President and Chief Executive Officer's statement

Ran Shtarkman, President and CEO

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 realization of Plaza's decision to position its development program to ensure that it can deliver shopping centers into markets with the highest retail demand.

In addition to the strong financial performance, Plaza has continued to progress its targeted development program across the CEE region and India, achieving a number of development milestones, most notably the completion of its 31st shopping center in the CEE region, Toruń Plaza, Poland. Toruń Plaza represents Plaza's tenth shopping center 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 program which repositioned the portfolio, reduced the level of debt, improved portfolio

$1.428bn

A successful joint venture

In June 2010, Plaza identified a window of opportunity for investment in the USA as a result of the dislocation of the property market, specifically within the retail sector, created by recent economic conditions. Consequently, EPN, a joint venture between Plaza, Elbit Imaging Ltd and Eastgate LLC, was formed to acquire EDT Retail Trust, an Australian investment trust which held and managed two US REIT portfolios.

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

- Repaid the entire corporate company level debt of US$108 million;
- Relocated management from Australia to the US in order to improve the supervision and management of the assets;
- Refinanced or assumed circa US$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 improved tenancy maturities;
- Undertook redevelopment plans for underperforming assets which will generate substantial cash flow growth in 2013 and 2014.

Through these strategic actions, Plaza and its joint venture partners were able to turn around a high-yielding portfolio into an attractive opportunity for buyers and in January 2012, EPN, Plaza's US-based joint venture reached an agreement to sell 47 of its 49 US-based shopping centres in a deal totaling US$1.428 billion. The transaction is expected to close in June 2012 and EPN will receive the rental income upon the properties until such time. Once completed, the transaction is expected to realize a cash inflow of US$120 million before taxes and transaction costs for Plaza which corresponds to nearly 50% pre-tax ROE in a period of little over 18 months.

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 totaling US$1.43 billion. This highly profitable investment and subsequent return will provide Plaza with further capital to drive our development program and pay down debt.

Despite a backdrop of prolonged economic uncertainty, Plaza has continued not only to advance its targeted development program 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 US, 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 fulfillment 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 40,000m² GLA shopping center in Toruń in Poland in November 2011.

Subsequent to the year end the Company completed its first shopping center in India. The Koregaon Park Plaza mall in Pune held a soft public opening on March 2, 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 28,000m² 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 Toruń, 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 program and make opportunistic investments or acquisitions where there is clear potential to create shareholder value.

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

NAV

The Company's property portfolio (CEE and India) was valued by Jones Lang LaSalle as at December 31, 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 program is commenced as well as looking at other alternatives to monetize the land bank if development is not economically viable. The decrease was partly offset by the completion of Toruń Plaza.

The Company's NAV was calculated as follows:

Use	€'000
Market value of land and projects by Jones Lang LaSalle[1]	864,080
Assets minus liabilities as at December 31, 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.

President and Chief Executive Officer's statement

continued

Portfolio progress

Currently the Company is engaged in 28 development projects and owns six operational assets, located across the CEE region and in India. The location of the projects and assets under development, as at March 15, 2012, is summarized 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 and 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 December 31, 2011 totaled €585 million (December 31, 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 Toruń, Poland and Kragujevac, Serbia and the bond raising. The raised development debt, totaling 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 CEE region, Plaza has established an unrivaled 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 center. To date, 26 of these centers have been subsequently sold with an aggregate gross value of circa €1.16 billion. These disposals comprise 17 shopping centers in Hungary, seven in Poland and two in the Czech Republic. Plaza now retains six shopping and entertainment centers 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 March 20, 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 in the US market is set to realize 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 centers. 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 program.

With two new developments already completed in 2012 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
April 30, 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:** Toruń 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 centers across the US, to which the trust added a further center 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 and operates six shopping and entertainment centers 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 center in Serbia, Kragujevac Plaza, due to open to the public on March 20, 2012.

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

Asset/Project	Location	Nature of asset	Size m² (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 (Óbuda)	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 license obtained
Új 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
Suwałki Plaza	Suwałki, Poland	Retail and entertainment scheme	20,000	100	Operating, opened in May 2010
Łódź (Residential)	Łódź, Poland	Residential scheme	80,000 (GBA)	100	Under planning
Łódź Plaza	Łódź, 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
Toruń Plaza	Toruń, Poland	Retail and entertainment scheme	40,000	100	Operating, opened in November 2011

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

Operational review
continued

Asset/Project	Location	Nature of asset	Size m² (GLA)	Plaza's effective ownership %	Status*
Kielce Plaza	Kielce, Poland	Retail and entertainment scheme	33,000	100	Construction scheduled to commence in 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 Republic	Office, for future residential use	61,600 (residential for sale)	100	Currently operational as an office building; rezoning for future residential use is in progress, expected to be obtained in 2012
Liberec Plaza	Liberec, Czech Republic	Retail and entertainment scheme	17,000	100	Operating, opened in March 2009
Roztoky	Prague, Czech Republic	Residential units	14,000 (GBA)	100	Zoning is 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
Timişoara Plaza	Timişoara, Romania	Retail and entertainment scheme	38,000	100	Construction scheduled to commence in 2013; completion scheduled for 2014
Csíki Plaza	Miercurea Ciuc, Romania	Retail and entertainment scheme	14,000	100	Construction commenced in late 2008; awaiting external financing for completion
Iaşi Plaza	Iaşi, 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
Târgu Mureş Plaza	Târgu Mureş, Romania	Retail and entertainment scheme	30,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Constanţa Plaza	Constanţa, 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

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

Asset/Project	Location	Nature of asset	Size m² (GLA)	Plaza's effective ownership %	Status*
Belgrade Plaza	Belgrade, Serbia	Apart-hotel and business center with a shopping gallery	70,000 (GBA)	100	Construction scheduled to commence in 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 March 20, 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 negotiation with a hypermarket operator; under planning
Riga Plaza	Riga, Latvia	Retail and entertainment scheme	49,000	50	Operating; opened in March 2009
Piraeus 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 (28,000m² 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 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.

Operational review
continued

Details of these activities by country are as follows:

Hungary

Plaza owns a plot of land which will serve as an office extension next to the previously built Arena Plaza shopping center. The extension will comprise an office complex with approximately 40,000m² of GLA. Arena Plaza, which the Company developed and sold in 2007, remains one of the most high profile and successful shopping centers in Budapest.

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

The Dream Island project is a prestigious development on the Óbuda Island in central Budapest, with a land area of 320,000m². It will be developed into a major resort including hotels, recreation facilities, a casino and a business and leisure complex with a development budget of circa €900 million and 350,000m² of GBA. Preliminary design, excavation and archaeological works are continuing at the site. In addition, a concession license was obtained in 2008 for the 20-year operation of a large-scale casino (the first in Budapest) with an option to extend for an additional 10 years. The project is intended to be completed in phases between 2014-2016.

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

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

Poland

During the reporting period, Plaza completed and opened to the public a shopping and entertainment center in Toruń. Comprising approximately 40,000m² of GLA, it represents Plaza's tenth completed center in Poland. The center 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 centers, Suwalki Plaza and Zgorzelec Plaza (comprising approximately 20,000m² and 13,000m² of GLA, respectively) continue to perform in line with expectations and have improved their occupancy rate to circa 89% (2010: 80%) and 79% (2010: 75%) respectively.

In addition, Plaza continued the feasibility and planning studies of four development schemes: in Kielce (comprising approximately 33,000m² of GLA); in Leszno (comprising approximately 16,000m² of GLA); and two schemes in Łódź, Łódź Residential (designated for residential use) and Łódź Plaza (comprising approximately 45,000m² of GLA).

Czech Republic

Plaza continues to hold Liberec Plaza shopping and entertainment center (approximately 17,000m² GLA), which was opened in March 2009. Plaza has agreed lettings totaling 78% of the center'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 (14,000m²) and Prague 3 (61,600m²). The latter is held as an income-generating office and warehouse building, and a re-zoning permission is expected to be received in 2012.

Location	Fountain Park Bucharest	Acacia Park Ploiesti	Primavera Tower Ploiesti	Green Land Ploiesti	Polana Brasov Brasov	Primavera Tower Brasov	Pinetree Glade Brasov	Total –
Plaza-Bas Share	25%	50%	50%	50%	50%	50%	50%	–
Nature	Residential	Residential	Offices	Residential	Residential	Offices	Residential	–
Size (m²)	16,600	32,000	10,500	25,800	138,000	10,800	40,000	273,700

Romania

Plaza holds a 75% interest in a company in partnership with the government of Romania to develop Casa Radio (Dâmboviţa), the largest development plot in central Bucharest. It will comprise approximately 600,000m² of GBA, including a 170,000m² GBA shopping mall and leisure center (one of the largest in Europe), offices, hotel, an apartment hotel, casino, hypermarket and a convention and conference hall. The Company has obtained the approval of the Urban Technical Commission of Bucharest and completion of the first phase is scheduled for 2014.

In the second half of 2008, the Group commenced the construction of its development in Miercurea Ciuc (14,000m² GLA). However, as external finance is not currently available for this project, the Group will only resume development once such financing has been secured.

The Company continues the feasibility and planning phases of its development schemes in Timişoara, Iaşi, Slatina, Constanţa, Hunedoara and Târgu Mureş.

In addition, Plaza has a 50.1% stake in the Plaza-BAS joint venture. Currently the joint venture holds seven projects in Bucharest, Braşov and Ploieşti *(see table above)*.

Latvia

In March 2009, Plaza completed and opened its Riga Plaza project, which comprises approximately 49,000m² of GLA, in which Plaza owns a 50% stake. The scheme is located on the western bank of the River Daugava by the Sala Bridge. In July 2010, an eight-screen cinema multiplex was opened, bringing occupancy at the center to 84%, which has risen to 90% at the reporting date. Discussions are ongoing with potential occupiers for the remaining space at the center and Plaza hopes to conclude further lettings shortly.

Serbia

On March 20, 2012 Plaza will open its first Serbian shopping and entertainment center to the public in Kragujevac, a city of 180,000 inhabitants. Kragujevac Plaza comprises 22,000m² 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 center 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 center of Belgrade in a neighborhood of government offices and foreign embassies. On completion, the scheme, Belgrade Plaza, will comprise a shopping gallery, an apartment-hotel and business center totaling circa 70,000m² 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 center in Belgrade called Sport Star Plaza with a proposed total GLA of approximately 40,000m². Concept design has been submitted. Construction is planned to commence in 2013 and completion is scheduled for 2014-2015.

Greece

Plaza owns a 15,000m² plot of land centrally located in Piraeus Avenue, Athens. During 2010 Plaza obtained updated building permits for the construction of a shopping center totaling approximately 26,000m² of GLA. Construction is planned to start in 2013–2014 (subject to securing external financing) and completion is scheduled for 2014-2015.

Bulgaria

The Group owns a 25,000m² plot of land in Shumen, the largest city in Shumen County, which it intends to develop into a new shopping and entertainment center with a total GLA of 20,000m². 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 44,000m² GLA of retail, entertainment and offices. The project has a valid planning permit for the office scheme and is currently being leased to a hypermarket operator.

Operational review
continued

India

Plaza has begun to deliver on some of the strong long-term potential it has identified in India and completed its first shopping center in the country, Koregaon Park Plaza. A successful soft opening was held on March 2, 2012, with a grand opening scheduled for H2 2012. Koregaon Park Plaza mall, located in Pune, comprises 48,000m² of total built area (excluding parking) and is part of a wider 110,000m² development which includes 16,500m² of 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 the EON Park project (the best quality IT park in the region), and totals approximately 250,000m² of total built area (including parking). The second is in Trivandrum, the capital city of the state of Kerala, and totals approximately 120,000m² 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 28,000m² 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 US$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 eight million inhabitants. With a total built-up area of over 320,000m² excluding parking, it will comprise over 1,000 luxury residential villas.

In 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 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 1,060,000m². Chennai is India's fourth largest city with a population of more than eight million inhabitants.

Kochi Island – a 50:50 partnership with a prominent local developer, this mixed-use project will comprise more than 575,000m² 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 center-led projects in India.

USA

Plaza identified a window of opportunity for investment in the USA 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 delisting 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 US$108 million;
- Relocated management from Australia to the US in order to improve the Company's oversight of the assets;
- Refinanced or assumed circa US$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 US$1.47 billion and the secured non-recourse debt related to it amounted to circa US$947 million as of December 31, 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 centers in a deal totaling US$1.428 billion. The centers 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 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 US 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 realize a cash inflow of US$120 million before taxes and transaction costs for Plaza which corresponds to nearly 50% pre-tax ROE.

Financial review

Roy Linden, Chief Financial Officer

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 centers, the Group classifies its current projects under development or self-developed projects as trading properties rather than investment properties. Accordingly, revenues from the sale of trading properties are presented at gross amounts. The Group does not revalue its trading properties, and profits from these assets therefore represent actual cash-based profits due to realizations. On the other hand an impairment of value is booked in the 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 centers, 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 centers 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 at 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 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 a 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 of 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 December 31, 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 (December 31, 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 Toruń, Poland, in addition to the other centers 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, Toruń 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 amortized 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 December 31, 2011 the aggregate liability associated with these hedging transactions amounted to circa €2.2 million. In 2011, the Company initiated a bond buyback program, 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 Toruń Plaza in Poland in the latter part of 2011.

Non-controlling interest decreased to €8 million at December 31, 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 centers, including Kragujevac and the full opening of Koregaon Park Plaza, resulting in an active portfolio of seven shopping and entertainment centers in the CEE region and India. The additional material income expected to be received from these new centers will further enhance Plaza's ability to produce strong levels of income and deliver future value enhancement.

Roy Linden
Chief Financial Officer
April 30, 2012

Valuation summary by Jones Lang LaSalle

as at December 31, 2011

Country	Project name	Market value upon completion December 31, 2010 €	Market value upon completion December 31, 2011 €	Market value of the land and project December 31, 2010 €	Market value of the land and project December 31, 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
	Új 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
	Toruń 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
	Łódź (Residential)	252,600,000	n/a*	12,600,000	11,000,000
	Łódź 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	Csíki Plaza	26,800,000	20,127,000	14,580,000	7,700,000
	Timişoara 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
	Iaşi 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
	Târgu Mureş Plaza	55,900,000	n/a*	6,070,000	6,400,000
	Constanţa 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	Piraeus 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 center	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

Notes

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

All figures reflect Plaza's share

The value on completion of Casa Radio in 2011 reflects only the value of the first phase of the projects since the rest of the project was evalued in comparable method

Plaza Centers has a 50% interest in the Riga Plaza shopping and entertainment center

Plaza Centers has a 35% interest in the Új Udvar shopping and entertainment center

Plaza Centers has a 59% interest in the Kharadi Plaza and Trivandrum Plaza developments

Plaza Centers has a 43.5% interest in the Dream Island development

Plaza Centers has a 75% interest in the Casa Radio development

Plaza Centers has a 23.75% interest in the Bangalore development

Plaza Centers has a 38% interest in the Chennai development

Plaza Centers has a 23.75% interest in the Kochi Island development

Plaza Centers has a 51% interest in the Sofia Plaza Business center development

Plaza Centers has a 35% interest in the Riga Plaza shopping and entertainment center development

Management structure

Plaza Centers' Board

Executive directors

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

- **Marco Wichers** – Chairman & Independent Non-executive Director
- **Marius van Eibergen Santhagens** – Independent Non-executive Director
- **Shimon Yitzhaki** – Non-executive Director
- **Edward Paap** – Non-executive Director

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

Senior management

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

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

Local country management

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

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

Board of Directors and Senior Management

Executive Directors

Mordechay Zisser, Founder and Executive Director (male, 56, Israeli)

Mordechay Zisser is the founder and Executive Director of the Europe Israel Group of companies, of which Plaza Centers is a member. During more than 25 years' active involvement in some of the world's most prestigious real estate developments, he has led successful projects in Israel, Western Europe, Central and Eastern Europe (CEE), South Africa and India. Mr Zisser was appointed as Executive Director of the Board of Directors of the Company on August 17, 2006 and reappointed in 2008 for an additional three years. Mr Zisser also served as the Chairman of the Board of Directors of the Company from August 17, 2006 until November 22, 2011.

Ran Shtarkman, President and CEO (male, 44, Israeli)

Ran Shtarkman (CPA, MBA) joined Plaza Centers in 2002, becoming Chief Financial Officer in 2004 and CEO in September 2006. He was additionally appointed as Executive Director on October 12, 2006 (and reappointed in 2011 for an additional three years), as President in 2007 and as Co-CEO of Elbit Imaging Ltd. in January 2010. Previous roles include CFO of SPL Software Ltd., Finance and Administration Manager for Continental Airlines' Israeli operations and Controller of Natour Ltd.

Independent Non-executive Directors

Marco Wichers, Chairman (male, 52, Dutch)

Marco Wichers is the CEO and owner of AMGEA Holding BV and the CEO of real estate consultancy AMGEA Vastgoed Adviseurs B.V. Previously he was the CEO of two New York-based manufacturing companies – Branco International Inc. (1988-1995) and Cravat Club Inc. (1983-1995), which he also owned. Mr Wichers was appointed as Non-executive Director of Plaza Centers on November 1, 2006 and reappointed in 2009 for an additional three years. Mr Wichers was appointed as Chairman of the Board of Directors of the Company on November 22, 2011.

Marius van Eibergen Santhagens, Senior Independent Director (male, 60, Dutch)

Marius van Eibergen Santhagens has over 20 years' corporate finance experience. From 1985 to 1996 he held various director positions with Generale Bank Nederland N.V., part of the Fortis Group. From 1996 to 2003 Mr van Eibergen Santhagens was a registered interim manager consulting at various middle sized international operating companies. From 1999 to 2008 he was managing director of Leisure Investments & Finance B.V., a corporate finance company focused on the leisure industry, active in the EU and the Caribbean. Since 2005 he has been non-executive director with Engel East Europe N.V., a developer of real estate in Eastern Europe. Presently he is managing director of Stichting Amazon Teak Foundation, handling a €200 million investment in teak wood in Brazil. Mr van Eibergen Santhagens was appointed as Non-executive Director of Plaza Centers on November 1, 2006 and reappointed in 2009 for an additional three years.

Non-executive Directors

Shimon Yitzhaki (male, 56, Israeli)

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

Edward Paap (male, 48, Dutch)

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

Senior Management

Roy Linden (35) BBA, CPA (USA, Isr), Chief Financial Officer

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

Ami Hayut (46) BSc, Chief Engineer

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

Uzi Eli (36), LLB, Attorney at Law (Isr), MBA, General Counsel and Compliance Officer
Uzi Eli joined Plaza Centers as the Group's General Counsel and Compliance Officer in 2007. Prior to joining the Company, he practiced law in two of the leading commercial legal firms in Israel. His main practice was concentrated in commercial and corporate law, providing ongoing legal services to corporate clients (mainly to hi-tech and bio-tech companies, and venture capital funds) in all aspects of corporate governance, and representation in various transactions, such as financing and M&A transactions and other wide varieties of licensing and technology transactions.

Luc Ronsmans (61), MBA, Netherlands and Romania Country Director
Luc Ronsmans joined the Europe Israel Group in 1999. Located in Amsterdam and Bucharest, he acts as Manager for European operations for both the Company and its Group affiliates. Prior to joining the Europe Israel Group, he was active in the banking sector, holding managerial positions with Manufacturers Hanover Bank, Continental Bank (Chicago), AnHyp Bank and Bank Naggelmachers in Belgium.

Eli Mazor (57), Regional Marketing Director and Poland and Latvia Country Director
Eli Mazor, who acted as a Regional Marketing Manager in Poland since joining the Group in 2005, was appointed Poland Country Director and Regional Marketing Director in 2007 and Latvia Country Director in 2009. Prior thereto, he acted as the CEO of a shopping center in Israel.

Yossi Ofir (55), Republic of India Country Director
Yossi Ofir joined Plaza Centers in 2008 as a Country Director for the Republic of India. Prior to joining the Company, he acted as Head of the Commercial Department in Pelephone Communication Ltd. (a leading company in the Israeli telecommunications sector). Prior to this position he acted as Head of the National Marketing Department in an Israeli credit card company.

Sagiv Meger (34), Republic of Serbia and Czech Republic Country Director
Sagiv Meger joined the Company in late 2007 as the Country Director of Plaza Centers Serbia and was appointed as Country Director of the Czech Republic in 2009. Prior to joining Plaza Centers he was the COO of a company based in Angola, Africa for four years, supporting over 50 various projects, ranging from telecommunications, real estate, agriculture to military intelligence. He gained an extensive range of first-hand experience in previous management positions.

Daniel Belhassen (42), LLB in Law and BA in Economics and Business Administration, Republic of Bulgaria and Greece Country Director and Head of Shopping Centers Management
Daniel Belhassen joined the Plaza team in the beginning of 2008, as the Country Director for Plaza Centers Bulgaria and since the beginning of 2009 for Greece as well. Prior to joining Plaza Centers, Mr Belhassen was acting for two years as a business development manager in a real estate development company based in Israel, supporting several retail projects in Hungary, Poland, Germany, and the Czech Republic. Mr Belhassen has gained vast experience in the purchasing, financing, development and management of retail projects in CEE region. At the end of 2010 he was appointed as the head of shopping centers management.

Alexander L. Berman (52), CPA, MBA, United States Country Director
Alexander Berman joined the Group in 2009 as a Country Director for the United States. Alexander has over 25 years of management, investment, finance and business development experience in the United States and internationally. Prior to joining the Group, he was an executive with General Growth Properties, Inc. ("GGP"), one of the most prominent US mall developers, owners and operators, where he was a Corporate Officer. Most recently, he was the Founder and Head of GGP International and previously held the position of GGP's Senior Vice President of Capital Markets and Finance. He is a member of the International Council of Shopping Centers.

Directors' report*

Principal activities and review of business

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

Since then, it has expanded its CEE operations into Poland, the Czech Republic, Latvia, Romania, Bulgaria, Greece and Serbia. In addition, the Group has extended its area of operations beyond the CEE into India and the US. The Group has been present in real estate development in emerging markets for over 16 years. To date, the Group has developed, let and opened 32 shopping and entertainment centers and one office building. Twenty-one of these centers were acquired by Klépierre, one of the largest shopping center owners/operators in Europe. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the leading UK institutional property investors at that time and one shopping center (Arena Plaza in Budapest, Hungary) was sold to Active Asset Investment Management ("aAIM"), a UK commercial property investment group. The remaining six centers which were completed during 2009, 2010, 2011 and at the beginning of this year are being held and managed by the Company, while utilizing the Company's extensive experience in managing retail assets.

For a more detailed status of current activities and projects, the directors refer to the President and Chief Executive Officer's statement on pages 32 to 34, as well as to the following chapters: Overview, Business Review and Management and Governance.

For an overview of subsequent events refer to note 38 to the consolidated financial statements.

Pipeline projects

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

Going concern

The directors' review of the 2012 budget and longer-term plans for the Company has satisfied them that, at the time of approving the financial statements, it is appropriate to adopt the "going concern" basis in preparing the financial statements of the Company.

Dividends

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

However, on September 14, 2011, the Board of Directors approved an interim cash dividend payment of €30 million. The interim cash dividend payment was made on September 23, 2011 to all shareholders on the Company's register on September 23, 2011.

Directors' interests

The directors have no interests in the shares of the Company, other than the directors' share options as given on pages 64 and 65 of this report.

Directors and appointments

The following served as directors of the Company at December 31, 2011:

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

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

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

Substantial shareholdings

As of the balance sheet date, ING Open Pension Fund, Poland held approximately 9.82% of the entire issued share capital of the Company, BZ WBK AIB Asset Management S.A. of Poland held approximately 5.94% of the entire issued share capital of the Company and Aviva PTE, Poland held approximately 5.07% of the entire issued share capital of the Company. Other than that and except as disclosed under "directors' interests" above, the Company is not aware of any additional interests amounting to 5% or more in the Company's shares besides that of its parent company, Elbit Imaging Ltd.

Issue of shares

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

Employee involvement

The Company has 185 employees and other persons providing similar services. In 2010 the Company had 163 employees and other persons providing similar services. The management does not expect significant changes in the development of the number of employees. The Company's employees are vital to its ongoing success. It is therefore important that all levels of staff are involved in its decision-making processes. To this end, the Company has an open culture and flexible structure, and staff are encouraged formally and informally to become involved in discussions on the Company's future strategy and developments. Employee share option schemes were adopted on October 26, 2006 (as amended in October 2008 and November 2011) and on November 22, 2011 which enables employees to share directly in the success of the Company.

Annual General Meeting (AGM)

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

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

The AGM of shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, The Netherlands on June 30, 2011 at 11am (CET).

In this AGM, *inter alia*, the following resolutions were taken by the shareholders: (i) to approve the Company's Dutch statutory annual accounts and annual report being drawn up in the English language; (ii) to consider the Company's Dutch statutory annual accounts and the annual report for the year ended December 31, 2010; (iii) to adopt the Company's Dutch statutory annual accounts for the year ended December 31, 2010; (iv) to discharge the directors of the Company from their liability for the conduct of business for the year ended December 31, 2010; (v) to resolve to pay no dividend to the holders of ordinary shares in respect of the year ended December 31, 2011; (vi) to authorise the Board generally and unconditionally to exercise all powers of the Company to allot equity securities in the Company up to an aggregate nominal value of €979,602, being 33% of the Company's issued ordinary share capital (as of May 2011), provided that such authority shall expire on the conclusion of the AGM to be held in 2012 unless previously renewed, varied or revoked by the Company in a general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (vii) to give a special instruction to the Board authorizing it to disapply the pre-emption rights set out in article 6 of the Company's Articles of Association, such power to expire at the conclusion of the next AGM to be held in 2012, and the Board

Directors' report
continued

may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of the equity securities up to a maximum aggregate nominal amount of €296,849; (viii) to authorize the Company, generally and unconditionally, for the purpose of Article 8 of the Articles of Association of the Company, to make market purchases of ordinary shares in the capital of the Company on such terms and in such manner as the directors may from time to time determine, subject to certain conditions; (ix) to authorize Mr Ran Shtarkman, as special authority of the general meeting of shareholders, to represent the Company, also in matters where a conflict of interest exists, which authority shall expire on the conclusion of the AGM of the Company to be held in 2012 (unless such authority is revoked or renewed prior to such time); (x) to approve and to the extent necessary ratify the issue and offering to the public in Israel by the Company of unsecured Series A Notes of the Company (Series A Notes) in the aggregate nominal amount of NIS 86,429,00 and the subsequent admission of those Series A Notes to listing on the Tel-Aviv Stock Exchange; (xi) to approve and to the extent necessary ratify the issue and offering to the public in Israel by the Company of unsecured Series B Notes of the Company (Series B Notes) in the aggregate nominal amount of NIS 181,020,000 and the subsequent admission of those Series B Notes to listing on the Tel-Aviv Stock Exchange; (xii) to re-elect as a director, Mr Mordechay Zisser; and (xiii) to re-elect as a director, Mr Ran Shtarkman.

Extraordinary General Meeting (EGM)

An Extraordinary General Meeting of shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, The Netherlands on November 22, 2011 at 10am (CET).

In this EGM, *inter alia*, the following resolutions were taken by the shareholders: (i) to approve and to the extent necessary, to ratify, the entering into by the Company of an agreement between the Company and the holders of the Company's Series A and B Bonds, with regard to the Company's dividend distributions in the years 2012-2013; (ii) to amend the Company's Articles of Association in order to be in line with mandatory corporate law from Book Two of the Dutch Civil Code that came into force since the last amendment to the articles of association, as well as legislation that will come into force on January 1, 2012; (iii) to approve the amendments of the Company Incentive Plan; and (iv) to adopt the Company Second Incentive Plan.

Article 10 of Directive 2004/25

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

- There are no special restrictions on the transfer of the shares of the Company.
- There are no special statutory rights related to the shares of the Company.
- There are no restrictions on the voting rights on the Company's shares.
- Information on significant shareholding can be found above.
- There are no agreements between the shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights.
- The applicable provisions regarding the appointment and dismissal of members of the Board and amendments to the Articles of Association are set forth above.
- The power of the Board regarding the issue of shares and the exclusion of pre-emption rights and the repurchase of shares in the Company can be found above.
- There are no significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.
- There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.
- Other information can be found in the notes to the financial statements (please see note 24 Equity).