Plaza Centers
Annual report 2012

Koregaon Park Plaza

Koregaon Park Plaza, located in Pune, the ninth largest city in India with a population of over five million inhabitants in its metropolitan area, is home to Plaza's first completed shopping and entertainment center in India. The 48,000m^2 center opened to the public in March 2012. It comprises over 125 shops let to major international and domestic brands as well as approximately 1,800 car and motorcycle parking spaces.

Contents

This annual report is not intended for Dutch statutory filing purposes. The Company is required to file an annual report containing consolidated and Company financial statements prepared in accordance with the Netherlands Civil Code – such a report will be submitted in due course to the Dutch authorities and will be available for shareholders' inspection at the Company's offices in Amsterdam.

Who we are

We are a leading Central and Eastern European property developer focusing on western-style shopping and entertainment centers, with a diversified platform of operations in India.

Poland

Serbia

India

The Plaza Centers Group is a leading emerging markets developer of shopping and entertainment centers, focusing on developing new centers and, where there is significant redevelopment potential, redeveloping existing centers, in both capital cities and important regional centers. The Group has been present in the Central and Eastern Europe region ("CEE") since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary. The Group has pioneered this concept throughout the CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centers. Since 2006, the Group has extended its area of operations beyond the CEE into India and, since 2010, into the USA, and is considering development and investment opportunities in other countries. In 2010, Plaza took advantage of real estate opportunities in the USA and made, with its joint venture partners, its first acquisition of a strategic stake in EDT Retail Trust, which then owned 48 retail properties located in 20 states.

The Company is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are traded on both the Tel-Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. Elbit Imaging Ltd. is a subsidiary of Europe Israel (M.M.S) Ltd. EI operates primarily in the following principal fields of business: (i) Commercial and Entertainment Centers – initiation, construction and sale of commercial and entertainment centers and other mixed-use real property projects, predominantly in the retail sector, located in Central and Eastern Europe and in India primarily through Plaza. In certain circumstances and depending on market conditions, EI operates and manages commercial and entertainment centers prior to their sale; (ii) Hotels – hotel operation and management; (iii) Medical Industries – (a) research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment, and (b) development of stem cell population expansion technologies and stem cell therapy products for transplantation and regenerative medicine; (iv) Residential Projects – initiation, construction and sale of residential projects and other mixed-use real property projects, predominately residential, located primarily in India; (v) Fashion Apparel – distribution and marketing of fashion apparel and accessories in Israel.

The Group has been present in real estate development in emerging markets for more than 17 years, initially pursuing shopping and entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Romania, Latvia, Greece, Serbia, Bulgaria and India. To date, the Group has developed and let 33 shopping and entertainment centers in the CEE region, of which 26 were sold with an aggregate gross value of circa €1.16 billion. Twenty-one of these centers were acquired by Klépierre, a player of the top rank in the continental European shopping center property market, which owns over 330 shopping centers in 13 countries in continental 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. One shopping center was sold in 2007 to active Asset Investment Management ("aAIM"), a UK commercial property investment group. The transaction had a completion value totaling approximately €387 million, representing circa 20% of all real estate transactions completed in Hungary in 2007.

During 2012, the Group completed the sale of its 49 US-based assets for US$1.47 billion, mainly to a joint venture between Blackstone Real Estate and DDR Corp.

Since November 1, 2006, Plaza Centers N.V.'s shares have been traded on the main board of the London Stock Exchange under the ticker "PLAZ". From October 19, 2007, Plaza Centers N.V.'s shares are also traded on the main list of the Warsaw Stock Exchange under the ticker "PLZ", making it the first property company to achieve this dual listing.

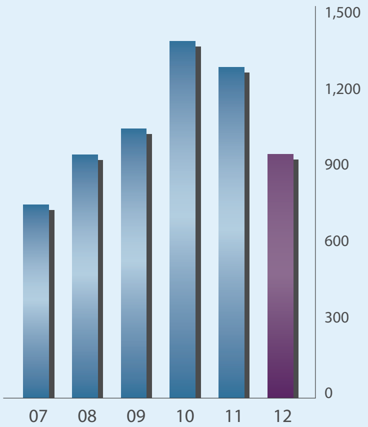
2012 highlights

Plaza reports operational progress with improved portfolio occupancy.

Total assets

2012: €958 million

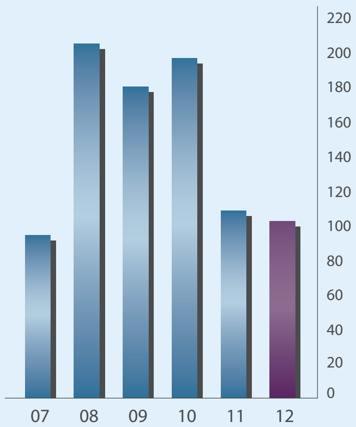
2011: €1.3 billion



Cash position*

2012: €102 million

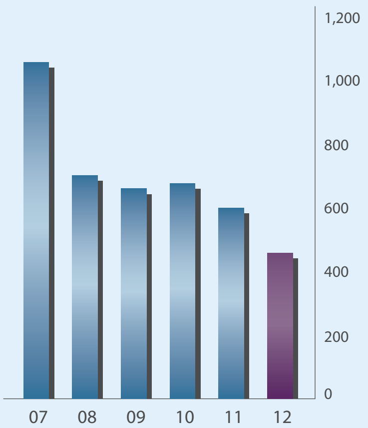
2011: €108 million



NAV

2012: €459 million

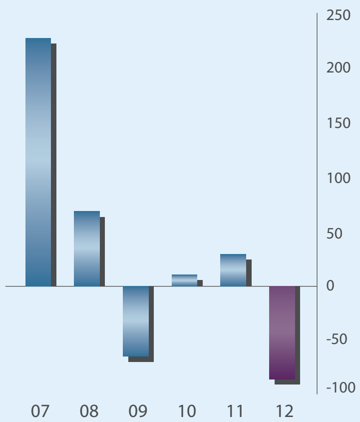
2011: €601 million



Profit (loss) after tax

2012: €(85.9) million

2011: €29 million



* Cash position, including restricted deposits, short-term deposits and available-for-sale financial assets.

Operational highlights

- Improved occupancy levels achieved across the Company's existing shopping and entertainment centers, with the overall portfolio occupancy rate increasing from 85% in 2011 to 88.5% as at the reporting date, with the following notable successes;
  - At Toruń Plaza, Poland, occupancy increased to 84% (2011: 80%).
  - At Suwałki Plaza, Poland, occupancy increased to 90% (2011: 89%).
  - At Zgorzelec Plaza, Poland, occupancy increased to 89% (2011: 79%), in addition to a 14% increase in footfall compared to the prior year.
  - At Liberec Plaza, Czech Republic, occupancy increased to 80% (2011: 78%).
  - At Riga Plaza, Latvia, occupancy increased to 94% (2011: 90%) and footfall by 21% on a year-on-year basis.

- The construction of Plaza's first retail scheme in Serbia, Kragujevac Plaza, was completed and opened to the public on March 20, 2012. The 22,000m^2 GLA center was 90% let on opening and a further 8% of space has been let since with strong interest expressed in the remaining units. Early trading has been extremely encouraging with over 3,000,000 visitors in its first year of operation.

- In June 2012, EPN Group, Plaza's US-based joint venture, completed the sale of 47 of its 49 US-based assets to BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. in a transaction valued at US$1.428 billion. The transaction generated a gross cash inflow of circa US$120 million (€92 million) to the Company before taxes and transaction costs.

- In July, EPN Group completed the disposal phase of the Company's highly successful first venture in to the US with the sale of its two remaining US assets for US$41.8 million out of which US$13 million was settled by assumption of debt. The transaction generated a gross cash inflow of circa US$6.6 million (€5 million) to the Company.

- Phase I of the Kharadi Plaza project known as "Matrix One", a 50:50 joint venture with a local partner, was completed in February 2012. Located in Pune, India, "Matrix One", a 28,000m^2 GLA office, was 70% pre-sold upon opening. The construction of the second office building, out of a total of four offices planned for the development, commenced in Q3 2012 and 37% of the space available has been pre-sold to date.

Financial highlights

- Reduction in total assets to €958 million (December 31, 2011: €1.3 billion), primarily due to the disposal of the Company's US assets of €263 million.

- Increase of 45.3% in the value of completed trading properties due to the completion of Kragujevac Plaza and Koregaon Park Plaza.

- Book value of the Company's landbank reduced by 11% over the year, or by €60 million, primarily due to impairments recorded mainly within the Romanian and Hungarian land portfolio.

- Increase in gross revenue of 77% to €41.6 million (2011; €23.5 million) due to additional rental income received during the year from shopping centers completed and opened to the public during 2012 and late 2011. (The rental income along with all other elements related to the disposed US operation in the Financial Statements as of December 31, 2011 were restated due to reclassification of income and expenses from discontinued operations.)

- Net Asset Value decreased by 24% to €459 million (December 31, 2011: €601 million) primarily through the impairment of assets in Romania and Hungary.

- Net Asset Value per share of £1.26 (December 31, 2011: £1.69), a decline of 25%, attributed mainly to abovementioned impairments.

- Loss for the year of €85.9 million (December 31, 2011: €13.9 million profit), which stems from a non-cash €79 million impairment of trading properties, of which 59% related to impairments of assets in Hungary and Romania and an overall net finance cost of €16.5 million compared to a net finance income of €74 million of 2011. The prior year finance income figure of €74 million was based on the substantial decrease in fair value debentures and related foreign exchange gains measured through the profit or loss account.

- Basic and diluted loss per share of €0.29 (December 31, 2011: €0.03 earnings per share).

- Cash position at year end (including restricted bank deposits, short-term deposits and available-for-sale financial assets) of €102 million (December 31, 2011: €108 million) with working capital of €558 million (December 31, 2011: €585 million); current cash position of circa €90 million.

- Gearing reduced to 53% (December 31, 2011: 59%) through a €138 million repayment of debt including assumption of part of bank loans related to US assets.

- On November 20, 2012, the Board approved the extension of the Company's second bond buyback program of A and B series Notes traded on the Tel-Aviv Stock Exchange. The bond buyback program will conclude by December 31, 2014 with a maximum amount to be purchased of up to NIS 600 million, increased from NIS 150 million. Under the two bond buyback schemes (the first was concluded on November 28, 2011 in which the target of NIS 150 million was fully executed), Plaza has to date repurchased and cancelled NIS 38.6 million par value of its A and B series bonds and an additional NIS 232 million of par value A and B bonds have been repurchased and held in treasury through the Company's wholly owned subsidiary. As of December 31, 2012 the outstanding amount was NIS 181 million par value, as a result of bond repayments.

Key highlight since the period end

- On March 8, 2013 the Company has received a notification that the ING Open Pension Fund of Poland (with assets under management of over €15 billion) has increased its stake from 9.8% to 11.8% (representing 35,075,662 shares) in the Company, demonstrating its confidence in the Company.

Strategic Outlook

Plaza will continue in its efforts to best position the Company against the ongoing economic and market uncertainty by striving to find the optimal blend of progressing our limited and targeted development program into the strongest economies of the CEE whilst reducing our levels of gearing. Our cautious but opportunistic approach is set to unlock significant value on behalf of our shareholders.

Our strategy

Develop
Develop modern, western-style shopping and entertainment centers in capital and regional cities, primarily in CEE and India.

Acquire
Acquire operating shopping centers that show significant redevelopment potential or potential value growth.

Flexibility
Depending on market yields, we either pre-sell or hold and manage our assets until the exit yields are sufficiently attractive.

Portfolio acquisitions
Form partnerships with Elbit Imaging and other entities for investing in commercial income-producing properties with appreciation potential in the US.

Maintain liquidity
Maintain high cash balances, conservative leverage levels and well-spread debt maturities. Reliance on material non-revalued shareholders' equity of €449 million.

Objectives
1 Concentrate on existing projects and target new development opportunities in the strongest countries in CEE, as well as in India, that have the potential to generate returns of 40% to 60% on equity invested.

2 Fund 65% to 75% of total project construction costs through competitively priced bank finance.

3 Dividend policy in 2013 – The total dividend to be capped at €30 million, payable only from net cash flows received from the realization of assets. Post 2013, 25% of realized development profits up to €30 million, and 20-25% of the excess thereafter, as decided by the directors. Payable annually.

4 Limited commencement of construction for projects meeting the two major criteria as follows:

- intensive demand from tenants
- backed by external banks to ensure minimal equity investment.

5 Following utilized proceeds from sale of 49 assets from the EDT portfolio to pay down debt and drive development program.

Development criteria
Selection of target countries
Our primary focus is on countries in emerging markets and we are currently present in CEE and India. In order to determine a favorable investment climate, we take into account country risk, GDP per capita and economic growth, ratio of retail sales per capita, political stability, sophistication of banking systems, land ownership restrictions, ease of obtaining building and operating permits, business risks, existing competition and market saturation levels.

Site evaluation
We look to develop our first project in a new country in the capital, and thereafter in regional cities with a minimum catchment area of 50,000 residents. Site evaluation includes site area, catchment area, local zoning and town planning schemes, proximity to transportation and vehicular routes and legal issues. A carefully structured, internally developed evaluation process is in place involving each of the relevant disciplines (economics, engineering, marketing, etc.).

Project development
Once we have approved a site, we manage its development from inception to completion, incorporating engineering, marketing, financial and legal stages, to encompass designs, architects, market forecasts and feasibility studies.

Emerging markets
Plaza Centers has a strong track record in developing real estate projects such as shopping and entertainment centers in emerging markets. The Group has been present in the CEE region since 1996, and was a pioneer in bringing western-style shopping malls to Hungary. The concept was continued throughout the CEE and is now being exported to India, whilst other development and investment opportunities in additional countries are being explored further.

The Company has had considerable success in capitalizing on the fantastic opportunities that its emerging markets have offered. We carefully investigate the benefits and challenges inherent in every proposed project, adhering to our development criteria.

The Company is currently focusing its development efforts on Poland, Serbia and India. Plaza will continue to advance remaining projects within its land bank which were acquired with equity only and without leverage, through obtaining planning consents and construction permits.

Feature developments

Since foundation, the Group has developed and let 33 shopping and entertainment centers in the CEE region and India of which 26 were sold with an aggregate gross value of €1.16 billion, resulting in a gain of €360 million.

We have averaged two new shopping centers per year in the last 17 years. Improved occupancy levels achieved across the Company's existing shopping and entertainment centers, with the overall portfolio occupancy rate increasing from 85% in 2011 to 88.5% as at the reporting date.

Opened March 2009

Plaza share 100%

Liberec Plaza shopping and entertainment center was opened in March 2009. Plaza has agreed lettings totaling 80% of the center's GLA to tenants including Billa, Gate, Dracik, Schleker, Triumph, Sephora and Dino Park.

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Opened March 2009

Plaza share 50%

Riga Plaza shopping and entertainment center is located on the western bank of the Daugava river 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 94% at the reporting date and footfall increased by 21% on a year-on-year basis. Discussions are ongoing with potential occupiers for the remaining space at the center.

Opened March 2010

Plaza share 100%

Zgorzelec Plaza continues to perform in line with expectations and has improved occupancy rate to circa 89% (2011: 79%) in addition to a 14% increase in footfall compared to the prior year.

Opened May 2010

Plaza share 100%

Suwałki Plaza has improved the occupancy rate to circa 90% (2011: 89%) with tenants such as H&M, KappAhl, Deichman, Douglas, Delima Delicatessen and Empik.

Opened November 2011

Plaza share 100%

Toruń Plaza 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. Occupancy rate has increased to 84% at the reporting date.

Opened March 2012

Plaza share 100%

Plaza opened its first Serbian shopping and entertainment center in Kragujevac, a city of 180,000 inhabitants and is already 98% let to tenants including Nike, Adidas, Aldo, New Yorker, Deichmann, TerraNova, Fashion and Friends, H&O, Oviesse, Fox, Chicco and Home Center. Early trading has been extremely encouraging, with over 3,000,000 visitors in its first year of operation.

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Opened March 2012

Plaza share 100%

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.

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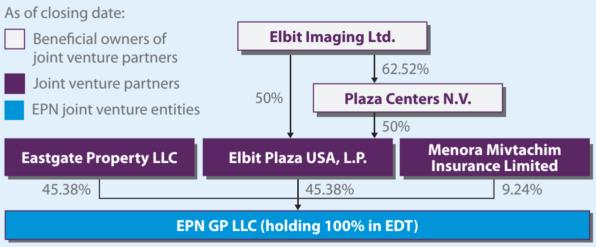
Mega-transaction in the US

Plaza identified a window of opportunity for investment in the US 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. and Eastgate Property LLC ("Eastgate"), entered into a series of agreements to acquire a stake in EDT Retail Trust ("EDT" or "Trust"), an Australian investment trust which held and managed two US REIT portfolios. Elbit Plaza USA, L.P. is a jointly controlled entity of Elbit Imaging Ltd. and Plaza.



The EDT transaction was completed in six major phases:

Phase I
Acquisition of lending bank note

EPN acquired a US$50 million note which was part of the Trust's unsecured debt from a commercial bank, at a 15% discount. Within 90 days of the note acquisition, the Trust paid off the face amount of the note.

Phase II
Acquisition of 17.6% of MDT – and 50% of Asset Manager

Prior to the Entitlement Offering referenced below, EPN has acquired a unitholding representing 15% of the Trust's units through a private placement and all of Macquarie's interest in MDT as well as their 50% stake in the external manager. This investment gave EPN access to MDT as well as a foothold investment in the Trust. Phase II also included changing the name of the Trust from MDT to EDT.

Phase III
MDT Entitlement – Offering/ Recapitalization

In June 2010, with EPN acting as the sub-underwriter for the Entitlement Offering, new shares in MDT (which was later changed to EDT) were offered to all existing shareholders. With very few existing shareholders electing to purchase additional securities, EPN was able to achieve, a 48% interest by investing US$116 million. EPN became the majority shareholder of EDT and gained control over the Board of Directors.

Phase IV
Investment by EPN – Tender Offer/ Company Acquisition

In March 2011, EPN launched a tender offer for the remaining shares of EDT. By September 2011, EPN had invested an additional US$241.5 million and acquired 100% of the company by tender offer. Subsequently the shares of EDT were de-listed from trade and it became a private company.

Phase V
Robust Asset Management

Over the 18 months which EPN held the EDT portfolio, EPN undertook some major actions to restructure, reposition and improve the EDT portfolio by taking EDT Retail Trust private and transferring key personnel and management from Australia to the US and undertaking a number of initiatives such as the refinancing of circa US$500 million of portfolio debt, improving the cost structure, improving occupancy by 3% since EPN's initial acquisition of the properties and increasing the stabilized NOI of the properties via re-letting expiring lease agreements.

Phase VI
Disposition

In June 2012, EPN has successfully completed the sale of 47 US-based shopping centers to BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp, for a purchase price of circa US$1.428 billion. Net of property level debt repaid or assumed and including cash and other net working capital items, the proceeds to EPN are approximately US$530 million before taxes and transaction expenses.

Transaction details:

Plaza Centers' share – 22.7%

Plaza Centers' proceeds – US$120 million*

Plaza Centers' cash surplus – US$44 million*

Return on Equity (ROE) – nearly 50%*

* Pre-tax and transaction costs.

The EDT transaction was successful, because it was (a) sourced on a direct basis in an "off-market" situation; (b) acquired at a favorable price, accretive to above-market returns; (c) effectively asset managed to increase occupancy and NOI; and (d) opportunistically disposed in a transaction that keyed on timing to market.

During the second half of 2012, EPN Group's remaining two assets, Roswell Crossing and Lakepointe Crossing, were sold for a total consideration of US$41.8 million out of which US$13 million was settled by assumption of debt, thus marking the culmination of an extremely successful first venture into the US market for Plaza.

Following realization of its investment, EPN continues to source acquisition opportunities which provide access to quality real estate and can yield significant returns to investors.

Transaction details

Total transaction value is circa

US$1.5 billion

Equity invested by Plaza

US$82 million

Plaza's share of sale proceeds

US$120 million

Dividends received by Plaza from EPN

US$5.9 million

Plaza's return on equity

c. 50%

Investment time frame

Less than

2 years

Competitive strengths

Plaza is strongly positioned to capitalize on its unrivaled track record by selectively delivering projects and creating high levels of retailer interest and utilizing our expertise to reposition portfolios of high-yield properties. This position is strengthened further by our ability to continue to raise bank financing on competitive terms despite the relatively illiquid markets.

As the CEE markets continue to recover from the financial turmoil of 2008, Plaza has positioned its development program to ensure that it can deliver shopping centers into markets with the highest retail demand. Plaza has achieved a number of operational successes during the year through the opening of shopping centers in new markets for the Company, including Serbia and India, as well as achieving significant improvements in occupancy levels over the year, which at the reporting date stands at 88.5% compared to 85% at the end of 2011. This improvement has arisen through the leveraging of the deep relationships we have created with retailers over a number of years, many of whom we have helped introduce into new geographies. Furthermore, during the year we completed the disposal of the entire portfolio of the EPN Group, our US-based joint venture. This generated gross proceeds of US$120 million, an excellent return on the US$82 million of equity invested, generated in less than two years, bringing to a close a highly successful first venture into the US market for the Company.

Proven track record

Plaza continues to benefit from its unrivaled track record across CEE, having been active in the region for more than 17 years. Whilst the economic situation in the region remains somewhat challenging, the long-term fundamentals of the market remain attractive. Our continued belief in the strength of this market was underlined this year by the achievement of a major milestone for Plaza, the successful completion of Kragujevac Plaza in Serbia, the first shopping and entertainment center to be built outside of the capital Belgrade, which has attracted over 3,000,000 visitors in its first year of trading. To date, 26 of the completed 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, with the remaining seven shopping centers currently being held as operational assets, of which three are located in Poland, one in the Czech Republic, one in Latvia, one in Serbia and one in India.

Plaza focuses upon creating an attractive tenant mix, including fashion, hypermarkets, food courts, electronics, sports and other retailers, with a special focus on entertainment. Most centers include a cinema multiplex, as well as a Fantasy Park, a state-of-the-art entertainment and amusement facility operated by Plaza's subsidiary, which includes bowling alleys, billiard tables, video arcades, internet cafés, children's playgrounds, bars and discos.

Flexible business model

During the years 1996-2004, when exit yields were high, the Group retained and operated shopping centers on completion and earned rental income. Once property yields decreased, between 2004-2008, the Group sold 26 shopping centers in line with the Company's commercial decision to focus its business more on development and sale rather than operational management.

Mindful of the impact of the ongoing issues in the euro area on the economies in which Plaza operates, the Company will continue to find the optimal blend of reducing its levels of gearing while progressing its limited developing program into the strongest economies of the CEE. Plaza's cautious but opportunistic approach is set to unlock significant value on behalf of its shareholders. It will continue to attempt to sell completed developments but will hold them on its balance sheet and benefit from the rental income until sufficient sale prices are achieved.

Diversification

The Group is well diversified and active in eight countries in CEE and India, while additional countries are examined for further expansion.

Plaza sees strong importance in its investment in India, which has been less affected by the current global crisis and will offer Plaza attractive development prospects for at least 15 years. Plaza has maintained its long-term view of the strong potential demand for commercial Indian real estate, especially for well-located large-scale development projects. The sentiment towards the Indian real estate market remains extremely positive, underpinned by fundamentals which are driving the country's long-term economic growth. Phase one of the Kharadi Plaza project known as "Matrix One", a 50:50 joint venture with a local partner, was completed in February 2012. Located in Pune, India, "Matrix One", a 28,000m^2 GLA office, was 70% pre-sold upon opening. With five developments in India due to be delivered in the next few years, the Company's substantial local platform means Plaza is strategically placed to create shareholder value from this growth market.

Having monitored the US real estate market for a number of years, Plaza announced its first transaction in the region in 2010 through the acquisition of a strategic stake in EDT Retail Trust with its joint venture partners. During 2011, Plaza achieved its aim of repositioning the portfolio through reducing debt levels, improving occupancy rates as well as lengthening lease maturities. Consequently, in June 2012, EPN Group, Plaza's US-based joint venture, completed the sale of 47 of its 49 US-based assets in a transaction valued at US$1.428 billion, which reflects an ROE for Plaza of nearly 50% in a period of little over 18 months. In July 2012, EPN Group completed the disposal phase of the Company's highly successful first venture in the US with the sale of its two remaining US assets.

Limited number of projects
In light of market conditions, Plaza took the strategic decision in the second half of 2008 to scale back on project starts and to focus on projects with availability of external financing or strong tenants demand. Plaza will progress a selected number of projects in the most resilient countries of the CEE, such as Poland and Serbia, where GDP growth and forecasts remain above the average for Europe. Construction is due to commence on Visnjicka Plaza Belgrade in Serbia and Łódź Plaza in Poland. The Company's cautious but opportunistic approach is set to unlock significant value on behalf of its shareholders.

Cash position
Plaza continues to have a cash position of approximately €102 million at the period end (and circa €90 million as current cash position). This ensures Plaza remains on a solid financial footing to continue its limited development program and reducing its level of gearing. The Company's cautious but opportunistic approach is set to unlock significant value on behalf of its shareholders.

Low and conservative leverage
The Group's debt position remains conservative, with gearing of 53% at the year end. Given the strength of Plaza's balance sheet, it has been successful in securing further financing during the year, including bank development finance totaling around €47 million and €11.7 million proceeds from hedging activities. Total bank borrowing reduced to €270 million, primarily as a result of a loan disposal and repayment in respect of the sale of the US portfolio. Plaza also took advantage of the opportunity presented by market conditions to repurchase €19 million of previously issued bonds. The vast majority of the debt is long term, maturing mainly between 2012 and 2017.

Clearly identified pipeline and acquisitions
Plaza is engaged in 26 development projects, and owns two office buildings and seven operational assets, located across the CEE region and in India, The Group has the ability to identify new growth opportunities, constantly targeting attractive returns in fast-growing emerging markets.

Capital markets
On November 20, 2012, the Board approved the extension of the Company's second bond buyback program of A and B series Notes traded on the Tel-Aviv Stock Exchange. The bond buyback program will conclude by December 31, 2014 with a maximum amount to be purchased of up to NIS 600 million, increased from NIS 150 million. Under the two bond buyback schemes (the first was concluded on November 28, 2011 in which the target of NIS 150 million was fully executed), Plaza has to date repurchased and cancelled NIS 38.6 million par value of its A and B series bonds and an additional NIS 232 million of par value A and B bonds have been repurchased and held in treasury through the Company's wholly owned subsidiary. As of December 31, 2012 the outstanding amount was NIS 181 million par value, as a result of bond repayments.

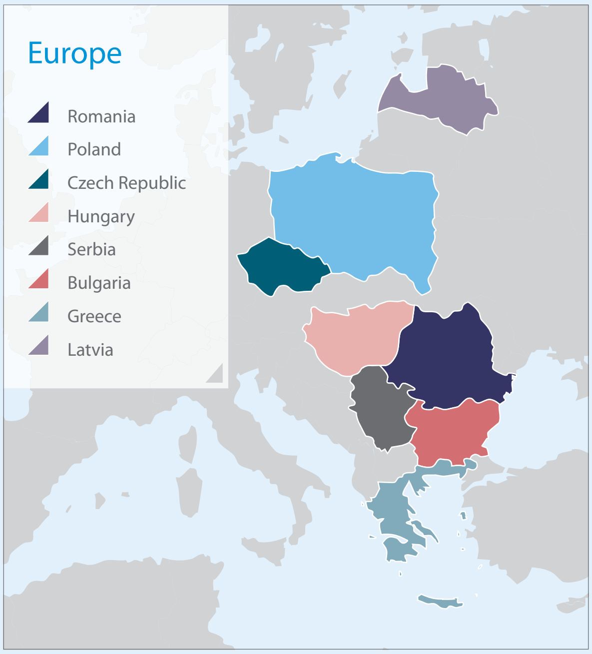
Strong brand name
Plaza Centers has become a widely recognized brand name for successful property development in CEE which is beneficial at all stages of project execution (e.g. following portfolio sales to Klépierre, Dawnay Day and aAIM, the purchasers continue to use the "Plaza Centers" trade name under license).

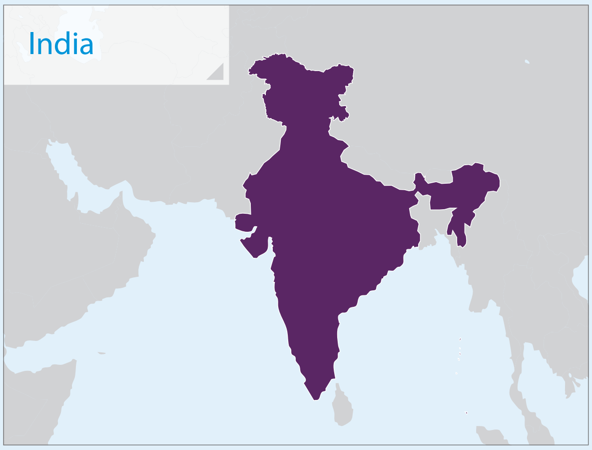
Highly skilled management team
Extensive local and business knowledge with a proven ability to source strategic development sites as well as purchasing yielding assets at an attractive price and design projects that meet the demands of the local market. A significant proportion of management team members have been with us for several years.

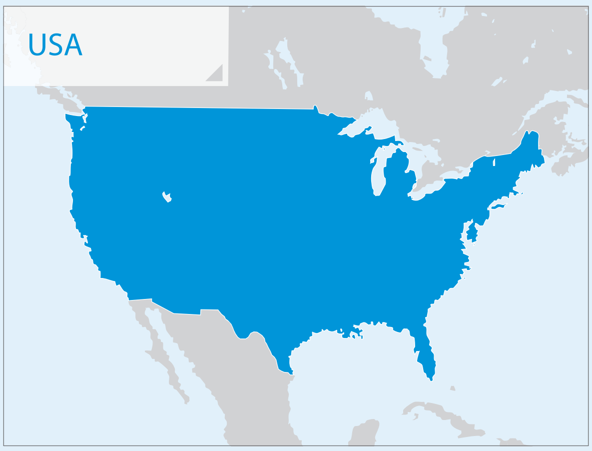
Extensive network
A vast and extremely well-established network of business connections with most anchors and large international tenants and extensive business relationships with large international funds and real estate market participants. This has been demonstrated by our proven ability to pre-sell projects (before or during the construction) and achieve high levels of pre-lets.

Thorough project evaluation
Prior to each project, Plaza goes through a carefully developed, structured evaluation process involving each of the relevant disciplines (economics, engineering, marketing, etc).

Our markets







* Source: CIA – The World Factbook.

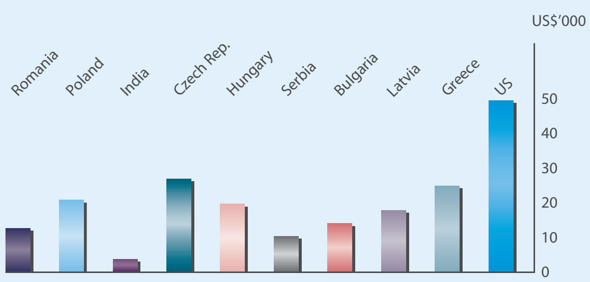
Market data

Current market

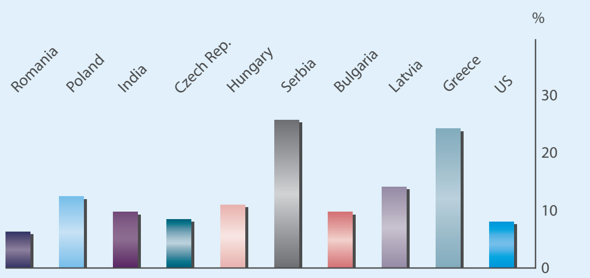
Population (m)*

Romania	21.8	Serbia	7.3
Poland	38.4	Bulgaria	7
India	1,205	Latvia	2.2
Czech Republic	10	Greece	11
Hungary	10	United States	314

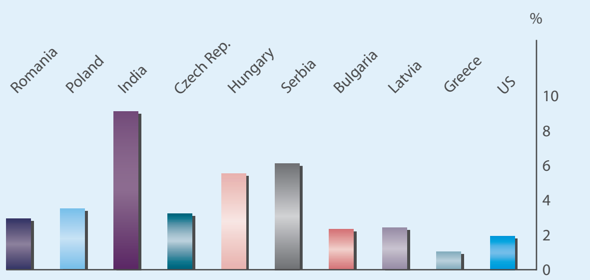
GDP per capita*



Unemployment*



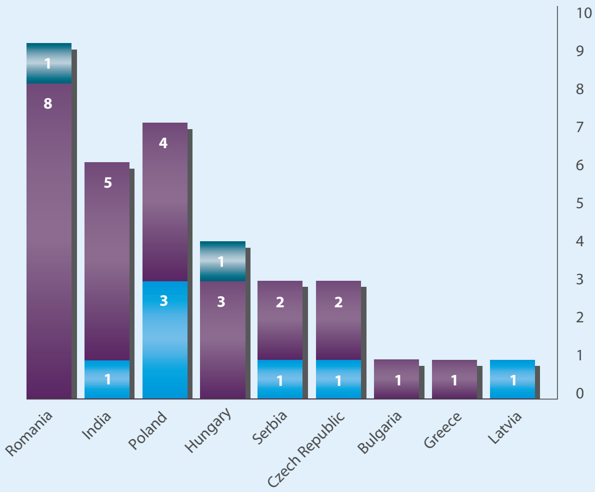
CPI – Change in 2012*



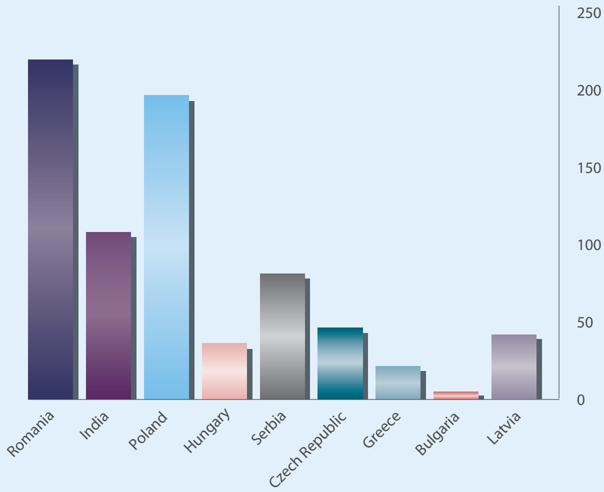
Our portfolio at a glance

Total of 35 assets located across CEE region and in India. Estimated value of €2,090 million on completion.

Portfolio composition – by country



Market value of the land and project (€m)



Project	Market value on completion (€m)(1)	Market value of the land and project (€m)(1)	Total GLA (m²)(2)
Shopping and entertainment center developments(3)	419.0	102.7	314,000
Dream Island	223.9	20.9	350,000 (GBA)
Casa Radio(4)	331.7	168.2	600,000 (GBA)
Indian mixed-use projects(3)	276.5	53.1	1,485,000 (GBA)
Mixed-use projects	232.2	32.8	128,000
Other projects and developments(3)	249.9	40.1	198,300
Active shopping and entertainment centers	356.9	345.0	271,000
Total as at December 31, 2012	**2,090.1**	**762.8**	**3,346,300**

1 Value of Plaza Centers' stake by Jones Lang LaSalle.
2 All figures reflects 100%.
3 Some of the assets were valued with the comparative sales price method, no value at completion was estimated.
4 Value on completion reflects the value of Phase I only since the rest of the project was evaluated by comparable method.

Group NAV at December 31, 2012

	€'000
Market value of land and projects by Jones Lang LaSalle(1)	748,345
Assets minus liabilities as at December 31, 2012(2)	(289,587)
Total	**458,758**
NAV per issued share	**£1.26**

1 Value of Plaza Centers' stake by Jones Lang LaSalle, except for Prague 3 project included in Assets minus liabilities.
2 Excluding book value of assets which were valued by Jones Lang LaSalle.

Development focus

Kragujevac Plaza
Serbia

In March 2012, Kragujevac Plaza, Plaza's first retail scheme in Serbia and the first western-style shopping and entertainment center to be opened in Serbia outside of Belgrade, was completed and opened to the public.

The 22,000m² GLA center was 90% let upon opening and a further 8% has been let since.

The center enjoys a catchment area of 590,000 inhabitants living within a 30-minute car journey and early trading at the mall has exceeded the Company's already high expectations, with over 3,000,000 visitors in its first year of trading.

(GLA)

22,000m²

Market value

€42.1m

Ownership

More info visit

www.plazacenters.com/kragujevacplaza

Koregaon Park Plaza

India

In another first for the Company, Koregaon Park Plaza, Plaza Centers' first shopping center in India, opened to the public on March 2, 2012. The 48,000m² shopping center, located in Pune, is 85% let to a variety of premium local and international brands with a further 5% under memoranda of understanding.

Following a tenant fire in June 2012, part of the mall has been closed for refurbishment. The center has continued to trade during this period and repair works are expected to be completed in Q3 2013.

(GBA)

110,000m²

Market value

€67.8m

Ownership

100%

More info visit

www.plazacenters.com/koregaonparkplaza

Current developments

Poland

Project	City	Ownership	GLA (m²)	Market value on completion December 31, 2012 (€)	Market value of the land and project December 31, 2012 (€)	Expected completion
Toruń Plaza	Toruń	100%	40,000	109,600,000	109,600,000	Operating
Suwałki Plaza	Suwałki	100%	20,000	46,800,000	46,800,000	Operating
Zgorzelec Plaza	Zgorzelec	100%	13,000	18,900,000	18,900,000	Operating
Łódź (Residential)	Łódź	100%	80,000**	n/a*	8,400,000	–
Łódź Plaza	Łódź	100%	35,000	83,000,000	8,600,000	2015
Kielce Plaza	Kielce	100%	33,000	n/a*	4,800,000	2015-2016
Leszno Plaza	Leszno	100%	16,000	26,000,000	1,900,000	2016

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

Plaza has already completed 10 shopping and entertainment centers in Poland of which seven have already been sold. In November, 2011 the Company opened to the public its tenth shopping and entertainment center in Poland, Toruń Plaza. Currently the Group owns and operates three completed shopping and entertainment centers across Poland. During the year, each of the centers had delivered notable asset management success, with over 3,100m² of new lettings achieved, improving overall occupancy throughout the Polish portfolio from 82% to 87%.


Suwałki Plaza


Zgorzelec Plaza


Łódź Plaza

Suwałki: completed, opened to the public

Suwałki Plaza is located in Suwałki, a city crossed by expressway E67(8), which links Augustow with the Lithuanian border. The expressway is to be a part of a larger road network called "via Baltica".

Suwałki is a city with approximately 70,000 inhabitants and is located 45km from the Polish-Lithuanian border. The creation of Suwałki Special economic zone offers new opportunities for trade and commerce. Suwałki is also becoming a tourist destination.

Suwałki Plaza, which was opened in May 2010, is located in the main commercial and residential district of the city and is fronted by an important arterial route to the east. It is also located on a junction of a street which links directly into the city center. The PKS bus terminal and main railway station are located approximately 1km from the shopping and entertainment center.

Suwałki Plaza is a three-floor shopping and entertainment center with approximately 20,000m² of GLA anchored by Delima delicatessen, H&M, KappAhl, Deichmann, Douglas and Empik. The entertainment area comprises a three-screen cinema and bowling and entertainment center.

Zgorzelec: completed, opened to the public

Zgorzelec Plaza is located in Zgorzelec in south west Poland, near the German border.

Thanks to two roads border crossing (including one of the largest in Poland), a railway border crossing and the restored old town bridge which connects the old towns of Zgorzelec and Goerlitz (58,000 citizens on the German side), Zgorzelec is called "gate" between Germany and Poland.

In the vicinity of Zgorzelec there is a spedition terminal, road and railway (freight) border crossing with the Czech Republic and a freight border crossing with Germany.

The shopping and entertainment center is situated less than five minutes walking distance from the railway station.

Zgorzelec Plaza comprises approximately 13,000m² of GLA anchored by H&M, KappAhl and Dougles, a Fantasy Park entertainment area, fitness center, the first and only cinema in the area and 300 parking spaces.

Toruń Plaza: completed, opened to the public

Toruń Plaza is located in Toruń, an almost 800-year-old city of approximately 200,000 inhabitants.

Toruń is one of the most beautiful cities of Poland located at the intersection of ancient trade routes. Gothic buildings of Toruń's old town won the designation of the world heritage site from UNESCO in 1997.

Toruń Plaza, which opened in November 2011, is Plaza's tenth completed development in Poland.

The two-floor shopping and entertainment center with approximately 40,000m² of GLA anchored by Zara, Reserved, Home & You, New Yorker, H&M, Media Expert, a multi-screen Cinema City, Pure fitness center as well as a Fantasy Park bowling and entertainment area.

Łódź Plaza: under planning

Łódź Plaza is located in Łódź, the second largest city in Poland with over 750,000 inhabitants.

Łódź is recognized as an important academic and cultural center in Poland, hosting cultural events such as the International Festival of Photography and Dialogue of four cultures festival.

The site is located in a residential district of the city with a catchment area of 270,000 people.

Łódź Plaza will be a two-floor shopping and entertainment center with approximately 35,000m² of GLA anchored by a supermarket, a department store as well as a multi-screen cinema and bowling and entertainment center.

Łódź (Residential): under planning

The Group owns part of a development site and has a use right over the remaining part of the site, located in the city center of Łódź, which is suitable for use as a residential area.

The site is located in the central university district of Łódź, within 500 meters of a popular Piotrkowska pedestrian street, at the intersection of two of the main arteries into the city.

The planned development will comprise built area of approximately 80,000m².

Kielce Plaza: under planning

The site is located in Kielce, a city of approximately 200,000 inhabitants and catchment area of approximately 350,000 people.

The shopping and entertainment center will be located on a 30,000m² plot alongside a major road and 2km from the heart of Kielce.

Kielce Plaza will be a two-floor shopping and entertainment center with 33,000m² of GLA and approximately 1,000 car parking spaces.

Leszno Plaza: under planning

The site is ideally located in the center of Leszno, a city with approximately 65,000 inhabitants.

Leszno is situated in western Poland between the two big economic centers of Poznań and Wroclaw, and is close to central railway and bus stations.

The planned scheme will comprise approximately 16,000m² of GLA providing more than 70 units and 450 car parking spaces.

Current developments
continued

Serbia

Project	City	Ownership	GLA (m²)	Market value on completion December 31, 2012 (€)	Market value of the land and project December 31, 2012 (€)	Expected completion
Kragujevac Plaza	Kragujevac	100%	22,000	42,100,000	42,100,000	Operating
Belgrade Plaza	Belgrade	100%	70,000*	138,600,000	19,700,000	2015
Visnjicka Plaza	Belgrade	100%	40,000	107,159,000	20,000,000	2014-2015

* GBA.

In March 2012, Plaza completed its first shopping and entertainment center in Serbia, Kragujevac Plaza. It is the first western-style shopping and entertainment center to be opened outside of the capital Belgrade. As of the reporting date, occupancy has risen to 98%, demonstrating the success of the Company's first venture into Serbia. Currently the Group has two additional sites for the development of mixed-used and shopping and entertainment projects in the capital Belgrade.


Kragujevac Plaza


Visnjicka Plaza


Belgrade Plaza

Kragujevac Plaza: completed, opened to the public

The Group has purchased a 24,500m² plot of land in Kragujevac, the fourth largest city in Serbia with a population of 180,000 inhabitants and a wider catchment area of approximately 490,000 people.

Kragujevac is the largest city in the Sumadija region and the administrative center of the region.

The shopping center, which was opened to the public on March 20, 2012, comprises 22,000m² of GLA anchored by C&A, New Yorker, Home Center, Cinaplexx, Deichmann, McDonald's, Adidas and Benetton.

Kragujevac Plaza is the first shopping center that have been completed outside the capital Belgrade.

Visnjicka Plaza: under planning

The Group has purchased a 31,000m² plot of land in Belgrade, the capital city of Serbia.

Plaza plans to build on the land a new shopping and entertainment center, with a total GLA of 40,000m² which will comprise 100 units including a cinema, fashion retailers, a food court, restaurants and approximately 600 parking spaces.

Belgrade Plaza: planning and permits stage

The new complex will be located on the prominent site of the former Federal Ministry of Internal Affairs, situated on the main street which runs through the center of Belgrade. The area is home to foreign embassies, Serbian Government and the Ministry of Finance. Belgrade Chamber of Commerce and Belgrade's largest public hospital are also nearby as well as the city fair and the future railway station.

Serbia is one of the south-eastern European nations where Plaza sees strong potential for future investment opportunities. Plaza also believes that the Belgrade market offers particular potential, with its large populated catchment area of approximately 2.5 million people.

Belgrade has not, to date, benefited from "institutional grade" investment in retail or commercial real estate.

This development will have particular significance in terms of providing a new commercial and cultural destination for both domestic and international visitors.

The 70,000m² scheme will comprise an apartment hotel, business center and shopping gallery as well as 700 car parking spaces.

Belgrade Plaza
Serbia

The building is located in the center of Belgrade in a neighborhood of government offices and foreign embassies. On completion, Belgrade Plaza, will comprise a shopping gallery, an apartment hotel and business center. Construction is planned to commence in 2014 and completion is scheduled for 2015.

(GBA)

$70,000m^2$

Estimated value on completion

€138.6m

Ownership

More info visit
www.plazacenters.com/belgradeplaza

Current developments

continued

India

Project	City	Ownership	GBA (m²)	Market value on completion December 31, 2012 (€)	Market value of the land and project December 31, 2012 (€)	Expected completion
Koregaon Park Plaza	Pune	100%	110,000	67,779,000	55,866,000	Operating (mall)
Chennai	Chennai	38%	230,000**	42,701,000	10,731,000	2013-2018
Kochi Island	Kochi	23.75%	575,000	n/a*	5,149,000	–
Bangalore	Bangalore	23.75%	310,000	119,722,000	14,486,000	2013-2020
Kharadi Plaza	Pune	50%	250,000	67,297,000	15,393,000	2015
Trivandrum Plaza	Trivandrum	50%	120,000	46,779,000	7,330,000	–

* Asset was valued with the comparative sales price method, no value at completion was estimated.
** For sale.

In 2008, Plaza formed a joint venture with Elbit Imaging to develop three mega mixed-use projects in India located in the cities of Bangalore, Chennai and Kochi. In March 2012, Plaza completed its first shopping and entertainment center in India, Koregaon Park Plaza in Pune. Phase I of Kharadi Plaza project ("Matrix One") was completed in February 2012. The construction of the second office building (out of four planned for the development) commenced in Q3 2012.

In addition, the Group has three sites for mega residential developments and another site for a smaller residential scheme. The four residential schemes will comprise, in total, over 1.2 million m² of built area.

Koregaon Park Plaza

Kharadi Plaza

Kharadi Plaza (Matrix One)

Koregaon Park Plaza: completed, opened to the public

In 2007 Plaza purchased a plot of land of approximately six acres (24,000m^2) in Koregaon Park, an upmarket area of Pune, Maharashta State, India.

The scheme comprises a 93,000m^2 built area of shopping and entertainment center and additionally will comprise of 17,000m^2 of office space inclusive of underground parking.

Phase I of the project, the shopping and entertainment center was completed and opened to the public on March 2, 2012 and currently 85% of the GLA is leased to local and international retailers and further 5% committed under memoranda of understanding.

Koregaon Park shopping and entertainment center is the company's first completed project in India.

Kharadi Plaza: under construction

Plaza Centers is party to a 50:50 joint venture with a local Indian developer which holds 14 acres of land (56,000m^2) in the Kharadi area of Pune, Southern India.

The planned scheme will include four office buildings with 250,000m^2 built area.

Phase I of the Kharadi Plaza project known as "Matrix One", a 50:50 joint venture with a local partner, was completed in February 2012. Located in Pune, India, "Matrix One", a 28,000m^2 GLA office, was 70% pre-sold upon opening.

The construction of the second office building, out of a total of four offices planned for the development, commenced in Q3 2012 and circa 40% of the space available has already been pre-sold.

Trivandrum Plaza: under planning

The Group has a site in the city of Trivandrum (with direct linkage to the bypass road which is adjacent to the project premises) on which it intends to develop a residential project with 120,000m^2 built area.

Trivandrum which is a major city in South India, is the capital of state of Kerala and houses many central and state government offices, organizations and IT companies. Apart from being the political center of Kerala, it is also a major academic hub and is home to several educational institutions. It has a population of over three million people.

Bangalore: under planning

The joint venture has 50% stake in a company which has rights on a 165 acre plot in Bangalore.

The site is located on the eastern side of Bangalore, India's fifth largest city, with a population of over eight million people.

The joint venture intends to develop the plot into a mega residential project with a built area of 310,000m^2.

The project will comprise over 1,100 residential luxury villas.

Chennai: under planning

The joint venture has 80% stake in a company which holds a 90 acre plot in Chennai.

Chennai is India's fourth largest city with a population of over eight million people.

The site will be developed into a residential project consisting of approximately 160,000m^2 of plotted area for development and approximately 70,000m^2 for high-quality villas.

Kochi Island: under planning

The joint venture has 50% stake in a company which has rights on a 41 acre plot in Kochi.

The site 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 local population of more than three million people.

The planned mixed-use project will comprise over 575,000m^2 of high-end residential apartment buildings, office complexes, a hotel and serviced apartment complex, retail area and marina.

Casa Radio
Romania

Casa Radio (Dâmbovița Center) will include 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. Completion of Phase I is scheduled for 2014.

(GBA)

600,000m^2

Estimated value on completion

€331.7m

Represents only the value of Phase I

Ownership

More info visit
www.plazacenters.com/casaradio

Current developments
continued

Romania

Project	City	Ownership	GLA (m^2)	Market value on completion December 31, 2012 (€)	Market value of the land and project December 31, 2012 (€)	Expected completion
Casa Radio Plaza	Bucharest	75%	600,000**	331,701,000	168,150,000	2014-2017
Iaşi Plaza	Iaşi	100%	58,000	93,550,000	13,100,000	2016
Timişoara Plaza	Timişoara	100%	36,000	68,189,000	11,000,000	2015
Târgu Mureş Plaza	Târgu Mureş	100%	30,000	n/a*	6,100,000	2016
Constanţa Plaza	Constanţa	100%	18,000	13,873,000	10,000,000	2015
Slatina Plaza	Slatina	100%	17,000	n/a*	1,800,000	2016
Csíki Plaza	Miercurea Ciuc	100%	14,000	19,322,000	7,100,000	–
Hunedoara Plaza	Hunedoara	100%	13,000	n/a*	2,900,000	2016
Palazzo Ducale	Bucharest	100%	700	1,950,000	1,950,000	Operating

* Assets were valued with the comparative sales price method, no value at completion was estimated.
** GBA. Value on completion reflects the value of Phase I only since the rest of the project was evaluated by comparable method.

Plaza has a significant development pipeline in Romania, with eight sites for shopping and entertainment centers and mixed-use schemes in various stages of development. During 2012, the Group continued with the feasibility and planning phase and made good progress with obtaining permits.

Iaşi Plaza

Târgu Mureş Plaza

Hunedoara Plaza

Casa Radio: under planning

Plaza acquired a 75% interest in a company which has entered into a public-private partnership agreement with the Romanian government to develop the Casa Radio (Dâmboviţa) scheme in Bucharest, the largest development plot available in central Bucharest.

The Romanian government will remain a 15% partner in the scheme, as well as another developer holding 10%.

The development of Casa Radio comprises approximately 600,000m^2 of built area, including a 158,000m^2 shopping mall with an 11,000m^2 hypermarket and indoor leisure center (one of the largest in Europe), ferris wheel, approximately 140,000m^2 GBA of offices, hotel complex with conference center with 350 hotel rooms, an apartment hotel with 100 hotel apartments, and casino and approximately 4,500 underground car parking spaces.

Iaşi Plaza: under planning

The Group purchased a 46,500m^2 plot of land in Iaşi (population of 350,000 inhabitants and catchment area of approximately 820,000 people), a city in the north-east of Romania, which will be developed as a shopping and entertainment center and office space.

The shopping center will comprise approximately 40,000m^2 of GLA with approximately 120 units and will include an anchor supermarket, a cinema, fashion retailers, a Fantasy Park, a food court and restaurants.

The scheme will also include an office space with GLA of 18,000m^2 and approximately 1,700 car parking spaces.

Current developments

continued

Romania continued

Timişoara Plaza: under planning

In Timişoara the Group has a 31,500m² plot of land situated on a three-way junction with excellent visibility.

The site is situated in the north-east of Timişoara, a city in western Romania, close to the Hungarian border with a population of 350,000 inhabitants and catchment area of approximately 700,000 people.

The planned shopping center will have GLA of approximately 36,000m² with approximately 100 units and will include a supermarket, a cinema complex, fashion retailers, a Fantasy Park, a food court, restaurants and over 750 car parking spaces.

Târgu Mureş Plaza: under planning

The Group has acquired a 31,000m² site in Târgu Mureş, Romania, to develop a significant shopping and entertainment center.

The proposed development is ideally located in the city center, close to the main road that links to the neighboring towns of Cluj Napoca and Alba Iulia.

The modern, western style center will have GLA of 30,000m² with approximately 120 units and will include fashion retailers, a Fantasy Park, a cinema, a food court and over 800 car parking spaces.

Constanţa Plaza: under planning

In June 2008, Plaza Centers acquired a 26,000m² plot in Constanţa. The plot is conveniently located on one of the two main entrance roads to the city and consists of an existing shopping center and an open parking lot of 8,500m².

Constanţa is located on the Black Sea bank and is one of Romania's main industrial, commercial and tourist centers.

The Group is investigating the option of adapting the existing shopping center to create approximately 18,000m² of GLA which will be suitable for one big anchor such as leading supermarket, and/or DIY store together with some smaller retail units.

Slatina Plaza: under planning

In July 2008, Plaza Centers acquired a 23,880m² plot in Slatina. The plot conveniently located next to the main entrance roads to the city and across residential neighborhood.

Slatina is a city with approximately 80,000 inhabitants and is considered a major city in the county of Olt which has a population of over 500,000 people. It has strong industrial base, with companies such as Pirelli Tyres located there.

Plaza plans to build a shopping and entertainment center with approximately GLA of 17,000m² with 80 units including a supermarket, fashion retailers, a Fantasy Park, a food court and more than 500 car parking spaces.

Csíki Plaza: construction commenced in late 2008, awaiting external financing for completion

The Group purchased a 33,000m² plot in Miercurea Ciuc, located less than 400 meters from the city hall, on which it intends to develop a shopping and entertainment center.

Miercurea Ciuc has a population of approximately 50,000 inhabitants and catchment area of approximately 300,000 people.

The planned shopping center will have GLA of approximately 14,000m² and will include a supermarket, fashion retailers, food court and restaurants.

Hunedoara Plaza: under planning

The Group purchased a 41,000m² plot in Hunedoara (70,000 inhabitants and catchment area of 200,000 people) on which it intends to develop a shopping and entertainment center. The site situated on the main entry to the city from Deva and nearby the city center.

The planned shopping center will have approximately GLA of 14,000m² with 63 units and will include a supermarket, fashion retailers, food court, restaurants and over 600 car parking spaces.

Palazzo Ducale: operating

Plaza Centers has acquired a prestigious French-style villa converted into an office building in Bucharest. The building is located in the city center and was completely renovated in 2005.

The building comprises approximately 700m² and functioned as the headquarters of Plaza Centers in Romania.

Timişoara Plaza

Romania

The planned shopping and entertainment center will have GLA of approximately 36,000m² with approximately 100 units and will comprise a supermarket, a cinema complex, fashion retailers, a fantasy park, a food court, restaurants and over 750 car parking spaces.

Timişoara Plaza

(GLA)

36,000m²

Estimated value on completion

€68.2m

Ownership

100%

More info visit

www.plazacenters.com/timisoaraplaza

Dream Island
Hungary

A major resort on the Óbuda Island in central Budapest. With a land area of 320,000m² the development will comprise hotels, casino and a business and leisure complex.

Dream Island

(GBA)
350,000m²

Estimated value on completion
€223.9m
Represents the value of Plaza Share.

Ownership
43.5%

More info visit
www.plazacenters.com/dreamisland

Current developments

continued

Hungary

Project	City	Ownership	GLA (m^2)	Market value on completion December 31, 2012 (€)	Market value of the land and project December 31, 2012 (€)	Expected completion
Dream Island	Budapest	43.5%	350,000*	223,905,000	20,900,000	2015-2017
Arena Plaza extension	Budapest	100%	40,000	67,842,000	8,500,000	2015
Új Udvar	Budapest	35%	16,000	2,940,000	2,940,000	2014
David House	Budapest	100%	2,000	4,000,000	4,000,000	Operating

* GBA.

Plaza has already completed and sold 17 shopping and entertainment centers and one office building in Hungary. During 2007, The Arena Plaza shopping and entertainment center, which was developed by Plaza, was sold to aAiM for a total consideration of circa €387 million, representing circa 20% of all real estate transactions in Hungary in 2007 and currently is one of the most successful shopping and entertainment centers in the Hungarian capital. Plaza currently owns one office building and three development sites in Hungary, including the Dream Island mega scheme which is intended to be developed as a major resort area including hotels, recreation facilities, a casino and a business and leisure complex.

Dream Island: initial excavation and archaeological works commenced, exclusive casino license obtained

Plaza holds a 43.5% stake in Dream Island, a prestigious development on the Óbuda Island in central Budapest, with a land area of 320,000m^2, which is intended to be developed as a major resort area including hotels, recreation facilities, a casino and a business and leisure complex comprising 350,000m^2 GBA.

Arena Plaza extension: under planning

Arena Plaza extension is a planned office addition to Arena Plaza that will comprise GLA of approximately 40,000m^2.

The development will offer A-class offices in a central location in Budapest.

The Arena Plaza extension will occupy part of the former historic Kerepesi trotting track.

Új Udvar: operating, currently working on refurbishment plans

In September 2007, the Company bought a stake in a company holding Új Udvar shopping center in Budapest. Subsequently, Plaza's interest in the asset is 35%.

Új Udvar is located in the center of the third district of Budapest, next to Kolosy Square on Bécsi Street, surrounded by housing estates, office buildings and family houses.

The shopping center is currently active and has approximately 16,000m^2 of GLA and approximately 11,600m^2 of parking areas.

Új Udvar shopping center shows significant redevelopment potential for refurbishment and subsequent sale.

David House: active office building, mainly serves as Plaza Centers' headquarters in Hungary

The Company owns an office building located on Andrássy Boulevard, a prestigious location and one of the most sought-after streets in the center of Budapest with several foreign embassies situated nearby.

The facades of all buildings on the Andrássy Boulevard, including David House, are listed in the "World Heritage" list.

The building was reconstructed/refurbished by the Group during 2000/2001 in co-operation with the local monument preservation authority. Many of the original features have been retained, including the inner courtyard, staircases, stucco, ornate metalwork and fine wood carvings.

The building is located on a 796m^2 plot and consists of four floors, an atrium and a basement, with a total constructed area of approximately 2,000m^2.

Current developments
continued

Czech Republic

Project	City	Ownership	GLA (m^2)	Market value on completion December 31, 2012 (€)	Market value of the land and project December 31, 2012 (€)	Expected completion
Prague 3	Prague	100%	61,600	157,905,000	14,460,000	–
Liberec Plaza	Liberec	100%	17,000	29,400,000	29,400,000	Operating
Roztoky	Prague	100%	14,000*	18,190,000	2,800,000	2015

* GBA.

In March 2009, Plaza opened to the public its third shopping and entertainment center in Czech Republic, the Liberec Plaza (approximately 17,000m^2 GLA) in the city of Liberec. Plaza continues the feasibility and planning of its residential development in Roztoky (14,000m^2). In addition, Plaza owns an income-generating office and warehouse building in the third district of Prague, which is designated for a 61,600m^2 residential scheme (rezoning for future residential use obtained in 2012).

Liberec Plaza: completed, opened to the public

Liberec Plaza is located in the center of Liberec, a city in the north of the Czech Republic, close to the border with Germany and Poland, with a population of approximately 120,000 inhabitants and a catchment area of approximately 350,000 people.

The shopping center is situated 20 meters from the main square of the city.

The shopping and entertainment center, which was opened in March 2009, comprises 17,000m^2 of GLA including Billa, Gate, Sephora, CCC, Dino Entertainment park, fitness center, Lee Cooper, O2, KIK and others.

The center also includes approximately 1,000m^2 of residential apartments and 1,100m^2 of office space.

Prague 3: currently operating as an office building and short lease warehouse, rezoned for residential use

The Company owns a logistic and commercial center in the third district of Prague.

The buildings are located on a site of approximately 46,500m^2 with current GLA of approximately 44,300m^2 and potentially 61,600m^2 built area for residential use.

The third district of Prague has a number of major domestic and multinational companies such as Vodafone, Cesky Telecom and others. The area also has an extensive range of public services.

Due to planning difficulties, it is not possible to develop the site into a shopping and entertainment center. Due to its strategic location and good public transport connections, the Group is currently examining the possibility of developing a residential complex on the site with a three-phase construction program comprising 61,600m^2 of built area.

Roztoky: under planning

The Group owns 39,000m^2 of land in Roztoky, a town located north-east of Prague on the way to the airport (6,500 inhabitants). The site is located on the west side of the town, on a hill and attached to a park.

The Company intends to develop a residential compound which will include 15 row houses and 64 semi-detached units of 150-200m^2 each.

The plot includes a building permit for 79 units of family houses.

Liberec Plaza

Czech Republic

Located in the center of Liberec near the city's main square, Liberec Plaza, our third shopping and entertainment center in the Czech Republic, was opened in March 2009. Comprising 17,000m² GLA, the center also includes approximately 1,000m² of residential apartments and 1,100m² of office space.

(GLA)

17,000m²

Market value

€29.4m

Ownership

100%

More info visit

www.plazacenters.com/liberecplaza

Current developments

continued

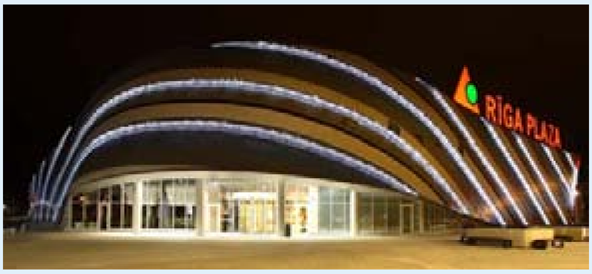
Latvia, Greece, Bulgaria

Project	City	Ownership	GLA (m^2)	Market value on completion December 31, 2012 (€)	Market value of the land and project December 31, 2012 (€)	Expected completion
Latvia						
Riga Plaza	Riga	50%	49,000	42,350,000	42,350,000	Operating
Greece						
Pireas Plaza	Athens	100%	26,000	98,500,000	21,000,000	2015
Bulgaria						
Shumen Plaza	Shumen	100%	20,000	n/a*	4,600,000	2016

* Asset was valued with the comparative sales price method, no value at completion was estimated.

In March 2009, Plaza completed the development of Riga Plaza shopping and entertainment center, its first development in the Baltic states, with an increase in occupancy of over 5,000m^2 from opening to reporting date and a 21% increase in 2012 footfall. Compared to 2011, Riga Plaza has shown significant improvement. Plaza currently has development sites in Bulgaria for shopping and entertainment development. During 2010, Plaza received a building permit for its planned development in Piraeus, Athens.

Pireas Plaza



Riga Plaza

Shumen Plaza

Latvia

Riga Plaza: completed and opened to the public

In March 2004, the Group entered into a 50:50 joint venture with an American capital fund with extensive experience in Latvia for the development of Riga Plaza in Riga.

Riga is the largest city in the Baltic states with a population of approximately 750,000 people.

Riga Plaza, which was opened in March 2009, is located on the west bank of the Daugava river, south-west of Riga's city center with excellent transportation connection to the city center and primary catchment area of 350,000 inhabitants.

Riga Plaza is one of the biggest and most modern shopping centers in Latvia. The two-floor shopping and entertainment center comprises approximately 49,000m^2 of GLA, anchored by Prisma hypermarket, an eight-screen multiplex Multikino cinema, Peek & Cloppenburg, Zara, Mango, Reserved and Fantasy Park, a 2,000m^2 bowling and entertainment area.

With approximately a 2,000m^2 increase in occupancy and a 21% increase in footfall in 2012, Riga Plaza showed the biggest improvement among the Company's operating shopping and entertainment centers.

Greece

Pireas Plaza: under planning

The Group currently owns a plot of approximately 15,000m^2 in the city of Piraeus, a commercial-industrial center, only on 10km from the heart of Athens.

The site has an ideal highly visible and commercial position at the junction of two of the biggest arteries in Attica: National Highway, running from the north to the south of Greece and Piraeus Avenue, connecting the center of Athens with the port of Piraeus.

Conveniently located in front of the ISAP metro line, bus stations and in a walking distance from Europe's largest passenger port of Piraeus, the project will be easily accessed by a large catchment of more than one million people.

Pireas Plaza will be a three-storey commercial and entertainment center with 26,000m^2 GLA and will be served by four underground parking levels for 775 cars.

Bulgaria

Shumen Plaza: under planning

The Group has purchased a 26,000m^2 plot of land in Shumen, one of the largest cities in north-eastern Bulgaria, 80km from Varna.

The site is ideally situated at the crossroad of the two major traffic arteries in Shumen, within a short walking distance to the city center, railway station and university.

It will be the first western-style shopping center in the district and shall serve the city population of approximately 100,000 people and a larger catchment of 205,000 people.

Shumen Plaza will be a three-floor commercial and entertainment center with 20,000m^2 GLA and 650 parking spaces.

The shopping center will include supermarket, digital cinema, 70 retail shops, entertainment complex with bowling, billiards and games, food court, restaurants and cafes.

President and Chief Executive Officer's statement

Ran Shtarkman, President and CEO

I am pleased to report that Plaza has delivered a further year of operational progress with the delivery of projects into new high demand markets, driving occupancy at our previously completed assets and the completion of the disposal of our highly successful first venture into the US market.

Despite GDP growth of +1.8% in CEE during 2012, it remained a challenging year for some of the economies in which we operate, particularly Hungary and Romania (GDP decreased by 1% in Hungary, and Romania recorded anaemic growth of 0.9%), and this has been reflected by the write-downs to our landbank assets recorded during the year. Real estate investment volumes for CEE in 2012 also decreased significantly, recording a 35% drop year-on-year. These trends confirm that we were correct in our strategy to hold and actively asset manage our completed developments, enjoying the rental income they produce, until sales prices which appropriately reflect their current and existing potential are achieved.

Focus on asset level performance

By leveraging Plaza's deep relationships that we have created with retailers over a number of years, many of whom we have helped introduce into new geographies, we have improved occupancy levels across the Company's existing shopping and entertainment centers.

This focus on driving performance at the asset level saw the overall portfolio occupancy rate increase from 85% in 2011 to 88.5% as at the reporting date, with the following notable successes:

At Toruń Plaza, Poland
84% occupancy

occupancy increased to 84% (2011: 80%)

At Suwałki Plaza, Poland
90% occupancy

occupancy increased to 90% (2011: 89%)

At Zgorzelec Plaza, Poland
89% occupancy

occupancy increased to 89% (2011: 79%), in addition to a 14% increase in footfall compared to the prior year

At Liberec Plaza, Czech Republic
80% occupancy

occupancy increased to 80% (2011: 78%)

At Riga Plaza, Latvia
94% occupancy

occupancy increased to 94% (2011: 90%) and footfall by 21% on a year-on-year basis

Key events

In June 2012, EPN Group, Plaza's US-based joint venture, completed the sale of 47 of its 49 US-based shopping centers in a deal totaling US$1.428 billion. The centers were acquired by BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. in a transaction of total US$1.428 billion, where US$934 million (as of the agreement date) was paid by the assumption of the property level debt.

The successful completion of the transaction generated a gross cash inflow for the Company of US$120 million, a significant return over a period of less than two years on its equity investment of circa US$82 million. This was in addition to a dividend received from EPN in September 2011 of US$5.9 million. During the investment period, Plaza and its joint venture partners were able to successfully restructure, reposition and improve the portfolio of 47 properties by taking EDT Retail Trust private and transferring key personnel and management from Australia to the US and undertaking a number of management initiatives. These included the refinancing of circa US$500 million of portfolio debt, improving the cost structure, improving occupancy by 3% since EPN's initial acquisition of the properties and increasing the stabilized NOI of the properties via reletting expiring lease agreements.

The remaining two assets in the US portfolio were sold in July for US$41.8 million out of which US$13 million was settled by assumption of debt, completing the disposal phase of the Company's highly successful first investment into the US market.

The construction of Plaza's first retail scheme in Serbia, Kragujevac Plaza, was completed and opened to the public on March 20, 2012. Early trading at the mall has exceeded the Company's already high expectations with excellent feedback received from both retailers and shoppers. Since opening, the center has attracted over 3,000,000 visitors, as at March 2013.

Kragujevac Plaza is the first shopping center to be completed outside Serbia's capital, Belgrade, and enjoys a catchment area of approximately 590,000 inhabitants within a 30-minute journey of the center. The 22,000m^2 GLA center was 90% let on opening, and a further 8% of space has been let since with strong interest expressed in the remaining units.

The Company secured another first during the year with the completion and opening of its first shopping center in India. Koregaon Park Plaza, a 48,000m^2 total built area (excluding parking) shopping and entertainment center located in Pune, held a successful opening on March 2, 2012 and is 85% let with signed lease agreements.

Unfortunately, on June 21, 2012, the center was substantially damaged by a fire caused by a tenant's faulty electrical equipment. The center's safety and evacuation procedures were implemented extremely quickly and efficiently and Plaza is pleased to report that no one was injured in the incident. Roughly two-thirds of the mall's rentable area was reopened in August 2012 but the remainder of the center required extensive renovation, which is scheduled to complete in April-May 2013. Plaza believes that all damages and loss of profits resulting from the fire are fully recoverable from the asset's insurers.

Results

As a result of a €79 million impairment charged against the Company's landbank assets and the non-cash financial expenses resulting from the fair value adjustments of bonds, Plaza ended the year with a loss attributable to the owners of the Company of €86.1 million. 29% of the €79 million impairment charge related to write-downs of our landbank assets in Romania and Hungary, which in turn reflected the worsening market conditions and macroeconomic conditions in those countries.

Plaza invested a total of €30 million during the year in real estate inventories under construction.

The Company continues to have a cash position (including restricted bank deposits, short-term deposits and available-for-sale financial assets) of approximately €102 million at the year end (and circa €90 million as March 14, 2013). This cash position will be utilized in meeting the Company's forthcoming liabilities and, where debt financing is available, in driving its selective development program into markets with the highest demand. In addition, mindful of the ongoing macroeconomic and market uncertainty, the Company underwent efforts to deleverage during the year, reducing debt from 59% to 53% of the balance sheet.

NAV

The Company's property portfolio (CEE and India) was valued by Jones Lang LaSalle as at December 31, 2012 and their summary valuation is shown overleaf.

Net Asset Value per share has decreased by 24%, attributable primarily to the impairment of trading property amounting to €79 million. The write-down in value reflects the depressed rental levels in the abovementioned 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 continues to value at the lower of cost or net realizable value. Management 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 during the year of Koregaon Park Plaza and Kragujevac Plaza.

The Company's NAV was calculated as follows:

Use	€'000
Market value of land and projects by Jones Lang LaSalle(1)	748,345
Assets minus liabilities as at December 31, 2012(2)	(289,587)
Total	**458,758**

1 Per valuation attached overleaf, except for Prague 3 project, included in Assets minus liabilities.
2 Excluding book value of assets which were valued by Jones Lang LaSalle.

President and Chief Executive Officer's statement

continued

Portfolio progress

Currently the Company is engaged in 26 development projects and owns seven operational shopping and entertainment center assets, and two office schemes, located across the Central and Eastern European region and in India. The location of the projects, as at March 14, 2013, is summarized as follows:

Location	Number of assets (CEE and India) Active	Under development	Offices
Romania	–	8	1
India	1	5	–
Poland	3	4	–
Hungary	–	3	1
Serbia	1	2	–
Czech Republic	1	2	–
Bulgaria	–	1	–
Greece	–	1	–
Latvia	1	–	–
Total	**7**	**26**	**2**

Liquidity and financing

Plaza ended 2012 with a cash position (including restricted bank deposits, short-term deposits and available-for-sale financial assets) of €102 million, compared to €108 million at the end of 2011. Working capital at December 31, 2012 totaled €558 million (December 31, 2011: €585 million). The Company's current consolidated cash position is circa €90 million.

The Group continues to pursue a conservative financing policy and has made progress, mindful of the wider macroeconomic climate, in deleveraging its balance sheet. €138 million of debt was repaid during the year and part disposed of by way of assumption in the US portfolio transaction, reducing the level of debt to 53% of the balance sheet (2011: 59%).

On March 7, 2013 MIDROOG Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service ("Midroog"), has updated the rating of Plaza's two Israeli listed series of Notes to "Ba1/Negative" on a local Israeli scale.

Strategy and outlook

The Company achieved significant strategic and development milestones during 2012 notwithstanding the ongoing euro area crisis, which continues to impact the core markets in which Plaza operates. Despite the current challenges, Plaza continues to believe in the long-term fundamentals of the CEE region and many of its economies are forecast to grow at a greater rate than their western European counterparts. An IMF update in January 2013 estimated that the euro area economy receded by 0.4% in 2012, compared to annual GDP growth of +1.8% for CEE.

Our belief in the region was underlined by the opening during the year of Plaza's 32nd shopping and entertainment center in CEE. To date, 26 of these centers with an aggregate gross value of circa €1.16 billion have been subsequently sold. These disposals comprise 17 shopping centers in Hungary, seven in Poland and two in the Czech Republic. Plaza now retains seven shopping and entertainment centers as operational assets, three of which are located in Poland, one in the Czech Republic, one in Latvia, one in Serbia and one in India.

2012 was notable for its lack of transactional activity in CEE, declining by 35% year-on-year from 2011. Against this backdrop of limited transactional activity, largely stemming from the scarcity of real estate finance in the region, we are confident that our strategy of holding our completed assets, and enjoying the rental income they produce, until sales prices which appropriately reflect their current and existing potential are achieved, remains the correct course for the Company.

Notable improvements at the operational level of the portfolio were achieved during 2012, improving overall occupancy from 85% in 2011 to 88.5% in 2012. We will continue this focus on maximizing the income and value of our shopping centers through active asset management initiatives and seeking to obtain the optimal tenant mix to ensure our centers continue to meet the needs and wants of consumers and continue to be the dominant retail offering in its location.

Plaza continues to evaluate its extensive development pipeline, which it believes offers significant opportunities for the future. However, in the shorter term, we cannot disregard the impact of the ongoing issues of the euro area on the economies in which we operate. We will therefore remain prudent and pragmatic in our approach to deploying significant levels of equity to commence new projects. This being said, we continue to progress a limited number of projects in the most resilient countries of the CEE, such as Poland and Serbia where GDP growth and forecasts remain above the averages for Europe and, as such, Visnjicka Plaza in Belgrade, Serbia and Łódź Plaza, Poland, will be the next centers to commence construction.

Mindful of the impact of the ongoing economic crisis on our business, Plaza will continue to pay down debt where possible. A total of €138 million of debt was repaid during 2012, and we are further reducing our gearing levels.

Bolstered by the US$127 million gross proceeds received from the sale of the assets of our US joint venture, an excellent return on the equity the Company invested, Plaza will continue to find the optimal blend of reducing our levels of gearing whilst progressing our limited development program into the strongest economies of the CEE. We believe that our cautious but opportunistic approach is set to unlock significant value on behalf of our shareholders.

Ran Shtarkman
President and Chief Executive Officer
March 13, 2013

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 occupancy at the portfolio level.

Highlights for the financial year included:

- **Openings:** Kragujevac Plaza (Kragujevac, Serbia); Koregaon Park Plaza (Pune, India)
- **Operation:** improving performance of the seven operating shopping and entertainment centers located in five countries over two continents
- **Investments:** total gross investment in 2012 in our selected development program of €29 million
- **Financial strength and flexibility:** Plaza's current cash position stands at circa €90 million.

As of the reporting date, Plaza has 35 assets in nine countries out of which 26 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, two in Serbia, two in the Czech Republic, one in Bulgaria and one in Greece. In addition to these developments, Plaza retains the ownership and operates seven shopping and entertainment centers in Poland, Czech Republic, Serbia, 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. Plaza's first shopping and entertainment center in Serbia, Kragujevac Plaza, was opened 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*
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	35,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
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
Kielce Plaza	Kielce, Poland	Retail and entertainment scheme	33,000	100	Construction scheduled to commence in 2014-2015; completion scheduled for 2015-2016
Leszno Plaza	Leszno, Poland	Retail and entertainment scheme	16,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
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 2015-2017

* 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*
Új Udvar	Budapest, Hungary	Retail and entertainment scheme	16,000	35	Operating, currently working on refurbishment plans, Building permit expected to be granted in 2014
David House	Budapest, Hungary	Office	2,000	100	Operational office
Prague 3	Prague, Czech Rep.	Office, for future residential use	61,600 (residential for sale)	100	Currently operational as an office building, rezoning for future residential use obtained in 2012
Liberec Plaza	Liberec, Czech Rep.	Retail and entertainment scheme	17,000	100	Operating, opened in March 2009
Roztoky	Prague, Czech Rep.	Residential units	14,000 (GBA)	100	Zoning is in place. Construction scheduled to commence in 2014; completion scheduled for 2015
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	600,000 (GBA including parking)	75	Under planning, completion scheduled for 2014-2017; approval from the Urban Technical Commission has been obtained
Timişoara Plaza	Timişoara, Romania	Retail and entertainment scheme	36,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
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	58,000	100	Construction scheduled to commence in 2014-2015; completion scheduled for 2016
Slatina Plaza	Slatina, Romania	Retail and entertainment scheme	17,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Hunedoara Plaza	Hunedoara, Romania	Retail and entertainment scheme	13,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Târgu Mureş Plaza	Târgu Mureş, Romania	Retail and entertainment scheme	30,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Constanţa Plaza	Constanţa, Romania	Retail and entertainment scheme	18,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
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 2014; completion scheduled for 2015
Visnjicka Plaza	Belgrade, Serbia	Retail and entertainment scheme	40,000	100	Construction scheduled to commence in late 2013; completion scheduled for 2014-2015
Kragujevac Plaza	Kragujevac, Serbia	Retail and entertainment scheme	22,000	100	Operating, opened in March 2012
Shumen Plaza	Shumen, Bulgaria	Retail and entertainment scheme	20,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Riga Plaza	Riga, Latvia	Retail and entertainment scheme	49,000	50	Operating; opened in March 2009
Pireas Plaza	Athens, Greece	Retail and entertainment scheme	26,000	100	Construction scheduled to commence in 2014; completion scheduled for 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	Residential scheme	310,000 (GBA)	23.75	Construction scheduled to commence in late 2013; phased completion scheduled over 2013-2020
Chennai	Chennai, India	Residential scheme	230,000 (for sale)	38	Construction scheduled to commence in late 2013; phased completion scheduled over 2013-2018
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:

Poland
Plaza owns and operates three completed shopping and entertainment centers across Poland. During the year each of the centers have delivered notable asset management successes, with over 3,100m^2 of new lettings achieved, improving overall occupancy amongst the Polish portfolio from 82% to 87%.

Toruń Plaza, which was completed and opened in late 2011, comprises approximately 40,000m^2 of GLA and represents Plaza's tenth completed center in Poland. Occupancy has risen to 84% as at the reporting date compared to 80% upon its opening. The center is currently let to premium local and international brands such as Cinema City, H&M, C&A, KappAhl, Zara, Bershka, Stradivarius, Pull & Bear and Massimo Dutti.

The mall has demonstrated a strong operational performance over 2012, and Plaza's focus on asset management and marketing activities since the mall opened has led to strong footfall at the center with over 4.2 million visitors during 2012, which peaked at 18,000 visitors per day in December 2012. As a result, average monthly turnover at the mall over the 2012 Christmas period improved by 5% compared to the same period last year.

Suwałki Plaza, comprising approximately 20,000m^2 of GLA and including tenants such as H&M, Rossmann, New Yorker, KappAhl and Cinema Lumiere, continues to perform well. Successful asset management initiatives undertaken by Plaza has seen occupancy improve from 89% in 2011 to 90% as at the reporting date and a 4% increase in the center's yearly turnover as compared to the prior year.

Significant operational improvement was also achieved at the 13,000m^2 GLA Zgorzelec Plaza, where occupancy has increased from 79% in 2011 to 89% as at the reporting date. In addition, Plaza has been successful at driving footfall at the center, recording a 14% increase compared to 2011.

In addition, Plaza continued the feasibility and planning studies of four development schemes; in Kielce (comprising approximately 33,000m^2 of GLA); in Leszno (comprising approximately 16,000m^2 of GLA); and two schemes in Łódź, Łódź Residential (designated for residential use) and Łódź Plaza (comprising approximately 35,000m^2 of GLA).

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 40,000m^2 of GLA.

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 320,000m$^{2.}$ It will be developed into a major resort including hotels, recreation facilities, a casino and a business and leisure complex of 350,000m^2 GBA. The project is currently in planning phase.

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.

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

Czech Republic
Plaza continues to hold and manage Liberec Plaza shopping and entertainment center (approximately 17,000m^2 GLA), which was opened in March 2009. During the period, occupancy has improved from 78% in 2011 to 80% as at the reporting date.

Romania
Plaza holds a 75% interest in a company in partnership with the government of Romania to develop Casa Radio (Dâmbovița), the largest development plot in central Bucharest. It will comprise approximately 600,000m^2 of GBA, including a 158,000m^2 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 Phase I is scheduled for 2014.

Latvia

In March 2009, Plaza completed and opened Riga Plaza shopping and entertainment center, which comprises approximately 49,000m² of GLA, in which Plaza owns a 50% stake. Riga Plaza is located on the western bank of the River Daugava by the Sala Bridge. During 2010, an eight-screen cinema multiplex was opened. The center has seen significant operational improvement during the year, with occupancy increasing to 94% as at the reporting date compared to 90% in 2011. Discussions are ongoing with potential occupiers for the remaining space at the center and Plaza hopes to conclude further lettings shortly.

Latvia was the fastest-growing economy in the EU in 2012, which, alongside the strengthening household consumption, is expected to underpin further improvements in the performance of Riga Plaza over the coming years.

Serbia

On March 20, 2012 Plaza opened to the public 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 was over 90% let at opening to tenants including Nike, Adidas, Aldo, New Yorker, Deichmann, TerraNova, Fashion and Friends, H&O, Oviesse, Fox, Chicco and Home Center. As at the reporting date, occupancy has risen to 98%, demonstrating the success of the Company's first venture into Serbia. The initial response from consumers has been extremely encouraging with the center receiving over 3,000,000 visitors in its first year of opening.

Kragujevac Plaza is the first western-style shopping center to be completed outside the capital, Belgrade, and enjoys a catchment area of approximately 590,000 inhabitants within a 30-minute car journey of the center. With a six-screen Cineplexx cinema facility, the center contains the only cinema and bowling facilities in the region.

Plaza's first investment in Serbia 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 2014 and completion is scheduled for 2015. The project is currently in the process of securing the relevant local planning and permitting approvals.

The Company also owns a plot of land in Belgrade which will be developed into a shopping and entertainment center. Concept designs have been submitted and approved (location permit granted) for Visnjicka Plaza (previously known under the project name Sport Star Plaza), Plaza's proposed scheme comprising a total GLA of approximately 40,000m², and construction is planned to commence during 2013 with anticipated completion scheduled for 2015.

On March 1, 2013 Serbia gained candidate status as a part of the process of becoming a member of the European Union. Plaza believes that Serbian membership of the European Union will bring about significant investment into the country from international sources of capital. The Company's carefully selected Serbian development pipeline, and completed and managed asset, is set to benefit from this anticipated increase in investment volume arising from European Union membership.

Greece

Plaza continues to hold a land plot, purchased free of debt, on which the relevant planning has been obtained for a 26,000m² GLA center. However, Plaza will continue to monitor the macroeconomic situation in Greece before committing additional capital to the project. Taking a long-term view, the land plot is in an excellent location, and when the Greek economy does eventually recover Plaza expects to be able to create additional value from it.

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 during 2015, subject to securing financing.

As part of its efforts to deleverage, the Company has disposed of the Ramstore development in Sofia, Bulgaria, therefore extinguishing €6 million of bank debt from the balance sheet.

Operational review

continued

India

In 2012, Plaza began to deliver on the strong long-term potential it identified in India and completed its first shopping center in the country, Koregaon Park Plaza, located in Pune. A successful public opening was held on March 2, 2012. The 48,000m^2 gross built area ("GBA") (excluding parking) shopping center is circa 85% let with signed lease agreements.

On June 21, 2012, the center suffered substantial damage from a fire which started in a tenant's unit. Approximately 33% of the mall subsequently had to be closed for refurbishment, which is expected to be completed in April-May 2013. The remainder of the center continues to trade. The insurance policy taken out on the center is expected to cover the costs of all damage and recompense Plaza for the loss of profit.

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 highest quality IT park in the region), and totals approximately 250,000m^2 of total built area (including parking). The second is in Trivandrum, the capital city of the state of Kerala, and totals approximately 120,000m^2 GBA. The Kharadi development consists of four office buildings and a small retail area, and a large residential scheme is planned for the Trivandrum development.

Phase I of the Kharadi Plaza project known as "Matrix One", was completed in February 2012. The 28,000m^2 GLA office, was 70% pre-sold upon opening. The construction of the second office building, out of a total of four offices planned for the development, commenced in Q3 2012 and 37% of the available space was pre-sold as at the reporting date.

During 2008, Plaza formed a joint venture with Elbit Imaging 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 residential project, owned in an equal share between the joint venture and 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 area of over 310,000m^2, it will comprise over 1,100 luxury residential units.

In 2010, the joint venture signed a new framework agreement which inter alia entitles the joint venture to receive 70% of the net proceeds from the project until a target 20% IRR is received. Once the joint venture has received this 20% IRR on its investment, the joint venture will exit the project. Currently the project is in planning phase.

Chennai – a residential development, which is 80% owned by the joint venture and 20% owned by a prominent local developer, will be developed into a residential project consisting of approximately 160,000m^2 of plotted area for development and approximately 70,000m^2 for high-quality villas. Chennai is India's fourth largest city with a population of more than eight million inhabitants. Currently, the joint venture is in advanced negotiations towards signing of a joint development agreement with a reputable local developer for the execution of this project.

Kochi Island – a 50:50 partnership with a prominent local developer, this mixed-use project will comprise more than 575,000m^2 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 joint venture's first two projects in Bangalore and Chennai are planned to commence in late 2013, and the Kochi Island development is in the design phase.

USA

In January 2012, EPN Group, Plaza's US-based joint venture, reached an agreement to sell 47 of its 49 US-based shopping centers in a deal totaling US$1.428 billion. The centers were acquired by BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. in a transaction totaling US$1.428 billion, where US$934 million (as of the agreement date) was paid by the assumption of the property level debt. In addition, all excess cash within EDT, which upon signing the agreement amounted to US$30 million, was retained by Plaza and its joint venture partners.

The transaction was completed in June 2012, realized a cash inflow of US$120 million before taxes and transaction costs for Plaza which corresponds to nearly 50% pre-tax ROE in less than two years.

Currently the Company is engaged in 26 development projects and owns seven operational shopping and entertainment center assets, including Toruń Plaza in Poland (pictured here), as well as two office schemes, located across the Central and Eastern European region and in India.

Financial review

Roy Linden, Chief Financial Officer

Results

During 2012, Plaza, alongside its joint venture partners, exited its highly successful first investment into the US market by completing disposals of all its 49 assets. The Company also opened its 32nd shopping and entertainment center in CEE and its 33rd worldwide.

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.

Following the disposal of EPN Group's Plaza US-based joint venture, the Company has discontinued its US activity. Therefore the results of US operations are disclosed in the income statement as a separate line item, with prior years' numbers restated accordingly. The figures stated below as a 2011 comparative are the restated numbers.

Revenue for 2012 largely comprised rental income (€20.5 million in 2012 compared to €10 million in 2011), management fees from operating malls (€6.3 million in 2012 compared to €4.9 million in 2011), income from sale of offices in India (€6.4 million) and income derived from the Group's subsidiary, Fantasy Park, which provides gaming and entertainment services in active shopping centers, which accounted for €6.9 million (2011: €7.1 million) during the year.

Revenue increased to €42 million (31 December 2011: €23.5 million) due to additional rental income received during the year from shopping centers, which were completed and opened to the public during 2012 and late 2011 and the abovementioned income from sale of offices in India.

The total cost of operation amounted to €99 million (2011: €63 million). The increase and majority of the cost of operations is largely attributable to the €79 million impairment charge recorded in connection with the value of trading properties, as compared to a charge of €48 million in the prior year. 59% of the write-down was in respect of assets in Romania (€34.1 million), and in Hungary (€12.4 million), as well as further impairments in India (€10.7 million), Serbia (€9.1 million), Poland (€6.8 million) and Czech Republic (€3.1 million). The cost of property operation and maintenance also increased during the year when compared to the reclassified prior year amount, from €5.5 million in 2011 to €8 million in 2012, the increase is in line with the Company's growing letting activity and increased number of completed shopping centers. Cost of the offices sold in India was also included in the total cost of operation in the amount of €3.9 million in 2012.

Expenses relating to Fantasy Park operation were classified under operations of entertainment centers in the notes to the financial statements.

Administrative expenses amounted to €16.8 million (2011: €18.9 million after restatement). The general and administrative expenses, including the cost of non-cash share-based payments (€0.2 million in 2012 and €3.1 million in 2011), decreased from €16.4 million in 2011 to €12.7 million in 2012 as a result of the Company's efforts to drive down costs during the year. Sales and marketing expenses increased from €2.4 million in 2011 to €4.1 million in 2012 as a result of increased operating activity throughout the year and the promotion of newly opened shopping centers.

A net finance loss of €16.5 million was recorded in 2012 against a 2011 comparator of net finance income of €74 million. The movement to a net finance loss was caused by a number of factors, including a €21 million loss (2011: €79 million profit) attributed to the increase in fair value debentures and related foreign exchange losses, measured through the profit and loss account. Finance income earned from marketable securities and monies on deposit declined to €4 million in 2012, against €10.2 million in 2011, as a result of the utilization of long-term deposits to pay down debt. In addition, there was a decrease in the gain from repurchased bonds from €7.9 million in 2011 against €4.3 million in 2012. These decreases were partially offset by the increase in the gain from hedging activities of €11.7 million, from €5.2 million in 2011, and a net increase in the value of derivatives in 2012 of €0.2 million, compared to a decrease in value of derivatives of €16.6 million in 2011.

A tax benefit of €5.5 million recorded in the consolidated income statement mainly represents the decrease in the deferred tax liability recorded in connection with the fair value changes of the debentures measured through the profit and loss.

As a result of the above, the loss for the year amounted to circa €85.9 million in 2012, compared to €13.9 million profit in 2011.

Basic and diluted loss per share for 2012 were €0.29 (2011: €0.03 profit).

Balance sheet and cash flow

The balance sheet as at December 31, 2012 showed total assets of €0.96 billion compared to total assets of €1.35 billion at the end of 2011 with the decrease mainly driven by the disposal of the US portfolio. The decrease in the value of trading property, as a result of the impairment adjustment, and the cash effect of bond repayments, also contributed to the overall decrease.

The Company's cash position deriving from cash, short-term deposits, restricted cash deposits and available-for-sale financial assets decreased slightly to €102 million (2011: €108 million), with the decrease reflecting the abovementioned bond repayments and bond buybacks offset by the receipts from the sale of the US portfolio. The gearing position improved with debt comprising only 53% of the balance sheet (December 31, 2011: 59%) as a result of bond repayments and the disposal of the leveraged US portfolio.

The value of the investment property decreased from €272 million in 2011 to €14.5 million in 2012, due to the completion of the sale of EPN Group's entire US portfolio, which leaves the Prague 3 project in Czech Republic as the sole investment property as at the year end.

Total bank borrowings (long and short term) amounted to €270 million (2011: €449 million). This decrease is primarily the result of loans disposed of and repaid in respect of the sale of the US portfolio, which amounted to approximately €162 million.

Apart from bank financing, Plaza has a balance sheet liability of €189 million (with an adjusted par value of circa €226 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 Złoty to correlate with the euro and the BIBOR interest rate, using cross-currency interest rate swaps and, in the case of its currency risk exposure of its NIS denominated bonds, by selling 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 €0.8 million. In 2012, the Company extended its bond buyback program which, in addition to the bond principal repayments and fair value changes, amounted to a €63 million decrease in liabilities from 2011.

Trade payables decreased to €9 million (2011: €27 million), due to the completion of construction in progress.

At the 2012 year end, the net balance of the Plaza Group with its controlling shareholders is a liability of approximately €0.5 million, of which €15,000 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.

Derivatives liabilities recorded in 2011 (€3.6 million), presented as non-current, (comprising cross-currency swap transactions to hedge interest rates and foreign exchange risks associated with NIS and PLN denominated bonds, interest rate swaps relating to project financing loans), are measured as at December 31, 2012 as €3.3 million, and are presented as a current liability as at the year end.

Other current liabilities have decreased in line with the smaller number of malls that the Company owns and operates, as a result of the disposal of US assets upon which payments in advance are collected.

In summary, Plaza's balance sheet reflects decreasing levels of gearing and a substantial total equity of approximately €449 million. We anticipate that the profitability of operating assets will further improve as the Company begins to enjoy the full effect of improved occupancy at its completed assets, much of which was secured in the later part of the year. As a result, the Company continues to position itself to deliver selected developments into the strongest performing markets of the CEE and India.

Roy Linden
Chief Financial Officer
March 13, 2013

Valuation summary by Jones Lang LaSalle

as at December 31, 2012 (in EUR)

Country	Project name	Market value upon completion December 31, 2011 €	**Market value upon completion December 31, 2012 €**	Market value of the land and project December 31, 2011 €	**Market value of the land and project December 31, 2012 €**
Hungary	Arena Plaza extension	69,838,000	**67,842,000**	8,700,000	**8,500,000**
	Dream Island	452,652,000	**223,905,000**	51,300,000	**20,900,000**
	David House	4,000,000	**4,000,000**	4,000,000	**4,000,000**
	Új Udvar	3,010,000	**2,940,000**	3,010,000	**2,940,000**
Poland	Kielce Plaza	15,200,000	**n/a***	4,800,000	**4,800,000**
	Toruń Plaza	121,200,000	**109,600,000**	121,200,000	**109,600,000**
	Suwałki Plaza	48,600,000	**46,800,000**	48,600,000	**46,800,000**
	Łódź (Residential)	n/a*	**n/a***	11,000,000	**8,400,000**
	Łódź Plaza	105,200,000	**83,000,000**	8,700,000	**8,600,000**
	Zgorzelec Plaza	21,400,000	**18,900,000**	21,400,000	**18,900,000**
	Leszno Plaza	n/a*	**26,000,000**	1,800,000	**1,900,000**
Czech Republic	Prague 3	138,090,000	**157,905,000**	14,180,000	**14,460,000**
	Liberec Plaza	31,600,000	**29,400,000**	31,600,000	**29,400,000**
	Roztoky	19,030,000	**18,190,000**	3,100,000	**2,800,000**
Romania	Csíki Plaza	20,127,000	**19,322,000**	7,700,000	**7,100,000**
	Timişoara Plaza	63,615,000	**68,189,000**	11,700,000	**11,000,000**
	Casa Radio Plaza**	331,700,000	**331,701,000**	170,325,000	**168,150,000**
	Iaşi Plaza	97,252,000	**93,550,000**	14,700,000	**13,100,000**
	Slatina Plaza	n/a*	**n/a***	1,900,000	**1,800,000**
	Palazzo Ducale	2,060,000	**1,950,000**	2,060,000	**1,950,000**
	Târgu Mureş Plaza	n/a*	**n/a***	6,400,000	**6,100,000**
	Constanţa Plaza	14,427,000	**13,873,000**	10,500,000	**10,000,000**
	Hunedoara Plaza	n/a*	**n/a***	3,100,000	**2,900,000**
Latvia	Riga Plaza	42,150,000	**42,350,000**	42,150,000	**42,350,000**
Greece	Pireas Plaza	106,400,000	**98,500,000**	25,000,000	**21,000,000**
India	Koregaon Park Plaza	78,800,000	**67,779,000**	68,000,000	**55,866,000**
	Kharadi Plaza	70,870,000	**67,297,000**	18,100,000	**15,393,000**
	Trivandrum Plaza	47,707,000	**46,779,000**	7,618,000	**7,330,000**
	Bangalore	178,665,000	**119,722,000**	40,077,000	**14,486,000**
	Chennai	169,145,000	**42,701,000**	21,069,000	**10,731,000**
	Kochi Island	n/a*	**n/a***	4,876,000	**5,149,000**
Bulgaria	Shumen Plaza	37,800,000	**n/a***	5,200,000	**4,600,000**
Serbia	Belgrade Plaza	142,700,000	**138,600,000**	21,700,000	**19,700,000**
	Visnjicka Plaza	107,200,000	**107,159,000**	20,300,000	**20,000,000**
	Kragujevac Plaza	44,700,000	**42,100,000**	35,000,000	**42,100,000**
Total		2,585,138,000	**2,090,054,000**	870,865,000	**762,805,000**

* Assets were valued with the comparative sales price method, no value at completion was estimated.
** Value on completion reflects the value of Phase I only since the rest of the project was evaluated by comparable method.

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

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 Yitzchaki
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

Yaron Moryosef
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 and Balkan States)

Luc Ronsmans
Country director (The Netherlands and Romania)

Oren Kolton
Country director (India)

Therese Keys
Head of Shopping Centers Management CEE

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, 57, 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, 45, 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 2008 and in 2011 for an additional three years), as President in 2007. 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, 53, Dutch)

Marco Wichers is the CEO and owner of AMGEA Holding B.V. 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, reappointed in 2009 and in 2012 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, 61, 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 and in 2012 for an additional three years.

Non-executive directors

Shimon Yitzchaki (male, 57, Israeli)

Shimon Yitzchaki (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 Yitzchaki 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, 49, 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 (36) 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.

Yaron Moryosef (39) BSc, Chief Engineer

Yaron Moryosef joined Plaza Centers in 2007. Prior to joining the Company he acted as the site engineer of the Arena Herzelia shopping and entertainment center, which was developed by Elbit Imaging Ltd. At the Company he was acting as the project manager of Romanian projects. In 2010, he became the Company's Country Chief Engineer in Romania and on August 1, 2012 was appointed as the Group's Chief Engineer and Head of Construction.

Uzi Eli (37), LLB, Attorney at Law (Israeli), 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 (62), MBA, The 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 (58), Regional marketing director and Poland 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.

Oren Kolton (37), Republic of India country director

Oren Kolton has served as the India country director for Elbit Imaging Group ventures in India since January 2010. From mid 2007 to December 2009 Mr Kolton has served as Elbit's Vice President of Business Development Asia. Prior to joining the Elbit Imaging Group in April 2005, Mr Kolton served as a faculty member at the Civil Engineering faculty, in the Technion – the Israel Institute of Technology, where he was involved in research and taught Undergraduate Management Courses. Mr Kolton holds a BSc (magna cum laude) in Civil Engineering and MSc in Construction Management from the Technion, and an MBA in Financing and Marketing from the Tel Aviv University.

Sagiv Meger (35), Czech Republic, Serbia and Balkan States 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.

Therese Keys (42), BBus (Marketing), Head of Shopping Centers Management CEE

Therese Keys has recently joined the Plaza team as Head of Shopping Centers Management CEE. Prior to joining Plaza Centers, Ms Keys was involved for nine years in land acquisition and commercial, and residential development in the Balkans. Before moving to Eastern Europe Ms Keys worked for 10 years in the shopping center industry in Australia, initially with the Stockland Trust Group, and then The Westfield Group. Roles in these companies included development, management, marketing and leasing of shopping centers.

Alexander L. Berman (53), CPA, MBA, United States country director

Alexander Berman joined the Group in 2009 as a country director for the United States. Mr Berman 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 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 17 years. To date, the Group has developed, let and opened 33 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 seven centers which were completed during 2009, 2010, 2011 and 2012 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 consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months.

As forecast relates to future events, inherently it is subject to uncertainties and therefore, the Management cannot guarantee that all assumptions relating to cash flows will materialize, however, it believes that as of the date of the financial statements these assumptions are reasonably achievable.

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

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.

The Company distributed a dividend of €30 million for the year ended December 31, 2011.

The Board will propose the Annual General Meeting not to distribute a dividend for the year ended December 31, 2012.

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, 2012:

Mordechay Zisser, Executive director
Ran Shtarkman, Executive director, President and CEO
Shimon Yitzchaki, 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.

Substantial shareholdings

As of the balance sheet date, ING Open Pension Fund ("ING"), Poland held approximately 9.82% of the entire issued share capital of the Company and BZ WBK AIB Asset Management S.A. of Poland held approximately 5.37% of the entire issued share capital of the Company. In March 2013, ING increased its stake to 11.8%. 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 166 employees and other persons providing similar services. In 2011 the Company had 185 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, November 2011 and November 2012) 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 20, 2012 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, 2011; (iii) to adopt the Company's Dutch statutory annual accounts for the year ended December 31, 2011; (iv) to discharge the directors of the Company from their liability for the conduct of business for the year ended December 31, 2011; (v) to adopt the interim dividend paid in September 2011 as final dividend and to pay no further dividend over the year ended December 31, 2011; (vi) to authorize 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 €980,700, being 33% of the Company's issued ordinary share capital (as of May 2012), provided that such authority shall expire on the conclusion of the AGM to be held in 2013 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 Annual General Meeting to be held in 2013, and the Board 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 €297,182; (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 Annual General Meeting of the Company to be held in 2013 (unless such authority is revoked or renewed prior to such time); (x) to re-elect as a Director, Mr Marco Wichers; and (xi) to re-elect as a Director, Mr Marius van Eibergen Santhagens.

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 20, 2012 at noon (CET).

In this EGM, *inter alia*, the following resolutions were taken by the shareholders: (i) to amend the Company's Articles of Association in conformity with the draft of the notarial deed of amendment to the Articles of Association; (ii) to approve the proposed amendments of the Plaza Centers N.V. Incentive Plan; (iii) to appoint Mr Mordechay Zisser as Executive director of the Company, subject to the deed of amendment of the Company's Articles of Association being executed; (iv) to appoint Mr Ran Shtarkman as Executive director of the Company, subject to the deed of amendment of the Company's Articles of Association being executed; (v) to appoint Mr Shimon Yitzchaki as Non-executive director of the Company, subject to the deed of amendment of the Company's Articles of Association being executed; (vi) to appoint Mr Edward Paap as Non-executive director of the Company, subject to the deed of amendment of the Company's Articles of Association being executed; (vii) to appoint Mr Marco Wichers as Non-executive director and Chairman of the Company, subject to the deed of amendment of the Company's Articles of Association being executed; and (viii) to appoint Mr Marius van Eibergen Santhagens as Non-executive director of the Company, subject to the deed of amendment of the Company's Articles of Association being executed.

Directors' report
continued

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 23 Equity).

Forecast

Plaza continues to evaluate its extensive development pipeline, which it believes offers significant opportunities. Plaza remain prudent and pragmatic in its approach to deploying significant levels of equity to commence new projects. This being said, Plaza continues to progress a limited number of projects in the most resilient countries of CEE, such as Poland and Serbia, where GDP growth and forecasts remain above the averages for Europe and, as such, Visnjicka Plaza in Belgrade, Serbia and Łódź Plaza, Poland, will be the next centers to commence construction.

Plaza, in its continuing efforts to deleverage in ongoing economic uncertainty, made good progress during 2012 with reducing the level of debt by €138 million or from 59% to 53% of the balance sheet. It intends to reduce leverage further over the coming year.

Plaza is on various stages of negotiation for selling part of its assets, but currently there are no signed agreements or head of terms in place.

The number of employees did not change significantly in the course of the past year, from 185 in 2011 to 166 in 2012, with no material changes expected for 2013.

Corporate governance

Corporate governance

The Company was incorporated in The Netherlands on May 17, 1993 as a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid). The Company was converted into a public limited liability company (naamloze vennootschap) on October 12, 2006, with the name "Plaza Centers N.V.". The principal applicable legislation and the legislation under which the Company and the ordinary shares in the Company have been created is book 2 of the Dutch Civil Code (Burgerlijk Wetboek).

Compliance

The Board is committed to high standards of Corporate Governance, in order to maintain the trust of the Company's shareholders and other stakeholders. The Company has a one-tier Board whereas the Dutch Corporate Governance Code is based on a separate management Board and supervisory Board. Where possible, taking the aforesaid into consideration, the Company complies with the Dutch Corporate Governance Code and the UK Corporate Governance Code, with the exception of a limited number of best practice provisions which it does not consider to be in the interests of the Company and its stakeholders or which are not practically feasible to implement.

These exceptions are listed below.

The Best Practice Provisions of the Dutch Corporate Governance Code not applied by the Company in the year 2012 are:

- Best Practice Provision II.1.3 stipulates *inter alia* that the Company should have an internal risk management and control system which should in any event employ as instruments of the internal risk management and control system a code of conduct which should be published on the Company's website. Such code of conduct is not available at the date of publication of this document.

- Best Practice Provision II.1.4 (b) stipulates that the management Board shall provide a description of the design and effectiveness of the internal risk management and control system for the main risks. Since the Company has no such code, it cannot refer its design and effectiveness.

- Best Practice Provision II.1.6 stipulates that the management Board shall describe the sensitivity of the results of the Company to external factors and variables. Since the Company has no streaming/fixed annual revenue from operation of properties, it does not perform such analysis.

- Best Practice Provision II.2.4 stipulates that granted options shall not be exercised in the first three years after the date of granting. The current share incentive schemes of the Company do not restrict the exercise of options to a lockup period of three years. The reason therefore is that the Company and the Elbit group share the same remuneration policy and the Company's Share Option Schemes were drafted in accordance with Elbit's Share Option Scheme, in order to maintain the incentive for all employees of the Elbit group based upon the same principles.

- Best Practice Provision II.2.7 stipulates that neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except insofar as prompted by structural changes relating to the shares of the Company in accordance with established market practice. The Company had on November 25, 2008 adjusted the exercise price of the granted options and in November 2012 the Company extended the option term from ten (10) to fifteen (15) years from the date of grant of the Share Option Scheme as was adopted in 2006 ("2006 Share Option Scheme"). This has been done since the Board was of the view that the 2006 Share Option Scheme should serve as an effective incentive for the employees of the group of companies, headed by the Company, to encourage them to remain in employment and work to achieve the best possible results for the Company and its shareholders. Market conditions and the global economic crisis that is still impacting the geographic regions and real estate sectors in which the Company operates, however, led to a strong decline in the Company's share price at both the London Stock Exchange and the Warsaw Stock Exchange, resulting in practically all options being out of the money without a favorable outlook for a quick recovery. In order to maintain the incentive for all employees, the Board has submitted to the extraordinary meeting of shareholders that was held on November 25, 2008, a proposal to amend the 2006 Share Option Scheme and to determine the exercise price of all options granted on or prior to October 25, 2008, to GBP 0.52 and to the extraordinary meeting of shareholders that was held on November 20, 2012, a proposal to amend the 2006 Share Option Scheme and to extend the option term from ten (10) to fifteen (15) years from the date of grant to be in line with the end date of the option term under the "Plaza Centers N.V. Second Incentive Plan", adopted by the extraordinary general meeting of shareholders on November 22, 2011. In an attempt to insure that the options are and remain an effective incentive and to assist in the retention of employees, and that the option holders should have the opportunity to exercise their options until the same end date as the holders of options under the ESOP 2011, the revised 2006 Share Option Scheme includes an extension of the vesting term for options granted less than one year prior to October 25, 2008. The shareholders approved the amendments of the 2006 Share Option Scheme, the adjustment of the exercise price and the extension of the option term.

- Best Practice Provision II.2.12 and Best Practice Provision II.2.13 stipulate *inter alia* that the remuneration report of the supervisory Board shall include account of the manner in which the remuneration policy has been implemented in the past financial year as well as an overview of the remuneration policy planned by the supervisory Board for the next financial year and subsequent years and should contain the information specified in these provisions. The current remuneration policy of the Company has remained unchanged from 2006 at the moment

Corporate governance
continued

the Company's shares were admitted to listing and is fairly straight forward, as such that "implementation" is not an issue. Furthermore, pursuant to the Articles of Association, the general meeting of shareholders determines the remuneration policy, and not the Non-executive directors. When the remuneration policy needs changing, this will be addressed in a general meeting of shareholders.

- Best Practice Provision II.3.3 and Best Practice Provision III.6.2 stipulate that both Executive directors and Non-executive directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the Company. Section 17.2 of the Articles stipulates that a member of the Board may take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company, provided that any resolution in such respect shall be adopted unanimously in a meeting in which all members of the Board are present or represented. Since Mr Ran Shtarkman was from January 1, 2010 until July 31, 2012, both Executive director of the Company and Co-Chief Executive Officer with Elbit Imaging, the Company's parent company, there might have been conflicts of interest in respect of Mr Shtarkman representing the Company. In order to enable Mr Shtarkman to, in his capacity of CEO represent the Company in all matters, the Articles of Association include this possibility, provided, as stated above, that in such matter the underlying Board resolution has been adopted anonymously.

- Best Practice Provision II.3.4 and Best Practice Provision III.6.3 stipulate, *inter alia*, that decisions to enter into transactions in which there are conflicts of interest with management Board members that are of material significance to the Company and/or to the relevant Board members require the approval of the Non-executive directors. Though, pursuant to the Articles, each Board member is obliged to notify all direct and indirect conflicts of interest, the Articles contain no specific approval clause.

- Best Practice Provision III.1.7 stipulates that the supervisory Board shall discuss at least once a year on its own, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the supervisory Board shall also be discussed. Moreover, the supervisory Board shall discuss at least once a year without the management Board being present, the functioning of the management Board as an organ of the Company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. In 2012, the Non-executive directors have not specifically discussed the items that appear in this Best Practice Provision on separate occasions. The Board, however, feels it important to notify the shareholders that as a rule, every Board meeting includes an assessment by all Board members of their own functioning and that of their fellow Board members. The Board is of the view that, given the fact that the Company has a one-tier Board rather than a separate management Board and supervisory Board, this course of action appropriately meets the requirements as laid down in this Best Practice Provision.

- Best Practice Provision III.1.8 stipulates that the supervisory Board shall discuss at least once a year the corporate strategy and the risks of business and the results of assessment by the management Board of the structure and operation of the internal risks management and control systems, as well as any significant changes thereto. In 2012, there have not been separate meetings of the Non-executive directors to discuss the items mentioned in this Best Practice Provision. The reason therefore is that risk management at the Company is, pursuant to the internally applicable corporate governance regulations, a matter specifically reserved for decision by the full Board. Board meetings in 2012 have included discussions in respect of corporate strategy and risk management and periodically throughout the year, the internal system of risk management has been assessed by the full Board.

- Best Practice Provisions III.2.1 and III.8.4 stipulate that the majority of the members of the Board shall be independent non-executives within the meaning of Best Practice Provision III.2.2. The Company currently has two Executive directors (who are considered to be non-independent) and four Non-executive directors out of whom two Non-executive directors are considered to be independent, applying the criteria of Best Practice Provision III.2.2. The Non-executive directors who are considered to be non-independent are Messrs Shimon Yitzchaki and Edward Paap. The independent Non-executive directors are: Messrs Mark Wichers and Marius Van Eibergen Santhagens. See also page 46 – Additional Information for an overview of the directors' former and current functions. Consequently, two out of the six directors are considered to be independent. The Board believes that the experience of the non-independent directors is of great importance to the Company.

- Best Practice Provision III.3.3 and Best Practice Provision III.4.1 (a) stipulate that all supervisory Board members shall follow an induction program. Since 2006, no new Non-executive directors have started working in the Company and it is not envisaged that in the foreseeable future, there will be new Non-executive directors; there is currently no induction program in place.

- Best Practice Provision III.3.5 stipulates that a Non-executive director (in terms of the Dutch Corporate Governance Code, a supervisory director (commissaris)) may be appointed to the Board for a maximum of three four-year terms. Section 15 of the Articles provides for a retirement schedule whereby directors who have been in office for not less than three consecutive AGMs shall retire from office. Pursuant to section 15.6 of the Articles, such a director may be reappointed, which could result in a term of office which is longer than three four-year terms.

- Best Practice Provision III.5.1 provides that the committee rules stipulate that a maximum of one member of each committee need not be independent within the meaning of Best Practice Provision III.2.2, the Company's Nomination Committee is comprised of three members, two of whom, Messrs Yitzchaki and Paap, are considered to be non-independent. The Board believes that the composition of the Nomination Committee as currently envisaged is in the best interests of the Company, given the skills and experience of the committee members.

- Best Practice provision III.5.6 stipulates that the Audit Committee must not be chaired by the Chairman of the Board or by a former Executive director of the Company. The Company's Audit Committee is chaired by Mr Shimon Yitzchaki, who has been an Executive director of the Company and thus the Company deviates from this Best Practice Provision. The Board, however, believes that given Mr Yitzchaki's extensive financial experience, chairmanship of the Audit Committee is appropriate.

- Best Practice Provision III.5.11 *inter alia* provides that the Remuneration Committee shall not be chaired by a Non-executive director who is either a former executive director or a member of the management board of another listed company. Since the Remuneration Committee is chaired by Mr Shimon Yitzchaki, who is a former Executive director and serves as President of Elbit Imaging Ltd., the Company deviates from this requirement. The Board is convinced that the experience of Mr Yitzchaki in this respect should be considered more important than the fact that Mr Yitzchaki is a board member of another listed company.

- Best Practice Provision III.7.1 stipulates that Non-executive directors should not be granted any shares and/or rights to shares by way of remuneration. Under the Share Option Scheme, prior to Admission, options were granted to Mr Yitzchaki, Non-executive director. Furthermore, the Share Option Schemes do not exclude the possibility of making further grants of options to Non-executive directors. In particular, the Board believes that the granting of options to Mr Yitzchaki is appropriate, given his extensive involvement in the Company to date and his special efforts made in respect of the preparation of the Company for Admission. Furthermore, the Company has retained the right to grant options to Non-executive directors as it believes that granting such options is appropriate in order to offer present and future Non-executive directors a competitive remuneration package.

- Best Practice Provision V.3 stipulates *inter alia* that the Company should have an internal auditor. Though in fact the Company does not have an internal auditor itself, as part of the Europe Israel Group, the Company has a Quality Control Regulator, which practically functions as an internal auditor.

The Best Practice Provisions of the UK Corporate Governance Code not applied by the Company in the year 2012 are:

- Best Practice Provision A.2.1 stipulates *inter alia* that the division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the Board. Such document is not available at the date of publication of this document, however, the division of responsibilities between the Chairman and Chief Executive in the Company is clear.

- Best Practice Provision A.4.2, Best Practice Provision B.6.1 and Best Practice Provision B.6.3 stipulate that the Chairman should hold a meeting with the Non-executive directors without the executive present and the Non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance and that the Board should state in the annual report how performance evaluation of the Board, its committees and its individual directors has been conducted. The Non-executive directors, led by the Senior independent director, should be responsible for performance evaluation of the Chairman, taking into account the views of Executive directors. In 2012, the Chairman and the Non-executive directors have not met separately as mentioned in this Best Practice Provisions. The Board, however, feels it important to notify the shareholders that as a rule, every Board meeting includes an assessment by all Board members of their own functioning and that of their fellow Board members. The Board is of the view that this course of action appropriately meets the requirements as laid down in this Best Practice Provision.

- Best Practice Provision B.2.1 stipulates *inter alia* that a majority of members of the Nomination Committee should be independent Non-executive directors. The Chairman or an independent Non-executive director should chair the committee. Since the Nomination Committee is chaired by Mr Shimon Yitzchaki, who is a non-independent Non-executive director, the Company deviates from this requirement. The Board is convinced that the experience of Mr Yitzchaki in this respect should be considered more important than the fact that Mr Yitzchaki is a non-independent director.

- Best Practice provision C.2.1 stipulates that the Board should conduct a review of the effectiveness of the Company's risk management and internal control systems and report to the shareholders that they have done so. The Board did not conduct a review of the effectiveness of the Company's risk management and internal control systems this year. However, the Board has established a continuous process for identifying and managing the risks faced by the Company and the Audit Committee and the Executive directors consider the effectiveness of the Company's internal controls, risk management procedures, with the on-going management of the Company. The Board confirms that any appropriate actions have been or are being taken to address any weaknesses.

Corporate governance
continued

- Best Practice Provision C.3.5 stipulates, *inter alia*, that where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report. Though in fact the Company does not have an internal auditor itself, as part of the Europe Israel Group, the Company has a Quality Control Regulator, which practically functions as an internal auditor.

- Best Practice Provision E.2.3 stipulates that the Chairman should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM and for all directors to attend. This year Mr Shimon Yitzchaki did not attend the AGM.

The Code of Best Practice for WSE-Listed Companies (the "WSE Corporate Governance Rules") applies to companies listed on the WSE, irrespective of whether such companies are incorporated outside of Poland. The WSE Corporate Governance Rules consist of general recommendations related to best practice for listed companies (Part I) and best practice provisions relating to management boards, supervisory board members and shareholders (Parts II to IV). The WSE Corporate Governance Rules impose upon the companies listed on the WSE an obligation to disclose in their current reports continuous or incidental non-compliance with best practice provisions (with the exception of the rules set forth in Part I). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules (including the rules set forth in Part I) by way of a statement submitted with the Company's annual report. Companies listed on the WSE are required to justify non-compliance or partial compliance with any WSE Corporate Governance Rule and to present possible ways of eliminating the potential consequences of such non-compliance or the steps such company intends to take to mitigate the risk of non-compliance with such rule in the future. The Company intends, to the extent practicable, to comply with all the principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent permitted by Dutch law. Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, will be included in the aforementioned reports, which will be available on the Company's website and published by way of a current report.

Role of the Board

The Board sets, *inter alia*, the Company's strategic aims, policy and standards of conduct. It monitors performance against business plan and budget, ensuring that the necessary human and financial resources are in place to meet its objectives and that the Board and all employees act ethically and in the best interests of all stakeholders. It has decision-making authority over a formal schedule of matters such as important business matters, policies and budgets. It delegates authority to various committees that are described herein.

Board practices

Dutch statutory law does not provide for a one-tier governance structure, in which a board of directors is made up of Executive and Non-executive directors. Instead, it provides for a two-tier structure comprising separate management and supervisory boards. It is, however, well-established practice to have a structure for the management board that resembles a one-tier structure. Under this organization, all members are formally managing directors, with the Articles of Association allocating to certain members' tasks and obligations similar to those of Executive directors, and to others tasks and obligations that are similar to those of Non-executive directors.

This is the structure the Company operates, providing that some directors are responsible for day-to-day management and others for supervising day-to-day management of the Company. All statutory provisions relating to members of the Board apply in principle to all members of this (one-tier) Board.

All responsibilities are subject to the overall responsibility of the Board.

The Board is accountable to the general meeting of shareholders.

Composition and operation of the Board

The Company has six directors – two Executive directors (one is the CEO/President) and four Non-executive directors, of whom two are independent.

Plaza Centers has taken notice of recently adopted Dutch legislation effective as of January 1, 2013 as a consequence of which a "large" company under Dutch law, when nominating or appointing members of the Management Board should take into account as much as possible a balanced composition of the Board in terms of gender, to the effect that at least 30% of the positions are held by women and at least 30% by men. Currently there are no women serving in Plaza on the Board of Directors. The Company is striving to achieve a balanced composition of the Board in question for the future. However, it should be noted that the real estate market is a market in which women are under-represented.

The Board meets regularly throughout the year, when each director has full access to all relevant information. Non-executive directors may if necessary take independent professional advice at the Company's expense. The Company has established three committees, in line with the UK Combined Code and the Dutch Corporate Governance Code. These are the Audit Committee, the Remuneration Committee and the Nomination Committee; a brief description of each may be found below.

Audit Committee

Comprising three Non-executive directors, the Audit Committee meets at least three times each financial year. The Audit Committee has the general task of evaluating and advising the Board on matters concerning the financial administrative control, the financial reporting and the internal and external auditing. Among other matters, it must consider the integrity of the Company's financial statements, the effectiveness of its internal controls and risk management systems, auditors' reports and the terms of appointment and remuneration of the auditor.

Composition: Mr Yitzchaki, Mr Wichers, Mr van Eibergen Santhagens.
Chairman: Mr Yitzchaki.

Remuneration Committee

The Remuneration Committee, comprising three Non-executive directors, meets at least twice each financial year to prepare the Board's decisions on the remuneration of directors and other senior employees and the Company's share incentive plans (under Dutch law and the Articles, the principal guidelines for directors' remuneration and approval for directors' options and share incentive schemes must be determined by a general meeting of shareholders). The Committee also prepares an annual report on the Company's remuneration policy. The remuneration report may be found on pages 64 and 65 of this document.

Composition: Mr Yitzchaki, Mr Wichers, Mr van Eibergen Santhagens.
Chairman: Mr Yitzchaki.

Nomination Committee

Meeting at least twice a year, the Nomination Committee comprises three Non-executive directors. Its main roles are to prepare selection criteria and appointment procedures for Board members and to review the Board's structure, size and composition. Whereas all senior management of the Company was already nominated and since there wasn't any other necessity, the Nomination Committee met only once in 2012.

Composition: Mr Paap, Mr Yitzchaki, Mr van Eibergen Santhagens.
Chairman: Mr Paap.

Internal control/risk management

The Board has established a continuous process for identifying and managing the risks faced by the Company, and confirms that any appropriate actions have been or are being taken to address any weaknesses.

It is the responsibility of the Audit Committee to consider the effectiveness of the Company's internal controls, risk management procedures, and risks associated with individual development projects.

Share dealing code

The Company operates a share dealing code, which limits the freedom of directors and certain employees of the Company to deal in the Company's shares. The share dealing code imposes restrictions beyond those that are imposed by law. The Company takes all reasonable steps to ensure compliance by those parties affected. The Company operates a share dealing code, particularly relating to dealing during close periods, for all Board members and certain employees, as is appropriate for a listed company. The Company takes all reasonable steps to ensure compliance by those parties affected.

The share dealing code meets the requirements of both the Model Code set out in the Listing Rules and the Market Abuse chapter of The Netherlands Act on the financial supervision.

Controlling Shareholder and conflicts of interest

The Company has a Controlling Shareholder who owns approximately 62.52% of the share capital and therefore has effective control of the Company. The Board is satisfied that the Company is capable of carrying on its business independently of the Controlling Shareholder, with whom it has a relationship agreement to ensure that all transactions and relationships he has with the Group are conducted at arm's length and on a normal commercial basis.

The Articles of Association of the Company include provisions on conflicts of interest between the Company and holders of control. If a conflict of interest arises between the Controlling Shareholder and the Company, the Board's decisions on the matter should be adopted unanimously in a meeting in which all members of the Board are present or represented.

Shareholder communication

The Company's management meets with shareholders each year at the AGM to discuss matters relating to the business.

Details of this year's AGM can be found on page 49.

The Board is committed to maintaining an open, honest and positive dialogue with shareholders.

To ensure that all its communications are factually correct, it is furnished with full information before every meeting on the state and performance of the business. It also has ultimate responsibility for reviewing and approving all information contained in its annual, interim and other reports, ensuring that they present a balanced assessment of the Company's position.

The main channels of communication with shareholders are the senior independent director, Chairman, CEO, CFO and our financial PR advisors, although all directors are open to dialogue with shareholders as appropriate. The Board encourages communication with all shareholders at any time other than during close periods, and is willing to enter dialogue with both institutional and private shareholders.

It also actively encourages participation at the AGM, which is the principal forum for dialogue with private shareholders. As well as presentations outlining the progress of the business, it includes an open question and answer session in which individual interests and concerns may be addressed. Resolutions put to vote and their results will be published following the meeting.

The Company's website (www.plazacenters.com) contains comprehensive information about the business, and there is a dedicated investor relations section where detailed financial information on the Company may be found.

Corporate governance
continued

Corporate, social and ethical policies
The Company is responsible not only to its shareholders, but also to a range of other stakeholders including employees, customers, suppliers and the communities upon whom its operations have an impact.

It is therefore the responsibility of the Board to ensure that the Company, its directors and its employees act at all times in an ethical manner. As a result, the Company seeks to be honest and fair in its relations with all stakeholders and to respect the laws and sensitivities of all the countries in which it operates.

Environment
The Company regards compliance with environmental legislation in every country where it operates as its minimum standard, and significant levels of management attention are focused on ensuring that all employees and contractors achieve and surpass both regulatory and internal environmental standards.

The Company undertakes a detailed environmental impact study of every project it undertakes, including an audit of its waste management, water and energy usage, emissions to air and water, ozone depletion and more.

Health and safety
The Company regards compliance with environmental legislation in every country where it operates as its minimum standard, and significant levels of management attention are focused on ensuring that all employees and contractors achieve and surpass both regulatory and internal environmental standards.

The Company undertakes a detailed environmental impact study of every project it undertakes, including an audit of its waste management, water and energy usage, emissions to air and water, ozone depletion and more.

Corporate Governance declaration
This declaration is included pursuant to Article 2a of the Decree; further stipulations regarding the content of annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) of December 23, 2004 (as amended) (hereafter the "Decree").

For the statements in this declaration as understood in Articles 3, 3a and 3b of the Decree, please see the relevant sections of this annual report. The following should be understood to be inserts to and repetitions of these statements:

- Compliance with the provisions and best practice principles of the Code (pages 51 to 54);
- The functioning of the shareholders' meeting and its primary authorities and the rights of shareholders and how they can be exercised (pages 49 and 55);
- The composition and functioning of the Board and its committees (starting on pages 46, 54 and 55);
- The regulations regarding the appointment and replacement of members of the Board (page 48);
- The regulations related to amendment of the Company's Articles of Association (page 49); and
- The authorizations of the members of the Board in respect of the possibility to issue or purchase shares (page 49).

Risk management

Plaza mainly operates its business in emerging markets and therefore it is exposed to a relatively high degree of inherent risk in such activities. The Management Board is responsible for setting financial, operational and strategic objectives as well as for implementing risk management according to these objectives.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Business strategy

Plaza is focused on further expanding its businesses in CEE region and India (emerging markets). By nature, various aspects of the emerging markets are relatively underdeveloped and unstable and therefore often exposed to risks arising from unforeseen changes, such as legal, political, regulatory, and economic changes. Plaza's investments in emerging markets expose the Company to a relatively high degree of inherent risk.

The Company is flexible on decision making regarding the holding and management of centers as opposed to selling them:

- From 1996-2004, the Company developed and operated some 20 commercial centers

- From 2004-2008, upon the decline in returns and increases in prices, the Company realized the entire property portfolio and used its equity for new projects

- As market conditions changed following the financial crises, the Company operates today seven commercial centers, the construction of which was completed and enjoys operating cash flow

- Upon the return to desired price level and yields, the Company will act to realize its commercial centers.

Due to the global crisis starting late 2008, the Company adjusted its activity to the markets' condition and limited the commencement of construction for projects, meeting the two major criteria as follows:

1 Projects enjoying intensive demand from tenants.

2 Projects that are based on external bank financing which require minimal equity investment.

The fact that Plaza has – to a certain degree – diversified its business over different markets (geographic segments) and sectors also results in some risk mitigation. The Group is well diversified and active in eight countries in CEE and India.

In addition, to ensure knowledge and understanding of its business environments, Plaza employs local employees and consultants, and in some cases entering into local partnerships.

The Group has entered the US market by acquiring yielding assets at compelling prices in 2010. It has launched a real estate investment venture jointly formed by Plaza and its parent Elbit Imaging. Co-investment agreement signed with Eastgate Property to invest a combined US$200 million, to take advantage of opportunities in the US retail and commercial real estate sectors.

During 2011, alongside our joint venture partners, we completed the takeover of the Australian listed EDT Retail Trust and embarked upon a program which repositioned the portfolio, reduced the level of debt, improved portfolio occupancy and transferred the company's management from Australia to the US to ensure a more detailed oversight of the assets. During 2012, Plaza completed the disposal of EPN Group's (its US-based joint venture) portfolio of US assets. This highly profitable investment and subsequent return will provide Plaza with further capital to drive our development program and pay down debt.

The main characteristics of Plaza's risk appetite can be described as follows:

- To fulfill its strategic intent, Plaza is prepared to accept the considerable risks involved, for instance in acquisition and disposal plans; exchange rate risk and interest rate risk; and

- Plaza takes a conservative approach to managing financial risks.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The basis of the Company's stated dividend policy at the time of its IPO was to reflect the long-term earnings and cash flow potential of the Group, taking into account its capital requirements, whilst at the same time maintaining an appropriate level of dividend cover.

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. As published on September 23, 2011, the dividend for 2012-2013 will be subject to certain caps and conditions.

On May 27, 2008, we declared a dividend of €0.1949 per share. The Company did not distribute a dividend for the following two years ended December 31, 2010 due to the market conditions and the ongoing global financial crisis. On September 14, 2011, the Board of Directors approved the payment to shareholders of an interim

Risk management

continued

cash dividend payment of €0.1010 per share (total €30 million). The Company's Board of Directors will continue to monitor overall market conditions, ongoing committed capital requirements of the Company, as well as expected future cash flow, before considering any future dividend payments or payments from the Company's general reserves.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

In some cases the Group purchases its own shares on the market; the timing of these purchases depends on market prices. No purchase is made unless the expected effect will be to increase earnings per share. The purchase of shares by the Company under this authority would be affected by a purchase in the market.

Financing risk management

The current economic downturn has restricted Plaza's access to debt and equity capital markets although Plaza's existing financial strength and established track record has enabled it to raise both development finance and issue further bonds in the public markets in Israel in past years.

A prolonged restriction on accessing the capital markets and additional financing may negatively affect Plaza's ability to fund existing and future development projects.

As Plaza depends on external financing and has high exposure to emerging markets, Plaza bears the risks that due to fluctuations in interest rates, exchange rates, selling yields and other indices, its financial assets and debt value, cash flow, covenants and cost of capital will be effected, thereby affecting its ability to raise capital.

As a basis for and contribution to effective risk management and to ensure that Plaza will be able to pursue its strategy even during periods of economic downturn, Plaza retains a strong balance sheet and limits its financial risks by hedging these risks if and when expedient.

Plaza continues to pursue a conservative financing policy to decrease its exposure to the liquidity crisis, with the level of gearing reduced to 53% of the balance sheet (2011: 59%) through a €138 million repayment of debt including assumption of part of bank loans related to US assets.

External factors influencing the results

The Company's streaming/fixed revenues are sensitive to various external factors, which influence the financial results. Such variables are:

- Market yield determining the valuation of the investment property, and in certain circumstances the need for impairment of trading property. The higher the market yields are the less the value of the investment property is, and the probability for impairment is increasing; and
- occupancy rate of the operating malls together with the rental fee level defines the rental income derived from the shopping center, and the other component of the valuation of the investment property. Higher occupancy rates and higher rental levels result in better operating results, and also in higher revaluation gain from investment property.

Interest rate risks

The Group incurs certain floating rate indebtedness and changes in interest rates may increase its cost of borrowing, impacting on its profitability. On a project by project basis, the Group considers hedging against interest rate fluctuations or as sometimes required to hedge by the lending bank.

Foreign currency exchange rates

As Plaza's functional currency is EUR, it is exposed to risks deriving from changes in foreign currency exchange rates as some of its purchases of services and construction agreements are conducted in local currencies, or are affected by them. Its rental revenues may also be denominated in local currencies.

The Group seeks to minimize these risks by ensuring that its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals) are all denominated in the same currency (namely the EUR), or are linked to the rate of exchange of the local currency and the EUR. In order to limit the foreign currency exchange risk in connection with its Debentures issued, the Company has hedged the future payments to correlate with the Euro under certain cross currency swap arrangements, forward transactions and call options in respect of the Series A and Series B Debentures previously issued, and may enter into similar hedging arrangements (as necessary) in respect of each of the Series of Debentures, subject to market conditions.

In 2011, the Company decided to begin using covered call strategy as a main instrument to hedge against FX fluctuations.

If the Company is not successful in fully hedging its foreign exchange rate exposure, changes in currency exchange rates relative to the Euro may adversely affect the Group's profit or loss and cash flows. A devaluation of the local currencies in relation to the EUR, or vice versa, may adversely affect the Group's profitability.

Furthermore, Plaza is monitoring its currency exposure on a continuous basis and acts accordingly by investing in foreign currencies in certain cases for which it expects that future development projects will be purchased in foreign currency or when cash flows denominated in foreign currency are needed according to project construction budget. As a policy, the Group does not invest in foreign currencies for speculative purposes.

The financial statements include additional information about and disclosure on Plaza's use of financial instruments.

The Company's top risks

The following risks and related mitigation actions, where applicable, are reported below:

- ### Global financial and economic developments

  Risk description: Plaza's financial performance reflects the financial turmoil of 2008 continued, albeit at a slower pace, throughout 2011 and in 2012 as well. The global economy is still fragile and a "double dip recession" or a very slow pace of recovery cannot be excluded. This could jeopardize Plaza's development project, profitability and cash flows as demand and rents for shopping and entertainment centers may decline and adversely affect the Group's financial condition, results and prospects. Furthermore, economic recession may detrimentally affect the ability of the Group (where it has retained a development) to collect rent from tenants, which could negatively impact cash flow and debt service reserve covenants under its financing facilities.

  Risk mitigation: In reaction to the economic downturn, Plaza has successfully initiated measures to reduce costs and focus on cash-generating activities, maintain its conservative gearing position after a reduction in gearing from 59% to 53% in 2012, and restrict its commencement of construction projects to only the very best opportunities focusing on projects with tenant demand and availability of external bank financing which require minimal equity investment. Plaza will progress a selected number of projects in the most resilient countries of CEE, such as Poland and Serbia, where GDP growth and forecasts remain above the average for Europe. These measures have been and will be pursued with vigor. Market development will be closely watched and additional measures will be taken if necessary.

- ### The Group's financial performance is dependent on local real estate prices and rental levels

  Risk description: There can be no guarantee that the real estate markets in CEE region and India will continue to develop, or develop at the rate anticipated by the Group, or that the market trends anticipated by the Group will materialize. In case the yields will be high, such as some of the current market yields, the Group will not be able to achieve substantial capital gains by selling the commercial centers.

  Risk mitigation: Once assets are developed, and given the Company's financial strength, Plaza is able to hold developments on its balance sheet as yielding assets (currently comprising three centers in Poland, one in India, one in the Czech Republic, one in Latvia and one in Serbia). Sales of assets will not be undertaken if offered yields are high and Plaza will capitalize upon its extensive experience gained over eight years of managing and running shopping malls efficiently to hold and manage these as income-generating investments in its portfolio, and continue to drive occupancy at these centers until sufficient offered yields are in place.

- ### Real estate valuation is inherently subjective and uncertain

  Risk description: The valuation of real estate and real estate related assets is inherently subjective. As a result, valuations are subject to uncertainty. Moreover, all real estate valuations are made on the basis of assumptions which may not prove to reflect the accurate fair market value of the portfolio. Accordingly, there is no assurance that the valuations of the Group's sites will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date. Also, while the level of pre-letting is assured, this level may not be achieved in practice.

  Risk mitigation: Plaza will rely on its extensive experience and knowledge of managing retails assets and strong relationships with local and international retailers while using estimates and associated assumptions. These estimates and underlying assumptions are closely reviewed on an ongoing basis.

- ### The Group has significant capital needs and additional financing may not be available

  Risk description: The sector in which the Group competes is capital intensive. The Group requires substantial up-front expenditures for land acquisition, development and construction costs as well as certain investments in research and development. In addition, following construction, capital expenditures are necessary to maintain the centers in good condition. Accordingly, the Group requires substantial amounts of cash and construction financing from banks and other capital resources (such as institutional investors and/or the public) for its operations. The Group cannot be certain that such external financing would be available on favorable terms or on a timely basis or at all.

  The world markets have undergone a global financial crisis, which resulted in lower liquidity in the capital markets. Lower liquidity may result in difficulties to raise additional debt or in the raising of such debt on less favorable interests. In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of predetermined construction and space leasing milestones. If the Group fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. In addition, a change in credit ratings of notes issued by the Company could adversely affect its financing costs and its ability to raise funds in the future.

  In March 2013, S&P Maalot, the Israeli credit rating agency, has updated the credit rating of Plaza's two series of Notes to "ilBB+/Negative" on a local Israeli scale, with exclusion from negative CreditWatch list. On an international scale the rating was updated to CCC+. If the Group is not successful in obtaining financing to fund its planned projects and other expenditures, its ability to undertake additional development projects may be limited and its future profits and results of operations could be materially adversely affected.

Risk management

continued

Risk mitigation: Plaza is making big efforts to raise external financing for capital needs and continues reviewing financing options available to the Company to achieve the most effective debt profile.

Plaza is actively pursuing sales opportunities to generate cash which will contribute to the Company's liquidity. The maturity schedule of debentures and loans is included in note 32.

In addition, the Group maintain good relations with the financing banks who remain supportive of companies with strong track records.

- Plaza may depend on business partners to jointly construct projects under certain joint venture/joint development projects, which may lead to increased development and construction costs and the loss of our competitive advantage. Some of our projects are co-owned and control of such investments are shared with third parties.

Risk description: In certain projects we rely on local joint venture partners to work with us in developing the project, which, in certain cases, may be awarded the contract for the construction work, obtaining permits, marketing and sales or any combination of the above. In such projects, we rely on our partner to perform its scope of work under the joint venture or joint development agreement. If our partner does not perform for any reason (either due to default, bankruptcy or other reasons) or if we cannot enter into agreement with the partner to perform these tasks on terms acceptable to us or at all, we will incur additional costs, or enter into a deadlock, which will have an adverse effect on our business. Such occurrences may cause delays in construction, thus exposing us to a loss of our competitive advantage. By relying on partners, we become subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects, breach or non-performance of agreements and the financial stability of the partner.

Some of our projects are held through joint venture arrangements with third parties with whom we share ownership and control of such assets. As a result, these arrangements entail risks in addition to those associated with projects in which we own a controlling interest, including the possibility that: (i) our joint venture partner might, at any time, have economic or other business interests that are inconsistent with ours; (ii) our joint venture partner may be in a position to take action contrary to our instructions or requests, or contrary to our policies or objectives, or frustrate the execution of acts which we believe to be in the interests of any particular project; (iii) our joint venture partner may have different objectives than us, including with respect to the appropriate timing and pricing of any sale or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers; (iv) our joint venture partner might become bankrupt or insolvent; and (v) we may be required to provide financing to make up any shortfall due to our joint venture partner failing to provide such equity finance or to furnish collaterals to the financing third parties.

Disputes or disagreements with any of our joint venture partners could result in significant delays and increased costs associated with the development of our properties. Even when we have a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require approval from a joint venture partner or other third party. If we are unable to reach or maintain agreement with a joint venture partner or other third party on matters relating to the business operations, our financial condition and results of operations may be materially adversely affected.

Risk mitigation: Plaza has very detailed agreements with all of our partners that contain provisions that are supposed to limit the risks and exposures mentioned above (e.g. deadlock provisions, information and visitation rights provisions, etc.).

- Limitations by the Indian government to invest in India may adversely affect the Group's business and results of operations

Risk description: Under the Indian government's policy on Foreign Direct Investment ("FDI Policy"), an acquisition or investment by the Group, in an Indian sector or activity in particular in the shopping and entertainment centers business, which does not comply with certain limitations, is subject to a governmental approval. With respect to the real estate sector, these limitations include, among other things, a minimum investment and minimum size of build-up land. In addition, under the FDI Policy it is not permitted for foreign investors to acquire agricultural land for real estate development purposes. There is no assurance that the Group will comply with the limitations prescribed in the FDI Policy in order to not be required to receive governmental approvals. Failure to comply with the requirements of the FDI Policy will require the Group to receive governmental approvals which it may not be able to obtain or which may include limitations or conditions that will make the investment unviable or impossible, and non-compliance with investment restrictions may result in the imposition of penalties. This would have an adverse effect on the Group's business and results of operations.

Risk mitigation: The Company conducts a thorough due diligence procedure and acquires local legal advice prior to concluding any transaction.

Legal and regulatory risk

Like all international companies, the Company is exposed to the changing regulatory environment in the countries and regions where it conducts business. The most notable risks are related to changes in environmental policy, changes in tax laws or their interpretation and expropriation of lands.

In respect of the environmental policy, there is an increasing awareness of environmental issues in Central and Eastern Europe.

This may be of critical importance in areas previously occupied by the Soviet Army, where soil pollution may be prevalent. The changes are coming in the form of environmental policy. New environmental regulations or a change in regulatory bodies that have jurisdiction over Plaza projects could result in new restrictions. The Group generally insists upon receiving an environmental report as a condition for purchase, or alternatively, conducts environmental tests during its due diligence investigations. Also, some countries such as Poland and the Czech Republic require that a developer carries out an environmental report on the land before building permit applications are considered. Nevertheless, the Group cannot be certain that all sites acquired will be free of environmental pollution. If a property that the Group acquires turns out to be polluted, such a finding will adversely affect the Group's ability to construct, develop and operate a shopping and entertainment center on such property, and may cause the Group to suffer expenses incurred in cleaning up the polluted site which may be significant.

Changes to the tax laws or practice in the countries in which the Company operates or any other tax jurisdiction affecting the Group could be relevant. Such changes could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to shareholders. The tax positions taken by the Group, including the tax effect of transfer pricing and the availability of tax relief provisions, are also subject to review by various tax authorities. Under the Dutch participation exemption rules, income including dividends and capital gains derived by Dutch companies in respect of qualifying investments in the nominal paid-up share capital of resident or non-resident investee companies, are exempt from Dutch corporate income tax provided the conditions as set under these rules have been satisfied. The participation exemption rules and more particularly the statutory conditions thereunder have been amended with effect of January 1, 2007. Such amended conditions require, among others, a minimum percentage of ownership interest in the investee company and require the investee company to satisfy either of, or both, the newly introduced assets test and the amended "subject to tax" test. Should the Company not be in compliance with all participation exemption requirements or should the participation exemption rules be amended, this could affect its tax relief which will have an adverse effect on its cash flow position and net profits. In addition, if the Company were to be treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it develops shopping and entertainment centers or in which its centers are managed, income attributable to or effectively connected with such permanent establishment for trade or business may be subject to tax.

While the Group makes every effort to conduct thorough and reliable due diligence investigations, in some countries where former communist regimes carried out extensive land expropriations in the past, the Group may be faced with restitution claims by former land owners in respect of project sites acquired by it. If upheld, these claims would jeopardize the integrity of its title to the land and its ability to develop the land.

Internal control and risk management procedures

I) Definition and objectives

Internal control is the structure within which resources, behavior, procedures and actions are implemented by the Executive Board and throughout the Company to ensure that activities and risks are fully controlled and to obtain the reasonable assurance that the Company's strategic objectives have been met.

Plaza's internal control procedures aim to ensure:

- the optimization of operations and the smooth functioning of the Groups internal processes;
- compliance with current laws and regulations;
- the application of instructions and directions given by the Executive Board; and
- the reliability of financial information.

The system is based on the following three key principles:

- the involvement of and taking responsibility by all personnel: all Group employees contribute to internal control procedures; each employee, at his or her level, should exercise effective control over the activities for which he or she is responsible;
- the full extent of the scope covered by the procedures: the procedures should apply to all entities (operational and legal); and
- separation of tasks: control functions should be independent of operating functions.

The internal control procedures designed to address the objectives described above cannot, however, ensure with certainty that these objectives will be achieved in full, since all procedures have inherent limitations. However, they aim to make a very significant contribution in this direction.

II) Four components of internal control procedures

a) Organization and environment

Plaza's internal control procedures distinguish permanent control from periodic control, which are independent but complementary. Permanent control is the responsibility of all Group employees. It is linked directly to the business sectors, functions and subsidiaries.

Managers of the business functions, country directors, aim to ensure compliance with the Group's internal control procedures, whose tasks are:

Risk management

continued

- to ensure the methods chosen at Group level are coordinated and implemented by their teams;
- to design and adapt the reporting procedures on a regular basis, giving the most appropriate indicators to obtain clear visibility of their permanent control; and
- to regularly transmit this reporting to their superiors and indicate problems and incoherences in order to enable appropriate decisions to be taken regarding changes to the controls.

The powers of the Group companies' legal representatives are limited and subject to controls. Functional departments provide expertise to operational departments. Permanent control procedures require several participants. The involvement of many players necessitates tight coordination of actions and methods. At Group level, the coordination of permanent control is carried out under the authority of the Head of Accounting and CFO, whose tasks are:

- to ensure the design and implementation of actions to improve permanent control in the Group's business functions;
- to coordinate the choice of methodologies and tools; and
- to monitor the development of the procedures in the business functions and subsidiaries.

b) Risk management

The Group is careful to anticipate and manage major risks likely to affect the achievement of its goals and to compromise its compliance with current laws and regulations. These risks are identified above in this section. The identification and evaluation of risks is used as a reference to determine procedures and controls which, in their turn, influence the level of residual risk. The procedures provide a framework for the activity, in a more precise way where risks have been identified, and their application provides a control mechanism.

c) Control activities to meet these risks

The internal control and risk management system is based on two levels of control as follows:

First level – First degree – Permanent control

The first level and first degree of control is exercised by every employee as part of his or her job-related tasks with reference to the applicable procedures. Control is ensured on an ongoing basis by the initiation of a task by operating employees themselves or by automatic systems for carrying out operations.

First level – Second degree – Permanent control

The second level is exercised by the management of the business function. Controls are carried out in the framework of operating procedures.

Second level – Permanent control

The second level of control is intended to ensure that the first level controls have been carried out and respected correctly. It is undertaken by separate functions, specially dedicated to permanent control.

Internal accounting control

A dedicated function within the Accounting Department is charged with checking the smooth functioning of first level accounting controls. See section below "Internal control procedures relating to the preparation and processing of the accounting and financial information".

d) Management and supervision of internal control systems

Under the direction of the Executive Board, the activities and functions managers carry out the supervision of the internal control system with the support of the permanent control coordination function. The Audit Committee meets at least twice per year. Its work and conclusions are reported to the Executive Board. The supervision is also supported by the comments and recommendations of the statutory auditors and by any regulatory supervision which may take place.

III) Risk management and internal control bodies

The main bodies involved in managing the internal control system are:

a) Executive Board

The Executive Board has overall responsibility for the Group's internal control systems. The Executive Board is tasked with defining the general principles of the internal control system, creating and implementing an appropriate internal control system and associated roles and responsibilities, and monitoring its smooth functioning in order to make any necessary improvements.

b) Audit Committee

The Audit Committee is informed at least once a year of the status of the Group's entire internal control system, changes made to the system and the findings of the work carried out by the various participants working in the system.

c) Functional management

Business unit management defines the orientation and procedures and provides guidance to employees in their business unit.

d) Group employees

Operating supervisors and line managers are responsible for controlling risks and are the principal actors in permanent control. They exercise first level controls.

Internal control procedures relating to the preparation and processing of the accounting and financial information

I) Definition and objectives

The aim of accounting controls is to ensure adequate coverage of the main accounting risks. They rely on understanding operational processes and the way they are translated into the Company accounts, and on defining the responsibilities of the individuals responsible for accounting scopes and information system security. Internal accounting controls aim to ensure:

- that published accounting and financial information complies with accounting regulations;
- that the accounting principles and instructions issued by the Group are applied by all its subsidiary companies; and
- that the information distributed and used internally is sufficiently reliable to contribute to processing accounting information.

II) Management process for accounting and financial organization

a) Accounting organization

The production of accounting information and the application of the controls implemented to ensure the reliability of said information are primarily the responsibility of the Company Financial & Accounting Department that submit information to the Group, and which certify its compliance with the internal certification procedure. The corporate and consolidated financial statements are prepared by the Financial & Accounting Department, which reports directly to the Executive Board. The department is charged with:

- updating accounting rules in view of changes in accounting regulations;
- defining the various levels of accounting control to be applied to the financial statement preparation process;
- ensuring correct operation of the internal accounting control environment within the Group, with particular reference to the internal certification procedure described below;
- preparing and updating the procedures, validation rules and authorization rules applying to the department; and
- monitoring the implementation of recommendations made by external auditors.

b) Financial risk management

The management of financial risks, and in particular the financial structure of the Group, its financing needs and interest rate risk management procedures, is provided by the Financial & Accounting Department, which reports directly to the Executive Board. At the end of each year, the Board validates the provisional financing plan for the following year, which sets out the broad outlines in terms of the balance and choice of resources, as well as interest rate and exchange rate hedges. During the year, key financial transaction decisions are submitted individually for approval by the Board and Audit Committee, which also receives a summary of these transactions once they have been completed. The Financial & Accounting Department also develops internal procedures that define the distribution of intra-Group responsibilities for cash management and the implementation of Plaza shares and bonds buyback programs. The processing and centralization of cash flows, together with interest rate and exchange rate hedging, are the responsibility of the Financial & Accounting Department, which keeps a record of commitments and ensures that they are reflected in the accounting system.

III) Processes contributing to the preparation of accounting and financial information

a) Operational processes used to generate accounting information

The financial statements of Plaza are prepared centrally at Plaza's corporate headquarters. The country departments are responsible for collecting information from the local bookkeepers and applying a series of appropriate controls to their job functions, as defined in the corresponding procedures. The Accounting Department has set up a system of internal collection and verification of country data and controls carried out. This system of control covers all Group entities.

b) Processes used to prepare the corporate and consolidated financial statements

The financial statements for the entire scope of consolidation are consolidated by the Accounting Department. At the end of each year, the Executive Board validates the provisional financing plan for the following year, which sets out the broad outlines in terms of the balance and choice of resources, as well as interest rate hedges. During the year, key financial transaction decisions are submitted individually for approval. The processing and centralization of cash flows, together with interest rate and exchange rate hedging, are the responsibility of the Investment Committee, which keeps a record of commitments and ensures that they are reflected in the accounting system.

c) The Audit Committee

The clarity of financial information and the relevance of the accounting principles used are monitored by the Audit Committee (whose role has already been specified).

Remuneration report

Remuneration Committee

As stated in the Corporate Governance report on pages 51 to 56 of this document, the Remuneration Committee meets at least twice each financial year to prepare, among other matters, the decision of the Board relating to the remuneration of directors and any share incentive plans. It is also responsible for preparing an annual report on the Company's remuneration policies and for giving full consideration in all its deliberations to the principles set out in the Combined Code.

The committee comprises three Non-executive directors – it is chaired by Shimon Yitzchaki and the other members are Marius van Eibergen Santhagens and Marco Wichers.

Under Dutch corporate law and the Articles of the Company, a General Meeting of Shareholders must determine the principal guidelines governing the remuneration both of Executive and Non-executive directors. In addition, such a meeting also has to approve the granting to them of options and share incentive plans.

The Board may only determine the remuneration of directors within such guidelines, and no director or manager may be involved in any decisions relating to his or her own remuneration.

Remuneration policy

Plaza Centers' remuneration policy is designed to attract, motivate and retain the high-calibre individuals who will enable the Company to serve the best interests of shareholders over the long term, through delivering a high level of corporate performance. Remuneration packages are aimed at balancing both short-term and long-term rewards, as well as performance and non-performance related pay.

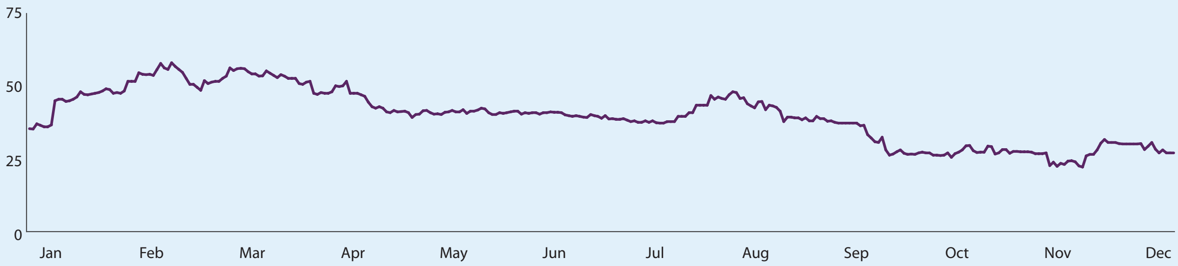
The Remuneration Committee reviews base salaries annually. Increases for all employees are recommended by reference to cost of living, responsibilities and market rates, and are performed at the same time of year.

The Remuneration Committee believes that any director's total remuneration should aim to recognize his or her worth on the open market and to this end pays base salaries in line with the market median supplemented by a performance-related element with the capacity to provide more than 50% of total potential remuneration.

2012	Salary and fees €'000	Share incentive plan[1] €'000	Total non-performance related remuneration €'000	Total performance related remuneration €'000
Executive directors				
Mr Mordechay Zisser	231	129	360	–
Mr Ran Shtarkman	507	235	742	–
Total	738	364	1,102	–
Non-executive directors				
Mr Shimon Yitzchaki	–	151	151	–
Mr Marius van Eibergen Santhagens	50	–	50	–
Mr Edward Paap	50	–	50	–
Mr Marco Wichers (Chairman)	50	–	50	–
	150	151	301	–
Total – all directors	888	515	1,403	–

1 Accounting non-cash expenses recorded in the Company's consolidated income statement in connection with the share option plan.

Total shareholder returns performance 2012



Service arrangements

The Executive directors have rolling service contracts with the Company, which may be terminated on 12 months' and three months' notice.

The Non-executive directors have specific terms of reference. Their letters of appointment state an initial 12-month period, terminable by either party on three months' written notice. Save for payment during respective notice periods, these agreements do not provide for payment on termination.

Bonuses

The Company has a performance-linked bonus policy for senior executives and employees, under which up to 3% of net annual profits are set aside for allocation by the directors to employees on an evaluation of their individual contributions to the Company's performance. In addition, the Board can award ad hoc bonuses to project managers, area managers and other employees on the successful completion and/or opening of each project. The directors also have the authority to award discretionary bonuses to outstanding employees which are not linked to the Company's financial results.

Share options

The Company adopted its Share Option Schemes ("First ESOP") on October 26, 2006 (which was amended on November 25, 2008, November 22, 2011 and November 20, 2012) and on November 22, 2011 ("Second ESOP") (refer to note 25 to the consolidated financial statements) the terms and conditions of which (except for the exercise price) are regulated by the Share Option Schemes.

Options will vest in three equal annual portions and have a contractual life of fifteen and ten years following grant date for First ESOP and Second ESOP, respectively. In the course of 2012, 1,190,000 options were granted. For the exercise and forfeit of options refer to the table below.

	Number of options granted	Number vested as at December 31, 2012	Exercise price of options £
Mr Mordechay Zisser	**3,907,895**	**3,907,895**	**0.43**
Mr Ran Shtarkman	**10,150,376**	**7,089,151**	**0.43**
Mr Shimon Yitzchaki	**2,116,541**	**1,127,694**	**0.43**
Mr Marius van Eibergen Santhagens	–	–	**n/a**
Mr Edward Paap	–	–	**n/a**
Mr Marco Wichers	–	–	**n/a**

	Number of options as at December 31, 2012
Total pool	**47,834,586**
Granted	**45,545,174**
Exercised	**8,420,598**
Forfeited	**(12,297,019)**
Left for future grant	**14,586,431**

Amsterdam, April 30, 2013

The Board of Directors

Mordechay Zisser

Ran Shtarkman

Shimon Yitzchaki

Marius van Eibergen Santhagens

Marco Wichers

Edward Paap

Statement of the directors

The responsibilities of the directors are determined by applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The directors are responsible for preparing the annual report and the annual financial statements in accordance with applicable law and regulations.

Netherlands law requires the directors to prepare financial statements for each financial year that give, according to generally acceptable standards, a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the companies that are included in its consolidated accounts for that period.

Netherlands law requires the directors to prepare an annual report that gives a true and fair view of the position as per the balance sheet date, the course of business during the past financial year of the Company and its affiliated companies included in the annual financial statements, and that the annual report contains a proper description of the principal risks the Company faces.

Directors are required to abide by certain guidelines in undertaking these tasks.

The directors need to select appropriate accounting policies and apply them consistently in their reports. They must state whether they have followed applicable accounting standards, disclosing and explaining any material departures in the financial statements.

Any judgments and estimates that directors make must be both reasonable and prudent. The directors must also prepare financial statements on a "going concern" basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Throughout the financial year, the directors are responsible for keeping proper accounting records which disclose at any time and with reasonable accuracy the financial position of the Company. They are also responsible for ensuring that these statements comply with applicable company law.

In addition, they are responsible for internal control systems that help identify and address the commercial risks of being in business, and so safeguard the assets of the Company. They are also responsible for taking reasonable steps to enable the detection and prevention of fraud and other irregularities.

The Company's website may be accessed in many countries, which have different legal requirements. The directors are responsible for maintaining the accuracy of corporate and financial information on the website, where a failure to update or amend information may cause inappropriate decision-making.

On the basis of the above and in accordance with Best Practice Provision II.1.4. of The Netherlands Corporate Governance Code, the directors confirm that internal controls over financial reporting within the Company provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirm that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so.

The financial statements fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations.

In view of all of the above, hereby following the requirements of article 5:25c paragraph 2 under c. of The Netherlands Act on the financial supervision (Wet op het financieel toezicht), the directors hereby confirm that (i) the annual financial statements 2012 as included herein give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its affiliated companies that are included in the consolidated financial statements; and (ii) the annual report includes a fair review of the position at the balance sheet date and the development and performance of the business of the Company and its affiliated companies that are included in the consolidated annual financial statements and that the principal risks and uncertainties that the Company faces are described.

The Board of managing directors:

Mordechay Zisser
Executive director and Founder

Ran Shtarkman
Executive director and CEO

Marco Wichers
Independent Non-executive director and Chairman

Shimon Yitzchaki
Non-executive director

Edward Paap
Non-executive director

Marius van Eibergen Santhagens
Independent Non-executive director

April 30, 2013

Independent auditors' report

The Board of Directors and Stockholders
Plaza Centers N.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Plaza Centers N.V. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the EU.

KPMG Hungária Kft.
Budapest, Hungary
March 13, 2013

Consolidated statement of financial position

	Note	December 31, 2012 €'000	December 31, 2011 €'000
ASSETS			
Cash and cash equivalents	5	**64,440**	58,261
Restricted bank deposits	6	**25,518**	21,428
Short-term deposits		**–**	3,102
Available-for-sale financial assets	7	**11,714**	25,568
Trade receivables	8	**4,687**	5,432
Other receivables and prepayments	9	**46,749**	46,030
Trading properties	10	**780,963**	850,229
Total current assets		**934,071**	1,010,050
Long-term deposits and other investments	34(O)	**–**	51,330
Deferred tax assets	22	**–**	316
Property and equipment	11	**8,109**	9,026
Investment property	12	**14,489**	272,348
Restricted bank deposits	6	**978**	4,961
Other non-current assets		**358**	495
Total non-current assets		**23,934**	338,476
Total assets		**958,005**	1,348,526
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks	15	**264,296**	296,235
Debentures at fair value through profit or loss	20	**34,966**	32,930
Debentures at amortized cost	21	**34,184**	22,831
Trade payables	16	**8,748**	27,329
Related parties	17	**511**	2,228
Derivatives	14	**3,320**	–
Provisions	18	**15,597**	15,597
Other liabilities	19	**14,094**	27,464
Total current liabilities		**375,716**	424,614
Interest bearing loans from banks	15	**5,773**	152,387
Debentures at fair value through profit or loss	20	**81,181**	110,320
Debentures at amortized cost	21	**39,010**	86,052
Other liabilities		**232**	5,757
Derivatives	14	**–**	3,561
Deferred tax liabilities	22	**6,947**	15,673
Total non-current liabilities		**133,143**	373,750
Share capital	23	**2,972**	2,972
Translation reserve	23	**(26,359)**	(10,672)
Capital reserve due to transaction with non-controlling interests	34	**(20,706)**	(19,342)
Other reserves	23	**35,262**	31,954
Share premium		**261,773**	261,773
Retained earnings		**189,274**	275,437
Total equity attributable to equity holders of the Company		**442,216**	542,122
Non-controlling interests		**6,930**	8,040
Total equity		**449,146**	550,162
Total equity and liabilities		**958,005**	1,348,526

Date of approval of the financial statements: March 13, 2013
The notes on pages 74 to 132 are an integral part of these consolidated financial statements.

Ran Shtarkman
Director, President and Chief Executive Officer

Shimon Yitzchaki
Director and Chairman of the Audit Committee

Consolidated income statement

	Note	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011 (reclassified)* €'000
Continuing operations			
Revenues	26	**41,593**	23,462
Write-down of Trading properties	10	**(78,833)**	(47,987)
Cost of operations	27	**(20,385)**	(14,849)
Gross loss		**(57,625)**	(39,374)
Administrative expenses	28	**(16,848)**	(18,856)
Other income	29	**2,763**	169
Other expenses	29	**(1,122)**	(1,783)
Results from operating activities		**(72,832)**	(59,844)
Finance income	30	**20,515**	103,018
Finance costs	30	**(37,055)**	(29,032)
Net finance income (costs)		**(16,540)**	73,986
Share in loss of equity-accounted investees		**(68)**	(153)
Profit (loss) before income tax		**(89,440)**	13,989
Tax benefit (expense)	31	**5,463**	(12,910)
Profit (loss) from continuing operations		**(83,977)**	1,079
Discontinued operation			
Profit (loss) from discontinued operation, net of tax	37	**(1,950)**	12,785
Profit (loss) for the year		**(85,927)**	13,864
Profit (loss) attributable to:			
Owners of the Company		**(86,163)**	9,346
Non-controlling interests		**236**	4,518
		(85,927)	13,864
Earnings per share			
Basic and diluted earnings (loss) per share (in EURO)	24	**(0.290)**	0.031
Earnings per share – continuing operations			
Basic and diluted earnings (loss) per share (in EURO)	24	**(0.282)**	0.003

* In respect of 2011 reclassifications – refer to notes 36, 37.

The notes on pages 74 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011 (reclassified)* €'000
Profit (loss) for the year	**(85,927)**	13,864
Other comprehensive income		
Net change in fair value of available-for-sale assets transferred to income statement	**1,222**	(326)
Change in fair value of available-for-sale financial assets	**1,297**	(1,879)
Foreign currency translation differences for foreign operations – discontinued operation	**(6,912)**	4,492
Foreign currency translation differences for foreign operations	**(9,148)**	(26,679)
Tax on other comprehensive income due to change in fair value of available-for-sale financial assets	**(630)**	446
Other comprehensive loss for the year, net of income tax	**(14,171)**	(23,946)
Total comprehensive loss for the year	**(100,098)**	(10,082)
Total comprehensive income (loss) attributable to:		
Owners of the Company:	**(99,961)**	(11,159)
Non-controlling interests	**(137)**	1,077
Total comprehensive loss for the year	**(100,098)**	(10,082)

* 2011 reclassification due to discontinued operation – refer to note 37.

The notes on pages 74 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the equity holders of the Company									
	Share capital €'000	Share premium €'000	Other capital reserves €'000	Translation reserve €'000	Capital reserve from acquisition of non-controlling interest without a change in control €'000	Financial assets available-for-sale reserve €'000	Retained earnings €'000	Total €'000	Non-controlling interest €'000	Total €'000
Balance at December 31, 2010	2,967	261,773	30,849	8,074	–	423	296,109	600,195	24,254	624,449
Change in non-controlling interest	–	–	–	–	(19,342)	–	–	(19,342)	(18,680)	(38,022)
Dividend distributed	–	–	–	–	–	–	(30,018)	(30,018)	–	(30,018)
Share-based payment	–	–	2,446	–	–	–	–	2,446	1,389	3,835
Share option exercised	5	–	(5)	–	–	–	–	–	–	–
Comprehensive income for the year										
Net profit for the year	–	–	–	–	–	–	9,346	9,346	4,518	13,864
Foreign currency translation differences	–	–	–	(18,746)	–	–	–	(18,746)	(3,441)	(22,187)
Available-for-sale reserve, net	–	–	–	–	–	(1,759)	–	(1,759)	–	(1,759)
Total comprehensive income (loss) for the year	–	–	–	(18,746)	–	(1,759)	9,346	(11,159)	1,077	(10,082)
Balance at December 31, 2011	2,972	261,773	33,290	(10,672)	(19,342)	(1,336)	275,437	542,122	8,040	550,162
Change in non-controlling interest	–	–	–	–	(1,364)	–	–	(1,364)	(3,754)	(5,118)
Share-based payment	–	–	1,419	–	–	–	–	1,419	2,781	4,200
Comprehensive income for the year										
Net loss for the year	–	–	–	–	–	–	(86,163)	(86,163)	236	(85,927)
Foreign currency translation differences	–	–	–	(15,687)	–	–	–	(15,687)	(373)	(16,060)
Available-for-sale reserve, net	–	–	–	–	–	1,889	–	1,889	–	1,889
Total comprehensive income (loss) for the year	–	–	–	(15,687)	–	1,889	(86,163)	(99,961)	(137)	(100,098)
Balance at December 31, 2012	**2,972**	**261,773**	**34,709**	**(26,359)**	**(20,706)**	**553**	**189,274**	**442,216**	**6,930**	**449,146**

The notes on pages 74 to 132 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011 €'000
Cash flows from operating activities			
Profit (loss) for the year		**(85,927)**	13,864
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment of equipment and other assets	11	**1,095**	2,517
Write-down of trading properties	10	**78,833**	47,987
Change in fair value of investment property	29,37	**1,417**	(8,084)
Gain from selling discontinued operation	34(B)	**(391)**	–
Net finance costs (income)	30	**16,540**	(73,986)
Interest received		**5,777**	9,356
Interest paid		**(29,920)**	(36,593)
Equity-settled share-based payment transaction		**197**	2,978
Equity-settled share-based payment – discontinued operation		**2,781**	680
Gain from a bargain purchase		**–**	(1,523)
Gain on sale of property and equipment	11	**(13)**	(4)
Gain on sale of trading property	26,29	**(3,851)**	–
Share of loss in equity-accounted investees		**68**	153
Proceeds from disposal of trading property, net of cash disposed		**97**	712
Proceeds from net assets held for sale – discontinued operation	34(B)	**5,137**	–
Tax expense (tax benefit) from discontinued operation	37	**(600)**	2,276
Tax expense (tax benefit)	31	**(5,463)**	12,910
		(14,223)	(26,757)
Changes in:			
Trade receivables		**810**	(1,298)
Other accounts receivable		**10,224**	(2,300)
Trading properties	10	**(30,157)**	(70,629)
Trade payables		**(18,122)**	543
Other liabilities, related parties and provisions		**(2,500)**	5,093
		(39,745)	(68,591)
Taxes paid		**(613)**	(58)
Net cash used in operating activities		**(54,581)**	(95,406)
Purchase of property, equipment and other assets	11	**(498)**	(380)
Purchase of investment property		**–**	(1,204)
Proceeds from sale of property and equipment	11	**250**	30
Changes in long-term deposits, net		**50,643**	–
Capital expenditure for discontinued operation		**(1,949)**	(2,438)
Proceeds from disposal of discontinued operation assets	37	**127,723**	–
Purchase of available-for-sale financial assets	7	**(16,089)**	(9,307)
Proceeds from sale of available-for-sale financial assets	7	**31,294**	9,051
Short term deposits, net		**3,102**	(3,213)
Net cash from (used in) investing activities		**194,476**	(7,461)

	Note	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011 €'000
Cash from financing activities			
Proceeds from bank loans and financial institutions		**47,181**	80,098
Proceeds from utilization and settlement of derivatives	14	**238**	39,331
Proceeds from hedging activities through sell of options	14	**11,683**	5,212
Acquisition of non-controlling interest		**(3,754)**	(40,370)
Repurchase of debentures	34(G)	**(18,814)**	(29,966)
Dividend paid		**–**	(30,018)
Changes in restricted cash		**(4,118)**	17,694
Proceeds from issuance of long-term debentures		**–**	62,895
Repayment of debentures	20,21	**(65,320)**	(76,075)
Disposal of discontinued operation bank loans	37	**(48,014)**	–
Repayment of borrowings		**(52,840)**	(4,667)
Net cash from (used in) financing activities		**(133,758)**	24,134
Effect of exchange rate fluctuations on cash held		**42**	(807)
Increase (decrease) in cash and cash equivalents during the year		**6,179**	(79,540)
Cash and cash equivalents at January 1		**58,261**	137,801
Cash and cash equivalents at December 31		**64,440**	58,261

The notes on pages 74 to 132 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

Note 1 – Principal activities and ownership

Plaza Centers N.V. ("the Company") was incorporated and is registered in the Netherlands. The Company's registered office is at Keizersgracht 241, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe, India, and, between 2010 and 2012, also in the USA. The consolidated financial statements for each of the periods presented comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Company is dual listed on the main board of the London Stock Exchange ("LSE") and, starting October 2007, in the Warsaw Stock Exchange ("WSE").

The Company's immediate parent company is Elbit Ultrasound (Luxembourg) B.V./S.à r.l. ("EUL"), which holds 62.5% of the Company's shares, as of the end of the reporting period. The ultimate parent company is Elbit Imaging Limited ("EI"), which is indirectly controlled by Mr Mordechay Zisser. For the list of the Group entities, refer to note 40.

Note 2 – Basis of preparation

a. Statement of compliance

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

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements prepared in accordance with the Netherlands Civil Code. At the date of approving these financial statements the Company had not yet prepared consolidated financial statements for the year ended December 31, 2012 in accordance with the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2013.

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. Use of estimates and judgments

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

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

Functional currency

The €is the functional currency for Group companies (with the exception of Indian companies – in which the functional currency is the Indian Rupee – INR, and the investment in the USA until June 30, 2012 – in which the functional currency was the USD) since it best reflects the business and results of operations of the Group companies. This is based upon the fact that the €(and in India and the USA – the INR and USD respectively) is the currency in which management determines its budgets, transactions with tenants, potential buyers and suppliers, and its financing activities and assesses its currency exposures.

Information about other critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 20, 21 – debentures at fair value through profit or loss
- Note 10 – suspension of borrowing costs capitalization
- Note 10 – normal operating cycle

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 10, 38 – key assumptions used in determining the net realizable value of trading properties
- Note 33 – provisions and contingencies
- Note 25 – measurement of share-based payments

e. Going concern

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months.

As forecast relates to future events, inherently it is subject to uncertainties and therefore, the Management cannot guarantee that all assumptions relating to cash flows will materialize, however it believes that as of the date of the financial statements these assumptions are reasonably achievable.

Notes to the consolidated financial statements

continued

Note 3 – Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts in the consolidated statement of comprehensive income have been reclassified to conform with the current year's presentation (refer to notes 27, 29). In addition, the comparative statement of comprehensive income has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (refer to note 37).

a. Basis of consolidation

1. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under IFRS 3, when acquiring subsidiaries and operations that do not constitute a business as defined in IFRS 3, the consideration for the acquisition is only allocated between the identifiable assets and liabilities of the acquiree, according to the proportion of their fair value at the acquisition date and without attributing any amount to goodwill or deferred taxes, with the participation of the minority, if any, according to its share in the net fair value of these recognized assets at the acquisition date.

When non-controlling interests in subsidiaries are acquired, the difference between the amount paid and the amount of the acquired share in the non-controlling interests at the acquisition date is attributed to assets and liabilities as aforesaid.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

2. Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the associate. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

The consolidated financial statements include the Group's share of the total recognized income and expense and equity movements of associates after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Investments in associates are carried in the statement of financial position at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are reduced until the investment is brought to nil, and then further losses are only recognized if the Group has incurred a legal/constructive obligation to fund such losses.

Any excess of the cost of acquisition over the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition is recognized as goodwill. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. When the cost of acquisition is below the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition (i.e. discount on acquisition), the difference is recognized in the income statement in the period of acquisition.

3. Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the proportional consolidation method of accounting.

The financial statements of joint ventures are included in the consolidated financial statements from the date that joint control commences until the date that joint control ceases. Where necessary, adjustments are made to the financial statements of joint ventures to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

4. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss.

However, foreign currency differences arising from the retranslation of the following items are recognized in other comprehensive income:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss);

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

- qualifying cash flow hedges to the extent the hedge is effective.

2. Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income. Since January 1, 2003, the Group's date of transition to IFRSs, such differences have been recognized in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the FCTR.

3. Net investment in foreign operations.

Differences arising from translation of the net investment in foreign operations are included in translation reserve. They are released into the income statement upon disposal.

c. Financial instruments

1. Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: deposits, trade receivables and available-for-sale financial assets.

Notes to the consolidated financial statements
continued

Note 3 – Summary of significant accounting policies continued

c. Financial instruments continued

Cash and cash equivalents, restricted deposits and cash in escrow

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Restricted deposits consist of deposits in banks and other financial institutions that the Group has pledged to secure banking facilities and other financial instruments for the Group and cannot be used freely for operations.

Financial liabilities at fair value through profit or loss

Financial Liabilities at fair value through profit or loss are unsecured non-convertible Debentures series A and partially series B (refer to note 20).

Upon initial recognition a financial liability may be designated by the Company at fair value through profit or loss. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, or eliminate or significantly reduce a measurement or recognition inconsistency. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Receivables are carried at the amounts due to the Group and are generally received within 60 days of becoming due and receivable. The collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off in the period in which they are identified. A provision for doubtful receivables is raised where there is objective evidence that the Company will not collect all amounts due.

The amount of the provision is the difference between the carrying amounts and estimated future cash flows. Cash flows relating to current receivables are not discounted. The amount of any impairment loss is recognized in the Income Statement in revenues. When a trade receivable for which a provision has been recognized becomes uncollectable in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the Income Statement in revenues.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 7), are recognized in other comprehensive income and presented within equity in the fair value reserve. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses, interest and dividends and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. The cost of securities sold is based on the first-in, first-out method. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

2. Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: interest bearing loans, debentures and trade payables and other liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method, except for debentures that are classified as fair value through profit or loss.

3. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures; however the Group has not elected to apply hedge accounting to any derivative financial instruments held during the reporting period. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately, the Company shall designate the entire financial instrument at fair value through profit or loss. Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

d. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effect. Costs attributable to listing existing shares are expensed as incurred.

e. Trading properties

Properties that are being constructed or developed for future use as trading properties (inventory) are classified as trading properties and measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete construction and selling expenses. Lands which are designated for development of trading properties projects are not written down below costs if the completed projects are expected to be sold at or above cost.

Costs comprise all costs of purchase, direct materials, direct labour costs, subcontracting costs and other direct overhead costs incurred in bringing the properties to their present condition. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the costs of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they incurred.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use. Non-specific borrowing costs are capitalized to such qualifying asset, by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the period does not exceed the amount of borrowing costs incurred during that period.

f. Investment property

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are then stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the Income statement in the period in which they arise.

As the fair value method has been adopted for investment properties, the buildings and any component thereof (including plant and equipment) are not depreciated.

Notes to the consolidated financial statements
continued

Note 3 – Summary of significant accounting policies continued

g. Property and equipment
Items of property and equipment are stated at cost less accumulated depreciation (see below) and accumulated impairment losses (refer to accounting policy 3(h)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income or other expenses in the income statement. Depreciation of items of property and equipment is charged to the income statement over their estimated useful lives, using the straight-line method, on the following rates:

	%
Land – owned	0
Office buildings	2–4
Mechanical systems in the buildings	7–10
Aircrafts	5
Other*	6–33

* Consists mainly of motor vehicles, office furniture and equipment, computers, peripheral equipment, etc.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

h. Impairment
1. Financial assets
A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to the time value of money are reflected as a component of net finance income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

2. Non-financial assets
The carrying amounts of the Group's assets, other than investment property, trading properties and deferred tax assets are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

3. Reversal of impairment
An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss has decreased or may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i. Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Provisions for construction costs in regards to agreements with governmental institutions are recognized at the sign off date, at the Company's best estimate of the expenditure required to settle the Group's obligation.

Warranties
Provision for warranty costs is recognized at the date on which the shopping centers are sold, at the Company's best estimate of the expenditure required to settle the Group's obligation. Such estimates take into consideration warranties given to the Group by subcontractors.

j. Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement.

(i) Rental income
The Group leases real estate to its customers under long-term leases that are classified as operating leases. Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease origination fees and internal direct lease origination costs are deferred and amortized over the related lease term. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

The leases generally provide for rent escalations throughout the lease term. For these leases, the revenue is recognized on a straight line basis so as to produce a constant periodic rent over the term of the lease.

The leases may also provide for contingent rent based on a percentage of the lessee's gross sales or contingent rent indexed to further increases in the Consumer Price Index (CPI). For contingent rentals that are based on a percentage of the lessee's gross sales, the Group recognizes contingent rental revenue when the change in the factor on which the contingent lease payment is based actually occurs. Rental revenues for lease escalations indexed to future increases in the CPI are recognized only after the changes in the index have occurred.

(ii) Revenues from selling of trading properties and investment properties
Revenues from selling of trading properties and investment properties are measured at the fair value of the consideration received or receivable. Revenues are recognized when all the following conditions are met:

a. the Group has transferred to the buyer the significant risks and rewards of ownership;
b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold;
c. the amount of revenue can be measured reliably;

Notes to the consolidated financial statements

continued

Note 3 – Summary of significant accounting policies continued

j. Revenue recognition continued

d. it is probable that the economic benefits associated with the transaction will flow to the Group (including the fact that the buyer's initial and continuing investment is adequate to demonstrate commitment to pay);

e the costs incurred or to be incurred in respect of the transaction can be measured reliably; and

f. there are no significant acts that the Group is obliged to complete according to the sale agreement.

Determination whether these criteria have been met for each sale transaction, requires a significant judgment by the Group management. Significant judgment is made in determination whether, at the end of the reporting period, the Group has transferred to the buyer the significant risks and rewards associated with the real estate assets sold.

Such determination is based on an analysis of the terms included in the sale agreement executed with the buyer as well as an analysis of other commercial understandings with the buyer in respect of the real estate sold. Generally, the sale agreement with the buyer is signed during the construction period and the consummation of the transaction is subject to certain conditions precedents which have to be fulfilled prior to delivery. Revenues are, therefore, recognized when all the significant conditions precedent included in the agreement have been fulfilled by the Group and/or waived by the buyer prior to the end of the reporting period.

The delivery of the shopping center to the buyer is generally executed close to the end of construction and to the opening of the shopping center to the public. As a result, the Group has to use estimates in order to determine the costs and expenses required to complete the construction works which, as of the delivery date, has not been completed and/or been paid in full.

Generally, the Group is provided with a bank guarantee from the buyer for the total estimated proceeds in order to secure the payment by the buyer at delivery. Therefore, the Group is not exposed to any significant risks in respect of payment of the proceeds by the buyer.

k. Operational lease payments

Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease but are immediately capitalized as long as the project is under construction period. Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term.

Direct incremental costs related to obtaining long-term lease agreements with tenants are capitalized when they arise and charged to the statement of income over the weighted average term of the lease period.

l. Finance income and expenses

Finance income comprises interest receivable on funds invested (including available-for-sale financial debt and equity securities), changes in the fair value of financial instruments at fair value through profit or loss, gains on derivative instruments that are recognized in profit or loss, gain on the disposal of available-for-sale financial assets, interest on late payments from receivables and net foreign exchange gains.

Finance expenses which are not capitalized comprise interest expense on borrowings, changes in the fair value of financial instruments at fair value through profit or loss, impairment losses recognized on financial assets, net foreign exchange losses and losses on derivative instruments that are recognized in profit or loss. For capitalization of borrowing costs please refer to note 10.

Interest income and expense which are not capitalized are recognized in the income statement as they accrue, using the effective interest method. For the Company's policy regarding capitalization of borrowing costs refer to note 3(e).

m. Taxation
Tax expense comprises current and deferred tax. The tax benefit is based on taxable profit (loss) for the year, and any adjustment to tax payable in respect of previous years. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n. Segment reporting
Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

o. Employee benefits
1. Bonuses
The Group recognizes a liability and an expense for bonuses, which are based on agreements with employees or according to management decisions based on Group performance goals and on individual employee performance. The Group recognizes a liability where contractually obliged or where past practice has created a constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Share-based payment transactions
The fair value of options granted to employees to acquire shares of the Company is recognized as an employee expense or capitalized if directly associated with development of trading property, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees as measured at the date of modification. The fair value of the amount payable to employees in respect of share-based payments, which may be settled in cash, at the option of the holder, is recognized as an expense, with a corresponding increase in liability, over the period in which the employees become unconditionally entitled to payment. The fair value is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as an additional cost in salaries and related expenses in the income statement. As of the end of the reporting period share-based payments which may be settled in cash are options granted to only one person and can be cash settled at the option of the holder.

Notes to the consolidated financial statements

continued

Note 3 – Summary of significant accounting policies continued

p. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

q. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

1. represents a separate major line of business or geographical area of operations;
2. is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
3. is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

r. New standards not yet adopted

Several new standards and amendments to standards are not yet effective for the year ended December 31, 2012, and has not been applied in preparing these consolidated financial statements.

- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods; to be applied retrospectively) contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

  The entity does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after January 1, 2014). Earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early. This Standard is to be applied retrospectively when there is a change in control conclusion.

  IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

  1. it is exposed or has rights to variable returns from its involvements with the investee;
  2. it has the ability to affect those returns through its power over that investee; and
  3. there is a link between power and returns.

  The new Standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

  The impact of the initial application of the amendment will depend on the specific facts and circumstances of the investees of the Group held at the date of initial application. Therefore, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after January 1, 2014). It is to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early. It supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

  Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

  1. a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

  2. a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; an entity must now always use the equity method in the consolidated financial statements.

The impact of the initial application of the amendment will depend on the specific facts and circumstances of the joint arrangements to which the Group is a party at the date of initial application. Therefore, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after January 1, 2014; to be applied retrospectively). Earlier application is permitted. It requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

  It is expected that the new Standard, when initially applied, will have a significant impact on the level of disclosure in the financial statements. However, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

- IFRS 13 Fair Value Measurement (effective prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted). It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance.

  It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains "how" to measure fair value when it is required or permitted by other IFRSs. The standard does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

  The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements those use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.

  It is expected that the Standard, when initially applied, will have a significant impact on the disclosures in the notes to the financial statements in respect of the fair value and the determination of the fair value of certain financial and non-financial items. However, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

Notes to the consolidated financial statements

continued

Note 3 – Summary of significant accounting policies continued

r. New standards not yet adopted continued

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012; to be applied retrospectively. Earlier application is permitted.) require that:

    1. an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections.

    2. change the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income, however, other titles are also allowed to be used.

    The amendments are not relevant to the entity's financial statements, since the entity does not have other comprehensive income which would never be reclassified to profit or loss.

- Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2013; to be applied retrospectively. Earlier application is permitted.) introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.

    The Group does not expect the amendments to have any impact on the financial statements, since it does not results in a change in the Group's accounting policy. The measurement of deferred tax assets and liabilities relating to investment properties measured using the fair value model in IAS 40 will not change.

- IAS 19 (2011) Employee Benefits (effective for annual periods beginning on or after January 1, 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.) It requires actuarial gains and losses to be recognized immediately in other comprehensive income.

    The amendment removes the corridor method previously applicable to recognizing actuarial gains and losses, and eliminates the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognized in profit or loss to be calculated based on rate used to discount the defined benefit obligation

    The amendments are not relevant to the entity's financial statements, since the entity does not have any defined benefit plans.

- IAS 28 (2011) Investments in Associates and Joint Ventures (Amendments effective for annual periods beginning on or after January 1, 2014; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) are also applied early). It introduces limited amendments made to IAS 28 (2008):

    1. Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

    2. Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

    It is expected that the standard, when initially applied, will have a significant impact on the financial statements. However, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014; to be applied retrospectively. Earlier application is permitted, however the additional disclosures required by Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities must also be made.)

  The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

  1. not contingent on a future event; and

  2. enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The entity does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

The following new IFRSs are not applicable: IFRS 9, IAS 27 and IFRIC 20.

Note 4 – Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Available-for-sale financial assets
The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Swap transactions
Fair values of the SWAP (refer to note 14) may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data, where current prices or observable market data are not available.

Factors such as bid-offer spread, credit profile, collateral requirements and model uncertainty are taken into account, as appropriate, when fair values are calculated using valuation techniques. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, and exchange rates.

Long-term debentures at fair value through profit or loss
The fair value of long-term debentures is principally determined with reference to an active market price quotation, as the debentures are traded in the Tel-Aviv Stock Exchange ("TASE").

Share-based payments transactions
The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility of the Company and similar companies adjusted for changes expected due to publicly available information and the tendency of volatility to revert to its mean and other factors indicating that expected future volatility might defer from past volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

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Note 5 – Cash and cash equivalents

Bank deposits and cash denominated in	Interest rate as of December 31, 2012	December 31, 2012	December 31, 2011
EUR	See (1) below	21,138	34,437
United States Dollar (US$)	Mainly 0.3%	33,249	9,944
Polish Zlotys (PLN)	Mainly O/N WIBOR	3,469	7,369
Indian Rupee (INR)	Mainly 3.5%–9.8%	2,668	3,550
New Israeli Shekel (NIS)	Mainly 0%	2,272	1,028
Hungarian Forints (HUF)	Mainly 4%	269	640
Serbian Dinar (RSD)	Mainly 11%	266	628
Romanian Lei (RON)	Mainly 5%	231	253
Czech Crowns (CZK)	Mainly 0.5%	298	167
Latvian Lat (LVL)	Mainly O/N RIGIBOR	561	182
Other currencies	0%	19	63
Cash and cash equivalents in the statement of cash flows		64,440	58,261

1 As at December 31, 2012, cash in several commercial banks is deposited for periods up to three months. Fixed deposits bear interest rates varying between 0.2% and 2.5%, while floating deposits bear interest rates as determined by various benchmarks (e.g. EURIBOR, LIBOR).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 32.

Note 6 – Restricted bank deposits

	Interest rate as of December 31, 2012	December 31, 2012	December 31, 2011
Short-term restricted bank deposits			
EUR	See [1] and [3]	9,543	15,281
US$	See [2]	12,499	3,231
NIS	See [4]	2,426	530
PLN	0%	524	2,305
Other currencies	0%	526	81
Total short term		25,518	21,428
Long-term restricted bank deposits			
EUR		–	4,550
Other currencies	0%	978	411
Total long term		978	4,961

1 As of December 31, 2012, €6.5 million is restricted in respect of bank facilities agreements signed to finance Projects in Serbia, Poland, Romania, Czech Republic and Latvia. These amounts carries an annual interest rate of mainly Overnight LIBOR. An additional €1 million is restricted in respect of Interest Rate Swap ("IRS") performed in connection with bank facility agreement in Serbia (refer to note 14) and carries an annual interest rate of 2.4%.
2 As of December 31, 2012, various deposits in a total amount of US$9.2 million (€6.9 million) are restricted in respect of bank facilities requirements, which bears interest of 0%. An additional US$7.4 million (€5.6 million) are restricted in respect of tax and wind up payments expected following the US transaction (refer to note 34(B)), and bears annual interest of 0.3%.
3 As of December 31, 2012 an amount of €2 million is restricted in respect of the EUR/PLN cross currency IRS transaction (see note 14). The restricted amount bears a fixed interest rate of 3.2%.
4 As of December 31, 2012 an amount of €2.4 million is restricted in respect of bank facility agreement signed. The restricted amount does not bear interest.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 32.

Note 7 – Available-for-sale financial assets

Available-for-sale financial assets ("AFS") portfolio consists of mainly traded securities issued by banks and corporate.

	December 31, 2012 €'000	December 31, 2011 €'000
Interest income from AFS	**712**	1,691
Gain (loss) from selling AFS	**(1,222)**	326
Total for the year	**(510)**	2,017
Balance as at January 1	**25,568**	27,098
Purchase of AFS	**16,089**	9,307
Sale/redemption of AFS	**(31,294)**	(9,051)
Discount amortization	**54**	93
Changes in market value of AFS	**1,297**	(1,879)
Balance as at 31 December	**11,714**	25,568

As at December 31, 2012, part of the AFS Portfolio in the amount of €0.6 million is pledged against a secured bank loan.

Note 8 – Trade receivables

	December 31, 2012 €'000	December 31, 2011 €'000
Trade receivables[1]	**6,409**	7,984
Less – Allowance for doubtful debts[2]	**(1,722)**	(2,552)
	4,687	5,432

1 Main decrease is due to selling of US operations. As at December 31, 2011 US operations trade receivables amounted to €2.3 million.
2 Main decrease in allowances is due Latvia (€0.7 million), due to cancelation of old invoices issued to tenants, which were provisioned as bad debt.

Note 9 – Other receivables and prepayments

	December 31, 2012 €'000	December 31, 2011 €'000
Advances for plot purchases[1]	**27,384**	29,828
Insurance company receivable[2]	**7,611**	–
VAT receivables	**2,387**	6,125
Loans to partners in jointly controlled entities	**2,673**	2,930
Prepaid expenses	**1,586**	2,009
Accrued interest receivable	**335**	1,685
Advances to suppliers	**2,466**	1,252
Related parties	**1,435**	1,227
Others	**872**	974
	46,749	46,030

1 As of December 31, 2012 and 2011, including mainly advance payments in the amount of €26.4 million and €28.3 million, respectively for the purchase of plots in India, as part of the joint venture with EI (refer also to notes 34(C)). Out of this amount, an amount of €4.1 million (2011: €5 million) is guaranteed by EI.
2 Receivable incurred in respect of the fire in the Company shopping center in India (refer to note 34(M)).

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Note 10 – Trading properties

	December 31, 2012 €'000	December 31, 2011 €'000
Balance as at January 1	**850,229**	807,887
Acquisition and construction costs	**25,763**	84,827
Capitalized borrowing costs[1]	**21,806**	29,154
Write-down of trading properties[2]	**(86,444)**	(47,987)
Effect of movements in exchange rates	**(8,567)**	(23,652)
Trading properties disposed (refer to notes 27, 34(N))	**(21,824)**	–
Balance as at December 31[3]	**780,963**	850,229
Completed trading properties	**294,528**	202,769
Trading properties under construction	**17,411**	117,526
Trading properties under planning and design stage[3, 4]	**469,024**	529,934
Total	**780,963**	850,229

1 In certain cases, the Group ceases to capitalize borrowing cost if management decides that the assets can no longer be defined as a "qualified asset". In other circumstances, capitalization is suspended for certain time periods, generally where the efforts to develop a project are significantly diminished due to inter alia lack of external finance, or ongoing difficulties in obtaining permits. The conclusions whether an asset is qualified for capitalization or not, or whether capitalization is to be suspended, involve also management plans with regard to the specific asset, such as the ability to raise bank loans, find anchors and local market conditions that support or deny the construction of the project.

2 Write-down of trading properties to net realizable value was performed based on independent valuation reports. In the course of 2012 write-downs were recognized in respect of projects in Romania (€34.1 million), India (€18.3 million), Hungary (€12.4 million), Serbia (€9.1 million), Poland (€6.8 million), the Czech Republic (€3.1 million) and Bulgaria (€2.6 million).
In respect of write-down in Indian projects, an amount of €7.6 million of the loss was offset with insurance company receivable (refer also to notes 9, 34(M)), hence the net loss effect of trading property impairments totaled €78.8 million. Refer to note 39(a) for more information about key assumptions.

3 Including cost of large scale projects (Bangalore in India, Casaradio in Romania and Dream Island in Hungary) in a total amount of €221 million (2011: €230 million).
The abovementioned projects are expected to generate an operating cycle closer to eight years (refer to (5) below) comparing to other projects the Company holds.

4 The value of the Casaradio project in Romania includes two gas turbines with a total book value of €9.1 million. A write-down of €1.9 million was recognized in respect of the turbines in the course of 2012.

The Group is involved in projects some of which may take up to eight years to complete from the asset acquisition date. The cost of trading property, loans and related derivatives which financed the development projects are presented as current assets and liabilities.

As of December 31, 2012, the Company has trading properties in Poland, Czech Republic, Latvia, India, Romania, Serbia, Bulgaria, Hungary and Greece. The properties are in various stages of development as shopping and entertainment centers, residential units, offices or mixed-use. Regarding segment reporting, refer to note 36. Regarding the changes in global markets and their effect on the development of trading properties under construction refer to note 34(D).

As of December 31, 2012, a total carrying amount of €322 million (December 31, 2011: €377 million) of the abovementioned trading properties is pledged against bank loans.

As of December 31, 2012 and 2011 trading properties include accumulated capitalization of share-based payments in the amount of EUR 10.7 million.

Below is a summary table for projects status:

		December 31, 2012	Share holding		General information		
Project	Location	Purchase/ transaction year	Rate (%)	Nature of rights	Status of registration of land	Permit status	Planned GLA (m^2)
Suwałki Plaza	Poland	2006	100	Ownership	Completed	Operational shopping center (starting Q2 2010)	20,000
Zgorzelec Plaza	Poland	2006	100	Ownership	Completed	Operational shopping center (starting Q1 2010)	13,000
Toruń Plaza	Poland	2007	100	Ownership	Completed	Operational shopping center (starting Q4 2011)	40,000
Łódź residential	Poland	2001	100	Ownership/ Perpetual usufruct)	Completed	Planning permit valid	80,000*
Łódź plaza	Poland	2009	100	Perpetual usufruct	Completed	Planning permit pending	35,000
Kielce Plaza	Poland	2008	100	Perpetual usufruct	Completed	Planning permit pending	33,000
Leszno Plaza	Poland	2008	100	Perpetual usufruct	Completed	Planning permit valid	16,000
Liberec Plaza	Czech Republic	2006	100	Ownership	Completed	Operational shopping center (starting Q1 2009)	17,000
Roztoky	Czech Republic	2007	100	Ownership	Completed	Building permit valid	14,000*
Riga Plaza	Latvia	2004	50	Ownership	Completed	Operational shopping center (starting Q1 2009)	49,000
Bangalore	India	2008	23.75	Ownership	In process	Under negotiations	320,000*
Chennai	India	2008	38	Ownership	In process (75 acres out of 84 acres are registered already)	Under negotiations	1,060,000*
Koregaon Park Plaza	India	2006	100	Ownership	Completed	Operational shopping center (starting Q1 2012)	110,000*
Kharadi Plaza	India	2007	50	Ownership	Completed	Partial building permit valid	250,000*
Trivandrum Plaza	India	2007	50	Ownership	Completed	Under negotiations	120,000*
Casa Radio	Romania	2007	75	Leased for 49 years	Completed	Detailed Zoning Planning permit valid	600,000*
Timişoara Plaza	Romania	2007	100	Ownership	Completed	Zoning valid	38,000
Iaşi Plaza	Romania	2007	100	Ownership	Completed	Planning permit valid	58,000
Slatina Plaza	Romania	2007	100	Ownership	Completed	Planning permit valid	17,000
Miercurea Ciuc Plaza	Romania	2007	100	Ownership	Completed	Planning permit valid	14,000
Târgu Mureş Plaza	Romania	2008	100	Ownership	Completed	Planning permit valid	30,000
Hunedoara Plaza	Romania	2008	100	Ownership	Completed	Planning permit valid	13,000
Constanța Plaza	Romania	2009	100	Ownership	Completed	Existing building	18,000
Belgrade Plaza	Serbia	2007	100	Ownership	Completed	Under negotiations	70,000*
Kragujevac Plaza	Serbia	2007	100	Currently Construction lease period (99 years) with subsequent ownership	Completed (starting Q1 2012)	Operational shopping center	22,000
Sport Star Plaza	Serbia	2007	100	Ownership	Completed	Location Permit valid	40,000
Shumen Plaza	Bulgaria	2007	100	Ownership	Completed	Planning permit valid	20,000
Dream Island (Budapest)	Hungary	2003	43.5	Ownership	Completed	Valid zoning	350,000*
Arena Plaza extension	Hungary	2005	100	Land use rights	Completed	Building permit valid	40,000
Új Udvar	Hungary	2007	35	Ownership	Completed	Building permit pending	16,000
Pireas Plaza	Greece	2002	100	Ownership	Completed	Building permit valid	26,000

* GBA (sqm)

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Note 11 – Property and equipment

	Land and buildings €'000	Equipment €'000	Fixtures and fittings €'000	Airplane[1] €'000	Total €'000
Cost					
Balance at 31 December, 2010	**7,057**	**5,592**	**1,397**	**4,737**	**18,783**
Additions	–	123	–	–	123
Disposals	–	(50)	–	–	(50)
Exchange rate effect	–	(111)	–	–	(111)
Balance at 31 December, 2011	**7,057**	**5,554**	**1,397**	**4,737**	**18,745**
Additions	–	417	–	–	417
Disposals	–	(592)	–	–	(592)
Exchange rate effect	–	(25)	–	–	(25)
Balance at 31 December, 2012	**7,057**	**5,354**	**1,397**	**4,737**	**18,545**
Accumulated depreciation					
Balance at 31 December, 2010	**2,563**	**3,104**	**986**	**769**	**7,422**
Depreciation and impairment expenses[2]	43	518	34	1,798	2,393
Disposals	–	(23)	–	–	(23)
Exchange rate effect	–	(73)	–	–	(73)
Balance at 31 December, 2011	**2,606**	**3,526**	**1,020**	**2,567**	**9,719**
Depreciation and impairment expenses[2]	85	400	34	576	1,095
Disposals	–	(355)	–	–	(355)
Exchange rate effect	–	(23)	–	–	(23)
Balance at 31 December, 2012	**2,691**	**3,548**	**1,054**	**3,143**	**10,436**
Carrying amounts					
At 31 December, 2012	4,366	1,806	343	1,594	8,109
At 31 December, 2011	4,451	2,028	377	2,170	9,026
At 31 December, 2010	4,494	2,488	411	3,968	11,361

Major additions/disposals/impairments during the period

1 The airplane of the Company is pledged as a security for a bank facility utilized for the purchase of the airplane.

2 In 2012, the Company recorded a loss due to impairment of its airplane of €0.4 million, based on external valuation (2011: impairment of €1.6 million).

Note 12 – Investment property

	December 31, 2012 €'000	December 31, 2011 €'000
Balance at January 1	**272,348**	238,702
Capital expenditures on investment properties	**1,949**	2,438
Effect of movements in exchange rate	**4,656**	8,923
Disposal of US investment property (refer to note 34(B))	**(263,047)**	–
Acquisitions (refer to note 34(A))	**–**	14,201
Fair value revaluation (refer to notes 29, 36)	**(1,417)**	8,084
Balance at 31 December	**14,489**	272,348

With the exception of the €0.8 million uplift in the Investment property in the Czech Republic (refer also to note 29) all 2012 movements are in connection with the assets disposed in the US.

Investment property in the Czech Republic

As of December 31, 2012, the Company has one Investment property, which is a logistics building in Prague that is leased to third parties. Generally, leases contain an initial period of six months to two years.

Subsequent renewals are negotiated with the lessees. The vast majority of the contracts for the Prague logistic building are denominated in, or linked, to the EUR. For the Company's policy for determining the fair value of the investment property refer to note 4.

The yield used for fair value valuation was 7.5% for 2012 (2011: 7.3%), and the value determined was €14.5 million for 2012 (2011: €13.6 million).

Note 13 – Proportionate consolidation

The following amounts are included in the Group's financial statements as a result of proportionate consolidation of companies:

	2012 €'000	2011 €'000
Current assets	**237,580**	243,874
Non-current assets	**833**	260,781
Current liabilities	**68,758**	118,439
Non-current liabilities	**17**	144,735
Non-controlling interests	**6,214**	7,289

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011 €'000
Revenues and other income	**12,304**	41,154
Expenses and tax	**(36,115)**	(51,268)
Net loss	**(23,811)**	(10,114)

Main change in 2012 is attributable to the disposal of US assets (refer to note 34(B)).

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Note 14 – Derivatives

The table below summarizes the results of the 2012 derivatives activity, as well as the outstanding derivatives as of December 31, 2012:

Derivative type	Hedged amount as of December 31, 2012	Value of derivatives at December 31, 2012	Income statement gain (loss) in 2012	Maturity date of derivative
Options on currency[1,7]	N/A	N/A	11,683	N/A
Cross currency IRS A[2]	PLN 60 million	(817)	966	November 2013
Cross currency interest rate swap B[3]	N/A	N/A	419	N/A
Interest rate swap 1[4]	€25 million	(706)	(62)	June 2014
Interest rate swap 2[5]	€30 million	(1,136)	(462)	December 2014
Interest rate swap 3[6]	€35.5 million	(661)	(661)	December 2017
Total		(3,320)	11,883	

1 Selling options strategy (by writing call and put options through major Israeli and foreign banks) in order to hedge its foreign currency risk (EUR-NIS) inherent in its long-term debentures series A and series B issued in NIS.
2 The Company is paying a fixed interest of 6.98% based on a nominal € amount of €15.1 million and receiving an interest of six months WIBOR + 4.5% with the same amortization schedule as the Polish bonds (refer to note 21). In March 2013, the Company paid an amount of €0.9 million for the settlement of the SWAP.
3 The Company paid interest of 6.82% and received 4.5% interest linked to the Israeli CPI with the same amortization schedule as the series A Debentures. The swap was settled in January 2012 for a cash consideration of €0.2 million.
4 In respect of the Suwałki project loan. The project company will pay a fixed interest rate of 2.13% and receive EURIBOR three months on a quarterly basis, until June 30, 2014.
5 In respect of the Kragujevac project loan. The project company will pay a fixed interest rate of 1.85% and receive EURIBOR three months on a quarterly basis, until December 31, 2014.
6 In respect of the Toruń project loan. The project company will pay a fixed interest rate of 1% and receive EURIBOR three months on a quarterly basis, until December 31, 2017.
7 In 2013, the Company continued its activity with options on currency and received premiums in connection with this amount totaling €3.8 million. The options mature in June 2013. Cash deposit guarantees were placed in respect of this activity in a total amount of €13.6 million.

Regarding pledges in respect of derivative activity refer to note 33d(2).

None of the abovementioned activities (including 2013 transactions) is qualified for hedge accounting.

Note 15 – Interest bearing loans from banks

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 32. All interest bearing loans from banks are secured. Terms and conditions of outstanding loans were as follows:

	December 31, 2012 €'000	December 31, 2011 €'000
Non-current loans		
Investment property secured bank loans	**3,175**	140,335
Other secured bank loans	**2,598**	12,052
	5,773	152,387
Current loans (including current maturities of long-term loans)		
Trading properties secured bank loans	**246,377**	227,624
Investment property secured bank loans	**469**	22,402
Other secured bank loans	**17,450**	46,209
	264,296	296,235

Below is the breakdown of all outstanding group loans:

	Nominal interest rate	Currency	Year of maturity	December 31, 2012 Carrying amount €'000	December 31, 2011 Carrying amount €'000
Trading property secured bank loan[1]	3M EURIBOR+2.5%	EUR	2014	**31,925**	33,323
Trading property secured bank loan[2]	3M EURIBOR+3%	EUR	2017	**49,028**	33,845
Trading property secured bank loan	3M EURIBOR+2.7%	EUR	2014	**21,064**	21,800
Trading property secured bank loan	3M EURIBOR+3%	EUR	2015	**20,664**	20,285
Trading property secured bank loan	3M EURIBOR+3%	EUR		**–**	2,040
Trading property secured bank loan	3M EURIBOR+2.5%	EUR		**–**	3,772
Trading property secured bank loan[2]	3M EURIBOR+1.65%	EUR	2020	**32,303**	32,963
Trading property secured bank loan[1]	3M EURIBOR+2.75%	EUR	2016	**21,608**	20,811
Trading property secured bank loan[1,2]	3M EURIBOR+5%	EUR	2027	**30,123**	17,820
Trading property secured bank loan	3M EURIBOR+2.25%	EUR		**–**	5,927
Trading property secured bank loan	13.25%	INR	2021	**26,943**	29,016
Trading property secured bank loan	11.5%	INR	2013	**6,987**	–
Trading property secured bank loan[1]	3M EURIBOR+3.5%	EUR	2013	**4,100**	4,100
Trading property secured bank loan	3M EURIBOR+5.5%	EUR	2013	**882**	1,172
Trading property secured bank loan	3M EURIBOR+4.5%	EUR	2013	**750**	750
				246,377	227,624
Other secured bank loans	3M EURIBOR+0.5%	EUR		**–**	6,867
Other secured bank loans	3M EURIBOR+0.4%	EUR		**–**	26,225
Other secured bank loans	12M EURIBOR+0.4%	EUR		**–**	10,000
Other secured bank loans	6M TELBOR+6%	NIS	2013	**17,268**	12,150
Other secured bank loans	3M US$ LIBOR+4%	US$	2014	**2,780**	3,019
				20,048	58,261
US portfolio bank loans	4.91%-6.4%	US$		**–**	158,624
Investment property secured bank loan	3M EURIBOR+1.75%	EUR	2016	**3,644**	4,113
				3,644	162,737
Total interest bearing liabilities				**270,069**	448,622

1 Refer to note 33 (d) for details on breach of certain covenants.
2 IRS on bank loans – refer to note 14.

Note 16 – Trade payables

	Currency	December 31, 2012 €'000	December 31, 2011 €'000
Construction related payables	Mainly in EUR, PLN	**4,373**	25,610
Other trade payables		**4,375**	1,719
		8,748	27,329

Main decrease in 2012 is attributable to settling with construction suppliers in respect of the Toruń shopping center in Poland which was opened in November 2011.

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Note 17 – Related parties

	Currency	December 31, 2012 €'000	December 31, 2011 €'000
El Group – ultimate parent company – expenses recharged	EUR, US$	**109**	1,389
Other related parties*	EUR	**15**	452
EUL (parent company)	EUR, US$	**387**	387
		511	2,228

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

For payments (including share-based payments) to related parties refer to note 35. Transactions with related parties are priced at an arm's length basis.

Note 18 – Provisions

The Group's provision in respect of liability to the Romanian government is due to the Company's commitment to construct an office building for the Bucharest municipality as part of the public-private partnership agreement in respect to the Casaradio Project in Bucharest. The provision is expected to be settled by 2015. Aggregately, and as of December 31, 2012, an amount of €1.5 million was utilized from the provision.

Note 19 – Other liabilities

Short term	Currency	December 31, 2012 €'000	December 31, 2011 €'000
Advance payment received[1]	EUR	**6,528**	11,032
Loan from partners in subsidiaries[2]	EUR	**1,244**	7,807
Government institutions and fees[3]	Mainly US$	**2,390**	3,139
Accrued expenses and commissions	EUR	**727**	1,941
Obligation in respect of plot purchase	Mainly EUR	**1,801**	1,448
Accrued bank interest	Mainly EUR	**813**	1,130
Salaries and related expenses	EUR, HUF, PLN, CZK, US$	**364**	633
Other	HUF, PLN, CZK	**227**	334
Total		**14,094**	27,464

1 2012 decrease is mainly attributable to utilization of advances from tenants in India in respect of selling offices in India (refer also to note 26).
2 2012 decrease is mainly due to disposal of a plot in Bulgaria (refer also to note (34(N)).
3 2012 – mainly due to liability to US tax authorities in respect of US transaction (refer to note 6(2) for cash restriction due to this liability).

Note 20 – Long-term debentures at fair value through profit or loss

The Company is presenting part of its debentures Series A (raised in July 2007) and debentures Series B (raised in February and May 2008) at fair value through profit or loss. Both debentures principal are linked to the change in the Israeli Consumer Price Index ("CPI"). Accrued interest on both debentures is paid every six months. Debentures Series A and Series B raised from 2009 onwards are presented at amortized cost (refer to note 21). Below is a summary of information on the debentures presented at fair value through profit or loss:

	Series A debentures			Series B debentures			Total
	Fair value	CPI adjusted	Par value	Fair value	CPI adjusted	Par value	par value
January 1, 2012 (NIS)	170,839	266,986	228,852	536,547	722,212	638,366	867,218
Repayment 2012 (NIS)*			(34,330)			(159,592)	(193,922)
Buyback program**			(22,870)			–	(22,870)
December 31, 2012 (NIS)	138,366	203,150	171,652	433,147	549,490	478,774	650,426
January 1, 2012 (EUR)	65,538	64,113	56,353	194,777	185,817	168,420	
December 31, 2012 (EUR)	28,120	41,286	34,884	88,027	111,671	97,300	

* One sixth of outstanding Series A bond was repaid on December 31, 2012 and one fourth of outstanding debentures Series B was repaid on July 1, 2012.
** Regarding the buyback program of long-term debentures refer to note 34 (G).

Both debentures series are rated (effective as of the date of signing these financial statements) ilBB+/Negative by S&P Maalot Ltd. on a local scale (down from ilBBB- in March 2013) and Ba1/Negative by Midroog Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service (Down from Baa1/Negative in March 2013). Debentures Series A bears an annual interest rate of 4.5% (paid semi-annually) with 8 annual equal principal instalments between December 2010 and 2017. Debentures Series B bears an annual interest rate of 5.4% (paid semi-annually) with 5 annual equal principal instalments between July 2011 and 2015.

Note 21 – Long-term debentures at amortized cost

Bonds issued in Israel

	Series A debentures Par value NIS'000	Series B debentures Par value NIS'000	Total NIS'000	CPI adjusted NIS'000	CPI adjusted €'000
January 1, 2012 (NIS)	52,152	365,156	417,308	473,959	95,980
Repayment[1]	–	(86,074)	(86,074)		
Buyback program[2]	(52,152)	(27,831)	(79,983)		
December 31, 2012	–	251,251	251,251	288,362	58,603[3]

1 One sixth of outstanding Series A bond was repaid on December 31, 2012 and one fourth of outstanding debentures Series B was repaid on July 1, 2012.
2 Regarding the buyback program of long-term debentures refer to note 34 (G).
3 Before offset of unamortized cost of raising debentures in the amount of €0.1 million.

Bonds issued in Poland

On November 16, 2010, the Company completed the first tranche of a bond offering to Polish institutional investors. The Company raised a total of PLN 60 million (approximately €15.2 million). The unsecured bearer bonds governed by Polish law (the "Bonds") have a three year maturity at an interest rate of six months Wibor plus 4.5%. Interest is paid every six months and principal after three years. For debt covenants refer to note 33d(3). As of December 31, 2012, the amortized cost is €14.7 million (December 31, 2011: €13.4 million). For information on cross currency IRS on the Bonds refer to note 14.

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Note 22 – Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

Assets/(liabilities) 2012	December 31, 2011 €'000	Recognized in profit or loss/ comprehensive income from continuing operation €'000	Reclassified as liability toward tax authorities €'000	Discontinued operation €'000	**December 31, 2012 €'000**
Investment property	(4,455)	994	1,542	916	**(1,003)**
Property, equipment and other assets	(309)	(1)	–		**(310)**
Fair value adjustment of interest-bearing loan from banks – US business combination	316	–	–	(316)	–
Debentures and structures at fair value through profit or loss	(14,496)	4,908	–		**(9,588)**
Derivatives	(1,391)	(178)	–		**(1,569)**
Available-for-sale financial assets*	446	(630)	–		**(184)**
Tax value of loss carry-forwards recognized	4,532	1,175	–		**5,707**
Deferred tax liability, net	(15,357)	6,268	1,542	600	**(6,947)**

* Change included in comprehensive income

Assets/(liabilities) 2011	December 31, 2010 €'000	Recognized in profit or loss/ comprehensive income €'000	Discontinued operation €'000	December 31, 2011 €'000
Investment property	(789)	(46)	(3,620)	(4,455)
Property, equipment and other assets	(304)	(5)	–	(309)
Fair value adjustment of interest bearing loan from banks – US business combination	282	–	34	316
Debentures and structures at fair value through profit or loss	–	(14,496)	–	(14,496)
Derivatives	–	(1,391)	–	(1,391)
Available-for-sale financial assets (*)	–	446	–	446
Tax value of loss carry-forwards recognized	137	3,085	1,310	4,532
Deferred tax liability, net	(674)	(12,407)	(2,276)	(15,357)

* Change included in comprehensive income

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses in a total amount of €92 million (2011: €80 million).

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from. Main decrease is due to operation in Central and Eastern Europe.

As of December 31, 2012 the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2013	2014	2015	2016	2017	After 2017
119,742	7,560	9,815	13,583	17,415	11,975	59,394

Tax losses are mainly generated from operations in Czech Republic, Romania, Serbia, Latvia and the Netherlands. Tax settlements may be subjected to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

Note 23 – Equity

	Remarks	December 31, 2012 Number of shares	December 31, 2011 Number of shares
Authorized ordinary shares of par value €0.01 each		**1,000,000,000**	1,000,000,000
Issued and fully paid:			
At the beginning of the year		**297,174,515**	296,722,129
Exercise of share options	See (a) below	**11,623**	452,386
At the end of the year		**297,186,138**	297,174,515

a. In the course of 2011, 951,564 vested options were exercised into 452,386 shares of €0.01. In the course of 2012, 108,335 vested options were exercised into 11,623 shares of €0.01.

Other capital reserve due to share option plans

Other capital reserve is in respect of Employee Share Option Plans ("ESOP") in the total amount of €34,889 as of December 31, 2012 (2011: €33,470). Regarding the amendments of ESOP and ESOP No. 2 and its effect on other capital reserves refer to note 25.

Translation reserve

The translation reserve comprises, as of December 31, 2012, all foreign exchange differences arising from the translation of the financial statements of foreign operations in India.

Dividend policy

The payment of dividends is dependent on the financial performance and condition of the Group, the Company's financial position and the capital and anticipated working capital requirements of the Group. The distribution of dividend is based upon the statutory report's distributable results and retained earnings of the Company itself. Subject to mandatory provisions of Dutch laws, and the agreement reached with bond holders (refer to note 34(I)), the dividend policy will reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover. Regarding interim dividend paid in 2011, refer to note 34 (H).

Capital reserve from acquisition of Non-controlling interest without a change in control

Regarding the abovementioned capital reserve, refer to note 34 (B).

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Note 24 – Earnings per share

The calculation of basic earnings per share at December 31, 2012 was based on the loss attributable to ordinary shareholders of €86,163,000 (2011: profit of €9,346,000) and a weighted average number of ordinary shares outstanding of 297,181,000 (2011: 296,995,000).

Weighted average number of ordinary shares

In thousands of shares with a €0.01 par value	**December 31, 2012 €'000**	December 31, 2011 €'000
Issued ordinary shares at January 1	**297,175**	296,722
Share-based payment – exercise of options	**6**	273
Weighted average number of ordinary shares at December 31	**297,181**	296,995

The calculation of diluted earnings per share from continuing operations for comparative figures is calculated as follows:

Weighted average number of ordinary shares (diluted)

In thousands of shares with a €0.01 par value	**December 31, 2012 €'000**	December 31, 2011 €'000
Weighted average number of ordinary shares (basic)	**297,181**	296,995
Effect of share options on issue	**792**	4,527
Weighted average number of ordinary shares (diluted) at December 31	**297,973**	301,522

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Refer to note 37 for calculations of earnings per share from discontinued operation.

Note 25 – Employee share option plan

On October 26, 2006 the Company's Board of Directors approved the grant of up to 33,834,586 non-negotiable options by the Company's ordinary shares to the Company's Board members, employees in the Company and other persons who provide services to the Company including employees of the Group ("Offerees"). The options were granted to the Offerees for no consideration.

On November 22, 2011 the Company's general shareholders meeting and the Board of Directors approved to amend the First ESOP to extend the Option Term (i.e. as defined in the First ESOP, being the term during which options can be exercised under the First ESOP) from seven (7) to ten (10) years from the Date of Grant. As a result the Company record an incremental fair value of €955,433 which is included in the consolidated income statement.

Furthermore, Second ESOP plan was adopted on November 22, 2011 which is based on the terms of the First ESOP as amended in accordance with the terms as referred to above, with a couple of amendments, the most important of which is the total number of options to be granted under the Second ESOP is 14 million (14,000,000) and a cap of GBP 2. It is noted that, on the basis of all 14,000,000 options being granted under the Second ESOP and fully exercised thereafter, this would have an effect of dilution of up to 3% (on fully diluted basis) of the issued share capital as of the date of this notice.

On November 20, 2012 the Company's general shareholders meeting and the Board of Directors approved to amend the First ESOP to extend the Option Term (i.e. as defined in the First ESOP, being the term during which options can be exercised under the First ESOP) from ten (10) to fifteen (15) years from the Date of Grant. As a result the Company record an incremental fair value of €0.5 million, which is included in the consolidated income statement.

Exercise of the options is subject to the following mechanism:

Grant date/employees entitled	Number of options	Vesting conditions	Contractual life of options[1]
ESOP No.1			
Option grant to key management at October 27, 2006	13,368,073	see [3] below	15 years
Option grant to employees at October 27, 2006	2,349,188	see [3] below	15 years
Total granted in 2006	15,717,261	see [3] below	15 years
Total granted in 2007[2]	1,314,073	see [3] below	15 years
Total granted in 2008[2]	977,221	see [3] below	15 years
Total granted in 2009[2]	575,002	Three years of service	15 years
Total granted in 2010[2]	25,000	Three years of service	15 years
Total granted in 2011[2]	205,000	Three years of service	15 years
ESOP No.2			
Total granted in 2011[2]	5,044,000	Three years of service	15 years
Total granted in 2012[2]	970,000	Three years of service	10 years
Total share options granted	24,827,557		

1 Following the modification of ESOP, the contractual life for stock options granted changed from 10 years to 15 years.
2 Share options granted to key management: 2007 – 200,000 share options; 2008 – 360,000 share options; 2009 – 73,334 share options; 2012 – 3,675,000 share options.
3 Vesting conditions – refer to modification of employee share option paragraph above.

On exercise date the Company shall allot, in respect of each option so exercised, shares equal to the difference between (A) the opening price of the Company's shares on the LSE (or WSE under certain conditions) on the exercise date, provided that if the opening price exceeds GBP 3.24, the Exercise Price the opening price shall be set at GBP 3.24 (except Second ESOP as stated above) of the Exercise Price; less (B) the Exercise Price of the Options; and such difference (A minus B) will be divided by the opening price of the Company's Shares on the LSE (or WSE under certain conditions) on the exercise date. The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

	Weighted average exercise price* 2012 GBP	**Number of options 2012**	Weighted average exercise price 2011 GBP	Number of options 2011
Outstanding at the beginning of the year	**0.46**	**26,905,132**	0.61	24,889,225
Exercised during the year	**0.42**	**(108,335)**	0.53	(951,564)
Forfeited during the period – back to pool	**0.96**	**(2,989,240)**	1.40	(3,201,529)
Granted during the year	**0.47**	**1,190,000**	0.46	6,169,000
Outstanding at the end of the year	**0.43**	**24,997,557**	0.43	26,905,132
Exercisable at the end of the year		**12,471,556**		19,380,787

* The options outstanding at December 31, 2012 have an exercise price in the range of GBP 0.39 to GBP 1.32 (app. €0.48 – €1.61), and have weighted average remaining contractual life of 9.11 years. The weighted average share price at the date of exercise for share options exercised in 2012 was GBP 0.48 (2011: GBP 0.88).

Notes to the consolidated financial statements

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Note 25 – Employee share option plan continued

Following the modifications of the option plan, the maximum number of shares issuable upon exercise of all outstanding options as of the end of the reporting period is 33,176,682. The estimated fair value of the services received is measured based on a binomial lattice model using the following assumptions:

	Key management personnel 2012* €	Key management personnel 2011 €	**Employees 2012* €**	Employees 2011 €
Fair value of share options and assumptions				
Fair value at measurement date (in EUR)(*)	**131,368**	812,885	**144,017**	470,406
Weighted average Exercise price	**0.52**	0.46	**0.46**	0.46
Expected volatility	**47.69%-59.8%**	33.09%-51.67%	**39.75%-59.8%**	33.09%-51.67%
Weighted average share price (Gbp)	**0.50**	0.43	**0.46**	0.47
Suboptimal exercise multiple	**2**	2	**1.5**	1.5
Expected dividends	–	–	–	–
Risk-free interest rate (based on the yield rates of the non-indexed linked UK treasury bonds)	**0.31%-3.06%**	0.46%-5.49%	**0.24%-4.13%**	0.46%-5.49%

* Not including information in respect of the amendment of the First ESOP.

During 2012, the total employee costs for the share options granted (including the modifications) was €769 (2011: €2,446).

Since the Company has been a publicly traded company starting November 2006, there is not enough information concerning Plaza share price. Therefore, in order to derive the expected stock price volatility, analysis was performed based on the data of Plaza, and of three other companies operating in the similar segment, which have similar market capital and are traded at the Warsaw Stock Exchange. In an attempt to estimate the expected volatility, first calculation of the short-term standard deviation (standard deviation of company's share during one year as of the options' Grant Date) has been done. In the next stage, calculation of the long-term standard deviation (standard deviation for the period starting one year prior to the Grant Date for the remaining period of the plan) has been done, where the weight of the standard deviation for the Company was ranging between 45%-65% and the weight of the average of standard deviations of comparative companies was 35%-55% (2011: the same). The working assumption is that the standard deviation of the underlying asset yield converges in the long term with the multi-year average.

Elbit Plaza US share-based plan

In August 2011, EPUS (a 50% held joint venture Partnership of the Company, together with EI, it's principal shareholder) initiated a EPUS 2011 Incentive Plan (the "2011 EPUS Incentive Plan") that provides for the grant of options exercisable into up to 500,000 Participation Units of EPUS to employees, directors and officers of the Company and of affiliate companies, at an exercise price per option of US$17 (€13). The exercise price of each option will be reduced upon any event that EPUS makes cash distributions of the proceeds to all Partners or repays the Partners and/or any Affiliate any outstanding loan, interest, charges and/or current debt, etc.

Under the 2011 EPUS Incentive Plan, upon winding up of EPUS the entire amount of 500,000 Participation Units shall entitle their holders to receive 5% of an amount which equals to any and all amounts that EPUS has received from all sources of income less the costs and expenses pertaining to the applicable transaction and less any and all taxes paid or payable if any with respect to such transaction. The options expire 3.5 years following the date of grant.

During 2012, and as part of the US transaction (refer to note 34(B)) the Administration of the plan accelerates the vesting period.

	2012		2011	
	Number of options*	Weighted average exercise price (US$)	Number of options	Weighted average exercise price (US$)
Balance at the beginning of the year	**488,750**	**12.74**	–	–
Granted	**11,250**	**12.74**	488,750	17
Exercised	**(500,000)**	**1.9**		
Balance at the end of the year*	–		488,750	12.74
Options exercisable at the year end	–		–	
* Includes options granted to the Company's key personnel	–	–	117,500	12.74

The average estimated fair value of the options was calculated based on the Binomial model based on a valuation of a third party expert, using the following assumptions:

	Year ended December 31, 2011
Risk-free interest rate (%)	0.48
Exercise coefficient	None
Contractual term	3.5
Expected volatility (%)	51.1
Expected dividend yield	None
Forfeited (%)	0
Total cost of benefit (US$ thousand)	8,060

PCI and EPI Share Option plans

On March 14, 2011 ("Date of grant") the Company's direct subsidiaries PCI and EPI ("Companies") granted non-negotiable Options, exercisable into the Companies' Ordinary Shares, to employees, directors and officers of the Companies and/or Affiliates of the Companies. The options were granted for no consideration and have 3 years of vesting with contractual life of 7 years following the Date of Grant of such Options. PCI had granted 14,212 Share options with exercise price of €227 per option. EPI had granted 51,053 share options with exercise price of €0.01 per option. PCI and EPI commons shares valuation methodology was based on NAV Model. The expected stock price volatility was based on 5 Indian publicly traded real estate companies and set to range 43.31%–54.4%. The Annual risk free Interest rate range was: 1.25%–4.03%. The suboptimal exercise multiple for Key management personnel were set to 2 and for Employees 1.5 in 2011. As a result the Plaza recorded options costs of €0.75 million in the income statement. The Option Plans include, among others, a Cashless Exercise mechanism prior to/following IPO and Conversion upon the Listing of a Subsidiary.

The total number of Underlying Shares reserved for issuance under PCI Plan and EPI Plan and any modification thereof shall be 14,697 Underlying Shares and 52,600 Underlying Shares, respectively (representing approximately 5% of the share capital of the Companies on a fully diluted basis, inclusive of all Underlying Shares).

Cash settled share-based payment transaction with the former Vice Chairman of EI

On October 27, 2006, the Company entered into an agreement with the former Executive Vice-Chairman of EI ("VC") who had responsibility for the Company's operations in India, under which the VC will be entitled to receive options ("the Options") to acquire up to 5% of PC India Holdings Public Company Ltd ("holding company") through which the Company will carry on its operations in India. The options are fully vested as of December 31, 2012.

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Note 25 – Employee share option plan continued

The vested options may be exercised at any time, at a price equal to 5% of the Company's net equity investment made in the projects as at the Option exercise date plus interest at the rate of LIBOR US$ plus 2% per annum from the date of the investment until the Options exercise date ("Exercise price").

VC has cash-in right to require the Company to purchase shares held by him following the exercise of the Options, at a price to be determined by an independent valuator. As of December 31, 2011, the liability recorded in these financial statements in respect of this agreement, is €0.4 million. The total income recorded in the income statements in 2012 totaled €0.6 million. VC ceased to be considered as a related party effective June 30, 2010.

Note 26 – Revenues

	Continuing Operations		Discontinued Operation (refer to note 37)		Total	
	2012 €'000	2011 €'000	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000
Rental income from tenants[1]	**20,543**	9,995	**13,907**	25,528	**34,450**	35,523
Operation of entertainment centers[2]	**6,911**	7,121	**–**	–	**6,911**	7,121
Management fees	**6,327**	4,859	**–**	–	**6,327**	4,859
Revenue from selling trading properties[3]	**6,372**	712	**–**	–	**6,372**	712
Other	**1,440**	775	**–**	–	**1,440**	775
Total	**41,593**	23,462	**13,907**	25,528	**55,500**	48,990

1 As of the end of the reporting period, the main rental income from continuing operations is derived from projects in Latvia, Poland, India, Serbia and the Czech Republic. Refer to note 36 for segment breakdown of revenues.
2 Revenue from operation of entertainment centers is attributed to a subsidiary of the Company trading as "Fantasy Park" which provides gaming and entertainment services in active shopping centers. As of December 31, 2012, these subsidiaries operate in 13 shopping centers. Regarding the expected settlement to be reached in respect of legal claims against Fantasy park refer to note 33 (C).
3 Main revenue from selling trading properties in 2012 is mainly due to selling office units in India. The revenue of €6 million generated a profit in 2012 in a total amount of €2.4 million.

Note 27 – Cost of operations

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011[a] €'000
Direct expenses:		
Property operations and maintenance[b]	**8,064**	5,465
Cost of sold trading properties (refer to note 26 (3)).	**3,920**	603
Salaries and related expenses	**356**	136
Initiation costs	**–**	387
Local taxes	**1,525**	1,391
	13,865	7,982
Operations of entertainment centers	**6,227**	6,442
	20,092	14,424
Depreciation and amortization	**293**	425
	20,385	14,849

a Reclassification due to discontinued operation – refer to note 36. Reclassification was also performed to present separately the operations of entertainment centers.
b 2012 – includes €4.0 million of energy related expenses and €4.1 million due to other utilities expenses. 2011 – includes €3.3 million of energy related expenses and €2.2 million due to other utilities expenses.

Note 28 – Administrative expenses

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011[1] €'000
Selling and marketing expenses		
Advertising and marketing	**2,919**	1,423
Salaries and relating expenses	**1,130**	971
Others	**50**	41
	4,099	2,435
General and administrative expenses		
Salaries and related expenses[2]	**5,743**	8,472
Depreciation and amortization	**403**	630
Professional services	**4,366**	4,317
Travelling and accommodation	**891**	1,077
Offices and office rent	**934**	1,038
Others	**412**	887
	12,749	16,421
Total	**16,848**	18,856

1 Salaries and related expenses reclassified to discontinued operation – refer to note 37.
2 Including non-cash expenses due to the share option plan from continuing operations in the amount of €0.2 million (2011: €3.1 million). Refer to note 25 for more details on share-based payments.

Note 29 – Other income and other expenses

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011[1] €'000
a. Other income		
Gain from selling property and equipment	**13**	4
Change in fair value of investment property	**837**	–
Gain from disposal of trading property plots[2]	**1,410**	–
Other income	**503**	165
Total other income	**2,763**	169
b. Other expenses		
Impairment of property and equipment[3]	**(450)**	(1,588)
Change in fair value of investment property[4]	**–**	(195)
Other expenses	**(672)**	–
Total other expenses	**(1,122)**	(1,783)
Total	**1,641**	(1,614)

1 2011 Reclassification due to discontinued operation – refer to note 37.
2 In respect of selling trading property plots in Bulgaria and Hungary, refer to note 34(N).
3 Refer to note 11.
4 Reclassified from revenues of 2011.

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Note 30 – Net finance income (costs)

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011[1] €'000
Recognized in profit or loss		
Changes in debentures measured at fair value through profit or loss[2]	–	59,891
Gain from bonds buyback program (refer to note 34 (M))	4,333	7,879
Interest income on bank deposits	1,182	3,003
Finance income from available-for-sale financial assets	712	2,017
Interest income on structured deposits	2,085	5,221
Finance income from hedging activities through sell of options	11,683	5,212
Foreign exchange gain on debentures	–	19,418
Changes in fair value of derivatives	199	–
Interest from loans to related parties	321	377
Finance income	20,515	103,018
Interest expense on bank loans and debentures (including CPI)	(33,555)	(35,958)
Changes in fair value of derivatives	–	(16,622)
Interest expenses on loans on structures	(497)	(635)
Changes in debentures measured at fair value through profit or loss[2]	(19,032)	–
Foreign exchange losses on debentures	(2,033)	–
Loss from available-for-sale financial assets sold	(1,222)	–
Changes in fair value of structured deposit	(45)	(1,320)
Foreign exchange losses on bank deposits, bank loans	(1,091)	(3,140)
Cost of raising loans amortized to profit or loss	(676)	–
Other finance expenses	(710)	(511)
	(58,861)	(58,186)
Less – borrowing costs capitalized to trading properties under development	21,806	29,154
Finance costs	(37,055)	(29,032)
Net finance income (expenses)	(16,540)	73,986

1 Regarding reclassification of 2011 finance expense due to discontinued operation refer to note 37.
2 The change in fair value includes a total of €2.8 million (2011: €60.1 million) attributable to the credit risk of the Company.

Note 31 – Taxes

Tax recognized in profit or loss

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011[1] €'000
Current year	1,435	103
Deferred tax expense (benefit) (refer to note 22)	(6,898)	12,807
Total	(5,463)	12,910

Deferred tax expense (tax benefit)

	For the year ended December 31, 2012	For the year ended December 31, 2011[1]
Origination and reversal of temporary differences	(4,377)	16,051
Recognition of previously unrecognized tax losses	(2,521)	(3,244)
	(6,898)	12,807

Reconciliation of effective tax rate

	For the year ended December 31, % €'000	**For the year ended December 31, 2012 €'000**	For the year ended December 31, 2011[1] €'000
Dutch statutory income tax rate		**25%**	25%
Profit (loss) from continuing operations before income taxes		**(89,440)**	13,989
Tax at the Dutch statutory income tax rate	25%	**(22,360)**	3,497
Recognition of previously unrecognized tax losses	2.8%	**(2,521)**	(3,244)
Effect of tax rates in foreign jurisdictions	(7.6%)	**6,817**	6,108
Current year tax loss for which no deferred tax asset is provided	(2.0%)	**1,809**	8,775
Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes	3.7%	**(3,315)**	(5,173)
Non-deductible expenses (tax exempt income)[2]	(15.8%)	**14,107**	2,947
Tax Expense (Tax benefit)	(6.1%)	**(5,463)**	12,910

1 Refer to note 37 in respect of taxes connected with discontinued operation.
2 2012 – mainly due to impairments not recognized for tax purposes.

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

The Netherlands

a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25%. The first €200,000 of profits is taxed at a rate of 20%. Tax losses may be carried back for one year and carried forward for nine years. As part of the measures to combat the consequences of the economic crisis, taxpayers can elect for an extension of the loss carry back period to three years (instead of one year). The election is only available for losses suffered in the taxable years 2009, 2010 and 2011. If a taxpayer makes use of the election, two additional limitations apply: (i) the loss carry forward period for the taxable years 2009, 2010 and/or 2011 will be limited to a maximum of six years (instead of nine years); and (ii) the maximum amount of loss that can be carried back to the second and third year preceding the taxable year will be limited to €10 million per year. The amount of loss that can be carried back to the year directly preceding the taxable year for which the election is made will remain unrestricted. As of the taxable year 2012, the election for extended loss carry back is not available anymore and the regular loss carry back and carry forward limitations apply.

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

- Motive Test, the investee company is not held as passive investment;
- Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);
- Asset Test, the investee company owns (directly and indirectly) less than 50% low taxed passive assets.

USA

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

Notes to the consolidated financial statements
continued

Note 31 – Taxes continued

India
The corporate income tax rate applicable to the taxable income of an Indian Company is 33.22% (including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million (€0.14 million)). Minimum alternate tax (MAT) of 19.93% (of the taxable income of a company) is applicable only if a Company books profits which exceed INR 10 million. Book profits are computed in accordance with relevant provisions of the Indian Income Tax Act. The final tax payable is the higher of the MAT liability or corporate income tax payable. If taxes are paid under MAT, then credit to the extent of MAT paid over corporate income tax is available (MAT credit). MAT Credit can be availed, if the company has future taxable profits in the following ten years. Capital gains on transfer of capital assets (on which tax depreciation has not been claimed) are taxed at the rate of 22.145% (Including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million) provided that the capital assets were held for more than 36 months immediately preceding the date of the transfer or 33.2175% (including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million) if they were held for less than 36 months. Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 16.61% (including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million). There is no withholding tax on dividends distributed by an Indian company and no additional taxes need to be paid by the Shareholder. Business losses can be offset against profits and gains on any business or profession for a period of eight years from the incurrence year's end. There is no limit for carry forward unabsorbed depreciation.

Cyprus
The taxation of companies incorporated in Cyprus is based on tax residence and all companies are taxed under corporation tax at the rate of 10%. Dividend income paid from overseas subsidiaries that earn more than 50% of their income from trading activities and profits from the sale of shares and other titles of companies are tax exempt. There is no withholding tax on payments of dividends to non-resident shareholders or shareholders that are companies resident in Cyprus. Companies, which do not distribute 70% of their profits after tax, as defined by the relevant tax law within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Defence tax at 17% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This defence tax is paid by the company for the account of the shareholders. Non-Cyprus tax resident shareholders are exempt from this taxation.

Note 32 – Financial instruments

Financial risk management
Overview
The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has established a continuous process for identifying and managing the risks faced by the Company, and confirms that it is responsible to take appropriate actions to address any weaknesses identified.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Company's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial instruments held in banks and from receivables and other financial institutions.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral in the form of a bank guarantee or deposit equal to three months of rent from tenants of shopping centers.

Cash and deposits, structured deposits and available-for-sale financial assets.

The Group limits its exposure to credit risk in respect to cash and deposits, including structured deposits and available-for-sale financial assets by investing mostly in deposits and other financial instruments with counterparties that have a credit rating of at least investment grade from international rating agencies. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Company business model for mitigating the liquidity risk is based on using its cash funds, combined with disposal of assets that stabilized or that are non-core assets, and striving to structure its debt levels and maturities to correspond with its operating cash flows. The Company has published its sources and uses reports to demonstrate its ability to remain liquid. For the agreement with bond holders refer to note 34(I).

c. Market risk

Currency and inflation risk

Currency risk is the risk that the Group will incur significant fluctuations in its profit or loss as a result of utilizing currencies other than the functional currency of the respective Group company.

The Group is exposed to currency risk mainly on borrowings (debentures issued in Israel and in Poland) that are denominated in a currency other than the functional currency of the respective Group companies. The currencies in which these transactions primarily are denominated are the NIS or PLN. Regarding currency and risk hedging of the debentures refer also to note 14. As the Israeli inflation risk is diminishing, the Company moves gradually to Selling options strategy, rather than using SWAP.

Interest Rate Risk

The group's interest rate risk arises mainly from short- and long-term borrowing (as well as debentures). Borrowings issued at variable interest rate expose the Group to variability in cash flows. Borrowings issued at fixed interest rate (but are presented at their fair value) expose the Group to changes in fair value, if the interest is changing. In certain case, the Group perform IRS to minimize the exposure to interest risk. Regarding interest rate risk hedging of the debentures and bank facilities, refer to note 14.

Shareholders' equity ("Equity") management

The Company's Board of Directors' policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's Board of Directors also monitors the level of dividends to ordinary shareholders. The Company's Board of Directors' seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound Equity position.

From time to time the Group purchases its own shares on the market; the timing of these purchases depends on market prices. No purchase is made unless the expected effect will be to increase earnings per share. The purchase of shares by the Company under this authority would be effected by a purchase in the market.

It should not be confused with any share dealing facilities that may be offered to shareholders by the Company from time to time.

The Company's Board of Directors was authorized by the general meeting of the shareholders to allot equity securities (including rights to acquire equity securities) in the Company up to an aggregate nominal value of approximately €980,000, being approximately 33% of the Company's issued ordinary share capital as at 30 June 2012. Such authorization shall expire on the conclusion of the Annual General Meeting which will be held in June 2013. There were no changes in the Group's approach to capital management during the year.

Notes to the consolidated financial statements

continued

Note 32 – Financial instruments continued

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**Carrying amount December 31, 2012 €'000**	Carrying amount December 31, 2011 €'000
Cash and cash equivalents	5	**64,440**	58,261
Restricted bank deposits	6	**25,518**	21,428
Derivative and short-term deposits		**–**	3,102
Available-for-sale debt securities	7	**11,714**	25,568
Trade receivables, net	8	**4,687**	5,432
Other receivables and prepayments	9	**17,930**	13,723
Related parties	17	**1,435**	1,227
Long-term deposits and other investments		**–**	51,330
Restricted bank deposits	6	**978**	4,961
		126,702	185,032

The maximum exposure to credit risk for the abovementioned table at the reporting date by type of debtor was as follows:

	December 31, 2012 €'000	December 31, 2011 €'000
Banks and financial institutions	**102,985**	165,702
Tenants	**4,687**	5,432
Governmental and insurance institutions	**9,998**	6,125
Related parties and other	**9,032**	7,773
	126,702	185,032

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2012	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Secured bank loans, including derivatives*	**273,389**	**(326,367)**	**(18,851)**	**(31,430)**	**(68,718)**	**(109,666)**	**(97,702)**
Unsecured debentures issued*	**189,341**	**(255,706)**	**–**	**(90,688)**	**(71,098)**	**(93,920)**	**–**
Trade and other payables	**32,142**	**(33,726)**	**(2,390)**	**(10,878)**	**(1,801)**	**(18,657)**	**–**
Related parties	**511**	**(511)**	**–**	**(511)**	**–**	**–**	**–**
	495,383	**(616,310)**	**(21,241)**	**(133,507)**	**(141,617)**	**(222,243)**	**(97,072)**

December 31, 2011	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Secured bank loans	448,622	(531,082)	(102,101)	(22,716)	(70,124)	(209,431)	(126,710)
Unsecured debentures issued	252,133	(348,841)	–	(83,451)	(94,989)	(158,838)	(11,563)
Trade and other payables	68,676	(71,722)	(278)	(44,039)	(556)	(20,826)	(6,023)
Related parties	2,228	(2,228)	–	(2,228)	–	–	–
	771,659	(953,873)	(102,379)	(152,434)	(165,669)	(389,095)	(144,296)

* The Company intends to repay its 2013 financial obligations using its cash and liquid balances, its on-going income from activities, as well as forecasted disposal of some of its assets.

Currency risk

The Company's main currency risk is in respect of its NIS denominated debentures. The Company is using (as of the date of signing the statement of financial position) a non-designated selling options strategy to hedge the currency risk associated with these bonds.

The following exchange rate of EUR/NIS applied during the year:

EUR	**Average rate 2012**	Average rate 2011	**Reporting date spot rate 2012**	Reporting date spot rate 2011
NIS 1	**0.202**	0.201	**0.203**	0.203

Sensitivity analysis – changes in Exchange rates EUR-NIS in NIS denominated debentures

	Book value change -10% €'000	Book value 4.9206 €'000	Book value change 10% €'000
Debentures A	(2,812)	(28,124)	2,812
Debentures B	(14,654)	(146,539)	14,654
Total	**(17,466)**	**(174,663)**	**17,466**

Interest rate risk

Profile

As of the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount 2012 €'000	Carrying amount 2011 €'000
Fixed rate instruments		
Financial assets	**103,944**	110,474
Financial liabilities	**(168,828)**	(187,640)
	(64,884)	(77,166)
Variable rate instruments		
Financial assets	–	51,330
Financial liabilities	**(290,580)**	(513,115)
	(290,580)	(461,785)

Cash flow sensitivity analysis for variable rate instruments

A change of 30 basis points in EURIBOR interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

Variable Interest rate effect (excluding debentures)

	Profit or loss 30 bp increase €'000	Profit or loss 30 bp decrease €'000
December 31, 2012	**(303)**	**303**
December 31, 2011	(783)	783

Notes to the consolidated financial statements

continued

Note 32 – Financial instruments continued

NIS Debentures

Sensitivity analysis – effect of changes in Israeli CPI on book value of NIS debentures

	Book value change -3% €'000	Book value 111.9 €'000	Book value change 3% €'000
Debenture-A	844	(28,124)	(844)
Debenture-B	4,396	(146,539)	(4,396)
Total profit or loss	**5,240**	**(174,663)**	**(5,240)**

Sensitivity analysis – effect of changes in NIS basic Interest on book value of NIS debentures

	Book value change – decrease 100 bp €'000	Book value €'000	Book value change – increase 100 bp €'000
Debenture-A	(859)	(28,124)	827
Debenture-B	(1,666)	(146,539)	1,629
Total profit or loss	**(2,525)**	**(174,663)**	**2,456**

Fair values

Fair values versus carrying amounts

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of borrowings approximates the carrying amount (with the exception of debentures issued in Israel, which have a quoted active market), as the impact of discounting is not significant.

Refer to notes 20 and 21 in respect of comparison between fair value and amortized cost.

Fair value Hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

December 31, 2012	**Level 1 €'000**	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Available-for-sale financial assets	11,714	–	–	11,714
SWAP and IRS	–	(3,320)	–	(3,320)
Debentures at fair value through profit or loss	(116,147)	–	–	(116,147)
	(104,433)	**(3,320)**	–	**(107,753)**

Note 33 – Contingent liabilities and commitments

a. Contingent liabilities and commitments to related parties:

1. The Company and/or its subsidiaries are bound by the following agreements, with Control Centers Ltd. ("Control Centers"), a company controlled by the ultimate shareholder of EI and/or companies controlled thereby.

   On October 27, 2006, the Company entered into an agreement with Control Centers under which Control Centers will provide coordination, planning, and execution and supervision services in respect of the Group's projects (the "Agreement"). Such Agreement is substantially similar to the agreement concluded between EI and Control Centers, which was approved by the shareholders of EI on May 31, 2006 under the applicable provisions of Israeli law. The Company will receive from Control Centers (either directly or through its subsidiaries or affiliates, other than the Company and its subsidiaries) coordination, planning, execution and supervision services (the "Services") over Real Estate Projects of the Group and/or its affiliates in consideration for a fee equal to 5% of the actual execution costs of each project, plus value added tax. The agreement expired on May 31, 2011, and will not govern projects which their initiation started after May 31, 2011. At December 31, 2012 the financial statements include a net liability for engineering supervision services supplied by related parties in Control Centers Group in amount of €15,000 which relates to five projects under development in Poland, Czech Republic and India (for the total charges in 2012 and 2011 refer to note 35).

2. On October 27, 2006, the Company signed an agreement with Jet Link Ltd (a company owned by the ultimate shareholder of the Company and which owns an airplane) under which the Group and/or its affiliates may use the airplane for their operational activities up to 275 flight hours per year. The Company will pay Jet Link Ltd. in accordance with its price list, reduced by a 5% discount. The agreement expired on October 27, 2011 and was extended for an additional four-year term.

3. On October 27, 2006, the Company and Mr Mordechay Zisser, an Executive director of the Company, entered into a service agreement, pursuant to which he will be entitled to a monthly salary of US$25,000 (€19,000) which includes pension, retirement and similar benefits for his services as the Company's Executive director.

4. In October 2006, the Company and EI entered into an agreement, pursuant to which with effect from January 1, 2006 the Company will pay commissions to EI in respect of all and any outstanding corporate and first demand guarantees which have been issued by EI in favour of the Company up to 0.5% of the amount or value of the guarantee, per annum. As of the end of the reporting period the Group has no outstanding guarantees from EI and no consideration was paid in this respect.

5. On October 13, 2006, EI entered into an agreement (the "Agreement") with the Company, under which EI is obliged to offer to the Company potential real estate development sites sourced by it in India. Under the agreement, EI is obliged to offer the Company the exclusive right to develop all of the shopping center projects which EI acquires during the 15-year term of the Agreement. The Agreement was terminated upon the signing of the joint venture in India (refer to note 34), but both EI and the Company agreed that upon the termination of the Joint Venture agreement they will re-execute the Agreement.

6. On November 25, 2007, the Company entered into an indemnity agreement with all of the Company's directors and on June 20, 2011 with part of the Company's senior management – the maximum indemnification amount to be granted by the Company to the directors shall not exceed 25% of the shareholders' equity of the Company based on the shareholders' equity set forth in the Company's last consolidated financial statements prior to such payment. No consideration was paid by the Company in this respect since the agreement was signed.

Notes to the consolidated financial statements
continued

Note 33 – Contingent liabilities and commitments continued

b. Contingent liabilities and Commitments to others

1. Tesco

   The Company is liable to the buyer of its previously owned shopping center in the Czech Republic ("NOVO") – sold in June 2006 – in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping center for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for €6.9 million which was paid in advance. According to the lease agreement, the tenant has the right to terminate the lease agreement subject to fulfilment of certain conditions as stipulated in the agreement. The Company's management believes that it is not probable that this commitment will result in any material amount being paid by the Company.

2. General commitments and warranties in respect of trading property and investment property disposals.

   In the framework of the transactions for the sale of the Group's real estate assets, the Group has undertaken to indemnify the respective purchasers for any losses and costs incurred in connection with the sale transactions. The indemnifications usually include: (i) Indemnifications in respect of completeness of title on the assets and/or the shares sold (i.e that the assets and/or the shares sold are owned by the Group and are clean from any encumbrances and/or mortgage and the like). Such indemnifications generally survived indefinitely and are capped to the purchase price in each respective transaction; and (ii) Indemnifications in respect of other representation and warranties included in the sales agreements (such as: development of the project, responsibility to defects in the development project, tax matter and others). Such indemnifications are limited in time (generally 3 years from signing a closing agreement) and are generally capped to 25% to 50% of the purchase price.

   The tax authorities have challenged the applied tax treatment in two of the entities previously sold in Hungary. Currently the issue is partially being examined by the competent tax authorities. In respect of one of the former subsidiary of the Company, the tax authorities decision of reducing the tax base by HUF 427 million (€1.5 million), was challenged by one of the previously held entities, with the next hearing is scheduled for March 29, 2013. The Company management estimates that no significant costs will be borne thereby, in respect of these indemnifications.

3. Aggregate potential amount of the Group's commitments in respect of construction services totaled, as of December 31, 2012, approximately €132 million.

4. The Company is retaining a 100% holding in all its projects in Serbia after it was decided to discontinue the negotiations with a Serbian developer. The Company has an obligation to pay the developer in any case there is major progress in the projects. The total remaining potential obligation is €0.9 million.

c. Contingent liabilities due to legal proceedings

The Company's subsidiary, Fantasy Park So. Zo.o. ("Fantasy Park") is involved in several legal proceedings with Klépierre S.A subsidiaries ("Klépierre") in Poland in connection with certain terms of the lease agreements signed between the parties and certain amendments thereto which were agreed in a later stage ("Lease"). As of the date of signing these reports, a settlement agreement is in final stage of negotiation between the parties (under which Fantasy Park shall pay to Klépierre €0.5 million and shall vacate the premises) that would settle all the pending disputes, as well as any other disputes that may arise in the future in connection with the Lease. Fantasy Park recorded a provision of €1.3 million in its books in respect of outstanding debt towards Klépierre.

The Company is involved in other litigation arising in the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time (except for two minor claims due to which a provision in the total amount of €160,000 was made), the Company's management believes, that the chances these litigations will result in any outflow of resources to settle them is remote, and therefore no provision or disclosure is required.

d. Securities, guarantees and liens under bank finance agreements

1. Certain companies within the Group which are engaged in the purchase, construction or operation of shopping centers ("Project Companies") have secured their respective credit facilities (with withdrawn facility amounts totaling €250 million) awarded by financing banks (for projects in Hungary, Latvia, Czech Republic, India, Serbia and Bulgaria), by providing first or second ranking (fixed or floating) charges on property owned thereby, including right in and to real estate property as well as the financed projects, on rights pertaining to certain contracts (including lease, operation and management agreements), on rights arising from insurance policies, and the like. Shares of certain Project Companies were also pledged in favour of the financing banks. The Company also guarantees fulfilment of three of its subsidiaries obligations under loan agreements in an

aggregate amount of €53 million. The Company also guaranteed fulfilment of other transaction entered into by three of its subsidiary for a total aggregate amount of €0.8 million. Shareholders loans as well as any other rights and/or interests of shareholders in and to the Project Companies were subordinated to the respective credit facilities. Payment is permitted to the shareholders (including the distribution of dividends but excluding management fees) subject to fulfilling certain preconditions.

Certain loan agreements include an undertaking to fulfil certain financial and operational covenants throughout the duration of the credit, namely: complying with "a minimum debt services cover ratio", "loan outstanding amount" to secured assets value ratio; complying with certain restrictions on interest rates; maintaining certain cash balances for current operations; maintaining equity to project cost ratio and net profit to current bank's debt; occupancy percentage and others.

All of the companies are in compliance with the entire loan covenants with the exception of covenants breach in respect of four of the secured loans granted. The Company has waiver in place in respect of two of the secured bank facilities, and is in negotiations to secure waiver or agreement in respect of the remaining two facilities.

The Project Companies undertook not to make any disposition in and to the secured assets, not to sell, transfer or lease any substantial part of their assets without the prior consent of the financing bank. In certain events the Project Companies undertook not to allow, without the prior consent of the financing bank: (i) any changes in and to the holding structure of the Project Companies nor to allow for any change in their incorporation documents; (ii) execution of any significant activities, including issuance of shares, related party transactions and significant transactions not in the ordinary course of business; (iii) certain changes to the scope of the project; (iv) the assumption of certain liabilities by the Project Companies in favour of third parties; (v) receipt of loans by the Project Companies and/or the provision thereby of a guarantee to third parties; and the like.

A company within the Group which is engaged in the debenture buyback program (refer to note 21 and 34 (G)) has secured its credit facility awarded by the financing bank in a total amount of €17.3 million, as of December 31, 2012, by providing the first ranking charges on the debentures owned thereby.

2. Commitment in respect of derivative transaction

Within the framework of cross currency SWAP transactions, selling call and put options and regular swaps (refer to note 14), executed between the Company and commercial banks (the "Banks") , the Company agreed to provide the Banks with a cash collateral deposits which will be calculated in accordance with a specific mechanism provided in each swap transaction agreement and call and put options.

Accordingly, as of the end of the reporting period, the Company has pledged, a security deposit in the amount of €2 million and €1 million in respect of SWAP transactions and IRS, respectively. In respect of the Suwałki IRS the project companies company also established a bail mortgage up to €4 million encumbering the real estate project. In respect of Toruń IRS the project companies company also established a bail mortgage up to €5.4 million encumbering the real estate project.

3. Commitment in respect of Bonds raised in Poland

Under the offering memorandum for the issuance of Polish bonds, certain circumstances shall be deemed events of default giving the Bondholders the right to demand Early Redemption, which includes among others the following covenants:

a) Breach of the Cash Position as a result of the payment of dividend or the shares buy-back program – if at any time during a period of 90 days from the payment of dividend, or the acquisition of its own shares, the Cash Position falls below €50 million;

b) Breach of financial ratios –occurs if the Net Capitalization Ratio exceeds 70%; Net Capitalization Ratio ("the Ratio") is the Net Debt divided by the Equity plus the Net Debt, as calculated by the Group's auditor; "Net Debt" mean the Group's total debt under: loans and borrowings, lease agreements, bonds, other debt securities and other interest bearing or discounted financial instruments in issue, less related hedge derivatives, cash and cash equivalents, short and long-term interest bearing deposits with banks or other financial institutions, available-for-sale marketable securities and restricted cash, calculated based on the Consolidated Financial Statements. As at the statement of financial position date the Ratio was 44%.

c) Failure to repay material debt – the company fails to repay any matured and undisputable debt in the amount of at least €100 million within 30 days of its maturity.

Notes to the consolidated financial statements

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Note 34 – Significant acquisitions and events

a. Transaction during 2011 in the United States

Background

As of June 2010, the Company, EI, Eastgate Property LLC and Menora Mivtachim Insurance Ltd. ("Menora"), had signed a joint agreement for capital commitments to be invested in EPN GP LLC ("EPN GP"). The Company's indirect interests in EPN GP were 21.65%.

On June 18, 2010 EPN GP acquired 47.8% of the unit holdings in Macquarie DDR Trust ("EDT" or "the Trust") for a total consideration of US$116 million (€94 million). EDT held 48 retail shopping centers across several states in the US. In addition, EPN GP acquired a 50% interest in the entity which is the owner of the Responsible Entity of the Trust for approximately US$3 million.

2011 Events

EPN EDT Holdings II, LLC ("EPN EDT II") was formed in 2011 to acquire the remaining shares of EDT. In March 2011, EPN EDT II made an off-market takeover bid to acquire the outstanding units of EDT for A$0.078 per share, which was subsequently raised to A$0.09 per share in May 2011.

Through a series of both on-market and off-market share acquisitions, concluded in August 2011, EPN EDT II acquired the remaining 52.2% units of EDT for US$241 million (€169 million).

In the fourth quarter of 2011 EDT was delisted from the ASX and assigned all its investment to EPN GP and EPN EDT II. EPN GP, EPN EDT II and their subsidiaries are collectively referred to as EPN Group for purposes of these financial statements.

As a result of the above, EPN Group recorded a negative capital reserve in the total amount of US$119 million (€84 million), out of which the Company's share totaled US$27 million (€19 million) presented in the consolidated statement of changes in equity for 2011.

Since the Group's actual investment in EPN Group was not in accordance with its holdings in EPN GP prior to such investment (21.65%), the Group's share in EPN Group following the US$57 million (€40 million) 2011 investment was increased to 22.69%.

EPN Group's real estate investments were located in the United States and were held indirectly through two United States domiciled entities, EDT US Trust Inc. (REIT I) and EDT US Trust II Inc. (REIT II).

Both REIT I and REIT II were qualified as Real Estate Investment Trusts ("REIT") for United States income tax purposes, however, REIT status was terminated for both entities effective January 1, 2011 due to EPN Group's acquisition in 2011. REIT I and REIT II in turn hold their interests via three United States limited liability companies.

b. Transaction during 2012 in the United States

On January 10, 2012 EDT, a wholly owned subsidiary of EPN Group, the Company's joint US subsidiary (held indirectly 22.69% by the Company), reached an agreement, subject to the satisfaction of certain closing conditions, to sell 47 of its 49 US-based shopping centers in a deal totaling US$1.428 billion (€1.13 billion). The closing of this transaction occurred on June 20, 2012.

The centers, located across 20 US states, were acquired by BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate Advisors VII L.P. ("Blackstone Real Estate") and DDR. Of the transaction value of US$1.428 billion, a total of US$934 million (€736 million) was paid by way of assumption of the property level debt or repaid by EPN Group. In addition, all excess cash within EDT, which was circa US$30 million (€24 million), was retained by the vendor.

Following the sale of the 47 properties, EPN Group continues to hold two properties located in the United States that are valued at approximately US$42 million (€33 million) with total non-recourse secured debt of approximately US$13 million (€11 million). In July 2012, EPN Group sold its two remaining assets in the US for a total aggregate asset value of US$42 million (€33 million). Non-recourse secured debt of approximately US$13 million (€11 million) was also assumed in the abovementioned transactions. As the Company indirectly holds 22.69% of these US assets, the Company share in the net proceeds totaled €5 million, with no realized gain or loss resulting. The below table is a summary of the 2012 result transaction of selling the 47 properties:

	€'000[1]
Company's part in transaction costs	(9,339)
Foreign currency translation reserve reclassified to income statement	9,730
Realized gain on sale of investment properties	391

Refer to note 12 for Investment property movements in the period.

c. Restructuring of partnership agreements in Bangalore and Chennai, India

Bangalore

In March 2008, Elbit Plaza India Real Estate Holdings Ltd. ("EPI"), a 47.5% joint venture company with EI entered into an amended and reinstated share subscription and framework agreement (the "Amended Framework Agreement"), with a local third party (the "Partner") and a wholly owned Indian subsidiary of EPI ("SPV"), to acquire, through the SPV, up to 440 acres of land in Bangalore, India (the "Project Land") in certain phases as set forth in the said agreement. As of December 31, 2012, the Partner has surrendered land transfer deeds in favor of the SPA to a trustee nominated by the parties for approximately 54 acres for a total aggregate consideration of approximately INR 2,843 million (€40 million), and upon the actual transfer of the title, the Partner will be entitled to receive 50% of the shareholdings in the SPV. The abovementioned amounts are presented in the statement of financial position as of December 31, 2012 and 2011 as trading property.

In addition, the SPV has paid to the Partner advances of approximately INR 2,536 million (€35 million) on account of future acquisitions by the SPV of a further 51.6 acres. Such amount is presented in the statement of financial position as of December 31, 2012 and 2011 as advances for plot purchases within other receivables and prepayments (refer to note 9).

On July 22, 2010, EPI, the SPV and the Partner entered into a new framework agreement which has not yet come into force (the "New Framework Agreement"). The New Framework Agreement provides that in case it does not eventually come into full force and effect, the terms of the Amended Framework Agreement will govern, according to which the Group's additional investments in the Project Land may reach up to INR 10,500 million (NIS 753 million). Nonetheless, although certain conditions precedent under the New Framework Agreement has not been met, EPI, the SPV and the Partner are actually pursuing the project in accordance with the New Framework Agreement.

The New Framework Agreement established new commercial understandings between the parties thereto, pertaining, inter alia, to the joint development of the Project Land and its magnitude and financing, the commercial relationships and working methods between the parties and the distribution mechanism of the revenues from the Project Land. In accordance with the New Framework Agreement, the following commercial terms have been, inter alia, 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 in Phase I to approximately 165 acres instead of the original 440 acres.
- The Partner undertakes to complete the acquisitions of the additional land and/or the development rights therein in order to obtain the ownership and/or the development rights over all 165 acres.
- Neither EPI nor the SPV will be required to pay any additional amounts in respect of the land acquisitions or with respect to the Project Land and its development.
- The project will be re-designed as an exclusive residential project.
- The project will be executed jointly by the Partner and the SPV. The Partner (or any of its affiliates) will also serve as the general contractor and marketing manager of the project. Under the New Framework Agreement, the Partner is also committed to a maximum sale prices, minimum construction costs threshold and a detailed timeline and budget with respect to the development of the project.

Under the New Framework Agreement, EPI will receive distributions (following a certain 3+6 months reserve mechanism to enable the Partner to utilize a portion of the proceeds for construction costs and expenses) of approximately 70% of the net proceeds from the project (including the proceeds from any sale by the Partner or any transaction with respect to the original land which does not form part of the said 165 acres),until such time that EPI's investment in the amount of INR 5,780 million (approximately €80 million) ("EPI's Investment") plus an Internal Return Rate of 20% per annum calculated from September 30, 2009 ("IRR") is paid to the SPV 9 on behalf of EPI) (the "Discharge Date").

Notes to the consolidated financial statements

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Note 34 – Significant acquisitions and events continued

c. Restructuring of partnership agreements in Bangalore and Chennai, India continued

Following the Discharge Date, EPI will not be entitled to receive any additional profits from the project and it will transfer to the Partner the entire shareholdings in the SPV for no consideration. In addition, the Partner 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's investment plus an IRR of 20% per annum calculated on the relevant date of acquisition.

The New Framework Agreement will enter into effect upon execution of certain ancillary agreements described therein as well as satisfaction of certain other conditions; however, EPI, the SPV and the Partner are actually pursuing the project in accordance with the New Framework Agreement.

In January 2011, the Partner has submitted the development plans pertaining to approximately 49 plus 35 acres included in the scope of the new project of 165 acres to the local planning authority, the Bangalore Development Authority ("BDA"). In October 2011, the BDA had notified the Partner that the development plans cannot be considered due to a future eminent domain plan. In January 2012, the Partner applied to the State High Court, requesting to issue a court order directing the BDA to consider the development plans. In March 2012, the court awarded a judgment pertaining to approximately 49 acres, ordering the BDA to consider the development plans related to the said 49 acres ("Development Plan"), while ignoring any future eminent domain plan that may be considered by the state authorities. In December 2012, the BDA decided to submit the Development Plan pertaining to the aforementioned 49 acres to the Sensitive Zone Sub-Committee of the BDA and in January 2013, the Sensitive Zone Sub-Committee of the BDA granted its approval to the aforementioned Development Plan. As of the date hereof, the Group awaits the court's judgment with respect to the additional 35 acres.

Chennai

In December 2007 EPI, executed agreements for the establishment of a special purpose vehicle ("Chennai Project SPV") together with one of the leading real estate developers in Chennai (in this section, the "Local Partner"). Subject to the fulfillment of certain conditions, the Chennai Project SPV undertook to acquire the ownership and development rights in and up to 135 acres of land situated in the Sipcot Hi-Tech Park in the Siruseri District of Chennai, India. Under these agreements, EPI is to hold 80% of the equity and voting rights in the Chennai Project SPV, while the Local Partner will retain the remaining 20%. Under the agreement, EPI's investment in the Chennai Project SPV will be a combination of investment in shares and compulsory convertible debentures. Due to changes in market conditions, EPI and the Chennai Project SPV later decided to limit the extent of the project to 83.4 acres.

As at the date of these financial statements, the Project SPV has completed the purchase of approximately 75 acres out of the total 83.4 acres for consideration of approximately INR 2,367 million (approximately €33 million). An additional amount of INR 564 million (approximately €8 million) was paid in advance in order to secure the acquisition of an additional 8.4 acres.

A shareholders' agreement in respect of the management of the Chennai Project SPV provides for a five member Board of Directors, four of whom are appointed by EPI. The shareholders agreement also includes certain pre-emptive rights and restrictions on transferring securities in the Chennai Project SPV. Profit distributions declared by the Chennai Project SPV will be distributed in accordance with the shareholders' proportionate shareholdings in that company, subject to EPI's entitlement to receive certain preferential payments out of the Chennai Project SPV's cash flow on the terms specified in the agreements. The consummation of the agreements will be accomplished in stages, and is subject to the fulfillment of certain regulatory requirements, as well as to our satisfactory due diligence investigations, in respect of each stage. However, EPI is currently negotiating certain changes in the project's implementation plan and holding structure, which would require changes also in the respective agreements. Among other things, should those changes be accepted, EPI shall not be required to advance more financing to the project in addition to the amounts mentioned above and shall hold all the issued and outstanding share capital of the SPV. In furtherance of the foregoing, EPI is currently operating to secure a joint development agreement with local developer(s) for the development of the project land, in accordance with the aforementioned guidelines.

d. Changes in global markets

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

During 2012, the Company completed the construction of three developments in Kragujevac, Serbia, Koregaon Park and Phase I of Kharadi in Pune, India. In addition, the Company works to secure permitting for projects of Lódź Plaza, Poland and Sports Star Plaza in Belgrade, Serbia. The remainder of the Company's development pipeline projects is either in the design phase or waiting for permits. Commencement of these projects will depend, amongst other things, on the availability of external project financing.

e. Hedging and settlement of hedging transactions performed in the course of 2012

For the abovementioned hedging and settlement refer to note 14.

f. 2012 impairments

For the impairments refer to note 10.

g. Bond Buyback program

On May 23, 2011, the Company's Board of Directors approved a buyback program of up to NIS 150 million (approximately €30.2 million) of its Series A and Series B Debentures, which are traded on the Tel-Aviv Stock Exchange ("the Bonds"). Following the completion of the abovementioned program in November 2011, the Company's Board of Directors approved another buyback program on December 23, 2011 of up to NIS 150 million (approximately €30.3 million) of the abovementioned bond Series. On November 20, 2012, the Board approved the extension of the Company's second bond buyback program of the Bonds to be concluded by December 31, 2014 with a maximum amount to be purchased of up to NIS 600 million increased from NIS 150 million.

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

During the 12-month period ended December 31, 2012 the Company has purchased a total of NIS 103 million par value of debentures (with adjusted value of NIS 121 million), for a total consideration of NIS 95 million (approximately €19 million), and recorded a gain of approximately €4.3 million. Out of the abovementioned purchase amount, NIS 3 million par value were bought by the Company itself, hence delisted from further trading in the market.

As of the date of the statement of financial position, the Company held (through its wholly own subsidiary) a total of NIS 181 million par value of its own bonds (NIS 74 million Par value of bonds series A and NIS 107 million Par value of bonds series B) with an adjusted par value of NIS 211 million (€43 million). For the bank facility taken in respect of purchase of bonds refer to note 33(d).

h. 2011 Dividend paid to shareholders

In September 2011, the Board of Directors of the Company approved an interim cash dividend payment of €30 million to be paid to shareholders. The dividend per share was €0.1010. The interim cash dividend payment was made on September 23, 2011 to all shareholders on the Company's register on September 23, 2011 (the record date). The ex-dividend date was September 21, 2011. In accordance with local Dutch tax regulations, a tax of 15% was withheld and paid in the Netherlands, on behalf of each holder, except for holders for which an exemption is applied.

i. Bondholders agreement

On September 23, 2011, the Company has reached an agreement with holders of the Company's Series A and B Bonds (the "Bondholders") with regards to its dividend distributions in the years 2012-2013, should any be declared.

The agreement, which was approved by the vast majority of Bondholders, places certain covenants and conditions on dividend payments by the Company during 2012-2013, in light of the ongoing challenging global economy. A summary of the major terms in the agreement is as follows:

- The total dividend will be capped at €30 million per annum for each of the years 2012 and 2013.
- Distribution of dividends will be made only from the net cash flows derived from the realization of assets and will be capped at 50% of net cash flows received.
- Should a dividend be paid while the average market yield of the Company's series A and B bonds exceeds a certain threshold, the Company shall retain, for a period of 12 months following the dividend payment, a sum of not less than €70 million in reserve accounts, of which a sum equal to the dividend payment can be used solely for the repurchase of bonds and / or making principal and interest payments to bondholders.

Notes to the consolidated financial statements

continued

Note 34 – Significant acquisitions and events continued

i. Bondholders agreement continued

- Should a dividend be paid while the average market yield of the Company's series A and B bonds is below a certain threshold, the Company shall be entitled to distribute dividends of up to €50 million per annum. Should this occur, the sum of the dividend which exceeded €30 million will be held in a reserve account, to be used solely for the repurchase of bonds and/or making principal and interest payments to bondholders.

j. Dividend distribution by EDT

In September 2011, EDT distributed an interim dividend payment to its unitholders of USD 26 million (approximately €18.8 million). Of this, Elbit Plaza USA LP, a jointly controlled entity of the Company and Elbit, has received a total distribution amount of US$11.8 million (approximately €8.6 million), of which the Company received half, reflecting its 50% share.

k. Opening of shopping centers in 2011 and 2012

On November 14, 2011, the Company completed and opened to the public Toruń Plaza in Poland, its 31st shopping center in Central and Eastern Europe ("CEE") and its tenth in Poland. Toruń Plaza comprises 40,000 sqm of Gross Lettable Area ("GLA") spread over two floors with approximately 1,100 parking spaces.

On March 20, 2012, the Company completed and opened to the public Kragujevac Plaza in Serbia, its 32nd shopping center in CEE and its first shopping center in Serbia. It comprises 22,000 sqm of Gross Lettable Area ("GLA") spread over two floors with approximately 700 parking spaces.

In March 2012, the Company conducted a soft opening to the Koregaon Park Plaza in Pune, India, its 33rd shopping center overall and its first shopping center in India. The shopping center comprises 48,000 sqm of Gross Built Area ("GBA") spread over two floors.

l. Allotment of shares in EPI to VC

On January 17, 2008, EI's shareholders approved an agreement with the VC according to which EI has undertaken to allot the VC 5% of the aggregate issued and outstanding share capital in the Company's jointly controlled subsidiary with EI (refer to note 37), Elbit Plaza India Real Estate Holdings Limited ("EPI").

The allotment has been performed in 2011 and as of the end of the reporting period, VC holds 5% of the shares of EPI, while each of the Company and EI hold 47.5% of the shares of EPI. The VC shares in EPI shall not be entitled to receive any distributions from EPI (including, but not limited to, payment of dividends, interest, other expenses and principal repayments of shareholder loans, management fees or other payments made to the VC and any loans provided by the EPI to the VC) until the Group's investments (principal and interest calculated in accordance with a mechanism provided for in the agreement) in EPI have been repaid in full. The agreement includes, inter alia, "tag along" and "drag along" rights.

m. Fire in the Company's shopping center in India

In June 2012, a fire event occurred at the Company's shopping center in Pune, India. The fire required a temporary close-down of the shopping center, but did not consume the entire shopping center.

The Company maintains comprehensive general liability and property insurance, including business interruption insurance, with loss limits that the Company believes will provide substantial and broad coverage for the currently foreseeable losses arising from this event.

As at June 30, 2012, the Company recorded an impairment of €9.7 million of its trading property asset, and recorded a receivable in the same amount as asset from the insurance company.

Subsequently, as of December 31, 2012, the Company impaired the amount of the receivable, based on the insurance company's valuator report (and hence it is virtually certain that the Company would be reimbursed by the insurance company), in the amount of €7.6. The insurance company asset is included in other receivables. The impairment in the amount of €1.9 million is presented as part of Write-down of Trading properties in 2012 income statement.

n. Disposal of trading property plots in Bulgaria and Hungary

In July 2012, the Company sold its stake (51%) in a plot of land located in Sofia, Bulgaria for a total net consideration of €0.1 million. In addition, certain bank loans and other liabilities in a total amount of €13 million were assumed by the buyer and is not included in the Company's consolidated financial statements starting the third quarter of 2012. No gain or loss was recorded as a result of this transaction.

In October 2012, the Company, through its jointly held subsidiary in Hungary, disposed of a plot of land adjacent to its Dream Island property plot in Budapest Hungary. As part of the transaction, a loan in the amount of €5.9 (Company part) was assigned to the buyer, and the plot in a total book value of €4.5 million was disposed of. The Company recorded as a result of this transaction a gain of €1.4 million, included as part of other income in 2012 income statement.

o. Sale of financial instruments

In June 2012, the Company sold two financial instruments ("Structures") for a total consideration of €50.7 million. The Company used the proceeds to repay a loan granted from issuer of the Structures in a total amount of €36.2 million, and the net proceeds totaled €14.5 million. A loss of €30,000 was recorded as a result of this transaction in 2012 income statement.

Note 35 – Related party transactions

Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below and in note 34.

The Company has six directors. The annual remuneration of the directors in 2012 amounted to €0.9 million (2011: €1.1 million) and the annual share-based compensation expenses amounted to €0.5 million (2011: €1.5 million). There was no change in the number of Company options granted to key personnel in 2012. In respect of share-based plan in the US, refer to note 25. There are no other benefits granted to directors. Information about related party balances as of December 31, 2012 and 2011 refer to note 17.

Trading transactions

During the year, group entities had the following trading transactions with related parties that are not members of the Group:

	For the year ended December 31, 2012 €'000	For the year ended December 31, 2011 €'000
Income		
Interest on balances with EI	**213**	215
Costs and expenses		
Recharges – EI and EUL	**548**	494
Executive director[1]	**240**	238
Aviation services – Jet Link[2]	**61**	522
Project management provision and charges – Control Centers group[2]	**1,381**	3,521

1 The Executive director, who is also the controlling shareholder of the ultimate parent company, is receiving an annual salary of US$300,000.

2 Jet Link Ltd. and Control Centers (refer to note 33 a(1) and a(2)) are companies owned by the ultimate shareholder of the Company. Control Centers group costs are capitalized to the relevant trading property.

Notes to the consolidated financial statements

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Note 36 – Operating segments

The Group comprises the following main reportable geographical segments: CEE, India and the US (starting June 30, 2010). The US segment was discontinued with effect of December 31, 2012. 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.

Year ended December 31, 2012	Central Eastern Europe €'000	India €'000	Sub-total €'000	US (Discontinued) €'000	Total €'000
Revenues	34,034	7,559	41,593	13,907	55,500
Operating profit (loss) by segment[1]	(58,425)	(10,610)	(69,035)	4,474	(64,561)
Financial expenses, net	(9,807)	(2,876)	(12,683)	(5,161)	(17,844)
Other income (costs)	2,750	–	2,750	(2,254)	496
Tax benefit from discontinued operation	–	–	–	600	600
Gain from sell of discontinued operation, net of tax	–	–	–	391	391
Reportable segment loss before tax	(65,482)	(13,486)	(78,968)	(1,950)	(80,918)
Share in losses of associates, net					(68)
Less – unallocated general and administrative expenses					(5,438)
Minus – unallocated finance expense					(3,857)
Other expense, net					(1,109)
Loss before income taxes					(91,390)
Tax benefit					5,463
Loss for the year					(85,927)
Total segment assets	661,953	194,028	855,981	–	855,981
Unallocated assets					102,024
Total assets					958,005
Segment liabilities	266,892	42,376	309,268	–	309,268
Unallocated liabilities					199,591
Total liabilities					508,859

1 Central Eastern Europe – including €68.1 million impairment of trading properties. India – include €10.7 million impairment of trading property

Year ended December 31, 2011	Central Eastern Europe €'000	India €'000	Sub-total €'000	US (Discontinued) €'000	Total €'000
Revenues[1,3]	23,462	–	23,462	25,528	48,990
Operating profit (loss) by segment[2]	(47,996)	(2,986)	(50,982)	13,899	(37,083)
Financial income (expenses), net	(8,149)	167	(7,982)	(8,641)	(16,623)
Other income (expenses)[3,4]	(195)	–	(195)	9,803	9,608
Tax expenses from discontinued operation[5]	–	–	–	(2,276)	(2,276)
Reportable segment profit (loss) before tax	(56,340)	(2,819)	(59,159)	12,785	(46,374)
Share in losses of associates, net	(153)	–	(153)	–	(153)
Less – unallocated general and administrative expenses			(7,248)	–	(7,248)
Plus – unallocated finance income			81,969	–	81,969
Other expense, net[3,4]			(1,420)	–	(1,420)
Profit before income taxes			13,989	12,785	26,774
Tax expense[5]			(12,910)	–	(12,910)
Profit for the year			1,079	12,785	13,864
Total segment assets	716,983	198,751	915,734	269,412	1,185,146
Unallocated assets			163,380	–	163,380
Total assets			1,079,114	269,412	1,348,526
Segment liabilities	258,257	40,499	298,756	171,550	470,306
Unallocated liabilities			328,058	–	328,058
Total liabilities			626,814	171,550	798,364

1 US – including Investment property revaluation of €8.3 million. Central Eastern Europe – including Investment property devaluation of €0.2 million.
2 Central Eastern Europe – including €48 million impairment of trading properties.
3 US – €8.3 million were reclassified from revenues to other income due to revaluation of Investment property in the US. CEE – €0.2 million expenses were reclassified from revenues to other income due to revaluation of Investment property in the Czech Republic.
4 US – €1.5 million were reclassified from other expense, net.
5 US – €2.3 million were reclassified from tax expense for reconciliation purposes.

Notes to the consolidated financial statements

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Note 37 – Discontinued operation

Following the disposal of US assets (refer to note 34(B)) the Company discontinued its US activity.

	2012 €'000	2011 €'000
Results for discontinued operation		
Revenues	**13,907**	25,528
Expenses[1]	**(16,848)**	(10,467)
Results from operating activity	**(2,941)**	15,061
Tax benefit (expense)	**600**	(2,276)
Results from operating activities, net of tax	**(2,341)**	12,785
Gain on sale of discontinued operation	**391**	–
Profit (loss) for the year from discontinued operation	**(1,950)**	12,785
Earnings per share		
Basic and diluted earnings (loss) per share (in EURO)	**(0.01)**	0.04

1 Including reduction in value of investment property in the amount of €2,254,000.

Below is the information on allocation of profit between owner of the Company and non-controlling interests:

	2012 €'000	2011 €'000
Profit (loss) for the year from continuing operations	**(83,977)**	1,079
Attributable to owners of the Company	**(84,119)**	1,167
Attributable to non-controlling interests	**142**	(88)

	2012 €'000	2011 €'000
Profit (loss) for the year from discontinued operations	**(1,950)**	12,785
Attributable to owners of the Company	**(2,044)**	8,179
Attributable to non-controlling interests	**94**	4,606

Cash flow from (used in) discontinued operation

	2012 €'000	2011 €'000
Net cash from operating activities	**12,106**	5,511
Net cash from (used in) investing activities	**125,774**	(3,642)
Net cash used in financing activities	**(51,768)**	(40,370)
Effect of exchange rate fluctuations on cash held	**(88)**	(59)
Net cash flow for the year	**86,024**	(38,560)

Effect of disposal on the financial position of the group

	2012 €'000
Investment property	**263,047**
Interest bearing loan from banks	**(161,560)**
Trade and other payables	**(14,064)**
Net cash inflow from US transaction	**87,423**

Reclassification in statement of comprehensive income due to discontinued operation.

Following the discontinuing of US operation, an amount of €4.5 million of foreign currency translation reserve fund was reclassified accordingly in the statement of comprehensive income, due to 2011. In 2012 the movement is attributable to creation of translation reserve (€2.8 million), as well as exercise of translation reserve into the income statement (€9.7 million).

Note 38 – Events after the reporting period

a Derivative activity in 2013

Refer to note 14(7) in respect of 2013 option on currency activity. In respect of settlement of EUR/PLN cross currency IRS, refer to note 14 (2).

b. Credit rating update

Refer to note 20 in respect of update on the credit rating of NIS denominated bonds in 2013.

Note 39 – Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements and application of accounting standards often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Following are the accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

a. Impairment of Trading Properties analysis

Trading Properties are measured at the lower of cost and net realizable value. In situations where excess Trading Property balances are identified, estimates of net realizable values for the excess amounts are made.

Management is responsible for determining the net realizable value of the Group's Trading Properties. In determining net realizable value of the vast majority of Trading Properties, management utilizes the services of an independent third party recognized as a specialist in valuation of properties. The independent valuation service utilizes market prices of same or similar properties whenever such prices are available. Where necessary, the independent third party valuation service uses models employing techniques such as discounted cash flow analyses. The assumptions used in these models typically include assumptions for rental levels, residential units sale prices, cost to complete the project, developers profit on costs, financing costs and capitalization yields, utilizing observable market data, where available. On an annual basis, the Company reviews the valuation methodologies utilized by the independent third party valuer service for each property. At December 31, 2012, the vast majority of the properties were valued by the independent third party valuation service. Management made adjustments to the values received to reflect the net realizable value by neutralizing the developers profit on costs from the valuations.

Determining net realizable value is inherently subjective as it requires estimates of future events and takes into account special assumptions in the valuations, many of which are difficult to predict. Actual results could be significantly different than the Company's estimates and could have a material effect on the Company's financial results. This evaluation becomes increasingly difficult as it relates to estimates and assumptions for projects in the preliminary stage of development in addition to current economic uncertainty and the lack of transactions in the real estate market in the CEE and India for same or similar properties.

Trading Properties accumulated write-downs from cost as of December 31, 2012, amounted to €165 million or 17% of gross Trading Properties balance.

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Note 39 – Critical accounting judgments and key sources of estimation uncertainty continued

a. Impairment of Trading Properties analysis continued
Significant estimates

Significant estimated (on the basis of weighted averages) used in the valuations as of December 31, 2012 and 2011 are presented below:

	Retail		Offices	
	2012	2011	**2012**	2011
Estimated rental value per sqm per month (in EUR)*				
Romania	**6-24**	10-30	**10.5**	11
Czech Republic	**N/A**	10-15	**N/A**	13
Serbia	**16-34**	10-24	**14**	14
Latvia	**N/A**	16	**N/A**	N/A
Poland	**8-18**	9-20	**N/A**	N/A
Greece	**27**	27	**N/A**	N/A
Hungary	**15**	8-25	**11-11.75**	11.75
Bulgaria	**N/A**	N/A	**N/A**	N/A
Average risk adjusted yield used in capitalization				
Romania	**8.00%-9.75%**	8.00%-8.75%	**8.50%**	8.50%
Czech Republic	**8.35%-8.66%**	7.25%	**N/A**	7.25%
Serbia	**9.00%-9.75%**	9.00%-9.75%	**9.25%**	9.25%
Latvia	**8.75%**	8.40%	**N/A**	N/A
Poland	**7. 5%-8.50%**	7.25%-8.00%	**N/A**	N/A
Greece	**8. 5%**	8.25%	**N/A**	N/A
Hungary	**7.5%-9%**	8.25%-8.75%	**8.50%**	8.50%
Bulgaria	**N/A**	N/A	**N/A**	N/A
Estimated rental value per sqm per month (in USD)*				
India	**6-24**	10-29	**N/A**	N/A
Average risk adjusted yield used in capitalizing the net				
India	**12%**	11%	**N/A**	N/A

* Rental value per sqm spread due to various geographic locations in the countries (e.g provincial area comparing to capital cities).

b. Potential penalties, guarantees issued
Penalties are part of the on-going construction activities, and result from obligations the Group takes on towards third parties, such as banks and municipalities. The Company's management is required to provide estimations about risks evolving from potential guarantees given by the Company or penalties that the Company might have to pay.

c. Expired building permits
The process of construction is generally long, and subject to authorization from local authorities. It may occur that building permits will expire and will cause the Company additional preparations and costs, and can cause construction to be delayed or abandoned.

d. Valuation of share-based payments arrangements
The Company measures the fair value of share-based payments using a valuation technique. The valuation is relying on assumptions and estimations of key parameters such as volatility, which are changing, as market conditions change (refer to note 25). The risk is that the estimated costs related to share-based payments might not be correct eventually.

Note 40 – List of Group entities

During the period starting January 1, 2012, the Company owned the following companies (all subsidiaries were 100% owned by the Group at the end of each reporting period presented unless otherwise indicated):

Hungary	Activity	Remarks
Directly wholly owned		
Plaza Centers Establishment B.V.	Inactive	
Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft.	Holder of land usage rights	100% held by Plaza Centers Establishment B.V. Arena Plaza Extension project
Plaza House Ingatlanfejlesztési Kft.	Office building	David House project
HOM Ingatlanfejlesztési és Vezetési Kft.	Management company	
Szeged 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	
Szombathely 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	
Tatabánya Plaza Ingatlanfejlesztési Kft.	Inactive	
Indirectly or jointly owned		
Plasi Invest 2007 Ingatlanforgalmazó Kft.	Holding company	70% held by Plaza Centers N.V.
SBI Hungary Ingatlanforgalmazó és Építő Kft.	Shopping center	50% held by Plasi Invest 2007 Ingatlanforgalmazó Kft. 50% held by Israeli based partner Új Udvar project
Ercorner Gazdasági Szolgáltató Kft.	Holding company	50% held by Plaza Centers N.V. 50% held by Hungarian commercial bank
Álom Sziget 2004 Ingatlanfejlesztő Kft.	Mixed-used project	87% held by Ercorner Gazdasági Szolgáltató Kft. Dream Island project
DI Gaming Holding Ltd.	Holding company	87% held by Ercorner Gazdasági Szolgáltató Kft.
Álom Sziget Entertainment Zrt.	Holding company	49.99% held by DI Gaming Holding Ltd.
Álom Sziget Hungary Kaszinójáték Kft.	Holding company	100% held by Álom Sziget Entertainment Zrt.

Slovakia	Activity	Remarks
Directly wholly owned		
Plaza Centers Slovak Republic S.R.O.	Inactive	

Poland	Activity	Remarks
Directly wholly owned		
Kielce Plaza Sp.z.o.o.	Shopping center project	Kielce Plaza project
Leszno Plaza Sp.z.o.o.	Owns plot of land	Leszno Plaza project
Łódź Centrum Plaza Sp.z.o.o.	Owns plot of land	Łódź (Residential) project
Olsztyn Plaza Sp.z.o.o.	Owns plot of land	Bialysztok Plaza project
Płock Plaza Sp.z.o.o.	Owns plot of land	Radom Plaza project
Włocławek Plaza Sp.z.o.o.	Mixed-used project	Łódź Plaza project
O2 Fitness Club Sp.z.o.o.	Entertainment	
Plaza Centers Polish Operations B.V.	Holding company	
EDMC Sp.z.o.o.	Management company	
Plaza Centers (Poland) Sp.z.o.o.	Management company	
Plaza Centers (Poland) Sp.z.o.o. Hungary Branch	Finance activity	100% held by Plaza Centers (Poland) Sp.z.o.o.
Hokus Pokus Rozrywka Sp.z.o.o.	Inactive	50% held by Plaza Centers N.V. 50% held by P.L.A.Z.A B.V.

Notes to the consolidated financial statements
continued

Note 40 – List of Group entities continued

Poland (continued)	Activity	Remarks
Bytom Plaza Sp.z.o.o.	Inactive	
Bielsko-Biała Plaza Sp.z.o.o.	Inactive	
Bydgoszcz Plaza Sp.z.o.o.	Inactive	
Chorzów Plaza Sp.z.o.o.	Inactive	
Gdańsk Centrum Plaza Sp.z.o.o.	Inactive	
Gliwice Plaza Sp.z.o.o.	Inactive	
Gorzów Wielkopolski Plaza Sp.z.o.o.	Inactive	
Grudziądz Plaza Sp.z.o.o.	Inactive	
Jelenia Góra Plaza Sp.z.o.o.	Inactive	
Katowice Plaza Sp.z.o.o.	Inactive	
Legnica Plaza Sp.z.o.o.	Inactive	
Opole Plaza Sp.z.o.o.	Inactive	
Radom Plaza Sp.z.o.o.	Inactive	
Rzeszów Plaza Sp.z.o.o.	Inactive	
Szczecin Plaza Sp.z.o.o.	Inactive	
Tarnów Plaza Sp.z.o.o.	Inactive	
Tychy Plaza Sp.z.o.o.	Inactive	
Indirectly or jointly owned		
Suwałki Plaza Sp.z.o.o.	Active shopping center	100% held by Plaza Centers Polish Operations B.V. Suwałki Plaza project
Toruń Plaza Sp.z.o.o.	Active shopping center	100% held by Plaza Centers Polish Operations B.V. Toruń Plaza project
Zgorzelec Plaza Sp.z.o.o.	Active shopping center	100% held by Plaza Centers Polish Operations B.V. Zgorzelec Plaza project
Lublin Or Sp.z.o.o.	Inactive	50% held by Plaza Centers N.V. 50% held by Israeli-based partner
EDP Plaza Sp.z.o.o.	Inactive	50% held by Plaza Centers N.V. 50% held by Israeli-based partner
Fantasy Park Sp.z.o.o.	Entertainment	100% held by Mulan B.V.
Fantasy Park Poland Sp.z.o.o.	Entertainment	100% held by Mulan B.V.
Fantasy Park Suwałki Sp.z.o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Zgorzelec Sp.z.o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Łódź Sp.z.o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Toruń Sp.z.o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Warszawa Sp.z.o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Investments Sp.z.o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Management Sp.z.o.o.	Inactive	100% held by Mulan B.V.

Latvia	Activity	Remarks
Indirectly or jointly owned		
Diksna SIA	Active shopping center	50% held by Plaza Centers N.V. 50% held by US-based partner Riga Plaza project
Fantasy Park Latvia SIA	Entertainment	100% held by Mulan B.V.

Romania	Activity	Remarks
Directly wholly owned		
S.C. Elite Plaza S.R.L.	Shopping center project	Timişoara Plaza project
S.C. Green Plaza S.R.L.	Shopping center project	Iaşi Plaza project
S.C. North Eastern Plaza S.R.L.	Shopping center project	Constanţa Plaza project
S.C. North West Plaza S.R.L.	Shopping center project	Hunedoara Plaza project
S.C. North Gate Plaza S.R.L.	Shopping center project	Csíki Plaza (Miercurea Ciuc) project
S.C. Eastern Gate Plaza S.R.L.	Real estate project	Cina project
S.C. South Gate Plaza S.R.L.	Shopping center project	Slatina Plaza project
S.C. Mountain Gate Plaza S.R.L.	Shopping center project	Târgu Mureş Plaza project
S.C. Palazzo Ducale S.R.L.	Office building and headquarters of Romanian offices	
S.C. Plaza Centers Management Romania S.R.L.	Management company	
S.C. Central Plaza S.R.L.	Inactive	Bacău project
S.C. White Plaza S.R.L.	Inactive	
S.C. Blue Plaza S.R.L.	Inactive	
S.C. Golden Plaza S.R.L.	Inactive	
S.C. West Gate Plaza S.R.L.	Inactive	
S.C. South Eastern Plaza S.R.L.	Inactive	
S.C. South West Plaza S.R.L.	Inactive	
S.C. Plaza Operating Management S.R.L.	Inactive	
Indirectly or jointly owned		
Dâmboviţa Centers Holding B.V.	Holding company	75% held by Plaza Centers N.V.
S.C. Dâmboviţa Center S.R.L.	Mixed-used project	100% held by Dâmboviţa Centers Holding B.V. Casa Radio project
Plaza Bas B.V.	Holding company	50.1% held by Plaza Centers N.V. 49.9% held by Israeli-based group
Adams Invest S.R.L.	Residential project	50% held by Plaza Bas B.V. 50% held by Israeli-based company Valley View project
Colorado Invest S.R.L.	Residential project	50% held by Plaza Bas B.V. 50% held by Israeli-based company Pine Tree project
Malibu Invest S.R.L.	Residential project	25% held by Plaza Bas B.V. 75% held by Israeli-based company Fountain Park project
Spring Invest S.R.L.	Office project	50% held by Plaza Bas B.V. 50% held by Israeli-based company Primavera Tower Braşov project
Sunny Invest S.R.L.	Residential project	50% held by Plaza Bas B.V. 50% held by Israeli-based company Green Land project
Primavera Invest S.R.L.	Office project	50% held by Plaza Bas B.V. 50% held by Israeli-based company Primavera Tower Ploieşti project
Bas Developement S.R.L.	Residential project	50% held by Plaza Bas B.V. 50% held by Israeli-based company Acacia Park project

Moldova	Activity	Remarks
Directly wholly owned		
I.C.S. Plaza Centers Prodev S.R.L.	Inactive	

Notes to the consolidated financial statements
continued

Note 40 – List of Group entities continued

Serbia	Activity	Remarks
Directly wholly owned		
Plaza Centers Holding B.V.	Holding company	
Plaza Centers (Estates) B.V.	Holding company	
Plaza Centers (Ventures) B.V.	Holding company	
Plaza Centers Logistic B.V.	Holding company	
S.S.S. Project Management B.V.	Holding company	
Plaza Centers Management D.O.O.	Management company	
Plaza Centers Foundations B.V.	Inactive	
Indirectly or jointly owned		
Sek D.O.O.	Shopping center project	100% held by Plaza Centers Holding B.V. Kragujevac Plaza project
Leisure Group D.O.O.	Shopping center project	100% held by Plaza Centers (Estates) B.V. Visnjicka Plaza project
Orchid Group D.O.O.	Shopping center project	100% held by Plaza Centers (Ventures) B.V. Belgrade Plaza project
Accent D.O.O.	Shopping center project	100% held by Plaza Centers Logistic B.V. Kruševac Plaza project
Telehold D.O.O.	Inactive	100% held by S.S.S. Project Management B.V.

Czech Republic	Activity	Remarks
Directly wholly owned		
Praha Plaza S.R.O.	Logistic center	Prague 3 project
Plaza Housing S.R.O.	Owns plot of land	Roztoky project
P4 Plaza S.R.O.	Active shopping center	Liberec Plaza project
Plaza Centers Czech Republic S.R.O.	Management company	

Bulgaria	Activity	Remarks
Directly wholly owned		
Shumen Plaza EOOD	Shopping center project	Shumen Plaza project
Plaza Centers Management Bulgaria EOOD	Management company	
Plaza Centers Development EOOD	Inactive	

Greece	Activity	Remarks
Directly wholly owned		
Helios Plaza S.A.	Shopping center project	Pireas Plaza project
Indirectly or jointly owned		
Elbit Cochin Island Ltd.	Inactive	40% held by Plaza Centers N.V.

Cyprus – Ukraine	Activity	Remarks
Directly wholly owned		
Tanoli Enterprises Ltd.	Finance activity	
PC Ukraine Holdings Ltd.	Inactive	
Plaza Centers Ukraine Ltd.	Management company/ Inactive	100% held by PC Ukraine Holdings Ltd.
Nourolet Enterprises Ltd.	Inactive	100% held by PC Ukraine Holdings Ltd.

The Netherlands	Activity	Remarks
Directly wholly owned		
P.L.A.Z.A B.V.	Holding company – Poland	50% held by Plaza Centers N.V. 50% held by Mulan B.V. Holds Hokus Pokus Rozrywka Sp.z.o.o. jointly with Plaza Centers N.V. (50%-50%)
Plaza Dâmbovița Complex B.V.	Holding company	
Plaza Centers Enterprises B.V.	Finance company	100% held by Plaza Dâmbovița Complex B.V.
Mulan B.V. (Fantasy Park Enterprises B.V.)	Holding company	Holds Fantasy Park subsidiaries in CEE
Plaza Centers Administrations B.V.	Inactive	
Plaza Centers Connections B.V.	Inactive	
Plaza Centers Engagements B.V.	Inactive	
Plaza Centers Foundation B.V.	Inactive	
Plaza Centers Management B.V.	Inactive	

The Dutch Antilles	Activity	Remarks
Directly wholly owned		
Dreamland Entertainment N.V.	Inactive	

Cyprus – India	Activity	Remarks
Directly wholly owned		
PC India Holdings Public Company Ltd.	Holding company	
Indirectly or jointly owned		
Permindo Ltd.	Holding company	100% held by PC India Holdings Public Company Ltd. Holds 99.99% of Anuttam Developers Pvt. Ltd.
Anuttam Developers Pvt. Ltd.	Active shopping center	99.99% held by Permindo Ltd. Koregaon Park Plaza project
Spiralco Holdings Ltd.	Holding company	100% held by PC India Holdings Public Company Ltd.
P-One Infrastructure Pvt. Ltd.	Real estate	50% held by Spiralco Holdings Ltd. 50% held by Indian-based company Kharadi Plaza and Trivandrum Plaza projects
Rebeldora Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
HOM India Management Services Pvt. Ltd.	Management company	99.99% held by PC India Holdings Public Company Ltd.
Rosesmart Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Xifius Services Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Dezimark Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Elbit Plaza India Real Estate Holdings Ltd.	Holding company	47.5% held by Plaza Centers N.V.
Polyvendo Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Elbit Plaza India Management Services Pvt. Ltd.	Management company	99.99% held by Polyvendo Ltd.
Kadavanthra Builders Pvt. Ltd.	Mixed-used project	80% held by Elbit Plaza India Real Estate Holdings Ltd. Chennai (SipCot) project
Aayas Trade Services Pvt. Ltd.	Mixed-used project	100% held by Elbit Plaza India Real Estate Holdings Ltd. Bangalore project
Elbit India Architectural Services Ltd.	Inactive	100% held by Elbit Plaza India Real Estate Holdings Ltd.

Notes to the consolidated financial statements
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Note 40 – List of Group entities continued

United States of America	Activity	Remarks
Indirectly or jointly owned		
Elbit Plaza USA LP	Holding company	50% held by Plaza Centers N.V. 50% held by Elbit Imaging Ltd.
Plaza USA LLC	Holding company	100% held by Elbit Plaza USA LP
Elbit USA LLC	Holding company	100% held by Elbit Plaza USA LP
Elbit USA II LLC	Holding company	100% held by Elbit Plaza USA LP
EPN GP LLC	Holding company	21.64% held by Plaza USA LLC 12.18% held by Elbit USA LLC 9.47% held by Elbit USA II LLC
EPN EDT Holdings II LLC	Holding company	23.64% held by Plaza USA LLC 13.3% held by Elbit USA LLC 10.34% held by Elbit USA II LLC
EDT Retail Trust (Australia)	Inactive	52% held by EPN EDT Holdings II LLC 48% held by EPN GP LLC
EDT US Trust INC. (US REIT I)	Holding company	52% held by EPN EDT Holdings II LLC 48% held by EPN GP LLC
EDT Fund LLC (US LLC)	Inactive	100% held by EDT US Trust INC. (US REIT I)
EDT US Trust II INC. (US REIT II)	Inactive	52% held by EPN EDT Holdings II LLC 48% held by EPN GP LLC
Elbit Plaza II USA LP	Holding company	50% held by Plaza Centers N.V. 50% held by Elbit Imaging Ltd.
EPN Investment Management LLC	Management company	50% held by Elbit Plaza USA LP 50% held by US-based partner
EPN Fund GP LLC	Holding company	43.75% held by Elbit Plaza II USA LP
EPN Real Estate Fund LP (Fund)	Holding company	99.8% held by Israeli-based partner 0.2% held by EPN Fund GP LLC
EPN Real Estate Fund Holdings LLC	Holding company	100% held by EPN Real Estate Fund LP (Fund)
EPN Holdings I LLC	Holding company	43.29% held by Elbit Plaza II USA LP 13.42% held by EPN Real Estate Fund Holdings LLC 43.29% held by US-based partner
EDT Retail Trust Management LLC (US MGR)	Holding company	50% held by EPN Holdings I LLC 50% held by US-based partner
EDT Retail Management Ltd. (Australia)	Management company/ Inactive	100% held by EDT Retail Trust Management LLC (US MGR)
EPN Operations LLC	Inactive	43.29% held by Elbit Plaza II USA LP 13.42% held by EPN Real Estate Fund Holdings LLC 43.29% held by US-based partner
EPN REIT II LLC	Inactive	45.375% held by Elbit Plaza II USA LP 9.25% held by EPN Real Estate Fund Holdings LLC 45.375% held by US-based partner

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