15 March 2012

PLAZA CENTERS N.V.

Full Year results for the year ended 31 December 2011

PLAZA REPORTS STRONG REVENUE GROWTH AND OPERATIONAL PROGRESS

- SUCCESSFUL REALIZATION OF US INVESTMENT IN A DEAL VALUED AT US$1.4 BN -

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading property developer and investor with operations in Central and Eastern Europe, India and the USA, today announces its full year results for the year ended 31 December 2011.

Financial highlights:

- Total assets of €1.3 billion (31 December 2010: €1.4 billion)
- Revenues increased 52% to €57 million (31 December 2010: €38 million) as a result of an increased number of active shopping centres operational for a full year in CEE, increased income derived from the US portfolio and improved occupancy rates across the portfolio
- Net Asset Value decreased by 11% to €601 million (31 December 2010: €675 million) primarily through the impairment of assets in Romania and Latvia
- Net Asset Value per share of £1.69 (31 December 2010: £1.96), a decline of 14%, attributable mainly to the above mentioned impairment
- Profit before income tax of €29 million (31 December 2010: €13 million profit) arising from the increased income derived from operating shopping centres and an increase in net finance income
- Basic and diluted EPS of €0.03 (31 December 2010: €0.03)
- Cash position at year end (including restricted bank deposits, short term deposits and available for sale financial assets) of €108 million (31 December 2010: €195 million) with working capital of €585 million (31 December 2010: €713 million); current cash position of circa €100 million
- Conservative gearing position maintained, with debt comprising 59% of balance sheet (31 December 2010: 56%)
- Over the year, the Board of Plaza approved two buyback programmes of a total of up to NIS 300 million (approximately €60.5 million) of its Series A and Series B Notes, which are traded on the Tel Aviv Stock Exchange
- On 14 September 2011, the Board of Directors approved the payment to shareholders of an interim cash dividend payment of €0.1010 per share amounting to total distribution of €30 million.

Operational highlights:

- Plaza delivered on its strategy to take advantage of weak market conditions and depressed values in the United States, with the completion of the acquisition by the Company's joint US subsidiary of all of the outstanding units of EDT Retail Trust ("EDT") and thereby a US$1.4 billion portfolio of retail assets. The total cost to Plaza of the acquisition was US$82 million for the 22.7% stake. During the year, Plaza also received its US$5.9 million share of a dividend payment from EDT. Subsequent to the year end the vast majority of the assets were sold to a joint venture between Blackstone Real Estate Advisors VII L.P. ("Blackstone Real Estate") and DDR Corp.
- Torun Plaza, Plaza's tenth retail scheme in Poland and its 31st shopping centre in the CEE, was completed and opened in November 2011. The 40,000 sqm GLA centre includes an eight screen cinema complex, a Fantasy Park entertainment centre and a Delima delicatessen, as well as over 120 shops comprising international and local brands such as H&M, C&A, KappAhl, Zara, Bershka, Stradivarius, Pull & Bear, Massimo Dutti, Reserved, Cropp House, Mohito, Mango, New Yorker, Rossmann, Douglas and Sephora. Torun Plaza is currently approximately 80% let with ongoing interest from potential tenants
- The construction of Plaza's first retail scheme in Serbia, Kragujevac Plaza, was completed, with the centre due to open to the public on 20 March 2012. The 22,000 sqm GLA centre is already 90% pre-let, with a further 6% of space in advanced negotiations and strong interest in the remaining units. Kragujevac Plaza is the first shopping centre to be completed outside the capital Belgrade, and will therefore enjoy a catchment area of approximately 590,000 inhabitants

Key highlights since the period end:

- After the balance sheet date, Plaza's US based joint venture, EPN Group, entered into an agreement to sell 47 of its 49 US based assets to BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. in a transaction valued at US$1.428 billion. Once closed in June 2012, the transaction is likely to generate a cash inflow of US$120 million (€93 million) to the Company before taxes and transaction costs
- Following the sale of the 47 properties, EPN Group will continue to hold two properties located in the United States that are valued at approximately US$43 million with total non-recourse secured debt of approximately US$14 million
- Phase one of the Kharadi Plaza project known as "Matrix One", a 50:50 joint venture with a local partner, was completed in February 2012. Located in Pune, India, 'Matrix One', a 28,000 sqm GLA office, was 70% pre-sold upon opening. The construction of the second office building, out of a total of four offices planned for the development, is expected to start in Q2 2012
- Koregaon Park Plaza mall, also located in Pune, India, was completed and a successful soft public opening was held on 2 March 2012 with the grand opening scheduled for H2 2012. The 48,000 sqm total built area (excluding parking) shopping centre is circa 85% let with signed lease agreements, with a further 5% committed under memoranda of understanding

Commenting on the results, Ran Shtarkman, the President and CEO of Plaza Centers, said:
"Plaza has delivered a strong set of results for the reporting period, with the Company again reporting large increases in revenues and profits before income tax while maintaining good operational progress.

"Against a background of continuing economic and market uncertainty, it is pleasing to have been able to report a 52% increase in revenues.

"Our scheduled programme of developing a limited number of centres into markets with the highest retail demand continues to progress strongly. Two of our major retail schemes, Toruń Plaza in Poland and Koregaon Park Plaza in Pune, India, came on stream in Q4 of 2011 and March 2012, respectively. We also continue to be encouraged at the apparent strength of the occupier market in these regions, especially Poland, where top-quality retail and leisure assets continue to attract major pan-European occupiers who are drawn by the notion of western-style retail design in strong regional centres as opposed to the weaker markets such as Bulgaria and Romania where we have had to reflect an impairment loss for the year. For this reason, although we have traditionally sold the majority of our shopping centre developments, we will continue to retain our major schemes until we see clear evidence that sale prices will properly reflect their existing and potential valuation. Therefore, as of the end of March 2012, Plaza will own and operate seven active malls across the CEE region and India.

"The other key event of the year and the beginning of 2012 was the realisation of the majority of our investment in EDT, through which Plaza achieved its aim of utilising its expertise to reposition a portfolio of highly yielding properties in the US. The subsequent agreement to sell these assets is anticipated to generate a pre-tax Return on Equity (ROE) of nearly 50% over a period of little over 18 months. To ensure that Plaza continues to be conservatively geared, the proceeds of this sale, once completed, will be used to pay down some of the Company's debt and to continue to drive our development projects.

"We remain mindful of the challenging and volatile economic conditions in Europe. As a result, we will continue to pursue a conservative approach to our business, de-risking our development programme and skilfully managing both our finances and investment assets to maximise value for our shareholders."

For further details please contact:

Plaza

Ran Shtarkman, President and CEO	+36 1 462 7221
Roy Linden, CFO	+36 1 462 7222

FTI Consulting

Stephanie Highett/Daniel O'Donnell	+44 20 7831 3113

Notes to Editors

Plaza Centers N.V. (www.plazacenters.com) is a leading property developer and investor with operations in Central and Eastern Europe, India and the USA. It focuses on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres in both capital cities and important regional centres. The Company is dual listed on the Main Board of the London Stock Exchange and, as of 19 October 2007, the Warsaw Stock Exchange (LSE:"PLAZ", WSE: "PLZ/PLAZACNTR"). Plaza Centers N.V. is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. Plaza Centers is a member of the Europe Israel Group of companies which is controlled by its founder, Mr Mordechay Zisser. It has been active in real estate development in emerging markets for over 16 years.

Forward-looking statements

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

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report that Plaza has delivered an excellent set of financial results for 2011. The Company has consolidated upon its return to profitability in 2010 and substantially grown its revenues, delivering a 52% increase during the year. This improved top line is the beginning of the realisation of Plaza's decision to position its development programme to ensure that it can deliver shopping centres into markets with the highest retail demand.

In addition to the strong financial performance, Plaza has continued to progress its targeted development programme across the CEE region and India, achieving a number of development milestones, most notably the completion of its 31st shopping centre in the CEE region, Torun Plaza, Poland. Torun Plaza represents Plaza's tenth shopping centre and our third currently owned and managed asset in Poland, a country which, although not immune to the wider European economic context, has continued to demonstrate its resilience during the recent downturn.

2011 was also an eventful year for our US portfolio. Alongside our joint venture partners, we completed the takeover of the EDT Retail Trust and embarked upon a programme which repositioned the portfolio, reduced the level of debt, improved portfolio occupancy and transferred the company's management from Australia to the US to ensure a more detailed oversight of the assets. In January 2012, our actions bore fruit and in spite of an uncertain market with few comparable transactions we received and accepted an offer from a joint venture between Blackstone Real Estate and DDR Corp. for 47 of the portfolio assets in a deal totalling $1.43 billion. This highly profitable investment and subsequent return will provide Plaza with further capital to drive our development programme and pay down debt.

Despite a backdrop of prolonged economic uncertainty, Plaza has continued not only to advance its targeted development programme but also to identify investment opportunities and generate substantial and timely returns from these. Our financial position remains robust, with the Company consolidating upon its return to profitability in 2010 with increased revenues and net profits; furthermore our active balance sheet management has ensured that the Company remains conservatively geared with a healthy cash balance.

Key Events

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

The Company has invested a total of €115 million in cash across its entire portfolio of projects under development since January 2011 including its US portfolio (€44 million).

Plaza also completed and opened to the public its 40,000 sqm GLA shopping centre in Torun in Poland in November 2011.

Subsequent to the year end the Company completed its first shopping centre in India. The Koregaon Park Plaza mall in Pune held a soft public opening on 2nd March 2012 with the grand opening scheduled for H2 2012. Phase one of the Kharadi project, also in Pune, India, was also completed subsequent to the year end. The 28,000 sqm GLA office opened in February 2012, with construction of phase two due to commence in Q2 of 2012.

Results

Plaza ended the 2011 financial year with a net profit attributable to the owners of the Company of €9 million. This was mainly as a result of the higher income derived from operating assets in the Company's portfolio - partly offset by the impairment of trading properties - and the net finance income from the fair value change of debentures and derivatives for hedging purposes.

Plaza invested a total of €71 million during the year in new acquisitions and in real estate inventories under construction in CEE and India, primarily in Torun, Poland, Kragujevac in Serbia and Koregaon Park Plaza, India

The Company had a robust cash position (including restricted bank deposits, short term deposits and available for sale financial assets) of approximately €108 million at the period end (and circa €100 million as at today's date). This ensures Plaza remains on a solid financial footing to continue its development programme and make opportunistic investments or acquisitions where there is clear potential to create shareholder value.

The Company's debt position remains conservative, with gearing of 59% at the year end.

NAV

The Company's property portfolio (CEE and India) was valued by Jones Lang LaSalle as at 31 December 2011 and their summary valuation is shown below.

Net Asset Value per share has decreased by 14%, attributable primarily to the impairment of trading property amounting to €48 million. 73% of the impairment charge relates to assets in Romania and Latvia. The write down in value reflects the depressed rental levels in those countries as well as low transaction volumes from a constrained supply of debt. The majority of written down assets comprise land with associated planning consent, which management values at the lower of cost or net realisable value, and we will continue to evaluate the local economic context before any development programme is commenced as well as looking at other alternatives to monetise the land bank if development is not economically viable. The decrease was partly offset by the completion of Torun Plaza.

The Company's NAV was calculated as follows:

Use	EUR (Thousand)
Market value of land and projects by Jones Lang LaSalle (1)	**864,080**
Assets minus liabilities as at 31 December 2011 (2)	(263,127)
Total	**600,953**

(1) per valuation attached below
(2) excluding book value of assets which were valued by Jones Lang LaSalle, but including Plaza's proportionate share of the US portfolio at market value which was based upon the purchase price offer presented to and accepted by EPN Group from a third-party post year end. The two remaining US properties not purchased were valued by the management of EDT.

Portfolio progress

Currently the Company is engaged in 28 development projects and owns six operational assets, located across the Central and Eastern European region and in India. The location of the projects and assets under development, as at 15 March 2012, is summarised as follows:

	Number of assets (CEE and India)		
Location	**Active**	**Under development**	**Offices**
Romania	-	8	1
India	1	5	-
Poland	3	4	-
Hungary	-	3	1
Serbia	-	3	-
Czech Republic	1	2	-
Bulgaria	-	2	-
Greece	-	1	-
Latvia	1	-	-
Total	**6**	**28**	**2**

During the year, the Company invested a total of €115 million in cash to acquire the EDT portfolio in the US, and into the projects under development in CEE and India. Out of the total investment €53 million was financed by bank loans.

Liquidity & Financing

We ended 2011 with a strong liquidity position, with cash (including restricted bank deposits, short term deposits and available for sale financial assets) of €108 million, compared to €195 million at the end of 2010. Working capital at 31 December 2011 totalled €585 million (31 December 2010: €713 million). The Company's current cash position is circa €100 million.

The principal impacts on the decrease in the cash position were the investment in the EDT portfolio, bond buybacks and repayment of bonds and the interim dividend payment to the shareholders partially offset by the new bonds issued at the beginning of the period. The Group continues to pursue a conservative financing policy, with the level of debt being only 59% of the balance sheet (2010: 56%). The increase in gearing was mainly a result of the drawing down of the funding Plaza obtained for its projects in Torun, Poland and Kragujevac, Serbia and the bond raising. The raised development debt, totalling circa €85 million, represents 70% of the development costs for the projects and demonstrates that Plaza, through the combination of a strong balance sheet and exceptional track record, has the ability to secure development funding in what is largely a closed market for new finance.

Strategy and Outlook

As we enter our 16th year of activity in the Central and Eastern Europe region, Plaza has established an unrivalled track record in the region from which the Company will continue to leverage and benefit. 2011 has not delivered the levels of economic recovery that many had hoped for; however the long term fundamentals of this market remain strong. Our continued belief in the strength of the region was underlined by the completion and opening during the year of Plaza's 31st CEE shopping centre. To date, 26 of these centres have been subsequently sold with an aggregate gross value of circa €1.16 billion. These disposals comprise 17 shopping centres in Hungary, seven in Poland and two in the Czech Republic. Plaza now retains six shopping and entertainment centres in the region as operational assets, three of which are located in Poland, one in the Czech Republic, one in Latvia and one in India. This will increase to seven upon the opening of Kragujevac Plaza, Serbia, on 20 March 2012.

Whilst the retreat of banks from real estate finance continues to suppress transactional activity, Plaza will continue to implement its development strategy but will also hold completed developments on its balance sheet, enjoying the income these assets produce, until sales prices which appropriately reflect their current and existing potential are achieved. Plaza will continue to actively manage these assets to attract premium local and international brands in an effort to maximise the value derived for shareholders.

Beyond the CEE, the progress made with our Indian developments has been extremely encouraging with phase one of the Kharadi project, the office development 'Matrix One', and the Koregaon Park Plaza mall both completed post year end with encouraging occupancy levels. The sentiment towards the Indian real estate market remains extremely positive, underpinned by fundamentals which are driving the country's long term economic growth. With five developments in India due to be delivered in the next five years, our substantial local platform means Plaza is strategically placed to create shareholder value from this growth market.

Plaza's highly successful investment into the US market is set to realise nearly 50% total pre tax return on equity once completed. Through its US joint venture, Plaza still retains a stake in two US based shopping centres. We continue to see opportunities within the US market to acquire high-yielding properties, which through our expertise in active asset management, can be repositioned to enhance value. The proceeds from our US divestment will be used to pay down debt to ensure that Plaza continues to be conservatively geared and to continue to drive our development programme.

With two new developments completed in 2012 already and a third, Kragujevac Plaza, our first completed development in Serbia, expected in a week, 2012 has started on a positive note. We will aim to continue this momentum throughout the year and increase our volume of activity to ensure that Plaza continues to build upon the strong results reported today.

Ran Shtarkman
President and Chief Executive Officer

15 March 2012

OPERATIONAL REVIEW

Over the course of the reporting period and since the year end, Plaza has continued to make good progress against its operational and strategic objectives, whilst delivering improved profitability.

Highlights for the financial year included:

- **Openings:** Torun Plaza in Poland, Koregaon Park Plaza and 'Matrix One', Plaza's first completed developments in India, were all opened during 2011 or in 2012 to date
- **Acquisition of projects:** Acquisition through a jointly controlled investment of the remaining 52% of a listed trust holding and operating 48 community shopping centres across the US, to which the trust added a further centre during the year.
- **Investments:** Total gross investment in current projects and new pipeline activity in 2011 of €115 million (including the US portfolio)
- **Financial strength and flexibility:** Plaza's current cash position stands at circa €100 million.

As of the reporting date, Plaza has 36 assets in nine countries out of which 28 are under development across the CEE region and India. Of these, eight are located in Romania, five in India, four in Poland, three in Hungary, three in Serbia, two in the Czech Republic, two in Bulgaria and one in Greece. In addition to these developments, Plaza retains the ownership of and operates six shopping and entertainment centres in Poland, Czech Republic, India and Latvia and two office buildings in Budapest and Bucharest.

The development projects are at various stages of the development cycle, from the purchase of land through to the planning and completion of construction, with Plaza's first shopping and entertainment centre in Serbia, Kragujevac Plaza, due to open to the public on 20 March 2012.

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

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status (*)
Arena Plaza Extension	Budapest, Hungary	Office scheme	40,000	100	Under planning. Construction scheduled to commence in 2014; completion scheduled for 2015
Dream Island (Obuda)	Budapest, Hungary	Major business and leisure resort	350,000 (GBA) (for rent and sale)	43.5	Initial excavation and archaeological works commenced; Staged completion scheduled for 2014-2016. Exclusive casino licence obtained
Uj Udvar	Budapest, Hungary	Retail and entertainment scheme	16,000	35	Operating, currently working on refurbishment plans, Building permit expected to be granted by 2013
David House	Budapest, Hungary	Office	2,000	100	Operational office
Suwalki Plaza	Suwalki, Poland	Retail and entertainment scheme	20,000	100	Operating, opened in May 2010
Lodz (Residential)	Lodz, Poland	Residential scheme	80,000 (GBA)	100	Under planning
Lodz Plaza	Lodz, Poland	Retail and entertainment scheme	45,000	100	Construction scheduled to commence in H1 2013; completion scheduled for 2014
Zgorzelec Plaza	Zgorzelec, Poland	Retail and entertainment scheme	13,000	100	Operating, opened in March 2010
Torun Plaza	Torun, Poland	Retail and entertainment scheme	40,000	100	Operating, opened in November 2011
Kielce Plaza	Kielce, Poland	Retail and entertainment scheme	33,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014-2015
Leszno Plaza	Leszno, Poland	Retail and entertainment scheme	16,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015-2016
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 2012
Liberec Plaza	Liberec,	Retail and	17,000	100	Operating, opened in

	Czech Rep.	entertainment scheme			March 2009
Roztoky	Prague, Czech Rep.	Residential units	14,000 (GBA)	100	Zoning is in place. Construction scheduled to commence in 2013; completion scheduled for 2014 - 2015
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	600,000 (GBA including parking)	75	Under planning, completion scheduled for 2014-2016; approval from the Urban Technical Commission has been obtained
Timisoara Plaza	Timisoara, Romania	Retail and entertainment scheme	38,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014
Csiki Plaza	Miercurea Ciuc, Romania	Retail and entertainment scheme	14,000	100	Construction commenced in late 2008; awaiting external financing for completion
Iasi Plaza	Iasi, Romania	Retail, entertainment and office scheme	62,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014-2015
Slatina Plaza	Slatina, Romania	Retail and entertainment scheme	17,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Hunedoara Plaza	Hunedoara, Romania	Retail and entertainment scheme	13,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Targu Mures Plaza	Targu Mures, Romania	Retail and entertainment scheme	30,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015-
Constanta Plaza	Constanta, Romania	Retail and entertainment scheme	18,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational
Belgrade Plaza	Belgrade, Serbia	Apart-hotel and business centre with a shopping gallery	70,000 (GBA)	100	Construction scheduled to commence in 2013; completion scheduled for 2015

Sport Star Plaza	Belgrade, Serbia	Retail and entertainment scheme	40,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014-2015
Kragujevac Plaza	Kragujevac, Serbia	Retail and entertainment scheme	22,000	100	Construction commenced in Q4 2010; completion scheduled for 20 March, 2012
Shumen Plaza	Shumen, Bulgaria	Retail and entertainment scheme	20,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014-2015
Sofia Plaza Business Center	Sofia, Bulgaria	Retail, entertainment and office scheme	44,000	51	Currently in negotiations with a hyper-market operator. Under planning
Riga Plaza	Riga, Latvia	Retail and entertainment scheme	49,000	50	Operating; opened in March, 2009
Pireas Plaza	Athens, Greece	Retail and entertainment scheme	26,000	100	Construction scheduled to commence in 2013-2014; completion scheduled for 2014 - 2015
Koregaon Park Plaza	Pune, India	Retail, entertainment and office scheme	110,000 (GBA)	100	Operating; opened in March, 2012
Kharadi	Pune, India	Office Scheme	250,000 (GBA)	50	Construction commenced in late 2010; Phase One completed (28,000 sqm GLA), expected overall completion in 2015
Trivandrum	Trivandrum, India	Residential scheme	120,000 (GBA)	50	Under planning
Bangalore	Bangalore, India	Mixed-use multi level residential units and villas	320,000 (GBA)	23.75	Under planning; construction scheduled to commence in late 2012; completion scheduled for 2013-2018
Chennai	Chennai, India	Mixed-use of high quality villas and high rise residential buildings with local retail facility	1,060,000 (GBA)	38	Under planning; construction scheduled to commence in 2013; completion scheduled for 2014-2018
Kochi Island	Kochi, India	High-end residential apartment buildings, office complexes, a hotel and serviced apartments complex, retail area and a marina	575,000 (GBA)	23.75	Under planning

(*) all completion dates of the projects are subject to securing external financing.
Details of these activities by country are as follows:

Hungary

Plaza owns a plot of land which will serve as an office extension next to the previously built Arena Plaza shopping centre. The extension will comprise an office complex with approximately 40,000 sqm of GLA. Arena Plaza, which the Company developed and sold in 2007, remains one of the most high profile and successful shopping centres in Budapest.

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

The Dream Island project is a prestigious development on the Obuda Island in central Budapest, with a land area of 320,000 sqm. It will be developed into a major resort including hotels, recreation facilities, a casino and a business and leisure complex with a development budget of circa €900 million and 350,000 sqm of GBA. Preliminary design, excavation and archaeological works are continuing at the site. In addition, a concession licence was obtained in 2008 for the 20-year operation of a large-scale casino (the first in Budapest) with an option to extend for an additional 10 years. The project is intended to be completed in phases between 2014-2016.

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

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

Poland

During the reporting period, Plaza completed and opened to the public a shopping and entertainment centre in Torun. Comprising approximately 40,000 sqm of GLA, it represents Plaza's tenth completed centre in Poland. The centre was approximately 80% let on opening including local and international brands such as Cinema City, H&M, C&A, KappAhl, Zara, Bershka, Stradivarius, Pull & Bear and Massimo Dutti.

Plaza's two other owned and operated Polish shopping and entertainment centres, Suwalki Plaza and Zgorzelec Plaza (comprising approximately 20,000 sqm and 13,000 sqm of GLA, respectively) continue to perform in line with expectations and have improved their occupancy rate to circa 89% (80%, 2010) and 79% (75%, 2010) respectively.

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

Czech Republic

Plaza continues to hold Liberec Plaza shopping and entertainment centre (approximately 17,000 sqm GLA), which was opened in March 2009. Plaza has agreed lettings totalling 78% of the centre's GLA to tenants including Billa, Gate, Dracik, Schleker, Triumph, Sephora, Fantasy Park and Dino Park.

Dino Park is expected to be a considerable ongoing attraction to the asset and has already substantially increased footfall to the mall. Open 365 days a year, its technologically advanced features and portrayal of two prehistoric eras is viewed as a substantial draw to local and national visitors. During the reported period, Plaza continued the feasibility and planning studies for its residential developments at Roztoky (14,000 sqm) and Prague 3 (61,600 sqm). The latter is held as an income generating office and warehouse building and a Re-zoning permission is expected to be received in 2012.

Romania

Plaza holds a 75% interest in a company in partnership with the Government of Romania to develop Casa Radio (Dambovita), the largest development plot in central Bucharest. It will comprise approximately 600,000 sqm of GBA, including a 170,000 sqm GBA shopping mall and leisure centre (one of the largest in Europe), offices, hotel, an apartment hotel, casino, hypermarket and a convention and conference hall. The Company has obtained the approval of the Urban Technical Commission of Bucharest and completion of the first phase is scheduled for 2014.

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

The Company continues the feasibility and planning phases of its development schemes in Timisoara, Iasi, Slatina, Constanta, Hunedoara and Targu Mures.

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

	Fountain Park	**Acacia Park**	**Primavera Tower**	**Green Land**	**Poiana Brasov**	**Primavera Tower**	**Pinetree Glade**	**Total**
Location	Bucharest	Ploiesti	Ploiesti	Ploiesti	Brasov	Brasov	Brasov	-
Plaza-Bas Share	25%	50%	50%	50%	50%	50%	50%	-
Nature	Residential	Residential	Offices	Residential	Residential	Offices	Residential	-
Size (sqm)	16,600	32,000	10,500	25,800	138,000	10,800	40,000	273,700

Latvia

In March 2009, Plaza completed and opened its Riga Plaza project, which comprises approximately 49,000 sqm of GLA, in which Plaza owns a 50% stake. The scheme is located on the western bank of the River Daugava by the Sala Bridge. In July 2010, an eight screen cinema multiplex was opened, bringing occupancy at the centre to 84%, which has risen to 90% at the reporting date. Discussions are ongoing with potential occupiers for the remaining space at the centre and Plaza hopes to conclude further lettings shortly.

Serbia

On 20 March 2012 Plaza will open its first Serbian shopping and entertainment centre to the public in Kragujevac, a city of 180,000 inhabitants. Kragujevac Plaza comprises 22,000 sqm of GLA and is already over 90% let to tenants including Nike, Adidas, Aldo, New Yorker, Deichmann, TerraNova, Fashion and Friends, H&O, Oviesse, Fox, Chicco and Home Center. Kragujevac Plaza is the first shopping centre to be completed outside the capital Belgrade, and will therefore enjoy a catchment area of approximately 590,000 inhabitants.

Plaza initially established its presence in Serbia in 2007 with the acquisition of three plots. The first of these was a state-owned plot and building in Belgrade, which Plaza secured in a competitive tender. The building was formerly occupied by the federal ministry of internal affairs of the former Yugoslavia and is located in the centre of Belgrade in a neighbourhood of government offices and foreign embassies. On completion, the scheme, Belgrade Plaza, will comprise a shopping gallery, an apartment-hotel and business centre totalling circa 70,000 sqm of GBA. Construction is planned to commence in 2013 and completion is scheduled for 2015. The project is now in the local planning and permitting process.

In December 2007, the Company won a second competitive public auction announced by the Government of Serbia for the development of a new shopping and entertainment centre in Belgrade called Sport Star Plaza with a proposed total GLA of approximately 40,000 sqm. Concept design has been submitted. Construction is planned to commence in 2013 and the completion is scheduled for 2014-2015.

Greece

Plaza owns a 15,000 sqm plot of land centrally located in Piraeus Avenue, Athens. During 2010 Plaza obtained updated building permits for the construction of a shopping centre totalling approximately 26,000 sqm of GLA. Construction is planned to start in 2013-2014 (subject to securing external financing) and completion is scheduled for 2014-2015.

Bulgaria

The Group owns a 25,000 sqm plot of land in Shumen, the largest city in Shumen County, which it intends to develop into a new shopping and entertainment centre with a total GLA of 20,000 sqm. Construction is expected to commence in 2013, subject to securing financing.

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

India

Plaza has begun to deliver on some of the strong long-term potential it has identified in India and completed its first shopping centre in the country, Koregaon Park Plaza. A successful soft opening was held on 2 March 2012 with a grand opening scheduled for H2 2012. Koregaon Park Plaza mall, located in Pune, comprises 48,000 sqm of total built area (excluding parking) and is part of a wider 110,000 sqm development which includes 16,500 sqm office development. The mall was 85% let upon opening with memoranda of understanding signed for a further 5% of the space.

During 2007, Plaza acquired two additional development projects in a 50:50 joint venture. The first is located in the Kharadi district of Pune, opposite to EON Park Project (the best quality IT park in the region), and totals approximately 250,000 sqm of total built area (including parking). The second is in Trivandrum, the capital city of the State of Kerala, and totals approximately 120,000 sqm GBA. The entire Kharadi development consists of four office buildings and a small retail area, and the Trivandrum development is designed for a large residential development.

Plaza has completed the construction of the first phase of Kharadi, a 28,000 sqm GLA office building known as ‘Matrix One’. To date, Plaza has pre-sold 70% of the saleable area and handover started in March 2012. This first office building has a total expected development cost of $21.5 million and, based on accumulated sales of office space to date inclusive of underground parking revenues, will have an end development value of approximately US$32.5 million. Plaza therefore anticipates this will deliver a development pre-tax profit of approximately US$11.0 million.

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

These three projects are as follows:

Bangalore - This mixed-use project, 50% owned by the JV and 50% owned by a prominent local developer, is located on the eastern side of Bangalore, India's fifth largest city with a population of more than 8 million inhabitants. With a total built-up area of over 320,000 sqm excluding parking, it will comprise over 1,000 luxury residential villas.

In 2010, the JV has signed a new framework agreement which entitles the JV to receive 70% of the net proceeds from the project until a target 20% IRR is received. Once the JV has received this 20% IRR on its investment, the JV will exit the project.

Chennai - A mixed-use development, which is 80% owned by the JV and 20% owned by a prominent local developer, will be developed into an integrated mixed-use project consisting of high rise residential units, high quality villas and a local retail facility, with a total built up area of 1,060,000 sqm. Chennai is India's fourth largest city with a population of more than 8 million inhabitants.

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 two million inhabitants.

The construction of the JV's first project in Bangalore is planned to commence in late 2012, in Chennai the construction is scheduled to commence in 2013 and the Kochi Island development is in the design phase.

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

USA

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

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

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

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

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

EPN holds interests in 49 operating retail properties covering approximately 11.1 million sq ft of leasable area across 20 states in the US. The portfolio provides access to over 420 existing tenants operating in the stores, with over 70% of base rent generated from nationally recognized retailers and generates over US$100 million Net Operating Income per annum.

The portfolio's occupancy rate is approximately 89% with a weighted average lease term of 4.5 years. The value of the portfolio was approximately $1.47 billion and the secured non-recourse debt related to it amounted to circa $947 million as of 31 December 2011.

In January 2012, EPN reached an agreement, subject to the satisfaction of certain closing conditions, to sell 47 of the 49 US based shopping centres in a deal totalling US$1.428 billion. The centres are to be acquired by BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. Of the transaction value of US$1.428 billion, a total of US$934 million (as of the agreement date) shall be paid by the way of assumption of the property level debt. In addition, all excess cash within EDT, which upon signing the agreement amounted to US$30 million, will be retained by Plaza and its joint venture partners. By the reporting date the purchasers had satisfactorily completed the due diligence process associated with the transaction.

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

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

Once completed, the transaction is expected to realise a cash inflow of US$120m before taxes and transaction costs for Plaza which corresponds to nearly 50% pre-tax ROE.

FINANCIAL REVIEW

Results

During 2011, Plaza strengthened its first investment in the US real estate market by becoming the 22.7% owner of the shopping mall portfolio of EDT, with 47 out of 49 of the malls disposed of subsequent to the year end. The Company also successfully opened its 31st shopping mall in CEE.

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

Revenue for 2011 largely comprised rental income, management fees from operating malls and income derived from the Group's subsidiary, Fantasy Park, which provides gaming and entertainment services in active shopping centres, accounting for €7.1 million (2010: €7.4 million) during the year.

Revenue increased to €57 million (2010: €38 million) due to the higher number of owned and managed shopping centres operating over the entire course of the year and the additional income derived as a result of the Company's consolidated full year US acquisition activity. In addition, the portfolio experienced an increase in overall occupancy rates and a €8.1 million (2010: €4.6 million) uplift in the fair value of the Group's US investment properties also contributed to the increase.

The total cost of operation amounted to €74 million (2010: €28 million). The increase is largely attributable to the €48 million impairment charge recorded in connection with the value of trading properties, as compared to a charge of €6.7 million in the prior year. 73% of the write down was in respect of assets in Romania (€26.5 million), and in Latvia (€8.5 million). Cost of property operation and maintenance has also increased in line with growing rental activity from €14 million in 2010 to €19 million in 2011, which also takes into account the operation over a full year of the US portfolio. Other items have remained in the same level compared to the previous year.

Administrative expenses amounted to €19.5 million (2010: €18 million). The cost of non cash share-based payments increased to €3.7 million (2010: €2.5 million) being the principal factor behind the total increase. The cost of professional services has slightly increased to €4.3 million from €3.7 million in 2010. The other components have remained at the same level as of 2010.

Other income decreased to €1.7 million from €42.6 million with the prior year comparator reflecting that the vast majority of the accounting gain resulting from the EDT transaction was recognized in 2010.

Other expenses consist of the impairment of fixed assets.

Net finance income has increased to €65 million compared to net finance loss of €21 million in 2010. The change is caused by a number of factors including €79 million (2010: €60 million loss) of income attributed to the decrease in fair value debentures and related foreign exchange gains measured through the profit and loss account. This was partially offset by the loss upon the fair value of derivatives (mainly hedging instruments for the bonds issued in ILS and linked to the Israeli CPI).

Tax expenses represent a deferred tax liability recorded in connection with the fair value changes of the debentures measured through the profit and loss, and deferred taxes associated with the anticipated completion of the sale of 47 out 49 of the US portfolio of assets.

As a result of the above, the net profit for the year amounted to circa €13.9 million in 2011, compared to €14.2 million net profit in 2010. Net profit attributed to owners of the Company amounted to circa €9 million in 2011, compared to €10 million in 2010.

Basic and diluted earnings per share for 2011 and 2010 were both €0.03.

Balance sheet and cash flow

The balance sheet as at 31 December 2011 showed current assets of €1.01 billion compared to current assets of €1.06 billion at the end of 2010. This decrease was largely driven by the cash effect of bond repayments and buybacks and partially offset by an overall increase in the value of trading property as a result of the investment in our pipeline of development projects.

The Company's cash position deriving from cash, short term deposits, restricted cash deposits and available for sale financial assets decreased to €108 million (2010: €195 million), with the decrease reflecting the above mentioned bond repayments and buybacks. The gearing position remained conservative with debt comprising only 59% of balance sheet (31 December 2010: 56%).

Trade receivables have increased from €4 million to €5 million as a result of receivables from tenants in the US, as well as in the new operating shopping mall in Torun, Poland, in addition to the other centres already operational in 2010.

Derivatives assets recorded in 2010 (€53 million) as current and non-current assets (swap transactions to hedge interest rates and foreign exchange risks associated with NIS and PLN denominated bonds), were mostly settled during the course of 2011, they are measured at a liability of €3.6 million, and are presented as a non-current liability as at the year end.

The value of the investment property increased in 2011 due to the completion of the EDT acquisition, fair value increases and exchange rate gains.

Long term deposits and balances have remained at a similar level (2011: €51 million, 2010: €53 million) consisting mainly of investment in long term financial instruments.

Total bank borrowings (long and short term) amounted to €449 million (2010: €366 million). This increase is primarily the result of loans drawn down in respect of the shopping malls under construction, or completed during the course of 2011 (Koregaon Plaza in India, Torun Plaza in Poland and Kragujevac Plaza in Serbia).

Apart from bank financing, Plaza has on its balance sheet a liability of €252 million (with an adjusted par value of circa €310 million) from issuing debentures on the Tel Aviv Stock Exchange and to Polish institutional investors. These debentures are presented at their fair value with the exception of the debentures issued from August 2009 onward, which are presented at amortised cost. Plaza has substantially hedged the future expected payments in Polish Zloty to correlate with the Euro and the Euribor interest rate, using cross currency interest rate swaps, and, in the case of its currency risk exposure of its NIS denominated bonds, by selling call options to correlate with changes in the EUR/NIS rate. At 31 December, 2011 the aggregate liability associated with these hedging transactions amounted to circa €2.2 million. In 2011 the Company initiated a bond buyback programme, which, in addition to the bond of principal repayments and fair value changes, amounted to a €127 million decrease in liabilities from 2010.

Trade payables increased to €27 million (2010: €11 million), due to the completion of Torun Plaza in Poland in the latter part of 2011.

Non-controlling interest decreased to €8 million at 31 December 2011, as the Company's joint venture completed the takeover of EDT in the course of 2011.

At the 2011 year end, the net balance of the Plaza Group with its controlling shareholders is a liability of approximately €2.2 million, of which €0.4 million is due to a provision in respect of project management fees charged by the Control Centers group. These fees relate to the project supervision services granted in respect of the extensive schemes within the Group. The remaining net balance of €1.8 million includes a liability regarding charges from Elbit Imaging group companies to the Company.

Other current liabilities have increased in line with the higher number of malls that the Company owns and operates upon which payments in advance are collected.

In summary, Plaza's balance sheet reflects a strong level of liquidity, conservative gearing and substantial total equity of approximately €550 million. Liquidity will further improve with the expected proceeds to be received in respect of the sale of US portfolio. In addition, gross assets of over €1.3 billion and a debt to balance sheet ratio of circa 59%, provides the Company with a robust platform to strengthen its market position, develop its current portfolio and make opportunistic purchases of new projects in the best performing markets. During the coming year, Plaza will add further active shopping and entertainment centres, including Kragujevac and the full opening of Koregaon Park Plaza, resulting in an active portfolio of seven shopping and entertainment centres in the CEE region and India. The additional material income expected to be received from these new centres will further enhance Plaza's ability to produce strong levels of income and deliver future value enhancement.

Roy Linden
Chief Financial Officer
15 March 2012

Valuation Summary by Jones Lang LaSalle as at 31 December 2011 (in EUR)

Country	Project name	Market Value upon completion 31 December 2010	Market Value upon completion 31 December 2011	Market Value of the land and project 31 December 2010	Market Value of the land and project 31 December 2011
Hungary	Arena Plaza extension	64,270,000	69,838,000	9,100,000	8,700,000
	Dream Island	467,225,000	452,652,000	62,865,000	51,300,000
	David House	4,180,000	4,000,000	4,180,000	4,000,000
	Uj Udvar	3,045,000	3,010,000	3,045,000	3,010,000
Poland	Kielce Plaza	89,300,000	15,200,000	6,500,000	4,800,000
	Torun Plaza	100,000,000	121,200,000	25,000,000	121,200,000
	Suwalki Plaza	48,000,000	48,600,000	48,000,000	48,600,000
	Lodz (Resi)	252,600,000	n/a(*)	12,600,000	11,000,000
	Lodz Plaza	114,500,000	105,200,000	8,500,000	8,700,000
	Zgorzelec Plaza	24,000,000	21,400,000	24,000,000	21,400,000
	Leszno Plaza	5,800,000	n/a(*)	2,000,000	1,800,000
Czech Republic	Prague 3	156,700,000	138,090,000	16,180,000	14,180,000
	Liberec Plaza	33,710,000	31,600,000	33,710,000	31,600,000
	Roztoky	19,260,000	19,030,000	3,100,000	3,100,000
Romania	Miercurea Ciuc Plaza	26,800,000	20,127,000	14,580,000	7,700,000
	Timisoara Plaza	95,100,000	63,615,000	16,400,000	11,700,000
	Casa Radio Plaza	772,535,000	331,700,000	182,400,000	170,325,000
	Iasi Plaza	113,800,000	97,252,000	17,500,000	14,700,000
	Slatina Plaza	32,500,000	n/a(*)	2,020,000	1,900,000
	Palazzo Ducale	1,900,000	2,060,000	1,900,000	2,060,000
	Targu Mures Plaza	55,900,000	n/a(*)	6,070,000	6,400,000
	Constanta Plaza	19,900,000	14,427,000	11,250,000	10,500,000
	Hunedoara Plaza	26,000,000	n/a(*)	2,990,000	3,100,000
Latvia	Riga Plaza	50,500,000	42,150,000	50,500,000	42,150,000
Greece	Helios Plaza	125,900,000	106,400,000	34,300,000	25,000,000
India	Koregaon Park Plaza	89,990,000	78,800,000	59,425,000	68,000,000
	Kharadi Plaza	66,675,000	70,870,000	19,000,000	18,100,000
	Trivandrum Plaza	50,010,000	47,707,000	10,100,000	7,618,000
	Bangalore	153,200,000	178,665,000	49,090,000	40,077,000
	Chennai	219,145,000	169,145,000	20,965,000	21,069,000
	Kochi Island	155,013,000	n/a(*)	3,335,000	4,876,000
Bulgaria	Shumen Plaza	37,568,000	37,800,000	6,070,000	5,200,000
	Sofia Plaza Business centre	44,480,000	41,433,000	7,466,000	7,395,000
Serbia	Belgrade Plaza	162,400,000	142,700,000	24,800,000	21,700,000
	Sport Star Plaza	117,000,000	107,200,000	20,400,000	20,300,000
	Kragujevac Plaza	54,300,000	44,700,000	21,400,000	35,000,000
Total		**3,853,206,000**	**2,626,571,000**	**840,741,000**	**878,000,000**

(*) Assets were valued with the comparative sales price method, no value at completion was estimated

Notes

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

CONSOLIDATED INCOME STATEMENT IN '000 EUR

	Note	For the year ended December 31, 2011	2010
Revenues	13	57,074	37,641
Impairment losses - trading properties	5	(47,987)	(6,710)
Cost of operations	14	(25,798)	(20,853)
Gross profit (loss)		(16,711)	10,078
Administrative expenses (*)	15	(19,536)	(17,923)
Other income		1,692	42,603
Other expenses		(1,588)	(260)
Results from operating activities		(36,143)	34,498
Finance income	16	103,018	49,596
Finance costs	16	(37,672)	(70,773)
Net finance income (costs)		65,346	(21,177)
Share in loss of equity-accounted investee		(153)	(381)
Profit before income tax		29,050	12,940
Tax benefit (expense)	17	(15,186)	1,308
Profit for the year		13,864	14,248
Profit attributable to:			
Owners of the Company		9,346	10,273
Non-controlling interests		4,518	3,975
		13,864	14,248
Basic and diluted earnings per share (in EURO)	12	0.03	0.03

(*) Including non-cash expenses due to the share option plans in the amount of EUR 3.7 million (2010-EUR 2.5 million)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN '000 EUR

	Note	December 31, 2011	December 31, 2010
ASSETS			
Cash and cash equivalents	3	58,261	137,801
Restricted bank deposits		21,428	29,954
Short-term deposits		3,102	-
Available for sale financial assets		25,568	27,098
Trade receivables		5,432	4,064
Other receivables and prepayments	4	46,030	47,828
Derivatives		-	10,535
Trading properties	5	850,229	807,887
Total current assets		1,010,050	1,065,167
Long term deposits and other investments		51,330	52,559
Deferred tax assets		316	282
Derivatives		-	42,110
Property and equipment		9,026	11,361
Investment property	6	272,348	238,702
Restricted bank deposits		4,961	15,751
Other non-current assets		495	364
Total non-current assets		338,476	361,129
Total assets		1,348,526	1,426,296
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks	7	296,235	232,902
Debentures at fair value through profit or loss	9	32,930	48,318
Debentures at amortized cost	10	22,831	20,762
Trade payables		27,329	11,260
Related parties	8	2,228	3,758
Provisions		15,597	15,597
Other liabilities		27,464	19,474
Total current liabilities		424,614	352,071
Interest bearing loans from banks	7	152,387	133,514
Debentures at fair value through profit or loss	9	110,320	211,997
Debentures at amortized cost	10	86,052	97,979
Other liabilities		5,757	5,330
Derivatives		3,561	-
Deferred tax liabilities		15,673	956
Total non-current liabilities		373,750	449,776
Share capital	11	2,972	2,967
Translation reserve	11	(10,672)	8,074
Capital reserve due to transaction with Non-controlling interests		(19,342)	-
Other reserves	11	31,954	31,272
Share premium		261,773	261,773
Retained earnings		275,437	296,109
Total equity attributable to equity holders of the Company		542,122	600,195
Non-controlling interests		8,040	24,254
Total equity		550,162	624,449
Total equity and liabilities		1,348,526	1,426,296

March 14, 2012		
Date of approval of the financial statements	**Ran Shtarkman** **Director, President and Chief Executive Officer**	**Shimon Yitzchaki** **Director and Chairman of the Audit Committee**

CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR

	Note	For the year ended December 31, 2011	2010
Cash flows from operating activities			
Profit for the year		13,864	14,248
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment of equipment and other assets		2,517	2,243
Write-down of Trading properties	5	47,987	6,710
Change in fair value of investment property	6	(8,084)	(4,647)
Net finance costs (income)	16	(65,346)	21,177
Interest received		9,356	8,631
Interest paid		(45,233)	(28,234)
Equity-settled share-based payment transaction		3,658	2,540
Gain from a bargain purchase		(1,523)	(42,039)
Loss (gain) on sale of property and equipment		(4)	212
Share of loss in equity-accounted investees		153	381
Proceeds from disposal of trading property, net of cash disposed (for 2010 see appendix B)		712	965
Loss on sale of trading property		-	133
Tax expense (tax benefit)	17	15,186	(1,308)
		(26,757)	(18,988)
Changes in:			
Trade receivables		(1,298)	390
Other accounts receivables		(2,300)	9,881
Restricted cash		-	(9,030)
Advance payments on account of trading properties		-	(4,035)
Trading properties	5	(70,629)	(62,693)
Trade payables		543	(6,343)
Other liabilities, related parties and provisions		5,093	3,904
		(68,591)	(67,926)
Taxes paid		(58)	(121)
Net cash used in operating activities		(95,406)	(87,035)
Purchases of property, equipment and other assets		(380)	(466)
Purchase of Investment Property	6	(1,204)	-
Proceeds from sale of property and equipment		30	3,135
Capital expenditure on Investment properties	6	(2,438)	(1,168)
Acquisition of subsidiaries, net of cash acquired		-	(14,354)
Purchase of available for sale financial assets		(9,307)	(21,935)
Proceeds from sale of available for sale financial assets		9,051	10,195
Short and long term deposits, net		(3,213)	(33)
Net cash used in investing activities		(7,461)	(24,626)
Cash from financing activities			
Proceeds from bank loans and financial institutions	7	80,098	53,274
Proceeds from loans from partners		-	5,130
Proceeds from utilization and settlement of derivatives		39,331	9,259
Proceeds from selling options strategy		5,212	-
Acquisition of non-controlling interest		(40,370)	-
Repurchase of debentures at amortized cost		(29,966)	-
Dividends paid		(30,018)	-
Changes in restricted cash		17,694	-
Proceeds from issuance of long term debentures	10	62,895	77,968
Long term bank loans and debentures repaid		(80,742)	(18,694)
Net cash from financing activities		24,134	126,937
Effect of exchange rate fluctuations on cash held		(807)	(71)
Increase (decrease) in cash and cash equivalents during the year		(79,540)	15,205
Cash and cash equivalents at 1st of January		137,801	122,596
Cash and cash equivalents at 31st of December		**58,261**	**137,801**

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

	For the year ended December 31, 2011	2010
Appendix B - Disposal of Subsidiary		-
Other receivables	-	41
Trading properties	-	1,057
Net identifiable assets and liabilities disposed	-	1,098
Cash from sale of subsidiaries	-	965
Less - Cash and cash equivalents of subsidiaries disposed	-	-
	-	965

Selective Notes to the consolidated financial information in ‘000 EUR

NOTE 1 - STATEMENT OF COMPLIANCE

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

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, 2011 in accordance with the Netherlands civil code.

The consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2012.

NOTE 2 - BASIS OF PREPARATION

a. Basis of measurement

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

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

b. Functional and presentation currency

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

c. Use of estimates and judgments

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

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

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

NOTE 2 - BASIS OF PREPARATION (Cont.)

d. Changes in accounting policies

(i) Accounting for business combinations

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

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

Acquisitions on or after January 1, 2010.

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

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

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

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

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

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

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

Selective Notes to the consolidated financial information in ‘000 EUR

NOTE 2 - BASIS OF PREPARATION (Cont.)

Acquisitions prior to January 1, 2010

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

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

(ii) Accounting for acquisitions of non-controlling interests

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

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

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

(iii) Accounting for results of non-controlling interests

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

NOTE 3 - CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	Interest rate as of December 31, 2011	December 31, 2011	December 31, 2010
EURO (“EUR”) (1)	0%-4.25%	34,437	111,789
United States Dollar (USD)	0.25%-2.64%	9,944	14,587
Polish Zlotys (PLN)	Mainly 4.3%-4.9%	7,369	6,171
Indian Rupee (INR)	Mainly 7%	3,550	3,282
New Israeli Shekel (NIS)	Mainly 0%	1,028	541
Hungarian Forints (HUF)	Mainly 0%	640	422
Serbian Dinar (RSD)	Mainly 0%	628	23
Romanian Lei (RON)	Mainly 0%	253	285
Czech Crowns (CZK)	Mainly 0%	167	458
Latvian Lat (LVL)	Mainly 0%	182	226
in other currencies	Mainly 0%	63	17
Total		58,261	137,801

(1) As at December 31, 2011, cash in banks is deposited for periods up to 3 months. The Group has deposits in several commercial banks. Fixed deposits bear interest rates varying between 0.2% and 4.25%, while floating deposits bear interest rates as determined by various benchmarks (e.g. EURIBOR).

Selective Notes to the consolidated financial information in '000 EUR

NOTE 4 - OTHER RECEIVABLES AND PREPAYMENTS

	December 31, 2011	December 31, 2010
Advances for plot purchases (1)	29,828	33,090
VAT receivables (2)	6,125	3,323
Loans to partners in jointly controlled entities	2,930	3,379
Prepaid expenses	2,009	711
Accrued interest receivable	1,685	2,027
Advances to suppliers	1,252	3,028
Related parties	1,227	1,185
Others	974	1,085
	46,030	47,828

(1) As of December 31, 2011 and 2010, including mainly advance payments in the amount of EUR 28.3 million and EUR 31.8 million, respectively. For the purchase of plots in India, as part of the Joint venture with EI. Out of this amount, an amount of EUR 5 million (2010: EUR 4.8 million) is guaranteed by EI.

(2) As of December 31, 2011, VAT receivable is mainly due to projects in Poland (EUR 4 million) and Serbia (EUR 1 million).

NOTE 5 - TRADING PROPERTIES

	December 31, 2011	December 31, 2010
Balance as at 1 January	807,887	707,287
Acquisition and construction costs	84,827	74,111
Capitalized borrowing costs (1)	29,154	19,742
Write-down of trading properties (2)	(47,987)	(6,710)
Effect of movements in exchange rates	(23,652)	14,514
Trading properties disposed	-	(1,057)
Balance at 31 December (3)	850,229	807,887
Completed trading properties	202,769	146,626
Trading properties under construction	117,526	107,825
Trading properties under planning and design stage (3),(4)	529,934	553,436
Total	850,229	807,887

(1) Suspension of capitalizing borrowing costs - In certain cases, where the efforts to develop a project are significantly diminished due to lack of external finance, or problems in obtaining permits, the Company suspends the capitalization of borrowing costs to the relevant project.

(2) Write-down of trading properties to net realisable value was performed based on independent valuation reports. In the course of 2011 write-downs were recognized in respect of projects in Romania (EUR 26.5 million), Latvia (EUR 8.5 million), Poland (EUR 7 million), Bulgaria (EUR 3 million), the Czech Republic (EUR 2.5 million) and Greece (EUR 0.5 million).

(3) Including cost of Large scale projects (Bangalore in India, Casaradio in Romania and Dream Island in Hungary) in a total amount of EUR 230 million (2010 – EUR 225 million). The abovementioned projects are expected to generate an operating cycle closer to eight years comparing to other projects the Company holds.

(4) The value of the Casaradio project in Romania is including two gas turbines with a total book value of EUR 11 million.

Selective Notes to the consolidated financial information in '000 EUR

NOTE 5 - TRADING PROPERTIES (Cont.)

As of December 31, 2011, the Company has trading properties in Poland, Czech Republic, Latvia, India, Romania, Serbia, Bulgaria, Hungary and Greece. The properties are in various stages of development as shopping and entertainment centres, residential units, offices or mixed use.

As of December 31, 2011, a total carrying amount of EUR 377 million (December 31, 2010 – EUR 275 million) of the abovementioned trading property is pledged against bank loans.

As of December 31, 2011, trading properties include accumulated capitalization of share based payments in the amount of EUR 10.7 million (December 31, 2010 – EUR 10.5 million).

NOTE 6 - INVESTMENT PROPERTY

	December 31, 2011	December 31, 2010
Balance at 1 January	238,702	13,399
Capital expenditures on investment properties	2,438	1,168
Effect of movements in exchange rate	8,923	(24,776)
Acquisitions	14,201	256,477
Exclusion of MV LLC	-	(12,213)
Fair value revaluation	8,084	4,647
Balance at 31 December	272,348	238,702

Investment property in the United States

The below information relates to US Investment property which is held through a joint venture which acquired a large portfolio of shopping centres in June 2010 through business combination, which totalled EUR 259 million as of the date of 31 December 2011 (2010 comparative):

(i) Valuation basis

Fair value was assigned to investment properties as of December 31, 2011 based upon a purchase price offer presented to and accepted by EPN Group from a third-party received in January 2012 for 40 properties owned by REIT I and seven properties owned by REIT II.

Internal valuations were performed by EPN Group on two properties which were not included in the proposed purchase price with an assessed fair value of USD 43 million at 31 December 2011.

(ii) Non-current assets pledged as security

All Investment properties held in the US are pledged as security to loans provided by financial institutions, which totalled EUR 181 million, as of December 31, 2011.

Selective Notes to the consolidated financial information in ‘000 EUR

NOTE 6 - INVESTMENT PROPERTY (Cont.)

(iii) Leasing arrangements

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

	December 31, 2011	December 31, 2010
Minimum lease payments under non-cancellable operating lease of investment properties not recognized in the financial statements are receivable as follows:		
Within One year	19,728	17,066
More than one year up to five years	51,266	48,154
More than five years	24,206	22,026
Balance at 31 December	95,200	87,246

Investment property in the Czech Republic

The Company has one logistic building in Prague that is leased to third parties. Generally, leases contain an initial period of 6 months to 2 years.

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

The yield used for fair value valuation was 7.3% for both 2011 and 2010, and the value determined was EUR 13.6 million for both 2011 and 2010.

NOTE 7 - INTEREST BEARING LOANS FROM BANKS

This note provides information about the contractual terms of the Group’s interest-bearing loans and borrowings, which are measured at amortised cost. All interest bearing loans from banks are secured. Terms and conditions of outstanding loans were as follows:

	December 31, 2011	December 31, 2010
Non-current loans		
Investment property secured bank loans	140,335	130,601
Other secured bank loans	12,052	2,913
	152,387	133,514
Current loans (including current maturities of long term loans)		
Trading properties secured bank loans	227,624	170,546
Investment property secured bank loans	22,402	17,904
Other secured bank loans	46,209	44,452
	296,235	232,902

Selective Notes to the consolidated financial information in ‘000 EUR

NOTE 7 - INTEREST BEARING LOANS FROM BANKS (cont.)

(1) Secured bank loans taken in respect of structured deposits. These loans were extended for a period of 3 months and 1 year, respectively in February 2012. 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 formula which includes, among other parameters, 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 9.8 million in respect to both structures.

(2) On January 10, 2012, USD 85 million investment property secured loan (Company part is EUR 14.7 million), which matured on January 11, 2012, was refinanced with a new USD 85 million loan secured by the same investment properties. The loan bears interest at LIBOR+1% per annum and has a scheduled maturity date of March 30, 2012. On February 1, 2012, the loan was extended based upon delivery of the binding sales contract. US group Companies have guaranteed the loan and DDR Macquarie Longhorn Holdings LLC has pledged its membership interests to the lender.

NOTE 8 - RELATED PARTIES

	Currency	December 31, 2011	December 31, 2010
EI Group- ultimate parent company – expenses recharged	EUR, USD	1,389	1,803
Other related parties (*)	EUR	452	404
Former vice chairman of EI	INR	-	1,164
EUL (parent company)	EUR, USD	387	387
		2,228	3,758

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

Transactions with related parties are priced at an arm’s length basis.

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

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

	Series A debentures			Series B debentures		
	Fair value	CPI adjusted	Par value	Fair value	CPI adjusted	Par value
January 1, 2011 (NIS)	310,514	303,760	266,994	922,834	880,381	797,957
Repayment 2011 (NIS) (*)			(38,142)			(159,591)
December 31, 2011 (NIS)	170,839	266,986	228,852	536,547	722,212	638,366
January 1, 2011 (EUR)	65.538	64,113	56,353	194,777	185,817	168,420
December 31, 2011 (EUR)	34,596	54,067	46,344	108,654	146,253	129,274

(*) One seventh of Series A bond was repaid at December 30, 2011 and one fifth of debentures Series B was repaid at July 1, 2011

NOTE 9 - LONG TERM DEBENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS (cont.)

Both debentures series are rated (effective March 2012) ilBBB+ by S&P Maalot Ltd. on a local scale and ilA3/Negative by Midroog Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service ("Midroog"). Debentures series A bears an annual interest (paid semi-annually) rate of 4.5% with 8 annual equal principal instalments between December 2010 and 2017. Debentures series B bears an annual interest rate (paid semi-annually) of 5.4% with 5 annual equal principal instalments between July 2011 and 2015.

NOTE 10 - LONG TERM DEBENTURES AT AMORTISED COST

Bonds issuance in Israel

	Series A debentures	Series B debentures			
	Par value	Par value	Total	CPI adjusted	CPI adjusted
	TNIS	**TNIS**	**TNIS**	**TNIS**	**TEUR**
January 1, 2011 (NIS) (1)	-	452,217	452,217	498,909	105,302
Issued in 2011 (2)	86,429	181,020	267,449		
Repayment (3)	(9,042)	(125,227))	(134,269)		
Buyback programme	(25,235)	(142,854)	(168,089)		
December 31, 2011	52,152	365,156	417,308	473,959	95,980(4)

(1) Issued in the course of 2009 through 2010.

(2) In January 2011, following the public offering in Israel of unsecured nonconvertible Series A and B debentures, pursuant to the Company's prospectus, it was agreed with Israeli Investors to issue an additional principal amount of approximately NIS 86 million (approximately EUR 19 million) in principal amount of Series A Debentures for an aggregate consideration of approximately NIS 99 million (approximately EUR 21 million), and an additional principal amount of approximately NIS 181 million (approximately EUR 39 million) in principal amount of Series B Debentures for an aggregate consideration of approximately NIS 201 million (approximately EUR 44 million) by way of a private placement. The purpose of the issuance is purported to refinance debt principal. For credit rating refer to note 9. The terms of all Additional Debentures are identical to the terms of the Series A and B Debentures issued under the Company's prospectus dated July 2007 and February 2008, respectively (refer to note 9).

(3) One seventh of Series A bond was repaid at December 30, 2011 and one fifth of Series B debentures was repaid at July 1, 2011

(4) Before offset of unamortized cost of raising debentures in the amount of EUR 0.6 million.

Bonds issuance in Poland

On November 16, 2010, the Company completed the first tranche of a bond offering to Polish institutional investors. The Company raised a total of PLN 60 million (approximately EUR 15.2 million). The unsecured bearer bonds governed by Polish law (the "Bonds") have a three year maturity and will bear interest rate of six months Wibor plus 4.5%. Interest is paid every six months and principal after three years. As of December 31, 2011, the amortized cost is EUR 13.4 million (December 31, 2010- EUR 14.9 million).

Selective Notes to the consolidated financial information in '000 EUR

NOTE 11 - EQUITY

	Remarks	December 31, 2011	December 31, 2010
		Number of shares	
Authorized 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		296,722,129	294,195,700
Exercise of share options	See (a) below	452,386	2,526,429
At the end of the year		297,174,515	296,722,129

a. In the course of 2010, 3,954,541 vested options were exercised into 2,526,429 shares of EUR 0.01. In the course of 2011, 951,564 vested options were exercised into 452,386 shares of EUR 0.01.

Other Capital reserve due to share option plans

Capital reserve is in respect of Employee Share Option Plans in the total amount of EUR 33,470 as of December 31, 2011 (2010 – EUR 31,029).

Translation reserve

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

Dividend policy

The payment of dividends is dependent on the financial performance and condition of the Group, the Company's financial position and the capital and anticipated working capital requirements of the Group. The distribution of dividend is based upon the statutory report's distributable results and retained earnings of the Company itself. Subject to mandatory provisions of Dutch laws, and the agreement reached with bond holders, 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.

NOTE 12 - EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of EUR 9,346 thousand (2010: profit of EUR 10,273 thousand) and a weighted average number of ordinary shares outstanding of 296,995 thousand (2010: 296,454 thousand).

Weighted average number of ordinary shares

In thousands of shares with a EUR 0.01 par value	**December 31,**	
	2011	**2010**
Issued ordinary shares at 1 January	296,722	294,196
Share based payment - exercise of options	273	2,258
Weighted average number of ordinary shares at 31 December	296,995	296,454

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,**	
	2011	**2010**
Weighted average number of ordinary shares (basic)	296,995	296,454
Effect of share options on issue	4,521	15,287
Weighted average number of ordinary shares (diluted) at 31 December	301,516	311,741

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 13 - REVENUES

	For the year ended December 31,	
	2011	2010
Rental income from tenants (1)	35,523	20,576
Adjustment to fair value of investment property	8,084	4,647
Operation of entertainment centres (2)	7,121	7,442
Management fees	4,859	2,861
Revenue from selling trading properties (3)	712	924
Other	775	1,191
Total	**57,074**	**37,641**

(1) Rental income relates either to revenues from investment properties the Company holds in a total amount of EUR 26.4 million (2010 – EUR 13.4 million), or from the trading properties the Company holds in a total amount of EUR 9.1 million (2010 – EUR 7.2 million). As of the end of the reporting period, the main rental income is derived from projects in the US, Latvia, Poland and the Czech Republic.

(2) Revenue from operation of entertainment centres is attributed to special subsidiary of the Company trading as “Fantasy Park” which provides gaming and entertainment services in active shopping centres. As of December 31, 2011, these subsidiaries operate in 13 shopping centres.

(3) Revenue from selling trading properties in 2011 is due to selling residential units in Romania.

Selective Notes to the consolidated financial information in '000 EUR

NOTE 14 - COST OF OPERATIONS

	For the year ended December 31, 2011	2010
Direct expenses:		
Property operations and maintenance (*)	19,159	13,589
Cost of sold trading properties	603	1,057
Salaries and related expenses	1,877	1,899
Initiation costs	713	812
Doubtful debts	-	120
Local taxes	1,391	1,438
	23,743	18,915
Other operating expenses	1,630	1,623
	25,373	20,538
Depreciation and amortization	425	315
	25,798	20,853

(*) 2011 - Includes EUR 7.2 million of energy related expenses, EUR 9.9 million due to other utilities expenses, and EUR 2.1 due to rent expenses of Fantasy Park. 2010 – Includes EUR 5.4 million of energy related expenses, EUR 6.1 million due to other utilities expenses, and EUR 2.1 due to rent charged to Fantasy Park subsidiaries.

Total cost of revenues resulting from investment properties the Company holds totalled EUR 11 million (2010 – EUR 5.6 million).

NOTE 15 - ADMINISTRATIVE EXPENSES

	For the year ended December 31, 2011	2010
Selling and marketing expenses		
Advertising and marketing	1,423	1,665
Salaries and relating expenses	971	941
Others	41	36
	2,435	2,642
General and administrative expenses		
Salaries and related expenses (1)	9,152	7,661
Depreciation and amortization	630	1,086
Professional services	4,317	3,721
Travelling and accommodation	1,077	968
Offices and office rent	1,038	1,077
Others	887	768
	17,101	15,281
Total	**19,536**	**17,923**

General and administrative

Including non-cash expenses due to the share option plan in the amount of EUR 3.7 million (2010- EUR 2.5 million)

Selective Notes to the consolidated financial information in ‘000 EUR

NOTE 16 - NET FINANCE INCOME (COSTS)

	For the year ended December 31,	
Recognized in profit or loss	2011	2010
Changes in debentures measured at fair value through profit or loss (*)	59,891	-
Gain from bonds buyback programme	7,879	-
Interest income on bank deposits	3,003	2,197
Finance income from available for sale financial assets	2,017	2,103
Interest income on structured deposits	5,221	5,162
Finance income from selling option strategy, net	5,212	-
Foreign exchange gain on debentures	19,418	-
Changes in fair value of derivatives	-	37,308
Interest from loans to related parties	377	136
Changes in fair value of structured deposit	-	1,065
Foreign exchange gains on deposits, bank loans	-	456
Other interest income	-	1,169
Finance income	**103,018**	**49,596**
Interest expense on bank loans and debentures (including CPI)	(44,598)	(27,540)
Changes in fair value of derivatives	(16,622)	-
Interest expenses on loan on structures	(635)	(462)
Changes in debentures measured at fair value through profit or loss (*)	-	(50,112)
Foreign exchange losses on debentures at amortized cost	-	(10,366)
Changes in fair value of structured deposit	(1,320)	-
Foreign exchange losses on bank deposits, bank loans	(3,140)	(742)
Other finance expenses	(511)	(1,293)
	(66,826)	(90,515)
Less- borrowing costs capitalized to trading properties under development	29,154	19,742
Finance costs	**(37,672)**	**(70,773)**
Net finance income (expenses)	**65,346**	**(21,177)**

(*) The change in fair value includes a total of EUR 97 million (2010 – EUR 10.6 million) attributable to the credit risk of the Company

Selective Notes to the consolidated financial information in '000 EUR

NOTE 17 - TAX EXPENSE

	For the year ended December 31, 2011	For the year ended December 31, 2010
Current tax	57	(143)
Deferred tax	15,129	(1,261)
Prior year's taxes	-	96
Total	**15,186**	**(1,308)**

Deferred tax expense (tax benefit)

	For the year ended December 31, 2011	For the year ended December 31, 2010
Origination and reversal of temporary differences	20,055	381
Recognition of previously unrecognized tax losses	(4,926)	(1,642)
	15,129	(1,261)

Reconciliation of effective tax rate:

	%	**For the year ended December 31, 2011**	**2010**
Dutch statutory income tax rate		25.5%	25%
Profit before income taxes		29,050	12,940
Tax at the Dutch statutory income tax rate	25.5%	7,408	3,235
Recognition of previously unrecognized tax losses	-17.4%	(5,063)	(1,642)
Effect of tax rates in foreign jurisdictions	25.6%	7,434	9,197
Deferred taxes not provided for losses.	30.2%	8,775	8,428
Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes	-17.8%	(5,173)	(4,557)
Non deductible expenses (tax exempt income) (*)	6.2%	1,805	(15,873)
Prior years taxes	-	-	(96)
Tax Expense (Tax benefit)	**52.3%**	**15,186**	**(1,308)**

(*) – In 2010 – Relates mainly to non taxable profit is attributable mainly to gain from bargain purchase in the US.

NOTE 17 - TAX EXPENSE (Cont.)

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

The Netherlands

a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25.5% (25% prior to the year 2011). The first EUR 200,000 of profits is taxed at a rate of 20%. Tax losses may be carried back for one year and carried forward for nine years. As part of the measures to combat the consequences of the economic crisis, taxpayers can elect for an extension of the loss carry back period to three years (instead of one year). The election is only available for losses suffered in the taxable years 2009, 2010 and 2011. If a taxpayer makes use of the election, two additional limitations apply: (i) the loss carry forward period for the taxable years 2009, 2010 and/or 2011 will be limited to a maximum of six years (instead of nine years); and (ii) the maximum amount of loss that can be carried back to the second and third year preceding the taxable year will be limited to EUR 10 million per year. The amount of loss that can be carried back to the year directly preceding the taxable year for which the election is made will remain unrestricted.

b. Under the participation exemption rules, income (including dividends and capital gains) derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non resident investee companies, is exempt from Netherlands corporate income tax provided the conditions as set under these rules have been satisfied. Such conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy at least one of the following tests:

- Motive Test, the investee company is not held as passive investment;

- Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);

- Asset Test, the investee company owns (directly and indirectly) less than 50% low taxed passive assets.

USA

The US federal corporate income tax rate is 35%. Some states may also impose corporate income taxes, which vary from zero to approximately 12%, resulting in an effective corporate tax rate of generally around 40%. The federal tax rate on corporate capital gains is the same as that of ordinary income. The statutory withholding tax rate on US sourced income is generally 30%, which may be lowered under a relevant tax treaty.

NOTE 17 - TAX EXPENSE (Cont.)

India

The corporate income tax rate applicable to the taxable income of an Indian Company is 33.2175% (Including surcharge of 7.5% and cess of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million). Minimum alternate tax (MAT) of 19.93% (Including surcharge of 7.5% and cess of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million) is applicable in case a Company has book profits. Book profits are computed in accordance with relevant provisions of the Indian Income Tax Act. The final tax payable is higher of the MAT liability or corporate income tax payable. If taxes are paid under MAT, then credit to the extent of MAT paid over corporate income tax is available (MAT credit). MAT Credit can be availed, if the company has future taxable profits in the following ten years. Capital gains on transfer of capital assets (on which tax depreciation has not been claimed) are taxed at the rate of 22.145% (Including surcharge of 7.5% and cess of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million) provided that they were held for more than 36 months immediately preceding the date of the transfer or 33.2175% (Including surcharge of 7.5% and cess of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million) if they were held for less than 36 months. Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 16.61% (Including surcharge of 7.5% and cess of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million). There is no withholding tax on dividends distributed by an Indian company and no additional taxes need to be paid by the Shareholder. Business losses can be offset against profits and gains on any business or profession for a period of eight years from the incurrence year's end. There is no limit for carry forward unabsorbed depreciation.

Cyprus

The taxation of companies incorporated in Cyprus is based on tax residence and all companies are taxed under corporation tax at the rate of 10%. Dividend income paid from overseas subsidiaries that earn more than 50% of their income from trading activities 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. Defence tax at 17% 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 defence tax is paid by the company for the account of the shareholders. Non- Cyprus tax resident shareholders are exempt from this taxation.