Plaza Centers N.V.

Condensed Consolidated Interim Financial Information

For the six month period ended June 30, 2009

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June 30, 2009

Contents

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Independent Auditors' Report on Review of Interim Financial Information

To the directors of Plaza Centers N.V.

Introduction

We have reviewed the accompanying consolidated condensed balance sheet of Plaza Centers N.V. ("the Company") as at June 30, 2009, and the related consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six month period then ended (the interim financial information). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at June 30, 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Budapest, August 25, 2009

KPMG Hungária Kft.

KPMG Hungária Kft.

Plaza Centers N.V.
Condensed consolidated interim balance sheet

	June 30, 2009	December 31, 2008
ASSETS	€ '000	€ '000
Current assets		
Cash and cash equivalents	103,902	146,026
Restricted bank deposits	25,101	32,253
Available for sale financial assets	8,930	8,608
Trade receivables, net	1,971	838
Other receivables and prepayments	62,067	60,550
Related parties	373	481
Trading properties	681,736	575,334
Total current assets	884,080	824,090
Non current assets		
Long term deposits and other investments	48,698	50,385
Equity accounted investees	-	188
Derivatives	16,390	20,323
Property and equipment	16,087	15,793
Investment property	12,970	12,970
Restricted bank deposits	29,398	34,497
Other non-current assets	400	310
Total non-current assets	123,943	134,466
Total assets	1,008,023	958,556
LIABILITIES AND EQUITY		
Current liabilities		
Interest bearing loans from banks	116,386	69,415
Trade payables	17,132	23,197
Amounts due to related parties	5,449	2,748
Provisions	16,548	16,985
Other short term liabilities	17,309	13,673
Total current liabilities	172,824	126,018
Non-current liabilities		
Interest bearing loans from banks	44,077	41,273
Long term debentures at fair value through profit or loss	204,377	175,144
Other long term liabilities	1,114	399
Deferred tax liabilities	2,316	6,191
Total non-current liabilities	251,884	223,007
Equity		
Share capital	2,924	2,924
Translation reserve	(11,038)	(12,175)
Other reserves	25,131	21,778
Share premium	248,860	248,860
Reserve for own shares	(8,992)	(5,469)
Retained earnings	322,184	350,605
Total equity attributable to equity holders of the Company	579,069	606,523
Non-controlling interest	4,246	3,008
Total equity	583,315	609,531
Total equity and liabilities	1,008,023	958,556

25 August 2009		
Date of approval of the financial statements	**Ran Shtarkman** **Director, President and Chief Executive Officer**	**Shimon Yitzchaki** **Director and Chairman of the Audit Committee**

The notes on pages 10 - 20 form an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.
Condensed consolidated interim income statement

	For the six months ended June 30, 2009	2008
	€ '000	€ '000
Revenues	7,734	79,886
Cost of operations	11,848	48,441
Gross profit (loss)	(4,114)	31,445
Administrative expenses (*)	10,861	10,146
Other income	(203)	(198)
Other expenses	31	664
Results from operating activities	(14,803)	20,833
Finance income	14,560	32,276
Finance expenses	(31,451)	(8,282)
Finance income (expenses), net	(16,891)	23,994
Share in loss of associate	(729)	(285)
Profit (loss) before income tax	(32,423)	44,542
Income tax expense (tax benefit)	(4,069)	10
Profit (loss) for the period	(28,354)	44,532
Attributable to:		
Equity holders of the Company:	(28,421)	44,532
Non-controlling interest	67	-
	(28,354)	44,532
Basic and diluted earnings (loss) per share (in EURO)	(0.10)	0.15

(*) Including non-cash share based payments of EUR 2.3 million for the six months ended June 30, 2009 (for the six months ended June 30, 2008 – EUR 2.8 million)

The notes on pages 10 - 20 form an integral part of this condensed consolidated interim financial information**.**

Plaza Centers N.V.
Consolidated interim statement of comprehensive income

	For the six months ended June 30, 2009	For the six months ended June 30, 2008
	€ '000	€ '000
Profit (loss) for the period	(28,354)	44,532
Other comprehensive income		
Net change in fair value of available for sale financial assets.	105	-
Foreign currency translation differences for foreign operations	1,161	(5,352)
Income tax on other comprehensive income	-	-
Other comprehensive income (loss) for the period, net of income tax	1,266	(5,352)
Total comprehensive income (loss) for the period	(27,088)	39,180
Total comprehensive income (loss) attributable to:		
Equity holders of the Company:	(27,179)	39,180
Non-controlling interest	91	-
Total comprehensive income (loss) for the period	(27,088)	39,180

The notes on pages 10 - 20 form an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.
Condensed consolidated interim statement of changes in shareholders' equity

	Attributable to equity holders of the Company									
	Share capital	**Share premium**	**Capital reserve**	**Translation reserve**	**Reserves from available for sale marketable securities**	**Reserve for own shares**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
	€ '000									
Balance at December 31, 2008	2,924	248,860	22,898	(12,175)	(1,120)	(5,469)	350,605	606,523	3,008	609,531
Share based payment	-	-	3,248	-	-	-	-	3,248	-	3,248
Own shares acquired	-	-	-	-	-	(3,523)	-	(3,523)	-	(3,523)
Effect of acquisition of subsidiaries	-	-	-	-	-	-	-	-	1,147	1,147
Comprehensive income (loss) for the period	-	-	-	1,137	105	-	(28,421)	(27,179)	91	(27,088)
Balance at June 30, 2009	**2,924**	**248,860**	**26,146**	**(11,038)**	**(1,015)**	**(8,992)**	**322,184**	**579,069**	**4,246**	**583,315**

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-Controlling interest**	**Total equity**
	€ '000							
Balance at December 31, 2007	2,924	248,860	13,498	(1,727)	339,916	603,471	-	603,471
Share based payments	-	-	3,801	-	-	3,801	-	3,801
Dividends to equity holders					(56,995)	(56,995)		(56,995)
Comprehensive income (loss) for the period	-	-	-	(5,352)	44,532	39,180	-	39,180
Balance at June 30, 2008	**2,924**	**248,860**	**17,299**	**(7,079)**	**327,453**	**589,457**	-	**589,457**

The notes on pages 10 - 20 form an integral part of this condensed consolidated interim financial information**.**

Plaza Centers N.V.
Condensed consolidated interim statement of cash flows

	For the six months ended June 30, 2009	2008
	€ 000'	€ 000'
Cash flows from operating activities		
Profit (loss) for the period	(28,354)	44,532
Adjustments necessary to reflect cash flows used in operating activities:		
Depreciation and impairment	6,567	466
Advance payment on accounts of trading properties	(1,120)	(3,058)
Finance income (expenses), net	16,891	(23,994)
Interest received in cash	3,616	7,857
Gain on sale of property, plant and equipment	(148)	664
Share in loss of associate	729	285
Gain on sale of trading property	-	(27,365)
Income tax expenses (tax benefit)	(4,069)	10
	(5,888)	(603)
Decrease (increase) in trade receivables	(1,052)	270,849
Decrease (increase) in other receivables	2,243	(4,434)
Change in restricted cash	6,385	(2,270)
Increase in trading properties	(61,126)	(74,848)
Purchase of trading property companies (see appendix A)	(1,202)	-
Decrease in trade accounts payable	(10,340)	(11,125)
Increase (decrease) in other liabilities and provisions	223	(20,426)
Net proceeds from selling of trading property (see appendix B)	-	(1,388)
Share based payments	2,294	2,777
	(62,575)	159,135
Interest paid	(725)	(172)
Income tax paid	(12)	-
Net cash provided by (used in) operating activities	(69,200)	158,360
Cash flows from investing activities		
Purchase of property, plant and equipment	(966)	(789)
Proceeds from sale of property, plant and equipment	164	2,514
Short term deposits, net	(1,246)	(100,230)
Investment in associate	-	(43)
Proceeds from sale of available-for-sale marketable securities	1,139	-
long term deposits,net	(14)	23
Long term investments	-	(64,832)
Net cash used in investing activities	(923)	(163,357)
Cash flows from financing activities		
Proceeds from loans from banks and financial institutions	18,335	45,045
Proceeds from settlement of derivative financial instruments	13,114	-
Dividend payment	-	(56,995)
Treasury shares purchased	(3,523)	-
Proceeds from issuance of long term debentures	-	150,212
Loans granted (repaid) to related parties	108	(5,006)
Net cash provided by financing activities	28,034	133,256
Effect of exchange rate fluctuation on cash held	(35)	(205)
Increase (decrease) in cash and cash equivalents during the period	(42,124)	128,054
Cash and cash equivalents at the beginning of the period	146,026	66,381
Cash and cash equivalents at the end of the period	103,902	194,435

The notes on pages 10 - 20 form an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.
Condensed consolidated interim statement of cash flow (cont.)

	For the six months ended June 30,	
	2009	2008
	€ 000'	€ 000'
Appendix A - Acquisition of subsidiaries		
Cash and cash equivalents of subsidiaries acquired	1,729	-
Trade receivables and other receivables	4,673	-
Long term deposit	(1,536)	-
Trading property	41,555	-
other assets	24	-
Trade payables	(6,083)	-
Interest bearing loans from banks	(32,477)	-
Minority interest	(1,147)	-
Other accounts payable	(3,668)	-
Deferred taxes	(139)	-
Less Cash and cash equivalents of subsidiaries acquired	(1,729)	-
Acquisitions of subsidiaries, net of cash held	1,202	-
Appendix B - Disposal of Subsidiaries		
Cash and cash equivalents of subsidiaries disposed	-	1,388
Working capital (excluding cash and cash equivalents)	-	35,349
Long-term deposits	-	-
Investment property and other assets	-	-
Long-term loans and liabilities	-	-
Net identifiable assets and liabilities disposed	-	36,737
Cash from sale of subsidiaries	-	-
Less- Cash and cash equivalents of subsidiaries disposed	-	(1,388)
	-	(1,388)

Non cash transactions		
Share based payment capitalized to trading properties	1,399	797
Suppliers and creditors for trading properties	1,738	20,790
Available for sale financial assets that were charged to capital reserve	(105)	-

The notes on pages 10 - 20 form an integral part of this condensed consolidated interim financial information.

1. Reporting entity

Plaza Centers N.V. ("the Company") is an emerging markets 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. The Company has been present in CEE since 1996. The Company has extended its area of operations beyond CEE into India and may consider other development opportunities in Asia and other continents.

. The condensed consolidated interim financial information of the Company as at June 30, 2009 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, 2008 are available on the Company's website (www.plazacenters.com) and also upon request from the Company's registered office at Keizersgracht 241, 1016EA Amsterdam, The Netherlands.

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

During the six months ended June 30, 2009 the following changes and additions occurred in the Company's holdings:

a. Additional 13.5% purchase of a Company in Hungary:

The Company, through it's 50% joint venture company, Ercorner Kft., which purchased an additional 27% stake in Alom Sziget Kft., which is the asset company of the Dream Island project in Budapest, Hungary (see also note 12f).

c. Partnership agreement in respect of a Company in Bulgaria:

The Company through its joint venture Company Plaza-ON B.V, held 51% by the Company, purchased 100% of the shares of ON International EOOD, a Company which holds an asset in Sofia, Bulgaria. (see also note 12a).

2. 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, 2008. The condensed consolidated interim financial information was approved for issue by the board of directors on August 25, 2009.

3. Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended December 31, 2008, as described in those annual consolidated financial statements.

3. Significant accounting policies (cont.)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2009:

1. IAS 1 (revised), 'Presentation of financial statements'
   The revised standard prohibits the presentation of items of income and expenses (that is 'owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

   The group has elected to present total comprehensive income in two statements (an income statement and a statement beginning with the profit or loss and displaying component of other comprehensive income).

2. IFRS 8, 'Operating segments'

   IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers have been identified as the Chief executive officer and the Chairman of the board of directors who make strategic decisions.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the group:

a. IAS 23 (amendment), 'Borrowing costs'.
b. IFRS 2 (amendment), 'Share-based payment'.
c. IAS 32 (amendment), 'Financial instruments: Presentation'.
d. IFRIC 13, 'Customer loyalty programmes'.
e. IFRIC 15, 'Agreements for the construction of real estate'.
f. IFRIC 16, 'Hedges of a net investment in a foreign operation'.
g. IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
h. IAS 40 (amendment), 'Investment property'.

4. Estimates

The preparation of interim financial information in conformity with IFRS requires management to make judgements, 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 these 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, 2008.

5. Segment reporting

The chief operating decision-makers (CODM) have been identified as the Group's Chief executive officer and the Chairman of the Board of Directors. The CODM reviews the group's internal reporting in order to assess performance and allocate resources.

The chief operating decision-makers assess the performance of the operating segments based on a measure of adjusted earnings before tax.

For the purpose of this interim financial information the following segment are reported:

- Real estate development in central and Eastern Europe.
- Real estate development in India.

The Group comprises the following main geographical segments CEE and India. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulted from the selling of assets geographically located in the relevant segment, as well as the geographical location of the tenants.

Data regarding the geographical analysis in the six month's period ended June 30, 2009 and 2008 is as follows:

	Central & Eastern Europe	India	Total
		€ 000'	
Six months ended June 30, 2009:			
Revenues	7,734	-	7,734
Operating loss by segment	(9,310)	(1,447)	(10,757)
Share in losses of associates, net	(729)	-	(729)
Less - unallocated general and administrative expenses			(4,218)
Financial expenses, net			(16,891)
Other income, net			172
Loss before income taxes			(32,423)
Tax benefit			4,069
Loss for the period			(28,354)
Purchase cost of segment (tangible and intangible) assets	57,052	5,040	62,092
Depreciation and impairment of segment assets	6,473	94	6,567
June 30, 2009			
Total segment assets	623,845	135,299	759,144
Unallocated assets			248,879
			1,008,023
Segment liabilities	50,287	1,816	52,103
Unallocated liabilities			372,605
			424,708

5. Segment reporting (cont.)

	Central & Eastern Europe	India	Total
		€ 000'	
Six months ended June 30, 2008:			
Revenues	79,886	-	79,886
Operating income (loss) by segment	26,735	(106)	26,629
Share in losses of associates, net	(285)	-	(285)
Less - unallocated general and administrative expenses			(5,330)
Financial income, net			23,994
Other expenses, net			(466)
Profit before income taxes			44,542
Income taxes			(10)
Profit for the period			44,532
Purchase cost of segment (tangible and intangible) assets	74,323	1,314	75,637
Depreciation and impairment of segment assets	445	21	466
June 30, 2008			
Total segment assets	506,300	31,981	538,281
Investment on the equity basis	887		887
Unallocated assets			399,551
			938,719
Segment liabilities	62,262	1,551	63,813
Unallocated liabilities			285,449
			349,262

6. Financial risk management

During the six months ended June 30, 2009 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, 2008.

7. 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 average tax rate used for the six months ended June 30, 2009 was 12.6%, entirely due to deferred tax asset created due to changes in fair value of financial instruments.

8. Interest-bearing loans from banks

The following interest-bearing loans from banks relating to trading properties were received during the six months ended June 30 2009:

	Currency	Interest rate	Face value	Carrying amount	Year of maturity
			€ 000'		
Balance at 1 January 2009				**110,688**	
Received loans					
Secured bank loan	Euro	3m Euribor+3%	24,371	24,371	2010
Secured bank loan	Euro	3m Euribor+2.25%	8,182	8,182	2010
Secured bank loan	USD	3m EurLibor+4%	3,621	3,621	2014
Secured bank loan	Euro	3m Euribor+1.8%	15,035	15,035	2014
				51,209	
Repayments					
Forex on USD loan	USD	3m EurLibor+4%		319	2014
Secured bank loan	Euro	3m Euribor+0.5%		375	2009
Secured bank loan	Euro	3m Euribor+1.8%		234	2016
Secured bank loan	Euro	3m Euribor+2,7%		506	2014
Balance at June 30, 2009				**160,463**	

9. Related parties

	June 30 2009	December 31 2008
	€ 000'	
Balance sheet		
Trade and other receivables	373	481
Trade and other payables	5,449	1,980
Short term loans received from other related party	-	768

	For the six months ended June 30, 2009	For the six months ended June 30 ,2008
	€ 000'	
Income statements		
Related parties - interest income	401	614
Related parties - interest expenses	(118)	(238)

9. Related parties (cont.)

The Control Centers Group of companies, held by Mr. Mordechay Zisser, the main shareholder of Elbit Imaging Ltd. ("EI") who is the indirect controlling shareholder of the Company, is providing project management services to various projects developed by the Company and has charged EUR 6 million for services provided in the six months ended June 30 2009.

Jet Link, a Company held 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 2009.

The Company estimates the liability arising from an agreement signed with the Executive Vice Chairman of EI regarding investments in India, in an amount of EUR 1.5 million. A provision is included in other liabilities – related parties and updates to the provision are included as administrative expenses in the condensed consolidated income statement.

10. Earnings per share

Earnings per share attributable to equity holders of the Company arise from continuing operations as follows:

	For the six month ended June 30, 2009
Loss per share attributable to the equity holders of the Company (expressed in EUR per share)	
Basic:	0.10
Diluted:	0.10

11. Standards, interpretations and amendments to published standards not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the six months period ended June 30, 2009, and have not been applied in preparing these consolidated financial statements:

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

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

  - All items of consideration transferred by the acquirer are recognized and measured at fair value as of the acquisition date, including contingent consideration.
  - Transaction costs are not included in the acquisition accounting.
  - The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree.
  - Acquisitions of additional non-controlling equity interests after the business combination must be accounted for as equity transactions.

  As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have not impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.

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

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

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

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

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

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

- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008), explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

IFRIC 16 is not expected to have any impact on the consolidated financial statements as the Group has not designated any hedges of a net investment in a foreign operation.

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 15 July 2009)

  The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognized in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognized in profit or loss.

  As the Interpretation is applicable only from the date of application, it will have no impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders, it is not possible to determine the effects of application in advance.

- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers of assets from customers received on or after 1 July 2009. Early adoption is permitted under limited circumstances.)

  The Interpretation applies to the accounting by entities that receive contributions of property, plant and equipment from their customers. The Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the contributed item meets the criteria for property, plant and equipment in IAS 16, Property, Plant and Equipment. The Interpretation also requires the entity to recognize the amount as revenue; the timing of the revenue recognition will depend on the facts and circumstances of the particular agreement.

  The Interpretation is not relevant to the Group's financial statements as the Group does not normally receive in scope asset contributions from its customers.

- <u>IAS 17, Leases (effective for annual periods beginning on or after 1 January 2010)</u>

  IAS 17 is amended to delete paragraph 14, which stated that a lease of land with an indefinite economic life is normally classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee.

  Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to

11. Standards, interpretations and amendments to published standards not yet effective (cont.)

the lessee and the present value of the residual value of the leased asset is considered negligible.

The amendments to IAS 17 are not expected to have any impact on Group's financial statements.

12. Significant events during the period

A. *Bulgaria – transaction*

On February 3, 2009 the Company acquired a controlling stake in a 75,000 sqm project in Sofia, Bulgaria, for the development of a retail and office complex.

The Company acquired a 51% stake in the project from a local developer for a total consideration of EUR 7.14 million. The consideration consisted of a cash payment of EUR 2.78 million and the assumption of EUR 4.36 million of debt, representing 51% of the project's debt liability. In addition the Company will retain the right to acquire a further 24% stake in the project for six months following the start of construction, based on the current value of the project. The local developer retains the remaining stake as joint venture partners in the project, with the Company managing the construction.

B. *Completion of share buyback program*

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

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

C. Changes in ratings of Company debentures

In March 2009 Midroog Ltd. ("Midroog"), an affiliate of Moody's Investors Services, and S&P Maalot ("Maalot"), have recently conducted wide-ranging reviews of a number of real estate companies whose debentures are listed on the Tel Aviv Stock Exchange ("TASE"), including the Company's and EI's.

As a result of this review, Midroog has informed the Company that it has decreased the "Aa3/Negative" rating, for the Company's Series A and Series B Debentures, which are traded on the TASE, to "A2/Stable".

Maalot has decreased its rating of the Company's series A debentures from an "A+/Negative" rating, to "A/Stable" on a local scale.

D. *Settlement of Cross Currency transaction Series A debentures*

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

12. Significant events during the period

E. *Refinance of airplane*

In March 2009 the Company received a total amount of USD 4.7 million (EUR 3.7 million) as a refinance loan in respect of its wholly owned airplane. The loan was granted for a period of 5 years and bears an interest of USD LIBOR + 4%.

F. *Purchase of additional stake in Dream Island project, Budapest*

In March 2009, the Company, through its 50% held jointly controlled subsidiary ("Ercorner") has acquired a additional 27% stake in Alom Sziget Kft. ("Alom Sziget") for a total consideration of EUR 21.4 million .The consideration Ercorner paid consisted of a cash payment of EUR 12 million and the assumption of EUR 9.4 million of debt, representing 27% of the project's net debt liability. Following the transaction, Ercorner holds 87% of the equity and voting rights in Alom Sziget.

G. *Update on market conditions*

The Company continues to monitor closely market conditions in the countries in which the Group operates. Although there has been a slight easing in debt market conditions, the repercussions of the global recession are still very strong and management of the Company estimates, that it will continue to have an impact on current and potential tenants for some time. The Company believes that it able to mitigate the global recession consequences by ensuring maintains of its strong, lasting relationships with its high quality tenant base, across the Company's geographically diverse portfolio of western style, well located centres.

The Company commenced the construction of two developments in Suwalki and Zgorzelec, in Poland with the completion of both schemes anticipated to occur in 2010. The developments will comprise 20,000 sqm and 13,000 sqm of GLA, respectively. In addition, the Company continues to make progress with the development of four further projects (Casa Radio and Miercurea Ciuc in Romania, Dream Island in Hungary and Koregaon Park in Pune, India). The remainder of the Company's development pipeline projects are either in the design phase or waiting permitting. As stated at the year end results, commencement of these projects will depend, amongst other things, on the availability of external financing.

H. Forward transaction

On May 12, 2009 the Company entered into a forward transaction, to hedge its foreign currency risk in respect of Series A notes issued in July 2007, following the settlement explained in 12D above. The forward transaction will decrease the foreign currency exposure in connection with NIS payment of Series A notes up and until December 31, 2010.

12. Significant events during the period (cont.)

I. Rating for a new debt instrument

In June 2009 Midroog Ltd. has approved a rating of “A2/Stable” on Moody’s scale for the raising of new debt instruments by the Company to a value of up to NIS 150 million (circa EUR 27 million). The Midoroog rating is the same as the rating granted to the other two series of bonds (A and B) previously issued by the Company in 2007 and 2008, respectively.

J. Write-down of Trading Properties

During the six months ended June 30, 2009 the Group recognised a write-down of Trading Property of EUR 5.3 million related to 2 Shopping Centres in Latvia and in the Czech Republic. There were no Trading Property write-downs recognised during the six months ended June 30, 2008.

13. Post balance sheet events

Private issuance of bonds

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

The terms of the Additional Notes are identical to the terms of the Series B Notes issued to the public under the Company's prospectus from February 2008 (the “Prospectus”).