional stake in Dream Island project, Budapest

In March 2009, the Company, through its 50% jointly controlled subsidiary ("Ercorner"), has acquired an additional 27% stake in Alom Sziget Kft. ("Alom Sziget") for a total consideration of EUR 21.4 million. The consideration Ercorner paid consisted of a cash payment of EUR 12 million and the assumption of EUR 9.4 million of debt, representing 27% of the project's net debt liability. Following the transaction, Ercorner holds 87% of the equity and voting rights in Alom Sziget (refer to note 15).

Joint venture agreement with the controlling indirect shareholder

On August 25, 2008, the Company and EI signed on a joint venture agreement in the framework of which, the Company acquired 47.5% of EI shareholding in Elbit-Plaza India Real Estate Holdings Limited ("EPI") in exchange of an assignment of 50% of the shareholders loans granted by EI to EPI up to the closing date, and which totaled to EUR 81 million. As at the closing date EPI holds plots in Bangalore and Chennai (see below). Following the execution of the transaction the Company and EI each hold 50% of the voting rights in EPI and 47.5% of the equity rights. The additional 5% equity rights are held by EI's Vice Chairman of the Board, which were granted to him within the framework of an agreement executed in January 2008 (see note 36). The Company and EI each have the right to appoint 50% of the board members in EPI.

In addition, the Company paid EI an interest-bearing advance payment in the amount of EUR 4.2 million ("Advance") which is equal to 50% of the shareholders loan granted by EI for its investment in the Cochin Island project (refer to note 9).

EI will hold in trust 50% of the right in the Cochin Island in favor of the Company. The Company has been granted with EI's corporate guarantee, which shall be exercised in the event EI shall fail to transfer all its rights in the Cochin Island to EPI (or alternatively to transfer 50% of the said rights to the Company) within a period of one year from the execution of the agreement.

The following information is in respect of trading property which is held by EPI:

Chennai

On December 16, 2007, EPI entered into a framework agreement, ("Framework Agreement"), with a third party to acquire, through a Joint Venture Company ("JV"), up to 135 acres of land in the Siruseri District of Chennai, India. Under the Framework Agreement, the JV will develop on the project land an integrated multi-use project.

Under the Framework Agreement, EPI is to hold 80% of the JV. Investments by EPI in the JV will be a combination of investment in shares and convertible debentures. The total investment that EPI is anticipated to pay under the Framework Agreement in consideration for its 80% holding (through the JV) in the project land is up to INR 4,276.8 million (EUR 62 million), ("Purchase Price") assuming purchase of all 135 acres. The project land is to be acquired by the JV in batches subject to such land complying with certain regulatory requirements and the due diligence requirements of EPI. Through the reporting period, the JV acquired approximately 63 acres of the project land and a total of INR 1,986 million (EUR 30 million) of the Purchase Price, was paid by EPI. As of the end of the reporting period, the SPV paid advances in the amount of INR 222 million (EUR 3.3 million) in order to secure acquisition of an additional 7 acres.

Bangalore

On March 13, 2008, EPI entered into an Amended and Reinstated Share Subscription and Framework Agreement ("Framework Agreement"), with a third party local partner ("JV Partner"), and a wholly owned Indian subsidiary of EPI ("Joint Venture Company"), to acquire, through the Joint Venture Company, up to 440 acres of land in Bangalore, India (the "Project Land").

Under the Framework Agreement, following the consummation of the closing of the final stage of the transaction, the Joint Venture Company will develop on the Project Land, an integrated multi-use project.

Under the Framework Agreement, the Joint Venture Company is to acquire ownership and development rights in respect of up to an approximate 230 acres of the entire Project Land for a fixed amount of cash consideration. In consideration of EPI's 50% share (through the Joint Venture Company) in such lands, EPI will pay an aggregate of up to INR 10,500 million (EUR 157 million).

As of the date hereof, the Joint Venture Company has secured rights over approximately 54 acres and EPI has paid the aggregate sum of approximately INR 2,840 million (EUR 42 million) in consideration of its 50% share (through the Joint Venture Company) in such land which according to the Group's policy described in note 3e are presented in the statement of financial position as of December 31, 2009 and 2008 as trading property.

NOTE 37 – SIGNIFICANT ACQUISITIONS AND EVENTS

Joint venture agreement with the controlling indirect shareholder continued

Under the Framework Agreement, between the closing of the first stage and the closing of the final stage of the transaction, additional portions of the Project Land will be acquired in stages through the third party's business partners on behalf of the Joint Venture Company and subject to certain conditions, EPI will make advances (in addition to sums already transferred in connection with the closing of the first stage) on account of such acquisitions.

As of the date of the statement of financial position, EPI advanced approximately INR 2,536 (EUR 38 million) on account of the future acquisitions by the SPV of a further 51.6 acres. Such advance payment is presented in the statement of financial position as of December 31, 2009 and 2008 as prepayment and other assets (refer to note 9).

In respect of up to the other approximately 210 acres of the entire project land, the Framework Agreement provided that the Joint Venture Company will enter into joint development agreements under which the Joint Venture Company will be entitled to develop the entire area of such lands. In consideration, the Joint Venture Company will pay between 38% and 53% of the built up area of such lands and in some cases, refundable deposits on account of such future consideration will also be paid. EPI's 50% share (through the Joint Venture Company) in rights under the development agreements will require it to invest INR 750 million (EUR 11 million) in order to fund its proportional share in such deposits.

As of the date hereof, EPI and the JV Partner are in advanced negotiations to amend the Framework Agreement to reflect certain new commercial understandings.

Issuance of debt securities

For the issuance of debt refer to note 23.

Share repurchase programme and re-issuance of shares

For the share repurchase program and re-issuance of shares refer to note 25.

Changes in global markets

The Company continues to monitor closely market conditions in the countries in which it operates. Although there has been a slight easing in debt market conditions, the repercussions of the global recession are still very strong and the Company's management estimates, that it will continue to have an impact on current and potential tenants for some time. The Company's management believes it is able to mitigate the global recession consequences by ensuring maintaining its strong, lasting relationships with its high-quality tenant base, across its geographically diverse portfolio of western-style, well-located centers.

During 2009 the Company commenced the construction of two developments in Suwalki and Zgorzelec, in Poland, with the completion of both schemes anticipated to occur in 2010. In addition, the Company continues to make progress with the development of four further projects (Casa Radio and Miercurea Ciuc in Romania, Dream Island in Hungary and Koregaon Park in Pune, India). The remainder of the Company's development pipeline projects is either in the design phase or waiting permit. Commencement of these projects will depend, amongst other things, on the availability of external financing.

New project in Bulgaria

On February 3, 2009 the Company acquired a controlling stake in a 75,000 sqm project in Sofia, Bulgaria, for the development of a retail and office complex.

The Company acquired a 51% stake in the project from a local developer for a total consideration of EUR 7.14 million. The consideration consisted of a cash payment of EUR 2.78 million and the assumption of EUR 4.36 million of debt, representing 51% of the project's debt liability. In addition, the Company will retain the right to acquire a further 24% stake in the project for nine months following the start of construction, based on the current value of the project. The local developer retains the remaining stake as joint venture partners in the project, with the Company managing the construction.

Appointment of the Company's Chief Executive Officer

On December 29, 2009, the Company announced that Mr Ran Shtarkman, its President and Chief Executive Officer, has been appointed Joint Chief Executive Officer of EI effective January 1, 2010. In this role, he will continue to work full time as the CEO of the Company, based at the Company's offices, but will now also assume certain responsibilities for EI, with particular emphasis on overseeing its real estate interests in India.

Entering a new project in Poland

In September 2009 the Company announces that it has acquired a 55,000 sqm site in Lodz, Poland, for the development of a shopping and entertainment center.

Hedging and settlement of hedging transactions performed in the course of 2009

For the above-mentioned hedging and settlement, refer to note 16.

NOTE 38 – RELATED PARTY TRANSACTIONS

Related party transactions

As of the end of the reporting period, the main shareholder of the Company, Elbit Ultrasound B.V. ("EUL"), holds 68% of all issued and paid share capital of the Company. EUL was incorporated in the Netherlands and the ultimate controlling party is Elbit Imaging ("EI"). EI's indirect controlling shareholder is Mr Mordechay Zisser. The rest of the Company's shares are held by the public, starting October 27, 2006.

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below and also in note 36, in respect of the joint venture of the Company and EI in India.

The Company has six directors. The annual remuneration of the directors in 2009 amounted to EUR 0.8 million (2008: EUR 1.6 million, 2007: EUR 3.6 million) and the annual share-based compensation expenses amounted to EUR 2.5 million (2008: EUR 4.5 million, 2007: EUR 7 million). There are no other benefits granted to directors. For the nomination of the Company's CEO as a joint CEO in EI, refer to note 37. Information about related party balances as of December 31, 2009 and 2008 is disclosed in note 19.

Trading transactions

During the year, group entities had the following trading transactions with related parties that are not members of the Group:

	For the year ended December 31,	
	2009	2008
Income		
Interest on balances with EI	**624**	1,277
Costs and expenses		
Charges – EI	**175**	1,429
Chairman of board	**214**	214
Executive Vice Chairman of EI[1]	**(500)**	824
Finance on shareholders loan from EUL	**521**	547
Aviation services – Jet Link[2]	**414**	553
Project management provision and charges – Control Centers group (2)	**19,071**	14,608

1 For the option Plan for the Executive Vice-Chairman of EI, refer to note 36. The value of the Option plan was decreased in the course of 2009 in the amount of EUR 500 thousand. The chairman of the Board of the Company, who is also the controlling shareholder of the ultimate parent company is receiving an annual salary of US$300 thousand.

2 Jet Link (a Company and which owns an airplane) and Control Centers (refer to note 36 a(1)) are companies owned by the ultimate shareholder of the Company.

NOTE 39 – OPERATING SEGMENT

The chief operating decision makers (CODM) have been identified as the Group's Chief Executive Officer and the Chairman of the Board of Directors. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources.

The chief operating decision makers assess the performance of the operating segments based on a measure of adjusted earnings before tax.

For the purpose of this financial information, the following segment are reported:

- Real estate development in central and Eastern Europe.
- Real estate development in India.

The Group comprises the following main geographical segments: CEE and India. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulted from the selling of assets geographically located in the relevant segment.

Year ended December 31, 2009

	Central Eastern Europe	India	Total
Year ended December 31, 2009:			
Revenues	16,045	–	16,045
Operating loss by segment	(39,954)	(2,012)	(41,966)
Share in losses of associates, net			(780)
Less – unallocated general and administrative expenses			(7,906)
Financial expenses, net			(18,120)
Other income, net			241
Loss before income taxes			(68,531)
Tax benefit			3,819
Loss for the year			(64,712)
Purchase cost of segment (tangible and intangible) assets	91,248	18,718	109,966
Depreciation and amortization of segment assets	34,927	381	35,308
December 31, 2009			
Total segment assets	629,297	151,648	780,945
Investment on the equity basis	–	–	–
Unallocated assets			278,676
			1,059,621
Segment liabilities	41,858	6,156	48,014
Unallocated liabilities			436,898
			484,912

Year ended December 31, 2008

	Central Eastern Europe	India	Total
Year ended December 31, 2008:			
Revenues[1]	98,613	–	98,613
Operating income (loss) by segment	32,503	(1,759)	30,744
Share in losses of associates, net	(941)	–	(941)
Unallocated general and administrative expenses			(12,605)
Financial income, net			58,088
Other expenses, net			(2,689)
Profit before income taxes			72,597
Income taxes			(4,913)
Profit for the year			67,684
Purchase cost of segment (tangible and intangible) assets	190,411	137,685	328,096
Depreciation and amortization of segment assets	5,736	897	6,633
December 31, 2008			
Total segment assets	518,226	131,776	650,002
Investment on the equity basis	188	–	188
Unallocated assets			308,366
			958,556
Segment liabilities	52,817	1,437	54,254
Unallocated liabilities			294,771
			349,025

1 Revenues are inclusive of revenues from selling of trading properties.

NOTE 40 – EVENTS AFTER THE REPORTING PERIOD

Update on ratings of debt raising

On January 14, 2010 the Company announced that Maalot has approved a rating of: "ilA/Stable" on S&P's local scale for the raising of new debt by the Company to a value of up to NIS 330 million (circa EUR 60 million) by a way of an increase of series B notes or an issuance of a new series of notes. The Maalot's rating is the same as the rating it has granted to the current two series of debentures (A and B) previously issued by the Company during 2007 and 2008/2009 respectively.

On February 18, 2010 the Company announced that Midroog has retained its rating of: "A2/Stable" on Moody's scale following the recent raising of NIS 330 million (circa EUR 60 million) of new debt instruments by the Company in January and February 2010. The Midroog rating applies to the two series of debentures (A and B) previously issued by the Company from 2007 to 2010.

Additional private issuance of series B debentures

On January 26, 2010 the "company"), a leading emerging markets property developer, announces that, following the public offering in Israel of unsecured non-convertible Series B debentures of the Company (the "Series B debentures"), pursuant to the Company's prospectus dated February 3, 2008, it has agreed with Israeli Investors to issue an additional principal amount of NIS 35 million (approximately EUR 6.8 million) of Series B debentures (the "Additional Debentures") for an aggregate consideration of approximately NIS 38 million (approximately EUR7.4 million).

On February 11, 2010 the Company announced that, following the public offering in Israel of unsecured non-convertible Series B debentures, pursuant to the Company's prospectus dated February 3, 2008, it has agreed with Israeli Investors to issue an additional principal amount of approximately NIS 273 million (approximately EUR 51.8 million) of Series B debentures (the "Additional Debentures") for an aggregate consideration of approximately NIS 292 million (approximately EUR 55.4 million).

The terms of the Additional Debentures are identical to the terms of the Series B debentures issued to the public under the Company's prospectus dated February 3, 2008 (the "Prospectus").

NOTE 40 – EVENTS AFTER THE REPORTING PERIOD CONTINUED

Framework agreement for a Joint Venture in the United States

On February 9, 2010 the Company announced that, Elbit Plaza USA, L.P. ("Elbit Plaza USA"), a new real estate investment joint venture with EI has entered into a framework and co-investment agreement with Eastgate Property LLC ("Eastgate") to take advantage of real estate opportunities in the US, primarily in the retail sector. Under the terms of the new strategic joint venture, Elbit Plaza USA and Eastgate have jointly committed to invest a total of US$200 million in one or more dedicated US real estate investment platforms, which will focus on investments in the US commercial real estate sector (collectively, the "Fund"). Elbit Plaza USA's investment into the Fund, totaled US$100 million, will be invested by the Company and EI in equal shares. The Fund will seek to identify potential investments and make both direct purchases and enter into joint ventures with local business partners over a two-year acquisition period. Once assets have been acquired, EI and the Company will undertake asset management initiatives to maximise income and capital value growth from the properties, with the objective of selling the assets and dissolving the Fund within a five to seven year period from the initial closing of the Fund.

NOTE 41 – CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

a. Impairment of Trading Properties analysis

Trading Properties are measured at the lower of cost and net realizable value. In situations where excess Trading Property balances are identified, estimates of net realizable values for the excess amounts are made.

Management is responsible for determining the net realizable value of the Group's Trading Properties. In determining net realizable value of the vast majority of Trading Properties, management utilizes the services of an independent third party recognized as a specialist in valuation of properties. The independent valuation service utilizes market prices of same or similar properties whenever such prices are available. Where necessary, the independent third-party valuation service uses models employing techniques such as discounted cash flow analyzes. The assumptions used in these models typically include assumptions for rental levels, residential units sale prices, cost to complete the project, developers' profit on costs, financing costs and capitalization yields, utilizing observable market data, where available. Where market data of the same or similar properties is not available, the valuation becomes more subjective and involves a high degree of judgment. On an annual basis, the Company reviews the valuation methodologies utilized by the independent third-party valuation service for each property. At December 31, 2009, the majority of the properties were valued by the independent third-party valuation service. Management made adjustments to the valued received to reflect the net realizable value by neutralizing the developers profit on costs from the valuations.

Determining net realizable value is inherently subjective as it requires estimates of future events, many of which are difficult to predict. Actual results could be significantly different from our estimates and could have a material effect on our financial results. This evaluation becomes increasingly difficult as it relates to estimates and assumptions for projects in the preliminary stage of development in addition to current economic uncertainty and the lack of transactions in the real estate market in the CEE and India for same or similar properties.

Trading Properties allowances for estimated impairment losses as of December 31, 2009, amounted to EUR 33.9 million or 4.6% of gross Trading Properties balance

Significant estimates

Significant estimated (on the basis of weighted averages) used in the valuations as of December 31, are presented below:

	Retail		Offices	
	2009	2008	**2009**	2008
Estimated rental value per sqm per month (in EUR)				
Romania	**10-22**	17-26	**12.5**	13.5
Czech Republic	**13-15**	17.5-18.5	**13**	13
Serbia	**16-36**	16-42	**17**	19
Latvia	**17.4**	18	**N/A**	N/A
Poland	**14-18**	16-19	**11.75**	13
Greece	**30**	N/A	**N/A**	18
Hungary	**10-24**	11-25	**11.5**	11.5
Bulgaria	**12-22**	17.4	**12**	N/A
Average risk adjusted yield used in capitalizing the net				
Romania	**7.00%-9.70%**	7.80%-8.75%	**9.65%**	8.85%
Czech Republic	**7.50%-8.25%**	7.50%	**7.50%**	7.50%
Serbia	**9.25%-10.50%**	8.75%-10%	**9.25%**	8.75%
Latvia	**9.25%**	8%	**N/A**	N/A
Poland	**7.75%-8.50%**	7.25%-7.66%	**7.75%**	7.25%
Greece	**7.25%**	N/A	**N/A**	8%
Hungary	**8.75%-9.00%**	8.5%-9%	**8.75%**	8.50%
Bulgaria	**8.50%-9.25%**	9%	**8.5%**	N/A
Estimated rental value per sqm per month (in USD)				
India	**15-26**	18-27	**15.4**	13
Average risk adjusted yield used in capitalizing the net				
India	**10%-12%**	10%-12%	**12%**	12%

b. Fair value measurement of derivatives

The Company measures the fair value of its derivatives using a valuation technique. The valuations are sensitive to changes in market conditions and are based on assumptions that are reasonable but cannot be virtually guaranteed.

c. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

d. Potential penalties, guarantees issued

Penalties are part of the ongoing construction activities, and result from obligations the Group takes on toward third parties, such as banks and municipalities. The Company's management is required to provide estimations about risks evolving from potential guarantees given by the Company or penalties that the Company might have to pay.

e. Expired building permits

The process of construction is long, and subject to authorization from local authorities. It may occur that building permits will expire and will cause the Company additional preparations and costs, and can cause construction to be delayed or abandoned.

NOTE 41 – CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

f. Revenue recognition

Revenues from sale of real estate assets are recognized when all the criteria mentioned in note 3(l) are met. Determination whether these criteria have been met for each sale transaction requires a significant judgment by the Group management.

Significant judgment is made in determination whether, as of the end of the reporting period, the Group has transferred to the buyer the significant risks and rewards associated to the real estate assets sold. Such determination is based on an analysis of the terms included in the sale agreement executed with the buyer as well as an analysis of other commercial understandings with the buyer in respect of the real estate sold. Generally, the sale agreement with the buyer is signed during the construction period and the consummation of the transaction is subject to certain prerequisites which have to be fulfilled prior to delivery. Revenues are, therefore, recognized when all the significant prerequisites included in the agreement have been fulfilled by the Group and/or waived by the buyer prior to the end of the reporting period.

The delivery of the shopping center to the buyer is generally executed close to the end of construction and to the opening of the shopping center to the public. As a result, the Group has to use estimates in order to determine the costs and expenses required to complete the construction works which, as of the delivery date, has not been completed and/or been paid in full.

Generally, the Group is provided with a bank guaranty from the buyer for the total estimated proceeds in order to secure the payment by the buyer at delivery. Therefore, the Group does not inherent any significant risks in respect of payment of the proceeds by the buyer.

g. Valuation of share based payments arrangements

The Company measures the fair value of share-based payments using a valuation technique. The valuation is relying on assumptions and estimations of key parameters such as volatility, which are changing, as market conditions change. The risk is that the estimated costs related to share-based payments might not be correct eventually.

NOTE 42 – LIST OF SUBSIDIARIES AND AFFILIATES OF THE COMPANY

During the period starting January 1, 2008, the Company has owned the following companies (all subsidiaries were 100% owned by the Group at the end of each reporting period presented unless otherwise indicated):

Hungary	Activity	Remarks
Directly wholly owned		
Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft.	Holder of land usage rights	Arena extension project
HOM Ingatlanfejlesztési és Vezetési Kft. ("HOM")	Management company	
Plaza House Ingatlanfejlesztési Kft.	Office building	
Tatabánya Plaza Ingatlanfejlesztési Kft.	Inactive	
Szombathely 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	
Szeged 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	

Hungary continued	Activity	Remarks
Indirectly owned (or jointly owned)		
Ercorner Kft.	Holding company	Jointly controlled (50% /50%) with commercial bank and holding company of Álom Sziget 2004 Kft. The Dream Island project – see note 15.
Alom Sziget 2004 Ingatlanfejlesztő Kft.	Mixed-use project	Held 87.5% by Ercorner Kft.
Plasi Invest 2007 Ingatlanforgalmazo kft.	Holding company	Held 70% by Plaza Centers N.V.
SBI Hungary Ingatlanforgalmazo es Epito kft. and SBI Real Estate Development B.V.	Shopping center	Jointly controlled (50% /50%) by Plasi Investment Kft.
Alom Sziget Entertainment Zrt.	Holding company	Held 49.99% by DI Gaming Holding Ltd.
Alom sziget Hungary Kaszinojatek Kft.	Holding company	Held 100% by Alom Sziget Entertainment Zrt.
Pro-One Ingatlanfejlesztő Kft.	Holding company	Held 50% by Alom sziget 2004 Ingatlanfejlesztő Kft.
Zymhod Kft.	Plot of land	Held 100% by Pro-One Ingatlanfejlesztő Kft.
Buszesz IMMO Zrt.	Plot of land	Held 100% by Pro-One Ingatlanfejlesztő Kft.
Fantasy Park Magyarorszag Kft.	Inactive	Held 100% by Mulan B.V.

Poland	Activity	Remarks
Directly wholly owned (or jointly owned)		
EDP Sp.z.o.o	Inactive	Jointly controlled (50% / 50%) with Classic Or B.V.
Bielsko-Biala Plaza Sp.z.o.o	Inactive	
Bytom Plaza Sp.z.o.o	Inactive	
Bydgoszcz Plaza Sp.z.o.o	Inactive	
Rzeszów Plaza Sp.z.o.o.	Inactive	
Chorzow Plaza Sp.z.o.o	Inactive	
Zgorzelec Plaza Sp.z.o.o	Shopping center project	Zgorzelec project
Gdansk Centrum Plaza Sp.z.o.o	Inactive	
Lublin Or Sp.z.o.o	Stage B – Lublin	Held 50% together with Israeli-based partner
Gliwice Plaza Sp.z.o.o	Inactive	
Gorzów Wielkopolski Plaza Sp.z.o.o	Inactive	
Grudziadz Plaza Sp.zo.o	Inactive	
Jelenia Gora Plaza Sp.z.o.o	Inactive	
Katowice Plaza Sp.z.o.o	Inactive	
Suwałki Plaza Sp.z.o.o	Shopping center project	Suwalki project
Koszalin Plaza Sp.z.o.o	Inactive	
Legnica Plaza Sp.z.o.o	Inactive	
Lodz Centrum Plaza Sp.z.o.o	Own plot of land	Lodz project
Plaza Centers (Poland) Sp.z.o.o	Management company	
Kielce Plaza Sp. z.o.o	Shopping center project	Kielce project
Olsztyn Plaza Sp.z.o.o	Inactive	
Opole Plaza Sp.z.o.o	Inactive	
Plock Plaza Sp.z.o.o	Inactive	
Radom Plaza Sp.z.o.o	Inactive	
Hokus Pokus Rozrywka Sp.z.o.o	Inactive	
Szczecín Plaza Sp.z.o.o	Inactive	
Tarnow Plaza Sp.z.o.o	Inactive	
Torun Plaza Sp.z.o.o	Shopping center project	Torun project
Tychy Plaza Sp.z.o.o	Inactive	
Wloclawek Plaza Sp.z.o.o	Mixed use project	New Lodz project
Zabrze Plaza Sp.z.o.o	Inactive	
Leszno Plaza Sp.z.o.o	Own plot of land	Leszno project

NOTE 42 – LIST OF SUBSIDIARIES AND AFFILIATES OF THE COMPANY CONTINUED

Poland continued	Activity	Remarks
Indirectly owned (or joint controlled)		
Fantasy Park Investments Sp.z.o.o	Inactive	Wholly owned by Fantasy park Enterprises B.V.
Fantasy Park Sp.z.o.o	Entertainment	Wholly owned by Mulan B.V.
Hokus Pokus Rozrywka Sp.z.o.o	Inactive	Held 50% by P.L.A.Z.A B.V. and 50% Held by Plaza Centers N.V.

Czech Republic	Activity	Remarks
Directly owned		
Praha Plaza S.R.O	Logistic center	
B1 Plaza S.R.O	Plot of land owned	
Plaza Centers Czech Republic S.R.O	Management company	
Plzen Plaza S.R.O	Shopping center	Sold to Klepierre in 2008
P4 Plaza S.R.O	Active shopping center	Liberec project
NG Plaza S.R.O	Inactive	
BYTY SN Plaza S.R.O	Inactive	
Hradec Plaza S.R.O	Inactive	
Plaza Housing S.R.O	Plot of land owned	Roztoky Project
Plaza Station S.R.O	Inactive	
Indirectly owned		
Fantasy Park Czech Republic S.R.O	Entertainment	Wholly owned by Fantasy park Enterprises B.V.

Greece	Activity	Remarks
Helios Plaza S.A	Shopping center project	Pireas Plaza project

Latvia	Activity	Remarks
Fantasy Park Riga SIA	Entertainment	Held 100% by Mulan B.V.
Diksna SIA	Active Shopping center	Jointly controlled with an American based partner. Riga Plaza Project

The Ukraine	Activity	Remarks
Plaza Centers Ukraine Limited	Management company	Held 100% by PC Ukraine Holdings Ltd.

Cyprus – Ukraine	Activity	Remarks
PC Ukraine Holdings Limited	Holding company	
Nourolet Enterprises Limited	Inactive	
Tanoli Enterprises Limited	Inactive	

Romania

Romania	Activity	Remarks
Directly owned		
S.C. CENTRAL PLAZA S.R.L	Inactive	
S.C. GREEN PLAZA S.R.L.	Shopping center project	Iasi Project
S.C. ELITE PLAZA S.R.L	Shopping center project	Timisuara Project
S.C. PLAZA CENTERS MANAGEMENT ROMANIA S.R.L	Management company	
S.C. NORTH GATE PLAZA S.R.L	Shopping center project	Miercurea Ciuc Project
S.C. SOUTH GATE PLAZA S.R.L	Shopping center project	Slatina Project
S.C. WEST GATE PLAZA S.R.L	Inactive	
S.C. EASTERN GATE PLAZA S.R.L	Inactive	
S.C. NORTH WEST PLAZA S.R.L	Shopping center project	Hunedoara Project
S.C. NORTH EASTERN PLAZA S.R.L	Shopping center project	Constanza project
S.C. SOUTH WEST PLAZA S.R.L	Inactive	
S.C. SOUTH EASTERN PLAZA S.R.L	Inactive	
S.C. WHITE PLAZA S.R.L	Inactive	
S.C. GOLDEN PLAZA S.R.L	Inactive	
S.C. BLUE PLAZA S.R.L	Inactive	
S.C. RED PLAZA S.R.L	Inactive	
S.C. PALAZZO DUCALE S.R.L	Office building and Company's Romanian headquarters	
S.C. MOUNTAIN GATE S.R.L	Shopping center project	Targu Mures project
Indirectly owned (or joint controlled)		
S.C. DAMBOVITA CENTER S.R.L	Shopping center project	Casa Radio Project,75% held by Dambovita Centers Holdings B.V.
Bas Development S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Spring Invest S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Sunny Invest S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Colorado Invest S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Malibu Invest S.R.L	Residential project	Held 25% by Plaza Bas B.V.
Adams Invest S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Primavera Tower S.R.L	Residential project	Held 50% by Plaza Bas B.V.
Fantasy Park Romania S.R.L	Inactive	Held 100% by Mulan B.V.

Russia

Russia	Activity	Remarks
Indirectly owned		
Plaza Centers Management O.O.O	Management company	100% Held by Obuda B.V.
Plaza Centers Project 1 O.O.O	Inactive	100% Held by Obuda B.V.
Plaza Centers Project 2 O.O.O	Inactive	100% Held by Obuda B.V.

Cyprus-Russia

Cyprus-Russia	Activity	Remarks
Indirectly owned (or joint controlled)		
Plaza & Snegiri Ltd.	Inactive	50% Held by Plaza Centers N.V.

NOTE 42 – LIST OF SUBSIDIARIES AND AFFILIATES OF THE COMPANY CONTINUED

Bulgaria	Activity	Remarks
Indirectly owned		
ON International E.O.O.D	Office project	Sofia Project – held 100% by Plaza On Holdings B.V
Directly owned		
Shumen Plaza E.O.O.D	Shopping center project	Shumen Plaza Project
Plaza Centers Development E.O.O.D	Inactive	
Plaza Centers Management Bulgaria E.O.O.D	Management company	

The Netherlands	Activity	Remarks
Directly owned		
Plaza Centers Management B.V.	Inactive	
Plaza Centers (Ventures) B.V.	Holding company – Serbia	Holds 100% of Orchid Group D.O.O
Plaza Centers (Estates) B.V.	Holding company – Serbia	Holds 100% of Sevac D.O.O
Plaza Centers Holding B.V.	Holding company – Serbia	Holds 100% of Sek D.O.O
Plaza Centers Foundations B.V.	Holding company – Serbia	Holds 100% of SBD D.O.O
Plaza Centers Establishment B.V.	Holding company – Serbia	Holds 100% of ZSE D.O.O
S.S.S Project Management B.V.	Holding company – Serbia	Holds 100% of Telehold D.O.O
Plaza Centers Logistics B.V.	Holding company – Serbia	Holds 100% of Accent D.O.O
Obuda B.V.	Holding company – Russia	Holds 100% of all Russian subsidiaries
Plaza-BAS B.V.	Holding company – Romania	Held 51% by Plaza Centers N.V., holds project companies in Romania.
Plaza Centers (Enterprises) B.V.	Finance company	
Plaza Dambovita Complex B.V.	Holding company	Holds 100% of Plaza Centers Enterprises B.V.
Plaza Centers Engagements B.V.	Inactive	
Plaza Centers Administrations B.V.	Inactive	
Plaza Centers Connection B.V.	Inactive	
Plaza-On Holding B.V.	Holding company – Bulgaira	Held 50.1% by the Company. Holds 100% of ON International E.O.O.D
Plaza Centers Corporation B.V.	Inactive	
Dambovita Center Holdings B.V.	Holding company – Romania	Holds 75% of S.C. Dambovita Center S.R.L
Mulan B.V. (Fantasy Park Enterprises B.V.)	Holding company	Holding Company of Fantasy Park subsidiaries in CEE and India
P.L.A.Z.A. B.V.	Holding company – Poland	Held 100% by Mulan B.V, Holds 50% of Hokus Pokus Rozrywka Sp.z.o.o
Centers Classic B.V.	Holding company	Sold in 2008 to Israeli partner in Stage B Lublin

The Dutch Antilles	Activity	Remarks
Dreamland N.V.	Inactive	

Cyprus – India	Activity	Remarks
Directly owned		
Elbit Plaza India Real Estate Holdings Limited	Holding company	Held 47.5% by Plaza Centers N.V.
PC India Holdings Public Company limited	Holding company	Held 100% by Plaza Centers N.V.

Cyprus – India continued	Activity	Remarks
Indirectly owned		
Spiralco Holdings Limited	Holding company	Holds 50% of P – one Infrastructure Private Limited. Held 100% by PC India Ltd.
Permindo Limited	Holding company	Holds 100% of Anuttam Developers Private Ltd. Held 100% by PC India Ltd.
Dezimark limited	Inactive	Held 100% by PC India Ltd.
Floricil limited	Inactive	Held 100% by PC India Ltd.
Xifius limited	Inactive	Holds 98% of Ximanco Developers India Private Limited.Held 100% by PC India Ltd.
Stenzo Limited	Inactive	Holds 98% of Cymsten Developers India Private Limited. Held 100% by PC India Ltd.
Mercero Limited	Inactive	Holds 98% of Meranco Developers India Private Limited. Held 100% by PC India Ltd.
Ruvencio Limited	Inactive	Holds 98% of Ruvenco India Developers Private Limited. Held 100% by PC India Ltd.
Sortera Limited	Inactive	Holds 98% of Sorcym Developers India Private Limited. Held 100% by PC India Ltd.
Rebeldora Limited	Holding company	Holds 98% of Rebelenco India Developers Private Limited. Held 100% by PC India Ltd.
Polyvendo Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited
Elbit India Architectural Services Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited
Rafalmendo Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited
Demiracos Limited	Holding company	Held 100% by Elbit India Real Estate Holdings Limited

India	Activity	Remarks
Indirectly owned through PC India Holdings Public Company limited		
Hom India Infrastructure Private Limited	Management company	Held 100% by PC India Holdings
P – one Infrastructure Private Limited	Real Estate	Kharadi and Trivandrum Projects – Held 50% by Spiralco Ltd.
Anuttam developers private Ltd.	Holding company of 23 subsidiaries, all held in connection with the Company's project in Pune India	Held 100% by (Koregaon Park Project)
Atrushya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Ajanu developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Agmesh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Animish developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Anahat developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Apratirath developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Athang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Asankhya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Apramad developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Abhyang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amartya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Atmavan developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amrutansh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Achal developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Akhula developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Antarmukh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Aprameya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amraprabhu developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

India continued	Activity	Remarks
Ajakshya developers private Ltd	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyaya developers private Ltd	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyaja developers private Ltd	Owns plot of land	Wholly owned subsidiary of Anuttam
Anantshree developers private Ltd	Owns plot of land	Wholly owned subsidiary of Anuttam
Indirectly owned through Elbit Plaza India Real Estate Holdings Limited		
Cymsten Developers India Private Limited	Inactive	
Sorcym Developers India Private Limited	Inactive	
Meranco Developers India Private Limited	Inactive	
Rebelenco India Private Limited	Inactive	
Ruvenco India Developers Private Limited	Inactive	
Elbit Plaza India management services private Limited	Bangalore Offices	Held 100% by Polyvendo Limited
Elbit India Architecture and Design Private Limited		Held 100% by Elbit India Architectural Services Limited
Aayas Trade Services Private Limited Bangalore Project	Holding Company	Held 50% by Elbit India Real Estate Holdings Limited
Kadvanthra Builders Private Limited Chennai SipCot	Holding Company	Held 80% by Elbit India Real Estate Holdings Limited
Rafalenco India Developers Private Limited	Inactive	
Elbit India Builders&Developers Private Limited	Inactive	
Fantasy Park India Entertainment Limited	Inactive	Held 99.9% by Mulan B.V., Held 0.1% by P.L.A.Z.A B.V.

Serbia	Activity	Remarks
Indirectly owned		
Orchid Group D.O.O	Shopping center project	100% Held by Plaza Centers (Ventures) B.V. Belgrade Plaza Project
Sevac D.O.O	Plot of land	100% Held by Plaza Centers (Estates) B.V.
Leisure Group D.O.O	Shopping center project	Sport Star Plaza Project – Merged into Sevac D.O.O in November 2009.
Sek D.O.O	Shopping center project	100% Held by Plaza Centers Holding B.V. Kragujevac Project
Accent D.O.O	Inactive	
Telehold D.O.O	Inactive	
ZSE D.O.O	Inactive	100% Held by Plaza Centers Establishment B.V.
SBD D.O.O	Inactive	100% Held by Plaza Centers Foundations B.V.
Linkage D.O.O	Inactive	
Plaza Centers Management D.O.O	Inactive	
Fantasy Park SRB D.O.O	Inactive	Held 100% by Mulan B.V.

Moldova	Activity	Remarks
I.C.S Plaza Centers Prodev S.R.L	Inactive	

Slovakia	Activity	Remarks
Plaza Centers Slovak Republic S.R.O	Inactive	

United States	Activity	Remarks
Elbit Plaza USA L.P	Inactive	JV with EI in the US (see note 40)

COMPANY'S OFFICES

Plaza Centers the Netherlands
Plaza Centers N.V.
Keizersgracht 241, 1016 EA Amsterdam
The Netherlands
Phone: +31 20 3449562
Fax: +31 20 3449561
Email: info@plazacenters.com

Plaza Centers Hungary
Andrassy ut 59, Budapest 1062
Hungary
Phone: +36 1 4627100
Fax: +36 1 4627201
E-mail: plazacenters@plazacenters.com

Plaza Centers Poland
ul. Belgijska 11/2 02-511 Warszawa
Poland
Phone: +48 22 542 81 00
Fax: +48 22 542 81 02
E-mail: headoffice@plazacenters.pl
Web: http://www.plazacenters.pl/

Plaza Centers Romania
10 Gheorghe Manu St. District 1
Bucharest
Phone: +40 21 315 4646
Fax: +40 21 314 5660
Email: office@plazacenters.ro

Plaza Centers Czech Republic
Karolinska 650/1, Danube House, 186 00 Praha 8
Czech Republic
Phone: +420 283 000 125
Fax: +420 283 000 187
E-mail: office@plazacenters.cz
Web: http://www.plazacenters.cz/

Plaza Centers Serbia
Lazarevacka street no 1/5, Senjak, Belgrade
Serbia
Phone: +381 11 2647 044 / 067 / 068
Fax: +381 11 2652 210
E-mail: www.plazacenterserbia.rs

Plaza Centers Greece
233 Sygrou Avenue Nea Smirni Athens-171-21
Greece
Phone: +30 210 9344658
Fax: +30 210 9349124
E-mail: mbertou@otenet.gr

Plaza Centers Bulgaria
53-55, Totleben Blvrd 1606 Sofia
Bulgaria
Phone: +359 2 851 89 84, +359 2 951 57 54
Fax: +359 2 954 03 31
E-mail: office.bulgaria@plazacenters.com

Plaza Centers Latvia
71 Mukusalas, Riga, LV-1004
Latvia
Phone: +371 67633734
Fax: +371 67821810
E-mail: info@rigaplaza.lv
Web: http://www.rigaplaza.lv/

Plaza Centers India
Embassy Icon, 7th Floor, No 3 Infantry Road
Bangalore 560 001, Karnataka, India
Phone: +91 80 40414444
Fax: +91 80 40414469
Web: http://www.plazacenters.in/

Plaza Centers Ukraine
38B, Saksaganskogo St., Kiev 01033
Ukraine
Phone: +380 93 6911770
E-mail: info@plazacenters.com.ua

Plaza Centers Russian Federation
117447, Moscow, Sevastopolsky prospect, 11G, office 20
Russia
Phone: +7 916 9009193
E-mail: boris@plazacenters.com

Elbit Plaza USA
707 Skokie Boulevard, Suite 600
Northbrook, IL 60062, U.S.A.
Phone: +1 312 915 0690
Fax: +1 312 915 0691
E-mail: aberman@elbitplazausa.com

ADVISORS

Financial advisors and stockbrokers
UBS Investment Bank
1 Finsbury Avenue
London EC2M 2PP
UK
Web: www.ubs.com

Principal auditor
KPMG Hungaria kft
Váci út 99
H-1139 Budapest
Hungary
Web: www.kpmg.hu

Dutch statutory auditor
Mazars Paardekooper Hoffman N.V.
Mazars Tower – Delflandlaan 1
PO Box 7266
1077 JG Amsterdam
The Netherlands
Web: www.mazars.nl

Corporate solicitors in the UK
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
UK
Web: www.blplaw.com

White & Case LLP
5 Old Broad Street
London EC2N 1DW
UK
Web: www.whitecase.com/london

Corporate legal counsel in the Netherlands
Buren van Velzen Guelen
Johan de Wittlann 15, 2517 JR
The Hague
The Netherlands
P.O. Box 18511
2502 EM The Hague
The Netherlands
Web: www.bvvg.nl

Corporate legal counsel in Poland
Weil, Gotshal & Manges LLP
Warsaw Financial Center
ul. Emillii Plateer 53
Warsaw 00-113
Poland
Web: www.weil.com/warsaw

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
UK
Web: www.capitaregistrars.com

Investor relations
FD
Holborn Gate
26 Southampton Buildings
London WC2A 1PB
UK
Web: www.fd.com

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Plaza Centers N.V.

Keizersgracht 241
1016 EA
Amsterdam
The Netherlands
T: +31 20 3449560
F: +31 20 3449561
E: info@plazacenters.com

www.plazacenters.com