Plaza Centers N.V.

Condensed Consolidated Interim Financial Information

For the six months period ended June 30, 2010

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June 30, 2010

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 statement of financial position of Plaza Centers N.V. ("the Company") as at June 30, 2010, 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, 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Budapest, August 24, 2010

KPMG Hungária Kft.

KPMG Hungária Kft.

Plaza Centers N.V.
Condensed consolidated interim statement of financial position

ASSETS	June 30, 2010	December 31, 2009
	€ '000	€ '000
Cash and cash equivalents	151,526	122,596
Restricted bank deposits	16,937	39,202
Short term deposits	9,165	2,589
Available for sale financial assets	26,056	15,040
Trade receivables	6,375	1,920
Other receivables and prepayments	57,383	53,605
Derivatives	-	1,810
Related parties	599	513
Trading properties	790,677	707,287
Total current assets	1,058,718	944,562
Long term deposits and other investments	52,156	51,447
Deferred tax assets	1,081	-
Derivatives	52,490	20,151
Property and equipment	11,070	14,990
Investment property	263,046	13,399
Restricted bank deposits	14,674	14,737
Other non-current assets	783	335
Total non-current assets	395,300	115,059
Total assets	1,454,018	1,059,621
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Interest bearing loans from banks	256,974	176,637
Debentures at fair value through profit or loss	8,776	7,423
Trade payables	12,718	19,953
Amounts due to related parties	2,045	3,234
Provisions	15,597	16,305
Other short term liabilities	26,905	11,465
Total current liabilities	323,015	235,017
Non-current liabilities		
Interest bearing loans from banks	129,028	7,435
Debentures at fair value through profit or loss	245,095	211,940
Debentures at amortized cost	101,162	27,792
Other liabilities	227	291
Deferred tax liabilities	3,334	2,437
Total non-current liabilities	478,846	249,895
Equity		
Share capital	2,965	2,942
Translation reserve	19,017	(9,640)
Other reserves	29,538	28,888
Share premium	261,773	261,773
Retained earnings	311,690	285,836
Total equity attributable to equity holders of the Company	624,983	569,799
Non-controlling interest	27.174	4,910
Total equity	652,157	574,709
Total equity and liabilities	1,454,018	1,059,621

23 August 2010		
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 - 21 form an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.
Condensed consolidated interim income statement

	For the six months period ended June 30, 2010	2009
	€ '000	€ '000
Revenues	9,547	7,734
Cost of operations	7,543	11,848
Gross profit (loss)	2,004	(4,114)
Administrative expenses	8,608	10,861
Other income (*)	(39,042)	(203)
Other expenses	500	31
Results from operating activities	31,938	(14,803)
Finance income	(43,303)	(14,560)
Finance expenses	48,298	31,451
Finance expenses, net	4,995	16,891
Share in loss of associates	253	729
Profit (loss) before income tax	26,690	(32,423)
Income tax expense (Tax benefit)	907	(4,069)
Profit (loss) for the period	25,783	(28,354)
Attributable to:		
Equity holders of the Company:	25,854	(28,421)
Non-controlling interest	(71)	67
	25,783	(28,354)
Basic earnings (loss) per share (in EURO)	0.09	(0.10)
Diluted earnings (loss) per share (in EURO)	0.08	(0.10)

(*) 2010- Including gain from a bargain purchase incurred in respect of the US transaction (refer to note 10(3)) in the amount of EUR 38 million.

The notes on pages 10 - 21 form an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.
Condensed consolidated interim statement of comprehensive income

	For the six months period ended June 30,	
	2010	**2009**
	€ '000	**€ '000**
Profit (loss) for the period	25,783	(28,354)
Other comprehensive income		
Net change in fair value of available for sale financial assets, net of tax	(400)	105
Foreign currency translation differences of foreign operations	29,304	1,161
Total other comprehensive income for the period, net of income tax	28,904	1,266
Total comprehensive income (loss) for the period	54,687	(27,088)
Total comprehensive income (loss) attributable to:		
Equity holders of the Company:	54,111	(27,179)
Non-controlling interest	576	91
Total comprehensive income (loss) for the period	54,687	(27,088)

The notes on pages 10 - 21 form an integral part of this condensed consolidated interim financial information**.**

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

	Attributable to equity holders of the Company								
	Share capital	Share premium	Capital reserve	Translation reserve	Reserves from available for sale financial assets	Retained earnings	Total	Non-Controlling interest	Total equity
	€ '000								
Balance at December 31, 2009	2,942	261,773	28,286	(9,640)	602	285,836	569,799	4,910	574,709
Share based payment	-	-	1,073	-	-	-	1,073	-	1,073
Share options exercised	23	-	(23)	-	-	-	-	-	-
Effect of acquisition of subsidiaries	-	-	-	-	-	-	-	20,984	20,984
non-cash capital contribution of non-controlling interest	-	-	-	-	-	-	-	704	704
Comprehensive income (loss) for the period	-	-	-	28,657	(400)	25,854	54,111	576	54,687
Balance at June 30, 2010	**2,965**	**261,773**	**29,336**	**19,017**	**202**	**311,690**	**624,983**	**27,174**	**652,157**

	Share capital	Share premium	Capital reserve	Translation reserve	Reserves from available for sale financial assets	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**

The notes on pages 10 - 21 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 period ended June 30, 2010	2009
	€ 000'	€ 000'
Cash flows from operating activities		
Profit (loss) for the period	25,783	(28,354)
Adjustments necessary to reflect cash flows used in operating activities:		
Depreciation and impairment	807	6,567
Non-controlling interest	71	(67)
Finance expenses, net	4,995	16,891
Interest received in cash	4,341	3,616
Interest paid	(2,187)	(725)
Loss (gain) on sale of property and equipment	240	(148)
Share in loss of associate	253	729
Loss on sale of trading property	160	-
Gain from a bargain purchase	(37,947)	-
Income tax expenses (tax benefit)	907	(4,069)
Share based payments	681	2,294
	(1,896)	(3,266)
Increase in trade receivables	(1,789)	(1,052)
Decrease in other receivables	7,305	2,243
Change in restricted cash	6,923	6,385
Advance payment on accounts of trading properties	(1,382)	(1,120)
Increase in trading properties	(46,604)	(61,059)
Purchase of trading property subsidiaries (see appendix A)	-	(1,202)
Decrease in trade accounts payable	(6,553)	(10,340)
Increase in other liabilities and provisions	1,923	223
Net proceeds from selling of trading property subsidiaries (see appendix B)	538	-
	(39,639)	(65,922)
Income tax paid	-	(12)
Net cash used in operating activities	(41,535)	(69,200)
Cash flows from investing activities		
Purchase of property, equipment and other non-current assets	(419)	(966)
Proceeds from sale of property and equipment	-	164
Acquisition of subsidiaries, net of cash acquired (see note 10(3))	(16,099)	-
Purchase of available for sale financial assets	(16,009)	-
Proceeds from sale of available for sale financial assets	4,655	1,139
Short term deposits, net	-	(1,246)
Long term deposits, net	(4)	(14)
Net cash used in investing activities	(27,876)	(923)
Cash flows from financing activities		
Proceeds from bank loans and financial institutions	36,591	18,335
Proceeds from selling derivative	-	13,114
Treasury shares purchased	-	(3,523)
Proceeds from issuance of long term debentures	63,024	-
Long term loans repaid to banks	(2,020)	-
Loans granted by related parties	-	108
Net cash provided by financing activities	97,595	28,034
Effect of exchange rate fluctuation on cash held	746	(35)
Increase (decrease) in cash and cash equivalents during the period	28,930	(42,124)
Cash and cash equivalents at the beginning of the period	122,596	146,026
Cash and cash equivalents at the end of the period	151,526	103,902

The notes on pages 10 - 21 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 period ended June 30,	
	2010	2009
	€ 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	-	41,556
Fixed and other assets	-	24
Trade payables	-	(6,083)
Interest bearing loans from banks	-	(32,477)
Non-controlling interest	-	(1,147)
Other accounts payable	-	(3,669)
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 Subsidiary		
Cash and cash equivalents of subsidiaries disposed	-	-
Working capital (excluding cash and cash equivalents)	(698)	-
Capital loss	160	-
Cash from sale of subsidiary	(538)	-
<u>Non cash transactions</u>		
Share based payment capitalized to trading properties	392	1,399
Suppliers and creditors for trading properties	(2,987)	1,738

(*) - For the 2010 business combination purchase refer to note 10(3).

The notes on pages 10 - 21 form an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.
Notes to the 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 in 2006 and also into the US in 2010 (refer to note 10).

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

The Company's immediate parent company is Elbit Ultrasound B.V. ("EUL"), which holds 62.39% of the Company's shares as of the date of approval of the financial statements. The ultimate parent company is Elbit Imaging Limited ("Elbit"), which is indirectly controlled by Mr. Mordechay Zisser.

The condensed consolidated interim financial information of the Company as at June 30, 2010 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, 2009 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.

During the six months period ended June 30, 2010, the following change occurred in the Company's holdings:

a) Selling of B1 Plaza S.R.O in the Czech Republic, a Company which holds a plot of land.
b) Investment in the US Real Estate Market (refer to note 10 (3)).

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, 2009. The condensed consolidated interim financial information was approved for issue by the board of directors on August 23, 2010.

3. Significant accounting policies

The accounting policies applied by the Group in these condensed interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2009 with the exception of accounting for business combination as set forth below:

From January 1, 2010 the Company has applied IFRS 3 Business Combination (2008) in accounting for business combinations. The change in accounting policy has not being applied prospectively, and therefore there is no impact on earnings per share.

For acquisition on or after January 1, 2010 the Company measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

3. Significant accounting policies (cont.)

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at fair value, or at their proportionate share of the recognized amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

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

Refer to note 10 for the application of the new policy to the business combination that occurred during the period.

New standards

Certain new standards, amendments and interpretations to existing standards have been published that are not yet effective for the Group's accounting period ended June 30, 2010, and have not been early adopted in preparing these condensed consolidated interim financial information:

1. IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013, early adoption is permitted)

   This Standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition:

   - financial assets measured at amortized cost; or
   - financial assets measured at fair value.

   A financial asset is measured at amortized cost if the following two conditions are met: the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

   Gains and losses on remeasurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognized in OCI is ever reclassified to profit or loss at a later date.

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

3. Significant accounting policies (cont.)

2. <u>Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011)</u>

   The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption.

   The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel

   Revised IAS 24 is not relevant to the Group's financial statements as the Group is not a government-related entity and the revised definition of a related party is not expected to result in new relations requiring disclosure in the financial statements.

3. <u>Revised Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)</u>

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

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

4. <u>Amendment to IFRIC 14 of IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011)</u>

   The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required.

   The amendments to IFRIC 14 is not relevant to the Group's financial statements as the Group does not have any defined benefit plans with minimum funding requirements.

3. Significant accounting policies (cont.)

5. <u>IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)</u>

The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41.

The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss.

The Group did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation will have no impact on the comparative amounts in the Group's financial statements for the year ending 31 December 2010. Further, since the Interpretation can relate only to transactions that will occur in the future, it is not possible to determine in advance the effects the application of the Interpretation will have.

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, 2009.

5. Segment reporting

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

Data regarding the geographical analysis in the six months period ended June 30, 2010 and 2009 is as follows:

	Central & Eastern Europe	USA	India	Total
	€ 000'	**€ 000'**	**€ 000'**	**€ 000'**
Six months period ended June 30, 2010:				
Revenues	9,547	-	-	9,547
Operating loss by segment	(2,295)	-	(1,510)	(3,805)
Share in losses of associates, net	(253)	-	-	(253)
Less - unallocated general and administrative expenses		-		(2,798)
Financial expenses, net				(4,996)
Other income, net				38,542
Profit before income taxes				26,690
Income tax expenses				(907)
Profit for the period				25,783
Purchase cost of segment assets (tangible and intangible)	33,946	-	8,983	42,929
Depreciation of segment assets	441	-	366	807
June 30, 2010				
Total segment assets	662,382	268,474(*)	197,654	1,128,510
Unallocated assets				325,508
				1,454,018
Segment liabilities	53,158	184,671(*)	2,289	240,118
Unallocated liabilities				561,743
				801,861

(*) Investment in the US Real Estate market – see note 10(3).

5. Segment reporting (cont.)

	Central & Eastern Europe	India	Total
	€ 000'	**€ 000'**	**€ 000'**
Six months period 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

6. Financial risk management

During the six months period ended June 30, 2010 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, 2009.

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 effective tax rate used for the six months period ended June 30, 2010 was 3%, vastly due to deferred tax liability created as a result of net changes in fair value of financial instruments, offset by non-recognition of deferred taxes in respect of gain from a bargain purchase associated with business combination.

8. Interest-bearing loans from banks

The following interest-bearing loans from banks relate to trading properties were received during the six months period ended June 30, 2010, and loans related to investment properties in the US market:

	Currency	Interest rate	Face value	Carrying amount	Year of maturity
		%	€ 000'	€ 000'	
Balance at January 1, 2010				**184,072**	
Received loans					
Secured bank loan	EUR	3m Euribor+3%	654	654	2010
Secured bank loan	EUR	3m Euribor+1.5%	18,944	18,944	2020
Secured bank loan	EUR	3m Euribor+2.75%	8,719	8,719	2016
Secured bank loan	INR	12.25% p.a	6,102	6,102	2010
Foreign exchange gain	USD	3m Libor+4%		500	2014
Secured bank loans(*)	USD	6% fixed	13,624	13,880	2013
Secured bank loans(*)	USD	6.4% fixed	47,172	47,940	2015
Secured bank loans(*)	USD	4.18% fixed	18,923	19,089	2011
Secured bank loans(*)	USD	3M Libor+3.25%	36,594	36,914	2013
Secured bank loans(*)	USD	4.91% fixed	14,961	15,092	2012
Secured bank loans(*)	USD	4.82% fixed	25,547	25,579	2010
Secured bank loans(*)	USD	5.1% fixed	5,967	6,019	2012
Secured bank loans(*)	USD	6.25% fixed	272	274	2013
Secured bank loans(*)	USD	5.5% fixed	1,280	1,291	2013
Secured bank loans(*)	USD	5.21% fixed	13,974	13,974	2010
Secured bank loan	EUR	3m Euribor+5%	467	467	2011
Secured bank loan	EUR	3m Euribor+0.5%	873	873	2010
				216,311	
Repayments					
Secured bank loan	USD	3m Libor+4%		72	2014
Secured bank loan	EUR	3m Euribor+2.5%		762	2014
Secured bank loan	EUR	3m Euribor+2.5%		234	2016
Secured bank loan	EUR	3m Euribor+2.7%		(**)13,313	2014
Balance at June 30, 2010				**386,002**	

(*) Non-recourse loans related to investment in US market (refer to note 10(3).

(**)Out of which EUR 12.4 million were repaid by offsetting the restricted deposit related to this loan.

9. Related parties

	June 30 2010	December 31 2009
	€ 000'	
Balance sheet		
Trade and other receivables	599	513
Trade and other payables	2,045	3,234

	For the six months period ended June 30, 2010	2009
	€ 000'	
Income statements		
Related parties - interest income	89	401
Related parties - interest expenses	-	(118)

9. Related parties (cont.)

The Control Centers Group of companies, held by Mr. Mordechay Zisser, the main shareholder of Elbit, is providing project management services to various projects developed by the Company and has charged EUR 3.9 million for services provided during the six months period ended June 30, 2010.

Jet Link, a Company held by Mr. Mordechay Zisser, which provides aviation services for the Company has charged a total of EUR 0.4 million for services provided in the six months period ended June 30, 2010.

The Company estimates the liability arising from an agreement signed with the Executive Vice Chairman of Elbit regarding investments in India, in an amount of EUR 0.7 million. A liability is included in other liabilities – related parties and updates to the provision are included as administrative expenses in the condensed consolidated interim income statement.

10. Significant events during the period

1. Additional issuance of series B debentures

On January 26, 2010 the Company announces that, following the public offering in Israel of unsecured nonconvertible Series B debentures of the Company (the "Series B debentures"), pursuant to the Company's prospectus dated February 3, 2008 (“prospectus”), it has agreed with Israeli Investors to issue an additional principal amount of NIS 35 million (approximately EUR 6.8 million) of Series B debentures (the "Additional Debentures") for an aggregate consideration of approximately NIS 38 million (approximately EUR 7.4 million).

On February 11, 2010 the Company announced that, following the public offering in Israel of unsecured nonconvertible Series B debentures, pursuant to The Company's prospectus, it has agreed with Israeli Investors to issue an additional principal amount of approximately NIS 273 million (approximately EUR 51.8 million) of Series B debentures (the "Additional Debentures") for an aggregate consideration of approximately NIS 292 million (approximately EUR 55.4 million). The terms of the Additional debentures are identical to the terms of the Series B debentures issued to the public under The Company's prospectus.

Rating update

On January 14th, 2010 the Company announced that S&P Maalot, the Israeli credit rating agency which is an integral part of International Standard & Poor’s has approved a rating of “ilA/Stable” on S&P’s local scale for the raising of new debt by The Company to a value of up to NIS 330 million (circa EUR 60 million) by a way of an increase of series B debentures or an issuance of a new series of debentures. The Maalot’s rating is the same as the rating it has granted to the current two series of debentures (A and B) previously issued by The Company during 2007 and 2008/2009, respectively.

On February 18th, 2010 the Company announced that MIDROOG Ltd., the Israeli Credit Rating Agency and an affiliate of Moody’s Investors Service has retained its rating of “A2/Stable” on Moody’s scale following the recent raising of NIS 330 million (circa EUR 60 million) of new debt instruments by The Company in January and February 2010. The Midroog rating applies to the two series of debentures (A and B) previously issued by The Company from 2007 to 2010.

10. Significant events during the period (cont.)

2. Framework agreement for a Joint Venture in the United States

On February 9, 2010 the Company entered through Elbit Plaza USA, L.P. (“Elbit Plaza USA”), a new Real Estate Investment Partnership with Elbit into a framework and co-investment agreement with Eastgate Property LLC (“Eastgate”) to take advantage of real estate opportunities in the United States, primarily in the retail sector. Under the terms of the new strategic joint venture, Elbit Plaza USA and Eastgate have jointly committed to invest a total of USD 200 million in equal shares in one or more dedicated US real estate investment platforms, which will focus on investments in the US commercial real estate sector (collectively, the “Fund”). The Fund will seek to identify potential investments and make both direct purchases and enter into joint ventures with local business partners over a two year acquisition period. Once assets have been acquired, Elbit and The Company will undertake asset management initiatives to maximise income and capital value growth from the properties.

Pursuant to the framework and co-investment agreement with Eastgate, EPN GP LLC (“EPN”) was jointly established as a Real Estate Investment Venture for the purpose of investing in the US real estate market, primarily in the retail sector. For the transaction in the USA refer to Note 10(3).

In June 2010 Elbit Plaza USA and Eastgate have raised from Menora Mivtachim Insurance Ltd. (“Menora”), a leading pension insurance entity in Israel, and certain of Menora’s affiliates, USD 31 million (EUR 25 million) of capital commitments to be invested in EPN. Following this commitment the Company indirect interests in EPN was reduced from 25% to 21.65%.

3. Investment in US Real Estate market

During the period April through June 2010 the Company entered, through its jointly controlled entity, EPN into a series of agreements (which are described below) for the purpose of acquiring the controlling interests in Macquarie DDR Trust ("EDT" or the "Trust"). EDT is an Australian publicly traded trust (ASX:EDT.AX), which holds and manages as of June 30, 2010 two US REIT portfolios of 75 retail properties. The properties have approximately 13.0 million sq ft of lettable area of mainly community shopping centres across 23 states in the United States. Pursuant to these agreements, on June 18, 2010 EPN obtained control over EDT by acquiring 47.8% of the unitholding in the trust. In addition, EPN acquired 50% interest in the entity which is the owner of the Responsible Entity of the Trust ("US Manager") for USD 3 million (EUR 2.4 million). Developers, Diversified Realty Corporation, an Ohio corporation specializing in real estate investments and assets management ("DDR"), will remain as a 50% co-owner of the US Manager and continue to act as property manager for the Trust's assets. The Responsible Entity looks after the day-to-day management of EDT, including its investments, strategy management and financing. Pursuant to this agreement EPN appointed five board members out of nine and consequently has the power to govern the financial and operating policies of EDT. Pursuant to framework and co-investment agreement with Eastgate:

(i) EPN acquired a unitholding representing 15% of the Trust's units, pre-placement, through a 9.5 million Australian Dollar (“AUD”) (EUR 6.6 million) private placement ("Placement"); Under the Placement, EDT has issued to EPN 141.48 million new units at a price of AUD 0.067 per unit, totalling AUD 9.5 million (EUR 6.6 million), reflecting a premium of 4.7% to the last closing price of AUD 0.064 on 25 March 2010. The units issued in the Placement rank equally with existing EDT units. Half of the Placement purchase price was financed by Eastgate and half by Elbit and the Company in equal proportions

(ii) EPN acquired from Macquarie Group Limited ("Macquarie") its 2.6% principal unitholding in the Trust for 1.7 million AUD (EUR 1.2 million);

10. Significant events during the period (cont.)

3.Investment in US Real Estate market (cont.)

(iii) Subsequently, EPN participated in and sub-underwrite a proposed recapitalisation of EDT to raise approximately AUD 200 million (EUR 139 million) ("Proposed Recapitalisation"). This was undertaken by way of a pro rata entitlement offer ("Entitlement Offer") and was conditional on EDT entering into definitive underwriting agreements with professional underwriters and receiving acceptable standstill agreements from the Trust's lenders and derivative counterparties. Following this proposed recapitalization EPN became a 47.8% holder of the trust's units, and by that becoming the largest unitholder in the trust;

The net proceeds of the Placement and Proposed Recapitalisation were used for the repayment of the amounts outstanding under EDT's unsecured debt and derivative liabilities and provide enhanced balance sheet stability to EDT. The Company incurred acquisition-related costs of EUR 0.3 million. These costs have been included in administrative expenses in the Company condensed consolidate interim income statement. Following the completion of the above transactions, EPN is fully consolidating the financial statements of the trust with non-controlling interest of 52.2%, effective June 30, 2010. The Company is performing a proportional consolidation of 21.65% of EPN condensed consolidated interim financial statements.

The details on fair value and carrying amount of asset and liabilities acquired, as well as non-controlling interest is as follows (all items are thousands of EUR, and reflects 100% of the acquired assets and liabilities):

Item	Carrying amount	Fair value
Cash and cash equivalents	25,224	25,224
Restricted cash	4,065	4,065
Trade and other receivables	30,588	30,588
Investment properties	1,153,104	1,153,104
Deferred tax assets	-	4,993
Other assets	1,473	1,473
Trade payables	(3,169)	(3,169)
Interest bearing loans	(817,572)	(831,649)
Other accounts payable	(18,349)	(18,349)
Total net asset	375,364	(*)366,280

(*)As of the date of approval of these financial statements, and due to the complexity of the transaction, the accounting for this business combination in respect to the examination of fair value of certain interest bearing loan liabilities in the acquired business combination is incomplete, and therefore the related amounts recognized are provisional and subjected to changes. The Company expect to complete its examination in the second half of 2010. The total purchase price, in thousands of EUR, as well as fair value of the non-controlling interest was as follows:

Total amount paid by EPN(*):	95,608
Fair value of non-controlling interest (**):	95,396
Total	191,004

(*) The total part of the amount paid by the Company was EUR 21.5 million, and after deduction of cash acquired of EUR 5.4 million the net cash consideration totalled EUR 16.1 million.

(**)The Company chose to measure Non-controlling interests at fair value. The non-controlling interest was evaluated at AUD 0.055 per unit, totalling USD 117 million (circa EUR 95 million).

10. Significant events during the period (cont.)

3. Investment in US Real Estate market (cont.)

As a result of the above, EPN recorded a gain from a bargain purchase of USD 215 million (EUR 175 million), and the Company recorded 21.65% out of this amount, totalling EUR 38 million as other income in the Company condensed consolidate interim income statement.

4. Status of EDT borrowing facilities expiring within the next 12 months

As of the date of statement of financial position, EDT has a number of assets which are collateralized against the following facilities which mature within 12 months:

I. A USD 143.3 million commercial Mortgage Backed Securities which currently matures on October 5, 2010. This non-recourse loan in separately secured on six properties which have a book value of USD 183 million. EDT remains in active discussions with the loan special servicer and other third party financiers seeking a longer term funding arrangement for the properties securing this loan.

II. A USD 107.5 million facility which matures in June 2011. This non-recourse facility is separately secured on thirteen properties which have a book value of USD 181 million as at June 30, 2010. EDT intends to explore the potential refinancing of this facility with another lender prior to its maturity date.

11. Post balance sheet events

1. Restructuring of partnership agreement in India.

On March 13, 2008 Elbit Plaza India Real Estate Holdings Ltd ("EPI"), A 50%/50% Joint Venture company of the Company and Elbit entered into an amended and reinstated share subscription and framework agreement ("Framework Agreement"), with a third party (the "Seller"), and a wholly owned Indian subsidiary of EPI ("SPV"), to acquire, through the SPV, up to 440 acres of land in Bangalore, India. As of June 30, 2010, the SPV has secured rights over approximately 54 acres and the total aggregate consideration paid was approximately INR 2,840 million (EUR 45 million) , presented in the statement of financial position as of June 30, 2010 as trading properties.

In addition the SPV has paid to the Seller advances of approximately INR 2,536 (EUR 40 million) on account of the future acquisitions by the SPV of a further 51.6 acres ("Refundable Advance"), presented in the statement of financial position as of June 30, 2010 as other receivables.

On July 22, 2010, due to changes in the market conditions and due to new arrangements between the parties, EPI, the SPV and the Seller entered into new framework agreement which established the new commercial understandings pertaining, inter alia, to the joint development of the Project and its magnitude and financing, the commercial relationship and working methods between the parties and the distribution mechanism of the revenues from the Project. In accordance with the new framework agreement, the following commercial terms have been agreed between the parties:

- EPI will remain the holder of 100% of the shareholdings and the voting rights in the SPV.
- The scope of the new project will be decreased to approximately 165 acre instead of 440 acre.
- The Seller undertaken to complete the acquisitions of the additional land in order to achieve rights over the said 165 acres.
- The SPV will not be required to pay any additional amounts in respect of such acquisitions or with respect to the Project.

11. Post balance sheet events (cont.)

1.Restructuring of partnership agreement in India (cont.)

The Project will be executed jointly by the Seller and the SPV. The Seller (or any of its affiliates) will also serve as general contractor of the Project, as well as the marketing manager of the Project. Under the new framework agreement the Seller is committed to a minimum construction costs, maximum sale prices and a detailed timeline with respect to the development of the Project.

The profits from the Project (including the sale by the Seller or any transaction with respect to the original lands which do not form part of the said 165 acres) will be distributed in accordance with the agreed upon percentage agreed upon in the agreement until such time that EPI agreed upon investment in the amount of INR 5,780 million (approximately EUR 93 million) is refunded plus an Internal Return Rate ("IRR") of 20% per annum as of September 30, 2009 (the "Refunded amount").

Following the date upon which EPI receives the Refunded amount in full,, EPI will not be entitled to receive any additional profits from the Project and it will transfer to the Seller the entire shareholdings in the SPV for no consideration. In addition, the Seller has a call option, subject to applicable law and regulations, to acquire the entire shareholdings of the SPV, at any time, in consideration for EPI unpaid investment plus an IRR of 20% per annum on the relevant date.

2. Planned liquidation of certain assets in EDT

Due to uncertainties of being able to retrieve any equity value from the Single Box portfolio (comprising 30 assets in 3 states in the US) and significant additional capital being required, EDT, DDR and the loan servicer are now progressing to jointly request that a court appoint a third party receiver to manage and liquidate the remaining assets within the portfolio. There is no obligation for the group to provide further equity to the lender or the joint venture.

3.Bonds issuance program in Poland

On 28 July 2010 the Board of the Company approved a bond issuance programme for the issuance of up to 3,000 unsecured bearer bonds, governed by Polish law, to the maximum amount of PLN 300 million (approximately EUR 75 million) (the “Bonds”), in several tranches. The tranches have been approved for issuance between July 2010 and the end of 2016 (the “Bonds Issuance Programme”) as part of a long term strategic financing plan. The detailed terms and conditions of the issuance of each tranche of the Bonds will be specified by the Board of the Company, depending on the Company’s needs with regard to funding, market conditions and investor demand for the Bonds. The Company views the developing Polish corporate bond market as a potentially significant long-term source of debt financing, which also complements its expanding shareholder base of Polish institutional investors. The Company will enter this market in a prudent manner over time, in line with its conservative financing policy.

4. New borrowing facility for a Serbian project

In August 2010 the Group signed a loan agreement in an amount of circa EUR 33 million for a new shopping centre in Kragujevac, Serbia.