

14 March 2013

**PLAZA CENTERS N.V.**

**Full Year results for the year ended 31 December 2012**

**PLAZA REPORTS STRONG OPERATIONAL PROGRESS WITH IMPROVED PORTFOLIO OCCUPANCY**

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading property developer and investor with operations in Central and Eastern Europe ("CEE") and India, today announces its full year results for the year ended 31 December 2012.

**Financial highlights:**

- Reduction in total assets to €958 million (31 December 2011: €1.3 billion), primarily due to the disposal of the Company's US assets of €263 million
- Increase of 45.3% in the value of completed trading properties due to the completion of Kragujevac Plaza and Koregaon Park Plaza
- Book value of the Company's landbank reduced by 11% over the year, or by €60 million, primarily due to impairments recorded mainly within the Romanian and Hungarian land portfolio
- Increase in gross revenue of 77% to €41.6 million (2011; €23.5 million) due to additional rental income received during the year from shopping centres completed and opened to the public during 2012 and late 2011. (The rental income along with all other elements related to the disposed US operation in the Financial Statements as of 31 December 2011 were restated due to reclassification of income and expenses from discontinued operations)
- Net Asset Value decreased by 24% to €459 million (31 December 2011: €601 million) primarily through the impairment of assets in Romania and Hungary
- Net Asset Value per share of £1.26 (31 December 2011: £1.69), a decline of 25%, attributable mainly to the above mentioned impairments
- Loss for the year of €85.9 million (31 December 2011: €13.9 million profit), which stems from a non-cash €79 million impairment of trading properties, of which 59% related to impairments of assets in Hungary and Romania and an overall net finance cost of €16.5 million compared to a net finance income of €74 million of 2011. The prior year finance income figure of €74 million was based on the substantial decrease in fair value debentures and related foreign exchange gains measured through the profit or loss account
- Basic and diluted loss per share of €0.29 (31 December 2011: €0.03 earnings per share)
- Cash position at year end (including restricted bank deposits, short term deposits and available for sale financial assets) of €102 million (31 December 2011: €108 million) with working capital of €558 million (31 December 2011: €585 million); current cash position of circa €90 million

- Gearing reduced to 53% (31 December 2011: 59%) through a €138 million repayment of debt including assumption of part of bank loans related to US assets
- (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 by 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 an additional NIS 232 million of par value A and B bonds have been re-purchased and held in treasury through the Company's wholly owned subsidiary. As of 31 December 2012 the outstanding amount was NIS 181 million par value, as a result of bond repayments.

#### **Operational highlights:**

- Improved occupancy levels achieved across the Company's existing shopping and entertainment centres, with the overall portfolio occupancy rate increasing from 85% in 2011 to 88.5% as at the reporting date, with the following notable successes;
  - At Torun Plaza, Poland, occupancy increased to 84% (2011: 80%)
  - At Suwalki Plaza, Poland, occupancy increased to 90% (2011: 89%)
  - At Zgorzelec Plaza, Poland, occupancy increased to 89% (2011: 79%), in addition to a 14% increase in footfall compared to the prior year
  - At Liberec Plaza, Czech Republic, occupancy increased to 80% (2011: 78%)
  - At Riga Plaza, Latvia, occupancy increased to 94% (2011: 90%) and footfall by 21% on a year-on-year basis
- The construction of Plaza's first retail scheme in Serbia, Kragujevac Plaza, was completed and opened to the public on 20 March 2012. The 22,000 sqm GLA centre was 90% let on opening and a further 8% of space has been let since with strong interest expressed in the remaining units. Early trading has been extremely encouraging with over 3,000,000 visitors in its first year of operation
- In June 2012, EPN Group, Plaza's US based joint venture, completed the sale of 47 of its 49 US based assets to BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. in a transaction valued at US\$1.428 billion. The transaction generated a gross cash inflow of circa US\$120 million (€92 million) to the Company before taxes and transaction costs
- In July EPN Group completed the disposal phase of the Company's highly successful first venture in to the US with the sale of its two remaining US assets for US\$41.8 million out of which US\$13 million was settled by assumption of debt. The transaction generated a gross cash inflow of circa US\$6.6 million (€5 million) to the Company
- Phase 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 28,000 sqm GLA office, was 70%

pre-sold upon opening. The construction of the second office building, out of a total of four offices planned for the development, commenced in Q3 2012 and 37% of the space available has been pre-sold to date

**Key highlights since the period end:**

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

**Commenting on the results, Ran Shtarkman, the President and CEO of Plaza Centers, said:**

“Plaza has achieved a number of operational successes during the year through the opening of shopping centres in new markets for the Company, including Serbia and India, as well as achieving significant improvements in occupancy levels over the year, which at the reporting date stands at 88.5% compared to 85% at the end of 2011. This improvement has arisen through the leveraging of the deep relationships we have created with retailers over a number of years, many of whom we have helped introduce into new geographies. Furthermore, during the year we completed the disposal of EPN Group’s, our US based joint venture, entire portfolio of US assets. This generated gross proceeds of USD\$ 120 million, an excellent return on the USD\$82 million of equity invested, generated in less than two years, bringing to a close a highly successful first venture into the US market for the Company.

“We continue to evaluate our extensive development pipeline, which we believe offers substantial opportunities for the future. However, in the short term, we cannot ignore the impact, potential or actual, of the ongoing issues of the Eurozone on the economies in which we operate. We will therefore continue to take a prudent and pragmatic approach to committing significant equity to commence new projects. This being said, we continue to progress a limited number of projects in the most resilient countries of the CEE, such as Poland and Serbia, where GDP growth and forecasts remain above the averages for Europe. During the year, we have been especially pleased with the success of Kragujevac Plaza in Serbia, the first shopping and entertainment centre to be built outside the capital, Belgrade, which has attracted over 3,000,000 visitors in its first year of trading. This notable achievement gives us real confidence for the remainder of our carefully considered Serbian development programme.

“In our efforts to best position the Company against this ongoing economic and market uncertainty, we made good progress during the year in our ambitions to deleverage, reducing our level of debt by €138 million or from 59% to 53% of the balance sheet, and our intention is to reduce this further over the coming year. We will continue to develop selectively where we see the strongest tenant demand and where development financing can be secured, ensuring we appropriately de-risk our development pipeline.”

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**Notes to Editors**

**Plaza Centers N.V.** ([www.plazacenters.com](http://www.plazacenters.com)) is a leading property developer and investor with operations in Central and Eastern Europe, India and the USA. It focuses on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres in both capital cities and important regional centres. The Company is dual listed on the Main Board of the London Stock Exchange and, as of 19 October 2007, the Warsaw Stock Exchange (LSE:"PLAZ", WSE: "PLZ/PLAZACNTR"). Plaza Centers N.V. is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. Plaza Centers is a member of the Europe Israel Group of companies which is controlled by its founder, Mr Mordechay Zisser. It has been active in real estate development in emerging markets for over 17 years.

**Forward-looking statements**

This press release may contain forward-looking statements with respect to Plaza Centers N.V. future (financial) performance and position. Such statements are based on current expectations, estimates and projections of Plaza Centers N.V. and information currently available to the company. Plaza Centers N.V. cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. Plaza Centers N.V. has no obligation to update the statements contained in this press release, unless required by law.

## **PRESIDENT AND CHIEF EXECUTIVE OFFICER'S STATEMENT**

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

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

### **Key Events**

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

The successful completion of the transaction generated a gross cash inflow for the Company of US\$120 million, a significant return over a period of less than two years on its equity investment of circa \$82 million. This was in addition to a dividend received from EPN in September 2011 of \$US5.9 million. During the investment period, Plaza and its joint venture partners were able to successfully restructure, reposition and improve the portfolio of 47 properties by taking EDT Retail Trust private and transferring key personnel and management from Australia to the U.S. and undertaking a number of management initiatives. These included the refinancing of circa US\$500 million of portfolio debt, improving the cost structure, improving occupancy by 3% since EPN's initial acquisition of the properties and increasing the stabilized NOI of the properties via re-letting expiring lease agreements.

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

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

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

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

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

## **Results**

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

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

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

## **NAV**

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

Net Asset Value per share has decreased by 24%, attributable primarily to the impairment of trading property amounting to €79 million. The write down in value reflects the depressed rental levels in the abovementioned countries as well as low transaction volumes from a constrained supply of debt. The majority of written down assets comprise land with associated planning consent, which management continues to value at the lower of cost or net 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 decrease was partly offset by the completion during the year of Koregaon Park Plaza and Kragujevac.

The Company's NAV was calculated as follows:

Use	EUR (Thousand)
Market value of land and projects by Jones Lang LaSalle (1)	<b>748,345</b>
Assets minus liabilities as at 31 December 2012 (2)	(289,587)
<b>Total</b>	<b>458,758</b>

(1) per valuation attached below, except for Prague 3 project included in Assets minus liabilities

(2) excluding book value of assets which were valued by Jones Lang LaSalle

### Portfolio progress

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

Location	Number of assets (CEE and India)		
	Active	Under development/ planning	Offices
Romania	-	8	1
India	1	5	-
Poland	3	4	-
Hungary	-	3	1
Serbia	1	2	-
Czech Republic	1	2	-
Bulgaria	-	1	-
Greece	-	1	-
Latvia	1	-	-
<b>Total</b>	<b>7</b>	<b>26</b>	<b>2</b>

## **Liquidity & Financing**

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

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

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

## **Strategy and Outlook**

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

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

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

Notable improvements at the operational level of the portfolio were achieved during 2012, improving overall occupancy from 85% in 2011 to 88.5% in 2012. We will continue this focus on maximising the income and value of our shopping centres through active asset management initiatives and seeking to obtain the optimal tenant



mix to ensure our centres continue to meet the needs and wants of consumers and continue to be the dominant retail offering in its location.

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

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

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

**Ran Shtarkman**  
**President and Chief Executive Officer**

**14 March 2013**

## OPERATIONAL REVIEW

Over the course of the reporting period and since the year end, Plaza has continued to make good progress against its operational and strategic objectives, whilst delivering improved occupancy at the portfolio level.

Highlights for the financial year included:

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

As of the reporting date, Plaza has 35 assets in nine countries, out of which 26 are under development across the CEE region and India. Of these, eight are located in Romania, five in India, four in Poland, three in Hungary, two in Serbia, two in the Czech Republic, one in Bulgaria and one in Greece. In addition to these developments, Plaza retains the ownership of and operates seven shopping and entertainment centres in Poland, Czech Republic, Serbia, India and Latvia and two office buildings in Budapest and Bucharest.

The development projects are at various stages of the development cycle, from the purchase of land through to the planning and completion of construction. Plaza's first shopping and entertainment centre in Serbia, Kragujevac Plaza, was opened to the public on 20 March 2012.

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

<b>Asset/Project</b>	<b>Location</b>	<b>Nature of asset</b>	<b>Size (GLA) sqm</b>	<b>Plaza's effective ownership %</b>	<b>Status (*)</b>
Suwalki Plaza	Suwalki, Poland	Retail and entertainment scheme	20,000	100	Operating, opened in May 2010
Lodz (Residential)	Lodz, Poland	Residential scheme	80,000 (GBA)	100	Under planning
Lodz Plaza	Lodz, Poland	Retail and entertainment scheme	35,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Zgorzelec Plaza	Zgorzelec, Poland	Retail and entertainment scheme	13,000	100	Operating, opened in March 2010
Torun Plaza	Torun, Poland	Retail and entertainment scheme	40,000	100	Operating, opened in November 2011
Kielce Plaza	Kielce, Poland	Retail and entertainment scheme	33,000	100	Construction scheduled to commence in 2014-2015; completion scheduled for 2015-2016
Leszno Plaza	Leszno, Poland	Retail and entertainment scheme	16,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Arena Plaza Extension	Budapest, Hungary	Office scheme	40,000	100	Under planning. Construction scheduled to commence in 2014; completion scheduled for 2015
Dream Island (Obuda)	Budapest, Hungary	Major business and leisure resort	350,000 (GBA) (for rent and sale)	43.5	Initial excavation and archaeological works commenced; Staged completion scheduled for 2015-2017.
Uj Udvar	Budapest, Hungary	Retail and entertainment scheme	16,000	35	Operating, currently working on refurbishment plans, Building permit expected to be granted in 2014
David House	Budapest, Hungary	Office	2,000	100	Operational office
Prague 3	Prague, Czech Rep.	Office, for future residential use	61,600 (residential for sale)	100	Currently operational as an office building, re-zoning for future residential use obtained in 2012
Liberec Plaza	Liberec, Czech Rep.	Retail and entertainment	17,000	100	Operating, opened in March 2009

		scheme			
Roztoky	Prague, Czech Rep.	Residential units	14,000 (GBA)	100	Zoning is in place. Construction scheduled to commence in 2014; completion scheduled for 2015
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	600,000 (GBA including parking)	75	Under planning, completion scheduled for 2014-2017; approval from the Urban Technical Commission has been obtained
Timisoara Plaza	Timisoara, Romania	Retail and entertainment scheme	36,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Csiki Plaza	Miercurea Ciuc, Romania	Retail and entertainment scheme	14,000	100	Construction commenced in late 2008; awaiting external financing for completion
Iasi Plaza	Iasi, Romania	Retail, entertainment and office scheme	58,000	100	Construction scheduled to commence in 2014-2015; completion scheduled for 2016
Slatina Plaza	Slatina, Romania	Retail and entertainment scheme	17,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Hunedoara Plaza	Hunedoara, Romania	Retail and entertainment scheme	13,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Targu Mures Plaza	Targu Mures, Romania	Retail and entertainment scheme	30,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016-
Constanta Plaza	Constanta, Romania	Retail and entertainment scheme	18,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational
Belgrade Plaza	Belgrade, Serbia	Apart-hotel and business centre with a shopping gallery	70,000 (GBA)	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Visnjicka Plaza	Belgrade, Serbia	Retail and entertainment	40,000	100	Construction scheduled to

		scheme			commence in late 2013; completion scheduled for 2014-2015
Kragujevac Plaza	Kragujevac, Serbia	Retail and entertainment scheme	22,000	100	Operating, opened in March 2012
Shumen Plaza	Shumen, Bulgaria	Retail and entertainment scheme	20,000	100	Construction scheduled to commence in 2015; completion scheduled for 2016
Riga Plaza	Riga, Latvia	Retail and entertainment scheme	49,000	50	Operating; opened in March, 2009
Pireas Plaza	Athens, Greece	Retail and entertainment scheme	26,000	100	Construction scheduled to commence in 2014; completion scheduled for 2015
Koregaon Park Plaza	Pune, India	Retail, entertainment and office scheme	110,000 (GBA)	100	Operating; opened in March, 2012
Kharadi	Pune, India	Office Scheme	250,000 (GBA)	50	Construction commenced in late 2010; Phase One completed (28,000 sqm GLA), expected overall completion in 2015
Trivandrum	Trivandrum, India	Residential scheme	120,000 (GBA)	50	Under planning
Bangalore	Bangalore, India	Residential Scheme	310,000 (GBA)	23.75	Construction scheduled to commence in late 2013; phased completion scheduled over 2013-2020
Chennai	Chennai, India	Residential Scheme	230,000 (for sale)	38	Construction scheduled to commence in late 2013; phased completion scheduled over 2013-2018
Kochi Island	Kochi, India	High-end residential apartment buildings, office complexes, a hotel and serviced apartments complex, retail area and a marina	575,000 (GBA)	23.75	Under planning

(\*) all completion dates of the projects are subject to securing external financing.

Details of these activities by country are as follows:

## *Poland*

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

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

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

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

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

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

## *Hungary*

Plaza owns a plot of land which will serve as an office extension next to the previously built Arena Plaza shopping centre. The extension will comprise an office complex with approximately 40,000 sqm of GLA.

Plaza currently holds a stake of 43.5% in the Dream Island large scale, mixed-use development in Budapest. The consortium now comprises an 87% holding interest of the 50:50 joint venture partnership between Plaza and MKB Bank (a leading Hungarian commercial bank which is a subsidiary of the German Bayerische

Landesbank), a company controlled by the managing director of the consortium (10% interest) and a further 3% owned by other minority shareholders.

The Dream Island project is a prestigious development on the Obuda Island in central Budapest, with a land area of 320,000 sqm. It will be developed into a major resort including hotels, recreation facilities, a casino and a business and leisure complex of 350,000 sqm GBA. The project is currently in planning phase.

In September 2007 the Company bought a 35% stake in the Uj Udvar shopping centre in Budapest, Hungary. The shopping centre is currently operational and Plaza's co-shareholders are working on a new design to be implemented.

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

#### *Czech Republic*

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

#### *Romania*

Plaza holds a 75% interest in a company in partnership with the Government of Romania to develop Casa Radio (Dambovita), the largest development plot in central Bucharest. It will comprise approximately 600,000 sqm of GBA, including a 158,000 sqm GBA shopping mall and leisure centre (one of the largest in Europe), offices, hotel, an apartment hotel, casino, hypermarket and a convention and conference hall. The Company has obtained the approval of the Urban Technical Commission of Bucharest and completion of the first phase is scheduled for 2014.

#### *Latvia*

In March 2009, Plaza completed and opened its Riga Plaza shopping and entertainment centre, which comprises approximately 49,000 sqm of GLA, in which Plaza owns a 50% stake.

Riga Plaza is located on the western bank of the River Daugava by the Sala Bridge. During 2010, an eight screen cinema multiplex was opened. The centre has seen significant operational improvement during the year, with occupancy increasing to 94% as at the reporting date compared to 90% in 2011. Discussions are ongoing with potential occupiers for the remaining space at the centre and Plaza hopes to conclude further lettings shortly.

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

### *Serbia*

On 20 March 2012 Plaza opened to the public its first Serbian shopping and entertainment centre in Kragujevac, a city of 180,000 inhabitants. Kragujevac Plaza comprises 22,000 sqm of GLA and was over 90% let at opening to tenants including Nike, Adidas, Aldo, New Yorker, Deichmann, TerraNova, Fashion and Friends, H&O, Oviessa, Fox, Chicco and Home Center. As at the reporting date occupancy has risen to 98%, demonstrating the success of the Company's first venture into Serbia. The initial response from consumers has been extremely encouraging with the centre receiving over 3,000,000 visitors in its first year of opening.

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

Plaza's first investment in Serbia was a state-owned plot and building in Belgrade, which Plaza secured in a competitive tender. The building was formerly occupied by the federal ministry of internal affairs of the former Yugoslavia and is located in the centre of Belgrade in a neighbourhood of government offices and foreign embassies. On completion, the scheme, Belgrade Plaza, will comprise a shopping gallery, an apartment-hotel and business centre totalling circa 70,000 sqm of GBA. Construction is planned to commence in 2014 and is scheduled for completion in 2015. The project is currently in the process of securing the relevant local planning and permitting approvals.

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

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



### *Greece*

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

### *Bulgaria*

The Group owns a 25,000 sqm plot of land in Shumen, the largest city in Shumen County, which it intends to develop into a new shopping and entertainment centre with a total GLA of 20,000 sqm. Construction is expected to commence during 2015, subject to securing financing.

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

### *India*

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

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

During 2007, Plaza acquired two additional development projects in a 50:50 joint venture. The first is located in the Kharadi district of Pune, opposite to EON Park Project (the highest quality IT park in the region), and totals approximately 250,000 sqm of total built area (including parking). The second is in Trivandrum, the capital city of the State of Kerala, and totals approximately 120,000 sqm GBA. The Kharadi development consists of four office buildings and a small retail area and a large residential scheme is planned for the Trivandrum development.

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

During 2008, Plaza formed a joint venture with Elbit Imaging (“JV”) to develop three mega mixed-use projects in India located in the cities of Bangalore, Chennai and Kochi. Under this agreement Plaza acquired a 47.5% stake in Elbit India Real Estate Holding Limited, which already owned stakes of between 50% and 80% in three mixed-use projects in India, in conjunction with local Indian partners. This joint venture’s voting rights are split 50:50 between Elbit and Plaza.

These three projects are as follows:

Bangalore - This 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 8 million inhabitants. With a total built area of over 310,000 sqm, it will comprise over 1,100 luxury residential Units.

In 2010, the JV has 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 this 20% IRR on its investment, the JV will exit the project. Currently the project is in Planning phase

Chennai - A residential development, which is 80% owned by the JV and 20% by a prominent local developer, will be developed into a residential project consisting of approximately 160,000 sqm of plotted area for development and approximately 70,000 sqm for high quality villas. Chennai is India’s fourth largest city with a population of more than 8 million inhabitants. These days, the JV is in advanced negotiations towards signing of a joint development agreement with a reputable local developer for the execution of this project

Kochi Island - A 50:50 partnership with a prominent local developer, this mixed-use project will comprise more than 575,000 sqm of high-end residential apartment buildings, office complexes, a hotel and serviced apartments complex, retail area and a marina. It is located on a backwater island adjacent to the administrative, commercial and retail hub of the city of Kochi, in the state of Kerala, with a local population of more than two million inhabitants.

The construction of the JV’s first two projects in Bangalore and Chennai are planned to commence in late 2013, and the Kochi Island development is currently in the design phase

## *USA*

In January 2012, EPN Group, Plaza’s US based joint venture, reached an agreement to sell 47 of its 49 US based shopping centres in a deal totalling US\$1.428 billion. The centres were acquired by BRE DDR Retail Holdings LLC, a joint venture between Blackstone Real Estate and DDR Corp. in a transaction of total US\$1.428 billion, a where US\$934 million (as of the agreement date) was paid by the assumption of the property level

debt. In addition, all excess cash within EDT, which upon signing the agreement amounted to US\$30 million, was retained by Plaza and its joint venture partners.

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

## FINANCIAL REVIEW

### Results

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

As Plaza focuses its business on the development and sale of shopping and entertainment centres, the Group classifies its current projects under development or self-developed projects as trading properties rather than investment properties. Accordingly, revenues from the sale of trading properties are presented as gross amounts. The Group does not revalue its trading properties, and profits from these assets therefore represent actual cash-based profits due to realisations. On the other hand, an impairment of value is booked in the consolidated income statement where applicable.

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

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

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

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

Expenses relating to Fantasy Park operation were classified under Operations of Entertainment Centres in the notes to the Financial Statements.

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

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

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

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

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

## **Balance sheet and cash flow**

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

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

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

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

Apart from bank financing, Plaza has a balance sheet liability of €189 million (with an adjusted par value of circa €226 million) from issuing debentures on the Tel Aviv Stock Exchange and to Polish institutional investors. These debentures are presented at their fair value with the exception of the debentures issued from August 2009 onward, which are presented at amortised cost. Plaza has substantially hedged the future expected payments in Polish Zloty to correlate with the Euro and the BIBOR interest rate, using cross currency interest rate swaps and, in the case of its currency risk exposure of its NIS denominated bonds, by selling options to correlate with changes in the EUR/NIS rate. At 31 December, 2012 the aggregate liability associated with these hedging transactions amounted to circa €0.8 million. In 2012 the Company extended its bond buyback programme, which, in addition to the bond principal repayments and fair value changes, amounted to a €63 million decrease in liabilities from 2011.

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

At the 2012 year end, the net balance of the Plaza Group with its controlling shareholders is a liability of approximately €0.5 million, of which €15,000 is due to a provision in respect of project management fees charged by the Control Centers group. These fees relate to the project supervision services granted in respect of the extensive schemes within the Group.

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

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

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

**Roy Linden**

**Chief Financial Officer**

**14 March 2013**

Valuation Summary by Jones Lang LaSalle as at 31 December 2012 (in EUR)

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

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



## Notes

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

PLAZA CENTERS N.V.

CONSOLIDATED INCOME STATEMENT IN '000 EUR

	Note	For the year ended December 31,	
		2012	2011 (reclassified)*
<b><u>Continuing operations</u></b>			
Revenues	12	41,593	23,462
Write-down of trading properties	5	(78,833)	(47,987)
Cost of operations	13	(20,385)	(14,849)
<b>Gross loss</b>		(57,625)	(39,374)
Administrative expenses	14	(16,848)	(18,856)
Other income		2,763	169
Other expenses		(1,122)	(1,783)
<b>Results from operating activities</b>		(72,832)	(59,844)
Finance income	15	20,515	103,018
Finance costs	15	(37,055)	(29,032)
Net finance income (costs)		(16,540)	73,986
Share in loss of equity-accounted investees		(68)	(153)
<b>Profit (loss) before income tax</b>		(89,440)	13,989
Tax benefit (expense)	16	5,463	(12,910)
<b>Profit (loss) from continuing operations</b>		(83,977)	1,079
<b><u>Discontinued operation</u></b>			
Profit (loss) from discontinued operation, net of tax	17	(1,950)	12,785
<b>Profit (loss) for the year</b>		(85,927)	13,864
<b>Profit (loss) attributable to:</b>			
Owners of the Company		(86,163)	9,346
Non-controlling interests		236	4,518
		(85,927)	13,864
<b>Earnings per share</b>			
Basic and diluted earnings (loss) per share (in EURO)	11	(0.290)	0.031
<b>Earnings per share – continuing operations</b>			
Basic and diluted earnings (loss) per share (in EURO)	11	(0.282)	0.003

(\*) In respect of 2011 reclassifications – refer to note.

**PLAZA CENTERS N.V.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN '000 EUR**

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

March 13, 2013

Date of approval of the  
financial statements

Ran Shtarkman  
Director, President and Chief Executive  
Officer

Shimon Yitzchaki  
Director and Chairman of the  
Audit Committee

**PLAZA CENTERS N.V.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR**

	Note	For the year ended	
		December 31,	
		2012	2011
<b>Cash flows from operating activities</b>			
Profit (loss) for the year		(85,927)	13,864
<u>Adjustments necessary to reflect cash flows used in operating activities:</u>			
Depreciation and impairment of equipment and other assets		1,095	2,517
Write-down of Trading properties	5	78,833	47,987
Change in fair value of Investment property		1,417	(8,084)
Gain from selling discontinued operation		(391)	-
Net finance costs (income)	15	16,540	(73,986)
Interest received		5,777	9,356
Interest paid		(29,920)	(36,593)
Equity-settled share-based payment transaction		197	2,978
Equity-settled share-based payment – discontinued operation		2,781	680
Gain from a bargain purchase		-	(1,523)
Gain on sale of property and equipment		(13)	(4)
Gain on sale of trading property	12	(3,851)	-
Share of loss in equity-accounted investees		68	153
Proceeds from disposal of trading property, net of cash disposed		97	712
Proceeds from net assets held for sale – discontinued operation		5,137	-
Tax expense (tax benefit) from discontinued operation	17	(600)	2,276
Tax expense (tax benefit)	16	(5,463)	12,910
		(14,223)	(26,757)
<u>Changes in:</u>			
Trade receivables		810	(1,298)
Other accounts receivable		10,224	(2,300)
Trading properties	5	(30,157)	(70,629)
Trade payables		(18,122)	543
Other liabilities, related parties and provisions		(2,500)	5,093
		(39,745)	(68,591)
Taxes paid		(613)	(58)
<b>Net cash used in operating activities</b>		(54,581)	(95,406)
<b>Purchase of property, equipment and other assets</b>			
Purchase of property, equipment and other assets		(498)	(380)
Purchase of Investment property		-	(1,204)
Proceeds from sale of property and equipment		250	30
Changes in long term deposits, net		50,643	-
Capital expenditure for discontinued operation		(1,949)	(2,438)
Proceeds from disposal of discontinued operation assets	17	127,723	-
Purchase of available for sale financial assets		(16,089)	(9,307)
Proceeds from sale of available for sale financial assets		31,294	9,051
Short term deposits, net		3,102	(3,213)
<b>Net cash from (used in) investing activities</b>		194,476	(7,461)
<b>Cash from financing activities</b>			
Proceeds from bank loans and financial institutions		47,181	80,098
Proceeds from utilization and settlement of derivatives		238	39,331
Proceeds from hedging activities through sell of options		11,683	5,212
Acquisition of non-controlling interests		(3,754)	(40,370)
Repurchase of debentures		(18,814)	(29,966)
Dividend paid		-	(30,018)
Changes in restricted cash		(4,118)	17,694
Proceeds from issuance of long term debentures		-	62,895
Repayment of debentures	8,9	(65,320)	(76,075)
Disposal of discontinued operation bank loans	17	(48,014)	-
Repayment of borrowings		(52,840)	(4,667)
<b>Net cash from (used in) financing activities</b>		(133,758)	24,134
<b>Effect of exchange rate fluctuations on cash held</b>		42	(807)
<b>Increase (decrease) in cash and cash equivalents during the year</b>		6,179	(79,540)
<b>Cash and cash equivalents at 1st of January</b>		58,261	137,801
<b>Cash and cash equivalents at 31st of December</b>		<b>64,440</b>	<b>58,261</b>

## PLAZA CENTERS N.V.

### SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR

#### NOTE 1 - STATEMENT OF COMPLIANCE

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

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

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

#### NOTE 2 - BASIS OF PREPARATION

##### a. Basis of measurement

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

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

##### b. 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.

##### c. Use of estimates and judgments

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

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

##### Functional currency

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

## PLAZA CENTERS N.V.

### SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR

#### NOTE 2 - BASIS OF PREPARATION (Cont.)

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 notes:

- Note 8,9 – debentures at fair value through profit or loss
- Note 5 - Suspension of borrowing costs capitalization
- Note 5 – Normal operating cycle

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

- Note 5

#### d. Going concern

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

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

#### NOTE 3 - CASH AND CASH EQUIVALENTS

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

(1) As at December 31, 2012, cash in several commercial banks is deposited for periods up to 3 months. Fixed deposits bear interest rates varying between 0.2% and 2.5%, while floating deposits bear interest rates as determined by various benchmarks (e.g EURIBOR, LIBOR).

**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR**

**NOTE 4 - OTHER RECEIVABLES AND PREPAYMENTS**

	December 31, 2012	December 31, 2011
Advances for plot purchases (1)	27,384	29,828
Insurance company receivable (2)	7,611	-
VAT receivables	2,387	6,125
Loans to partners in jointly controlled entities	2,673	2,930
Prepaid expenses	1,586	2,009
Accrued interest receivable	335	1,685
Advances to suppliers	2,466	1,252
Related parties	1,435	1,227
Others	872	974
	<u>46,749</u>	<u>46,030</u>

- (1) As of December 31, 2012 and 2011, including mainly advance payments in the amount of EUR 26.4 million and EUR 28.3 million, respectively for the purchase of plots in India, as part of the Joint venture with EI. Out of this amount, an amount of EUR 4.1 million (2011 -EUR 5 million) is guaranteed by EI.
- (2) Receivable incurred in respect of the fire in the Company shopping centre in India from the insurer

**NOTE 5 - TRADING PROPERTIES**

	December 31, 2012	December 31, 2011
Balance as at 1 January	850,229	807,887
Acquisition and construction costs	25,763	84,827
Capitalized borrowing costs (1)	21,806	29,154
Write-down of trading properties (2)	(86,444)	(47,987)
Effect of movements in exchange rates	(8,567)	(23,652)
Trading properties disposed (refer to notes 13)	(21,824)	-
Balance as at 31 December (3)	<u>780,963</u>	<u>850,229</u>
Completed trading properties	294,528	202,769
Trading properties under construction	17,411	117,526
Trading properties under planning and design stage (3),(4)	469,024	529,934
Total	<u>780,963</u>	<u>850,229</u>

- (1) In certain cases, the Group ceases to capitalize borrowing cost if management decides that the assets can no longer be defined as a "qualified asset". In other circumstances, capitalization is suspended for certain time periods, generally where the efforts to develop a project are significantly diminished due to inter-alia lack of external finance, or ongoing difficulties in obtaining permits. The conclusions whether an asset is qualified for capitalization or not, or whether capitalization is to be suspended, involve also management plans with regard to the specific asset, such as the ability to raise bank loans, find anchors and local market conditions that support or deny the construction of the project.
- (2) Write-down of trading properties to net realisable value was performed based on independent valuation reports. In the course of 2012 write-downs were recognized in respect of projects in Romania (EUR 34.1 million), India (EUR 18.3 million), Hungary (EUR 12.4 million), Serbia (EUR 9.1 million), Poland (EUR 6.8 million), the Czech Republic (EUR 3.1 million) and Bulgaria (EUR 2.6 million).

In respect of Write-down in Indian projects, an amount of EUR 7.6 million of the loss was offset with insurance company receivable, hence the net loss effect of trading property impairments totalled EUR 78.8 million.

## PLAZA CENTERS N.V.

### SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR

#### NOTE 5 - TRADING PROPERTIES (Cont.)

- (3) Including cost of Large scale projects (Bangalore in India, Casaradio in Romania and Dream Island in Hungary) in a total amount of EUR 221 million (2011 – EUR 230 million).

The abovementioned projects are expected to generate an operating cycle closer to eight years (refer to (5) below) comparing to other projects the Company holds.

- (4) The value of the Casa radio project in Romania includes two gas turbines with a total book value of EUR 9.1 million. A write-down of EUR 1.9 million was recognised in respect of the turbines in the course of 2012.
- (5) The Group is involved in projects some of which may take up to eight years to complete from the asset acquisition date. The cost of trading property, loans and related derivatives which financed the development projects are presented as current assets and liabilities.

As of December 31, 2012, the Company has trading properties in Poland, Czech Republic, Latvia, India, Romania, Serbia, Bulgaria, Hungary and Greece. The properties are in various stages of development as shopping and entertainment centres, residential units, offices or mixed-use.

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

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

#### NOTE 6 - 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. All interest bearing loans from banks are secured. Terms and conditions of outstanding loans were as follows:

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



**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR  
NOTE 6 - INTEREST BEARING LOANS FROM BANKS (Cont.)**

Below is the breakdown of all outstanding group loans:

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

**NOTE 7 - RELATED PARTIES**

	Currency	December 31, 2012	December 31, 2011
El Group- ultimate parent company – expenses recharged	EUR, USD	109	1,389
Other related parties (*)	EUR	15	452
EUL (parent company)	EUR, USD	387	387
		<u>511</u>	<u>2,228</u>

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

Transactions with related parties are priced at an arm's length basis.

**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR  
NOTE 8 - LONG TERM DEBENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS**

The Company is presenting part of its debentures Series A (raised in July 2007) and debentures Series B (raised in February and May 2008) at fair value through profit or loss. Both debentures principal are linked to the change in the Israeli Consumer Price Index ("CPI"). Accrued interest on both debentures is paid every six months. Debentures Series A and Series B raised from 2009 onwards are presented at amortized cost (refer to note 9). Below is a summary of information on the debentures presented at fair value through profit or loss:

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

(\*) One sixth of outstanding Series A bond was repaid on December 31, 2012 and one fourth of outstanding debentures Series B was repaid on July 1, 2012.

Both debentures series are rated (effective as of the date of signing these financial statements) iBBB- by S&P Maalot Ltd. on a local scale (down from iBBB+/stable in December 2012) and Ba1/Negative by Midroog Ltd., the Israeli Credit Rating Agency and an affiliate of Moody's Investors Service (Down from Baa1/Negative in March 2013). Debentures Series A bears an annual interest rate of 4.5% (paid semi-annually) with 8 annual equal principal instalments between December 2010 and 2017. Debentures Series B bears an annual interest rate of 5.4% (paid semi-annually) with 5 annual equal principal instalments between July 2011 and 2015.

**NOTE 9 - LONG TERM DEBENTURES AT AMORTISED COST**

**Bonds issued in Israel**

	Series A	Series B	<u>Total</u>	<u>CPI adjusted</u>	<u>CPI adjusted</u>
	debentures	debentures			
	<u>Par value</u>	<u>Par value</u>			
	<u>TNIS</u>	<u>TNIS</u>	<u>TNIS</u>	<u>TNIS</u>	<u>TEUR</u>
January 1, 2012 (NIS)	52,152	365,156	417,308	473,959	95,980
Repayment (1)	-	(86,074)	(86,074)		
Buyback programme	(52,152)	(27,831)	(79,983)		
December 31, 2012	-	251,251	251,251	288,362	58,603(2)

(1) One sixth of outstanding Series A bond was repaid on December 31, 2012 and one fourth of outstanding debentures Series B was repaid on July 1, 2012.

(2) Before offset of unamortized cost of raising debentures in the amount of EUR 0.1 million.

## PLAZA CENTERS N.V.

### SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR NOTE 9 - LONG TERM DEBENTURES AT AMORTISED COST (cont.)

#### 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). The unsecured bearer bonds governed by Polish law (the "Bonds") have a three year maturity at an interest rate of six months Wibor plus 4.5%. Interest is paid every six months and principal after three years. As of December 31, 2012, the amortized cost is EUR 14.7 million (December 31, 2011- EUR 13.4 million).

#### NOTE 10 - EQUITY

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

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

#### Other Capital reserve due to share option plans

Other capital reserve is in respect of Employee Share Option Plans ("ESOP") in the total amount of EUR 34,889 as of December 31, 2012 (2011 – EUR 33,470).

#### Translation reserve

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

#### Dividend policy

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

#### NOTE 11 - EARNINGS PER SHARE

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

**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR**  
**NOTE 11 - EARNINGS PER SHARE (cont.)**

**Weighted average number of ordinary shares**

*In thousands of shares with a EUR 0.01 par value*

	December 31,	
	2012	2011
Issued ordinary shares at 1 January	297,175	296,722
Share based payment - exercise of options	6	273
Weighted average number of ordinary shares at 31 December	297,181	296,995

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

**Weighted average number of ordinary shares (diluted)**

*In thousands of shares with a EUR 0.01 par value*

	December 31,	
	2012	2011
Weighted average number of ordinary shares (basic)	297,181	296,995
Effect of share options on issue	792	4,527
Weighted average number of ordinary shares (diluted) at 31 December	297,973	301,522

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

Refer to note 17 for calculations of earnings per share from discontinued operation

**NOTE 12 - REVENUES**

	Continuing Operations		Discontinued Operation (refer to note 17)		Total	
	2012	2011	2012	2011	2012	2011
Rental income from tenants (1)	20,543	9,995	13,907	25,528	34,450	35,523
Operation of entertainment centers (2)	6,911	7,121	-	-	6,911	7,121
Management fees	6,327	4,859	-	-	6,327	4,859
Revenue from selling trading properties (3)	6,372	712	-	-	6,372	712
Other	1,440	775	-	-	1,440	775
<b>Total</b>	<b>41,593</b>	<b>23,462</b>	<b>13,907</b>	<b>25,528</b>	<b>55,500</b>	<b>48,990</b>

- (1) As of the end of the reporting period, the main rental income from continuing operations is derived from projects in Latvia, Poland, India, Serbia and the Czech Republic.
- (2) Revenue from operation of entertainment centres is attributed to a subsidiary of the Company trading as "Fantasy Park" which provides gaming and entertainment services in active shopping centres. As of December 31, 2012, these subsidiaries operate in 13 shopping centres.
- (3) Main revenue from selling trading properties in 2012 is mainly due to selling office units in India. The revenue of EUR 6 million generated a profit in 2012 in a total amount of EUR 2.4 million.

**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR**  
**NOTE 13 - COST OF OPERATIONS**

	For the year ended	
	December 31,	
	2012	2011 (a)
Direct expenses:		
Property operations and maintenance (b)	8,064	5,465
Cost of sold trading properties (refer to note 12 (3)).	3,920	603
Salaries and related expenses	356	136
Initiation costs	-	387
Local taxes	1,525	1,391
	13,865	7,982
Operations of entertainment centers	6,227	6,442
	20,092	14,424
Depreciation and amortization	293	425
	20,385	14,849

(a) Reclassification due to discontinued operation – refer to note 17. Reclassification was also performed to present separately the operations of entertainment centres.

(b) 2012 - Includes EUR 4.0 million of energy related expenses and EUR 4.1 million due to other utilities expenses. 2011 – Includes EUR 3.3 million of energy related expenses and EUR 2.2 million due to other utilities expenses.

**NOTE 14 - ADMINISTRATIVE EXPENSES**

	For the year ended	
	December 31,	
	2012	2011(1)
<b>Selling and marketing expenses</b>		
Advertising and marketing	2,919	1,423
Salaries and relating expenses	1,130	971
Others	50	41
	4,099	2,435
<b>General and administrative expenses</b>		
Salaries and related expenses (2)	5,743	8,472
Depreciation and amortization	403	630
Professional services	4,366	4,317
Travelling and accommodation	891	1,077
Offices and office rent	934	1,038
Others	412	887
	12,749	16,421
Total	16,848	18,856

**General and administrative**

(1) Salaries and related expenses reclassified to discontinued operation – refer to note 17.

(2) Including non-cash expenses due to the share option plan from continuing operations in the amount of EUR 0.2 million (2011- EUR 3.1 million).

**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR**

**NOTE 15 - NET FINANCE INCOME (COSTS)**

	For the year ended December 31,	
	2012	2011(1)
<b>Recognized in profit or loss</b>		
Changes in debentures measured at fair value through profit or loss (2)	-	59,891
Gain from bonds buyback programme	4,333	7,879
Interest income on bank deposits	1,182	3,003
Finance income from available for sale financial assets	712	2,017
Interest income on structured deposits	2,085	5,221
Finance income from hedging activities through sell of options	11,683	5,212
Foreign exchange gain on debentures	-	19,418
Changes in fair value of derivatives	199	-
Interest from loans to related parties	321	377
<b>Finance income</b>	<b>20,515</b>	<b>103,018</b>
Interest expense on bank loans and debentures (including CPI)	(33,555)	(35,958)
Changes in fair value of derivatives	-	(16,622)
Interest expenses on loans on structures	(497)	(635)
Changes in debentures measured at fair value through profit or loss (2)	(19,032)	-
Foreign exchange losses on debentures	(2,033)	-
Loss from available for sale financial assets sold	(1,222)	-
Changes in fair value of structured deposit	(45)	(1,320)
Foreign exchange losses on bank deposits, bank loans	(1,091)	(3,140)
Cost of raising loans amortized to profit or loss	(676)	-
Other finance expenses	(710)	(511)
	(58,861)	(58,186)
Less- borrowing costs capitalized to trading properties under development	21,806	29,154
<b>Finance costs</b>	<b>(37,055)</b>	<b>(29,032)</b>
<b>Net finance income (expenses)</b>	<b>(16,540)</b>	<b>73,986</b>

(1) Regarding reclassification of 2011 finance expense due to discontinued operation refer to note 17.

(2) The change in fair value includes a total of EUR 2.8 million (2011 – EUR 60.1 million) attributable to the credit risk of the Company.

**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR**  
**NOTE 16 - TAXES**

**Tax recognized in profit or loss**

	For the year ended	
	December 31,	
	2012	2011(1)
Current year	1,435	103
Deferred tax expense (benefit)	(6,898)	12,807
<b>Total</b>	<b>(5,463)</b>	<b>12,910</b>

**Deferred tax expense (tax benefit)**

	For the year ended	
	December 31,	
	2012	2011(1)
Origination and reversal of temporary differences	(4,377)	16,051
Recognition of previously unrecognized tax losses	(2,521)	(3,244)
	<u>(6,898)</u>	<u>12,807</u>

**Reconciliation of effective tax rate:**

	For the year ended		
	December 31,		
	%	2012	2011(1)
Dutch statutory income tax rate		25%	25%
Profit (loss) from continuing operations before income taxes		(89,440)	13,989
Tax at the Dutch statutory income tax rate	25%	(22,360)	3,497
Recognition of previously unrecognized tax losses	2.8%	(2,521)	(3,244)
Effect of tax rates in foreign jurisdictions	(7.6%)	6,817	6,108
Current year tax loss for which no deferred tax asset is provided	(2.0%)	1,809	8,775
Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes	3.7%	(3,315)	(5,173)
Non-deductible expenses (tax exempt income)	(15.8%)	14,107	2,947
<b>Tax Expense (Tax benefit)</b>	<b>(6.1%)</b>	<b>(5,463)</b>	<b>12,910</b>

(1) 2012 – Mainly due to impairments not recognized for tax purposes.

## PLAZA CENTERS N.V.

### SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR NOTE 16 - TAXES (Cont.)

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.

#### USA

The US federal corporate income tax rate is 35%. Some states may also impose corporate income taxes, which vary from zero to approximately 12%, resulting in an effective corporate tax rate of generally around 40%. The federal tax rate on corporate capital gains is the same as that of ordinary income. The statutory withholding tax rate on US sourced income is generally 30%, which may be lowered under a relevant tax treaty.



## PLAZA CENTERS N.V.

### SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR NOTE 16 - TAXES (Cont.)

#### India

The corporate income tax rate applicable to the taxable income of an Indian Company is 33.22% (including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million (EUR 0.14 million)). Minimum alternate tax (MAT) of 19.93% (of the taxable income of a company) is applicable only if a Company books profits which exceed INR 10 million. Book profits are computed in accordance with relevant provisions of the Indian Income Tax Act. The final tax payable is the higher of the MAT liability or corporate income tax payable. If taxes are paid under MAT, then credit to the extent of MAT paid over corporate income tax is available (MAT credit). MAT Credit can be availed, if the company has future taxable profits in the following ten years. Capital gains on transfer of capital assets (on which tax depreciation has not been claimed) are taxed at the rate of 22.145% (Including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million) provided that the capital assets were held for more than 36 months immediately preceding the date of the transfer or 33.2175% (including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million) if they were held for less than 36 months. Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 16.61% (including surcharge of 7.5% and rate of 3%. Surcharge is applicable only if the gross total income exceeds INR 10 million). There is no withholding tax on dividends distributed by an Indian company and no additional taxes need to be paid by the Shareholder. Business losses can be offset against profits and gains on any business or profession for a period of eight years from the incurrence year's end. There is no limit for carry forward unabsorbed depreciation.

#### Cyprus

The taxation of companies incorporated in Cyprus is based on tax residence and all companies are taxed under corporation tax at the rate of 10%. Dividend income paid from overseas subsidiaries that earn more than 50% of their income from trading activities and profits from the sale of shares and other titles of companies are tax exempt. There is no withholding tax on payments of dividends to non-resident shareholders or shareholders that are companies resident in Cyprus. Companies, which do not distribute 70% of their profits after tax, as defined by the relevant tax law within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Defence tax at 17% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This defence tax is paid by the company for the account of the shareholders. Non- Cyprus tax resident shareholders are exempt from this taxation.

**PLAZA CENTERS N.V.**

**SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION IN '000 EUR**  
**NOTE 17 – DISCONTINUED OPERATION**

Following the disposal of US assets the Company discontinued its US activity.

<u>Results for discontinued operation</u>	<b>2012</b>	<b>2011</b>
Revenues	13,907	25,528
Expenses (1)	(16,848)	(10,467)
Results from operating activity	<u>(2,941)</u>	<u>15,061</u>
Tax benefit (expense)	600	(2,276)
Results from operating activities, net of tax	<u>(2,341)</u>	<u>12,785</u>
Gain on sale of discontinued operation	391	-
Profit (loss) for the year from discontinued operation	<u>(1,950)</u>	<u>12,785</u>
<b>Earnings per share</b>		
Basic and diluted earnings (loss) per share (in EURO)	(0.01)	0.04

(1) Including reduction in value of investment property in the amount of 2,254 thousands EUR.

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

	<b>2012</b>	<b>2011</b>
Profit (loss) for the year from continuing operations	<u>(83,977)</u>	<u>1,079</u>
Attributable to owners of the Company	(84,119)	1,167
Attributable to non-controlling interests	142	(88)

	<b>2012</b>	<b>2011</b>
Profit (loss) for the year from discontinued operations	<u>(1,950)</u>	<u>12,785</u>
Attributable to owners of the Company	(2,044)	8,179
Attributable to non-controlling interests	94	4,606

Cash flow from (used in) discontinued operation

	<b>2012</b>	<b>2011</b>
Net cash from operating activities	12,106	5,511
Net cash from (used in) investing activities	125,774	(3,642)
Net cash used in financing activities	(51,768)	(40,370)
Effect of exchange rate fluctuations on cash held	(88)	(59)
Net cash flow for the year	<u>86,024</u>	<u>(38,560)</u>

Effect of disposal on the financial position of the group

	<b>2012</b>
Investment property	263,047
Interest bearing loan from banks	(161,560)
Trade and other payables	(14,064)
Net cash inflow from US transaction	<u>87,423</u>