PLAZA CENTERS ANNUAL REPORT 2013

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.

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Who we are

Latvia

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.

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. In 2012, Plaza identified, with its joint venture partners, a window of opportunity for investment in the US as result of the dislocation of the property market, specifically within the retail sector. In 2010, taking advantage of its qualities and experience in identifying opportunities, managing and exiting assets, gained over the years, the Group completed another significant sale of 49 US-based assets, mainly to a joint venture between Blackstone Real Estate and DDR Corp. in a transaction valued at USD 1.47 billion, which reflects an ROE for the Group of nearly 50% in a period of little over 18 months.

Throughout 2013, Plaza made considerable operational improvements across its portfolio. These are clearly reflected in the increase in occupancy levels from 89% at the end of 2012 to 93% as at the reporting date. At the same time, Plaza continued to make good progress in the ongoing process of repositioning its business model, ensuring its continued focus on deleveraging the balance sheet and reallocating capital, primarily through the disposal of completed or non-core assets and reinvestment into its core yielding assets. This was best illustrated by the €61 million raised during the year through the sale of five assets, the remaining proceeds from the dissolution of the US holding entity and successful asset management initiatives at Toruń Plaza, Suwałki Plaza, Kragujevac Plaza and Riga Plaza.

The Company is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are registered for trade on the Tel Aviv Stock Exchange in Israel and on the NASDAQ Global Select Market in the United States. (For more information visit www.elbitimaging.com.)

The Group has been present in real estate development in emerging markets for more than 18 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 and India, of which 26 were sold with an aggregate gross value of circa €1.16 billion. 21 of these centers were acquired by Klépierre, a leading player in the continental European shopping center property market, which owns circa 250 shopping centers and manages circa 320 shopping centers in 13 countries in continental Europe. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the UK's leading 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.

Since 1 November 2006, Plaza Centers N.V.'s shares have been traded on the main board of the London Stock Exchange under the ticker "PLAZ". From 19 October 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.

Due to the ongoing challenging market conditions and the upcoming debt maturities, on 18 November 2013 Plaza announced a debt restructuring plan in order to better structure its debts. Throughout the restructuring process, the Company intends to continue its business activities as normal. The original date of the creditors' voting, scheduled for 17 April 2014, has been postponed to 26 June 2014 due to technicalities involved in formally completing the arrangement. Despite this, Plaza remains confident that it should be able to conclude its restructuring process successfully in Q3 2014. For more details on the restructuring process, please refer to the Company's website under Investor relations / Debt restructuring.

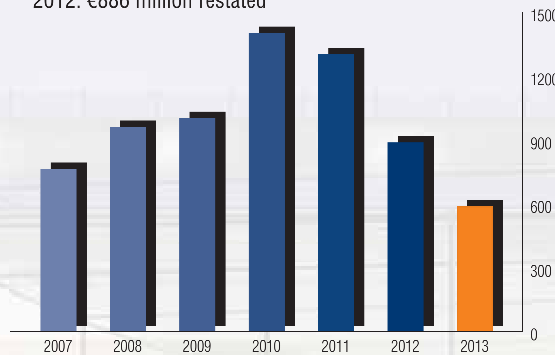
2013 highlights

Continued improvement of operations, disposal of non-core assets and good progress with the restructuring process.

Total assets

2013: €586 million

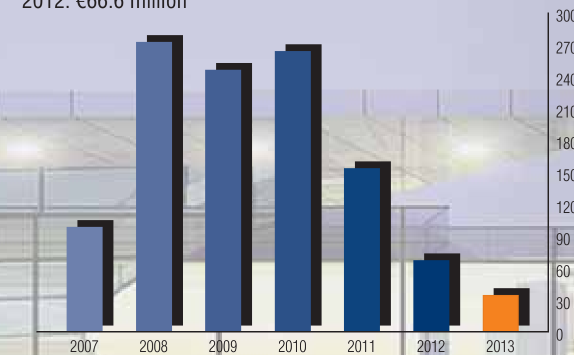
2012: €886 million restated



Consolidated cash position*

2013: €33.7 million

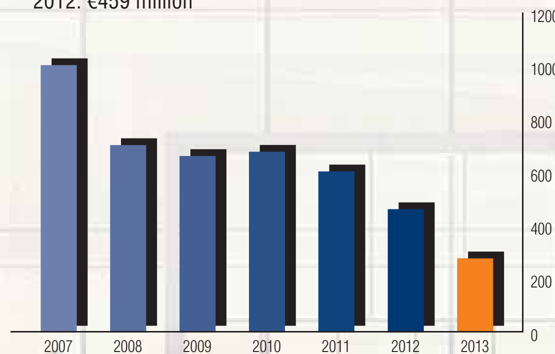
2012: €66.6 million



Net Asset Value (NAV)

2013: €274 million

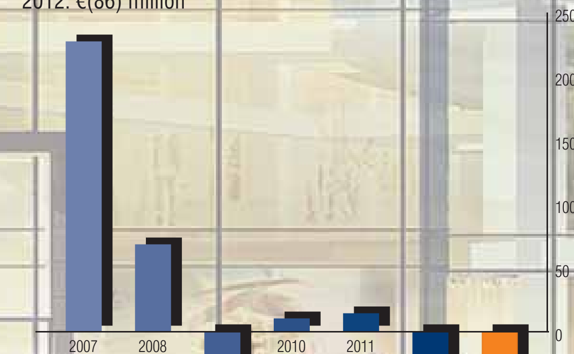
2012: €459 million



Profit (loss) after tax:

2013: €(218) million

2012: €(86) million



* Including short-term and long-term liquid financial instruments.

Asset and operational highlights

- In May, Plaza sold its 50% stake in a vehicle which primarily holds interest in an office complex located in Pune, Maharashtra. The successful transaction valued assets owned by the vehicle collectively at €33.4 million and, as a result, Plaza received gross proceeds of circa €16.7 million.
- In July, Plaza successfully completed the sale of 100% of its stake in a vehicle which owns the interest in the Prague 3 project ("Prague 3"), a logistics and commercial center in the third district of Prague. The transaction valued the asset at circa €11.1 million and, as a result, further to related bank financing and other balance sheet adjustments, Plaza received net proceeds of circa €7.6 million in cash.
- On 31 October 2013, a consortium of shareholders of Dream Island, in which Plaza holds a 43.5% stake, completed the sale of its Dream Island project land holding to the Hungarian State for circa €16.5 million (HUF 5 billion). The proceeds of the transaction were used by the Consortium to repay a proportion of the securitised related bank debt held against the asset. As a result of a previous non-cash, market driven write-down, no accounting loss was incurred.
- On 8 November 2013, the Company's Latvian 50% subsidiary signed a new €59.3 million investment loan with a consortium comprising two banks for its shopping and entertainment center in Riga, Latvia. The new facility has duration of four years and therefore substantially lengthens the duration of the debt compared to the previous loan facility, which was due for repayment on 30 June 2014.
- On 14 November 2013, Plaza announced that it had reached an agreement to sell Koregaon Park Plaza, a retail, entertainment and office scheme located in Pune, India, subject to the satisfaction of certain closing conditions. The transaction valued the asset at circa €40 million, the asset's current book value. Following the repayment of the outstanding related bank loan, Plaza expects to generate aggregate cash proceeds from the purchaser totalling circa €18 million, before taxes and transaction costs, which should be paid in instalments over the coming two years.
- Plaza's 70% subsidiary reached an agreement in December 2013 to sell its 50% equity stake (together with the other 50% joint venture partner) in the Új Udvar shopping mall in Budapest, Hungary. As a result of the transaction, proceeds of €2.35 million in cash were received by Plaza for its share in the asset.
- Improved occupancy levels achieved across the Company's existing shopping and entertainment centers in the CEE, with the overall portfolio occupancy rate increasing from 89% in 2012 to 93% as at the reporting date.

Financial highlights

- Reduction in total assets to €586 million (31 December 2012: €886 million restated – as a result of changes in the accounting presentation of joint venture Special Purpose Vehicles ('SPVs') (due to changes in IFRS)), and primarily due to impairment of trading properties and equity accounted investees as well as debt repayments.
  - Book value of the Company's trading properties reduced by 19% over the year, or by €117 million, primarily due to impairments recorded.
- Rental income slightly increased to €23.7 million (31 December 2012: €23.1 million), due to the improvement in the performance of the CEE shopping centers. The rental income performance would have been even stronger, had there not been a loss of income caused by a fire incident in India.
- Net Asset Value decreased by 40% to €274 million (31 December 2012: €459 million) primarily as a result of impairment of assets, mainly in Serbia, Romania and India.
  - Net Asset Value per share of £0.79 (31 December 2012: £1.26), a decline of 37%, attributable mainly to the abovementioned impairments.
- Loss for the year of €218 million (31 December 2012: Loss of €86 million), stemming from a non-cash €186 million impairment of trading properties, equity accounted investees, investment property and pre-payments (31 December 2012: €83.7 million of impairments), and an overall net finance cost of €39 million compared to a net finance cost of €17 million in 2012. Impairment of real estate assets in the fourth quarter of 2013 totalled circa €43 million.
  - Basic and diluted loss per share of €0.73 (31 December 2012: loss per share of €0.29).
- Consolidated cash position at year end (including restricted bank deposits, short-term deposits and held for trading financial assets) of €33.7 million (31 December 2012: €65.8 million) and current cash position of circa €36 million (€7 million restricted).
- Gearing increased to 64% (31 December 2012: 50%) as a result of impairment losses and finance costs incurred during the year.

Key highlights since the period end

Following the announcement of the Company's restructuring programme made on 18 November 2013, Plaza has made good progress towards resolving its liquidity situation. The market prices of the Company's traded debt have reacted positively to the restructuring plan and negotiations with the Company's creditors are moving forward.

The original date of the creditors' voting, scheduled for 17 April 2014, has been postponed to 26 June 2014 due to technicalities involved in formally completing the arrangement. For more details on the court decision, please refer to the Company's website under Investor relations / Debt restructuring. Despite this, Plaza remains confident that it should be able to conclude its restructuring process successfully in Q3 2014.

OVERVIEW

Our strategy

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 with limited and targeted development programme into the strongest economies of the CEE whilst reducing its levels of gearing. Plaza's cautious but opportunistic approach is set to unlock significant value on behalf of its shareholders.

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 or growth potential.

Flexibility

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

Maintain liquidity and debt management

In order to resolve its liquidity situation, the Company has filed with the Dutch Court a restructuring plan proposed to its creditors. The restructuring plan proposes a deferral of the obligations of the Company for a period of three to four years, or shorter if cash flow permits, without requiring the bondholders to take a loss on the par value of their investments. During the restructuring process creditors are subject to a moratorium.

Plaza continues to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 64% in 2013.

Successful efforts to sign refinancing agreements for constructing and/or investment loans and to extend loan duration were made in 2013.

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 60% to 75% of total project construction costs through competitively priced bank finance.

3 Limited commencement of construction for projects meeting the two major criteria as follows:
- intensive demand from tenants
- backed by external bank financing to ensure minimal equity investment.

4 Deliver considerable progress at the operational level of the business through intensive asset management initiatives, such as attracting significant anchor tenants to our assets.

5 Continue to reallocate capital to pay debts following the sale of a number of completed and non-core assets and invest in the core yielding assets in our portfolio.

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 the capital city of a new country, 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, 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 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, Romania and India. Plaza will continue to advance remaining projects within its land bank, through obtaining planning consents and construction permits.

Feature developments

Since foundation, the Group has developed and let 32 shopping and entertainment centers in the CEE region and one in India of which 26 were sold with an aggregate gross value of €1.16 billion, resulting in a gain of €360 million.

Plaza has averaged nearly two new shopping centers per year in the last 18 years and currently owns and manages seven shopping and entertainment centers. Improved occupancy levels achieved across the Company's existing shopping and entertainment centers, with the overall portfolio occupancy rate increasing from 89% in 2012 to more than 93% as at the reporting date.

Liberec Plaza (Czech Republic)

Opened March 2009
Plaza share 100%

17,000m² GLA

Plaza continues to own and manage Liberec Plaza shopping and entertainment center. During 2013, the turnover of the mall improved by 10%, whilst occupancy increased from 80% in 2012 to 86%, including tenants such as Billa, Sephora, Dracik and Dinopark. Additionally, a lease agreement was recently signed with Sports Direct, which has opened the store in April 2014.

Riga Plaza (Latvia)

Opened March 2009
Plaza share 50%

49,000m² GLA

Riga Plaza shopping and entertainment center is located on the western bank of the Daugava river by the Sala Bridge. The two-floor mall includes an eight-screen multiplex cinema and 2,000m² of Fantasy Park. The center continues to deliver significant operational improvements, seeing occupancy levels increase to 97% following the lease agreement signed wiht H&M for a 2,700m² store which was opened in April 2014. There are ongoing discussions with a number of potential occupiers for the remaining space, therefore it is expected that the mall will be fully let by the end of 2014. Also footfall and turnover improved throughout the year by 7% and 14% respectively.

Zgorzelec Plaza (Poland)

Opened March 2010
Plaza share 100%

13,000m² GLA

Zgorzelec Plaza, which has the only cinema in the area, achieved a significant operational improvement throughout the year and continues to perform in line with expectations. The occupancy rate of the shopping and entertainment center was improved from 89% in 2012 to 91% as at the reporting date. In addition, footfall in the mall increased by 29% compared to 2012 and the center achieved a 58% growth in turnover on a year-to-year basis.

Suwałki Plaza (Poland)

Opened May 2010
Plaza share 100%

20,000m² GLA

Suwałki Plaza, the three-floor shopping and entertainment center which includes a three-screen cinema and a bowling center as well, is 91% let to international and local tenants such as H&M, Rossmann, New Yorker, KappAhl and Cinema Lumière, and continues to perform well. Turnover of the center increased by 10% compared to 2012.

Toruń Plaza (Poland)

Opened November 2011
Plaza share 100%

40,000m² GLA

Toruń Plaza represents Plaza's tenth completed center in Poland. The center is 89% let to premium international and local brands such as Cinema City, H&M, C&A, KappAhl, Zara, Bershka, Stradivarius, Pull & Bear and Massimo Dutti, in addition TK Maxx, an anchor retailer, which opened a 2,700m² store in March 2014.

Kragujevac Plaza (Serbia)

Opened March 2012
Plaza share 100%

22,000m² GLA

Plaza opened its first Serbian shopping and entertainment center in Kragujevac, which is the first western-style mall to be built outside the capital, Belgrade. As at the reporting date, the center is fully let to remarkable tenants, including Nike, Adidas, Aldo, New Yorker, Deichmann, TerraNova, Fashion and Friends, H&O, Oviesse, Fox, Chicco and Home Center. The center shows significant improvements both in terms of footfall, which increased by 15%, and turnover, which increased by 17% compared to 2012, demonstrating Plaza's ability to capitalize on opportunities in new markets.

Koregaon Park Plaza (India)

Opened March 2012
Plaza share 100%

41,000m² GLA

In November 2013, the Group reached an agreement to sell Koregaon Park Plaza, the Company's first completed entertainment and shopping center in India, subject to the fulfilment of certain closing conditions.

Debt restructuring plan

Suspension of payment procedure

On 18 November 2013, the Company applied for suspension of payments proceedings under Dutch law and simultaneously filed a draft restructuring plan (the "restructuring plan" or "plan") with the district court of Amsterdam, the Netherlands.

On 18 November 2013, the Court granted the Company a provisional suspension of payments, appointing an administrator and a supervisory judge. The Court determined that no hearing should take place for deciding on the granting of definitive suspension of payments, order that, instead, a creditors meeting will take place to vote on the restructuring plan on 26 June 2014 and determined that the Company's creditors can file their claims for voting purposes before 12 June 2014.

Background

The Company has been faced with challenging market conditions for some years. Adverse market conditions have primarily been caused by the underlying economic situation in many of the countries in which the Company operates, combined with the lack of transactional liquidity in the investment markets for assets such as those owned by the Company and the ongoing lack of traditional bank financing available to real estate developers and investors.

Although Board and senior management team have made considerable progress in repositioning the Company's business model to ensure that it is focused on the deleveraging of its balance sheet and the recycling of capital, primarily through the disposal of its non-core assets, the Company has not been able to complete these transactions within a timeframe that would enable it to meet its short-term obligations towards the holders of Series A Notes, the holders of Series B Notes, the Polish bondholders and other unsecured creditors. As a result, by the end of 2013, the Company was faced with significant liquidity problems. Notwithstanding the liquidity issues, the Company continues to have a strong balance sheet, with a significant positive current net asset value, and owns assets and development opportunities that offer significant potential to deliver returns over the medium to long-term. Accordingly, the Board believes that, on a going concern basis, the Company will retain substantial value for its stakeholders and will be able to repay its creditors in full, while the Board is certain that a forced liquidation would cause creditors and shareholders to incur significant losses.

Purpose and summary

The plan is addressed to all ordinary unsecured creditors of the Company. The purpose of the restructuring plan is to provide the Company with the ability to preserve value for its creditors by giving it time to resolve its liquidity situation and thereby avoiding a liquidation scenario. This will primarily be achieved through a deferral of payment obligations. Apart from the proposed payment deferral, the terms of the restructuring plan do not require bondholders to take a loss on the par value of their outstanding exposures.

A general, high-level and non-exhaustive brief summary of the material agreed commercial terms are listed below:

- The plan shall be contingent upon the injection of a fresh €20 million into the Company ("Equity Contribution"), and will become effective only once the placing of the Equity Contribution shall have been occurred.
- The Company shall issue to holders of unsecured debt (i.e., outstanding debt under the Israeli Series A and B Notes and the Polish Notes) ("Unsecured Debt") 13.5% of the Company's shares (post the Equity Contribution) for no consideration. Such issuance of shares will be distributed among the holders of Unsecured Debt pro rata to the relative share of each relevant creditor in the Deferred Debt ("Deferred Debt Ratio").
- All principal payments due during the years 2013-2015 of any Unsecured Debt ("Deferred Debt") shall be deferred for three years from the date of approval of the plan by the court in the Netherlands ("Approval Date"). If within two years from the Approval Date the Company manages to repay over 50% of the Deferred Debt, then the remaining principal payments of the Deferred Debt shall be deferred for an additional one year.
- Interest payments for the Unsecured Debt that were due during the suspension of payments period, will be added to the principal and paid together with it. Following the removal of the suspension of payments order ("Effective Date"), interest payments will be paid on their due dates.
- As of 1 January 2014, the annual interest rate of the Unsecured Debt shall be increased by 1.5%.
- Following the Effective Date, the Company shall pay to the holders of the Unsecured Debt an amount of €10.5 million on account of 2014 interest payments.
- The Company, its directors and officers and its controlling shareholder shall be fully released from claims.
- Following the Effective Date, the Company will have to assign 75% of the net proceeds received from the sale or refinancing of any of its assets to early repayment of the Unsecured Debt, to be allocated among the holders of Unsecured Debt in accordance with the Deferred Debt Ratio.
- The Company will be allowed to execute actual investments only if the Company's cash reserves contain an amount equal to general and administrative expenses and interest payments for the Unsecured Debt for a six-month period (for this purpose also receivables with a high probability of being collected in the subsequent six-month period will be taken in account for the required minimal cash reserve).
- The plan shall also include, inter alia: (i) certain limitations on distribution of dividends and incurring of new indebtedness; (ii) negative pledge on direct and indirect holdings of the Company on real estate assets; (iii) financial covenants and undertakings of the Company with respect to the sale and financing of certain projects and investment in new projects; and (iv) commitment to publish quarterly financial statements as long as the Unsecured Debt is outstanding.

Please note that the plan is yet to be finalised, therefore the above only provides a summary of the key material points without going into specific details. Full details of the plan, once submitted to the Dutch Court, will be provided on the Company's website under Investor relations / Debt restructuring.

Competitive strengths

Plaza's clear priority is to conclude its restructuring process successfully whilst continuing to leverage the ability and expertise of its management team and the quality of its income generating assets across all key parameters such as occupancy levels, footfall and turnover to achieve success in its day-to-day operations. Following the announcement of the Company's restructuring programme on 18 November 2013, Plaza has made good progress towards resolving its liquidity situation to safeguard the continuity of the business and thereby protect the long-term interest of its investors, creditors and shareholders. The market prices of the Company's traded debt have reacted positively to the restructuring plan and negotiations with the Company's creditors are moving forward.

Whilst Plaza have witnessed some confidence returning for prospects in Europe's central and eastern regions, conditions in many of its markets remained challenging in 2013 as the persistent uncertainty created by the crisis continued to be felt. Against this backdrop, throughout 2013, Plaza made considerable operational improvements across its portfolio. These are clearly reflected in the increase in occupancy levels from 89% at the end of 2012 to 93% as at the reporting date. At the same time, the Company continued to make good progress in the ongoing process of repositioning its business model, ensuring its continued focus on deleveraging the balance sheet and reallocating capital, primarily through the disposal of completed or non-core assets and reinvestment into its core yielding assets. This is best illustrated by the €61 million raised during the year through the sale of five assets, the remaining proceeds from the dissolution of the US holding entity and successful asset management initiatives at Toruń Plaza, Suwałki Plaza, Kragujevac Plaza and Riga Plaza.

These improvements have been possible by leveraging of the deep relationships that Plaza has created with retailers over a number of years, many of whom the Company has helped introduce into new geographies.

Despite its challenged liquidity position and restructuring process, Plaza's belief in the strength of the underlying fundamentals of its assets and land reserves remains intact. By utilizing the extensive skills of its experienced management team, the deep relationships Plaza has with its tenants and finance providers, and maintaining its cautious but opportunistic approach, the Company is positioning itself, on completion of the restructuring, to be able to return the rewards of capital appreciation and income growth to its shareholders.

Proven track record

Plaza continues to benefit from its unrivaled track record across CEE, having been active in the region for more than 18 years. Central and Eastern Europe economies are experiencing signs of a change in sentiment, with Poland and the Czech Republic both reporting increased investment activity in 2013. However, Plaza has seen marked differences between the countries north of the region, which have proved more resilient, and the struggling southern economies, including Romania and Bulgaria. Despite the challanging market conditions, several major milestones were achieved in 2013 and the period to date. On 14 November 2013, Plaza announced that it had reached an agreement to sell Koregaon Park Plaza, a retail, entertainment and office scheme located in Pune, India, subject to the satisfaction of certain closing conditions.

In addition, a number of significant disposals of non-core assets during the year were achieved, as follows:

- In May, Plaza sold its 50% stake in a vehicle which primarily holds interest in an office complex located in Pune, Maharashtra.
- In July, Plaza successfully completed the sale of 100% of its stake in a vehicle which owns the interest in the Prague 3 project ("Prague 3"), a logistics and commercial center in the third district of Prague.
- In October, a consortium of shareholders in Dream Island, in which Plaza holds a 43.5% stake, completed the sale of the Dream Island project land holding to the Hungarian State for circa €16.5 million (HUF 5 billion).
- In January 2014, in December, Plaza's 70% subsidiary reached an agreement to sell its 50% equity stake (together with the other 50% joint venture partner) in the Új Udvar shopping mall in Budapest, Hungary.
- Finally, Plaza also sold its interest in a SPV which owns a site in Roztoky, Czech Republic which was being held for a potential residential development.

To date, 26 of the completed centers have been subsequently sold with an aggregate gross value of circa €1.16 billion. These disposals comprise seventeen 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 (agreement to sell is in place).

competitive strengths

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 Eurozone 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 programme 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 sell completed developments as appropriate, 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 being examined for further expansion.

Plaza sees strong importance in its investment in India, which has been less affected by the global economic crisis and will offer Plaza attractive development prospects for at least the next 10 years. Plaza has maintained its long-term view of the strong potential demand for residential and commercial Indian real estate, especially for welllocated 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, and in May 2013, Plaza sold its 50% stake in a vehicle which primarily holds interest in Kharadi Plaza project.

In addition, as stated above, Plaza reached an agreement to sell Koregaon Park Plaza, a retail, entertainment and office scheme located in Pune, India, subject to the satisfaction of certain closing conditions.

With two major JV 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 shareholders 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, and in March 2013, Plaza received the remaining proceeds from the dissolution of the US holding entity.

Limited number of active developments

In light of market conditions, Plaza took the strategic decision in the second half of 2008 to scale back on the commencement of new projects and to focus on projects with availability of external financing and strong tenants demand. Plaza will progress a selected number of projects in the CEE, such as Poland , Serbia and Romania where GDP growth and forecasts remain above the average for Europe. The deferral of the repayment of our debt maturities enables us to progress with the initiation of projects and investment as appropriate, including actively managing our income generating assets to prepare for their ultimate sale, whilst continuing to identify exit opportunities from our remaining non-core assets. Construction is planned to commence on Belgrade Plaza (Visnjicka) in Serbia, Casa Radio, Timisoara Plaza and Cina in Romania, and Chennai in India. The Company's cautious but opportunistic approach is set to unlock significant value on behalf of its shareholders.

Conservative leverage

The Group's debt position remains conservative, with gearing of 64% at the year end. Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased.

In November 2013, the Company's Latvian 50% subsidiary signed a new €59.3 million investment loan with a consortium comprising two banks for its shopping and entertainment center in Riga, Latvia. The new facility has duration of four years and therefore substantially lengthens the duration of the debt compared to the previous loan facility, which was due for repayment on 30 June 2014.

Total bank borrowing reduced to €175 million. This decrease is primarily the result of loans disposed of and repaid during the year. All loans were accounted for as current liabilities following the suspension of payments by Plaza and the uncertainty surrounding the restructuring plan.

Clearly identified pipeline and acquisitions

Plaza is engaged in 27 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 fastgrowing emerging markets.

Capital markets

On 20 November 2012, the Board approved the extension of the Company's second bond buyback programme of A and B series Notes traded on the Tel-Aviv Stock Exchange. The bond buyback programme will conclude on 31 December 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 28 November 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 as of 31 December 2013 the outstanding amount was NIS 15.9 million par value of bond series B, as a result of bond repayments and bonds resale.

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 designing projects that meet the demands of the local market. A significant proportion of management team members have been with Plaza 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.

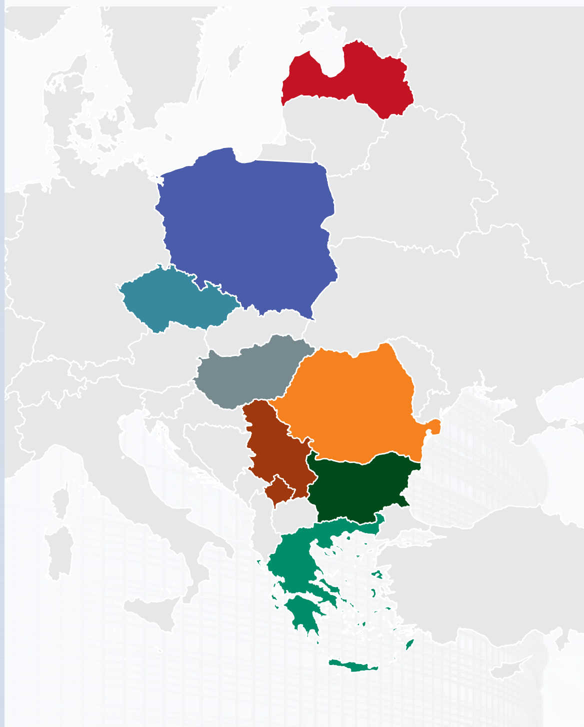
Thorough project evaluation

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

Europe

Poland	Latvia	Greece
Serbia	Czech Repp.	Bulgaria
Romania	Hungary	India



India

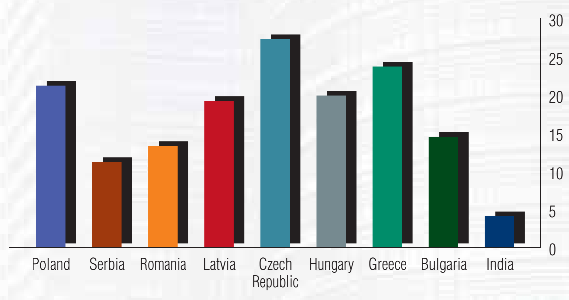
Market data

Current market

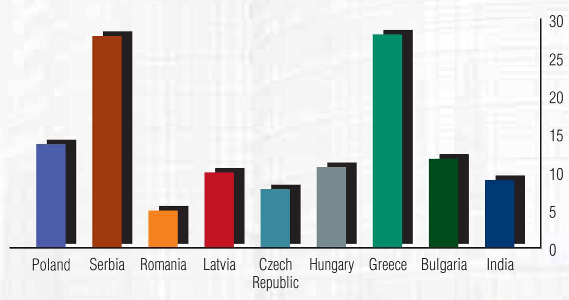
Population (m)*

Country	Population (m)	Country	Population (m)
Poland	38.4	Hungary	10
Serbia	7.2	Greece	10.8
Romania	21.8	Bulgaria	7
Latvia	2.2	India	1,221
Czech Republic	10.6		

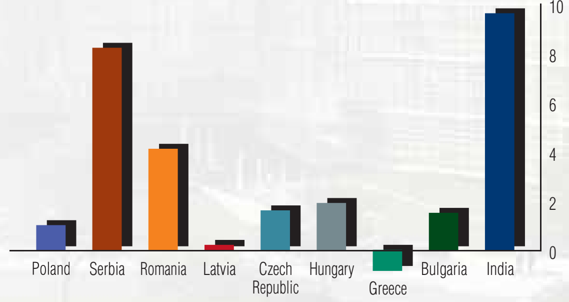
GDP per capita*



Unemployment*



CPI - Change in 2013*

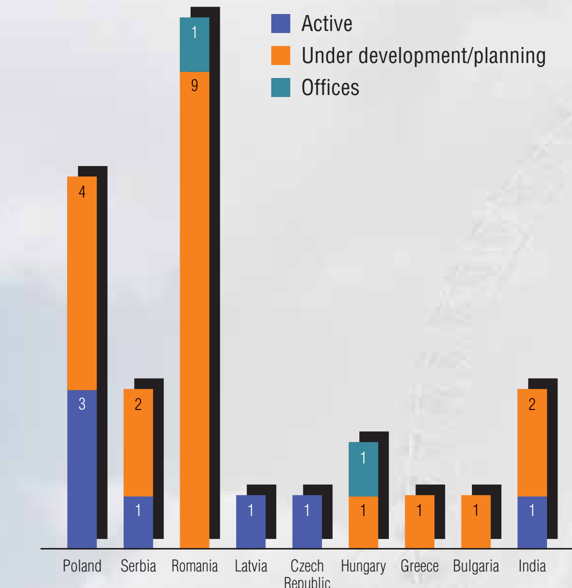


* Source: CIA – The World Factbook.

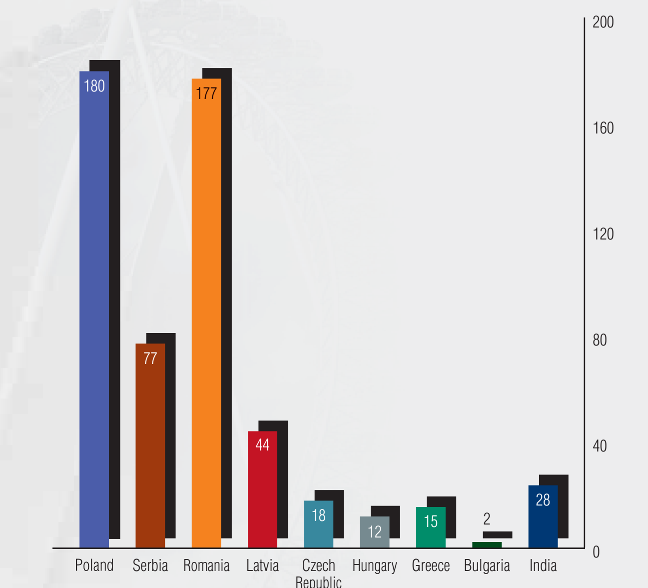
Our portfolio at a glance

Total of 29 assets located across CEE region and in India. Estimated value of €2,039 million on completion.

Portfolio composition – by country



Market value of the land and project (€m)[2]



Project	Market value on completion (€m)[1]	Market value of the land and the project (€m)[1]
Complete and active projects	261.5[2]	261.5[2]
Current developments	1,067.9	195.8
Pipeline projects	709.1[3]	90.5
Total as at 31 December 2013	**2,038,5**	**547.8**

1 Value of Plaza Centers' stake by Cushman and Wakefield as of 31 December 2013.

2 Excluding Koregaon Park Plaza, as there is an agreement for sale in place.

3 Some of the assets were valued with the comparative sales price method, no value at completion was estimated.

Group NAV at 31 December 2013

	€'000
Market value of land and projects by Cushman and Wakefield[4]	545,142
Assets minus liabilities as at 31 December 2013[5]	(271,370)
Total	273,772
NAV per issued share	**£0.79**

4 Except for Târgu Mureş (Romania) project, where the company has applied a more conservative value.

5 Excluding book value of assets which were valued by Cushman and Wakefield.

Development focus

The Company took the strategic decision to scale back on starting new projects and acquisitions, and to focus on projects with availability of external financing or strong tenants demand. In the near future the Group plans to progress in a selected number of projects which are: Casa Radio (first phase), Timişoara Plaza and Cina in Romania; Łódź Plaza in Poland; Belgrade Plaza (MUP) and Belgrade Plaza (Visnjicka) in Serbia and Chennai in India. Out of these seven projects Plaza presents here three, which it intends to complete in the upcoming years.

Timişoara Plaza
Romania

38,000m²
GLA

Plaza owns a plot of land with an area of 32,000m² in Timişoara, on which it is intending to develop a shopping and entertainment center. The planned center will have a GLA of approximately 38,000m² and includes a supermarket, a hypermarket complex, fashion retailers, a fantasy park, a food court and restaurants. Plaza intends to commence construction in 2014/2015 and the center is scheduled to open in 2016.

Łódź Plaza
Poland

35,000m²
GLA

Łódź is the second largest city in Poland with over 740,000 inhabitants. The site owned by Plaza is located in a residential district of the city with a catchment area of 270,000 people. Łódź Plaza is planned to be a two-floor shopping and entertainment center with approximately 35,000 m² of GLA anchored by a supermarket, a department store as well as a multi-screen cinema and bowling and entertainment center. The project is currently under Master Plan stage which is expected to be completed by the end of 2014. Plaza intends to commence construction in 2015/2016, with completion targeted for 2017.

Belgrade Plaza (Visnjicka)
Serbia

32,000m²
GLA

Plaza owns a 31,000m² plot of land in Belgrade, the capital of Serbia. The Belgrade market offers particular potential, with its large populated catchment area of approximately 2.5 million people. Plaza intends to develop a new shopping and entertainment center with a GLA of approximately 32,000m². The Group intends to commence construction in 2014/2015 and the center is scheduled to open in 2015/2016.

Current portfolio

Poland

Project	City	Ownership	GLA (m²)	Market value on completion 31 December 2013 (€)	Market value of the land and project 31 December 2013 (€)	Expected completion
Toruń Plaza	Toruń	100%	40,000	97,580,000	97,580,000	Opened in Q4 2011*
Suwałki Plaza	Suwałki	100%	20,000	43,525,000	43,525,000	Opened in Q2 2010*
Zgorzelec Plaza	Zgorzelec	100%	13,000	17,125,000	17,125,000	Opened in Q1 2010*
Łódź Plaza	Łódź	100%	35,000	74,214,000	7,925,000	2017
Kielce Plaza	Kielce	100%	33,000	75,502,000	5,350,000[1]	**
Leszno Plaza	Leszno	100%	16,000	n/a[2]	1,719,000	**
Łódź (Residential)	Łódź	100%	80,000[3]	89,331,000	6,500,000	**

* Operating ** Under planning and feasibility examination
1 In 2013 the Company applied a more conservative approach, and lower value was used in the financial statements than in the valuation report.
2 Asset was valued with the comparative sales price method, no value at completion was estimated.
3 GBA

Plaza has already completed 10 shopping and entertainment centers in Poland of which seven have already been sold. Currently the Group owns and operates three completed shopping and entertainment centers across Poland. During the year, each of the centers have delivered notable asset management success, with over 6,800m² of new lettings achieved, improving overall occupancy throughout the Polish portfolio from 87% in 2012 to 90% as at the reporting date.

Toruń Plaza

Toruń Plaza: complete and active project

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. The gothic buildings of Toruń's old town were designated as a world heritage site by UNESCO in 1997. Toruń Plaza, which opened in November 2011, is the Group's tenth completed development in Poland. The two-floor shopping and entertainment center with approximately 40,000m² of GLA, is anchored by Zara, Reserved, Home & You, New Yorker, H&M, Media Expert, Carry, TK Maxx, a multi-screen Cinema City, Pure fitness center as well as a Fantasy Park bowling and entertainment area. In 2013, occupancy of the mall increased to 89% compared to 84% in 2012. The contract with TK Maxx, the multinational fashion retailer was signed for 2700m², creating a new two-level store which was opened in March 2014. The letting represents circa 7% of the total lettable area of the mall.

Zgorzelec Plaza: complete and active project

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 a "gate" between Germany and Poland. 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, Douglas, Carry, a Fantasy Park entertainment area, a fitness center, the only cinema in the area and 300 parking spaces. In 2013, occupancy increased to 91% from 89% in 2012 and the center achieved a 58% growth in turnover on a year-to-year basis.

OVERVIEW

Suwałki Plaza

Leszno Plaza

Suwałki Plaza: complete and active project

Suwałki Plaza is located in Suwałki, a city crossed by expressway E67(8), which links Augustow with the Lithuanian border. 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, commerce and tourism. 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 one km 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, Carry, HeBe, Douglas and Empik. The entertainment area comprises a three-screen cinema and bowling and entertainment center. In 2013, occupancy increased to 91% compared to 90% in 2012.

Łódź Plaza: current development

Łódź Plaza is located in Łódź, the second largest city in Poland with over 740,000 inhabitants.
Łódź is recognized as an important academic and cultural center in Poland, hosting well-known cultural events. The site is located in a residential district of the city with a catchment area of 270,000 people. Łódź Plaza is planned to 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. The project is currently under Master Plan stage, which shall be prepared by the city municipality and the process is expected to be completed by the end of 2014. The Group intends to commence construction in 2015/2016, with completion targeted for 2017.

Kielce Plaza: pipeline project

Plaza has won a competitive tender and acquired a site from PKS Kielce S.A. (the local branch of the Polish National Bus Company) for the development of a major new shopping and entertainment center in Kielce. The new center will be located on a 30,000m² plot alongside a major road and two km from the heart of Kielce. Kielce has over 200,000 inhabitants and an estimated catchment area of approximately 350,000 people, and is located in Central Poland on the main motorway linking Warsaw and Kraków. On completion, the scheme will have a GLA of 33,000m², and approximately 1,000 car parking spaces. The Company will be targeting a mixture of domestic and high-profile international retailers and entertainment operators as potential tenants for the center. The project is under planning and feasibility examination.

Leszno Plaza: pipeline project

Plaza has a perpetual usufruct over a 18,000m² site in Leszno, for the development of a new shopping and entertainment center. The site is ideally located in the center of Leszno, a city with 65,000 inhabitants, situated in western Poland between the two big economic centers of Poznań and Wrocław, and is close to the central railway and bus station. On completion, the shopping and entertainment center is intended to have a GLA of 16,000m² providing space for over 70 shops and 450 car parking spaces. The project is under planning and feasibility examination.

Łódź (Residential): pipeline project

Plaza owns part of a development site and has a perpetual usufruct over the remaining part of the site, located in the center of Łódź, which is suitable for use as a residential and offices area. The city of Łódź, which is the administrative capital of the Łódzkie region, is situated in the center of Poland approximately 140km south west of Warsaw, and, with a population of over 740,000, it is the second most populous city in Poland. The site is located in the central university district, within 500 meters of the popular Piotrkowska pedestrian street. The site is also located in close proximity to large high density housing estates. The planned development will comprise built area of approximately 80,000m². The Group is also considering selling the plot.

Current portfolio

Serbia

Project	City	Ownership	GLA (m²)	Market value on completion 31 December 2013 (€)	Market value of the land and project 31 December 2013 (€)	Expected completion
Kragujevac Plaza	Kragujevac	100%	22,000	41,775,000	41,775,000	Opened in Q1 2012*
Belgrade Plaza (Visnjicka)	Belgrade	100%	32,000	108,309,000	19,025,000	2015-2016
Belgrade Plaza (MUP)	Belgrade	100%	63,000[1]	145,729,000	16,150,000	2017

* Operating
1 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 the capital, Belgrade. As of the reporting date, the center is fully let to remarkable tenants, demonstrating the success of the Company's first venture into Serbia. Currently the Group has two additional sites for the development of mixed-use and shopping and entertainment projects in the capital Belgrade.

Kragujevac Plaza

Kragujevac Plaza: complete and active project

Kragujevac is the fourth largest city in Serbia with a population of 180,000 inhabitants and a wider catchment area of approximately 490,000 people. It is the largest city in the Sumadija region and the administrative center of the region.
The shopping and entertainment center, which was opened to the public in March 2012, comprises 22,000m² of GLA and is anchored by C&A, New Yorker, Home Center, Cineplexx, Deichmann, McDonald's, Adidas, Benetton and Idea.
Kragujevac Plaza is the first western-style shopping center that has been completed in Serbia outside the capital, Belgrade.

Belgrade Plaza (Visnjicka): current development

Plaza owns a 31,000m² plot of land in Belgrade, the capital of Serbia. The Belgrade market offers particular potential, with its large populated catchment area of approximately 2.5 million people.
The Company intends to develop a new shopping and entertainment center with a total GLA of approximately 32,000m². The Group intends to commence construction in 2014/2015 and the center is scheduled to open in 2015/2016.

Belgrade Plaza (MUP): current development

Plaza won a competitive tender announced by the Government of Serbia for a site located in the center of Belgrade, which it intends to develop into an office space together with a hotel and retail gallery. The development is expected to comprise a total of 63,000m² of GBA including an apartment hotel, business center and shopping gallery as well as 700 car parking spaces.

The Belgrade market offers particular potential, with its large populated catchment area of approximately 2.5 million people. 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, the Serbian Government, the Serbian Ministry of Finance, the Belgrade Chamber of Commerce and Belgrade's largest public hospital as well as the city fair and the future railway station. The Group intends to commence construction in 2015/2016 and the center is scheduled to open in 2017.

Belgrade Plaza (MUP)
Serbia

63,000m²
GBA

The building is located in the center of Belgrade in a neighborhood of government offices and foreign embassies. On completion, Belgrade Plaza (MUP) will comprise a shopping gallery, an apartment hotel and business center. Construction is planned to commence in 2015/2016 and completion is scheduled for 2017.

Current portfolio

Romania

Project	City	Ownership	GLA (m²)	Market value on completion 31 December 2013 (€)	Market value of the land and project 31 December 2013 (€)	Expected completion
Palazzo Ducale	Bucharest	100%	700	1,800,000	1,800,000	Operating
Timişoara Plaza	Timişoara	100%	38,000	76,965,000	10,825,000	2016
Casa Radio	Bucharest	75%	555,000[1]	622,880,000	130,613,000	2017[2]
Cina Plaza	Bucharest	100%[3]	4,786	n/a[4]	n/a[4]	2015-2016
Iaşi	Iaşi	100%	58,000	94,946,000	11,550,000	*
Csíki Plaza	Miercurea Ciuc	100%	14,000	14,868,000	5,620,000	*
Slatina Plaza	Slatina	100%	17,000	40,920,000	1,650,000	*
Hunedoara Plaza	Hunedoara	100%	14,000	9,959,000	2,375,000	*
Târgu Mureş Plaza	Târgu Mureş	100%	10,000	72,344,000	6,175,000[5]	*
Constanţa Plaza	Constanţa	100%	18,000	n/a[6]	6,300,000	*

* Under planning and feasibility examination
1 GBA
2 First phase
3 Development rights
4 External valuation was not conducted.
5 In 2013 the Company applied a more conservative approach, and lower value was used in the financial statements than in the valuation report.
6 Asset was valued with the comparative sales price method, no value at completion was estimated.

Plaza has a significant development pipeline in Romania, with nine sites for shopping and entertainment centers and mixed-use schemes in various stages of development. The Company continues checking the feasibility and planning of the projects, including obtaining permits.

Timişoara Plaza

Palazzo Ducale (Bucharest): operational office

In October 2007, the Company acquired a prestigious French-style villa converted into an office building. The building is located in the center of Bucharest and was completely renovated in 2005. The total constructed area is approximately 700m², built on a plot of around 600m² and consists of three floors, a basement and a garage. All three floors are currently leased.

Timişoara Plaza: current development

Plaza owns a plot of land with an area of 32,000m² in Timişoara, on which it is intending to develop a shopping and entertainment center. The site is situated in the north east of Timişoara, a city in western Romania, close to the border with Hungary with a population of 320,000 inhabitants and a catchment area of approximately 700,000 inhabitants. The site is situated on a three-way junction and enjoys excellent visibility. The planned center will have a GLA of approximately 38,000m² which is intended to include a supermarket, a hypermarket complex, fashion retailers, a fantasy park, a food court and restaurants. The Group intends to commence construction in 2014/2015 and the center is scheduled to open in 2016.

Casa Radio
Romania

555,000m²
GBA

Casa Radio will include a 76,000m² GLA shopping mall with an 11,000m² hypermarket and indoor leisure center (one of the largest in Europe), ferris wheel, approximately 148,000m² GLA of offices, hotel complex with conference center and 300 rooms, an apartment hotel with 150 apartments, casino and approximately 4,500 underground car parking spaces.

Romania

Casa Radio (Bucharest): current development

In February 2007, the Company consummated a transaction for the acquisition of a 75% interest in a company (the "Project Company"), which under a public-private partnership agreement with the Government of Romania is expected to develop the Casa Radio (Dambovița) site in central Bucharest. The property comprises a site covering an approximate area of 92,000m² (97,000m² including 5,000m² for Public Authority Building ("PAB")).
The proposed scheme will comprise the refurbishment of the existing building as well as the development of additional space annexed to the building and on adjoining land. The development of Casa Radio comprises approximately 555,000m² of built area, including a 76,000m² GLA shopping mall with an 11,000m² hypermarket and indoor leisure center (one of the largest in Europe), ferris wheel, approximately 148,000m² GLA of offices, hotel complex with conference center and 300 rooms, an apartment hotel with 150 apartments, casino and approximately 4,500 underground car parking spaces. The Company expects to complete the first phase of the project, which includes the shopping center, parking and PAB, in 2017.

Slatina Plaza

Cina (Bucharest): current development

Plaza has lease rights for 49 years (starting 12/2007) for an existing building in Cina, Bucharest. Cina is located in Bucharest city center, on Calea Victoriei Venue, next to Romanian Athenaeum, among central iconic landmarks: Romanian Art Museum, Revolution Square, Central University Library and more. The Group intends to develop the building into an exclusive office building with luxury retail space with a GLA of approximately 5,000m². The Group intends to commence construction in 2014 and the center is scheduled to open in 2015/2016.

Iaşi Plaza

Hunedoara Plaza

Iaşi Plaza: pipeline project

Plaza has purchased a 46,500m² plot of land in Iaşi, on which it is expecting to develop a shopping and entertainment center and office space. Iaşi Plaza is situated in Iaşi, a city in the north east of Romania, with a population of approximately 350,000 inhabitants and a catchment area of approximately 820,000 inhabitants. The shopping center is planned to comprise approximately 40,000m² of GLA, and is intended to include an anchor supermarket, a cinema, fashion retailers, a fantasy park, a food court and restaurants. In addition, the project is intended to include office space of 18,000m² GLA. The project is under planning and feasibility examination.

Csíki Plaza: pipeline project

Plaza purchased a plot of land with an area of 36,500m² in Miercurea Ciuc, for the development of a shopping and entertainment center. Csíki Plaza is situated in the center of Miercurea Ciuc, a city in Romania, with a population of 50,000 inhabitants and a catchment area of approximately 300,000 inhabitants. The site is situated 400 meters from the city hall. The shopping center is planned to have a GLA of approximately 14,000m², and is intended to include a supermarket, fashion retailers, a food court and restaurants. Construction commenced in late 2008 and stopped during 2009 due to lack of interest from tenants derived from the economic crisis. Currently the Group intends to sell the project or alternatively checking the option to lease-up the project parallel to the development of other sites in Romania – subject to leasing progress and financing.

Slatina Plaza: pipeline project

Plaza has acquired a site in Slatina, in southern Romania. The site totals approximately 24,000m² and is located in the north west part of Slatina. Slatina is a city with around 80,000 inhabitants and is considered a major city in the county of Olt which has approximately 520,000 inhabitants. The Company plans to build a shopping and entertainment center with approximately 17,000m² of GLA.
The project is under planning and feasibility examination.

Hunedoara Plaza: pipeline project

Plaza has acquired a 41,000m² site in Hunedoara. The site is intended to be developed into a modern, western-style shopping and entertainment center, with 14,000m² of GLA. It is ideally located on the main entry to the city from Deva which is near the city center. It has 70,000 inhabitants and catchment area of 200,000 people.
The project is under planning and feasibility examination.

Târgu Mureş Plaza: pipeline project

Plaza has acquired a 31,500m² site in Târgu Mureş, to develop a power center, with a planned GLA of 10,000m². The proposed development is ideally located near to the city center, close to the main road that links to the neighbouring towns of Cluj-Napoca and Alba Iulia. The project is under planning and feasibility examination.

Constanţa: pipeline project

Plaza has acquired a 26,500m² 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 a leading supermarket and/or a DIY store together with some smaller retail units.

Cina Plaza
Romania

4,786m²
GLA

Cina Plaza is located in Bucharest city center, on Calea Victoriei Venue, next to Romanian Athenaeum. The Group intends to develop the building into an exclusive office building with luxury retail space with a GLA of approximately 5,000m². The Group intends to commence construction in 2014 and the center is scheduled to open in 2015/2016.

Current portfolio

India

Project	City	Ownership	GLA (m²)	Market value on completion 31 December 2013 (€)	Market value of the land and project 31 December 2013 (€)	Expected completion
Koregaon Park Plaza	Pune	100%	41,000	SOLD[1]	SOLD[1]	Opened in Q1 2012*
Chennai	Chennai	40%	230,000[2]	39,899,000	11,272,000	2014-2019
Bangalore	Bangalore	25%	310,000[3]	90,665,000	12,251,000	**

* Operating ** Under planning and feasibility examination

1 The Company signed an agreement for the sale of Koregaon Park Plaza (subject to the fulfilment of certain closing conditions), therefore no valuation was conducted. The book value of the asset is circa €40 million.

2 For sale.

3 GBA

Bangalore

In May 2013, the Group has completed its first transaction in India with the sale of its 50% interest in a vehicle which mainly holds interest in an office complex project located in Pune, India. In November 2013, the Group reached an agreement to sell Koregaon Park Plaza, its first completed shopping and entertainment center in India which was opened in 2012. Currently the Group has interest (through a joint venture with Elbit Imaging) in two sites for residential developments located in the cities of Chennai and Bangalore.

Koregaon Park Plaza: complete and active project

Koregaon Park Plaza shopping and entertainment center comprises a 41,000m² GLA and it was completed and opened to the public in March 2012. It is the Group's first completed project in India and is located in the upmerket area of Pune, Maharashta State. In June 2012, a fire event occurred at the center (due to a tenant's faulty electrical equipment), which required a temporary close-down, but did not consume it entirely. The center's safety and evacuation procedures were implemented quickly and efficiently and no injuries occurred in the incident. Although roughly two thirds of the center's rentable area was reopened in August 2012, the reminder of the center required extensive renovation and these works were completed in the second quarter of 2013. In June 2013 the Company collected INR 529 million (€6.9 million) refund from the insurance company in connection with the damage occurred in the fire in Koregaon Park shopping center, which covered all the renovation costs.
In November 2013 Plaza reached an agreement to sell the Koregaon Park Plaza, subject to the fulfilment of certain closing conditions.

Chennai: current development

The Indian JV Vehicle (in which Plaza's share is 50%) has an 80% stake in a company which holds a 75 acres plot (and paid advances in order to secure acquisition of an additional 8.4 acres) in Chennai, 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 160,000m² of plotted area for development and approximately 70,000m² for high quality villas. The Company anticipates that the project will be completed in phases between 2014/2015 to 2018/2019.

Bangalore: pipeline project

The Indian JV Vehicle currently has a 50% stake in a company which has rights on a 54 acres plot in Bangalore. The site located on the eastern side of Bangalore, India's fifth largest city, with a population of over eight million people. The JV Vehicle intends to develop the site into a mega mixed-use project with a total built area of 310,000m². The project will comprise over 1,100 luxury residential units. The project is under planning and feasibility examination.

Koregaon Park Plaza, India

Latvia
Czech Republic
Hungary
Greece
Bulgaria

Project	City	Ownership	GLA (m²)	Market value on completion 31 December 2013 (€)	Market value of the land and project 31 December 2013 (€)	Expected completion
Latvia						
Riga Plaza	Riga	50%	49,000	43,863,000	43,863,000	Opened in Q1 2009*
Czech Republic						
Liberec Plaza	Liberec	100%	17,000	17,675,000	17,675,000	Opened in Q1 2009*
Hungary						
David House	Budapest	100%	2,000	3,950,000	3,950,000	Operating
Arena Plaza extension	Budapest	100%	40,000	88,941,000	7,800,000	**
Greece						
Pireas Plaza	Athens	100%	26,000	94,555,000	15,300,000	**
Bulgaria						
Shumen Plaza	Shumen	100%	20,000	31,260,000	2,125,000	**

* Operating ** Under planning and feasibility examination

Plaza owns two operating shopping centers in Latvia and in the Czech Republic, three developments in Hungary, Greece and Bulgaria, and one office building in Hungary.

Latvia

Riga Plaza: complete and active project

Riga Plaza is located on the west coast of the Daugava river, south west of Riga's city center. Riga, the capital of Latvia and the largest city in the Baltic States, has a population of approximately 750,000 inhabitants. Riga Plaza has excellent connections to the city center (a three to five-minute drive), as well as outstanding connections to the nearby main roads. There are eight public transport stops (trolleybus and bus) located within 500 meters, with the nearest public transport stop located directly in front of Riga Plaza. The primary catchment area is made up of the 350,000 inhabitants of Riga's west coast. Riga Plaza is a two-floor shopping and entertainment center with a GLA of approximately 49,000m², anchored by a hypermarket, an eight-screen multiplex cinema and 2,000m² of Fantasy Park. In 2013, occupancy of the mall has increased to 97% from 94% in 2012. H&M, a multinational fashion retailer signed a contract for 2,700m² store which was opened in April 2014. It is expected that the mall will be fully let by the end of 2014.

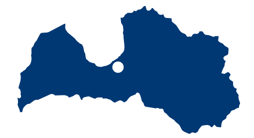
Liberec Plaza, Czech Republic

Czech Republic

Liberec Plaza: complete and active project

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 101,000 inhabitants and catchment area of approximately 350,000 inhabitants. The site is situated 20 meters from the main square. The complete center comprises of approximately 17,000m² of GLA, and includes an anchor supermarket, fashion retailers, a squash and sports center, a Dinopark, a food court and restaurants. The center is also comprising a residential area of 514m² (five apartments) and 1,100m² of office space. The center was opened to the public in March 2009. Occupancy of the mall increased in 2013 to 86% compared to 80% in 2012.

Riga Plaza
Latvia



49,000m²

GLA

Riga Plaza is a two-floor shopping and entertainment center with a GLA of approximately 49,000m², anchored by a hypermarket, an eight-screen multiplex cinema and 2,000m² of Fantasy Park. It is expected that the mall will be fully let by the end of 2014.

Latvia
Czech Republic
Hungary
Greece
Bulgaria

Hungary

David House (Budapest): operational office

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. Several foreign embassies are situated nearby. The building facades of all buildings on the Andrássy Boulevard, including David House, are listed in the "World Heritage" list. The building was reconstructed / refurbished by Plaza during 2000-2001 in cooperation 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 800m² plot and consists of four floors, an atrium and a basement, with a total constructed area of approximately 2,000m².

Arena Plaza extension (Budapest): pipeline project

The Arena Plaza extension is a planned office addition to Arena Plaza that is intended to comprise approximately 40,000m² GLA of "class A" offices. The Arena Plaza extension will occupy part of the former historic Kerepesi trotting track in the 8th district of Budapest. The project is under planning and feasibility examination.

Greece

Pireas Plaza (Athens): pipeline project

Plaza currently owns a plot of approximately 15,000m² in the city of Piraeus, a commercial-industrial center 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, the project will be easily accessed by a large catchment of more than one million people. Pireas Plaza is planned to be a three-storey commercial and entertainment center with 26,000m² GLA and will be served by four underground parking levels for 775 cars. The project is under planning and feasibility examination.

Bulgaria

Shumen Plaza: pipeline project

Plaza has purchased a 26,000m² plot of land in Shumen, one of the largest cities in north-eastern Bulgaria, 80km from Varna. The site is ideally situated at the crossroads of the two major traffic arteries in Shumen, within a short walking distance to the city center, railway station and university.

Shumen Plaza is expected to be the first western-style shopping center in the district and to serve the city population of approximately 100,000 people and a larger catchment of 205,000 people. Shumen Plaza is planned to be a three-floor commercial and entertainment center with 20,000m² GLA and 650 parking spaces. The project is under planning and feasibility examination.

Arena Plaza extension, Hungary

Shumen Plaza, Bulgaria

Pireas Plaza
Greece

26,000m²
GLA

Plaza owns a plot of approximately 15,000m² in the city of Piraeus, a commercial-industrial center 10km from the heart of Athens, in a walking distance from Europe's largest passenger port. Pireas Plaza is planned to be a three-storey commercial and entertainment center with 26,000m² GLA and will be served by four underground parking levels for 775 cars, easily accessed by a large catchment of more than one million people.

President and Chief Executive Officer's statement

Ran Shtarkman
President and Chief Executive Officer

I am pleased to report that we are making good progress with the restructuring process whilst continuing to leverage the ability and expertise of our management team to enhance the quality of our income generating assets across all key parameters such as occupancy levels, footfall and turnover.

Central and Eastern Europe economies are experiencing signs of a change in sentiment, with Poland and the Czech Republic both reporting increased investment activity in 2013. However, we have seen marked differences between the countries north of the region, which have proved more resilient, and the struggling southern economies, including Romania and Bulgaria. It was as a result of the sustained challenging market conditions, combined with the lack of transactional liquidity in a number of the countries in which we operate, that we took the decision in November to withhold payments on the upcoming maturities of our outstanding corporate bonds and suggest a restructuring plan to creditors.

Against these specific and very real challenges, I am pleased to report that Plaza has, once again, been successful in delivering considerable progress at the operational level of the business through intensive asset management initiatives such as attracting significant anchor tenants to our assets. We have also continued to reallocate capital to pay our debts following the sale of a number of our completed and non-core assets.

Key Events

In line with its stated strategy, Plaza made a number of significant disposals of its non-core assets during the year, including:

- In May, Plaza sold its 50% stake in a vehicle which primarily holds interest in an office complex located in Pune, Maharashtra. The successful transaction valued assets owned by the vehicle collectively at €33.4 million and, as a result, Plaza received gross proceeds of circa €16.7 million.
- In July, Plaza successfully completed the sale of 100% of its stake in a vehicle which owns the interest in the Prague 3 project ("Prague 3"), a logistics and commercial center in the third district of Prague. The transaction valued the asset at circa €11.1 million and, as a result, further to related bank financing and other balance sheet adjustments, Plaza received net proceeds of circa €7.6 million in cash.
- In October, a consortium of shareholders of Dream Island, in which Plaza holds a 43.5% stake, completed the sale of its Dream Island project land holding to the Hungarian State for circa €16.5 million (HUF 5 billion). The proceeds of the transaction were used by the Consortium to repay a proportion of the securitised related bank debt held against the asset. As a result of a previous non-cash, market driven writedown, the asset was held on Plaza's balance sheet at the value of the loan, which was non-recourse so no accounting loss was incurred in the 2013 financial statements.
- On 14 November 2013, Plaza announced that it had reached an agreement to sell Koregaon Park Plaza, a retail, entertainment and office scheme located in Pune, India, subject to the satisfaction of certain closing conditions. The transaction valued the asset at circa €40 million, the asset's current book value. Following the repayment of the outstanding related bank loan, Plaza expects to generate aggregate cash proceeds from the purchaser totalling circa €18 million, before taxes and transaction costs, which should be paid in instalments over the coming two years. The transaction is subject to fulfilment of certain conditions, including consent from the financing banks.
- As announced in January 2014, in December, Plaza's 70% subsidiary reached an agreement to sell its 50% equity stake (together with the other 50% joint venture partner) in the Új Udvar shopping mall in Budapest, Hungary. As a result of the transaction, proceeds of €2.35 million in cash were received by Plaza for its share in the asset.
- Finally, Plaza has also sold its interest in a SPV which owns a site in Roztoky, Czech Republic which was being held for a potential residential development. The site was sold for circa €2 million, resulting in net cash proceeds of €1.3 million after debt-related deductions.

These transactions are demonstrative of the Company's ability to continue to deliver on its strategy to reduce debt levels and reassign capital realised from the sale of completed and non-core assets to pay down debt and invest in the core yielding assets in its portfolio, thereby creating capital value and driving income growth.

In addition, the Company continues to make strong progress with its asset management initiatives. Occupancy levels across the Company's existing shopping and entertainment centers continued to increase, reaching an overall occupancy of 93%, footfall increased by 4% and the average monthly turnover increased by 24.5%.

In addition an important refinancing agreement was signed during the year, with the Company's Latvian 50% subsidiary signing a new €59.3 million investment loan with a consortium comprising two banks for its shopping and entertainment center in Riga, Latvia. The new facility has duration of four years and therefore substantially lengthens the duration of the debt compared to the previous loan facility, which was due for repayment on 30 June 2014.

Results

Due to a circa €186 million non-cash impairment charged against the Company's trading properties, equity accounted investees, investment property and prepayments, Plaza ended the year with a loss attributable to the owners of the Company of €218 million. A €186 million impairment charge related to the reduction in the value of our assets across the portfolio with the following geographic breakdown: Serbia (€37 million), Romania (€27 million), India (€76 million), Czech Republic (€20 million), Greece (€12 million), Poland (€11 million), Bulgaria and Hungary (€4.5 million) and Latvia (€1.5 million uplift). The writedowns are a reflection of the ongoing economic uncertainty in many of the countries in which we operate.

As part of the Company's commitment to repositioning the business, Plaza raised €61 million through the successful disposal of five assets, which included receiving the remaining funds from the €1.428 billon US transaction the Company completed in 2012. The 2013 NOI including equity accounted from Riga Plaza totalled €17 million (31 December 2012: €16.2 million).

As at 31 December 2013, Plaza had a consolidated cash position (including restricted bank deposits, short-term deposits and available for sale financial assets) of approximately €33.7 million, of which circa €7 million of cash was held as restricted cash on a consolidated basis. Working capital stood at negative €291 million as all the liabilities are shown as current due to the implementation of the restructuring programme, the subsequent suspension of payments and the classification of trading properties as non-current due to the uncertainties surrounding the timing of the restructuring's completion and the future disposal of a number of assets. As at the date of this report, the Company has a current cash position of circa €35.2 million (inclusive of the €7 million of restricted cash).

NAV

The Company's property portfolio (CEE and India) was valued by Cushman and Wakefield as at 31 December 2013 and their summary valuation is shown below.

Net Asset Value per share decreased by 40%, attributable primarily to non-cash impairments amounting to €186 million. The writedown in value reflects uncertainties in respect of the development of projects, depressed rental levels in the above mentioned countries and low transaction volumes resulting 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 realisable value. Management will continue to evaluate the local economic context before any development programme is commenced as well as looking at other alternatives to monetise the land bank if development is not economically viable.

The Company's NAV was calculated as follows:

Use	EUR (Thousand)
Market value of land and projects by Cushman and Wakefield[1]	545,142
Assets minus liabilities as at 31 December 2013[2]	(271,370)
Total	**273,772**

1 Except for Targu Mures (Romania) project, where the company has applied a more conservative value.
2 Excluding book value of assets which were valued by Cushman and Wakefield.

Portfolio progress

Currently the Company is engaged in twenty 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 13 March 2014, is summarized as follows:

Number of assets (CEE and India)

Location	Active	under development/ planning	Offices
Romania	-	9	1
India	1	2	-
Poland	3	4	-
Hungary	-	1	1
Serbia	1	2	-
Czech Republic	1	-	-
Bulgaria	-	1	-
Greece	-	1	-
Latvia	1	-	-
Total	**7**	**20**	**2**

Liquidity & Financing

Plaza ended the year with a consolidated cash position (including restricted bank deposits, short-term deposits and available for sale financial assets) of approximately €33.7 million, of which circa €7 million of cash is held as restricted cash on a consolidated basis. Working capital as at 31 December 2013 totalled negative €291 million, and, as mentioned above, the Company's current cash position is circa €35.2 million (out of which €7 million is restricted).

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 64% in 2013.

On 14 November 2013, Plaza announced that it had made the decision to withhold material payments to bondholders, specifically a circa €15 million payment due to Polish bondholders on 18 November 2013 and a circa €17 million payment due to Israeli bondholders on 31 December 2013. Despite ongoing efforts to complete a number of asset sales and secure some alternative financing transactions, Plaza had been unable to conclude these deals within a timeframe that would have enabled it to meet those payment obligations.

Therefore, to ensure the long-term viability of the business, the Board agreed to approach the creditors of the Company with a restructuring plan so that a formalized restructuring process could be implemented. Subsequently, on 18 November, Plaza filed for reorganization proceedings (surseance van betaling) with the District Court of Amsterdam in the Netherlands and submitted a restructuring plan to enable it to restructure its debt and resolve its immediate liquidity situation. This will be achieved primarily through:

- a deferral of principal payment obligations to creditors of the Company for a period of three to four years, or shorter if cash flow permits;
- interest payments made as due, with an additional 1.5% interest to be paid in addition to regular interest;
- early repayment of the Company's debt balance upon the realization or refinancing of assets with 75% of the net cash flows;
- allocation to the representatives of the non-collateral backed debt being shares issued representing 13.5% of the Company's shares;
- as long as the deferred debt balance is not paid in full, no dividend will be distributed without the majority bondholders' consent;
- a potential rights issue of €20 million to shareholders;
- a negative pledge on Company's assets;
- a deferral of banks' recourse rights to the Company for a further four years.

Aside from the proposed payment deferral, the terms of the proposed restructuring plan do not require bondholders to take a loss on the value of their outstanding exposures. The original date of the creditors voting, scheduled for 17 April 2014, was postponed to 26 June 2014 due to the technicalities involved in formally completing the arrangement. Please refer to the Debt restructuring page under Investor relations section on the Company's website for further details.

Strategy and Outlook

During the year, Plaza continued to be impacted by the lasting economic uncertainty across CEE. Whilst financial institutions in the region remain well financed, they continue to take a cautious approach to lending and investors continue to be wary of moving up the risk curve, both factors which are illustrated by the lack of transactional activity in 2013.

In the shopping mall space, the core economies are well serviced with retail and entertainment centers, so we continue to see value in the region's secondary cities. For this reason, as signs of an improvement in business and investor sentiment across CEE become even more apparent, our portfolio should be particularly well positioned to benefit from wider recovery in Eurozone growth.

Notwithstanding the challenges that remain and the Company's current liquidity position, Plaza's efforts to reposition the business resulted in five significant sales of non-core assets and securing increased occupancy levels, footfall and turnover across its portfolio of operating assets. The success of the Company's intensive asset management initiatives, which have driven these operational achievements, are extremely important in maximizing the income and value of our shopping centers, particularly in the context of the future implementation of the restructuring plan.

Alongside the management of the restructuring process, which continues to make good progress, it is vital that Plaza continues to look to the long-term objectives of the business. The deferral of the repayment of our debt maturities enables us to progress with the initiation of projects and investment as appropriate, including actively managing our income generating assets to prepare for their ultimate sale, whilst continuing to identify exit opportunities from our remaining non-core assets.

Despite our challenged liquidity position and restructuring process, our belief in the strength of the underlying fundamentals of our assets and land reserves remains intact. By utilising the extensive skills of our experienced management team, the deep relationships we have with our tenants and finance providers and maintaining our cautious but opportunistic approach, the Company is positioning itself, on completion of the restructuring, to be able to return the rewards of capital appreciation and income growth to its shareholders.

Ran Shtarkman
President and Chief Executive Officer

Operational review

During the reporting period, Plaza made significant progress against its operational and strategic objectives, by delivering improved fundamentals at the portfolio level and realising value through the sale of a number of its non-core assets.

Highlights for the financial year included:

- **Operations:** Improving performance of its operating shopping and entertainment centers located in four countries in the CEE.
- **Disposals:** In 2013, the Company received net cash of circa €61 million through the disposal of five assets (€29 million) and the collection of the remaining proceeds from the transaction in the US (€32 million).
- **Financial position:** Plaza's current consolidated cash position stands at circa €35.2 million (out of which €7 million is restricted).

As of the reporting date, Plaza has 29 assets in nine countries, of which 20 are under various stages of development across the CEE region and India. Of these, nine are located in Romania, two in India, four in Poland, two in Serbia, and single assets in Bulgaria, Greece and Hungary. In addition to these developments, Plaza retains the ownership of 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 landholdings through to the planning and permits.

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

Asset/Project	Location	Nature of asset	Size m² (GLA)	Plaza's effective ownership %	Status*
Operating Shopping and Entertainment Centers					
Suwałki Plaza	Suwałki, Poland	Retail & entertainment scheme	20,000	100	Operating, opened in May 2010
Zgorzelec Plaza	Zgorzelec, Poland	Retail & entertainment scheme	13,000	100	Operating, opened in March 2010
Toruń Plaza	Toruń, Poland	Retail & entertainment scheme	40,000	100	Operating, opened in November 2011
Liberec Plaza	Liberec, Czech Rep.	Retail & entertainment scheme	17,000	100	Operating, opened in March 2009
Kragujevac Plaza	Kragujevac, Serbia	Retail & entertainment scheme	22,000	100	Operating, opened in March 2012
Riga Plaza	Riga, Latvia	Retail & entertainment scheme	49,000	50	Operating; opened in March, 2009
Koregaon Park Plaza	Pune, India	Retail, entertainment and office scheme	41,000	100	Operating; opened in March, 2012. In November 2013 the Company reached an agreement to sell the center, subject to certain conditions

* All completion dates of the projects are subject to securing external financing and securing sufficient tenant's demand.

plaza centers/business rewiew

operational rewiew

Asset/Project	Location	Nature of asset	Size m² (GLA)	Plaza's effective ownership %	Status*
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	555,000 (GBA including parking spaces)	75	Under planning; completion of the first phase is scheduled for 2017
Timişoara Plaza	Timişoara, Romania	Retail & entertainment scheme	38,000	100	Construction scheduled to commence in 2014/5; completion scheduled for 2016
Łódź Plaza	Łódź, Poland	Retail & entertainment scheme	35,000	100	Construction scheduled to commence in 2015/6; completion scheduled for 2017
Belgrade Plaza (MUP)	Belgrade, Serbia	Apartment-hotel and business center with a shopping gallery	63,000 (GBA)	100	Construction scheduled to commence in 2015/6; completion scheduled for 2017
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Construction scheduled to commence in 2014/5; completion scheduled for 2015/6
Cina Plaza	Bucharest, Romania	Retail & Office scheme (Existing building for development)	4,786	Lease rights for 43 years (starting 12/2007)	Construction scheduled to commence in 2014; completion scheduled
Chennai	Chennai, India	Residential scheme	230,000 (for sale)	40	Construction scheduled to commence in late 2014/5; phased completion scheduled over 2014/5-2018/9
Operational Office Buildings					
David House	Budapest, Hungary	Office	2,000	100	Operational office
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational office

* All completion dates of the projects are subject to securing external financing and securing sufficient tenant's demand.

Asset/Project	Location	Nature of asset	Size m² (GLA)	Plaza's effective ownership %	Status*
Pipeline Projects			Plot Size (m²)		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	30,000	100	Under planning and feasibility examination
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	17,000	100	Under planning and feasibility examination
Łódź (Residential)	Łódź, Poland	Residential scheme	33,000	100	Under planning and feasibility examination
Arena Plaza extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Under planning and Extension feasibility examination
Csíki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Under planning and feasibility examination
Iaşi Plaza	Iaşi, Romania	Retail, entertainment and office scheme	46,500	100	Under planning and feasibility examination
Slatina Plaza	Slatina, Romania	Retail & entertainment scheme	24,000	100	Under planning and feasibility examination
Hunedoara Plaza	Hunedoara, Romania	Retail & entertainment scheme	41,000	100	Under planning and feasibility examination
Târgu Mureş Plaza	Târgu Mureş, Romania	Retail & entertainment scheme (Power Center)	31,500	100	Under planning and feasibility examination
Constanţa Plaza	Constanţa, Romania	Retail & entertainment scheme	26,500	100	Under planning and feasibility examination
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Under planning and feasibility examination
Pireas Plaza	Athens, Greece	Retail & entertainment scheme	15,000	100	Under planning and feasibility examination
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Under planning and feasibility examination

* All completion dates of the projects are subject to securing external financing and securing sufficient tenant's demand.

operational rewiew

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 success, including new signed leases totalling over 6,800m^2, improving the overall occupancy of the Polish portfolio to 90%.

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 approximately 89% (including signed lease agreements) compared to 84% in 2012. Following the year end, TK Maxx opened as an anchor retailer on 5 March 2014 occupying 2,700m^2. The center is currently let to premium international and local brands such as Cinema City, H&M, C&A, KappAhl, Zara, Bershka, Stradivarius, Pull & Bear and Massimo Dutti.

The mall demonstrated a strong operational performance over 2013, and Plaza's focus on asset management and marketing activities since the mall opened led to a footfall improvement of 5% in 2013. As a result, average monthly turnover at the mall over the 2013 Christmas period improved by 24% 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 Lumière, continues to perform well. Plaza has been successful at driving the turnover at the center, with an average increase of 10% compared to 2012. Successful asset management initiatives undertaken by Plaza saw occupancy improve from 90% to 91% during the year.

Significant operational improvement was also achieved at Zgorzelec Plaza. The 13,000m^2 shopping and entertainment center saw occupancy levels rise from 89% in 2012 to 91% as at the reporting date. In addition, footfall in the center increased by 29% compared to 2012 and the center achieved a 58% growth in turnover on year to year basis.

Plaza also continued the feasibility and planning studies at Łódź Plaza (comprising approximately 35,000m^2 of GLA). As a result, construction is scheduled to begin in late 2015 with completion expected in 2017.

Serbia

On 20 March 2012, Plaza opened its first Serbian shopping and entertainment center in Kragujevac, a city of 180,000 inhabitants. Kragujevac Plaza comprises 22,000m^2 of GLA and was over 90% let on 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, the center is fully let with significant improvements both in terms of footfall (+15%) and turnover (+17%), demonstrating Plaza's ability to capitalise on opportunities in new markets.

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

Plaza's other investment in Serbia is 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 neighbourhood of government offices and foreign embassies. On completion, the scheme, Belgrade (MUP) Plaza, will comprise a shopping gallery, an apartment-hotel and business center totalling circa 63,000m^2 of GBA. Construction is planned to commence in 2015/2016 and scheduled for completion in 2017. 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 Belgrade Plaza (Visnjicka) (previously known under the project name Sport Star Plaza), Plaza's proposed scheme comprising a total GLA of approximately 32,000m^2. Construction is planned to commence during 2014/2015 with anticipated completion scheduled for 2015/2016.

On 1 March 2013, Serbia was granted candidate status to the European Union. Plaza believes this will significantly increase the flow of international capital into the country, enabling its carefully selected Serbian development pipeline, and completed and operational asset to benefit from an anticipated growth in investor interest.

Romania

Plaza holds a 75% interest in a company in partnership with the Government of Romania to develop Casa Radio project (Dambovița), the largest development plot in central Bucharest. It will comprise approximately 555,000m^2 of GBA, including a 76,000m^2 GLA shopping mall and leisure center (one of the largest in CEE), offices, hotel, an apartment hotel and a convention and conference hall. The Company has obtained the Detailed Urban Permit ("PUD") and the Zonal Urban Plan ("PUZ") to the Dambovița Center Multifunctional Complex and completion of the first phase is scheduled for 2016/2017.

In light of the financial crisis, and in order to insure a construction process that is aligned to current market conditions, the Company started preliminary discussions with the Authorities (which are both shareholders of the SPV and a party to the Public Private Partnership ("PPP") regarding the future development of the project. The Company has also officially notified the Authorities that it will be seeking to redefine some of the terms of the existing PPP contract, such as timetable, structure and project milestones.

In addition, Plaza continued the feasibility and planning studies and permitting of Timişoara Plaza (comprising approximately 38,000m^2 of GLA) and Cina in Bucharest Romania. At Timişoara Plaza, construction is scheduled to begin in late 2014 with completion expected in 2016. The Cina retail and office scheme will comprise app. 4,800m^2 GLA with an expected completion date in 2015/2016.

India

On 14 November 2013, Plaza announced that it had reached an agreement to sell Koregaon Park Plaza, a retail, entertainment and office scheme located in Pune, India, subject to the satisfaction of certain closing conditions. The transaction valued the asset at €40 million, the asset's current book value. Following the repayment of the outstanding related bank loan, Plaza will receive aggregate net cash proceeds from the purchaser totalling circa €16 million (after tax and transaction costs). Subject to fulfilment of certain conditions, including a consent from the financing bank, the Company expects to collect the first part of this, totalling circa €10m, in the coming six months and the remaining consideration will then follow in several instalments until 2016.

In 2008, Plaza formed a joint venture with Elbit Imaging ("JV") to develop three mega mixed-use projects in Bangalore, Chennai and Kochi in India. Under the terms of the 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 JV 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 when completed. In 2010, the JV signed a new framework agreement which, inter alia, entitles the JV to receive 70% of the net proceeds from the project until a target 20% IRR is received. Once the JV has received the 20% IRR on its investment, the JV will exit the project. Currently the project is in planning phase. As at 31 December 2013, due to uncertainty about the Group's ability to develop the project in the foreseeable future, the Group recorded €31 million of writedown expenses in the Company's profit or loss for the year.

Chennai - A residential development, which is 80% owned by the JV and 20% by a prominent local developer. The scheme 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. The JV is currently in advanced negotiations to sign a joint development agreement with a reputable local developer to complete the project.

As at 31 December, due to uncertainty about the Group's ability to develop the project in the foreseeable future, the Group estimated the net realizable value of the project according to a comparable model. This resulted in the Group recording €20.7 million of writedown expenses in the Company's profit or loss.

Kochi Island - A 50:50 partnership with a 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. Kochi has a local population of more than two million inhabitants.

Plaza's investment in Kochi project (€4.3 million) was done through a pre-payment advance guaranteed by Elbit, its parent company.

On 11 November 2013, the Company demanded and exercised a corporate guarantee in the amount of €4.3 million including the interest thereon up until such date (the "Reimbursement Payment") which has been provided by Elbit within the terms of the original Indian JV Agreement, on the grounds of Elbit defaulting on the finalisation and conclusion of the transfer of the Kochi Project Rights to the Indian JV Vehicle.

In its reply letter, Elbit has refused to repay the Reimbursement Payment. The Company is of the view that based on the abovementioned JV Agreement and its ancillary documents (including the corporate guarantee issued by Elbit in the Company's favour as mentioned above), it has a valid claim to recover the €4.3 million.

Despite the above view, and in view of uncertainties, the Company has made the decision to impair the pre-payment in its financials.

Latvia

In March 2009, Plaza completed and opened Riga Plaza, the 49,000m² shopping and entertainment center in which Plaza owns a 50% stake.

Riga Plaza is located on the western bank of the River Daugava by the Sala Bridge. The center continues to deliver significant operational improvements, seeing occupancy levels increase to 97% following the lease agreement signed with H&M which has opened a 2,700m² store in April 2014. There are ongoing discussions with a number of potential occupiers for the remaining space from which Plaza hopes to conclude further lettings shortly. Also footfall and turnover improved throughout the year by 7% and 14% respectively.

Latvia was the fastest growing economy in the EU in 2012. Following the successful introduction of the Euro in 2013 and strengthening household consumption, the country is well positioned for further growth, which we expect to underpin the further improvements in the performance of Riga Plaza going forward.

Czech Republic

Plaza continues to own and manage Liberec Plaza shopping and entertainment center (approximately 17,000m² GLA), which opened in March 2009. During the period, the turnover of the mall improved by 10%, whilst occupancy increased from 80% to 86%.

Hungary

Plaza has a transferable land use right to plot of land on which it plans to develop an office extension onto the Arena Plaza shopping center built by the Company. The extension will comprise an office complex with approximately 40,000m² of GLA. In line with Plaza's cautious approach to development, it is waiting for the recovery of the Budapest office market and a general rise in both occupancy rates and rental fee levels before beginning construction of the project.

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

Greece

Plaza owns a land plot which received the relevant planning permission for a 26,000m² GLA shopping and entertainment center. Although the land plot is in an excellent location, in line with the Company's prudent approach to development, Plaza will continue to monitor the macroeconomic situation in Greece before committing additional capital to the project.

Plaza has been successful in delivering considerable progress at the operational level of the business through intensive asset management initiatives such as attracting significant anchor tenants to its assets.

Liberec Plaza, Czech Republic

Financial review

Roy Linden
Chief Financial Officer

Results

During 2013, Plaza remained focused on the execution of its strategy to dispose of non-core assets in its portfolio, to enable it to reallocate capital to its core yielding assets and to reduce debt levels.

The Company has designated its properties into three types:
- Completed trading properties projects;
- Projects scheduled for construction;
- Plots in the planning phase.

In respect of its completed trading properties projects, the Company still faces material uncertainties in respect of the time needed to sell the properties. However the Company has not changed its business model and is actively seeking buyers. Therefore it is clear from the Company's perspective that these completed properties are trading properties, rather than investment properties.
In respect of plots held, which are not intended to be constructed in the near future, the Company is actively looking for buyers and does not hold the plots passively with the intention to gain from a potential value increase. Plots scheduled for construction are intended to be developed and sold in the normal course of business once circumstances allow. For this reason we also believe that these are appropriately classified as trading properties. As at 31 December 2013, the trading properties were classified as non-current assets in the Statement of Financial Position, except for Koregaon Park, India, for which a sale purchase agreement was signed during the reporting period.

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as Equity accounted investees. The balances of 2012 have been restated in the financial statements. The main change was the reclassification of the Indian residential JV projects and Riga Plaza (Latvia) to equity accounted investees.

Income comprised rental income from operating shopping centers: In 2013, Plaza generated €23.7 million of income compared to €23.1 million in 2012. The rental income performance would have been even stronger, had there not been a loss of income caused by a fire incident in India. However, income from the Group's Fantasy Park operation which provides gaming and entertainment services in Plaza's active shopping centers decreased to €3.3 million from €6.9 million in 2012 following the closure of a number of underperforming units.

The cost of operation of active malls remained at the same level despite increasing rental income (€9.4 million in both 2012 and 2013). The cost of marketing expenses were classified as part of operating cost rather than administrative expenses, and comparative figures for 2012 were also restated. The cost of the Fantasy Park operations (operation of entertainment centers) also decreased from €8.3 million in 2012 to €4 million in 2013 after the closures mentioned above.

Writedown of trading properties amounted to €118 million in 2013 (€60 million in 2012). This amount is attributable mainly to projects in Serbia (€37 million), Romania (€24.6 million), India (€15.6 million), Czech Republic (€15 million), Greece (€12 million), Poland (€11 million) and Bulgaria (€2.4 million).

As mentioned above, in accordance with IFRS 11, the Group has changed its accounting policy regarding joint arrangement. Joint ventures are classified as equity accounted investments.
The writedown in connection to those assets amounted to €56 million in 2013 and €23 million in 2012. More than 90% of the writedown relates to Plaza's Indian projects (Bangalore, Chennai and Kharadi). This was slightly offset by the €1.5 million increase in the value of Riga Plaza (Latvia).

Administrative expenses amounted to €9.4 million (2012: €11.4 million after restatement) an 18% decrease as a result of a decrease in payroll and employee related expenses as part of the Company's efforts to reduce costs during the year.

Other expense increased from €1 million in 2012 to €11.5 million in 2013, due to the impairment of certain prepayments and fair value adjustment of investment property.

Restructuring costs were incurred in connection with the Company's debt restructuring process.

A net finance loss of €39.3 million was recorded in 2013 compared to a net finance cost of €17.2 million in 2012.

Finance income decreased to €1.3 million from €20.4 million in 2012 mainly due to no income being recorded in connection to its buyback programme (2012: €4.3 million income) as the Company ceased this activity in order to preserve short-term liquidity. In addition, no income resulted from hedging activity through selling currency options (2012: €11.7 million) as hedging activity was reduced also in order to preserve short-term liquidity.

Finance expenses increased from €37.5 million to €40.6 million (after capitalization of borrowing costs of €6.5 million in 2013 and €19.1 million in 2012). The main reasons for this increase were:
- discontinuing of capitalization of interest on debentures in H2 2013, resulting in an additional €3 million of expenses being reflected in the profit or loss;
- loss on the reissuance of bonds previously bought back (2013 - €5.7 million, 2012 - nil);
- increase in foreign exchange loss on bonds (2013 - €5.4 million, 2012 - €2.0 million).

This was partly offset by the decrease in the expense recorded due to the increase in the fair value of bonds (2013 - €13.2 million, 2012 - €19.0 million)

A tax benefit of €6.3 million recorded in the consolidated income statement mainly represents the decrease in the deferred tax liability, primarily in connection with the fair value changes of the debentures measured through the profit or loss.

As a result of the above, the loss for the year amounted to circa €218 million in 2013, compared to €86.1 million in 2012. Basic and diluted loss per share for 2013 was €0.73 (2012: €0.29).

Balance sheet and cash flow

The balance sheet as at 31 December 2013 showed total assets of €586 million compared to total assets of €886 million at the end of 2012. The decrease was mainly driven by the writedown of trading properties and equity accounted investees, as well as the disposal of assets and cash used for repayment of debt.

The Company's consolidated cash position (including restricted bank deposits, short-term deposits and held for trading financial assets) decreased to €33.7 million (31 December 2012: €65.8 million). Gearing increased to 64% (31 December 2012: 50%) as a result of impairment losses and finance costs incurred during the year.

The value of investment property decreased from €14.5 million in 2012 to nil in 2013, due to the sale of the Prague 3 project in the Czech Republic, the sole investment property at the end of the 2012.

Trading properties decreased from €612 million in 2012 to €495 million in 2013 mainly as result of writedowns booked in the period. At the end of the year, excluding Koregaon Park for which a sale and purchase agreement was signed before year end, trading properties were classified as non-current assets due to uncertainties about the development and realization dates.

Plaza has on its balance sheet a €40 million investment in equity accounted investees which includes a joint venture project reclassified in accordance with IFRS 11. The only operating asset currently classified under this heading is Riga Plaza. The value has decreased from the 2012 figure of €161.7 mainly as result of the dissolution of the US holding entity (totalling €32 million), disposals (totalling €21 million), writedowns (totalling €56 million) and the effect of the changes in exchange rates (totalling €15 million).

Total bank borrowings (long and short-term) amounted to €175.5 million (31 December 2012: €206 million). This decrease is primarily the result of loans disposed of and repaid during the year. All loans were accounted for as current liabilities following the suspension of payments by Plaza and the uncertainty surrounding the restructuring plan.

Apart from bank financing, Plaza has a balance sheet liability of €168.6 million (with an adjusted par value of circa €201.5 million, including unpaid interest) 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 amortised cost.

Provisions are booked in connection with the Company's Casa Radio project in Bucharest Romania.

As at 31 December 2013, the net balance of the Company, with its controlling shareholders, is a liability of approximately €0.9 million.

Other current liabilities have increased in 2013 from €7.6 million to €11.2 million. The increase is attributable to unpaid debenture and bank loan interest and the advance payment received in respect of the sale of Koregaon Park.

The total equity decreased from the figure of €443 million in 2012 to €210 million in 2013 as a result of a €14 million increase in the translation reserve connected to the Indian operations of the Company stemming from the weakening of the Indian Rupee against the EUR during the year (app 17% devaluation), and the €218 million loss suffered mainly due to the writedowns, turning the retained earnings of €189 million into retained losses of €29 million.

Roy Linden
Chief Financial Officer

Valuation summary by Cushman and Wakefield

as at 31 December 2013 (in EUR)[1]

Country	Project name	Market Value of the land and project 31 December 2012*	Market Value of the land and project 31 December 2013	Market Value upon completion 31 December 2012*	Market Value upon completion 31 December 2013
Hungary	Arena Plaza extension	8,500,000	**7,800,000**	67,842,000	**88,941,000**
	Dream Island	20,900,000	**SOLD**	223,905,000	**SOLD**
	David House	4,000,000	**3,950,000**	4,000,000	**3,950,000**
	Új Udvar Shopping Center	2,940,000	**SOLD**	2,940,000	**SOLD**
Poland	Toruń Plaza	109,600,000	**97,580,000**	109,600,000	**97,580,000**
	Zgorzelec Plaza	18,900,000	**17,125,000**	18,900,000	**17,125,000**
	Suwałki Plaza	46,800,000	**43,525,000**	46,800,000	**43,525,000**
	Łódź (Residential)	8,400,000	**6,500,000**	n/a[2]	**89,331,000**
	Łódź Plaza	8,600,000	**7,925,000**	82,972,000	**74,214,000**
	Leszno Plaza	1,900,000	**1,719,000**	26,000,000	**n/a[2]**
	Kielce Plaza	4,800,000	**5,350,000[3]**	n/a[2]	**75,502,000**
Czech Republic	Prague 3	14,460,000	**SOLD**	157,905,000	**SOLD**
	Liberec Plaza	29,400,000	**17,675,000**	29,400,000	**17,675,000**
	Roztoky	2,800,000	**SOLD**	18,190,000	**SOLD**
Romania	Palazzo Ducale	1,950,000	**1,800,000**	1,950,000	**1,800,000**
	Casa Radio Plaza	168,150,000	**130,613,000**	331,701,000	**622,880,000**
	Timişoara Plaza	11,000,000	**10,825,000**	68,189,000	**76,965,000**
	Csíki Plaza (Miercurea Ciuc)	7,100,000	**5,620,000**	19,322,000	**14,868,000**
	Târgu Mureş	6,100,000	**6,175,000[3]**	n/a[2]	**72,344,000**
	Hunedoara Plaza	2,900,000	**2,375,000**	n/a[2]	**9,959,000**
	Slatina Plaza	1,800,000	**1,650,000**	n/a[2]	**40,920,000**
	Iaşi Plaza	13,100,000	**11,550,000**	93,550,000	**94,946,000**
	Constanţa Plaza	10,000,000	**6,300,000**	13,873,000	**n/a[2]**
Latvia	Riga Plaza	42,350,000	**43,863,000**	42,350,000	**43,863,000**
Greece	Pireas Plaza	21,000,000	**15,300,000**	98,500,000	**94,555,000**
India	Koregaon Park Plaza	55,866,000	**SOLD[4]**	67,779,000	**SOLD[4]**
	Kharadi Plaza	15,393,000	**SOLD**	67,297,000	**SOLD**
	Trivandrum Plaza	7,330,000	**SOLD**	46,779,000	**SOLD**
	Bangalore	14,486,000	**12,251,000**	119,722,000	**90,665,000**
	Kochi Island	5,149,000	**n/a**	n/a[2]	**n/a**
	Chennai	10,731,000	**11,272,000**	42,701,000	**39,899,000**
Bulgaria	Shumen Plaza	4,600,000	**2,125,000**	n/a[2]	**31,260,000**
Serbia	Belgrade Plaza (MUP)	19,700,000	**16,150,000**	138,600,000	**145,729,000**
	Belgrade Plaza (Visnjicka)	20,000,000	**19,025,000**	107,159,000	**108,309,000**
	Kragujevac Plaza	42,100,000	**41,775,000**	42,100,000	**41,775,000**
TOTAL		762,805,000	**547,818,000**	2,090,026,000	**2,038,580,000**

* 2012 comparatives are based on a Jones Lang LaSalle report.

1 Rounded to nearest thousand.
2 Assets were valued with the comparative sales price method, no value at completion was estimated.
3 In 2013 the Company applied a more conservative approach, and lower value was used in the financial statements than in the valuation report.
4 The Company signed an agreement for the sale of Koregaon Park Plaza and therefore no valuation was conducted. The book value of the asset is circa €40 million.

Notes: All values of land and project assume full planning consent for the proposed use.
Plaza Centers had a 50% interest in the Riga Plaza shopping center development.
Plaza Centers had a 35% interest in the Új Udvar shopping center development.
Plaza Centers had a 50% interest in Kharadi Plaza and Trivandrum Plaza.
Plaza Centers had a 43.5% interest in Dream Island.
Plaza Centers has a 75% share of Casa Radio Plaza.
Plaza Centers has a 25% share of Bangalore.
Plaza Centers has a 40% share of Chennai.
All the figures reflect Plaza's share.

Management structure

Plaza Centers' Board

Executive Directors

- **Mordechay Zisser** – Founder
- **Ran Shtarkman** – President and CEO

- **Marco Wichers** – Chairman and Independent Non-executive Director
- **Marius van Eibergen Santhagens** – Independent Non-executive Director
- **Shimon Yitzchaki** – Non-executive Director
- **Sarig Shalhav** – 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 and CEO
- **Roy Linden** – CFO
- **Uzi Eli** – General Counsel
- **Yaron Moryosef** – Chief Engineer
- **Therese Keys** – CEE Management and Leasing Director
- **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

- **Dori Keren** – Country Director, Poland
- **Sagiv Meger** – Country Director, Czech Republic, Serbia and Balkan States
- **Luc Ronsmans** – Country Director, The Netherlands and Romania
- **Oren Kolton** – Country Director, India
- **Bulgaria and Greece are being managed from Poland and Romania**

- 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, 58, Israeli)
Mordechay Zisser is the Founder and Executive Director of Plaza Centers. During more than 25 years' of entrepreneurship and 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 17 August 2006. Mr Zisser also served as the Chairman of the Board of Directors of the Company from 17 August 2006 until 22 November 2011.

Ran Shtarkman, President and CEO (male, 46, 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 12 October 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, 54, 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 1 November 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 22 November 2011.

Marius van Eibergen Santhagens, Senior Independent Director (male, 62, 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 1 November 2006, and reappointed in 2009 and in 2012 for an additional three years.

Non-executive directors

Shimon Yitzchaki (male, 58, 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 3 March 2000 and ending on 12 October 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.

Sarig Shalhav (male, 41, Dutch)
Sarig Shalhav (LLM) is a lawyer and tax counsel and has extensive experience on commercial real estate and real estate finance transactions and advises multinational businesses, government agencies, private equity houses and banks on a wide range of real estate and real estate finance related matters. In addition he acts as a counsel in restructuring and enforcement scenarios, buyout and venture capital transactions. Mr Shalhav has been working with leading law firms and major audit & tax corporations. Mr Shalhav was appointed as Non-executive Director of Plaza Centers on 19 December 2013.

* Since 14 March 2014, Mr Yitzchaki is no longer the President of Elbit Imaging Ltd.

Senior management

Roy Linden (37) 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 (40) 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 1 August 2012 was appointed as the Group's Chief Engineer and Head of Construction.

Uzi Eli (38), 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 (63), 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.

Dori Keren (44), BA, MBA, BB in Accounting, Poland Country Director
Dori Keren joined Plaza Centers in 2006 as Financial Director of Poland and Latvia and was appointed Poland Country Director in 2013. Prior thereto, he worked in Israel for 10 years in variety of financial jobs in positions which accompany business activity as Economist, Financial Controller and CFO.

Oren Kolton (38), 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 (36), 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 (43), BBus (Marketing), CEE Management and Leasing Director
Therese Keys has joined the Plaza team in January 2013, as CEE Management and Leasing Director. 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.

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 18 years. To date, the Group has developed, let and opened 33 shopping and entertainment centers and one office building. 21 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 30 to 32 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 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.

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

Going concern

On 14 November 2013 the Company announced that it will be freezing payments to all its lenders and will be entering into negotiations with these creditors to arrive at an agreed debt arrangement (restructuring plan). The Company's proposed debt arrangement includes a potential of equity injection from the owners in the amount of circa 20 million EUR via a right issuance, a delay of all the bond series' principal payment by three years, a realization plan under which 19 of the 30 assets are estimated to be realized by 2018 for circa 383 million EUR (net proceeds), a transfer of 75% of the net proceeds of realizations to the bondholders as early repayment, compensate the bondholders with an additional 1.5% annual interest, and additional compensation to the bondholders with equity instruments (share issuance without additional proceeds), being shares issued representing 13.5% of the Company's outstanding shares.

Management believes that the implementation of the restructuring plan will provide the Company with the ability to resolve its immediate liquidity situation in order to continue operating as going concern and preserve value for its shareholders and creditors.

Management acknowledges that significant uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its debts as they fall due. If for any reason the Group is unable to reach an approved restructuring plan, then this would have an impact on the Group's ability to realise assets at their recognised values, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements and ultimately result in the Group being unable to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to successfully complete its proposed debt arrangement.

Restructuring

On 18 November 2013, the Company applied for suspension of payments proceedings (surseance van betaling) under Dutch law and simultaneously filed a draft restructuring plan (ontwerpakkoord) (the "restructuring plan") with the district court of Amsterdam, the Netherlands (Rechtbank Amsterdam) (the "Court").

On 18 November 2013, the Court granted the Company a provisional suspension of payments, appointing Mr J.L.M. Groenewegen as administrator (bewindvoerder) and Mrs L. van Berkum as supervisory judge (rechter-commissaris). The court determined that no hearing should take place for deciding on the granting of definitive suspension of payments, order that, instead, a creditors meeting will take place to vote on the restructuring plan on 26 June 2014 and determined that the Company's creditors can file their claims for voting purposes before 12 June 2014.

Dividends

Following the withholding of payments of all corporate level debt and in line with the restructuring plan (refer to note 34(A)), the Company's management will commit to certain restrictions on dividends.

Directors' interests

The directors have no interests in the shares of the Company, other than the directors' share options as given on pages 66 and 67 of this report.

Directors and appointments

The following served as directors of the Company at 31 December 2013:

Mordechay Zisser, Executive Director
Ran Shtarkman, Executive Director, President and CEO
Shimon Yitzchaki, Non-executive Director
Sarig Shalhav, 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

Currently ING Open Pension Fund ("ING"), Poland held approximately 4.55% of the entire issued share capital of the Company, Davidson Kempner Capital Management LLC held approximately 5.54% of the entire issued share capital of the Company. In March 2013, ING increased its stake to 11.8% and during November and December 2013 decreased its holdings to less than 10%. In addition, BZ WBK AIB Asset Management S.A. of Poland has disposed of its entire stake in Plaza and is no longer a shareholder. 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 in 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 Group has 136 employees and other persons providing similar services. In 2012 the Group had 166 employees and other persons providing similar services. The management does not expect significant changes in the development of the number of employees, following reorganization process in recent years. 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 26 October 2006 (as amended in October 2008, November 2011 and November 2012) and on 22 November 2011 which enables employees to share directly in the success of the Company.

Annual General Meeting (AGM)

The Annual General Meeting 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

directors' report

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 Annual General Meeting of Shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, The Netherlands on 20 June 2013 at 10:30 am (CET).

In this AGM, inter alia, the following resolutions were proposed to 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 31 December 2012; (iii) to adopt the Company's Dutch statutory annual accounts for the year ended 31 December 2012; (iv) to discharge the directors of the Company from their liability for the conduct of business for the year ended 31 December 2012; (v) to resolve to pay no dividend to the holders of ordinary shares in respect of the year ended 31 December 2012; (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 €980,714, being 33% (thirty-three percent) of the Company's issued ordinary share capital as at the date of this notice, provided that such authority shall expire on the conclusion of the Annual General Meeting to be held in 2014 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 2014, 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 €297,186; (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 re-elect as a director, Mr Mordechay Zisser; and (x) to re-elect as a director, Mr Ran Shtarkman.

All proposed resolutions were passed, except from the proposed resolution to authorize the Company to purchase its own shares under item (viii) herein above which was denied.

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 19 December 2013 at 10am (CET). In this EGM, inter alia, the following resolutions were proposed to the shareholders: (i) to honourably dismiss Mr Edward Paap from his position as Non-executive Director; (ii) to appoint Mr Sarig C. Shalhav as Non-executive Director; (iii) to authorize the Board to generally and unconditionally exercise all powers of the Company to allot equity securities (including rights to acquire equity securities) in the Company up to an aggregate nominal value of €1,485,931, being equal to 50% (fifty percent) of the Company's issued ordinary share capital, provided that such authority shall expire on the conclusion of the Annual General Meeting to be held in 2014 unless previously renewed, varied or revoked by the 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. If granted, this authorization shall replace the authorization granted at the Annual General Meeting of the Company on 20 June 2013 (AGM 2013); (iv) subject to passing the proposed resolution under item (iii) above, to authorize the Board to disapply pre-emption rights, limited to the allotment of equity securities (including rights to acquire equity securities) up to a maximum aggregate nominal amount of € 1,485,931, being equal to 50% (fifty percent) of the issued ordinary share capital of the Company), such power to expire on the conclusion of the Annual General Meeting to be held in 2014 unless previously renewed, varied or revoked by the general meeting.

If granted, this authorization shall replace the authorization granted at the AGM 2013.

The proposed resolutions on items (i) & (ii) above were passed and the proposed resolutions on items (iii) & (iv) of the agenda were denied.

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 in Poland, as well as Timişoara Plaza in Romania will be the next centers to commence construction.

In light of market conditions at the time, in the second half of 2008 the Group took the strategic decision to scale back on starting new projects and to focus on projects with availability of external financing and strong tenants demand. The Group currently plans to progress in a selected number of projects which are: (i) Casa Radio (Phase I) in Romania; (ii) Timisoara in Romania; (iii) Lodz Mall in Poland; (iv) Belgrade Plaza (MUP) in Serbia; (v) Belgrade Plaza (Visnjicka) in Serbia; (vi) Cina in Romania; and (vii) Chennai in India.

Plaza's clear priority is to reach a successful conclusion with its restructuring process whilst the Company continues to leverage the ability and expertise of its management team, the quality of its income generating assets, and its ongoing focus on deleveraging its balance sheet to achieve success in its day-to-day operations. It is this combination of factors that underpins the Board's continued confidence that the Company retains significant value for its stakeholders and will be able to repay its creditors in full.

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 except the agreement to sell Koregaon Park.

The number of the Group's employees changed significantly in the course of the past years, however following the restructuring process (refer to page 8) no material change is expected for 2014.

Corporate governance

The Company was incorporated in The Netherlands on 17 May 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 12 October 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).

The Company has the Ordinary Shares listed on the main market of the LSE and on the main market of the WSE.

Except as set out below, the Company complies with the Dutch Code and the UK Code on Corporate Governance. The Company acknowledges the importance of good corporate governance. The Company has made an effort in drawing up internal corporate governance regulations that comply, to the highest extent possible, with the Dutch Code and the UK Code on Corporate Governance. Where deviations from the Dutch Code or the UK Code on Corporate Governance have been necessary, such has been indicated below.

The Company currently has six directors, two of whom are executive directors and four of whom are non-executive directors, of whom two are considered by the Board to be independent. The Board believes that there is a satisfactory balance for the purposes of decision-making at Board level in line with the provisions of the UK Code on Corporate Governance, the Dutch Code and the WSE Corporate Governance Rules.

Deviations from the Dutch Code in 2013

The Company has not applied a limited number of provisions from the Dutch Code, as it has not considered them to be in the interests of the Company and its stakeholders.

- Best Practice Provision II.1.3 stipulates, inter alia, that the Company should have an internal risk management and control system and that in that respect, it should have, inter alia, employ as instruments of such 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. Such description is not available.

- 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/fix 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 Share Option Schemes do not restrict the exercise of options to a lockup period of three years. The reason therefore is that the Company and the Elbit Imaging Group share the same remuneration policy and Share Option Schemes were drafted in accordance with Elbit Imaging's share option scheme, in order to maintain the incentive for all employees of the Elbit Imaging 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 has on 25 November 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 2006 Share Option Scheme. This has been done since the Board was of the view that the each Share Option Scheme should serve as an effective incentive for the employees of the Group, to encourage them to remain in employment and work to achieve the best possible results for the Company and the 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 25 November 2008, a proposal to amend the 2006 Share Option Scheme and to determine the exercise price of all options granted on or prior to 25 October 2008, to GBP 0.52 and to the extraordinary meeting of shareholders that was held on 20 November 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 2011 Share Option Scheme, adopted by the extraordinary general meeting of shareholders on 22 November 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 2011 Share Option Scheme, the revised 2006 Share Option Scheme includes an extension of the vesting term for options granted less than one year prior to 25 October 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 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, the General Meeting determines the remuneration policy, and not the non-executive directors. When the remuneration policy needs amendment, this will be addressed in a General Meeting.

- 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. Since 4 July 2013, Section 17.1 of the Articles of Association provide for this. Section 17.2 of the Articles of Association further stipulates that when as a consequence of the provision of Section 17.1. of the Articles of Association, no board resolution can be passed, then despite the conflict of interest, such resolution can be resolved by the Board provided that the resolution is adopted unanimously and in a meeting where all Board members are present or represented.

- 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. As the Company has a one-tier board and as 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 2013 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 actual purpose of 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 2013, 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 2013 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

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III.2.2. The non-executive directors who are considered to be non-independent are Messrs Shimon Yitzchaki and Sarig Shalhav. The independent non-executive directors are: Messrs Marco Habib Wichers and Marius van Eibergen Santhagens. See also page 44 – 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. The composition of the Board has remained unchanged from 2006 until 19 December 2013, on which date Mr Sarig Shalhav was appointed as Non-executive Director. Given the fact that the Board does not undergo frequent changes as to its composition, 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 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 annual general meetings 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 Shalhav, 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 Company's Remuneration Committee is chaired by Mr Shimon Yitzchaki, who is a former Executive Director and serves as President of EI, 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 2006 Share Option Scheme, prior to the admission of the Ordinary Shares to trading on the London Stock Exchange and thereafter, options were granted to Mr Yitzchaki. 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 has been appropriate, given his extensive involvement in the Company to date. 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. All proposals for remuneration in the form of shares or rights to acquire shares (options) will be submitted to the General Meeting of Shareholders, pursuant to Section 15.7 of the Articles and book 2 of the DCC.

- Best Practice Provision IV.3.13 stipulates that the Company shall formulate an outline policy on bilateral contacts with the shareholders and publish this policy on its website. All contacts between the Company and its shareholders are carried out in full transparency and therefore the Board considers such policy as not necessary.

- Best Practice Provision V.2.1. stipulates that the external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements and that the external auditor shall for this purpose attend and be entitled to address this meeting. As the experience is that the shareholders vote by proxy in a General Meeting of Shareholders, in the view of the Board, the presence of the external auditor is not required.

- 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, the Company has a Quality Control Regulator, who practically functions as an internal auditor.

Deviations from the UK Code on Corporate Governance

The Company did not comply with the following provisions of the UK Code on Corporate Governance in the year ended 31 December 2013:

- Code Provision A.2.1 states that the division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the Board. Whilst the Company does not possess such a document, it believes that the division of responsibilities between the Chairman and Chief Executive is sufficiently clear.

- Code Provision A.4.2 states that the Chairman should hold meetings with the non-executive directors without the executive directors present and, led by the Senior Independent Director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate.

- Code Provision B.6.1 states that the Board should refer in the annual report as to how performance evaluation of the Board, its committees and its individual directors has been conducted.

- Code Provision B.6.3 states that 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 2013, the Chairman and the non-executive directors did not meet separately. However, at every Board meeting, an assessment is made by each Board member of his/her own performance and that of other members. The Board is of the view that this course of action provides an appropriate mechanism for the evaluation of the performance of Board members.

- Code Provision B.2.1 states, amongst other things, that a majority of members of the Nomination Committee should be independent non-executive directors and that 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 not regarded as being an independent non-executive director, the Company does not comply with this provision. However, the Board is satisfied that Mr Yitzchaki's experience outweighs the fact that he is not regarded as being independent.

- Code Provision C.2.1 states that the Board should, at least annually, conduct a review of the effectiveness of the Company's risk management and internal control systems and should report to 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 in the year under review. However, the Board has established a process for identifying and managing the risks faced by the Company and both the Audit Committee and the executive directors regularly consider the effectiveness of the Company's internal controls and risk management procedures as part of the on-going management of the Company. The Board confirms that any appropriate actions either have been or are being taken to address any weaknesses in these areas.

- Code Provision C.3.6 states (amongst other things) 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. Although the Company does not have an internal auditor, the Company has access to a quality control regulator who, in practice, functions as an internal auditor.

- Code Provision E.2.3 states that the Chairman should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the Annual General Meeting of Shareholders and for all directors to attend. In the year under review, the Chairman of the Nomination Committee and Audit Committee, Mr Shimon Yitzchaki, was unable to attend the Annual General Meeting.

Compliance with WSE Corporate Governance Rules

The WSE Corporate Governance Rules (the Code of Best Practice for WSE-Listed Companies) 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

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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 noncompliance 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 noncompliance 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.

Board practices

In The Netherlands, statutory law provides for both a one-tier governance and a two-tier governance (the latter having a separate management board and a separate supervisory board).

It is well established practice for international active companies in the Netherlands to have a one-tier structure in the management board (raad van bestuur). Although all members of the management board are formally managing directors (bestuurders), the Articles provide that certain directors have tasks and obligations which are similar to tasks and obligations of executive directors and certain directors which have tasks and obligations which are similar to tasks of non-executive directors. The Articles provide that some directors are responsible for the day-to-day management of the Company and other directors are responsible for supervising the day-to-day management of the Company. All responsibilities are subject to the overall responsibility of the Board.

All statutory provisions relating to the members of the management board apply in principle to all members of a one-tier board.
The Board meets regularly throughout the year. To enable the Board to perform its duties, each Director has full access to all relevant information. If necessary, the non-executive directors may take independent professional advice at the Company's expense.

In line with the Dutch Code and the UK Combined Code, the Company has established three committees: an Audit Committee, a Remuneration Committee and a Nomination Committee. The members of these committees are appointed from among the non-executive directors. The terms of reference of the committees have been supplemented with additional provisions from the Combined Code. A brief description of the terms of reference of the committees is set out below. The Board has also established an executive committee comprising the two executive directors and any relevant senior managers or other personnel who may be invited. The executive committee meets on a monthly basis to discuss, amongst others, the status of contracts, including budgets, contingencies and risk management issues.

Audit Committee

The Audit Committee comprises three non-executive directors and meets at least three times each financial year. Currently, the Audit Committee is chaired by Mr Yitzchaki and the other members are Messrs Wichers and van Eibergen Santhagens. The Audit Committee must consider, amongst other matters: (i) the integrity of the financial statements of the Company, including its annual and interim accounts, the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The committee supervises and monitors, and advises the Board on, risk management and control systems and the implementation of codes of conduct. In addition, the Audit Committee supervises the submission by the Company of financial information and a number of other audit-related issues.

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 the Company's Share Option Scheme (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). The Remuneration Committee also prepares a remuneration report which is included into the Company's The remuneration report may be found on pages 66 and 67.

Currently, the Remuneration Committee is chaired by Mr Yitzchaki and the other members are Messrs Wichers and van Eibergen Santhagens.

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. Currently, the Nomination Committee is chaired by Mr Shalhav and the other members are Messrs Yitzchaki and van Eibergen Santhagens.

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 applicable 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 Dutch Act on the financial supervision.

Controlling Shareholder

The Company has a Controlling Shareholder who owns approximately 62.52% of the share capital and therefore has effective control of the Company. To ensure that all transactions and relationships between the Group and the Controlling Shareholder are at arm's length and on a normal commercial basis the Company has entered into a relationship agreement with the Controlling Shareholder. If a conflict of interest arises between the Controlling Shareholder and the Company, the non-independent directors will take no part in the Board's decisions on the matter.

Furthermore, the Articles stipulate that a member of the Board must abstain from participating in the decision-making process with respect to matters by which he has a direct or indirect conflict of interest with the Company. When as a consequence thereof, no board resolution can be passed, then despite the conflict of interest such resolution can be resolved by the Board provided that the resolution is 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 Annual General Meeting (AGM) to discuss matters relating to the business. If necessary, the Board may convene Extraordinary General Meeting (EGM).

Details of this year's AGM and EGM can be found on pages 47 and 48. 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 advisers, 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.

The Board also actively encourages participation at general meetings of shareholders, which is the principal forum for dialogue with private shareholders. As well as presentations outlining the progress of the business, the Board 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, 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 time 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 the Group 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 the Group 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 the Group 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 the Group 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 23 December 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 50 to 55);
- The functioning of the Shareholders' Meeting and its primary authorities and the rights of shareholders and how they can be exercised (pages 47 and 48);
- The composition and functioning of the Board and its Committees (starting on pages 44, 54 and 55);
- The regulations regarding the appointment and replacement of members of the Board (page 47);
- The regulations related to amendment of the Company's Articles of Association (page 48); and
- The authorizations of the members of the Board in respect of the possibility to issue or purchase shares (page 47).

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 and proposed restructuring plan

Plaza is focused on its businesses in CEE region and India (emerging markets). By nature, various aspects of the emerging markets are relatively under developed 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.

Whilst the Company witnessed some confidence returning for prospects in Europe's central and eastern regions, conditions in many of its markets remained challenging in 2013 as the persistent uncertainty created by the crisis continued to be felt. As such, and as announced, despite Plaza's efforts to progress asset disposals and complete some alternative financing transactions, the Company took the decision in November 2013 to withhold payment on the upcoming short-term maturities of its corporate bonds and approach creditors with a restructuring plan. This was undertaken in order to resolve its liquidity situation, safeguard the continuity of the business and thereby protect the long-term interest of its investors, creditors and shareholders.

Plaza's clear priority is to conclude the restructuring process successfully whilst continuing to leverage the ability and expertise of its management team and the quality of the Company's income generating assets to achieve success in its day-to-day operations. It is this combination of factors that underpins the Board's continued confidence that the Company retains significant value for its stakeholders and will be able to repay its creditors.
Following the announcement of the Company's restructuring programme made on 18 November 2013, Plaza has made good progress towards resolving its liquidity situation. The market prices of the Company's traded debt have reacted positively to the restructuring plan and negotiations with the Company's creditors are moving forward.

Alongside the management of the restructuring process, it is vital that Plaza continues to look to the long-term objectives of the business. The deferral of the repayment of its debt maturities enables Plaza to progress with the initiation of projects and investment as appropriate, including actively managing its income generating assets to prepare for their ultimate sale, whilst continuing to identify exit opportunities from its remaining non-core assets.

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

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.

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.

risk management

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 23 September 2011, the dividend for 2012-2013 was subject to certain caps and conditions, which expired in December 2013.

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.

Under the proposed restructuring plan Plaza's equity will be influenced, as follows:

The shareholders will be requested to provide capital/monetary inflow to the Company by way of rights issuance ("Equity Contribution") of €20 million as a pre-condition to the coming into force of the debt restructuring plan. (It has not been formally committed as of 30 April 2014).

The Company shall issue to holders of unsecured debt (i.e. outstanding debt under the Israeli Series A and B Notes and the Polish Notes) ("Unsecured Debt") 13.5% of the Company's shares (post the Equity Contribution) for no consideration. Such issuance of shares will be distributed among the holders of Unsecured Debt pro rata to the relative share of each relevant creditor in the Deferred Debt.

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.

Financing risk management

Liquidity risk

Despite ongoing efforts to complete a number of asset sales and secure some alternative financing transactions, Plaza had been unable to conclude these deals within a timeframe that would have enabled it to meet those payment obligations. Therefore, to ensure the long-term viability of the business, the Board agreed to approach the creditors of the Company with a restructuring plan so that a formalized restructuring process could be implemented. For a general, high-level and non-exhaustive brief summary of the material agreed commercial terms refer to note 34(A) in the consolidated financial statements.

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 64% in 2013.

A prolonged restriction on accessing the capital markets and additional financing 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 limits its financial risks by hedging these risks if and when expedient.

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 and trading properties are, 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

In view of Plaza's policy to hold investments for the long-term while exit yields are high, the loans used to fund this are also taken with long maturities. Plaza uses interest-rate swaps to manage its interest-rate risk. This policy regarding the hedging of interest-rate risk is defensive in nature, with the objective of protecting itself against rising interest rates.
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.

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:

- **Failure of the restructuring plan to be confirmed by the Plan Creditors, may lead to insolvency of the Company**
  The restructuring plan purports to enable the Company to continue its business operations in the forthcoming future inter alia by extending the maturity of certain debt. If the restructuring plan is not adopted by the required majority of the relevant creditors or is, subsequently, not confirmed by a final decision of the Dutch Court, or if certain undertakings under the restructuring plan are not fully executed and on time, the Company may be declared bankrupt and enter into liquidation proceedings. It is uncertain whether the proceeds from the liquidation of the Company's assets will be sufficient even to redeem outstanding debt. Therefore, in a liquidation scenario, it is not unlikely that the holders of Notes or Shares will lose their entire investment.
- **Global financial and economic developments**
  Risk description: Plaza's financial performance reflects the financial turmoil of 2008 continued, as writedowns of trading properties are reflection of the ongoing economic uncertainty in many of the countries in which Plaza operates. The global economy is still fragile and 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 commitment to reposition the business by raising €61 million through successful disposal of five assets, 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. 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 Company continues to make strong progress with its asset management initiatives. Occupancy levels across the Company's existing shopping and entertainment centers continued to increase, reaching an overall occupancy of 93%, footfall increased by 4% and the average monthly turnover increased by 24.5%.

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- **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. 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, subject to the restructuring plan.

- **Real estate valuation is inherently subjective and uncertain**
  Risk description: The valuation of property is inherently subjective due to, amongst other things, the individual nature of each property, and furthermore valuations are sensitive to change in market sentiment. As such, valuations are subject to uncertainty and cash generated on disposals may be different from the value of assets previously carried on the Group's balance sheet. There is no assurance that valuations of properties, when made, will reflect the actual sale prices even where those sales occur shortly after the valuation date. This may mean that the value ascribed by the Group to the properties held by it may not reflect the value realized on sale, and that the returns generated by the Group on disposals of properties may be less than anticipated.

  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's borrowing costs and access to capital markets depend significantly on the Company's credit ratings and market perception of the Company's and the Controlling Shareholder's financial resilience**
  Risk description: As of April 2014, the Company's two series of Notes are rated "D" by Maalot. The update follows the Company's announcement on 14 November 2013, that it will withhold payment on the upcoming maturities of the Bonds and will approach the creditors of the Company with a restructuring plan in a formalized restructuring process.

  Reduction in the credit ratings of the Group or deterioration in the capital market perception of the Group's financial resilience, could significantly increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Therefore, any further reduction in credit ratings or deterioration of market perception could materially adversely affect the Group's access to liquidity and competitive position and, hence, have a material adverse effect on the Group's business, financial position and/or results of operations. These material adverse effects could also follow from a reduction in the credit ratings of the Controlling Shareholder.

  Risk mitigation: Implementing the offered restructuring plan will resolve our liquidity situation.

  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 amended maturity schedule of debentures and loans is detailed in the restructuring plan on page 8.

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

- **Plaza may be subject to risk relating to its co-investments, because ownership and control of such investments are shared with third parties**
  Risk description: Some of the Group's projects (at the date of this document, Riga Plaza, Plaza Bas projects, the Casa Radio development and two projects in India (Bangalore and Chennai) are held through joint venture arrangements with third parties meaning that ownership and control of such assets is shared with third parties. As a result, these arrangements involve risks that are not present with projects, in which the Group owns a controlling interest, including:
  - the possibility that the Group's joint venture partner might at any time have economic or other business interests that are inconsistent with the Group's business interests;
  - the possibility that the Group's joint venture partner may be in a position to take action contrary to the Group's instructions or requests, or contrary to the Group's policies or objectives, or frustrate the execution of acts which the Group believes to be in the interests of any particular project;
  - the possibility that the Group's joint venture partner may have different objectives from the Group, 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;
  - the possibility that the Group's joint venture partners may engage in, or be perceived to engage in, disreputable conduct;
  - the possibility that the Group's joint venture partner might become bankrupt or insolvent; and
  - the possibility that the Group may be required to provide finance to make up any shortfall due to the Group's joint venture partner failing to provide such equity finance or to furnish collaterals to the financing banks.

  Disputes or disagreements with any of the Group's joint venture partners could result in significant delays and increased costs associated with the development of the Group's properties. Even when the Group has 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 joint venture partner or other third party approval. If the Group is unable to reach or maintain agreement with the joint venture partner or other third party on the matters relating to the operation of its business, this may have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

  Risk mitigation: Plaza has very detailed agreements with all of its 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. Many of the CEE countries in which the Group operates or intends to operate are countries that until the last two decades were allied with the former Soviet Union under a communist economic system, and they are still subject to various risks, which may include instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. The Group will be affected by the rules and regulations regarding foreign ownership of real and personal property.

The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a site owned or leased by it, regardless of whether a member of the Group was responsible for the presence of such hazardous or toxic substances. The costs of any required removal, investigation or remediation of such substances may be substantial and/or may result in significant budget overruns and critical delays in construction schedules. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Group's ability to sell or lease the development or to

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borrow using the real estate as security. Additionally, any future sale of the development will be generally subject to indemnities to be provided by the Group to the purchaser against such environmental liabilities. Accordingly, the Group may continue to face potential environmental liabilities with respect to a particular property even after such property has been sold. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. Any environmental issue may significantly increase the cost of a development and/or cause delays, which may have a material adverse effect on the profitability of that development and the results of operations of the Group.

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 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, Hungary, Romania 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.

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 jeopardise the integrity of its title to the land and its ability to develop the land, which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Relief from taxation available to the Group may not be in accordance with the assumptions made by the Company and/or may change. 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 most recently been amended with effect of 1 January 2010. Such amended conditions require, among others, a minimum percentage of the share capital in the investee company requires that the investee company is not held as a passive investment (the 'motive test'). If the motive test is not met, the participation exemption nevertheless applies provided that either the subject-to-tax-test or asset test is met. To benefit from the participation exemption regime during the entire holding period, the requirements must be met throughout the entire holding period. The participation exemption also applies to qualifying hybrid loans. Should the Company not be in compliance with all participation exemption requirements or should the participation exemption rules be amended, this will affect its tax relief which could have an adverse effect on its cash flow position and net profits.

The Company has provided substantial amounts of loans to its subsidiaries which are treated as hybrid loans and exempt under the participation exemption. Most of these loans are not covered by a tax ruling confirming the treatment for Dutch tax purposes. Therefore, there is a risk that a discussion arises with the Dutch tax authorities on the treatment thereof.

Tax losses may be carried forward and set off against income of the immediately preceding tax year and the 9 subsequent tax years and may be offset against any income of the companies currently included in the fiscal unity as long as these remain part of the fiscal unity. If losses are considered so-called "holding and/or financing losses", they may only be offset against income that is derived in years that the Company also qualifies as "holding and/or financing company" within the meaning of art. 20 (4) of the Dutch corporate income tax Act 1969, provided that the net balance of intragroup receivables has not increased compared to the relevant loss making year (unless there are sufficient business reasons for such increase).

If the Company were to be treated as having a permanent establishment, or as otherwise being engaged in a trade or business (including owning real estate outside the Netherlands), in any country in which it develops shopping and entertainment centers or in which its centers are managed, income (positive and negative) attributable to or effectively connected with such permanent establishment or trade or business, is generally excluded from the Dutch tax base. Specific conditions may apply based on the relevant double taxation treaty and Dutch domestic law.The occurrence of one or more of these factors may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Financial Reporting

Plaza prepares an annual budget for each country, which budget is compared with actual results. Investment budgets and cash flow forecasts are also prepared. The quarterly figures are reviewed by the external auditor prior to their publication by means of a press release. The financial statements are audited by the external auditor, and the semi-annual figures are subjected to a limited review by the external auditor.

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:

- 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:

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- 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 and exchange 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 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 50 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 nonperformance related pay.

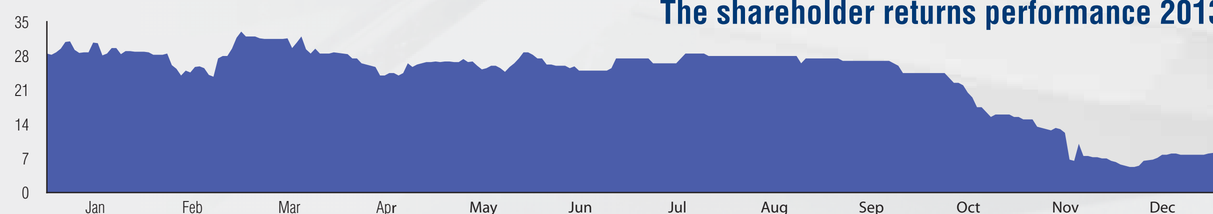
The Remuneration Committee reviews base salaries annually. Increases for all employees are recommended by reference to cost of living, responsibilities and market rates, and are performed at the same time of year.

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.

2013	Salary and fees €'000	Share incentive plan* €'000	Total remuneration for the year ended 13 December 2013 €'000
Executive directors			
Mr Mordechay Zisser	222	-	222
Mr Ran Shtarkman	452	-	452
Subtotal	674	-	674
Non-executive directors			
Mr Shimon Yitzchaki	-	112	112
Mr Marius van Eibergen Santhagens	67.7	-	67.7
Mr Edward Paap**	65.7	-	65.7
Mr Marco Wichers (Chairman)	67.7	-	67.7
Mr Sarig Shalhav***	2	-	2
Subtotal	203	112	315
Total – All directors	877	112	989

There were no performance related remuneration in 2013.
* Accounting non-cash expenses recorded in the Company's consolidated income statement in connection with the share option plan.
** Period from 1 January 2013 until 19 December 2013
*** Period from 19 December 2013 until 31 December 2013

The shareholder returns performance 2013



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 26 October 2006 (which was amended on 25 November 2008, 22 November 2011 and 20 November 2012) and on 22 November 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 2013, 1,650,000 options were granted under second ESOP. For the exercise and forfeit of options refer to the table below.
For further detailed information about share option schemes refer to note 25 in the consolidated financial statements.

	Number of options granted and unexercised	Number exercisable as at 31 December, 2012 and 2013	Exercise price of options £	Remaining maturity (years)
Mr Mordechay Zisser	3,907,895	3,907,895	0,43	7.8
Mr Ran Shtarkman	7,089,151	7,089,151	0,43	7.8
Mr Shimon Yitzchaki	1,794,361	1,127,695*	0,43	7.8
Mr Marius van Eibergen Santhagens	-	-	-	-
Mr Edward Paap	-	-	-	-
Mr Marco Wichers	-	-	-	-

	Number of options as at 31 December 2013
Total pool	47,834,586
Granted	47,195,174
Exercised	8,420,598
Forfeited	(13,883,438)
Left for future grant	14,522,850

* As at 31 December 2012: 827,695

Amsterdam, 30 April 2014

The Board of Directors

Mordechay Zisser — Ran Shtarkman — Shimon Yitzchaki
Marius van Eibergen Santhagens — Marco Wichers — Sarig Shalhav

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 2013, 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

Shimon Yitzchaki
Non-executive Director

Sarig Shalhav
Non-executive Director

Ran Shtarkman
Executive Director and CEO

Marco Habib Wichers
Independent Non-executive Director and Chairman

Marius Willem van Eibergen Santhagens
Independent Non-executive Director

30 April 2014

Suwałki Plaza, Poland

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 31 December 2013, the consolidated statement of profit or loss 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 consolidated 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 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2013 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.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2(d) and note 34(a) in the consolidated financial statements which describes, among other matters, that the Company has withheld payment of installments on the Polish bonds as well as the Israeli bonds; and that the Company filed for reorganization proceedings with the District Court of Amsterdam in the Netherlands. These conditions, along with other matters as set forth in note 2(d) and note 34(a), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Without qualifying our opinion, we also draw attention to note 3(g) and note 14 to the consolidated financial statements which describes that the Company early adopted IFRS 11 Joint arrangements with a date of initial application of 1 January 2013 and the effect thereof on the consolidated financial statements.

KPMG Hungária Kft.

Michael Carlson
Partner

Budapest, Hungary
27 March 2014

Consolidated statement of financial position

	Note	December 31, 2013 €'000	December 31, 2012 Restated* €'000	January 1, 2012 Restated* €'000
ASSETS				
Cash and cash equivalents	6	**26,157**	35,374	51,438
Restricted bank deposits	7	**6,319**	18,759	17,440
Short-term deposits		**-**	-	3,102
Available for sale financial assets	8	**-**	11,714	25,568
Held for trading financial assets	8	**1,246**	-	-
Trade receivables	9	**3,372**	3,399	2,792
Other receivables	10a	**4,871**	11,492	8,721
Prepayments and advances	10b	**1,393**	7,821	8,043
Trading properties	11	**40,333**	612,475	648,674
Total current assets		**83,691**	701,034	765,778
Trading properties	11	**454,841**	-	-
Equity accounted investee - discontinued operations	37	**-**	-	95,475
Equity accounted investees	14	**33,102**	154,830	141,174
Loan to equity accounted investees	14	**7,039**	6,949	15,160
Long-term deposits and other investments		**-**	-	50,577
Property and equipment	12	**6,520**	7,381	8,230
Investment property	13	**-**	14,489	13,652
Other non-current assets		**573**	1,135	5,221
Total non-current assets		**502,075**	184,784	329,489
Total assets		**585,766**	885,818	1,095,267
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest bearing loans from banks	16	**175,338**	205,977	208,858
Debentures at fair value through profit or loss	20	**97,983**	34,966	32,930
Debentures at amortized cost	21	**70,636**	34,184	22,831
Trade payables	17	**2,432**	7,569	25,712
Related parties liabilities	18	**944**	546	2,228
Derivatives	15	**910**	3,320	-
Provisions	11	**15,597**	15,597	15,597
Other liabilities	19	**11,219**	7,648	15,261
Total current liabilities		**375,059**	309,807	323,417
Interest bearing loans from banks	16	**-**	5,773	15,696
Debentures at fair value through profit or loss	20	**-**	81,181	110,320
Debentures at amortized cost	21	**-**	39,010	86,052
Derivatives	15	**-**	-	3,561
Other liabilities		**-**	185	159
Deferred tax liabilities	22	**379**	6,930	13,189
Total non-current liabilities		**379**	133,079	228,977
Share capital	23	**2,972**	2,972	2,972
Translation reserve	23	**(40,651)**	(26,359)	(10,672)
Capital reserve due to transaction with Non-controlling interests		**(20,706)**	(20,706)	(19,342)
Other reserves	23	**35,133**	35,262	31,954
Share premium		**261,773**	261,773	261,773
Retained earnings (losses)		**(28,799)**	189,274	275,437
Total equity attributable to equity holders of the Company		**209,722**	442,216	542,122
Non-controlling interests		**606**	716	751
Total equity		**210,328**	442,932	542,873
Total equity and liabilities		**585,766**	885,818	1,095,267

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards

Date of approval of the financial statements: 27 March 2014
The notes on pages 75 to 152 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 statement of profit or loss

	Note	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Continuing operations			
Rental income	26(a)	**23,678**	23,112
Revenues from entertainment centers	26(b)	**3,345**	6,911
Total revenues		**27,023**	30,023
Cost of operations	27(a)	**(9,408)**	(9,384)
Cost of operations – entertainment centers	27(b)	(4,025)	(8,267)
Gross profit		**13,590**	12,372
Loss from disposal of undeveloped Trading Property	34(e)	**(346)**	(65)
Write-down of Trading Properties	11	**(117,913)**	(60,293)
Write-down of equity-accounted investees	14	**(56,417)**	(23,443)
Loss from disposal of equity accounted investees (holding undeveloped Trading Properties)	34(d),(f)	**(3,724)**	-
Share in results of equity-accounted investees	14	**952**	1,475
Administrative expenses, excluding restructuring costs	28a	**(9,435)**	(11,432)
Restructuring costs	28b	**(702)**	-
Other income	29	**413**	8,970
Other expenses	29	**(11,468)**	(1,122)
Results from operating activities		**(185,050)**	(73,538)
Finance income	30	**1,288**	20,358
Finance costs	30	**(40,632)**	(37,531)
Net finance costs		**(39,344)**	(17,173)
Loss before income tax		**(224,394)**	(90,711)
Tax benefit	31	**6,256**	6,592
Loss from continuing operations		**(218,138)**	(84,119)
Discontinued operation			
Profit (loss) from discontinued operation, net of tax	37	**65**	(2,044)
Loss for the year		**(218,073)**	(86,163)
Loss attributable to:			
Owners of the Company		**(218,073)**	(86,163)
Earnings per share			
Basic and diluted loss per share (in EURO)	24	**(0.73)**	(0.29)
Earnings per share – continuing operations			
Basic and diluted loss per share (in EURO)	24	**(0.73)**	(0.28)

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards and to notes 27, 28 and 29 on other reclassifications.

The notes on pages 75 to 152 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Loss for the year	**(218,073)**	(86,163)
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Net change in fair value of available for sale financial assets transferred to income statement	**(723)**	1,222
Change in fair value of available for sale financial assets	**(14)**	1,297
Foreign currency translation differences - foreign operations (Discontinued operation) – reclassified to profit or loss	**-**	(9,730)
Foreign currency translation differences - foreign operations (Discontinued operation) – 2012 movements	**-**	2,818
Foreign currency translation differences - foreign operations (Equity accounted investees) – reclassified to profit or loss	**4,360**	-
Foreign currency translation differences - foreign operations (Equity accounted investees)	**(15,036)**	(7,064)
Foreign currency translation differences - foreign operations (Trading properties)	**(3,726)**	(1,746)
Tax on other comprehensive income due to change in fair value of available for sale financial assets	**184**	(630)
Other comprehensive income (loss) for the year, net of income tax	**(14,955)**	(13,833)
Total comprehensive income (loss) for the year	**(233,028)**	(99,996)
Total comprehensive income (loss) attributable to:		
Owners of the Company:	**(232,918)**	(99,961)
Non-controlling interests	**(110)**	(35)
Total comprehensive loss for the year	**(233,028)**	(99,996)

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

The notes on pages 75 to 152 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	Share based payment reserves €'000	Translation reserve €'000	Capital reserve from acquisition of non-controlling interests without a change in control €'000	Financial assets available for sale reserve €'000	Retained earnings (losses) €'000	Total €'000	Non-controlling interests* €'000	Total €'000
Balance at January 1, 2012, as previously reported	2,972	261,773	33,290	(10,672)	(19,342)	(1,336)	275,437	542,122	8,040	550,162
Impact of changes in accounting policies	-	-	-	-	-	-	-	-	(7,289)	(7,289)
Restated balance at January 1, 2012	2,972	261,773	33,290	(10,672)	(19,342)	(1,336)	275,437	542,122	751	542,873
Change in non-controlling interest	-	-	-	-	(1,364)	-	-	(1,364)	-	(1,364)
Share based payment (refer to note 25)	-	-	1,419	-	-	-	-	1,419	-	1,419
Comprehensive income for the year										
Net loss for the year	-	-	-	-	-	-	(86,163)	(86,163)	-	(86,163)
Foreign currency translation differences	-	-	-	(15,687)	-	-	-	(15,687)	(35)	(15,722)
Available for sale reserve, net of tax	-	-	-	-	-	1,889	-	1,889	-	1,889
Total comprehensive income (loss) for the year	-	-	-	(15,687)	-	1,889	(86,163)	(99,961)	(35)	(99,996)
Balance at December 31, 2012	2,972	261,773	34,709	(26,359)	(20,706)	553	189,274	442,216	716	442,932
Share based payment (refer to note 25)	-	-	424	-	-	-	-	424	-	424
Comprehensive income for the year										
Net loss for the year	-	-	-	-	-	-	(218,073)	(218,073)	-	(218,073)
Foreign currency translation differences	-	-	-	(14,292)	-	-	-	(14,292)	(110)	(14,402)
Available for sale reserve, net of tax	-	-	-	-	-	(553)	-	(553)	-	(553)
Total comprehensive loss for the year	-	-	-	(14,292)	-	(553)	(218,073)	(232,918)	(110)	(233,028)
Balance at December 31, 2013	**2,972**	**261,773**	**35,133**	**(40,651)**	**(20,706)**	**-**	**(28,799)**	**209,722**	**606**	**210,328**

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards

The notes on pages 75 to 152 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Cash flows from operating activities			
Loss for the year		**(218,073)**	(86,163)
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment of property and equipment	12	**423**	1,065
Change in fair value of investment property	13	**4,267**	(837)
Net finance costs	30	**39,344**	17,173
Equity-settled share-based payment transaction		**424**	197
Discontinued operations		**(65)**	2,044
Gain on sale of property and equipment		**(23)**	(13)
Share of loss of equity-accounted investees, net of tax	14	**78,617**	19,854
Tax benefit	31	**(6,256)**	(6,592)
Subtotal		**(101,342)**	(53,272)
Changes in:			
Trade receivables		**(122)**	(581)
Other accounts receivable		**10,126**	5,821
Trading properties	11	**108,831**	27,632
Trade payables		**(4,028)**	(18,122)
Other liabilities, related parties liabilities and provisions		**3,498**	(8,577)
Subtotal		**118,305**	6,173
Interest received		**353**	3,822
Interest paid		**(10,926)**	(24,214)
Taxes paid		**(295)**	(297)
Net cash from (used in) operating activities		**6,095**	(67,788)
Cash from investing activities			
Purchase of property and equipment	12	**(75)**	(462)
Proceeds from sale of property and equipment		**169**	250
Discontinued operations		**-**	63,885
Proceeds from sale of investment property	34(e)	**7,649**	-
Proceeds from liquidation of equity accounted investee EPUS	34(h)	**32,410**	-
Long-term deposits redemption		**-**	50,643
Purchase of marketable debt securities financial assets	8	**(1,424)**	(16,089)
Proceeds from sale of available for sale financial assets	8	**12,012**	31,294
Short-term deposits, net		**-**	3,102
Net cash from investing activities		**50,741**	132,623

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards and to notes 27, 28 and 29 on other reclassifications.

The notes on pages 75 to 152 are an integral part of these consolidated financial statements.

	Note	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Cash from financing activities			
Proceeds from bank loans and financial institutions		**659**	46,720
Proceeds from utilization and settlement of derivatives		**-**	238
Proceeds (payments) from hedging activities through sell of options	15	**(2,364)**	11,683
Repurchase of debentures		**-**	(18,814)
Changes in restricted cash		**9,316**	(1,796)
Proceeds from re-issuance of long-term debentures	20, 21	**13,772**	-
Repayment of debentures	20, 21	**(60,319)**	(65,320)
Repayment of interest bearing loans from banks	16	**(27,490)**	(53,554)
Net cash used in financing activities		**(66,426)**	(80,843)
Effect of movement in exchange rate fluctuations on cash held		**373**	(56)
Decrease in cash and cash equivalents during the year		**(9,217)**	(16,064)
Cash and cash equivalents at 1 of January		**35,374**	51,438
Cash and cash equivalents at 31 of December		**26,157**	35,374

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards

The notes on pages 75 to 152 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 Group" or "the Company") was incorporated and is registered in the Netherlands. The Company's registered office is at Prins Hendrikkade 48-S, 1012 AC, 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 (starting 1996), India (from 2006), 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, on 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 at the end of the reporting period (December 31, 2012 – 62.5%). The ultimate parent company is Elbit Imaging Limited ("EI"). For the list of the Group entities, refer to note 39.

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, 2013 in accordance with the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Board of Directors on March 27, 2014.

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 were 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 EUR has been rounded to the nearest thousand, unless otherwise indicated.

d. Going concern

On November 14, 2013 the Company announced that it would be freezing payments to all its lenders and would be entering into negotiations with these creditors to arrive at an agreed debt arrangement (restructuring plan). The Company's proposed debt arrangement, updated March 26, 2013, includes an equity injection from the owners in the amount of circa 20 million EUR via a rights issuance ("Equity Contribution"), a delay of all the bond series' principal payment by three years, a realization plan under which 19 of the 29 assets are estimated to be realized by 2018 for circa 490 million EUR (net proceeds, being mainly net of asset specific borrowings and taxes), a transfer of 75% of the net proceeds of realizations to the bondholders as early repayment, compensate the bondholders with an additional 1.5% annual interest, and additional compensation to the bondholders by share issuance (without additional proceeds), in a total of 13.5% (post the Equity Contribution) of the Company's outstanding shares.

Management believes that the implementation of the restructuring plan will provide the Company with the ability to resolve its immediate liquidity situation in order to continue operating as going concern and preserve value for its shareholders and creditors.

Management acknowledges that material uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its debts as they fall due. If for any reason the Group is unable to reach an approved restructuring plan, and more specifically, if the Group will not be able to raise EUR 20 million equity from shareholders which is a pre-condition to the debt restructuring plan approval (refer to note 34(A) section 'To shareholders') then this would likely have an adverse impact on the Group's ability to realise assets at their recognised values, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements and ultimately result in the Group being unable to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to successfully complete its proposed debt arrangement as further discussed in note 34(A).

e. Investment property vs. trading property classification

The Company has designated its properties into three types (completed trading property projects, plots scheduled for construction and plots under planning stage).

In respect of its completed trading property projects, and as written above, the Company still faces material uncertainties in respect of the time needed to sell the properties. However the Group has not changed its business model and is actively seeking buyers. Therefore it is clear from the Company's perspective that these completed properties are trading properties, rather than investment properties.

In respect of plots under planning stage held, which are not intended to be constructed in the near future, the Company is actively looking for buyers and does not hold the plots passively with the intention to gain from a potential value increase. Plots scheduled for construction are intended to be developed and sold in the normal course of business once circumstances allow. Therefore the Company also believes that these are appropriately classified as trading properties.

f. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the EU 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.

Information about other critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following note:

- Note 11 – Suspension of borrowing costs capitalization
- Note 11 – Classification of trading properties as current vs. non-current
- Note 11 – Trading property vs. Investment property

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 11 – Key assumptions used in determining the net realisable value of trading properties
- Note 11, 33 – Provisions and contingencies
- Note 25 – Measurement of share-based payments

Functional currency

The EUR 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 held until June 30, 2012 - in which the functional currency was the USD) since it is the currency of the economic environment in which the Group operates. This is because the EUR (and in India and the USA – the INR and USD, respectively) is the main currency in which management, determines its pricing with tenants, potential buyers and suppliers, determine its financing activities and budgets and assesses its currency exposures.

Operating cycle determination

The Normal Operating Cycle ("NOC") of the Group is driven by its business model to buy, develop and sell, primarily shopping centers, and comprises the estimated amount of time required to complete the process from the acquisition of undeveloped land through its development, preparation for sale and ultimate disposal. Based on the Group's experience, mainly from the period from 1996-2008, this period of time was three to five years (and in respect of large scale, multi-phase/mixed-use projects, up to eight years). For example, for completed shopping centers, these steps include achieving a stabilized tenants list, improving the tenant mix, increasing occupancy rates, completion of certain tenant improvements and finding the qualified buyers. For plots, this includes obtaining permits, finance and construction.

The Company maintains its existing business model; however with the financial crisis as background the level of uncertainty of the actual amount of time needed to complete all steps in the process has become much higher than what the Company believes is a normal level.

Over the period 2009 – 2012, the Company has had difficulty selling completed properties at prices reflecting management's view of reasonable estimated values, as well as experienced a lack of available finance for development of plots. The return to what management considers more normal conditions, primarily in the CEE markets where it has properties, has been longer than expected.

In view of these uncertainties and abnormalities, the Company has taken a position of reclassifying its entire trading properties asset to long-term, with the exception of a property where a sale and purchase agreement exists as described in note 11, until the abnormal level of uncertainty is reduced.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

a. IFRS 10 Consolidated Financial Statements (2011) – early adoption
b. IFRS 11 Joint Arrangements – early adoption
c. IFRS 12 Disclosure of Interests in Other Entities – early adoption
d. IFRS 13 Fair Value Measurement
e. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

(a) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2013, and concluded that there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

(b) Joint arrangements

Joint arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has right to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement).

When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification. The Group has re-evaluated its involvement in its various joint arrangements and, deeming them to be joint ventures rather than joint operations because in all cases the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement rather than to the assets and liabilities of the arrangement, therefore, the Group has changed the accounting treatment for all its jointly controlled entities (previously accounted according to proportional consolidation method) to be accounted for as joint ventures applying the equity method, thus impacting the recognised assets, liabilities and comprehensive income of the Group.

The quantitative impact of the change is set out in (g) below.

(c) Disclosure of interests in other entities

As a result of IFRS 12, the Group has expanded its disclosures about its equity-accounted investees (refer to note 14). The Group does not have interests in unconsolidated structured entities.

(d) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (refer to notes 11, 14). In addition, due to the significant impact of the valuation of Trading properties on their carrying amounts the Group has included additional disclosures similar to those required by this standard in note 11.

(e) Presentation of items of OCI

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(f) Materiality considerations

Material joint ventures are considered equity accounted investees existing as of December 31, 2013 which their total assets approximates 5 percent of the total consolidated assets as of December 31, 2013 and/or December 31, 2012, or its revenues exceeded 15 per cent of the total consolidated revenues for the year ended December 31, 2013.

(g) Summary of quantitative impact

The below tables includes a summary of the adjustments made to the Group's statements of financial position at December 31, 2012, its statements of profit or loss and cash flows for the year period ended December 31, 2012 as a result of the implementation of the equity method instead of proportionate consolidation, as required by IFRS 11.

(1) Effect on the statement of financial position

	December 31, 2012 As presented in the past €'000	December 31, 2012 Effect of retrospective application of IFRS 11 €'000	December 31, 2012 As presented in these financial statements €'000
Assets			
Cash and cash equivalents	64,440	(29,066)	35,374
Restricted bank deposits	25,518	(6,759)	18,759
Available for sale financial assets	11,714	-	11,714
Trade receivables	4,687	(1,288)	3,399
Other receivables	38,928	(27,436)	11,492
Prepayments and advances	7,821	-	7,821
Trading properties	780,963	(168,488)	612,475
Total current assets	934,071	(233,037)	701,034
Equity accounted investees	-	154,830	154,830
Loans to equity accounted investee	-	6,949	6,949
Property and equipment	8,109	(728)	7,381
Investment property	14,489	-	14,489
Restricted bank deposits	978	(199)	779
Other non-current assets	358	(2)	356
Total non-current assets	23,934	160,850	184,784
Total assets	958,005	(72,187)	885,818
Liabilities			
Interest bearing loans from banks	264,296	(58,319)	205,977
Debentures at fair value through profit or loss	34,966	-	34,966
Debentures at amortized cost	34,184	-	34,184
Trade payables	8,748	(1,179)	7,569
Related parties	511	35	546
Provisions	15,597	-	15,597
Derivatives	3,320	-	3,320
Other liabilities	14,094	(6,446)	7,648
Total current liabilities	375,716	(65,909)	309,807
Interest bearing loans from banks	5,773	-	5,773
Debentures at fair value through profit or loss	81,181	-	81,181
Debentures at amortized cost	39,010	-	39,010
Other liabilities	232	(47)	185
Deferred tax liabilities	6,947	(17)	6,930
Total non-current liabilities	133,143	(64)	133,079
Total liabilities	508,859	(65,973)	442,886
Non-controlling interests	6,930	(6,214)	716
Equity attributable to owners of the Company	442,216	-	442,216
Total equity	449,146	(6,214)	442,932
Total liabilities and equity	958,005	(72,187)	885,818

	January 1, 2012 As presented in the past €'000	January 1, 2012 Effect of retrospective application of IFRS 11 €'000	January 1, 2012 As presented in these financial statements €'000
Assets			
Cash and cash equivalents	58,261	(6,823)	51,438
Restricted bank deposits	21,428	(3,988)	17,440
Short-term deposits	3,102	-	3,102
Available for sale financial assets	25,568	-	25,568
Trade receivables	5,432	(2,640)	2,792
Other receivables	12,941	(4,220)	8,721
Prepayments and advances	33,089	(25,046)	8,043
Trading properties	850,229	(201,555)	648,674
Total current assets	1,010,050	(244,272)	765,778
Equity accounted investee - discontinued operation	-	95,475	95,475
Equity accounted investees	-	141,174	141,174
Loans to equity accounted investee	-	15,160	15,160
Long-term deposits and other investments	51,646	(1,069)	50,577
Property and equipment	9,026	(796)	8,230
Investment property	272,348	(258,696)	13,652
Other non-current assets	5,456	(235)	5,221
Total non-current assets	338,476	(8,957)	329,489
Total assets	1,348,526	(253,259)	1,095,267
Liabilities			
Interest bearing loans from banks	296,235	(87,377)	208,858
Debentures at fair value through profit or loss	32,930	-	32,930
Debentures at amortized cost	22,831	-	22,831
Trade payables	27,329	(1,617)	25,712
Related parties	2,228	-	2,228
Provisions	15,597	-	15,597
Other liabilities	27,464	(12,203)	15,261
Total current liabilities	424,614	(101,197)	323,417
Interest bearing loans from banks	152,387	(136,691)	15,696
Debentures at fair value through profit or loss	110,320	-	110,320
Debentures at amortized cost	86,052	-	86,052
Derivatives	3,561		3,561
Other liabilities	5,757	(5,598)	159
Deferred tax liabilities	15,673	(2,484)	13,189
Total non-current liabilities	373,750	(144,773)	228,977
Total liabilities	798,364	(245,970)	552,394
Non-controlling interests	8,040	(7,289)	751
Equity attributable to owners of the Company	542,122	-	542,122
Total equity	550,162	(7,289)	542,873
Total liabilities and equity	1,348,526	(253,259)	1,095,267

(2) Effect on the income statement

	For the year ended December 31, 2012 As presented in the past €'000	For the year ended December 31, 2012 Effect of retrospective application of IFRS 11 €'0000	For the year ended December 31, 2012 Other reclassifications (Refer to notes 27, 28, 29) €'000	For the year ended December 31, 2012 As presented in these financial statements €'000
Continuing operations				
Rental income	41,593	(11,570)	(6,911)	23,112
Revenue from entertainment centers	-	-	6,911	6,911
Total revenues	41,593	(11,570)	-	30,023
Write-down of Trading Properties	(78,833)	26,151	52,682	-
Cost of operations	(20,385)	6,205	4,796	(9,384)
Cost of operations-entertainment centers	-	-	(8,267)	(8,267)
Gross profit (loss)	(57,625)	20,786	49,211	12,372
Write-down of Trading Properties	-	-	(60,293)	(60,293)
Loss from disposal of undeveloped Trading Property	-	-	(65)	(65)
Write-down of equity-accounted investees	-	(23,443)	-	(23,443)
Share in results of equity-accounted investees	-	-	1,475	1,475
Administrative expenses	(16,848)	1,945	3,471	(11,432)
Other income	2,763	(1,469)	7,676	8,970
Other expenses	(1,122)	-	-	(1,122)
Results from operating activities	(72,832)	(2,181)	1,475	(73,538)
Finance income	20,515	(157)	-	20,358
Finance costs	(37,055)	(476)	-	(37,531)
Net finance costs	(16,540)	(633)	-	(17,173)
Share in results of equity-accounted investees	(68)	1,543	(1,475)	-
Loss before income tax	(89,440)	(1,271)	-	(90,711)
Tax benefit	5,463	1,129	-	6,592
Loss from continuing operations	(83,977)	(142)	-	(84,119)
Discontinued operation				
Loss from discontinued operation, net of tax	(1,950)	(94)	-	(2,044)
Loss for the period	(85,927)	(236)	-	(86,163)
Loss attributable to:				
Owners of the Company (1)	(86,163)	-	-	(86,163)
Non-controlling interests	236	(236)	-	-
Earnings per share				
Basic and diluted loss per share (in EURO)	(0.29)	-	-	(0.29)
Earnings per share – continuing operations				
Basic and diluted loss per share (in EURO)	(0.28)	-	-	(0.28)

(3) Effect on the statement of cash flows

	For the year ended December 31, 2012 As presented in the past €'000	For the year ended December 31, 2012 Effect of retrospective application of IFRS 11 €'000	For the year ended December 31, 2012 As presented in these financial statements €'000
Net cash used in operating activities	(54,581)	(13,207)	(67,788)
Net cash from investing activities	194,476	(61,853)	132,623
Net cash used in financing activities	(133,758)	52,915	(80,843)
Effect of exchange rate fluctuations on cash and cash equivalents	42	(98)	(56)
Net increase (decrease) in cash and cash equivalents	6,179	(22,243)	(16,064)
Cash and cash equivalents as at the beginning of the period	58,261	(6,823)	51,438
Cash and cash equivalents at the end of the period	64,440	(29,066)	35,374

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in note 3, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Certain comparative amounts in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flow have been reclassified to conform to the current year's presentation, mainly due to implementation of IFRS 11 (refer to notes 14, 27, 28).

a. Basis of consolidation

1. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

3. Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised 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 companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss) are recognised in other comprehensive income.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.
Foreign currency differences are recognised in other comprehensive income, and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve.

c. Financial instruments

(1) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial 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 them on a net basis or to realise the asset and settle the liability simultaneously. Refer to note 32 for the list of Non-derivative financial assets and financial liabilities.

(2) Non-derivative financial assets – measurement

Cash and cash equivalents and restricted bank deposits

In the consolidated statement of cash flows, cash and cash equivalents includes bank deposits deposited for periods which do not exceed three months. Restricted bank deposits are deposit restricted due to bank facilities.

note 4

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. 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. Doubtful receivables are impaired when there is objective evidence that the Group will not collect all amounts due. These types of assets are discussed in note 9, 10a and 10b.

Held for trading financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in statement of profit or loss.

Available-for-sale financial assets

These assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments (refer to 3(h) below), are recognised in other comprehensive income and accumulated in equity. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(3) Non-derivative financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include selected unsecured non-convertible Debentures series A and 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 instruments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy, or to eliminate or significantly reduce a measurement or recognition inconsistency. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Group has the following non-derivative financial liabilities: interest bearing loans, debentures not designated as fair value through profit or loss (refer to note 21), trade payables, related parties and other liabilities.

(4) Derivative financial instruments

The Group holds (or held) derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised 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 sale in the ordinary course of business and empty plots acquired to be developed for such a sale are classified as trading properties (inventory) 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. If net realisable value is less than the cost, the trading property is written down to net realisable value.

In each subsequent period, a new assessment is made of net realisable value. When the circumstances that previously caused trading properties to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realisable value.

The amount of any write-down of trading properties to net realisable value and all losses of trading properties are recognised as a Write-down of trading properties expense in the period the write-down or loss occurs. The amount of any reversal of such write downs arising from an increase in net realisable value is recognised as a reduction in the expense in the period in which the reversal occurs.

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 expenditure and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the asset is substantially ready for its intended use (i.e. upon issuance of certificate of occupancy).

In certain cases, where the construction phase is suspended for an unplanned period expected to exceed 25% of the total scheduled time for construction, cessation of the capitalisation of borrowing cost will apply, until construction phase is resumed.

Non–specific borrowing costs are capitalised to such qualifying asset, by applying a capitalization rate to the expenditures on such 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 property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

g. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (refer to accounting policy 3(h)).If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

	Years
Land – owned	0
Office buildings	25-50
Equipment, fixture and fittings	10-15
Aircrafts	20
Other*	3-18

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

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

h. Impairment

(1) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Subsequent recovery in the fair value of available for sale equity instruments are reversed through other comprehensive income.

(2) Non-financial assets and interests in equity accounted investees

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (property and equipment) and interests in equity accounted investees to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is never reversed. For other assets, 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, if no impairment loss had been recognised.

i. Provisions

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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Construction costs

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

The expense relating to any provision is presented in the income statement net of any reimbursement. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Restructuring plan

A provision for restructuring is recognised when a formal restructuring plan was approved by all relevant bodies, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

j. Revenue

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 recognises 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.

Rental income

The Group leases real estate to its customers under leases that are classified as operating leases. Rental income from investment property and trading 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").

Where rentals that are contingent upon reaching a certain percentage of the lessee's gross sales, the Group recognizes rental revenue when 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.

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;
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 remaining significant performance obligations.

Determining whether these criteria have been met for each sale transaction, requires certain degree of judgment by the Group management. The 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. In certain cases, 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.

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. Operating lease payments

Payments made under operating leases (in respect of plots of land under usufruct) are recognized in profit or loss on a straight line basis over the term of the lease but are capitalized in relation to land used for the development of trading properties during the construction period (similar to borrowing costs).

l. Finance income and cost

For the composition of finance income and cost refer to note 30. For capitalisation of borrowing costs please refer to note 11.

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

m. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of 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 recognised for:

- temporary differences on 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;
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 realised.

Deferred tax assets and deferred tax liabilities are offset if:

- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  1) the same taxable entity; or
  2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 debt, 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.

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.

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, that either has been disposed of or is classified as held for sale and:

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 profit or loss and statement of comprehensive income are 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, 2013, and has not been applied in preparing these consolidated financial statements.

- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (Effective for annual periods beginning on or after 1 January 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) 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 Group 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.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities; (Effective for annual periods beginning on or after 1 January 2014; early adoption is permitted; to be applied retrospectively subject to transitional provisions) provide an exception to the consolidation requirements in IFRS 10 and requires qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.

  The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.

  An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity:

  1. obtains funds from investors to provide those investors with investment management services;
  2. commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
  3. Measures and evaluates the performance of substantially all of its investments on a fair value basis.

  The amendments also set out disclosure requirements for investment entities.

  The Group does not expect the new standard to have any impact on the financial statements, since the Parent Company does not qualify as an investment entity.

- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13).
  The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period.

  The Amendments also require the following additional disclosures when impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal:

  1. the level of IFRS 13 'Fair value hierarchy' within which the fair value measurement of the asset or cash-generating unit is categorised;
  2. for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it;
  3. for fair value measurements categorised within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

  The Company does not expect the new Standard will have a material impact on the financial statements.

- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted:

  The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when the following criteria are met:

  1. The novation is made as a consequence of laws or regulations
  2. A clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument
  3. Changes to the terms of the derivative are limited to those necessary to replace the counterparty

  The Company does not expect the new standard to have any impact on the financial statements, since the entity does not currently apply hedge accounting.

NOTE 5 - MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. The Company's finance department reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes, is used to measure fair values, then the finance department assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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)
- Note 8 – Available for sale financial assets
- Note 15 – Derivatives
- Note 20 – Debentures at fair value through profit or loss
- Note 25 – Employee share option plan
- Note 32 – Financial instruments

NOTE 6 - CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	Interest rate as of December 31, 2013	December 31, 2013 €'000	December 31, 2012 Restated* €'000
EUR	**See (1) below**	**13,894**	20,982
United States Dollar (USD)	**See (1) below**	**3,250**	5,967
Polish Złotys (PLN)	**Overnight Wibor*0.7**	**3,393**	3,469
Indian Rupee (INR)	**Mainly 0%**	**1,541**	1,704
New Israeli Shekel (NIS)		**3,375**	2,272
Other currencies		**704**	980
Cash and cash equivalents in the statement of financial position		**26,157**	35,374

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

1 Main EUR and USD deposits as of December 31, 2013 are held on corporate level and bear money market interest rates which are mainly between 0% and 0.5%.

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

NOTE 7 - RESTRICTED BANK DEPOSITS

	Interest rate as of December 31, 2013	December 31, 2013 €'000	December 31, 2012 Restated* €'000
Short-term restricted bank deposits			
In EUR	**See (1) below**	**5,579**	8,337
In USD	**See (2) below**	**-**	6,946
In NIS	**See (2) below**	**-**	2,426
In other currencies		**740**	1,050
Total short-term		**6,319**	18,759

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

1 As of December 31, 2013, EUR 5.6 million is restricted mainly in respect of bank facilities agreements signed to finance Projects in Poland, Serbia, and the Czech Republic. These amounts carry an annual interest rate of mainly Overnight rates.
2 Restriction over 2012 USD balance was removed following the insurance refund in June 2013 (refer also to note 34(J)). Restriction over 2012 NIS balance was removed following the repayment of NIS denominated loan

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

NOTE 8 - AVAILABLE FOR SALE FINANCIAL ASSETS

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

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 €'000
Interest income from AFS	**233**	712
Gain (loss) from selling AFS	**723**	(1,222)
Total for the year	**956**	(510)
Balance as at January[1]	**11,714**	25,568
Purchase of AFS*	**155**	16,089
Sale/redemption of AFS	**(12,012)**	(31,294)
Discount amortization	**157**	54
Changes in market value of AFS	**(14)**	1,297
Balance as at December 31	**-**	11,714

* An additional EUR 1.27 million of debt securities bonds were purchased and recorded as held for trading financial assets adjusted to fair value at year end.

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

NOTE 9 - TRADE RECEIVABLES

	December 31, 2013 €'000	December 31, 2012 Restated* €'000
Trade receivables	**4,887**	4,727
Less - Allowance for doubtful debts	**(1,515)**	(1,328)
Total	**3,372**	3,399

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

NOTE 10 - OTHER RECEIVABLES, PREPAYMENTS AND ADVANCES

a. Other receivables

	December 31, 2013 €'000	December 31, 2012 Restated* €'000
Insurance company receivable (refer to note 34(J))	**-**	7,611
Receivable in respect of disposal of equity-accounted investee Új Udvar (refer to note 14,34(F))	**2,350**	-
VAT and tax receivables	**1,877**	2,218
Related parties	**-**	936
Others	**644**	727
Total	**4,871**	11,492

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

b. Prepayments and advances

	December 31, 2013 €'000	December 31, 2012 Restated* €'000
Prepayment in respect of plot purchase[1]	**-**	5,157
Prepaid expenses	**617**	1,294
Advances to suppliers	**776**	1,370
Total	**1,393**	7,821

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

1 The 2012 amount represents two components, with both amounts impaired in the course of 2013:

A) Prepayment in respect of the Kochi project in India in the amount of EUR 4.3 million.

On 11 November 2013 the Company has demanded and exercised the corporate guarantee in the amount of EUR 4.3 million including the interest thereon up till such date (the "Reimbursement Payment") provided by EI in the frame of the Indian JV Agreement on the ground of EI's default to finalize and conclude the transfer of the Kochi Project Rights to the Indian JV Vehicle.

EI in its reply letter has refused to repay the Reimbursement Payment. The Company is in the view that, based on the mentioned JV Agreement and its ancillary documents (including the mentioned corporate guarantee issued by EI in favour of the Company), it has valid claim to get back the mentioned amount of EUR 4.3 million.

Despite the above, and in view of uncertainties regarding amounts and/or time, the Company decided to record the prepayment.

B) Prepayment in respect of the Târgu Mureş project in the amount of circa EUR 1 million. The Company decided to record this prepayment in view of uncertainty associated with the development of the project.

NOTE 11 - TRADING PROPERTIES

	December 31, 2013** €'000	December 31, 2012 Restated* €'000
Balance as at 1 January	**612,475**	648,674
Acquisition and construction costs	**3,728**	21,254
Capitalized borrowing costs[1]	**6,530**	19,091
Write-down of trading properties[2]	**(117,913)**	(60,293)
Effect of movements in exchange rates	**(7,831)**	(2,800)
Trading properties disposed (refer to note 34(E))	**(1,815)**	(13,451)
Balance as at 31 December[3]	**495,174**	612,475
Completed trading properties (operating shopping centers)	**222,976**	252,178
Plots scheduled for construction[3, 4]	**206,236**	254,110
Plots under planning stage	**65,962**	106,187
Total	**495,174**	612,475

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.
** As of December 31, 2013, the Koregaon Park trading property is the only trading property presented as short-term, owing to the existence of a sale and purchase agreement on the trading property. All other trading properties are classified as long-term.

1 Regarding accounting policy of capitalizing borrowing costs refer to note 4 (e). The Company temporarily suspended capitalization of borrowing costs starting July 1, 2013, following temporary suspension of active development of the majority of its trading properties due to the Group's liquidity crisis.

2 Breakdown of write-down of trading properties:

Project name (location)	The year ended December 31, 2013 €'000	The year ended December 31, 2012 '€'000
Iaşi (Iaşi, Romania)	**1,582**	19,881
Koregaon Park Plaza (Pune, India)	**15,564**	14,523
Belgrade Plaza / MUP (Belgrade, Serbia)	**29,347**	5,014
Pireas Plaza (Athens, Greece)	**12,267**	-
Liberec Plaza (Liberec, Czech Republic)	**11,578**	3,141
Belgrade Plaza / Visnjicka (Belgrade, Serbia)	**6,825**	-
Łódź Plaza (Łódź, Poland)	**6,400**	-
Casa Radio - Turbines (Bucharest, Romania)	**6,305**	1,912
Zgorzelec Plaza (Zgorzelec, Poland)	**2,013**	4,136
Constanţa (Constanţa, Romania)	**4,972**	-
Csíki Plaza (Miercurea Ciuc, Romania)	**4,414**	-
Kragujevac Plaza (Kragujevac, Serbia)	**751**	4,125
Timişoara Plaza (Timişoara, Romania)	**3,968**	-
Roztoky (Prague, Czech Republic)	**3,500**	-
Kielce Plaza (Kielce, Poland)	**828**	2,698
Sofia (Sofia, Bulgaria)	**-**	1,685
Other, aggregated	**7,599**	3,178
Total	**117,913**	60,293

The write downs were caused mainly by the following factors:

- There were significant decreases in Net Realizable Values of certain projects below the carrying amount due to worsening market condition in the certain countries in which the Group operates including mainly Romania and Serbia.
- In accordance with the Group's accounting policy plots of lands held for development are not written down below costs if the completed projects are expected to be sold at or above cost. Following management reassessment of the business plans of certain undeveloped plots of land, and the difficulty to assess whether they will be developed or not, and to recover their costs, the carrying amount of the plots were written down to their Net Realizable Values.
- The disposal, or contracted disposal, of certain properties at a selling price below their carrying amount triggered write down of these properties to their contractual selling price (refer to note 34(E) and 34(G))

3 Including cost of Casa Radio project in Romania in a total amount of EUR 153 million (2012 – EUR 158 million).

4 The value of the Casa Radio project in Romania includes two non-operative gas turbines with a total carrying amount of EUR 3 million (following write down). These turbines were purchased in the past with the purpose of supplying energy to the completed project due to lack of sufficient energy infrastructure capabilities in Bucharest at the time. Following an improvement in the energy infrastructure in recent years the turbines became redundant and efforts were made to dispose of them. In the course of 2013 the turbines were written down (EUR 6.3 million) to their Net Realizable Values based on most recent offering prices received from potential buyers. Refer to note 38 (B) for the selling of the turbines.

Casa Radio note

1. General

In 2006 the Company entered into an agreement according to which it acquired 75% interest in a company ("Project SPV") which under a Public-Private Partnership agreement ("PPP") with the Government of Romania is to develop the Casa Radio site in central Bucharest ("Project"). After signing the PPP agreement, the Company holds indirectly 75% of the shares in the Project SPV, the remaining 25% are held by the Romanian authorities (15%) and another third party (10%).

As part of the PPP, the Project SPV was granted with development and exploitation rights in relation to the site for a period of 49 years, starting December 2006. In addition, the Project SPV has committed to construct a Public Authority Building ("PAB") measuring approximately 11.000 square meters for the Romanian Government at its own cost.

Large scale demolition, design and foundation works were performed on the construction site which amounted to circa EUR 85 million until 2010, when current construction and development were put on hold due to lack of progress in the renegotiation of the PPP Contract with the Authorities (refer to point 3 below).

2. Obtaining of the Detailed Urban Plan ("PUD") permit

The Project SPV obtained the PUD related to this project in September 2012. Furthermore, on 13 December 2012, the Court took note of the waiver of the claim submitted by certain plaintiffs and rejected the litigation aiming to cancel the approval of the Zonal Urban Plan ("PUZ") related to the Project. The court decision is irrevocable.

As the PUD is based on the PUZ, the risk that the PUD would be cancelled as a result of the cancellation of the PUZ was removed following the date when the PUZ was cleared in court on December 13, 2012.

3. Discussions with Authorities on construction time table deferral

As a result of point 2, following the Court decision, the Project SPV was required to submit a request for building permits within 60 days from the approval date of the PUZ/PUD and commence development of its project within 60 days after obtaining the building permit.

However, due to substantial differences between the approved PUD and stipulations in the PPP Contract as well as changes in the EU directives concerning buildings used by Public Authorities, and in order to ensure a construction process that will be adjusted to current market conditions, the Project SPV started preliminary discussions with the Romanian Authorities (which are both shareholders of the Project SPV and a party to the PPP) regarding the future development of the project.

The Project SPV also officially notified the Romanian Authorities in order to renegotiate the existing PPP contract on items such as time table, structure and mile stones (e.g the construction of the Public Authority Building ("PAB"), whose' estimated costs are provisioned for in these financial statement – refer to point 4 below).

The Company estimates that although there is no formal obligation from the Romanian Authorities to renegotiate the PPP agreement, such obligation is expressly provided for the situation when extraordinary economic circumstances arise. Management believes that an agreement will be reached with the Authorities regarding the future development of the project (management cannot assess at this stage the timing of reaching such agreement) and that the current discussions with the Authorities bear no material exposure for the Company's financial position as of 31 December 2013.

4. Provision in respect of PAB

As mentioned in point 1 above, when the Company entered into an agreement to acquire 75% interest in the Project SPV it assumed a commitment to construct the PAB at its own costs for the benefit of the Romanian Government. Consequently, the Company had recorded a provision in the amount of EUR 17.1 million in respect of the construction of the PAB. The Company utilized the amount of EUR 1.5 million out of this provision, but in the last 3 years has made no change in the provision, in view of significant changes that might be implemented to the project, mainly with the timing of the construction, and the construction specifications depending upon the outcome of the negotiations with the Authorities. Management believes that the current level of provision is an appropriate estimation in the current circumstances.

Upon reaching concrete agreements with Authorities, the Company will be able to update the provision.

Security over trading properties

As of December 31, 2013, a total carrying amount of EUR 223 million (December 31, 2012 – EUR 252 million) which represent operating shopping centers is pledged against secured bank loans of approximately EUR 173 million.

Write-down of trading properties

Trading properties are measured at the lower of cost and net realizable value. 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. Trading Properties accumulated write-downs from cost as of December 31, 2013, amounted to EUR 222 million or 31% percent of gross trading properties balance (2012 – EUR 108 million or 15% of gross trading property balance).

These valuations 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.

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 (as at December 31, 2013 98% of the value of trading properties was based on valuations done by the independent third party valuation service (2012 - 99%). The remaining properties were valued internally.

On an annual basis, the Company reviews the valuation methodologies utilized by the independent third party valuator service for each property. The main features included in each valuation are:

1. Completed trading properties (operating shopping centers)

The Net Realizable Value of operating shopping centers reflects rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The Net Realizable Value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. The Group uses professional appraisers for determining the Net Realizable Value of the operating shopping centers.

Independent valuation reports are prepared by Cushman & Wakefield by using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the reporting date.

The principal assumptions underlying management's estimation of Net Realizable Values are those related to the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions made by the Group and those reported by the market, if available. Expected future rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

2. Incomplete trading properties (undeveloped plots of lands)

The net realizable value in case of an undeveloped project is determined by either:

- comparison with the sale price of land for comparable development; or
- assessment of the value of the project as completed and deduction of the costs of development (including developer's profit) to arrive at the underlying land value. This is known as the residual method.

2a – Comparative method

Valuation by comparison is essentially objective in that it is based on an analysis of the price achieved for sites with broadly similar development characteristics. Valuation by comparison is generally used if evidence of actual sales can be found and analyzed on a common unit basis, such as site area, developable area or habitable room.

Where comparable development cannot be identified in the immediate area of the subject site or when sales information is not clearly available through common channels of information (internet, newspapers, trade journals, periodic market research) it is necessary to look further out for suitable comparables and to make necessary adjustments to the price in order to account for dissimilarities between the comparables development and the subject site. Such adjustments include, but not limited to:

- Adjustment because of the time of the transaction. Market conditions at the time of the sales transaction of a comparable property may differ from those on the valuation date of the property being valued. Factors that impact market conditions include rapidly appreciating or depreciating property values, changes in tax laws, building restrictions or moratoriums, fluctuations in supply and demand, or any combination or forces working in concert to alter market conditions from one date to another.
- Adjustment because of asking price and condition of payment. The special motivations of the parties to the transaction in many situations can affect the prices paid and even render some transactions as non-market. Examples of special conditions of sale include a higher price paid by a buyer because the parcel has synergistic, or marriage value; a lower price paid because a seller was in a hurry to conclude the sale; a financial, business, or family relationship between the parties involved in the transaction, unusual tax considerations; lack of exposure of the property in the (open) market; or the prospect of lengthy litigation proceedings.
- Adjustment because of size, shape and surface area. Where the physical characteristics of a comparable property vary from those of the subject property, each of the differences is considered, and the adjustment is made for the impact of each of these differences on value.
- Adjustment because of location. The locations of the comparable sale properties and the subject property are compared to ascertain whether location and the immediate environment are influencing the prices paid. The better location a property is located in the more it is worth per square meter; and conversely the worse location a property is in the less it is worth per square meter. An adjustment is made to reflect such differences based on the valuers' professional experience. Extreme location differences may indicate that a transaction is not truly comparable and are disqualified.

2b – Residual method

The residual method, in contrast, relies on an approach that is a combination of comparison and cost and it requires making a number of assumptions – any of which can affect the outcome in varying degrees.

Having established the development potential a residual valuation can be expressed as a simple equation: (value of completed development) – (development costs + developers profit) = land value. Each element of this equation is discussed in the following paragraphs.

Value of completed development

The value of the completed development is the market value of the proposed development assessed on the special assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date.

Development costs

The development costs include planning and design costs, construction costs, site related costs, holding costs, finance costs and contingencies.

Some larger schemes such as Casa Radio in Romania, Bangalore and Chennai in India are phased over time. Is such case the phasing is reflected in the cash flows as deferment of some of costs to a date when it might be reasonable to expect them to be incurred. Similarly, not all receipts occur simultaneously.

Developer's profit

The nature of the development determines the selection of the profit margin, or rate of return and the percentage to be adopted varies for each case. The developers profit is expressed as a percentage of the cost of the completed development.

All of the trading properties were valued using the Residual technique (or the Discounted Cash Flows technique for operating shopping centers) with the exception of four projects (2012: six projects) with a total amount of EUR 15.5 million (2012: EUR 25.7 million) using the comparative method.

All the trading properties carrying amounts equals their net realizable values with the exception of Toruń, Suwałki and Łódź (Residential) in Poland and Casa Radio project in Romania. (2012: Toruń, Suwałki and Łódź (Residential) in Poland, Casa Radio and Timişoara in Romania and Belgarde Plaza (Visnjicka) project in Serbia), where the carrying amount reflects the cost.

3. Significant estimates

The following table shows the valuation techniques used in measuring the net realizable values of trading properties, including those held by joint ventures which are equity accounted:

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Operating shopping centers – Poland	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centers. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated rental prices per SQM (EUR 3–40.0, weighted average EUR 6.56). • Estimated exit yield is 8.75%. • Discount rate is 10.25% • Based on 100% occupancy rate to be achieved within 2 years	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • the estimated discount rates were lower (higher); • The occupancy of the mall was higher (lower).
Operating shopping center – Latvia (Joint Venture)	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centers. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated rental prices per SQM (EUR 5.10–72.0, weighted average EUR 12.50).a • Estimated exit yield is 8.00%. • Discount rate is 9.25% • Based on 100% occupancy rate to be achieved within 1 year	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • the estimated discount rates were lower (higher); • The occupancy of the mall was higher (lower).
Operating shopping center – Serbia	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centers. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated rental prices per SQM (EUR 8–25.0, weighted average EUR 13.91). • Estimated exit yield is 9.00%. • Discount rate is 11.00% • Based on 100% occupancy rate	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • the estimated discount rates were lower (higher); • The occupancy of the mall was higher (lower).

The following table shows the valuation techniques used in measuring the net realizable values of trading properties, including those held by joint ventures which are equity accounted:

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Operating shopping center – Czech Republic	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centers. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated rental prices per SQM (EUR 6.00–42.0, weighted average EUR 16.00). • Estimated exit yield is 8.35%. • Discount rate is 10.02% • Based on 100% occupancy rate to be achieved within 1 year	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • the estimated discount rates were lower (higher); • The occupancy of the mall was higher (lower).
Plots in CEE (except Casa Radio)	Residual method: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development;	• Estimated weighted average rental prices per SQM is between EUR 14.00 to EUR 20.00; • The Estimated Exit Yield for the projects are between 8.00% • The construction cost of the projects are between 400 EUR/sqm for retail parks to 1,100 EUR /sqm for the malls; • The development finance rate is 7.00% • The occupancy of the projects at opening are estimated at 95%.	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • the estimated discount rates were lower (higher); • The construction cost of the project were lower (higher); • The developer's profit provision for the project were lower (higher); • The development finance provision for the project were lower (higher); • The estimated completion of the project were shorter (longer); • The occupancy of the mall were higher (lower); • The land prices for comparable transactions on the market would be higher (lower) • The characteristics of the project would be changed;

The following table shows the valuation techniques used in measuring the net realizable values of trading properties, including those held by joint ventures which are equity accounted:

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Casa Radio	Residual method: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development	• Estimated weighted average rental prices per SQM EUR 29.00; • The Estimated Exit Yield is 7.00% for the mall and 8.00% for the office component • The construction cost of the project is 1,400 EUR/sqm for the mall; 850 EUR/sqm for the offices; 600 EUR/sqm for the residential component • The development finance rate is 7.00% • The occupancy of the project at opening is estimated at 95% • The scheme would compose the following components: (i) retail; (ii) offices; (iii) residential	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • The construction cost of the project were lower (higher); • The developer's profit provision for the project were lower (higher); • The development finance provision for the project were lower (higher); • The estimated completion of the project were shorter (longer); • The occupancy of the mall were higher (lower); • The characteristics of the project would be changed
Bangalore and Chennai (Joint Ventures)	Residual method was used as well as follows: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development	For residual approach: • The sales price per sqm for the development is between INR 92,000 and INR 126,000 subject to the size, location and the quality of the asset class • The construction cost per sqm for the development is INR 21,000 to INR 38,000 subject to location and the quality of the asset class	The estimated residual fair value would increase (decrease) if: • the estimated sales prices per sqm were higher (lower); • the estimated construction cost were lower (higher); • The development finance provision for the project were lower (higher); • The estimated completion of the project were shorter (longer); • The characteristics of the project would be changed; • The developer's profit provision for the project were lower (higher)

The following table provides sensitivity analysis on value of certain projects (in thousands of EUR), assuming the following changes in key inputs used in valuations:

Operating Property	Yield					Rent					Construction Cost				
	-50bps	-25bps	0	+25bps	+50bps	10%	5%	-	-5%	-10%	10%	5%	-	-5%	-10%
Polish operating shopping centers	168,470	163,175	158,230	153,585	149,175	169,830	164,065	158,230	152,445	146,630	N/A	N/A	N/A	N/A	N/A
Serbian operating shopping center	44,225	42,975	41,775	40,625	39,575	44,325	43,050	41,775	40,500	39,225	N/A	N/A	N/A	N/A	N/A
Czech operating shopping center	18,850	18,250	17,675	17,150	16,625	19,675	18,950	17,675	17,525	16,800	N/A	N/A	N/A	N/A	N/A
Latvian operating shopping center (held in Joint Venture - 100% value disclosed, Company share is 50%)	93,600	90,575	87,725	85,050	82,525	92,775	90,250	87,725	85,200	82,675	N/A	N/A	N/A	N/A	N/A

Plots in CEE	Yield					Rent					Construction Cost				
	-50bps	-25bps	0	+25bps	+50bps	10%	5%	-	-5%	-10%	10%	5%	-	-5%	-10%
Pireas Plaza	18,575	16,900	15,300	13,800	12,375	20,950	18,125	15,300	12,500	9,675	11,200	13,250	15,300	17,350	19,400
Belgrade Plaza (MUP)	19,650	17,850	16,150	14,525	13,000	24,050	20,100	16,150	12,175	8,225	10,175	13,150	16,150	19,125	22,100
Casa Radio	202,950	188,050	174,150	161,150	149,000	226,025	200,100	174,150	148,200	122,250	139,675	156,900	174,150	191,375	208,625

Overleaf is a summary table for main projects status.

note 11

Project	Location	Purchase year	Holding Rate (%)	Nature of rights	Permit status	Planned Gross Lettable Area (sqm)	Carrying amount December 31, 2013 (MEUR)	Carrying amount December 31, 2012 (MEUR)
Suwałki Plaza	Poland	2006	100	Ownership	Operating shopping center (starting Q2 2010)	20,000	**38.7**	38.7
Zgorzelec Plaza	Poland	2006	100	Ownership	Operating shopping center (starting Q1 2010)	13,000	**17.1**	18.9
Toruń Plaza	Poland	2007	100	Ownership	Operating shopping center (starting Q4 2011)	40,000	**67.4**	67.3
Łódź (Residential)	Poland	2001	100	Ownership/ Perpetual usufruct	Planning permit valid	80,000*	**5.5**	5.5
Łódź Plaza	Poland	2009	100	Perpetual usufruct	Planning permit pending	35,000	**7.9**	13.6
Kielce Plaza	Poland	2008	100	Perpetual usufruct	Planning permit pending	33,000	**4.0**	4.8
Leszno Plaza	Poland	2008	100	Perpetual usufruct	Planning permit valid	16,000	**1.7**	1.9
Liberec Plaza	Czech Republic	2006	100	Ownership	Operating shopping center (starting Q1 2009)	17,000	**17.7**	29.4
Roztoky	Czech Republic	2007	100	Ownership	Disposed in July 2013	14,000*	**-**	5.5
Koregaon Park Plaza	India	2006	100	Ownership	Operating shopping center (starting Q1 2012)	41,000	**40.3**	55.8
Casa Radio	Romania	2007	75	Leased for 49 years	Detailed Urban Plan permit valid ("PUD")	555,000*	**152.3**	157.8
Iaşi Plaza	Romania	2007	100	Ownership	Planning permit valid	58,000	**11.6**	13.1
Slatina Plaza	Romania	2007	100	Ownership	Planning permit valid	17,000	**1.7**	1.8
Târgu Mureş Plaza	Romania	2008	100	Ownership	Planning permit valid	10,000	**3.5**	6.1
Hunedoara Plaza	Romania	2008	100	Ownership	Planning permit valid	14,000	**2.4**	2.9
Timişoara Plaza	Romania	2007	100	Ownership	Zoning valid	36,000	**10.8**	14.8
Constanţa Plaza	Romania	2009	100	Ownership	Existing building	18,000	**6.3**	11.3
Csíki Plaza	Romania	2007	100	Ownership	Planning permit valid	14,000	**5.6**	10.0
Kragujevac Plaza	Serbia	2007	100	Currently Construction lease period (99 years) with subsequent ownership	Operating shopping center (starting Q1 2012)	22,000	**41.8**	42.1
Belgrade Plaza (Visnjicka)	Serbia	2007	100	Ownership	Location Permit valid	32,000	**19.0**	25.9
Belgrade Plaza (MUP)	Serbia	2007	100	Ownership	Under negotiations	70,000*	**16.2**	45.5
Shumen Plaza	Bulgaria	2007	100	Ownership	Planning permit valid	20,000	**2.1**	4.6
Arena Plaza extension	Hungary	2005	100	Land use rights	Building permit valid	40,000	**3.4**	3.4
Pireas Plaza	Greece	2002	100	Ownership	Building permit valid	26,000	**15.3**	27.3
Other small plots, grouped							**2.9**	4.5
Total							**495.2**	612.5

* GBA (sqm)

NOTE 12 - PROPERTY AND EQUIPMENT

	Land and buildings €'000	Equipment €'000	Fixtures and fittings €'000	Airplane[1] €'000	Total €'000
Cost					
Balance at January 1, 2012*	**7,181**	**4,529**	**1,397**	**4,737**	**17,844**
Additions	-	462	-	-	462
Disposals	-	(592)	-	-	(592)
Exchange rate effect	-	(42)	-	-	(42)
Balance at December 31, 2012*	**7,181**	**4,357**	**1,397**	**4,737**	**17,672**
Additions	-	75	-	-	75
Disposals	-	(749)	-	-	(749)
Exchange rate effect	-	(141)	-	-	(141)
Balance at December 31, 2013	**7,181**	**3,542**	**1,397**	**4,737**	**16,857**
Accumulated depreciation and impairment					
Balance at January 1, 2012*	**2,606**	**3,421**	**1,020**	**2,567**	**9,614**
Depreciation	85	370	34	127	616
Impairment expenses[2]	-	-	-	449	449
Disposals	-	(355)	-	-	(355)
Exchange rate effect	-	(33)	-	-	(33)
Balance at December 31, 2012*	**2,691**	**3,403**	**1,054**	**3,143**	**10,291**
Depreciation	85	194	17	127	423
Disposals	-	(333)	-	-	(333)
Exchange rate effect	-	(44)	-	-	(44)
Balance at December 31, 2013	**2,776**	**3,220**	**1,071**	**3,270**	**10,337**
Net carrying amounts					
At December 31, 2013	4,405	322	326	1,467	6,520
At December 31, 2012	4,490	954	343	1,594	7,381
At January 1, 2012	4,575	1,108	377	2,170	8,230

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

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. For the selling of the airplane refer to note 38(A).
2 In 2012, the Company recorded a loss due to impairment of its airplane of EUR 0.4 million, based on external valuation.

NOTE 13 - INVESTMENT PROPERTY

	2013 €'000	2012 €'000
Balance at 1 January	**14,489**	13,652
Disposal of Investment property (refer to note 34(E))	**(10,222)**	-
Fair value revaluation (refer to note 29)	**(4,267)**	837
Balance at 31 December	**-**	14,489

NOTE 14 - EQUITY ACCOUNTED INVESTEES

The Group has the following interest (directly and indirectly) in the below joint ventures (the Group has no investment in associates), as at December 31, 2013 and 2012:

Company name	Country	Activity	Interest of holding (percentage) as at December 31, 2013	Interest of holding (percentage) as at December 31, 2012
Elbit Plaza USA LP ("EPUS")[1]	USA	Inactive	**N/A**	50%
Elbit Plaza USA II LP	USA	Inactive	**50%**	50%
P-One Infrastructure Pvt. Ltd. [2]	India	Residential	**N/A**	50%
Elbit Plaza India Real Estate Holdings Ltd. ("EPI")	Cyprus	Mixed-use large scale projects	**47.5%**	47.5%
Bas - Adams Invest S.R.L	Romania	Residential	**25%**	25%
Bas - Colorado Invest S.R.L	Romania	Residential	**25%**	25%
Bas - Malibu Invest S.R.L	Romania	Residential	**12.5%**	12.5%
Bas - Spring Invest S.R.L	Romania	Residential	**25%**	25%
Bas - Sunny Invest S.R.L	Romania	Residential	**25%**	25%
Bas - Primavera Invest S.R.L	Romania	Residential	**25%**	25%
Bas development S.R.L	Romania	Residential	**25%**	25%
SIA Diksna ("Diksna")	Latvia	Operating shopping center	**50%**	50%
Ercorner Gazdasági Szolgáltató Kft.[3]	Hungary	Mixed-use project	**N/A**	50%
SBI Hungary Ingatlanforgalmazó és Építő Kft. ("Új Udvar")[3]	Hungary	Mixed-use project	**N/A**	35%

1 Refer also to note 34(H) for the dissolving of investee.
2 Refer also to note 34(D) for the selling of the investee.
3 Refer also to note 34(F) for the selling of the investees.

None of the joint ventures are publicly listed.

The movement in equity accounted investees (in aggregation) was as follows:

	2013 €'000	2012 €'000
Balance as at 1 January	**161,779**	156,334
Investments in equity-accounted investees	**1,849**	2,113
Share in results of equity-accounted investees, net of tax	**952**	1,475
Reclassification of EPUS[1]	**-**	32,364
Write-down of Equity-accounted investees[2]	**(56,417)**	(23,443)
Effect of movements in exchange rates	**(15,036)**	(7,064)
EPUS dissolved[1]	**(32,410)**	-
Equity-accounted investees disposed[3]	**(20,576)**	-
Balance as at 31 December[4]	**40,141**	161,779

1 EPUS was the top holding company of the US operations, holding all the discontinued operations in the US. Upon the disposal of all US assets, EPUS remained with undistributed cash amounts, and had no activity, therefore the EPUS remaining asset was deemed not to be part of the discontinued operations, and therefore reclassified to equity accounted investees. EPUS was dissolved in March 2013, and all of the remaining cash in it was distributed as liquidation dividend to the owners. Refer also to note 34(H).

2 Breakdown of the Group's share of write downs (reversals of write downs) of trading properties projects held by equity accounted investees is as follows:

Project name (holding company name)	The year ended December 31, 2013 €'000	The year ended December 31, 2012 €'000
Bangalore (held by equity accounted investee EPI)	**31,017**	-
Chennai (held by equity accounted investee EPI)	**20,745**	-
Kharadi (held by equity accounted investee P-One)	**4,311**	1,157
Dream Island (held by equity accounted investee Ercorner)	**-**	12,183
BAS projects (Grouped – held by 7 different entities)	**-**	10,055
Riga Plaza (held by equity accounted investee Diksna)	**(1,513)**	(139)
Új Udvar (held by equity accounted investee SBI Hungary)	**1,857**	187
Total	**56,417**	23,443

3 Refer also to note 34(D) and 34(F) for the selling of Ercorner, Új Udvar and P-One.
4 As of December 31, 2013, the loan to equity accounted investee Diksna totalled EUR 7.04 million (December 31, 2012 – EUR 6.9 million). Other investment in equity accounted investees is either through various equity instruments, or by loans to cover negative equity position considered part of the Group's net investment in the investee.

Material joint ventures

Within the joint ventures, two joint ventures were deemed as material, and these are EPI (due to holding of major schemes in Bangalore and Chennai) and Diksna (being the only active shopping center held through a joint venture). The summarized financial information of the material joint ventures is as follows:

	December 31, 2013 EPI €'0000	December 31, 2013 Diksna €'000	December 31, 2012 EPI €'000	December 31, 2012 Diksna €'000
Current assets*	**1,274**	**2,776**	952	3,100
Trading properties	**46,752**	**87,725**	142,711	84,700
Interest bearing loans from banks – current liability	**-**	**(59,046)**	-	(63,850)
Other current liabilities	**(674)**	**(1,275)**	(1,279)	(1,616)
Group loan to Diksna	**-**	**(14,078)**	-	(13,898)
Net assets (100%)	**47,352**	**16,102**	142,384	8,436
Group share of net asset (50%)**	**23,676**	**8,051**	71,192	4,218
Purchase price allocated to trading property	**-**	**-**	18,750	-
Carrying amount of interest in joint venture	**23,676**	**8,051**	89,942	4,218

* Including cash and cash equivalents in the amount of EUR 1.1 million (2012 - EUR 1.1 million).
** Though EPI is 47.5% held by the Company, the Company is accounted for 50% of the results, as the third party holding 5% in EPI is deemed not to participate in accumulated losses, hence EI and the Company, the holders of the remaining 95% each account for 50% of the results of EPI.

	The year ended December 31, 2013 EPI €'000	The year ended December 31, 2013 Diksna €'0000	The year ended December 31, 2012 EPI €'000	The year ended December 31, 2012 Diksna €'000
Revenue	**-**	**10,122**	-	8,678
Cost of operations	**-**	**(4,304)**	-	(3,892)
Interest expenses	**-**	**(2,016)**		(2,186)
Gain from refinance of loan	**-**	**1,800**	-	-
Write downs (uplift)	**(66,024)**	**3,026**	-	278
Total net profit (loss) and comprehensive income (100%)	**(67,446)**	**7,666**	(1,594)	2,606
Group share of Profit (loss) and comprehensive income (50%)	**(33,723)**	**3,833**	(797)	1,303
Interest income on Diksna loan		90		133
Impairment of purchase price allocated to trading property	**(18,750)**	**-**	-	-
Total results from investee	**(52,473)**	**3,923**	(797)	1,436

Immaterial joint ventures information

With the exception of EPI and Diksna, all other joint ventures are considered immaterial. Three of these joint ventures were sold in the course of 2013, one was dissolved and the Company is currently negotiating for concluding a transaction in respect of the BAS projects as well. The aggregation of the information in respect of these immaterial joint ventures was as follows (the Group's part):

	December 31, 2013 €'000	December 31, 2012 €'000
Current assets	**61**	34,011
Trading properties	**7,152**	55,554
Interest bearing loans from banks*	**(5,727)**	(26,529)
Current liabilities	**(70)**	(2,366)
Carrying amount of interest in joint venture	**1,416**	60,670

* As of December 31, 2013, the Company has recourse on interest payments of these interest bearing loans from banks. The loans bear interest of three months Euribor + margin of 6%.

	December 31, 2013 €'000	December 31, 2012 €'000
Revenues	**801**	7,171
Cost of operations	**(674)**	(4,799)
Write downs (refer to impairment table above)	**(6,168)**	(23,582)
Loss and comprehensive income	**(6,915)**	(22,607)

NOTE 15 - DERIVATIVES

The table below summarizes the results of the 2013 and 2012 derivatives activity, as well as the outstanding derivatives as of December 31, 2013 and 2012:

Derivative type	Nominal amount as of December 31, 2013	Fair value of derivatives at December 31, 2013	Gain (loss) in 2013	Fair value of derivatives at December 31, 2012	Gain (loss) in 2012	Maturity date of derivative
Currency options[1]	**N/A**	**N/A**	**(2,364)**	N/A	11,683	N/A
Cross currency Interest Rate SWAP[2]	**N/A**	**N/A**	**(251)**	(817)	966	November 2013
Cross currency Interest Rate SWAP	**N/A**	**N/A**	**N/A**	N/A	419	Settled in January 2012
Interest Rate Swap ("IRS") 1[3]	**EUR 25 million**	**(222)**	**188**	(706)	(62)	June 2014
IRS 2[4]	**EUR 30 million**	**(475)**	**(31)**	(1,136)	(462)	December 2014
IRS 3[5]	**EUR 35.5 million**	**(213)**	**187**	(661)	(661)	December 2017
Total		**(910)**	**(2,271)**	(3,320)	11,883	

1 Selling options strategy (by writing call and put options through major Israeli and foreign banks) in order to manage its foreign currency risk (EUR-NIS) inherent in its long-term debentures series A and series B issued in NIS. The Company suspended its selling option strategy effective from July 1, 2013.
2 The Company was paying a fixed interest of 6.98% based on a nominal EUR amount of EUR 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). The swap was settled in March 2013 for a cash payment of EUR 0.8 million, in order to release EUR 2.7 million restricted cash served as guarantee in respect of the SWAP.
3 In respect of Suwałki project loan. The project company pays EUR fixed interest rate of 2.13% and receives three months EURIBOR on a quarterly basis, until June 30, 2014.
4 In respect of Kragujevac project loan. The project company pays EUR fixed interest rate of 1.85% and receives three months EURIBOR on a quarterly basis, until December 31, 2014. Refer to note 33 for details on the guarantee.
5 In respect of Toruń project loan. The project company pays fixed interest rate of 1% and receives three months EURIBOR on a quarterly basis, until December 31, 2017. Regarding pledges in respect of derivative activity refer to note 33d(2).

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

Fair value measurement

Fair values of the SWAP 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 middle exchange rates, as determined by relevant central banks at each cut dates.

NOTE 16 - 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 amortised 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, 2013 €'000	December 31, 2012 Restated* €'000
Non-current loans		
Investment property secured bank loan	-	3,175
Other secured bank loan	-	2,598
Total	-	5,773
Current loans (including current maturities of long-term loans)		
Trading properties secured bank loans	**172,810**	188,058
Investment property secured bank loans	-	469
Other secured bank loans	**2,528**	17,450
Total	**175,338**	205,977

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

Below is the breakdown of all outstanding bank loans:

	Nominal interest rate	Currency	Year of maturity	December 31, 2013 €'000	December 31, Restated* 2012 Carrying amoung €'000
Toruń project secured bank loan[1]	3M EURIBOR+3%	EUR	2017	**47,905**	49,028
Liberec project secured bank loan[2]	3M EURIBOR+2.7%	EUR	2014	**20,498**	21,066
Suwałki project secured bank loan[1]	3M EURIBOR+1.65%	EUR	2020	**31,595**	32,303
Zgorzelec project secured bank loan[1, 3]	3M EURIBOR+2.75%	EUR	2016	**21,993**	21,608
Kragujevac project secured bank loan[1, 4]	3M EURIBOR+5%	EUR	2027	**29,108**	30,123
Koregaon Park project secured bank loan[5]	13.25%	INR	2021	**21,710**	26,943
Koregaon Park project secured bank loan	11.5%	INR	2013	-	6,987
				172,810	188,058
Other secured bank loans	6M TELBOR+6%	NIS	2013	-	17,268
Other secured bank loans[6]	3M USD LIBOR+4%	USD	2014	**2,528**	2,780
				2,528	20,048
Investment property secured bank loan	3M EURIBOR+1.75%	EUR	2016	-	3,644
Total interest bearing liabilities				**175,338**	211,750

1 IRS on bank loans – refer to note 15.
2 Liberec loan – recourse loan. Default in payment has occurred, and certain loan covenants are breached – the Company is on continuous negotiations with financing banks for obtaining a waiver.
3 Zgorzelec loan – mostly non-recourse loan (except a component of a EUR 2.25 million which is recourse) – Certain loan covenants are breached – the Company has obtained a waiver for all covenants till maturity of the loan. The Company has also pledged it's plot in Leszno, Poland (refer also to note 11) in favour of the financing bank.
4 Kragujevac loan – non-recourse loan – Certain loan covenants are breached – the Company is in continuous negotiations with financing banks for obtaining a waiver.
5 Koregaon Park loan – out of 2013 balance, an amount of EUR 14 million is recourse loan. Refer to note 34 (G) in respect of the selling of the Koregaon Park project.
6 In respect of the airplane held by the Company. Refer also to note 38(A).

Covenants

Since the Company has defaulted in its payments to bondholders, a cross-default clause covenant in most bank facilities might cause certain bank facilities to be considered as breached, and therefore banks may demand immediate repayment of such facilities. The Company has therefore reclassified all bank facilities to short-term.

In certain cases, where a recourse loan is outstanding, the financing bank can become a creditor of the Company itself, in case the proceeds from selling the pledged asset do not cover the debt.

However, up to the date of approval of these financial statements, there has been no such demand from any of the financing banks for such immediate repayment of any of the bank facilities, and the Company's management estimates that no such demand will take place before the finalization of the restructuring process.

NOTE 17 - TRADE PAYABLES

	Currency	December 31, 2013 €'000	December 31, 2012 Restated* €'000
Construction related payables	Mainly in INR	**1,115**	3,549
Other trade payables		**1,317**	4,020
		2,432	7,569

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

Main decrease in 2013 is attributable to payment to construction suppliers in respect of the projects in India, Poland and Serbia.

NOTE 18 - RELATED PARTIES PAYABLES

	Currency	December 31, 2013 €'000	December 31, 2012 Restated* €'000
El Group- ultimate parent company – expenses recharged	EUR, USD	**672**	144
Other related parties	EUR	**272**	15
EUL (parent company)	EUR, USD	**-**	387
		944	546

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

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 19 - OTHER LIABILITIES

Short-term	Currency	December 31, 2013 €'000	December 31, 2012 Restated* €'000
Obligations to tenants	EUR	**2,613**	2,645
Advance payment in respect of selling of shopping center (refer to note 34(G))	INR	**2,343**	-
Loan from non-controlling interest	EUR	**1,455**	1,454
Obligation in respect of plot purchase	Mainly EUR	**1,380**	1,380
Accrued bond and bank interest	Mainly NIS	**2,377**	803
Accrued expenses and commissions		**305**	505
Government institutions and fees		**416**	361
Salaries and related expenses		**174**	275
Other		**156**	225
Total		**11,219**	7,648

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

NOTE 20 - DEBENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company is measuring part of its debentures Series A (raised in July 2007) and debentures Series B (raised in February and May 2008 and listed in the Tel Aviv Stock Exchange ("TASE") at fair value through profit or loss. Both debentures principal are updated based on the change in the Israeli Consumer Price Index ("CPI"), meaning that every 1 percent change in Israeli CPI is causing a one (1) percent change in the principal value of the bond, and also on the interest paid. Indexation is made on a monthly basis.

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			
	Fair value	CPI adjusted	Par value	Fair value	CPI adjusted	Par value	Total Par value
January 1, 2013 (TNIS)	138,366	203,150	171,652	433,147	549,490	478,774	650,426
Reissuance (repayment) 2013 (TNIS)*			18,941			(159,591)	(140,650)
December 31, 2013 (TNIS)	173,554	229,868	190,593	294,989	373,313	319,183	509,776
January 1, 2013 (TEUR)	28,120	41,286	34,884	88,027	111,671	97,300	
December 31, 2013 (TEUR)	36,294	48,071	39,857	61,689	78,068	66,748	

* One fifth of outstanding Series A bond was scheduled to be repaid on December 31, 2013. However, all payments on both Series A and B were withheld effective November 2013 (refer also to note 34(A)). One third of outstanding debentures Series B (with par value of NIS 159,591 thousands) was repaid on July 1, 2013 in a total amount of EUR 39.1 million (2012 – repayment of NIS 193,922 thousands par value in a total amount of EUR 44.6 million).

Both debentures series are rated (effective as of the reporting date and of signing these financial statements) D by S&P Maalot Ltd. on a local scale (down from ilB in November 2013). The update followed the Company's announcement that it would withhold payment on the upcoming debentures maturities.

Prior to the Group's default and the potential impact of the restructuring plan (see note 34(A)) Debentures Series A bear an annual interest rate of 4.5% (to be paid semi-annually) with 8 annual equal par value principal instalments between December 2010 and 2017; and Debentures Series B bear an annual interest rate of 5.4% (paid semi-annually) with 5 annual equal par value principal instalments between July 2011 and 2015.

All debentures were reclassified to current liabilities, in view of the decision to withhold all payments to creditors, which was an event of default. For more details on the debt restructuring plan, refer to note 34(A).

Fair value

The fair value of debentures is determined by an active market price quotation, as the debentures are traded in the TASE.

NOTE 21 - DEBENTURES AT AMORTISED COST

Bonds issued in Israel

	Series A debentures Par value TNIS	Series B debentures Par value TNIS	Total TNIS	CPI adjusted TNIS	CPI adjusted TEUR
January 1, 2013 (NIS)	-	251,251	251,251	288,362	58,603
Re-issuance	54,577	8,800	63,377		
Repayment 2013*	-	(86,684)	(86,684)		
December 31, 2013	54,577	173,367	227,944	268,592	56,168

* One fifth of the outstanding Series A bond was scheduled to be repaid on December 31, 2013. However, all payments on both Series A and B debentures were withheld effective November 2013 (refer also to note 34(A)).

One third of outstanding debentures Series B (with par value of NIS 86,684 thousands) was repaid on July 1, 2013 in a total amount of EUR 21.2 million (2012 – repayment of NIS 86,074 thousands par value in a total amount of EUR 20.7 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 EUR 15.2 million).

Prior to the Group's default and the potential impact of the restructuring as described in note 34(A), the unsecured bearer bonds governed by Polish law (the "Bonds") had a three year maturity at an interest rate of six months Wibor plus 4.5%. Interest was to be paid every six months and the principal due in November 2013. However, this payment, as well as all other payments on debentures were withheld effective November 2013 (refer also to note 34(A)).

For debt covenants refer to note 33d(3).

As at December 31, 2013, the amortized cost is EUR 14,468 thousands (December 31, 2012- EUR 14,678 thousands).

NOTE 22 - RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes recognized are attributable to the following items:

Assets/(liabilities) 2013	December 31, 2012 Restated[1] €'000	Recognized in Profit or loss 2013 €'000	December 31, 2013 €'000
Investment property	(1,003)	1,003	-
Property, equipment and other assets	(293)	(86)	**(379)**
Debentures and structures at fair value through profit or loss	(9,588)	9,588	-
Derivatives	(1,569)	1,569	-
Available for sale financial assets*	(184)	184	-
Tax value of loss carry-forwards recognized**	5,707	(5,707)	-
Deferred tax liability, net	(6,930)	(6,551)	**(379)**

* Transferred to profit or loss, following the disposal of all available for sale financial assets.
** Due to tax losses created on the Company.

1 Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

Assets/(liabilities) 2012	December 31, 2011 restated[1] €'000	Recognized in Profit or loss €'000	Recognized in comprehensive income €'000	December 31, 2012 Restated[1] €'000
Investment property	(804)	(199)	-	(1,003)
Property, equipment and other assets	(292)	(1)	-	(293)
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	3,348	2,359	-	5,707
Deferred tax liability, net	(13,189)	6,889	(630)	(6,930)

* Change included in comprehensive income.

1 Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of tax losses in a total amount of EUR 90,043 thousands (2012: EUR 91,574 thousand).

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. As of December 31, 2013 the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2014	2015	2016	2017	2018	After 2018
130,459	10,991	21,113	8,249	12,061	16,605	61,440

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, 2013 Number of shares	December 31, 2012 Number of shares
Authorized ordinary shares of par value EUR 0.01 each		**1,000,000,000**	1,000,000,000
Issued and fully paid:			
At the beginning of the year		**297,186,138**	297,174,515
Exercise of share options	See (a) below	**-**	11,623
At the end of the year		**297,186,138**	297,186,138

a. In the course of 2012, 108,335 vested options were exercised into 11,623 shares of EUR 0.01. In the course of 2013 there was no exercise of options.

Share based payment reserve

Other capital reserve is in respect of Employee Share Option Plans ("ESOP") in the total amount of EUR 35,313 as of December 31, 2013 (2012 – EUR 34,889). Regarding the amendments of ESOP 1 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, 2013, all foreign exchange differences arising from the translation of the financial statements of foreign operations in India.

Dividend policy

Following the withholding of payments of all corporate level debt and in line with the restructuring plan (refer to note 34(A)), the Company's Board of Directors and management will commit to certain restrictions on dividends.

NOTE 24 - EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") at December 31, 2013 was based on the loss attributable to ordinary shareholders of EUR 218,073 thousand (2012: loss of EUR 86,163 thousand) and a weighted average number of ordinary shares outstanding of 297,181 thousand (2012: 297,181 thousand).

The calculation of basic EPS at December 31, 2013 from continuing operations was based on the loss attributable to ordinary shareholders of EUR 218,138 thousand (2012 – EUR 84,119 thousand).

Weighted average number of ordinary shares (for both EPS and EPS from continuing operations)

In thousands of shares with a EUR 0.01 par value	December 31, 2013 €'000	December 31, 2012 €'000
Issued ordinary shares at 1 January	**297,181**	297,175
Share based payment - exercise of options	**-**	6
Weighted average number of ordinary shares at 31 December	**297,181**	297,181

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 EUR 0.01 par value	December 31, 2013 €'000	December 31, 2012 €'000
Weighted average number of ordinary shares (basic)	**297,181**	297,181
Effect of share options on issue	**-**	792
Weighted average number of ordinary shares (diluted) at 31 December	**297,181**	297,973

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 for 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 1st ESOP to extend the Option Term (i.e., as defined in the 1st ESOP, being the term during which options can be exercised under the 1st ESOP) from seven (7) to ten (10) years from the Date of Grant. As a result the Company record an incremental fair value of EUR 955,433 which were included in the consolidated income statement.

Furthermore, 2nd ESOP plan was adopted on November 22, 2011 which is based on the terms of the 1st 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 2nd ESOP is fourteen million (14) and a cap of GBP 2.

It is noted that, on the basis of all 14 options being granted under the 2nd ESOP and fully exercised thereafter, this would have an effect of dilution of up to three percent (3%) (on fully diluted basis) of the issued share capital as at October 2011.

On November 22, 2012 the Company's general shareholders meeting and the Board of Directors approved to amend the 1st ESOP to extend the Option Term (i.e., as defined in the 1st ESOP, being the term during which options can be exercised under the 1st ESOP) from ten (10) to fifteen (15) years from the Date of Grant. As a result the Company record an incremental fair value of EUR 0.5 million which were 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 options[1]
ESOP No.1			
Option grant to key management at October 27, 2006	13,218,073	see (3) below	15 years
Option grant to employees at October 27, 2006	1,894,020	see (3) below	15 years
Total granted in 2006	15,112,093	see (3) below	15 years
Total granted in 2007[2]	1,109,490	see (3) below	15 years
Total granted in 2008[2]	768,887	see (3) below	15 years
Total granted in 2009[2]	441,668	Three years of service	15 years
Total granted in 2010[2]	-	Three years of service	15 years
Total granted in 2011[2]	150,000	Three years of service	15 years
ESOP No.2			
Total granted in 2011[2]	4,874,000	Three years of service	15 years
Total granted in 2012[2]	970,000	Three years of service	10 years
Total granted in 2013[2]	1,465,000	Three years of service	
Total share options Granted	**24,891,138**		

1 Following the 4th amendment of ESOP1, the contractual life for stock options granted changed from 10 years to 15 years
2 Share options granted to key management: 2007 – 100,000 share options; 2008 – 260,000 share options; 2009 - 73,334 share options; 2011- 3,225,000 share options (ESOP No. 2); 2012 – 450,000 share options; 2013 – 150,000 share options.
3 Vesting conditions - On November 25, 2008 the Company's general shareholders meeting and the Board of Directors approved modification of ESOP1. The amendment plan determined that all options that were not vested on October 25, 2008 ("record date") shall vest over a new three-year period commencing on the record date, in such way that each year following that date one third of such options shall be vested. The number of options which were modified under the amendment was 28,182,589.

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 opening price shall be set at GBP 3.24 (Except 2nd ESOP as stated above); 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:

	Weighted average exercise price* 2013 GBP	Number of options 2013	Weighted average exercise price* 2012 GBP	Number of options 2012
Outstanding at the beginning of the year	**0.43**	**24,997,557**	0.46	26,905,132
Exercised during the year	**-**	**-**	0.42	(108,335)
Forfeited during the period - back to pool	**0.45**	**(1,586,419)**	0.96	(2,989,240)
Granted during the year	**0.29**	**1,650,000**	0.47	1,190,000
Outstanding at the end of the year	**0.43**	**25,061,138**	0.43	24,997,557
Exercisable at the end of the year		**21,070,033**		20,176,650

* The options outstanding at 31 December 2013 have an exercise price in the range of GBP 0.28 to GBP 0.54 (app. EUR 0.34 - EUR 0.65), and have weighted average remaining contractual life of 8.16 years. The weighted average share price at the date of exercise for share options exercised in 2012 was GBP 0.48.

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 34,722,528.

The estimated fair value of the services received is measured based on a binomial lattice model using the following assumptions:

	Key management personnel 2013 €'000	Key management personnel 2012* €'000	Employees 2013 €'000	Employees 2012* €'000
Fair value of share options and assumptions				
Fair value at measurement date (in EUR)*	**22,849**	131,368	**183,403**	144,017
Weighted average Exercise price	**0.28**	0.52	**0.29**	0.46
Expected volatility	**49.36%-49.85%**	47.69%-59.8%	**46.74%-49.9%**	39.75%-59.8%
Weighted average share price (Gbp)	**0.28**	0.50	**0.3**	0.46
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)	**0.33%-4.42%**	0.31%-3.06%	**0.18%-4.42%**	0.24%-4.13%

* Not including information in respect of the amendment of the 1st ESOP.

During 2013 the total employee costs for the share options granted was EUR 424 thousands (2012 - EUR 1,419 thousands).

Due to low trading volumes, 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% (2012: 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.

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 EUR 227 per option. EPI had granted 51,053 share options with exercise price of EUR 0.01 per option. PCI and EPI common 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. 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).

NOTE 26 - RENTAL INCOME

a. Continuing operations (rental)

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Rental income from operating shopping centers presented as Trading properties[1]	**22,480**	21,742
Other rental income[2]	**1,198**	1,370
Total	**23,678**	23,112

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

1 As of the end of 2013 and 2012, there are six operating shopping centers presented as part of trading properties.
2 Composed mainly from rental income generated by the Investment property Prague 3 (disposed in July 2013, refer to note 34(E)) in the amount of EUR 0.7 million (2012 – EUR 1.3 million). The rest of the rental income is attributed to small scale rental fees charged on plots held by the Group.

b. Continuing operations (entertainment centers)

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 operating shopping centers. As of December 31, 2013, these subsidiaries operate in four shopping centers (December 31, 2012 – in 13 shopping centers). Regarding the settlement reached in respect of legal claims against Fantasy Park refer to note 34(M). Following the settlement reached, seven of Fantasy Park operation centers were closed.

Discontinued operation - For comparative revenues generated from discontinued operation, refer to note 37.

NOTE 27 - COST OF OPERATIONS

a. Continuing operations (cost of operations)

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Active shopping centers presented as Trading properties[1]	**8,187**	7,994
Other cost of operations[2]	**1,221**	1,390
Total	**9,408**	9,384

* Restated mainly due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards. Additional reclassification of EUR 3.5 million of mainly marketing costs into cost of operations from administrative expenses was performed in order to better reflect the Net Operating Income (NOI) of the operating shopping centers and entertainment activities in the gross profit line item.

1 Refer to note 26 (1) above.
2 Composed mainly from costs generated by the Investment property Prague 3 (disposed in July 2013, refer to note 34(E)) in the amount of EUR 0.3 million (2012 – EUR 0.5 million). The rest of the cost is attributed to small scale costs on plots held by the Group.

b. Continuing operations (entertainment centers)

Refer also to note 26 (b) above. The costs are inclusive of management of the operation of the entertainment centers, as well as utility, rent and spent material associated with the operation of the entertainment centers.

Discontinued operation – For comparative costs relating to discontinued operations, refer to note 37.

NOTE 28 - ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

a. Administrative expenses, excluding restructuring costs

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Salaries and related expenses	**4,522**	5,242
Professional services	**3,743**	3,734
Offices and office rent	**445**	707
Travelling and accommodation	**180**	702
Depreciation and amortization	**382**	610
Others	**163**	437
Total	**9,435**	11,432

* Restated mainly due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards. Additional reclassification of EUR 3.5 million of administrative expenses (of mainly marketing costs) into cost of operations was performed in order to better reflect the operation performance of active shopping centers and entertainment activities.

b. Restructuring costs

The Company incurred restructuring cost as a result of the restructuring process (refer to note 34 (A)).

NOTE 29 - OTHER INCOME AND OTHER EXPENSES

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Gain from selling property and equipment	**23**	19
Income from insurance company (refer to note 10)	**-**	7,611
Change in fair value of investment property[1]	**-**	837
Other income	**390**	503
Total other income	**413**	8,970
Impairment of property and equipment[2]	**-**	(450)
Impairment of Kochi advance (refer to note 10)	**(4,321)**	-
Impairments of other assets[3]	**(2,548)**	-
Change in fair value of investment property[1]	**(4,267)**	-
Other expenses	**(332)**	(672)
Total other expenses	**11,468**	(1,122)
Other income (expense), net	**(11,055)**	7,848

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

1 Refer to note 13.
2 Refer to note 12.
3 Mainly due to assets associated with trading property assets in Romania (Târgu Mureş and BAS).

NOTE 30 - NET FINANCE INCOME (COSTS)

Recognized in profit or loss	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Foreign exchange losses on bank deposits, bank loans	**17**	-
Gain from bonds buyback programme	**-**	4,333
Interest income on bank deposits	**119**	1,025
Finance income from available for sale financial assets	**956**	712
Interest income on structured deposits	**-**	2,085
Finance income from hedging activities through writing options	**-**	11,683
Changes in fair value of derivatives	**93**	199
Interest from loans to related parties	**103**	321
Finance income	**1,288**	20,358
Interest expense on debentures (including CPI)	**(9,580)**	(19,135)
Interest expense on bank loans	**(10,732)**	(12,452)
Changes of fair value in debentures measured at fair value through profit or loss[1]	**(13,185)**	(19,032)
Loss from reissuance of bonds	**(5,707)**	-
Interest expenses on loans on structures	**-**	(497)
Finance costs from hedging activities through sale of options	**(2,364)**	-
Foreign exchange losses on debentures	**(5,352)**	(2,033)
Loss from available for sale financial assets sold	**-**	(1,222)
Changes in fair value of structured deposit	**-**	(45)
Foreign exchange losses on bank deposits, bank loans	**-**	(1,091)
Cost of raising loans amortized to profit or loss	**-**	(676)
Other finance expenses	**(242)**	(439)
Subtotal	**(47,162)**	(56,622)
Less- borrowing costs capitalized to trading properties under development	**6,530**	19,091
Finance costs	**(40,632)**	(37,531)
Net finance costs	**(39,344)**	(17,173)

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

1 The change in fair value includes a total of EUR 4 million (2012 – EUR 2.8 million) attributable to the credit risk of the Company.

NOTE 31 - TAXES

Tax recognized in profit or loss	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Current year	**295**	297
Deferred tax benefit (refer to note 22)	**(6,551)**	(6,889)
Total	**(6,256)**	(6,592)

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

Deferred tax expense (tax benefit)

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Origination and reversal of temporary differences	**(6,551)**	(4,368)
Recognition of previously unrecognized tax losses	**-**	(2,521)
Total	**(6,551)**	(6,889)

Reconciliation of effective tax rate

	%	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Dutch statutory income tax rate		**25%**	25%
Loss from continuing operations before income taxes		**(224,394)**	(90,711)
Tax at the Dutch statutory income tax rate	25%	**(56,098)**	(22,678)
Recognition of previously unrecognized tax losses		**-**	(2,521)
Effect of tax rates in foreign jurisdictions		**19,607**	5,169
Current year tax loss for which no deferred tax asset is provided[1]		**26,854**	13,395
Non-deductible expenses		**3,381**	43
Tax Expense (Tax benefit)		**(6,256)**	(6,592)

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

1 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 EUR 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 EUR 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.

India

The corporate income tax rate applicable to the taxable income of an Indian Company is 32.445% (including surcharge of 5% and cess of 3%) or 33.99% (including surcharge of 10% and rate of 3%. Surcharge of 5% is applicable if the total income exceeds INR 10 million (EUR 0.12 million) but is less than INR 100 million (EUR 1.2 million) and 10% if the total income exceeds INR 100 million). Minimum alternate tax (MAT) of 20.01% (including surcharge of 5% and cess of 3%) or 20.96% (including surcharge of 10% and cess of 3%) would apply on the taxable book profits of a company. Taxable 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 and credit to the extent of difference of the MAT payable and corporate income tax payable of the Company is allowed.

Capital gains on transfer of capital assets (on which tax depreciation has not been claimed) are taxed at the rate of 21.63% (Including surcharge of 5% and rate of 3%) or 22.66% (including surcharge of 10% and cess of 3%), provided that the capital assets were held for more than 36 months immediately preceding the date of the transfer or 32.445% (including surcharge of 5% and cess of 3%) or 33.99% (including surcharge of 10% and of 3 if they were held for less than 36 months (in case of capital asset being shares held in a company or any security listed on a stock exchange in India or unit of the Unit Trust of India or a Unit of Mutual fund or Zero Coupon Bonds, a period of 12 months is considered). Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 16.995% (including surcharge of 10% and rate of 3%) 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 of unabsorbed depreciation.

India-Cyprus treaty issue

India has a Tax Treaty with Cyprus and under the Indian domestic tax laws, a resident of Cyprus would be eligible to claim recourse to the provisions of the India-Cyprus Tax Treaty to the extent the provisions of the Tax Treaty are more beneficial than those of the Indian domestic tax laws. The India-Cyprus Tax Treaty contains more beneficial provisions in respect of taxation of interest, capital gains etc. However, with effect from 1 November 2013, Cyprus has been notified as a Notified Jurisdictional Area ("NJA") under the Indian domestic tax laws due to lack of effective exchange of information with Cyprus. The notification of Cyprus as an NJA is an anti tax-avoidance measure and provides for onerous tax consequences in respect of transactions with Cypriot entities. The consequences of entering into transactions with Cypriot entities in light of the NJA provisions are:

- If a taxpayer enters into a transaction with a person in Cyprus, then all the parties to the transaction shall be treated as Associated Enterprises ("AE") and the transaction shall be treated as an international transaction resulting in application of transfer-pricing provisions contained in the Indian domestic tax law including maintenance of prescribed documentation;
- No deduction in respect of any payment made to any financial institution in Cyprus shall be allowed unless the taxpayer furnishes an authorization allowing for seeking relevant information from the said financial institution;
- No deduction in respect of any other expenditure or allowance arising from the transaction with a person located in Cyprus shall be allowed unless the taxpayer maintains and furnishes the prescribed information;
- If any sum is received from a person located in Cyprus, then the onus is on the taxpayer to satisfactorily explain the source of such money in the hands of such person or in the hands of the beneficial owner, and in case of his failure to do so, the amount shall be deemed to be the income of the taxpayer;

Any payment made to a person located in Cyprus shall be liable for withholding tax at the highest of the following rates - (a) rates prescribed in the domestic tax laws (b) rates prescribed in the Tax Treaty (c) 30 per cent.

Despite the above, the Company does not expect the above to have a material effect on its business in India, as no additional material equity injections in India is expected, and that disposal of assets is expected (if any) on an Indian level rather than on a Cypriot level.

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

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 in note 34(A).

The Board of Directors has established a continuous process for identifying and managing the risks faced by the Group (on a consolidated basis), 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 analyse 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 other receivables.

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 mainly deposit equal to three months of rent from tenants of shopping centers (collected deposits from tenants totalled EUR 2.6 million as at both December 31, 2013 and 2012).

Cash and deposits and other financial assets

The Group limits its exposure to credit risk in respect to cash and deposits, including held for sale financial assets (debt instruments) 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 encountered severe liquidity crisis during the last months of 2013. It suspended all payments to its debt holders in November 2013 and sought for credit protection from the Dutch Court. Refer to note 34(A) for more details.

c. Market risk

Currency 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 15. The company did not engage in hedging transactions in order to mitigate its currency risk exposure, starting the second half of 2013.

Interest Rate Risk (including inflation)

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 uses IRS to minimize the exposure to interest risk by fixing the interest rate. Regarding interest rate risk hedging of the debentures and bank facilities, refer to note 14. As the Israeli inflation risk is diminishing to a level that management believes is acceptable (Israeli CPI 2013 1.9%; 2012 1.4%), the Company has stopped using cross currency SWAP instruments in 2012.

Shareholders' equity management

Refer to note 34 (A) in respect of shareholders equity components in the restructuring plan. The Company's Board of Directors is updated on an ongoing basis on the progress of the restructuring process, to assure (among other things) that any changes in the shareholders equity (due to issuance of shares, options or any other equity instrument) is to the benefit of both the Company's bondholders and shareholders.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The vast majority of financial assets are not passed due, and the management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behavior and extensive analysis of customer credit risk. The maximum exposure to credit risk at the reporting date was:

	Note	Credit quality	Carrying amount as at December 31, 2013 €'000	Carrying amount as at December 31, 2012 Restated* €'000
Cash and cash equivalents	5	Mainly Baa3	**26,157**	35,374
Restricted bank deposits – short-term	6	Mainly BBB+	**6,319**	18,759
Held for trading financial assets		Mostly BB+	**1,246**	-
Available for sale debt securities	7	N/A	**-**	11,714
Trade receivables, net	8	N/A	**3,372**	3,399
Other receivables	9	N/A	**4,871**	11,492
Loan to Diksna	14	N/A	**7,039**	6,949
Restricted bank deposits – long-term			**181**	779
Total			**49,185**	88,466

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

As of December 31, 2013 and 2012, all debtors without credit quality have a relationship of less than five years with the Group. At 31 December 2013, the ageing of trade and other receivables that were not impaired was as follows:

	Carrying amount December 31, 2013 €'000	Carrying amount December 31, 2012 Restated* €'000
Neither past due nor impaired	**4,443**	10,212
Past due 1–90 days	**3,372**	3,399
Past due 91–120 days	**428**	1,280
Total	**8,243**	14,891

The maximum exposure to credit risk for the abovementioned table at the reporting date by type of debtor was as follows:

	Carrying amount December 31, 2013 €'000	Carrying amount December 31, 2012 Restated* €'000
Banks and financial institutions	**33,903**	66,958
Tenants	**3,372**	3,399
Governmental and insurance institutions	**1,877**	9,829
Loan to Diksna	**7,039**	6,949
Receivable due to selling equity accounted investee	**2,350**	-
Related parties and other	**644**	1,331
Total	**49,185**	88,466

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

Liquidity risk (refer also to note 34(A))

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2013*	Carrying amount	Contractual cash flows	6 months or less
Derivative financial liabilities			
IRS Derivatives	910	(946)	(946)
Non-derivative financial liabilities			
Secured bank loans	175,338	(179,402)	(179,402)
Unsecured debentures issued	168,619	(207,452)	(207,452)
Trade and other financial payables	13,651	(13,651)	(13,651)
Related parties	944	(944)	(944)
Total	**358,552**	**(401,449)**	**(401,449)**

* In view of the restructuring procedure and the default in bond payments which triggered a cross default on all other loan facilities within the Group, all loan facilities are currently payable on demand, triggering also repayments of trade and other payables, and therefore are reclassified as to be paid within six months from the end of the reporting period. The restructuring plan does not provide any protection from the banks rights to demand early repayment, including exercising the collateral, of loans provided to the Groups' entities. As of the date of approval of these consolidated financial statements, there were no early repayment requests by any of the financing banks.

December 31, 2012 Restated*	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Derivative financial liabilities							
IRS Derivatives	3,320	(3,483)	(1,023)	(1,023)	(986)	(452)	
Non-derivative financial liabilities							
Secured bank loans	211,750	(261,423)	(16,459)	(23,308)	(36,925)	(87,030)	(97,702)
Unsecured debentures issued	189,341	(255,706)	-	(90,688)	(71,098)	(93,920)	-
Trade and other payables	15,402	(15,554)	(361)	(9,377)	(1,380)	(4,436)	-
Related parties	546	(546)	-	(546)	-	-	-
Total	**420,359**	**(533,229)**	**(16,820)**	**(123,919)**	**(109,403)**	**(185,386)**	**(97,702)**

* Restated due to Retrospective application – refer to note 3 regarding initial application of the new suite of standards.

Currency risk

The Company's main currency risk is in respect of its NIS denominated debentures. Following the discontinuance and full settlement of all currency options effective July 2013, the Company is exposed to changes in EUR/NIS rate.

The following exchange rate of EUR/NIS applied during the year:

EUR	Average rate 2013	Average rate 2012	Reporting date Spot rate 2013	Reporting date Spot rate 2012
NIS 1	**0.208**	0.202	**0.209**	0.203

PLN denominated debentures - A change of 6 percent in EUR/PLN rates at the reporting date would have increased/(decreased) profit or loss by EUR 0.9 million, as a result of holding PLN linked bonds.

NIS denominated debentures - A change of 11 percent in EUR/NIS (2012 – 10 percent) 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.

For the year ended December 31,	Carrying amount of debentures	Profit or loss effect NIS strengthening effect	Profit or loss effect NIS devaluation effect
2013	154,151	(16,957)	16,957
2012	174,663	(17,466)	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 2013 €'000	Carrying amount 2012 Restated* €'000
Fixed rate instruments		
Financial assets	**30,951**	39,640
Financial liabilities	**(21,710)**	(33,930)
Total	**9,241**	5,710
Variable rate instruments		
Financial assets	**-**	-
Debentures	**(168,619)**	(189,341)
Other financial liabilities	**(153,628)**	(178,005)
Total	**(322,247)**	(367,346)

Cash flow sensitivity analysis for variable rate instruments

A change of 5 basis points in EURIBOR interest rates (2012 – 30 basis points) 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 2012.

Variable Interest rate effect (excluding debentures)	Profit or Loss Increase	Profit or Loss Decrease
December 31, 2013	(77)	77
December 31, 2012	(533)	533

NIS Debentures

Sensitivity analysis – effect of changes in Israeli CPI on carrying amount of NIS debentures

A change of 3 percent in Israeli Consumer Price Index ("CPI") at the reporting date (and in 2012) 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.

For the year ended December 31,	Carrying amount of debentures	Profit or loss effect CPI increase effect	Profit or loss effect CPI increase effect
2013	154,151	(4,625)	4,625
2012	174,663	(5,240)	5,240

Sensitivity analysis – effect of changes in NIS basic Interest on carrying amount of NIS debentures

A change of 1 percent in Israeli basic interest rate at the reporting date (and on 2012) would have increased (decreased) profit or loss by the amounts shown below. The analysis relates only to debentures presented at fair value through profit or loss, as there is no effect on carrying amount of debentures presented at amortized cost. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

For the year ended December 31,	Carrying amount of debentures	Profit or loss effect Interest increase effect	Profit or loss effect Interest decrease effect
2013	97,983	(1,104)	1,136
2012	116,147	(1,510)	1,553

Fair values

Fair values measurement versus carrying amounts

In respect to the Company's financial assets instruments not presented at fair value, being mostly short-term market interest bearing liquid balances, the Company believes that the carrying amount approximates fair value.

In respect the Company's financial instruments liabilities:

For the Israeli debentures presented at amortized cost, a good approximation of the fair value would be the market quote of the relevant debenture, had they been measured at fair value.

	Carrying amount 2013	Carrying amount 2012	Fair value 2013	Fair value 2012
Debentures at amortized cost – polish bonds	**14,468**	14,678	**14,468**	14,678
Debentures A at amortized cost – Israeli bonds	**13,765**	-	**10,393**	-
Debentures B at amortized cost – Israeli bonds	**42,403**	58,603	**33,507**	41,599

In respect of most of other non-listed borrowings, the Group was not asked to raise interest rates or to bring forward maturities as a result of the restructuring procedure, as most financing banks does not expect the restructuring procedure to have a material effect on the security the banks hold under non-recourse loans, and therefore the Company has a basis to believe that the fair value of non-listed borrowings approximates the carrying amount.

Refer to notes 20 and 21 in respect of comparison between fair value and amortized cost of debentures presented at fair value through profit or loss.

Fair value Hierarchy

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Note	Fair value hierarchy	Carrying amount as at December 31, 2013 €'000	Carrying amount as at December 31, 2012 Restated* €'000
Financial assets not measured at fair value				
Cash and cash equivalents	6		**26,157**	35,374
Restricted bank deposits – short-term	7		**6,319**	18,759
Held for trading financial assets		Level 2	**1,246**	-
Available for sale debt securities	8		**-**	11,714
Trade receivables, net	9		**3,372**	3,399
Other receivables	10a		**4,871**	11,492
Loan to Diksna	14		**7,039**	6,949
Restricted bank deposits – long-term			**181**	779
Total			**49,185**	88,466

	Note	Fair value hierarchy	Carrying amount as at December 31, 2013 €'000	Carrying amount as at December 31, 2012 Restated* €'000
Financial liabilities not measured at fair value				
Interest bearing loans from banks	16	Level 2	**175,338**	205,977
Debentures at amortized cost	21	Level 1	**70,636**	73,194
Trade and other payables			**13,651**	15,217
Related parties	18		**944**	546
Total			**260,569**	294,934

	Note	Fair value hierarchy	Carrying amount as at December 31, 2013 €'000	Carrying amount as at December 31, 2012 Restated* €'000
Financial liabilities measured at fair value				
Debentures at fair value through profit or loss	20	Level 1	**97,983**	116,147
Derivatives	15	Level 2	**910**	3,320
Total			**98,893**	119,467

NOTE 33 - CONTINGENT LIABILITIES AND COMMITMENTS

a. Contingent liabilities and commitments to related parties

1. The Company and/or its subsidiaries were parties to Projects Initiation and Supervision Agreement which was signed in 2006 between the Company and Control Centers Ltd. ("Control Centers").

   Control Centers is a private company controlled by Mr Zisser, the former controlling shareholder of the Company. Europe-Israel (M.M.S.) Ltd. ("Europe-Israel") is an Israeli corporation wholly-owned by Control Centers (which in turn, is controlled by Mr Zisser).

   Bank Hapoalim B.M. (the "Bank") has instituted legal action to foreclose on its pledges, including, inter alia, all the assets of Europe-Israel securing Europe-Israel's obligations under a loan agreement with the Bank, including its shares in EI.

   On July 21, 2013 a receiver was appointed to Control Centers Ltd. and Europe-Israel and on September 10, 2010 the Receiver had dismissed their employees. Consequently, as of the date hereof the Company is not receiving the Services under the aforementioned agreement.

   At December 31, 2013 the financial statements does not include any liability in respect of engineering supervision services supplied by related parties in Control Centers Group. For the total charges in 2013 and 2012 refer to note 35).

2. On October 27, 2006 the Company and Mr Zisser, an Executive Director of the Company, entered into a service agreement, pursuant to which he will be entitled to a monthly salary of USD 25 thousand (EUR 19 thousand) which includes pension, retirement and similar benefits for his services as the Company's Executive Director.

3. In October 2006, the Company and EI entered into an agreement, pursuant to which with effect from 1 January 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.

4. 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.

5. 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.

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 EUR 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. No indemnifications were provided by the Group till the date of the statement of financial position.

   The tax authorities have challenged the applied tax treatment in two of the entities previously sold in Hungary by the Company to Klépierre in the course of the Framework Agreement dated 30 July, 2004 ("Framework Agreement"). In respect of two of the former subsidiaries of the Company, the tax authorities decision of reducing the tax base by and imposed a penalty in the sum of HUF 428.5 million (circa EUR 1.4 million), were challenged by the previously held entities at the competent courts. Klépierre has submitted an indemnification request claiming that the tax assessed in the described procedures falls into the scope of the Framework Agreement tax indemnification provisions and the Company in its respond rejected such claims.

   The Company management estimates that no significant costs will be borne thereby, in respect of these indemnifications.

3. 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 a contingent obligation to pay the developer in any case there is major progress in the projects. The total remaining potential obligation is EUR 0.9 million.

4. Apart from point 3 above, the Company does not have any contractual commitments in respect of construction activities.

c. Contingent liabilities due to legal proceedings

The Company is involved in litigation arising in the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time, 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 totalling EUR 173 million, as of December 31, 2013) awarded by financing banks (for projects in Poland, Czech Republic, India and Serbia), 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.

   In respect of corporate guarantee for the fulfilment of its subsidiaries obligations and joint ventures under loan agreements, refer to note 16 and note 14, respectively.

   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 to the shareholders is permitted (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. In respect of breach of covenants, refer to note 16.

   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.

2. Commitment in respect of derivative transaction

Within the framework of three IRS transactions (refer to note 14), executed between the Group and commercial banks (the "Banks"), the Group agreed to provide the Banks with cash or another collateral.

Accordingly, as of the end of the reporting period, the Company has pledged, a security deposit in the amount of EUR 0.3 million in respect of the Kragujevac IRS transaction. In respect of the Suwałki IRS the project company also established a bail mortgage up to EUR 4 million encumbering the real estate project. In respect of Toruń IRS the project company also established a bail mortgage up to EUR 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 programme – 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 EUR 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 reporting date the Ratio was circa 60% (2012 – 44%).

c) Failure to repay material debt – the company fails to repay any matured and undisputable debt in the amount of at least EUR 100 million within 30 days of its maturity.

NOTE 34 - SIGNIFICANT EVENTS

A. Debt restructuring plan ("the restructuring plan")

The Company has been facing challenging market conditions for some years. These have primarily been caused by the underlying economic environment in many of the countries in which the Company operates, combined with the lack of transactional liquidity in the investment markets for assets such as those owned by the Company and the ongoing lack of traditional bank financing available to real estate developers and investors. The significant investments in India and Romania, prior to the crisis, the increased issuance of debt and the slow pace of properties realization caused the Group to experience very significant losses and dragged the Group into cash flow distress.

Against this background, the Company's management has made some progress improving its cash position, primarily through costs cutting program and the disposal of certain properties.

In 2013, the Company has received net cash of circa EUR 61 million through the disposal of four assets (EUR 29 million) and the collection of the remaining proceeds from the transaction in the US (EUR 32 million).

In addition, it has applied intensive asset management initiatives to improve the income generated by the operating shopping centers portfolio, and has also managed to refinance an EUR 59.3 million loan secured against one of its largest assets, held via a joint venture owned 50%, Diksna during November 2013 (refer to note 14).The Company continues to actively market for sale all of its operating shopping centers as well as some of its undeveloped lands.

However, despite efforts to progress with a number of asset disposals and a completion of some alternative financing transactions, the Company was not able to execute its asset disposal plan within a timeframe that would have enabled it to meet its short-term obligations towards bondholders, specifically a circa EUR 15 million payment that was due to Polish bondholders on 18 November 2013 and a circa EUR 17 million payment that was due to Israeli bondholders on 31 December 2013, and therefore decided to withhold payment of principal and interest on maturities of all its bonds and any material payment to the Company's creditors. Furthermore, due to cross default clauses in the Group's bank facilities the Group has entered into, the financing banks can force immediate repayments of the Group's credit facilities (refer to note 16) which could result in foreclosure of the pledged property by the banks in cases of non-recourse loans or, in cases of recourse loans, to execute the guaranties provided by the Group in favour of the banks. In the case of non-recourse loans, the Group would be entitled to any excess proceeds over the amounts owed. In the case of recourse loans, please see below. The Group has been in discussions with all affected banks and as of the date of approval of these financial statements there were no early demand requests by any of the financing banks. If the debt restructuring is successful, the technical breach of cross default clauses in the Groups' bank facilities would be remedied and the existing loan agreements would continue in force.

On November 18, 2013, the Company has requested a restructuring plan (including suspension of payment proceedings) from the district court of Amsterdam, which is the legal seat of the Parent Company.

The court approved the Company's request and granted a six-month period for reaching an agreement with its creditors until the creditors meeting scheduled for April 17, 2014. For the postponement of the creditor meeting refer to note 38(C). If until June 26, 2014 the Company will not reach an agreement the court may switch to a liquidation procedure, which will probably cause significant damages to the Company, its creditors and its shareholders.

Parallel to the court approval, the court appointed: a special manager ("administrator"), who works with the Company's management and approves every transaction, liability assumption or expense at the Company's level and is suppose to recommend to the court to summon creditors meetings in order to vote for approving the restructuring plan; and a supervisory judge who supervises the procedure. The recommendation of the administrator will be transferred to the court only if he is convinced that the restructuring plan is fair and equal for all of the creditors. The administrator has appointed PwC Netherlands in order to economically review the restructuring plan on his behalf.

Since the day of the Company's announcement about applying to the district court of Amsterdam:

- The Company's management is continuously cooperating with the trustees and representatives of the bondholders, and assisting them and their representatives in every issue in order to promote the agreement and stay in the schedule set by the court.

- Negotiations are being held between all parties in order to agree on the restructuring plan details.

The main features of the proposed debt restructuring plan include:

To the shareholders

- The shareholders will be requested to provide capital/monetary inflow to the Company by way of rights issuance of EUR 20 million as a pre-condition to the coming into force of the debt restructuring plan. To the date of approval of these consolidated financial statements this inflow has not been formally committed.

To creditors with non-collateral backed debts

- The group of creditors with non-collateral backed debts include the following lenders: bondholders in Israel, the bondholders in Poland and the banks with fixed charges with a recourse right.
- The principle of the request from creditors with bondholders is based on deferring principal payment dates (and unpaid accrued interest for November / December 2013) against intensifying collaterals (negative pledge on all of the Company's assets), the grant of compensation on interest payments and participation in the equity upside (detailed below).
- The Company intends to put all efforts in order to avoid damages to the creditors, as practicable, from the situation that has resulted in the countries of operations, and due to the change in the trends of capital markets.
- The Company and its officers will not be held responsible against any claims, except claims for violation of fiduciary duty, fraud or claims for which a waiver cannot be granted under the law.

Israeli bondholders and the institutional bondholders in Poland

Principal payments - all principal payments of non-collateral backed debts (bonds (series A) bonds (series B) and bonds held by institutional investors in Poland including unpaid interest due November/December 2013) for 2013, 2014 and 2015 in the amount of EUR 181.9 million ("the Deferred Debt") will be deferred to 2016, 2017 and 2018 (at the same date and month of each series).

Interest payments – after the arrangement, interest payments will be made when due.

Interest rate – effective January 1, 2014, an additional 1.5% interest will be paid (for the deferred payments (principal and interest until the end of 2013) in addition to compensation in interest to be received from shares granted as detailed in the equity upside section below.

Early repayment – the Company will be entitled to make early repayments at any time of any debt balance which is according to the adjusted Par value price of the bonds but it must make an early repayment upon realization or refinancing of assets in a scope of 75% of the net cash flows that will be received by the Company. Upon making the early repayment, the debt in respect of the cumulative interest will be paid and thereafter the next principal payments. Out of the amount paid as an early repayment, 21.1% will be paid for bonds (series A), 70.7% will be paid for bonds (series B) and 8.2% will be paid for Polish bonds. (Each will be paid according to its relative share in the deferred debt ("Deferred Debt Ratio")).

Payment Deferral – This would occur in the event that in two years from the arrangement date, if the Company made early repayments of over 50% of the deferred debt (such that the balance of bonds (series A) will be lower than NIS 170 million (EUR 36 million) par value and the balance of bonds (series B) will be lower than NIS 250 million (EUR 52 million) par value), then the remaining deferred principal payments will be deferred in an additional year (at the same date and month of each series).

Equity Upside – to enable the creditors to enjoy an 'Equity Upside' feature, the Company will allocate, post the completion of the right issuance, to the Deferred Debt holders shares representing 13.5% of the Company's shares (2.85% to series A holders, 9.54% to series B holders and 1.11% to the Polish holders) at no consideration.

Payment to the holders of the Unsecured Debt – Following the removal of the suspension of payments order, the Company shall pay to the holders of the Deferred Debt holders an amount of EUR 10.5 million, on account of 2014 interest payments.

Restriction of Payments to shareholders – the Company undertakes that as long as the deferred debt balance is not paid in full, certain limitations on distribution of dividends will apply.

Collaterals - a negative pledge on all of the Company's assets meaning that the Company cannot pledge an unpledged asset, in favor of other lenders. The asset value included in the negative pledge according to their book value (net of debt, if any) as of December 31, 2013 is EUR 381 million (assets less liabilities that are not bonds, including accrued interest).

Instructions on unpledged assets

- The Company may not take new loans against pledging existing unpledged assets and/or non collateral loans. Despite these restrictions, the Company may obtain financing against a pledge and/or existing assets and/or non collateral loans provided that 75% of the financing will be used for early repayment.
- The Company may pledge lands, first in priority, for a construction loan in favor of a bank, with an loan to cost ratio that will not fall below 60%.

Instructions on pledged assets

- The Company may obtain refinancing or new loans with respect to each of the pledged assets provided that at least 75% of the extra financing in respect of that asset will be used for early repayment.
- Upon selling an asset of the pledged assets, 75% of the net consideration received by the Company from selling the asset (after debt repayment to the bank, selling expenses and tax, if required) will be used for early repayment of the Unsecured Debt, to be allocated among the holders of Unsecured Debt in accordance with the Deferred Debt Ratio.
- The Company will be allowed to execute actual investments only if the Company's cash reserves contain an amount equal to administrative expenses and interest payments for the Unsecured Debt for a six-month period (for this purpose also receivables with a high probability of being collected in the subsequent six-month period will be taken in account for the required minimal cash reserve).
- The Company may obtain new loans to purchase/build new assets provided that the loans will be of non-recourse type and the equity component in the purchase/build will not exceed 40%.

To banks with Recourse right

Debt balance to banks: the debt balance in the Company's books with a right of recourse as of December 31, 2013 amounts to EUR 48 million against assets valued at EUR 83 million which are pledged, with first priority, to the banks.

Recourse to the Company: deferring recourse right for four years

If the Company fails to meet its current payments and a debt balance to the banks remains after asset realization, the banks may demand the debt remaining shortfall only after four years from the arrangement date. The recourse right will be at the debt level before asset realization net of the highest between the received consideration from asset realization and 90% of the value of an external appraiser (to be agreed upon by the parties) in a time period of not more than three months before the realization date.

Debt restructuring plan ("the restructuring plan")

The creditors have the right to accept or refuse the above mentioned features of the debt restructuring plan. In general, in order to approve the restructuring plan, a simple majority of creditors allowed to vote (both by number of attendees in the actual voting and in the amount of the claim) is required. Creditors allowed to vote are comprised of bondholders and lenders at the Company's level, as well as creditors having recourse right to the Company (for their unsecured claim). A refusal will most probably lead to the liquidation of the Company.

The company believes that the proposed agreement is the optimal for allowing the Company to serve its debt for its creditors, and the Company's management is doing its best in order to reach an agreement within the time frame that was granted by the court.

Accordingly, management believes that, should the debt restructuring plan be accepted in the manner suggested by the Company, it would be able to retain significant value for its shareholders (as shown in the table below) and will be able to repay its creditors in full. By contrast, the Board of Directors of the Company and management are convinced that a forced liquidation (which will occur, should the creditors reject the restructuring plan) will most probably cause shareholders and creditors to incur significant losses. The following table presents the Group's assets disposal plan until 2018 (net cash flows (being mainly net of asset specific borrowings and taxes), in millions of EUR):

Property name	Total	H1-2014	H2-2014	H1-2015	H2-2015	H1-2016	H2-2016	H1-2017	H2-2017	H1-2018
Riga Plaza (Diksna)	21.5	21.5	-	-	-	-	-	-	-	-
Koregaon Park Plaza*	18.1	12.5	5.6	-	-	-	-	-	-	-
Toruń Plaza	49.8	-	49.8	-	-	-	-	-	-	-
Bangalore	25.9	-	-	12.9	13	-	-	-	-	-
Suwałki Plaza	10.6	-	-	10.6	-	-	-	-	-	-
Casa Radio - turbines**	5.0	-	-	5.0	-	-	-	-	-	-
Leszno Plaza	1.0	-	-	1.0	-	-	-	-	-	-
Kragujevac Plaza	15.9	-	-	-	15.9	-	-	-	-	-
Iaşi Plaza	8.0	-	-	-	8.0	-	-	-	-	-
Łódź (Residential)	6.0	-	-	-	6.0	-	-	-	-	-
Târgu Mureş Plaza	4.0	-	-	-	4.0	-	-	-	-	-
Kielce Plaza	3.0	-	-	-	3.0	-	-	-	-	-
Hunedoara Plaza	1.5	-	-	-	1.5	-	-	-	-	-
Belgrade Plaza (Visnjicka)	30.7	-	-	-	-	-	30.7	-	-	-
Cina (Romania)	7.5	-	-	-	-	-	7.5	-	-	-
Łódź Plaza	31.3	-	-	-	-	-	-	31.3	-	-
Timişoara Plaza	26.1	-	-	-	-	-	-	-	26.1	-
Casa Radio - project	171.1	-	-	-	-	-	-	-	-	171.1
Belgrade Plaza (MUP)	53.6	-	-	-	-	-	-	-	-	53.6
Total	**490.6**	**34**	**55.4**	**29.5**	**51.4**	**-**	**38.2**	**31.3**	**26.1**	**224.7**

* For the sale of Koregaon park, refer to note 34 (G).
** For the sale of turbines, resulting in different amount of cash inflow, refer to note 38 (B).

The Company's website (www.plazacenters.com) includes non-audited information related to the debt restructuring.

B. Update and impairment in respect of the Bangalore and Chennai projects

Bangalore

In March 2008, Elbit Plaza India Real Estate Holdings Ltd. ("EPI"), a 47.5% joint venture company held together 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 which was designated for this purpose ("SPV"), to acquire, through the SPV, up to 440 acres of land in Bangalore, India (the "Project") in certain phases as set forth in the Amended Framework Agreement. As of December 31, 2013, the Partner has surrendered land transfer deeds in favour of the SPV to a trustee nominated by the parties for approximately 54 acres for a total aggregate consideration of approximately INR 2,843 million (EUR 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, 2013 and 2012 as equity accounted investees.

In addition, the SPV paid to the Partner advances of approximately INR 2,536 million (EUR 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, 2013 and 2012 as part of the equity accounted investees (refer to note 14).

On July 22, 2010, EPI, the SPV and the Partner signed a new framework agreement which, subject to certain conditions (which, as of December 31, 2013, have not been satisfied yet), is supposed to replace the Amended Framework Agreement (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 and its magnitude and financing, the commercial relationships and working methods between the parties and the distribution mechanism of the revenues from the Project. In accordance with the New Framework Agreement, the following commercial terms have been, 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 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 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 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 EUR 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 on behalf of EPI) (the "Discharge Date").

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 full force and 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 itself 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. In May 2013, the court awarded a judgment pertaining to the additional 35 acres, ordering the BDA to consider the development plans related to the said 35 acres as well.

As for December 31, 2013 due to the uncertainly of the Group ability to develop the project in the foreseeable future the Group measured the net realizable value of the project according to the comparable model. As a result the Group recorded EUR 31 million write down expenses in the Company's profit or loss.

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 fulfilment 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 EUR 33 million). An additional amount of INR 564 million (approximately EUR 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 fulfilment of certain regulatory requirements, as well as to the Company's 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.

As for December 31, 2013 due to the uncertainly of the Group ability to develop the project in the foreseeable future the Group recorded EUR 20.7 million write down expenses in the Company's profit or loss.

C. Additional impairments

For additional impairments information refer to notes 10 and 14.

D. Selling of joint venture in India

On May 29, 2013 the Company completed the sale of its 50% interests in an Investee which mainly held interests in an office complex project located in Pune, Maharashtra. The transaction valued the Investee collectively at EUR 33.4 million and, as a result, the Company has received gross cash proceeds of circa EUR 16.7 million in line with its holding. The Company recorded a loss of EUR 5.1 million from the disposal, mainly due to reclassification of foreign currency translation reserve associated with the investment to the statement of profit or loss in the amount of EUR 4.3 million.

E. Disposal of assets in the Czech Republic

On July 18th 2013 the Company completed the sale of 100% of its interest in a vehicle which holds the interest in the Prague 3 project ("Prague 3"), a logistics and commercial center in the third district of Prague. Earlier this year, the Company completed its successful application to change the zoning use of Prague 3

to a residential scheme. The transaction values the asset at circa EUR 11 million and, as a result, further to related bank financing and other adjustments to the statement of financial position, the Company has received cash proceeds of net EUR 7.6 million. The Company has disposed the Prague 3 investment property asset, and has recorded a loss from fair value adjustment of EUR 4.2 million, included in other expenses in the statement of profit or loss.

In addition, in July 2013 the Company completed the sale of 100% of its interest in a vehicle which held the interest in another plot of land in Prague. The transaction values the asset at circa EUR 1.9 million and, as a result, further to liability to third parties, the Company has received cash proceeds of EUR 1.3 million. The Company has accounted for a EUR 3.5 million write down of this trading property in the second quarter of 2013 presented within write down of trading properties in the statement of profit or loss. The Company recorded a loss of EUR 0.3 million as a result of this disposal.

F. Disposal of equity accounted investees Ercorner and Uj Údvar in Hungary

On October 31, 2013 the Consortium of shareholders of Dream Island, in which the Company indirectly holds a 43.5% stake, has completed the sale of its Dream Island project land holding to the Hungarian State for circa EUR 17 million. The Consortium comprises an 87% holding interest of Ercorner, the 50:50 joint venture between the Company and a Hungarian commercial bank, as well as other small holders.

The proceeds of the transaction were used by the Consortium to repay a proportion of the securitized related bank debt held against the asset.

In addition to the above, in December 2013 the consortium of shareholders of Új Udvar, in which the Company indirectly holds a 35% stake, has completed the sale of its Új Udvar project holding to a private investor for a consideration of EUR 2.4 million. The Company has accounted for a EUR 1.9 million write down of this investee in the fourth quarter of 2013 presented within write down of equity accounted investees in the statement of profit or loss. The Company recorded as a result of this transaction a loss of EUR 0.1 million.

G. Agreement to sell Indian shopping mall

On November 14, 2013 the Company, announced that it has reached an agreement to sell Koregaon Park Plaza, a retail and entertainment located in Pune, India, subject to the satisfaction of certain closing conditions. The transaction values the asset at EUR 40.3 million, the asset's current carrying amount. Therefore no significant gain or loss is expected on the transaction besides the Foreign Currency Translation Reserve to be transferred to the profit or loss from Other Comprehensive Income.

Following the repayment of the outstanding related bank loan, the Company will receive aggregate gross cash proceeds from the purchaser totalling circa EUR 18.

Subject to fulfilment of certain conditions, including consent from the financing bank, the Company expects to collect circa EUR 12 million until the end of 2014 (EUR 2.3 million were already collected as of the day of statement of financial position) and the remaining EUR 6 million consideration is expected to be collected in 2015 and 2016.

In respect of the fire which occurred in this shopping center refer to note 34 (J) below.

H. Dissolving of an equity accounting investee in the US

In March 2013, the Company's 50% joint arrangement investee Elbit Plaza USA ("EPUS") was liquidated. As part of the liquidation procedure, the Company received an amount of USD 42 million (EUR 32 million), being its part in the remaining cash in EPUS. The dissolving did not result in any material effect on the statement of profit or loss of the Company.

I. Treasury bond held

As of December 31, 2013, the Company hold through it's wholly owned subsidiary 15.9 million NIS par value bonds in series B debentures (adjusted par value of NIS 18.6 million (EUR 3.9 million).

J. 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. In respect of impairments performed refer to note 11. The Company was refunded in July 2013 in the amount of a EUR 7 million damage insurance claim relating to the fire. In respect of covering the loss of income insurance claim, the Company is expected to collect circa EUR 2.5 million from this claim which has not been accrued, and is treated as a contingent asset.

K. 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 through EPUS), reached an agreement to sell 47 of its 49 US-based shopping centers in a transaction totalling USD 1.43 billion (EUR 1.13 billion). The closing of this transaction occurred on June 20, 2012.

The centers 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 USD 1.43 billion, a total of USD 934 million (EUR 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 USD 30 million (EUR 24 million), was retained by the vendor.

Following the sale of the 47 properties, EPN Group held two properties located in the United States that were valued at approximately USD 42 million (EUR 33 million) with total non-recourse secured debt of approximately USD 13 million (EUR 11 million). In July 2012, EPN Group sold its two remaining assets in the US for a total aggregate asset value of USD 42 million (EUR 33 million).

Non-recourse secured debt of approximately USD 13 million (EUR 11 million) was also assumed in the abovementioned transactions. As the Company indirectly held 22.69% of these US assets, the Company share in the net proceeds totaled EUR 5 million, with no realized gain or loss resulting.
The table below is a summary of the 2012 transaction results of selling the 47 properties:

	€ 000'
Company's part in transaction costs	(9,339)
Foreign currency translation reserve reclassified to consolidate statement of profit or loss	9,730
Realized gain on sale of investment properties	**391**

L. 2012 Disposals 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 EUR 0.1 million. In addition, certain bank loans and other liabilities in a total amount of EUR 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 material gain or loss was recorded as a result of this transaction.

In October 2012 the Company, through its jointly held investee 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 EUR 5.9 (Company's share) was assigned to the buyer, and the plot with a total book value of EUR 4.5 million was disposed of. The Investee recorded as a result of this transaction a gain of EUR 1.4 million in 2012, included as part of share in results of equity accounted investees.

M. Fantasy Park settlement

The Company's subsidiary, Fantasy Park Sp. z o.o. ("Fantasy Park") was 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, including certain amendments thereto which were agreed at a later stage ("Lease").

In March 2013 Fantasy Park reached a settlement , according to which Fantasy Park paid Klépierre EUR 0.5 million and vacated the premises, and by that Fantasy Park settled all the pending disputes, as well as any other disputes that may arise in the future in connection with the Lease. The Fantasy Park settlement generated a gain of EUR 0.2 million, included as other income in profit or loss.

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.

The Company has six directors. The annual remuneration of the directors in 2013 amounted to EUR 0.9 million (2012 – EUR 0.9 million) and the annual share based payments expenses amounted to EUR 0.1 million (2012- EUR 0.5 million). There was no change in the number of Company options granted to key personnel in 2013. There are no other benefits granted to directors. Information about related party balances as of December 31, 2013 and 2012 refer to note 18.

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, 2013 €'000	For the year ended December 31, 2012 €'000
Income		
Interest on balances with EI	**139**	213
Costs and expenses		
Recharges - EI and EUL	**233**	548
Executive director[1]	**222**	240
Aviation services - Jet Link[2]	**-**	61
Project management provision and charges -Control Centers group[2]	**327**	1,381

1 The Executive Director, who is also the former controlling shareholder of the ultimate parent company, is receiving an annual salary of USD 300 thousand.
2 Jet Link Ltd. and Control Centers (refer to note 33 a(1) and a(2)) are companies owned by the former ultimate shareholder of the Company. Control Centers group costs were capitalized to the relevant trading property.

NOTE 36 - OPERATING SEGMENTS

The Group comprises the following main reportable geographical segments: CEE, India and the US (starting June 30, 2010). None of the Group's tenants is accounting for more than 10% of the total revenue. Also, no revenue is derived in the Netherlands, where the Company is domiciled. The US segment was discontinued with effect from 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. Refer to note 11 for further detail by property on carrying amounts of Trading Properties and note 16 for detail on project secured bank loans by property.

Year ended December 31, 2013	Central & Eastern Europe €'000	India €'000	Total €'000
Total revenues[1]	**26,340**	**683**	**27,023**
Operating loss by segment	**(92,684)**	**(20,756)**	**(113,440)**
Net finance costs	(5,858)	(4,054)	**(9,912)**
Other expenses, net	(6,402)	(4,653)	**(11,055)**
Share in results of equity-accounted investees	1,348	(56,813)	**(55,465)**
Reportable segment loss before tax[2]	**(103,596)**	**(86,276)**	**(189,872)**
Less - unallocated general and administrative expenses (Dutch corporate level costs).			(5,090)
Discontinued operations US (refer to note 37)			65
Unallocated other expenses (Dutch corporate level)			-
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)			(29,432)
Loss before income taxes			(224,329)
Tax benefit			6,256
Loss for the period			**(218,073)**
Assets and liabilities as at December 31, 2013			
Total segment assets[3]	480,196	68,829	549,025
Unallocated assets (Mainly Cash and other financial instruments held of Dutch level)			36,741
Total assets			**585,766**
Segment liabilities	175,302	26,715	202,017
Unallocated liabilities (Mainly debentures)			173,421
Total liabilities			**375,438**

1 Out of which EUR 16.6 million is attributed to Poland.
2 Central Eastern Europe – including EUR 109 million of impairments. India – including EUR 76 million of impairments.
3 Refer to note 11 for the breakdown of Trading Property assets by location.

Year ended December 31, 2012 (Restated)	Central & Eastern Europe €'000	India €'000	Total €'000
Total revenues[1]	**28,373**	**1,650**	**30,023**
Operating loss by segment[2]	**(60,732)**	**(16,622)**	**(77,354)**
Net finance costs	(10,345)	(3,039)	(13,384)
Other income, net	1,346	7,611	8,957
Share in profit of equity-accounted investees	1,348	127	1,475
Reportable segment loss before tax	**(68,383)**	**(11,923)**	**(80,306)**
Less - unallocated general and administrative expenses (Dutch corporate level)			(5,438)
Discontinued operations US (refer to note 37)			(2,044)
Unallocated other expenses (Dutch corporate level)			(1,109)
Unallocated finance costs (Dutch corporate level)			(3,857)
Loss before income taxes			(92,755)
Tax benefit			6,592
Loss for the period			**(86,163)**
Assets and liabilities as at December 31, 2012			
Total segment assets	630,851	152,943	783,794
Unallocated assets (Mainly Dutch level financial instruments)			102,024
Total assets			**885,818**
Segment liabilities	205,530	37,765	243,295
Unallocated liabilities (Mainly debentures)			199,591
Total liabilities			**442,886**

1 Out of which EUR 19.7 million is attributed to Poland.
2 Central Eastern Europe – including EUR 68.1 million of impairments. India – including EUR 15.6 million of impairments.
3 Refer to note 11 for the breakdown of Trading Property assets by location.

NOTE 37 – DISCONTINUED OPERATION

Following the disposal of US assets (refer to note 34(L)) the Company discontinued its US activity. The results are the results of the equity accounted investee EPUS.

	2013 €'000	2012 Revised €'000
Results for discontinued operation		
Revenues	-	13,907
Expenses[1]		(16,942)
Results from operating activity	-	(3,035)
Tax benefit	-	600
Results from operating activities, net of tax	-	(2,435)
Gain on sale of discontinued operation	**65**	391
Profit (loss) for the year from discontinued operation	**65**	(2,044)
Earnings per share		
Basic and diluted loss per share (in EURO)	**(0.00)**	(0.01)

1 2012 - Including reduction in value of investment property in the amount of EUR 2,254 thousand.

Below is the information on allocation of profit between the owners of the Company and non-controlling interests:

	2013 €'000	2012 Revised €'000
Loss for the year from continuing operations	**-**	(84,119)
Attributable to owners of the Company	**-**	(84,119)
Attributable to non-controlling interests	**-**	-

	2013 €'000	2012 Revised €'000
Profit (loss) for the year from discontinued operations	**65**	(2,044)
Attributable to owners of the Company	**65**	(2,044)
Attributable to non-controlling interests	**-**	-

Cash flow from (used in) discontinued operation

	2013 €'000	2012 €'000
Net cash from (used in) operating activities	**(65)**	2,044
Net cash from investing activities	**-**	63,885
Net cash flow for the year	**(65)**	65,929

Effect of disposal on the 2012 financial position of the investee EPUS

	2012 €'000
Investment property	(263,047)
Interest bearing loan from banks	161,560
Trade and other payables	14,064
	(87,423)

Reclassification in statement of comprehensive income due to discontinued operation

In 2012 the movement is attributable to creation of translation reserve (EUR 2.8 million), as well as reclassification of amounts from the translation reserve to profit or loss (EUR 9.7 million).

NOTE 38 – EVENTS AFTER THE REPORTING PERIOD

A. Selling of airplane

On February 25, 2014 the Company disposed the airplane for a total consideration of USD 1.9 million (EUR 1.4 million). The proceeds from the disposal were used to repay the bank facility taken for the purchase of the airplane, and the Company currently negotiates with the financing bank the conditions to be set for the repayment of the remaining outstanding bank loan (circa EUR 1 million).

B. Sale of turbines

In March 2014 the Casa Radio project company disposed of the turbines held in respect of the Casa Radio project (refer also to note 11) for a total net consideration of EUR 2.6 million.

C. Postponement of creditors meeting to vote on the restructuring plan

On 11 March 2014, the Company obtained from the Dutch Court a postponement of the dates for the voting on the proposed plan, due to technicalities involved with the completion of the arrangement.

The Dutch Court set 26 June 2014 as the date for voting on the proposed restructuring plan, as to be amended. The Company does not expect this postponement to have any effect on its ability to conclude the restructuring plan to the satisfaction of both its creditors and shareholders.

NOTE 39 - LIST OF GROUP ENTITIES

As of December 31, 2013, the Company owns the following companies (all are 100% held subsidiaries at the end of the 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. Aréna Plaza extension project
Plaza House Ingatlanfejlesztési Kft.	Office building	David House
HOM Ingatlanfejlesztési és Vezetési Kft.	Management company	
Szombathely 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inacitve	
Tatabánya Plaza Ingatlanfejlesztési Kft.	Inacitve	

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	Białystok Plaza project
Płock Plaza Sp. z o.o.	Owns plot of land	Radom Plaza project
Włocławek Plaza Sp. z o.o.	Mixed-use project	Łódź Plaza project
O2 Fitness Club Sp. z o.o.	Entertainment	O2 Fitness Club project
Plaza Centers Polish Operations B.V.	Holding company	
EDMC Sp. z o.o.	Management company	
Plaza Centers (Poland) Sp. z o.o.	Management company	
Bytom Plaza Sp. z o.o.	Inactive	
Bielsko-Biała Plaza Sp. z o.o.	Inacitve	
Bydgoszcz Plaza Sp. z o.o.	Inacitve	
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	
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	
Toruń Centrum Plaza Sp. z o.o.	Inactive	
Tychy Plaza Sp. z o.o.	Inactive	

Indirectly or jointly owned		
Legnica Plaza Spółka z ograniczoną odpowiedzialnością S.K.A.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Toruń Plaza project
Suwałki Plaza Sp.z.o.o.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Suwałki Plaza project
Zgorzelec Plaza Sp. z o.o.	Operating 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. with Israeli-based partner
EDP Plaza Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. with Israeli-based partner
Fantasy Park Sp. z o.o.	Entertainment	100% held by Mulan B.V.
Fantasy Park Suwałki Sp. z o.o.	Entertainment	100% held by Mulan B.V.
Fantasy Park Toruń Sp. z o.o.	Entertainment	100% held by Mulan B.V.
Fantasy Park Zgorzelec Sp. z o.o.	Entertainment	100% held by Mulan B.V.
Fantasy Park Bytom 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 Poznań 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.	Inacitve	100% held by Mulan B.V.

LATVIA	ACTIVITY	REMARKS
Indirectly or jointly owned		
Diksna SIA	Operating shopping center	Equity accounted investee - 50% held by Plaza Centers N.V. 50% held by JV partner Riga Plaza project
Fantasy Park Latvia SIA	Entertainment	100% held by Mulan B.V.

ROMANIA	ACTIVITY	REMARKS
Directly wholly owned		
Dâmboviţa Centers Holding B.V.	Holding company	
Plaza Bas B.V.	Holding company	50.1% held by Plaza Centers N.V.
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	Palazzo Ducale
S.C. Plaza Centers Management Romania S.R.L.	Management company	
S.C. Central Plaza S.R.L.	Inactive	
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		
S.C. Dâmboviţa Center S.R.L.	Mixed-use project	75% held by Dâmboviţa Centers Holding B.V. Casa Radio project
Adams Invest S.R.L.	Residential project	Equity accounted investee - 50% held by Plaza Bas B.V. 50% held by partner Valley View project
Colorado Invest S.R.L.	Residential project	Equity accounted investee - 50% held by Plaza Bas B.V. 50% held by partner Pine Tree project
Malibu Invest S.R.L.	Residential project	Equity accounted investee - 25% held by Plaza Bas B.V. 75% held by partner Fountain Park project
Spring Invest S.R.L.	Office project	Equity accounted investee - 50% held by Plaza Bas B.V. 50% held by partner Primavera Tower Braşov project
Sunny Invest S.R.L.	Residential project	Equity accounted investee - 50% held by Plaza Bas B.V. 50% held by partner Green Land project
Primavera Invest S.R.L.	Office project	Equity accounted investee - 50% held by Plaza Bas B.V. 50% held by partner Primavera Tower Ploieşti project
Bas Developement S.R.L.	Residential project	Equity accounted investee - 50% held by Plaza Bas B.V. 50% held by partner Acacia Park project

MOLDOVA	ACTIVITY	REMARKS
Directly wholly owned		
I.C.S. Plaza Centers Prodev S.R.L.	Inactive	

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	
Indirectly or jointly owned		
Sek D.O.O.	Operating shopping center	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. Belgrade Plaza (Visnjicka) project
Orchid Group D.O.O.	Shopping center project	100% held by Plaza Centers (Ventures) B.V. Belgrade Plaza (MUP) 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		
P4 Plaza S.R.O.	Operating 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	

note 39

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 Dâmboviţa Complex B.V.	Holding company	
Plaza Centers Enterprises B.V.	Finance company	100% held by Plaza Dâmboviţa 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 99.9% of Anuttam Developers Pvt. Ltd.
Anuttam Developers Pvt. Ltd.	Operating shopping center	99.99% held by Permindo Ltd. Koregaon Park Plaza project
HOM India Management Services Pvt. Ltd.	Management company	99.99% held by PC India Holdings Public Company Ltd.
Spiralco Holdings Ltd.	Holding company	100% held by PC India Holdings Public Company Ltd.
Rebeldora Ltd.	Inactive	100% 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	Equity accounted investee - 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-use project	80% held by Elbit Plaza India Real Estate Holdings Ltd. Chennai (SipCot) project
Aayas Trade Services Pvt. Ltd.	Mixed-use project	100% held by Elbit Plaza India Real Estate Holdings Ltd. Bangalore project (refer to note 34(B))
Elbit India Architectural Services Ltd.	Inactive	100% held by Elbit Plaza India Real Estate Holdings Ltd.

Entities disposed or dissolved in 2012 and 2013

UNITED STATES OF AMERICA	ACTIVITY	REMARKS
Indirectly or jointly owned		
Elbit Plaza USA II LP ("EPUS 2")	Holding company	Equity accounted investee 50% held by Plaza Centers N.V. 50% held by Elbit Imaging Ltd.
EPN REIT II	Inactive	Held 100% by EPUS II
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 U.S 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 U.S Trust INC. (US REIT)
EDT U.S 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

HUNGARY	ACTIVITY	REMARKS
Szeged 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	Liquidated
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-use 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. – associate
Álom Sziget Hungary Kaszinójáték Kft.	Holding company	100% held by Álom Sziget Entertainment Zrt.

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

INDIA	ACTIVITY	REMARKS
P-One Infrastructure Pvt. Ltd.	Real estate	50% held by Spiralco Holdings Ltd. 50% held by Indian third party Kharadi Plaza and Trivandrum Plaza projects

FINANCIAL STATEMENTS

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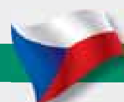

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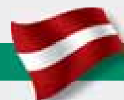

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