

24 August 2011

**PLAZA CENTERS N.V.**

**RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**Plaza reports strong progress with US expansion following conclusion of offer for US\$1.4 billion EDT and ongoing activity on development and operational assets**

**- Substantial growth achieved in revenue and profit -**

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading property developer and investor with operations in Central and Eastern Europe ("CEE"), India and the USA, today announces its results for the six months ended 30 June 2011.

**Financial highlights:**

- Total assets of €1.48 billion (31 December 2010: €1.43 billion)
- Strong increase in gross revenues (from operation of real estate assets and revaluation of investment property) of €28.6 million (30 June 2010: €9.5 million). No disposals were made during the reporting period
- Net profit attributable to equity holders of the Company of €28.6 million (30 June 2010: profit of €25.9 million) owing to increased rental income (US and CEE) and net finance income
- Basic and diluted earnings of €0.10 and €0.09 per share, (30 June 2010: basic and diluted earnings per share of €0.09 and €0.08 respectively)
- Short term cash position (including restricted deposits and marketable securities) of €230 million (31 December 2010: €195 million) and working capital of €750 million (31 December 2010: €713 million); current cash position of circa €140 million
- Issuance of additional Series A and B bonds in January 2011 for an aggregate consideration of approximately NIS 300 million (approximately €65 million) by way of a private placement
- Gearing position remains stable with debt comprising 57% of total assets (31 Dec 2010: 56%), with the majority of debt maturing between 2012 and 2015, the vast majority of which is non-recourse to the Group.

**Offer for EDT**

- On 10 March 2011, EPN GP, LLC ("EPN"), Plaza's joint US subsidiary made an off-market takeover bid to acquire all of the outstanding units of EDT Retail Trust ("EDT"), an Australian listed trust which owns a

US\$1.4 billion retail property portfolio. EPN's unconditional offer was to buy all outstanding units of EDT that EPN's affiliate did not already own (approximately 52%) for AUS\$0.078 cash per EDT unit

- On 12 May, 2011 the offer was extended and the price increased to AUS\$0.09 per unit
- The offer concluded on 18 July 2011, resulting in EPN holding a 96.4% interest in EDT
- Subsequently, on 26 July 2011 EPN announced a compulsory acquisition of all outstanding units under the terms of extended offer. As a result, EDT units are expected to be de-listed from the Australian Stock Exchange in the coming weeks.

### **Operational highlights**

- Development finance secured for Plaza's 10th retail scheme in Poland, the 40,000 sqm gross lettable area ("GLA") Torun Plaza. Construction remains on schedule for completion in Q4 2011. The centre is 78% pre-let
- Completion of Plaza's first retail scheme in Serbia, Kragujevac Plaza, expected in Q1 2012. The 22,000 sqm GLA centre, is already 75% pre-let
- Along with its 50:50 Indian joint venture partner, Plaza is expected to complete construction of the first phase of the Kharadi project in Pune, India by the end of the year. Plaza has pre-sold over 70% of the saleable area
- Koregaon Park Plaza shopping and entertainment centre scheme in Pune, India is already approximately 71% pre-let with memoranda of understanding signed for a further 12% of the space. Completion of the 48,000 sqm GBA (excluding parking) shopping and entertainment centre is expected in Q4 2011.

### **Commenting on the results, Ran Shtarkman, President and Chief Executive Officer of Plaza Centers N.V, said:**

"During the period we reached a major milestone with regard to our expansion plans in the US, with the completion of our offer for EDT. We now have exposure to a high quality portfolio of assets in the US, which will deliver a robust income stream for Plaza as well as the potential for future capital gains over the longer term. We have also made strong progress with our four ongoing development projects, having seen good activity with regard to new lettings and look forward to opening our projects in Torun in Poland and our first shopping centre in India, at Koregaon Park, Pune and the Kharadi office complex (also in Pune) later this year.

"In addition, we have seen encouraging signs in the investment market, with transactional activity higher, particularly in the last six months, showing evidence of yield improvement. This bodes well for our portfolio of operating shopping centres, which we continue to actively manage.

"Our balance sheet remains strong as we continue prudently to manage our business, and our high cash balance and moderate gearing ensure we are well positioned to continue to invest in our target markets. Whilst

we are mindful of the ongoing turbulence in the market, we are confident that we are well positioned to deliver value for our shareholders.”

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**Notes to Editors**

Plaza Centers N.V. ([www.plazacenters.com](http://www.plazacenters.com)) a leading property developer and investor with a significant presence across Central and Eastern Europe as well as operations in 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. ("EIL"), 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 15 years.

## **CHIEF EXECUTIVE'S STATEMENT**

We are pleased to report excellent progress with our expansion plan in the US, as well as ongoing activity on the development pipeline, whilst ensuring we efficiently and professionally manage our income producing portfolio of operational assets.

### **Key Events**

Plaza, through its joint US subsidiary, EPN, made an off-market takeover bid to acquire all of the outstanding units of EDT Retail Trust on 10 March 2011. The unconditional offer was to buy all outstanding units of EDT that EPN's affiliate did not already own (approximately 52%), for AUS\$ 0.078 cash per EDT unit. On 12 May, EPN increased the offer price to AUS\$0.09 per unit. At the closing of the offer, EPN increased its interest in EDT from approximately 47.8% to approximately 96.4%. EPN is now proceeding with a compulsory acquisition of the remaining EDT units, under the terms of the offer, which we expect to complete in the next few weeks.

Following this, EPN will become the holder of 100% of the outstanding units of EDT. The total cost for the additional 52.2% interest purchased and/or to be purchased in EDT totals US\$242 million, of which Plaza's share is approximately US\$57 million.

Plaza and Elbit Imaging Ltd. (NASDAQ: EMITF), through a 50:50 jointly controlled entity, have a circa 45.5% stake in EPN. With the transaction now complete, Plaza has a significant exposure to the US retail market, with the 48 retail assets covering 10.9 million square feet (circa 1.02 million sqm) generating over US\$100 million of net operating income per annum.

In addition to the US\$57 million investment into EDT, the Company has invested a total of €39 million into its development pipeline. This has principally comprised ongoing investment into its active developments at Torun in Poland, Koregaon Park and Kharadi in India and Kragujevac in Serbia.

In January 2011, the Company issued additional Series A and B bonds for an aggregate consideration of approximately NIS 300 million (approximately €65 million) by way of a private placement.

Due to a change in market conditions of the publicly traded bonds, in May 2011 the Board approved a bond buy-back programme of up to NIS 150 million (€30.2 million), which is being undertaken on an opportunistic basis in the open market on the Tel-Aviv Stock Exchange, or in privately negotiated transactions, or in a combination of the two.

## **Results**

Plaza delivered a net profit attributable to equity holders of the Company for the first six months of the year of €28.6 million, mainly as a result of increased income derived from its CEE and US operating portfolio and net financial income on the traded debt instruments (and related hedges) issued by the Company. Basic and diluted earnings were €0.11 and €0.10 per share, (30 June 2010: basic and diluted earnings per share of €0.09 and €0.08 respectively).

The Company is in a robust financial position to enable it to continue its core acquisition and targeted development programmes. As at 30 June 2011, working capital amounted to €750 million compared to €713 million at 31 December 2010. The short term cash position (including restricted deposits and marketable securities) was €230 million (31 December 2010: €195 million) and the current cash position totals circa €140 million.

The Company's debt position remained stable with debt comprising 57% of total assets (31 Dec 2010: 56%), with the majority of debt maturing between 2012 and 2015. Further development finance was secured during the period for Plaza's 10th retail scheme in Poland, the 40,000 sqm gross lettable area ("GLA") Torun Plaza. The vast majority of Plaza's overall bank debt is non-recourse.

## **NAV**

In line with previous half yearly results, Plaza's property portfolio is revalued at the end of every financial year and therefore no update on NAV is provided at the half year.

## **Strategy**

The Company has been focusing on three key strategic aims over the last six months, namely to continue our expansion plans in the US, with the completion of the offer for EDT; progress our targeted development programme; and actively manage our investment portfolio of four shopping centres.

Plaza identified a significant opportunity to invest in the US retail markets back in 2009. Driven by prevailing economic conditions in the region, the pricing dislocation in the market presented the opportunity for well financed companies with strong retail management skills to source attractive acquisitions of investment assets. With Plaza's experienced in-house team, combined with strong local partners, the Company has secured a number of compelling opportunities. Whilst the assets acquired to date are geographically diverse, opportunities are there to create value through debt restructuring, redevelopment and refurbishments and undertaking leasing activity.

Plaza has undertaken two acquisitions in the US through its JV partnership, EPN, comprising a portfolio of seven shopping centres (later reduced to five) from certain affiliates of Charter Hall Retail REIT and the completion of the offer for EDT, which owns a portfolio of 48 assets covering 10.9 million square feet (circa 1.02 million sqm). Plaza will work with its JV partners, who comprise experienced retail and local experts, to maximise the value of the portfolio. The joint venture is monitoring the market for further suitable acquisition opportunities.

Our targeted development programme comprises four projects, with one located in Poland, one in Serbia and two in India. Having secured financing on each project some time ago, construction is well advanced on all developments and we expect to deliver two shopping centres and one office building by the end of 2011 and a further retail asset in early 2012. Therefore, by the beginning of 2012, Plaza will have seven operational active shopping and entertainment centres in the CEE and India, in addition to our major stake in the 48 US shopping centres portfolio.

Each of our schemes that we expect to deliver over the next six months benefit from strong locations in markets where we believe there is a shortage of quality space. This is reflected in the strong level of pre-lets we have in place to date and we expect letting momentum on each project to continue until they each open and thereafter.

We continue to evaluate our extensive development pipeline, which we believe will offer considerable opportunities in the future. However, in the short term, we remain cautious over starting new projects, given the economic uncertainties of many of the territories in which we operate and the ongoing restricted availability of development finance.

We continue to actively manage our existing investment property portfolio, which comprises two shopping centres in Poland, one in the Czech Republic and one in Latvia. Attracting new tenants to these shopping centres remains the key priority and, given our excellent track record and strong relationships with retailers, we are well placed to deliver this.

## Portfolio progress

The Company currently has 36 assets and projects under development, located across the Central and Eastern European region and in India, in addition to its investments in the US. The location of the assets under development, operating assets, as well as office buildings, is summarised as follows:

Location	Number of assets		
	Operating shopping centres	Under development	Offices
Romania	-	8	1
India	-	6	-
Poland	2	5	-

Czech Republic	1	2	-
Hungary	-	3	1
Serbia	-	3	-
Bulgaria	-	2	-
Greece	-	1	-
Latvia	1	-	-
<b>Total</b>	<b>4</b>	<b>30</b>	<b>2</b>

Plaza has invested a total of €39 million in acquisitions and investments during the year to date. Aside from activity undertaken in the US, the Company did not make any acquisitions during the period.

The Company's current assets and 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 2012-2013; completion scheduled for 2013-2014
Dream Island (Obuda)	Budapest, Hungary	Major business and leisure resort	350,000 (GBA) (for rent and sale)	43.5	Initial excavation and archaeological works commenced; Staged completion scheduled for 2014-2016. Exclusive casino licence obtained
Uj Udvar	Budapest, Hungary	Retail and entertainment scheme	16,000	35	Operating, currently working on refurbishment plans, Building permit expected to be granted by year end
David House	Budapest, Hungary	Office	2,000	100	Operational office
Suwalki Plaza	Suwalki, Poland	Retail and entertainment scheme	20,000	100	Operating, opened in May 2010
Lodz	Lodz, Poland	Residential scheme	80,000 (GBA)	100	Under planning
Lodz Plaza	Lodz, Poland	Retail and entertainment scheme	45,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Zgorzelec Plaza	Zgorzelec, Poland	Retail and entertainment scheme	13,000	100	Operating, opened in March 2010
Torun Plaza	Torun, Poland	Retail and entertainment scheme	40,000	100	Construction commenced in Q3 2010; completion scheduled for Q4 2011
Kielce Plaza	Kielce, Poland	Retail and entertainment scheme	33,000	100	Construction scheduled to

					commence in 2012; completion scheduled for 2014
Leszno Plaza	Leszno, Poland	Retail and entertainment scheme	16,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Prague 3	Prague, Czech 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, Czech Rep.	Retail and entertainment scheme	17,000	100	Operating, opened in March 2009
Roztoky	Prague, Czech Rep.	Residential units	14,000 (GBA)	100	Building permit has been obtained. Construction scheduled to commence in 2012; completion scheduled for 2013 - 2014
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	600,000 (GBA including parking)	75	Initial construction commenced in 2007, completion scheduled for 2013-2015; approval from the Urban Technical Commission has been obtained
Timisoara Plaza	Timisoara, Romania	Retail and entertainment scheme	38,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013-2014
Csiki Plaza	Miercurea Ciuc, Romania	Retail and entertainment scheme	14,000	100	Initial construction commenced in late 2008; awaiting external financing for completion
Iasi Plaza	Iasi, Romania	Retail, entertainment and office scheme	62,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014
Slatina Plaza	Slatina, Romania	Retail and entertainment scheme	17,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Hunedoara Plaza	Hunedoara, Romania	Retail and entertainment scheme	13,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Targu Mures	Targu	Retail and	30,000	100	Construction

Plaza	Mures, Romania	entertainment scheme			scheduled to commence in 2012; completion scheduled for 2013
Constanta Plaza	Constanta, Romania	Retail and entertainment scheme	18,000	100	Construction scheduled to commence in 2012; completion scheduled for 2013
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational
Belgrade Plaza	Belgrade, Serbia	Shopping gallery, aparthotel and business centre	70,000 (GBA)	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Sport Star Plaza	Belgrade, Serbia	Retail and entertainment scheme	40,000	100	Construction scheduled to commence in 2012; completion scheduled for 2014
Kragujevac Plaza	Kragujevac, Serbia	Retail and entertainment scheme	22,000	100	Construction commenced in Q4 2010; completion scheduled for Q1 2012
Shumen Plaza	Shumen, Bulgaria	Retail and entertainment scheme	20,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014
Sofia Plaza Business Center	Sofia, Bulgaria	Retail, entertainment and office scheme	44,000	51	Currently under negotiation to be let to 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 2012; completion scheduled for 2014
Koregaon Park	Pune, India	Retail, entertainment and office scheme	110,000 (GBA)	100	Construction commenced in late 2007; expected mall completion in Q4 2011
Kharadi	Pune, India	Office Scheme	165,000 (GBA)	50	Construction commenced in late 2010; expected completion in 2011-2014
Trivandrum	Trivandrum, India	Residential Scheme	121,000 (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 2012; completion scheduled for 2013-2017

Chennai	Chennai, India	Mixed-use of high quality villas and high rise residential buildings with local retail facility	800,000 (GBA)	38	Under planning; construction scheduled to commence in 2012; completion scheduled for 2013-2017
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 activities by country are as follows:

#### *Hungary*

Plaza has a land use right title to a 20,000 sqm plot of land which will serve as an office extension next to the previously built Arena Plaza. The extension will comprise an office complex with approximately 40,000 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 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 and is intended to be completed in phases between 2014-2016.

In September 2007 Plaza bought a 35% stake in the Uj Udvar shopping centre in Budapest, Hungary. The shopping centre is currently operational and Plaza and its JV partners 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 the end of 2011.

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

#### *Poland*

Plaza continues to actively manage its two shopping and entertainment centres which it opened last year. Suwalki Plaza comprises approximately 20,000 sqm of GLA and was Plaza's 30<sup>th</sup> completed shopping centre in the CEE region and is currently 83% let. Zgorzelec Plaza, comprising approximately 13,000 sqm of GLA, is currently 75% let to major tenants including H&M, Douglas, KappAhl and Fantasy Park entertainment area.

Construction of Torun Plaza (comprising approximately 40,000 sqm of GLA) commenced in Q3 2010. Bank financing was secured for 70% of the expected development cost and completion is expected in Q4 2011. The development is already circa 78% pre-let, and major tenants include, H&M, Zara Cinema City, Delima, KappAhl, Camaieu, Orsay, Rossmann, New Yorker and Douglas.

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 app. 80,000 sqm GBA) and Lodz Plaza (comprising approximately 45,000 sqm of GLA).

#### *Czech Republic*

Plaza continues own hold Liberec Plaza shopping and entertainment centre (approximately 17,000 sqm GLA), which was opened in March 2009. Plaza has agreed lettings totalling 74% of the centre's GLA to tenants including Billa, Gate, Dracik, Schleker, Triumph, Sephora and Fantasy Park, as well as Dino Park which is expected to open in December this year.

Plaza has continued the feasibility and planning studies for its residential developments at Roztoky (14,000 sqm GBA) 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 2013.

At Miercurea Ciuc (14,000 sqm GLA), as with any of Plaza's developments, Plaza will only proceed further if development finance is secured.

The Company continues the feasibility and planning phases of its development schemes in Timisoara, Iasi, Slatina, Hunedoara and Targu Mures. Timisoara and Iasi are in the design and planning stage and construction is scheduled to commence on projects in 2012 and 2013, with completion expected in 2013-2014 and 2014 respectively. In Slatina, the detailed design has been agreed, the majority of permits secured and construction is due to commence in 2012, subject to financing. Once financing is secured, the development will be delivered in

two years. Hunedoara and Targu Mures are in the preliminary design phase and scheduled for completion in 2013.

During 2009, the Group completed the acquisition of a plot in Constanta, Romania. Constanta Plaza will comprise a retail and entertainment scheme with a GLA of 18,000 sqm and construction is expected to commence in 2012.

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:

	<b>Fountain Park</b>	<b>Acacia Park</b>	<b>Primavera Tower</b>	<b>Green Land</b>	<b>Poiana Brasov</b>	<b>Primavera Tower</b>	<b>Pinetree Glade</b>	<b>Total</b>
<b>Location</b>	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 August 2011, LPP Group, which is one of the biggest Polish fashion companies, opened four new shops at the centre. They were Reserved, House, Cropp Town and Mohito, which is opening for the first time in Latvia. This has increased occupancy rate at the centre to 88%.

#### *Serbia*

During the second half of 2010, Plaza signed a loan agreement for development financing of 70% of its project in Kragujevac, a city of 180,000 inhabitants. The planned shopping and entertainment centre will comprise approximately 22,000 sqm of GLA. Construction commenced in Q4 2010 and the opening is planned for Q1 2012. The centre has already seen good interest from retailers and is 75% pre-let.

Plaza 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 of the scheme, Belgrade Plaza will comprise a shopping gallery, an aparthotel and a business centre totalling circa 70,000 sqm of GBA. Construction is planned to commence in 2012 and completion is scheduled for 2014. The project is currently 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 total GLA of approximately 40,000 sqm. Concept design has been submitted. Construction is planned to commence in 2012 and the completion is scheduled for 2014.

#### *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 2012 and completion is scheduled for 2014.

#### *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. The Company is currently finalising the design, and construction is expected to commence in 2013, subject to agreeing financing.

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

#### *India*

In 2006 Plaza acquired its first development project in the city of Pune in a 50:50 joint venture with a local partner. In November 2008, the Group bought the remaining 50% stake held by its JV partner which enables the Company to have full control over the Koregaon Park Plaza development. The mixed-use scheme has a total built-up area of 110,000 sqm which will comprise a shopping centre and office space. Construction is already underway with development finance secured totalling approximately \$45 million, to fund 50% of the total project costs. Encouraging progress on this scheme has been made on construction and lettings. Approximately 70% of the 48,000 GBA mall (excluding parking) is pre-let. Completion of the shopping and entertainment centre is expected in Q4 2011.

During 2007, Plaza acquired two additional development projects in a 50:50 joint venture. The first is located in the Kharadi district of Pune, opposite to EON Park (the best quality IT park in the region), and totals approximately 165,000 sqm of GBA including parking). The second is in Trivandrum, the capital city of the State of Kerala, and totals approximately 121,000 sqm of GBA. The Kharadi development consists of four office buildings and a small retail area, and the Trivandrum development is designed for a residential development.

Plaza has made good progress with the construction of the first phase of Kharadi, a 300,000 sq ft (28,000 sqm) office building known as 'Matrix One'. To date, Plaza has pre-sold 70% of the saleable area. This first office building has a total expected development cost of \$23.5 million and, based on accumulated sales of office space to date inclusive of underground parking revenues, will have an end development value of approximately \$36.5 million. Plaza therefore anticipates this will deliver a development pre-tax profit of approximately \$13.0 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 seven million people. With a total built-up area of over 320,000 sqm excluding parking, it will comprise multi level residential units and luxury villas. In July 2010, the JV 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 reached. Once the JV has reached 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 project consisting of high rise residential units and high quality villas and a local retail facility, with a total built up area of 800,000 sqm. Chennai is India's fourth largest city with a population of more than 10 million people.

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

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

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

## USA

EPN is a real estate investment venture jointly formed by Elbit Plaza USA, L.P., a subsidiary of Elbit Imaging Ltd. ("Elbit") and Plaza and Eastgate Property LLC and its affiliates ("Eastgate"). EPN was formed as part of a real estate investment fund that was jointly established by Elbit, Plaza and Eastgate, with the objective of raising additional investments from outside investors and focusing on investments in the U.S. retail and commercial real estate sectors (the "Fund"). The Fund raised from Menora Mivtachim Insurance Ltd. ("Menora"), and certain of Menora's affiliates, US\$31 million of capital commitments to be invested in EPN Real Estate Fund, LP (the "Fund"). The Fund was set up to take advantage of real estate opportunities in the United States, through direct acquisitions and joint ventures with leading real estate operators and owners of relevant assets or portfolios.

During the period from March to April 2010, EPN launched its offer for all remaining units which it did not already own in EDT, an Australian investment trust which holds and manages two US REIT portfolios.

The offer concluded on 18 July 2011, during which period EPN acquired additional EDT units representing 48.6% and had reached a holding of 96.4% in EDT. The total cost of the additional purchase (Plaza's share) will be US\$57 million. Subsequently, on 26 July 2011, EPN announced a compulsory acquisition of all outstanding units and EDT is therefore expected to be de-listed within the coming weeks.

EDT currently holds interests in 48 operating retail properties covering approximately 10.9 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 78% of base rent generated from nationally recognized retailers and generates over \$100 million of net operating income per annum.

The portfolio's occupancy rate is approximately 89.3% with a weighted average lease term of 4.7 years. The value of the portfolio was approximately \$1.42 billion as at 30 June 2011 and the secured non-recourse debt related to it amounted to circa \$932 million as at 30 June 2011.

Since acquiring a major stake in EDT, Plaza has worked with its partners to:

- Repay the entire corporate company debt of US\$108 million
- Complete major refinances of several portfolios of assets for a sum of US\$495 million with long maturities and attractive rates of interest
- Relocate the management team from Australia to the US.

In addition, at the end of last year, EPN signed an agreement to purchase seven retail shopping centres located in Georgia, Oregon and Florida from certain affiliates of Charter Hall Retail REIT, an Australian company. The purchaser of these properties will be a new joint venture entity in which each of Elbit Plaza USA and Eastgate, or their respective affiliates, intend to hold a 45%-50% depending on the final deal structure. Following the

execution of the agreement, two properties have been removed from the portfolio that is due to be acquired and therefore, the total purchase price for the assets has been reduced to US\$46.3 million.

These retail shopping centers total approximately 415,000 sqft of GLA (approximately 40,000 sqm) with an occupancy rate of approximately 92%. Net operating income from the five assets totals approximately US\$5 million per annum, which reflects a yield of approximately 10%. Major anchor tenants include Publix, Kroger, Albertsons, Safeway, Trader Joe's, Marshalls and Petsmart. The purchase price for these shopping centres will be US\$47 million, of which US\$17.6 million will be paid by assumption of debt.

## **Outlook**

Having made the strategic decision at the time of the recent credit crunch to hold our completed developments until attractive sales prices can be achieved, rather than sell into a depressed market We have seen ongoing improvements in a number of our key operational territories. In particular, transactional activity in Poland over the last twelve months has increased significantly, with deals reflecting a strong improvement in capitalisation rates. Whilst on the one hand this provides evidence to support our valuations, it also provides a stronger market in which we can consider disposal opportunities. We recently have seen renewed investment interest in some of our Polish assets and will continue to monitor the market carefully and consider attractive sales as appropriate.

Overall, we remain cautiously optimistic about the outlook for our key geographical territories. Improving long-term consumer sentiment is supporting the expansion of many retailers into existing and new territories, whilst an uptick in transactional activity reflects improving yields and provides valuation evidence. However, in light of recent market volatility driven by mixed macro economic data, we continue to take a prudent approach to managing our business. Mitigating the long-term risks to our business has always been our key priority and our strong financial management has ensured we have been positioned to weather any market turmoil. We therefore believe that our measured, yet entrepreneurial approach, leaves us well placed for the future to deliver value for our shareholders.

**Ran Shtarkman**  
**President and CEO**  
**24 August 2011**

## FINANCIAL REVIEW

### Results

As Plaza focuses its business on the development and sale of shopping and entertainment centres, the Group classifies its current projects under development as trading properties rather than investment properties. Accordingly, revenues from the sale of trading properties are presented at gross amounts.

Revenues for the six-month period ending 30 June 2011 were €28.6 million (H1 2010: €9.5 million), owing to the increase in rental income and revaluation gain recognized in connection to the investment portfolio. The operating revenues are derived mainly from the four operating shopping centres in the CEE (€7.6 million) and from the US shopping malls portfolio (€12.4 million), €3.6 million from Fantasy Park, our entertainment subsidiary and €5 million from revaluation of the US portfolio.

The cost of operations is mainly attributable to the operating expenses of the shopping centres and Fantasy Park, initiation costs, as well as €3.1 million of impairment of certain trading properties.

Administrative expenses remained stable at €8.6 million (30 June 2010: €8.6 million), as Plaza continued with its disciplined budget implemented throughout 2009 and 2010. The administrative expenses for the period included non-cash share based payments totalling €0.7 million, compared to €0.7 million in H1 2010.

Other income dropped to €86,000 from €39 million on 30 June 2010, where an accounting gain resulting from bargain purchase (the EDT transaction) was recorded.

As a result of EPN acquiring approximately 48% of EDT in 2010 as well as 50% of the responsible entity for the Trust, EPN is required by IFRS to consolidate 100% of the financial statements of EDT, while allocating approximately 42% to non-controlling interests in the reporting period.

As Plaza's effective interest in EPN, as at 30 June 2011, is 21.65% (reflecting Plaza's commitments of US\$50 million out of US\$231 million of total investment commitments) and it has joint control (together with its partners), it has proportionally consolidated 21.65% of the financial statements of EPN, and as a result reflects 21.65% of the assets and liabilities of EDT in its financial statements.

Plaza had a net finance gain in the first half of 2011 of €29.7 million (30 June 2010: €5 million net expenses). This change was caused by a number of factors, including:

- A change in the fair value of bonds issued resulting in a net gain of €41 million (30 June 2010 €32.3 million loss)
- A call option related to hedging the bonds issued in New Israeli Shekel gaining €1.5 million
- Interest expense on bank loans and debentures increasing to €21.5 million from €10 million in H1 2010. This was due to additional finance resulting from the EDT transaction, increase in finance expenses

attributable to active shopping centres, as well as raising of bonds in Israel in the course of both 2010 and 2011. Non-capitalised finance in the six months period ending 30 June, 2011 totalled €6.8 million, compared to €1.5 million in H1 2010, due to the reasons mentioned above

- Interest income from financial instruments resulting in a net gain of €5.2 million (30 June 2010 €4.6 million gain)
- Foreign exchange losses in connection with the NIS deposits in the amount of €3 million (30 June 2010 €0.7 million)
- Changes in the fair value of derivatives hedging the bonds causing a loss of €8 million (30 June 2010 €45 million loss).

As at 30 June 2011, the Company had a total tax benefit of €47,000 (30 June 2010: tax expense of €0.9 million), resulting mainly from changes in the deferred tax.

Net profit for the period attributable to equity holders of the Company amounted to €28.6 million, compared to €25.9 million in the comparative period of 2010, resulting from an increase in gross profit, and net finance income.

Basic and diluted earnings per share for the first half 2011 were €0.10 and €0.09 per share, respectively (30 June 2010: Basic and diluted losses per share of €0.09 and €0.08 respectively).

### **Balance sheet and cash flow**

The balance sheet as at 30 June 2011 showed current assets of €1.4 billion compared to current assets of €1.065 billion at the end of 2010, resulting from investments in current developments and, an increase in short term deposits and other receivables, due to raising of bonds in the course of 2011.

The cash position increased to €230 million including short term restricted deposits and marketable securities (December 2010: €195 million), and is currently circa €140 million, mainly due to the bond interest and principal repayment, and purchasing additional EDT units.

Investment properties decreased by approximately 5% as result of foreign currency translation adjustment of the operating assets, partially offset by the revaluation of investment properties of €5 million performed in the first six months of 2011. The value as at 30 June 2011 of investment properties was €228 million compared to €239 million at the year-end 2010.

Total bank borrowings (long and short term) increased to €382 million (31 December 2010: €366 million), mainly due to the ongoing development activity.

Apart from bank financing, Plaza has on its balance sheet a liability of €403 million (with an adjusted parvalue of circa €408 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 onwards, which are presented at amortised cost. Plaza has substantially hedged the future expected payments in New Israeli Shekels (principal and interest linked to the Israeli CPI) to correlate with the Euro and the Euribor interest rate, using a cross currency interest rate swap, and in certain cases forward transactions or writing call options to correlate with changes in the EUR/NIS rate. At 30 June 2011, the related hedges are presented as assets on the Company's balance sheet and are valued at €41 million.

At 30 June 2011, the net balance of the Plaza Group with its controlling shareholders reflects a liability of approximately €2.4 million of which €1.1 million is due to a provision in respect of liability to Elbit Imaging's former Vice Chairman through an option granted in connection with the Company's Indian operations. €0.7 million is due to a provision of management and supervision services provided to the Company by entities under the control of the indirect holder of the ultimate controlling shareholder of the Plaza. The remaining net balance of €0.6 million includes a net liability regarding cost-sharing charges from Elbit Imaging group companies to Plaza.

Non-controlling interest decreased to €21 million at 30 June 2011 (31 December 2010 €24 million), due to the purchase of EDT minority as described above, as well Plaza's foreign currency translation differences relating to EDT.

In summary, our balance sheet remains strong as we continue prudently to manage our business. Our high cash balance and moderate gearing (circa 57% debt to balance sheet) ensure we are well positioned to continue to invest in our target markets. Our stable income streams from investment assets are expected to continue to grow, derived from both our operational assets in the CEE, as well as our share of income from the US portfolio. By the beginning of 2012 we expect to complete three additional shopping and entertainment centres which will further enhance our income streams.

**Roy Linden**  
**Chief Financial Officer**  
**24 August 2011**

## Condensed consolidated interim income statement

	For the six months period ended 30 June,	
	2011	2010
	€'000	€'000
Revenues from operation of shopping centers	23,690	9,547
Revaluation of Investment properties	4,933	-
<b>Total Revenues</b>	<b>28,623</b>	<b>9,547</b>
Cost of operations	15,621	7,543
<b>Gross profit</b>	<b>13,002</b>	<b>2,004</b>
Administrative expenses	8,628	8,608
Other income	(86)	(39,042)
Other expenses	1,573	500
<b>Results from operating activities</b>	<b>2,887</b>	<b>31,938</b>
Finance income	48,943	43,303
Finance expenses	(19,259)	(48,298)
Finance income (expenses), net	29,684	(4,995)
Share in loss of associates	(137)	(253)
<b>Profit before income tax</b>	<b>32,434</b>	<b>26,690</b>
Income tax expense (Tax benefit)	(47)	907
<b>Profit for the period</b>	<b>32,481</b>	<b>25,783</b>
<b>Attributable to:</b>		
Equity holders of the Company:	28,565	25,854
Non-controlling interest	3,916	(71)
	32,481	25,783
<b>Basic earnings per share (in EURO)</b>	<b>0.10</b>	<b>0.09</b>
<b>Diluted earnings per share (in EURO)</b>	<b>0.09</b>	<b>0.08</b>

## Condensed consolidated interim statement of financial position

ASSETS	June 30,	December 31,
	2011	2010
	€'000	€'000
Cash and cash equivalents	140,952	137,801
Restricted bank deposits	26,811	29,954
Short term deposits	33,108	-
Available for sale financial assets	29,299	27,098
Trade receivables	3,822	4,064
Other receivables and prepayments	68,231	47,828
Derivatives	8,573	10,535
Trading properties	833,859	807,887
<b>Total current assets</b>	<b>1,144,655</b>	<b>1,065,167</b>
Long term deposits and other investments	52,401	52,559
Deferred tax assets	221	282
Derivatives	32,406	42,110
Property and equipment	9,252	11,361
Investment property	227,681	238,702
Restricted bank deposits	16,167	15,751
Other non-current assets	555	364
<b>Total non-current assets</b>	<b>338,683</b>	<b>361,129</b>
<b>Total assets</b>	<b>1,483,338</b>	<b>1,426,296</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Interest bearing loans from banks	259,610	232,902
Debentures at fair value through profit or loss	42,162	48,318
Debentures at amortized cost	31,166	20,762
Trade payables	12,438	11,260
Related parties	3,870	3,758
Provisions	15,597	15,597
Other liabilities	29,863	19,474
<b>Total current liabilities</b>	<b>394,706</b>	<b>352,071</b>
<b>Non-current liabilities</b>		
Interest bearing loans from banks	122,152	133,514
Debentures at fair value through profit or loss	184,539	211,997
Debentures at amortized cost	145,332	97,979
Other liabilities	4,943	5,330
Deferred tax liabilities	893	956
<b>Total non-current liabilities</b>	<b>457,859</b>	<b>449,776</b>
<b>Equity</b>		
Share capital	2,972	2,967
Translation reserve	(8,582)	8,074
Other reserves	28,567	31,272
Share premium	261,773	261,773
Retained earnings	324,674	296,109
<b>Total equity attributable to equity holders of the Company</b>	<b>609,404</b>	<b>600,195</b>
Non-controlling interest	21,369	24,254
<b>Total equity</b>	<b>630,773</b>	<b>624,449</b>
<b>Total equity and liabilities</b>	<b>1,483,338</b>	<b>1,426,296</b>

**Condensed consolidated interim statement of comprehensive income**

	<b>For the six months period ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>€'000</b>	<b>€'000</b>
<b>Profit for the period</b>	32,481	25,783
<b>Other comprehensive income</b>		
Net change in fair value of available for sale financial assets, net of tax	110	(400)
Capital reserve from acquisition of Non-controlling interest without a change in control	(3,674)	-
Foreign currency translation differences of foreign operations	(19,878)	29,304
Total other comprehensive income (loss) for the period, net of income tax	(23,442)	28,904
Total comprehensive income for the period	9,039	54,687
Total comprehensive income attributable to:		
Equity holders of the Company:	8,345	54,111
Non-controlling interest	694	576
Total comprehensive income for the period	9,039	54,687

## Condensed consolidated interim statement of changes in equity

Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve from acquisition of non-controlling interest without a change in control	Capital reserve	Translation reserve	Reserves from available for sale financial assets	Retained earnings	Total	Non-controlling interest	Total equity
€'000										
<b>Balance at December 31, 2010</b>	2,967	261,773	-	30,849	8,074	423	296,109	600,195	24,254	624,449
Share based payment	-	-	-	864	-	-	-	864	-	864
Share options exercised	5	-	-	(5)	-	-	-	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	(3,579)	(3,579)
Comprehensive income (loss) for the period	-	-	(3,674)	-	(16,656)	110	28,565	8,345	694	9,039
<b>Balance at June 30, 2011</b>	<b>2,972</b>	<b>261,773</b>	<b>(3,674)</b>	<b>31,708</b>	<b>(8,582)</b>	<b>533</b>	<b>324,674</b>	<b>609,404</b>	<b>21,369</b>	<b>630,773</b>
	Share capital	Share premium	Capital reserve	Translation reserve	Reserves from available for sale financial assets	Retained earnings	Total	Non-Controlling interest	Total equity	
€'000										
<b>Balance at December 31, 2009</b>	2,942	261,773	28,286	(9,640)	602	285,836	569,799	4,910	574,709	
Share based payment	-	-	1,073	-	-	-	1,073	-	1,073	
Share options exercised	23	-	(23)	-	-	-	-	-	-	
Effect of acquisition of subsidiaries non-cash capital contribution of non-controlling interest	-	-	-	-	-	-	-	20,984	20,984	
	-	-	-	-	-	-	-	704	704	
Comprehensive income (loss) for the period	-	-	-	28,657	(400)	25,854	54,111	576	54,687	
<b>Balance at June 30, 2010</b>	<b>2,965</b>	<b>261,773</b>	<b>29,336</b>	<b>19,017</b>	<b>202</b>	<b>311,690</b>	<b>624,983</b>	<b>27,174</b>	<b>652,157</b>	

## Condensed consolidated interim statement of cash flows

	For the six months period ended June 30,	
	2011	2010
	€000'	€000'
<b>Cash flows from operating activities</b>		
Profit for the period	32,481	25,783
<u>Adjustments necessary to reflect cash flows used in operating activities:</u>		
Depreciation and impairment	5,023	807
Revaluation of Investment properties	(4,933)	-
Non-controlling interest	-	71
Finance expenses, net	(29,684)	4,995
Interest received in cash	5,676	4,341
Interest paid	(8,109)	(2,187)
Share in loss of associate	137	253
Loss on sale of property and equipment	-	240
Gain from a bargain purchase	-	(37,947)
Loss on sale of trading property	-	160
Income tax expenses (tax benefit)	(47)	907
Share based payments	736	681
	1,280	(1,896)
Decrease (Increase) in trade receivables	87	(1,789)
Decrease (Increase) in other receivables	(22,754)	5,923
Change in restricted cash	2,493	6,923
Increase in trading properties	(37,957)	(46,604)
Increase (decrease) in trade accounts payable	1,371	(6,553)
Increase in other liabilities and provisions	877	1,923
Net proceeds from selling of trading property subsidiaries	-	538
	(55,883)	(39,639)
Income tax received	45	-
<b>Net cash used in operating activities</b>	(54,558)	(41,535)
<b>Cash flows from investing activities</b>		
Capital expenditures on investment property, purchase of property, equipment and other non-current assets	(1,043)	(419)
Acquisition of subsidiaries, net of cash acquired	-	(16,099)
Investment in short term deposits	(33,840)	-
Acquisition of non-controlling interest (refer to note 9(b))	(7,253)	-
Purchase of available for sale financial assets	(4,607)	(16,009)
Proceeds from sale of available for sale financial assets	2,532	4,655
Long term deposits, net	(44)	(4)
<b>Net cash used in investing activities</b>	(44,255)	(27,876)
<b>Cash flows from financing activities</b>		
Proceeds from bank loans and financial institutions	32,370	36,591
Proceeds from selling foreign currency call options	5,948	-
Proceeds from SWAP partial maturity	4,805	-
Repurchase of debentures at amortized cost	(1,618)	-
Proceeds from issuance of long term debentures at amortized cost	62,966	63,024
Repayment of long term loans to banks	(1,657)	(2,020)
Loans repaid to related parties	(300)	-
<b>Net cash from financing activities</b>	102,514	97,595
<b>Effect of exchange rate fluctuation on cash held</b>	(550)	746
<b>Net increase in cash and cash equivalents</b>	3,151	28,930
<b>Cash and cash equivalents at the beginning of the year</b>	137,801	122,596
<b>Cash and cash equivalents at the end of the period</b>	140,952	151,526

## 1. Reporting entity

Plaza Centers N.V. ("the Company") is a developer of shopping and entertainment centres, focusing on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres, in both capital cities and important regional centres, primarily in developing markets. The Company has been present in CEE since 1996. The Company has extended its area of operations beyond CEE into India in 2006 and also into the US in 2010.

The Company has its primary listing on the Main Board of the London Stock Exchange and, starting from October 2007, the Company is also listed on the Warsaw Stock Exchange.

The Company's immediate parent company is EUL Luxemburg B.V. ("EUL"), which holds 62.3% of the Company's shares as of the date of approval of the financial statements. The ultimate parent company is Elbit Imaging Limited ("Elbit"), which is indirectly controlled by Mr. Mordechay Zisser.

The condensed consolidated interim financial information of the Company as at June 30, 2011 and for the six months then ended comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated financial statements of the Group as at and for the year ended December 31, 2010 are available on the Company's website ([www.plazacenters.com](http://www.plazacenters.com)) and also upon request from the Company's registered office at Keizersgracht 241, 1016EA Amsterdam, The Netherlands.

During the six months period ended June 30, 2011, no significant change occurred in the Company's holdings, with the exception of the additional purchase of units in EDT (refer to note 9).

## 2. Basis of presentation

### a. Statement of compliance

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2010. The condensed consolidated interim financial information was approved for issue by the board of directors on August 23, 2011.

### b. Estimates

The preparation of interim financial information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2010.

### 3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2010.

### 4. Segment reporting

The Group comprises the following main geographical segments: CEE, India and the US (Starting June 30, 2010). In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of trading property and Investment property geographically located in the relevant segment.

Data regarding the geographical analysis in the six months period ended June 30, 2011 and 2010 is as follows:

	Central & Eastern Europe	USA	India	Total
	€000'	€000'	€000'	€000'
<u>Six months period ended June 30, 2011:</u>				
<b>Revenues</b>	11,326	12,364	-	23,690
<b>Revaluation of Investment property</b>	-	4,933	-	4,933
<b>Reportable segment profit (loss) before tax</b>	(3,164)	11,932	(1,275)	7,493
Share in losses of associates, net	(137)	-	-	(137)
Less - unallocated general and administrative expenses		-		(3,119)
Financial income, net				29,684
Other expenses, net				(1,487)
<b>Profit before income taxes</b>				32,434
Tax benefit				47
<b>Profit for the period</b>				32,481
<b>Purchase cost of segment assets during the period</b>	29,040	778	9,182	39,000
<b>Depreciation (revaluation) of segment assets</b>	4,956	(4,933)	67	90
<u>June 30, 2011</u>				
Total segment assets	727,476	229,603	195,283	1,152,362
Unallocated assets				330,976
				1,483,338
Segment liabilities	169,627	133,982	29,973	333,582
Unallocated liabilities				518,983
				852,565

#### 4. Segment reporting (cont.)

	Central & Eastern Europe	USA	India	Total
	€000'	€000'	€000'	€000'
<u>Six months period ended June 30, 2010:</u>				
<b>Revenues</b>	9,547	-	-	9,547
<b>Reportable segment profit (loss) before tax</b>	(2,295)	-	(1,510)	(3,805)
Share in losses of associates, net	(253)	-	-	(253)
Less - unallocated general and administrative expenses		-	-	(2,799)
Financial expenses, net				(4,995)
Other income, net				38,542
<b>Profit before income taxes</b>				26,690
Income tax expenses				(907)
<b>Profit for the period</b>				25,783
<b>Purchase cost of segment assets during the period</b>	33,946	-	8,983	42,929
<b>Depreciation of segment assets</b>	441	-	366	807
<u>June 30, 2010</u>				
Total segment assets	662,382	268,474	197,654	1,128,510
Unallocated assets				325,508
				1,454,018
Segment liabilities	53,158	184,671	2,289	240,118
Unallocated liabilities				561,743
				801,861

#### 5. Financial risk management

During the six months period ended June 30, 2011 there have been no significant changes in the Group's financial risk management. Objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2010.

#### 6. Income tax expense

Income tax expense is recognised based on management's best estimate of the weighted average annual effective income tax rate expected for the full financial year. The effective tax rate resulted for the six months period ended June 30, 2011 was 0%, as the profit, which is generated mostly by the parent company, is either not taxed in the Netherlands, or it is offset from losses carry forward.

## 7. Interest-bearing loans from banks

The interest-bearing loans from banks relate to both investment properties and trading properties.

The following movements occurred during the six months period ended June 30, 2011:

	<b>Currency</b>	<b>Interest rate</b>	<b>Face value</b>	<b>Carrying amount</b>	<b>Year of maturity</b>
		<b>%</b>	<b>€000'</b>	<b>€000'</b>	
<b>Balance at January 1, 2011</b>				<b>366,416</b>	
<b>Received loans</b>					
Secured bank loan	EUR	3m Euribor+3.5%	5,870	5,870	2017
Secured bank loan	EUR	3m Euribor+5.5%	150	150	2011
Secured bank loan	EUR	3m Euribor+1.85%	3,616	3,616	2020
Secured bank loan	INR	12. 5% p.a	15,035	15,036	2011
Secured bank loan	USD	5.25% p.a	1,609	1,609	2016
Secured bank loan	EUR	3m Euribor+5.5%	4,857	4,857	2027
Secured bank loan	EUR	3m Euribor+0.5%	1,232	1,232	2011
				<b>32,370</b>	
<b>Repayments and foreign exchange differences</b>					
Secured bank loan	USD	3m Libor+4%		(86)	2014
Secured bank loan	USD	3m Libor+3.25%		(683)	2013
Secured bank loan	EUR	3m Eurlibor+4%			
Secured bank loan		(*)		(2,255)	2012
Secured bank loan	EUR	3m Euribor+2.5%		(648)	2014
Secured bank loan	USD	Foreign exchange gain, net (**)		(12,879)	
Secured bank loan	EUR	3m Euribor+1.75%		(234)	2016
Secured bank loan	EUR	3m Euribor+3.5%		(239)	2014
				<b>(17,024)</b>	
<b>Balance at June 30, 2011</b>				<b>381,762</b>	

(\*) Debt was assigned to the Joint Venture partner of the Company

(\*\*) Net foreign exchange gain of EUR 11.2 million recorded in Other comprehensive income due to loans denominated in USD

## 8. Related parties

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	<b>€000'</b>	
<b><u>Statement of financial position</u></b>		
Trade and other receivables	1,488	1,185
Trade and other payables	3,870	3,758

## 8. Related parties (cont.)

	For the six months period ended June 30,	
	2011	2010
	€000'	
<b><u>Income statements</u></b>		
Related parties - interest income	50	89
Related parties – charges to Indian subsidiaries	181	-
Related parties – charges from Indian subsidiaries	(251)	-
Related parties – recharges from Elbit	(88)	(84)

The Control Centers Group of companies, controlled by Mr. Mordechay Zisser, the main shareholder of Elbit, is providing project management services to various projects developed by the Company and has charged EUR 1.9 million for services provided during the six months period ended June 30, 2011.

Jet Link, a Company controlled by Mr. Mordechay Zisser, which provides aviation services for the Company, has charged a total of EUR 0.3 million for services provided in the six months period ended June 30, 2011.

The Company estimates the liability arising from an agreement for management and supervision services signed with the former Executive Vice Chairman of Elbit regarding investments in India, in an amount of EUR 1.1 million. A liability is included in other liabilities – related parties and updates to the liability are included as administrative expenses in the condensed consolidated interim income statement.

## 9. Significant events during the period

### **a) Additional issuance of series A and series B debentures**

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 88 million (approximately EUR 19 million) in Series A Debentures for an aggregate consideration of approximately NIS 99 million (approximately EUR 21 million), and an additional principal amount of approximately NIS 179 million (approximately EUR 39 million) in Series B Debentures for an aggregate consideration of approximately NIS 201 million (approximately EUR 44 million) by way of a private placement (the "Additional Debentures"). For credit rating see below. 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.

### **Rating update**

Both debentures series A and B are rated (effective August 2011) ilA/negative by S&P Maalot Ltd. on a local scale and A3/negative by MIDROOG Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service ("Midroog").

### **b) Off-market takeover bid for EDT Retail Trust ("EDT")**

In March 2011, the Company announced that EPN made an off-market takeover bid to acquire all of the outstanding units of EDT. EPN's unconditional offer was to buy all outstanding units of EDT that EPN's affiliate did not already own (approximately 52%), for AUD 0.078 cash per EDT unit.

## **9. Significant events during the period (cont.)**

### **Off-market takeover bid for EDT Retail Trust (“EDT”) (cont.)**

Following the off-market takeover bid mentioned above, the Company’s jointly controlled US subsidiary, EPN Holdings II LLC (“EPN Holdings”, together with EPN GP, LLC: “EPN”), increased the offer price per ordinary unit of EDT from AUD 0.078 to AUD 0.09 in its off-market takeover bid (“Bid”) by EPN Holdings for all of the units in EDT it did not already own (“Offer”). Consequently, the Company announced in July 2011 that the Offer by EPN for all of the units in EDT not already held by EPN closed on 14 July 2011.

As a result of the purchases of EDT’s units during the Offer period, EPN has increased its interest in EDT from approximately 47.8% to approximately 96.4% (as of June 30, 2011, EPN held a 58.3% interest in EDT). EPN now plans to proceed with the compulsory acquisition of the remaining EDT units, under the terms of the Offer. Following this, the JV will become the holder of 100% of the outstanding units of EDT and it is expected that EDT will be delisted from the official list of the Australian Stock Exchange (“ASX”) shortly thereafter. The total cost for the 52.2% interest purchased and/or to be purchased in EDT totals USD 242 million (EUR 170 million), of which Plaza’s share is approximately USD 57 million (EUR 40 million).

As of June 30, 2011, the Company’s share in the purchase cost of EDT’s unit holdings totalled EUR 7.3 million, purchasing Non-controlling interest in an amount of EUR 3.6 million. The Company recorded a capital reserve due to this transaction for a total amount of EUR 3.7 million.

### **c) Foreign currency hedge using call options**

In January 2011, the Company decided to use a call options strategy (through major Israeli banks) in order to hedge its foreign currency risk (EUR-NIS) inherent in its long term debentures series A and series B issued in NIS which are not hedged by other derivative instruments (e.g. cross currency interest rate swaps, forwards).

During the first and second quarter of 2011, the Company wrote EUR 175 million call options with strike prices (EUR/NIS exchange rate) between 4.74 and 5 and an expiration date of June 30, 2011. Premiums received totalled EUR 6 million. The call option settlements generated a gain of EUR 1.4 million, which is included in the Company’s income statement as part of the finance income.

The company has secured deposits in amount of approximately EUR 7.5 million in respect of the abovementioned call options. The hedge is not qualified for special hedge accounting. The premium received on sale of the options is recognized as finance income over the life of the options. More information regarding the writing of the call option after the date of the statement of financial position can be found in note 10 below.

### **d) Net capitalization ratio**

Under the terms of the bonds issued in Poland in November 2010 (Totalling PLN 60 million (EUR 15 million)), the Company requires to maintain a Net Capitalization Ratio (the “Ratio”) which should not exceed 70%. As at this statement of the Group’s financial position the Ratio was 42%.

### **e) Significant impairment during the six months period ended June 30, 2011**

In the course of the six months ended June 30, 2011, the Company recorded an impairment of one of its trading properties in Poland for a total amount of EUR 3.1 million. The impairment is included as part of the cost of operations in the consolidated income statement. In addition, the Company performed an impairment of its aeroplane an amount of EUR 1.6 million. The impairment of the aeroplane is included in other expenses in the consolidated income statement.

## **9. Significant events during the period (cont.)**

### **f) Bond Buyback programme**

On May 23, 2011 the Company's Board of Directors approved a buyback programme of up to NIS 150 million (approximately EUR 30.2 million) of its Series A and Series B Debentures, which are traded on the Tel Aviv Stock Exchange.

The repurchases will be made either on an opportunistic basis in the open market on the Tel-Aviv Stock Exchange, or in privately negotiated transactions, or in a combination of the two. The board approval should not be deemed a commitment to purchase any debentures. The timing and amounts of any debentures repurchased will be determined by the Company's management, based on its evaluation of market conditions and other factors. The repurchase programme may be suspended or discontinued at any time.

As of the date of the financial statements' approval, the Company has purchased a total of NIS 22 million par value Debentures (with adjusted value of NIS 25 million), for a total consideration of NIS 20 million (EUR 3.4 million).

### **g) Significant changes in financial instruments issued/held by the Company**

In the course of the six months ended June 30, 2011, the Company recorded, as a result of weakening of the NIS against EUR, as well as a decline in the quoted Debentures' prices, a total finance income of EUR 37.4 million due to its NIS denominated Debentures. Financial expenses of EUR 8.1 million were recorded on the SWAP derivatives of the Company, mainly due to the weakening of the NIS against EUR.

In respect of financial instruments not presented at its fair value (Debentures at amortized cost, structures), the result of presenting them in fair value would have totalled in an additional finance income for an amount of EUR 26.1 million.

## **10. Post balance sheet events**

### **a. Update on financial covenants**

All of the group's companies are in compliance with the entire loan covenants with the exception of covenants in respect of three of the secured loans granted in CEE. The Company is in negotiation with the financing banks in respect of settling the bank requirements and agreeing on new covenants and/or waivers.

The delisting of EDT from the ASX causes an event of default under one of the facilities agreements in EDT. This facility has USD 172.9 million (EUR 120 million) outstanding at 30 June 2011. Management are in discussions with the bank to obtain a waiver for this event. At the time of finalising the financial statements the waiver has not been received, however while there can be no assurance that the bank will waive the default, management expect the waiver request to be approved. The loan has been treated as a non-current liability in the statement of financial position.

### **b. Foreign currency hedge using call options**

In July 2011, the Company wrote EUR 195 million call options with Strike prices (EUR/NIS exchange rate) between 4.9 and 4.94 and an expiration date of September 27, 2011. Premiums received totalled EUR 3.6 million. The Company has secured deposits in amount of approximately EUR 8.9 million in respect of the abovementioned call options.