PLAZA CENTERS 2014

ANNUAL REPORT

Who we

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

Who we are

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

The Plaza Centers Group is a leading emerging markets developer of shopping and entertainment centers, focusing on developing new centers and, where there is significant redevelopment potential, redeveloping existing centers, in both capital cities and important regional centers. The Group has been present in the Central and Eastern Europe region ("CEE") since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary. The Group has pioneered this concept throughout the CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centers. Since 2006, the Group has extended its area of operations beyond the CEE into India. In 2012, Plaza identified, with its joint venture partners, a window of opportunity for investment in the US as a result of the dislocation of the property market, specifically within the retail sector. In 2010, taking advantage of its qualities and experience in identifying opportunities, managing and exiting assets, gained over the years, the Group completed another significant sale of 49 US-based assets, mainly to a joint venture between Blackstone Real Estate and DDR Corp. in a transaction valued at US$1.47 billion, which reflects a ROE for the Group of nearly 50% in a period of little over 18 months.

During 2014, Plaza successfully completed the restructuring process midway through the year, with resounding support from its creditors. This was followed by the completion of a successful rights offering, which provided Plaza with a €20 million capital injection and marked an important final step in the restructuring process. A third listing on the Tel Aviv Stock Exchange and the recent upgrade in Plaza's credit rating from the Israeli division of Standard & Poor's (from "D" to "BBB-", on a local Israeli scale, with a stable outlook), have further underlined the achievements of the year and strengthens the Company's position.

Throughout 2014, Plaza continued operational improvement and portfolio repositioning. These are clearly expressed by significant headway made with the disposal of Kragujevac Plaza for €38.6 million and successful disposal of non-core sites in Romania (Targu Mures and Hunedoara) for €4.7 million in line with the Company's strategy to pay down debt and shed the portfolio of non-core assets. At the same time Plaza improved occupancy and turnover were recorded across the Company's existing shopping and entertainment centers in CEE, with the overall portfolio occupancy level increasing to 94% as of year-end, reflecting successful asset management initiatives at Torun Plaza, Riga Plaza, Suwalki Plaza and Zgorzelec Plaza. During 2014 NOI increased by 3.5%.

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

The Group has been present in real estate development in emerging markets for more than 19 years, initially pursuing shopping and entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Romania, Latvia, Greece, Serbia, Bulgaria and India. To date, the Group has developed and let 33 shopping and entertainment centers in the CEE region and India, of which 27 were sold with an aggregate gross value of circa €1.2 billion. 21 of these centers were acquired by Klepierre, a leading player in the continental European shopping center property market, which owns circa 180 shopping centers in 16 countries in continental Europe, with a property portfolio value of €21 billion as of year end 2014. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the UK's leading institutional property investors at that time. One shopping center was sold in 2007 to Active Asset Investment Management ("AAIM"), a UK commercial property investment group. The transaction had a completion value totaling approximately €387 million, representing circa 20% of all real estate transactions completed in Hungary in 2007. Kragujevac Plaza was sold in 2014 to New Europe Property Investments plc ("NEPI"), a publicly traded commercial property investor and developer in Eastern Europe, holding 26 income producing assets.

Serbia

Since 1 November 2006, Plaza Centers N.V.'s shares have been traded on the main board of the London Stock Exchange under the ticker "PLAZ". From 19 October 2007, Plaza Centers N.V.'s shares are also traded on the main list of the Warsaw Stock Exchange under the ticker "PLZ", making it the first property company to achieve this dual listing, and as of 27 November 2014, Plaza Centers N.V.'s shares are also traded on the Tel Aviv Stock Exchange under the ticker "PLAZ".

2014 highlights

Significant headway in the repositioning of portfolio, disposing of a number of non-core assets and successful completion of the restructuring process.

Asset and operational highlights

- During the period, Plaza made significant headway in the repositioning of its portfolio, disposing of a number of non-core assets:
  - In the fourth quarter of 2014, 18 months ahead of schedule, Plaza successfully completed the disposal of Kragujevac Plaza in Serbia for €38.6 million, in line with the asset's last reported book value. Following the repayment of related bank debt of c. €28.2 million, 75% of the net cash proceeds (c. €12.4 million, including the released restricted cash deposit of c. €2 million) were distributed to the Company's bondholders as an early repayment of the bonds, in line with the Company's stated restructuring plan.
  - Successful disposals of non-core sites in Romania, at Targu Mures (September 2014) and Hunedoara (December 2014), for €3.5 million and €1.2 million respectively, consistent with the assets' last reported book values.

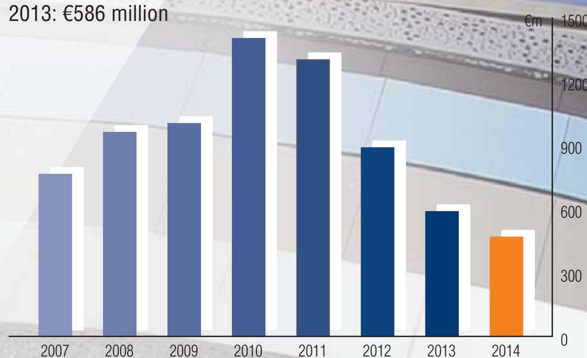
- Improved occupancy and turnover were recorded across the Company's existing shopping and entertainment centers in the CEE, with the overall portfolio occupancy level increasing to 94% as of 31 December 2014.
  - At Torun Plaza, Poland, occupancy increased to 92.5% (2013: 89%). An additional 4,100 sqm of GLA was opened during the year, and asset management initiatives contributed to a 21.2% increase in turnover and 6.3% increase in footfall compared to 2013.
  - In Latvia, Riga Plaza's occupancy level increased to 99.5% (2013: 97%) and the shopping center recorded the second highest increase in turnover in the portfolio (15.6%) along with a 7.2% increase in footfall.
  - Occupancy at Suwalki Plaza, Poland, increased to 97.7% (2013: 91%) and it continues to perform well, with a 7% increase in turnover in 2014.
  - Zgorzelec Plaza, Poland, also experienced strong occupancy growth, reaching 95.2% (2013: 91%), attributable to the opening of a 547 sqm store for Carry and a number of smaller fashion and service stores. The center reported a 14.1% increase in turnover and 8.4% rise in footfall.
  - Liberec Plaza, Czech Republic, reported a 7.5% increase in turnover in 2014. Occupancy remains steady at 84% (2013: 86%). The slight decrease was due to lease agreement expiries, but were in part offset by the opening of a 1,611 sqm Sports Direct store in April.

- Considerable letting success was achieved and contracts with a number of significant new tenants improved the overall tenant strength and mix in the portfolio, including TK Maxx, Sports Direct and Carry. In April, H&M opened its largest store in Latvia (2,700 sqm) at Riga Plaza, where a further 1,060 sqm was leased to Elkor Kids. At Suwalki Plaza, more than 87% of the existing tenants signed lease options or renewals during the year and leases for new premises were secured with KIK and several fashion stores.

Total assets

2014: €466 million

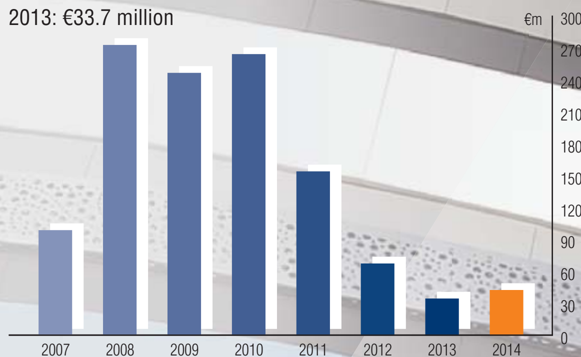
2013: €586 million



Consolidated cash position*

2014: €41.7 million

2013: €33.7 million



* Including short term and long term liquid financial instruments.

Financial highlights

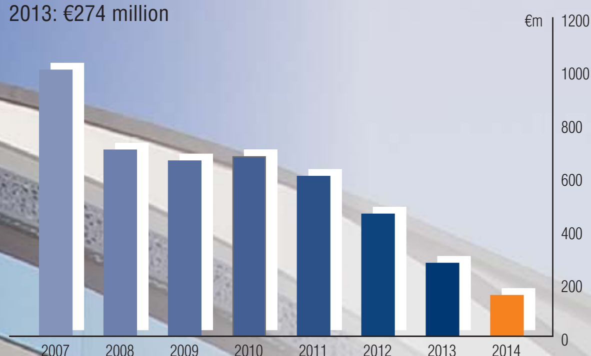
- Reduction in total assets to €466 million (31 December 2013: €586 million), primarily due to the impairment of trading properties and equity accounted investees, and to the strategic disposal of Kragujevac Plaza, Serbia.
  - 25% (€124 million) reduction in the book value of the Company's trading properties, largely due to impairments recorded.

2014 highlights

Net Asset Value (NAV)

2014: €153 million

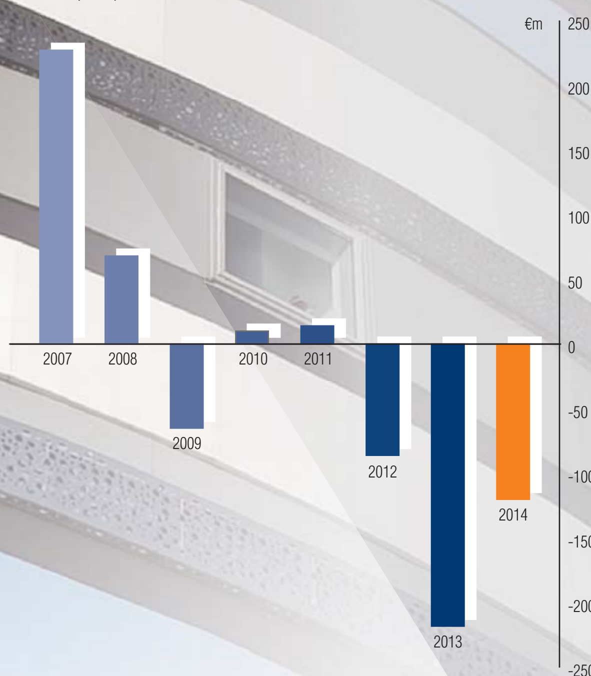
2013: €274 million



Profit (loss) after tax

2014: €(120) million

2013: €(218) million



- A 3.5% increase in 2014 in NOI from the operation of shopping centers (from €17 million to €17.6 million, including Company share in NOI from commercial center of Riga, Latvia). Excluding the impact of the commercial center Kragujevac, which was sold in the summer of 2014, the Group recorded a 13% increase in NOI from the operation of shopping centers (from €13.2 million to €14.9 million).

- Net Asset Value decreased by 44% to €153 million (31 December 2013: €274 million) primarily as a result of the impairment of assets, mainly in Romania, Greece and India.
  - Net Asset Value per share of £0.17 (31 December 2013: £0.79), a decline of 78%, attributable to dilution (increase in the number of shares by 130%) and the abovementioned impairments.

- Losses in the period of €120 million (31 December 2013: loss of €218 million), stemming from a non-cash €89 million impairment of trading properties and equity accounted investees (31 December 2013: €186 million of impairments), and an overall net finance cost of €36 million (2013: €39 million).
  - Basic and diluted loss per share of €0.39 (31 December 2013: loss per share of €0.73).

- Consolidated cash position at year end (including restricted bank deposits, short term deposits and held for trading financial assets) of €41.7 million (31 December 2012: €33.7 million) and current cash position of circa €39.5 million (€7 million restricted).

- Gearing increased to 74% (31 December 2013: 64%) as a result of impairment losses and finance costs incurred during the year.

Key highlights since the period end

- On 24 February 2015, the Israeli credit rating agency which is a division of International Standard & Poor's, updated the credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from "D" to "BBB-", on a local Israeli scale, with a stable outlook.

- On 13 March 2015, one of the Company's subsidiaries in Romania, which has a 49 year leasehold on a plot in Bucharest, Romania, signed a pre-agreement to waive its leasehold rights for a certain consideration to be agreed with the owner of the property (a subsidiary of EI) and approved by the relevant stakeholders of these entities. The mentioned pre-agreement is subject to the fulfilment of certain conditions and approval by the relevant stakeholders of the Company.

- After almost 10 years at the helm, Plaza's CEO, Ran Shtarkman, has informed the Board of Directors that he intends to leave the Company to pursue other opportunities. The Board of Directors has accepted Mr. Shtarkman's resignation and he has agreed to continue in the role until the end of July, to ensure an orderly succession.

Our strategy

Develop

Plaza develops modern, western-style shopping and entertainment centers in capital and regional cities, primarily in Central and Eastern Europe.

Acquire

Plaza acquires operating shopping centers that have significant redevelopment or growth potential.

Flexibility

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

Maintain liquidity and debt management

2014 marked a year of progress for Plaza as the Company successfully completed the Dutch restructuring plan, with 92% of creditors approving the plan in June and the Dutch Court's formal and irrevocable approval being granted in July, just seven months after the Company made its initial announcement. The successful rights offering, which concluded in November, provided the Company with a welcome €20 million cash injection and the completion of this considerable activity provided Plaza with a strengthened platform at the start of 2015.

Recently, the Israeli credit rating agency which is a division of International Standard & Poor's, updated the credit rating of Plaza's two series of Notes traded on the Tel Aviv Stock Exchange from "D" to "BBB-", on a local Israeli scale, with a stable outlook, an upgrade which further strengthens the Company's position.

Pursuant to the restructuring plan, the net cash flow to be received by Plaza following an exit or the raising of new financial indebtedness (except if taken for the purpose of purchase, investment or development of real estate assets ("REA") or the refinancing of REAs after the full repayment of the asset's related debt that was realised or in respect of a loan paid in case of debt recycling and direct expenses in respect of the asset) will be used for the repayment of the accumulated interest until that date for all of the series of Notes and 75% of the remaining cash (following the interest payment) will be used for an early repayment of the near principal payments for each of the series of Notes (A, B, Polish) each in accordance with its deferred debt ratio. Such prepayment will be actual cash repayment and not in bond purchases.

Plaza shall not make any dividend distributions, unless at least 75% of the unpaid principal balance of the debentures (€199 million) has been repaid and the coverage ratio on the last examination date prior to such distribution is not less than 150% following such distribution.

Plaza continues to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 74% in 2014.

Objectives

1 To concentrate on existing projects and target new development opportunities in the strongest countries in Central and Eastern Europe that have the potential to generate returns of 40% to 60% on equity invested.

2 To fund 50% to 75% of total project construction costs through competitively priced bank finance.

3 To limit the commencement of construction projects to those that meet two major criteria, namely intensive demand from tenants and those which are backed by external bank financing to ensure minimal equity investment.

4 Plaza will continue to pursue its intensive asset management strategy which has seen clear success at the Company's income-generating centers in the CEE, where Plaza's focus remains on initiatives that will drive occupancy levels, footfall and turnover to maximise income and deliver value.

5 Plaza will continue to drive the reshaping of the portfolio with the disposal of further non-core assets in order to deleverage the balance sheet and advance key development projects in core geographies including Timisoara in Romania, Belgrade in Serbia and Lodz in Poland.

Development criteria

Selection of target countries

Plaza's primary focus is on countries in emerging markets and the Company is currently present in CEE and India. In order to determine a favourable investment climate, Plaza takes into account country risk, GDP per capita and economic growth, ratio of retail sales per capita, political stability, sophistication of banking systems, land ownership restrictions, ease of obtaining building and operating permits, business risks, existing competition and market saturation levels.

Our strategy

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

Project development
Once the Company has approved a site, Plaza manages its development from inception to completion, incorporating engineering, marketing, financial and legal stages, designs, architects, market forecasts and feasibility studies.

Emerging markets

Plaza has a strong track record in developing real estate projects such as shopping and entertainment centers in emerging markets. The Group has been present in the CEE region since 1996 and was a pioneer in bringing western-style shopping malls to Hungary. The concept continued throughout the CEE and was exported to India.

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

The Company is currently focusing its development efforts on Romania, Serbia and Poland. Plaza will continue to advance remaining projects within its land bank, through obtaining planning consents and construction permits.

Feature developments

Since foundation, the Group has developed and let 32 shopping and entertainment centers in the CEE region and one in India of which 27 were sold with an aggregate gross value of €1.2 billion, resulting in a gain of €372.4 million.

Plaza currently owns and manages six shopping and entertainment centers. Improved occupancy and turnover were recorded across the Company's existing shopping and entertainment centers, with the overall portfolio occupancy level increasing to 94% as at the reporting date.

Riga Plaza

(Latvia)

Opened March 2009

Plaza share 50%

49,000 sqm GLA

Riga Plaza shopping and entertainment center is located on the western bank of the Daugava river by the Sala Bridge. The two-floor mall includes an eight-screen multiplex cinema and 2,000 sqm of Fantasy Park. The center continues to deliver significant operational improvements, seeing occupancy levels increase to 99.5% following the lease agreement signed wiht H&M for a 2,700 sqm store which was opened in April 2014. The shopping center recorded 15.6%, the second highest increase in turnover in the portfolio along with a 7.2% increase in footfall.

Liberec Plaza

(Czech Republic)

Opened March 2009

Plaza share 100%

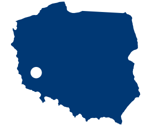
17,000 sqm GLA

Plaza continues to own and manage Liberec Plaza shopping and entertainment center, which reported 7.5% increase in turnover in 2014. Occupancy remains steady at 84%. The slight decrease compared to 86% in 2013 due to lease agreement expiries, but were in part offset by the opening of a 1,611 sqm Sports Direct store in April 2014.

Zgorzelec Plaza
(Poland)

13,000
sqm GLA

Opened March 2010
Plaza share 100%



Zgorzelec Plaza experienced strong occupancy growth, reaching 95% compared to 91% in 2013, attributable to the opening of a 547 sqm store for Carry and a number of smaller fashion and service stores. The center reported a 14.1% increase in turnover and 8.4% in footfall.

Opened May 2010
Plaza share 100%

Suwalki Plaza
(Poland)

20,000
sqm GLA

Suwalki Plaza, the three-floor shopping and entertainment center which includes a three-screen cinema, achieved significant occupancy growth from 91% in 2013 to 97.7% in 2014. It is let to international and local tenants such as H&M, Rossmann, New Yorker, KappAhl and Cinema Lumiere, and continues to perform well. Turnover of the center increased by 7% in 2014. Contracts with KIK and several fashion stores, were signed for new premises during the year and, to date, more than 87% of the existing tenants have signed lease options or renewals.

Torun Plaza
(Poland)

40,000
sqm GLA

Opened November 2011
Plaza share 100%

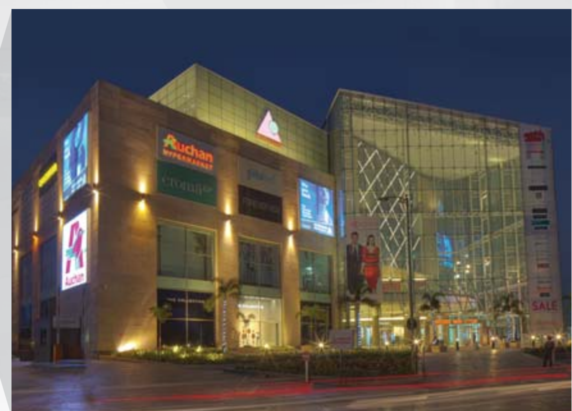
Torun Plaza represents Plaza's tenth completed center in Poland. The center is 92.5% let to premium international and local brands. An additional 4,100 sqm retail space was opened at the center in 2014, increasing the total lettable area of the shopping center by more than 10%. Among the most notable openings were TK Maxx, Sports Direct, Carry, Sinsay and various smaller fashion stores. As a result of these asset management initiatives and other marketing activities, the shopping center contributed to a 21.2% increase in turnover and 6.3% increase in footfall compared to 2013.

Opened March 2012
Plaza share 100%

Koregaon Park Plaza
(India)

41,000
sqm GLA

The Company has signed a preliminary non-binding agreement for the sale of Koregaon Park Plaza, the Company's first completed entertainment and shopping center in India. The agreement is subject to certain conditions and discussions to complete the disposal are currently at advance stage.



Debt restructuring

General

On 14 November 2013, Plaza Centers announced that its Board of Directors had concluded that the Company would withhold payment on the upcoming maturities of its bonds and approach its creditors with a restructuring plan. The restructuring plan was approved on 26 June 2014 by the vast majority of the Company's creditors and, subsequently, approved by the Court on 9 July 2014, becoming an irrevocable decision on 21 July 2014. The Company announced the publication of a prospectus in respect of a rights offering on 16 October 2014. The shareholders approved the rights offering on 28 November 2014 which was followed on that date by the capital injection of €20 million by the existing shareholders. All conditions precedent of the restructuring plan were fulfilled.

The creditors included in the debt restructuring were the bondholders in Israel, the bondholders in Poland and the banks at asset level with a right of recourse to the parent company.

Plaza's ordinary shares were listed for trade on the Tel Aviv Stock Exchange with effect from 27 November 2014.

Actual first payment of both principal and interest to debentures occurred on 7 January 2015 with the Company transferring all funds already effective 23 December 2014 to the governing authorities.

Summary

A summary of the main terms of the restructuring plan are set out below:

- An injection of €20 million into the Company at a price per share of €0.0675 (the "equity contribution").
- The Company issued to the holders of unsecured debt (i.e. outstanding debt under the Israeli Series A and B Notes and the Polish Notes) ("unsecured debt") 13.21% of the Company's shares ("post equity contribution"). Such shares issuance was distributed among the holders of unsecured debt pro rata to the relative share of each relevant creditor in the deferred debt ("deferred debt ratio").
- Each principal payment under the debentures due in the years 2013, 2014 and 2015, pursuant to the original terms of the debentures, shall be deferred by exactly four and a half years and each principal payment due pursuant to the original terms of the debentures in subsequent years (i.e. 2016 and 2017) will be deferred by exactly one year. In the event that the Company does not succeed in prepaying an aggregate amount of at least €92 million (NIS 434 million) of the principal of the debentures, excluding linkage differentials within a period of two years ending 1 December 2016, then all principal payments under the debentures deferred in accordance with above, shall be advanced by one year (i.e. shall become due one year earlier).
- All unpaid interest accrued on the Israeli debentures and Polish debentures up to and including 31 December 2013 will be added to the principal and paid together with it.
- As of 1 January 2014, the annual interest rate of the unsecured debt increased by 1.5%.
- The Company paid to the holders of the unsecured debt an amount of €13.8 million in 2014 interest payments.
- The Company and all other companies of the Group, the current and former directors and officers of the Group, all direct and indirect shareholders of the Group from any and all liability under any applicable law other than with respect to claims or demands regarding which the grounds are fraud or malice or other ground for which a release is not permitted by law.
- The net cash flow to be received by the Company following an exit or the raising of new financial indebtedness, except if taken for the purpose of purchase, investment or development of real estate assets ("REA") or refinancing of REAs after the full repayment of the asset's related debt that was realised or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary – amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred) will be used for the repayment of the accumulated interest until that date for all of the series (in the case of an exit which is not one of the four shopping centers, only 50% of the interest) and 75% of the remaining cash (following the interest payment) will be used for an early repayment of the near principal payments for each of the series of Notes (A, B, Polish) each in accordance with its deferred debt ratio. Such prepayment will be actual cash repayment and not in bond purchases.
- **Permitted disposals (provisions with respect to the four shopping malls)** – The Company will be allowed to sell the four shopping malls (Torun, Suwalki, Kragujevac and Riga) or to undertake a refinancing for any of these (hereinafter "disposal event"), subject to the cumulative net cash flow in the disposal event in respect of these four shopping malls being no less than €70 million. Should no disposal event occur for the four shopping malls together, the Company will be allowed to perform a special purpose disposal event only if, after execution of the special purpose disposal event, the surplus value of the shopping malls not sold (according to the valuation deducting the specific debt to banks) is no less than €70 million, deducting the net cash flows received from previous disposal events and deducting the net cash flow from the special purpose disposal event.

Debt restructuring

- **Restrictions on issuance of additional debentures** – The Company undertakes not to issue any additional debentures other than is expressly provided for in the restructuring plan.
- **Restrictions on amendments to the terms of the debentures** – The Company shall not be entitled to amend the terms of the debentures, with the exception of purely technical changes, unless such amendment is approved under the terms of the relevant series and the applicable law and the Company also obtains the approval of the debentures holders of all other series of debentures issued by the Company by ordinary majority.
- **Coverage ratio covenant ("CRC"**) – CRC is equal to asset value plus cash and cash equivalents less the Group's bank liabilities secured by an encumbrance over any of the Group's rights or assets or otherwise rank in priority ahead of the plan claims; and divided by the aggregate amount of remaining plan claims plus all other liabilities of the Group that rank pari passu with the plan claims and that are not subordinated debt. The calculation is based on known Group valuations reports and consolidated financial information available at each reporting period. Minimum CRC deemed to be complied with by the Group is 118% in each reporting period.
- **Minimum cash reserve covenant ("MCRC")** – The cash reserves of the Company have to be greater than the amount estimated by the Company's management required to pay all administrative and general expenses and interest payments to the debentures holders falling due in the following six months, minus sums of proceeds from transactions that have already been signed (by the Company or a subsidiary) and closed and, to the expectation of the Company's management, have a high probability of being received during the following six months. Investments in new or existing REA of the group shall not be permitted if following such investment the cash reserves are less than the minimum cash reserve and minimum CRC is not met.
- **Negative pledge on REA of the Company** – The Company undertakes that until the debentures have been repaid in full, it shall not create any encumbrance on any of the REA, held, directly or indirectly, by the Company except in the event that the encumbrance is created over the Company's interests in a subsidiary as additional security for financial indebtedness ("FI") incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary.
- **Negative pledge on the REA of subsidiaries** – The subsidiaries shall undertake that until the debentures has been repaid in full, none of them will create any encumbrance on any of REA except certain cases.
- **Limitations on incurring new FI by the Company and the subsidiaries** – The Company undertakes not to incur any new FI (including by way of refinancing an existing FI with new FI) until the outstanding debentures debt (as of 30 November 2014) has been repaid in full, except in certain events, mainly:
  - the new FI is incurred for the purpose of investing in the development of a real estate asset;
  - the new FI is incurred by a subsidiary for the purpose of purchasing a new REA by such a subsidiary, provided that following such a purchase the cash reserve is not less than the MCRC;
  - at least 75% of the net cash flow resulting from the incurrence of new FI is used to for a mandatory early repayment of the Notes.
- **Dividend policy** – Plaza shall not make any dividend distributions, unless (i) at least 75% of the unpaid principal balance of the debentures (€199 million) has been repaid and the coverage ratio on the last examination date prior to such distribution is not less than 150% following such distribution, or (ii) a majority of the plan creditors consents to the proposed distribution.

Competitive strengths

Com

2014 has been another significant year for the business as Plaza completed its restructuring process efficiently, within an eight month period and with the resounding support of 92% of its creditors. Plaza finished the year with a successful rights offering, which provided the Company with a €20 million capital injection, and a third listing on the Tel Aviv Stock Exchange, and it has started 2015 with the news of an upgrade to its credit rating from Standard & Poor's from "D" to "BBB-" on a local Israeli scale with a stable outlook. The market prices of Plaza's traded debt have reacted positively to the restructuring plan.

In terms of the portfolio, Plaza has continued its efforts to dispose of non-core assets and it is pleased to report considerable operational improvements across its CEE shopping center portfolio. Of particular note was the sale of Kragujevac Plaza in Serbia, which was completed a year and a half ahead of schedule, with 75% of proceeds being returned to the Company's bondholders as per the restructuring agreement, as well as sales of two non-core sites in Romania. These disposals have been in line with Plaza's strategy to shed the portfolio of non-core assets in order to deleverage the balance sheet and pay down debt.

Alongside this activity, operational and asset management initiatives have been continuing with strength. Occupancy has risen to 94% across the portfolio and the Company's centers continued to attract high profile, international brands including TK Maxx, Sports Direct and H&M, contributing to higher footfall and turnover across its core CEE portfolio.

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

Plaza has been working closely with its reconfigured Board and its continued confidence in the management's ability to deliver value and repay the Company's creditors is supportive of its strategy going forward. The economic landscape in the Company's core markets is improving slightly and Plaza has entered 2015 with renewed focus.

By utilising the extensive skills of its experienced management team, the deep relationships Plaza has with its tenants and finance providers, and maintaining its cautious but opportunistic approach, the Company is positioning itself, following the completion of the restructuring, to be able to return the rewards of capital appreciation and income growth to its shareholders.

Proven track record

Plaza continues to benefit from its unrivaled track record across CEE, having been active in the region for more than 19 years. The economic landscape in Plaza's core markets is improving lightly and the Company has entered 2015 with renewed focus. However, Plaza has seen marked differences between the countries north of the region, which have proved more resilient, and the struggling southern economies, including Romania and Bulgaria.

During the period, Plaza made significant headway in the repositioning of its portfolio, disposing of a number of non-core assets:

- In the fourth quarter of 2014, 18 months ahead of schedule, Plaza successfully completed the disposal of Kragujevac Plaza in Serbia for €38.6 million, in line with the asset's last reported book value. Following the repayment of related bank debt of c. €28.2 million, 75% of the net cash proceeds (c. €12.4 million, including the released restricted cash deposit of c. €2 million) were distributed to the Company's bondholders as an early repayment of the bonds, in line with the Company's stated restructuring plan.

- Successful disposals of non-core sites in Romania, at Targu Mures (September 2014) and Hunedoara (December 2014), for €3.5 million and €1.2 million respectively, consistent with the assets' last reported book values.

- Following the year-end, on 13 March 2015, one of the Company's subsidiaries in Romania, which has a 49 year leasehold on a plot in Bucharest, Romania, signed a pre-agreement to waive its leasehold rights for a certain consideration to be agreed with the owner of the property (a subsidiary of EI) and approved by the relevant stakeholders of these entities. The mentioned pre-agreement is subject to the fulfilment of certain conditions and approval by the relevant stakeholders of the Company.

To date, 27 of the completed centers have been subsequently sold with an aggregate gross value of circa €1.2 billion. These disposals comprise 17 shopping centers in Hungary, seven in Poland, two in the Czech Republic and one in Serbia, with the remaining six shopping centers currently being held as operational assets, of which three are located in Poland, one in the Czech Republic, one in Latvia, and one in India (agreement to sell is in place).

Plaza focuses upon creating an attractive tenant mix, including fashion, hypermarkets, food courts, electronics, sports and other retailers, with a special focus on entertainment and having a cinema multiplex in most centers.

petitive strengths

Flexible business model

During the years 1996-2004, when exit yields were high, the Group retained and operated shopping centers on completion and earned rental income. Once property yields decreased, between 2004-2008, the Group sold 26 shopping centers in line with the Company's commercial decision to focus its business more on development and sale rather than operational management. During 2014, the Company sold one shopping center in line with the current strategy to realise value from assets that are close to full potential in order to reduce debt and recycle Plaza's capital for new developments pursuant to the approved restructuring plan.

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

Diversification

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

Plaza has signed a preliminary non-binding agreement with an Indian-based developer for the sale of Koregaon Park shopping and entertainment center in Pune, and it collected €2.6 million (INR 200 million) of advances in 2014 and 2015. The agreement is subject to certain conditions and discussions to complete the disposal are currently at advance stage.

In Chennai Plaza has a major JV residential development to be delivered in the next few years, which is 80% owned by the JV and 20% by a prominent local developer. The scheme will be developed into a residential project consisting of approximately 110,000 sqm of plotted area for development and approximately 62,000 sqm for high quality villas.

Having monitored the US real estate market for a number of years, Plaza announced its first transaction in the region in 2010 through the acquisition of a strategic stake in EDT Retail Trust with its joint venture partners. During 2011, Plaza achieved its aim of repositioning the portfolio through reducing debt levels, improving occupancy rates as well as lengthening lease maturities.

Consequently, in June 2012, EPN Group, Plaza's US-based joint venture, completed the sale of 47 of its 49 US-based assets in a transaction valued at US$1.428 billion, which reflects an ROE for Plaza of nearly 50% in a period of little over 18 months. In July 2012, EPN Group completed the disposal phase of the Company's highly successful first venture in the US with the sale of its two remaining US assets and, in March 2013, Plaza received the remaining proceeds from the dissolution of the US holding entity.

Limited number of active developments

In light of market conditions, Plaza took the strategic decision in the second half of 2008 to scale back on the commencement of new projects and to focus on projects with availability of external financing and strong tenant demand. Plaza will progress a selected number of projects in the CEE, such as Poland, Serbia and Romania, where GDP growth and forecasts remain above the average for Europe.

Deferral of debt maturities will facilitate the development of selective sites to maximise the value with no material equity investment and enables Plaza to progress with the initiation of projects and investment as appropriate, including actively managing its income generating assets to prepare for their ultimate sale, whilst continuing to identify exit opportunities from its remaining non-core assets. Construction is planned to commence on Belgrade Plaza (Visnjicka) in Serbia, Casa Radio and Timisoara Plaza in Romania and Chennai in India. In 2016, construction is scheduled for Lodz Plaza in Poland and Belgrade Plaza (MUP) in Serbia. The Company's cautious but opportunistic approach is set to unlock significant value on behalf of its shareholders.

Debt & Leverage

The successful completion of the restructuring plan in which, among others, repayment deferral of principal payments for 3.5 years with an early repayment mechanism and a repayments postponement mechanism in case of early repayments of part of the debt deriving mainly from quality sale of the improved assets and shareholders contribution by cash injection to the Company, will support debt management and asset sale and development.

Generated net cash flow surplus will be used mainly for reducing the debt. In the case of generating cash flow surplus, for example from assets sale or refinance, an early repayment will be carried out under which the entire accumulated interest on the bonds until the date of the exit/refinance will be paid, and 75% of the remaining cash following the interest payment (or after the deduction of part of the interest payment, in certain cases), will be used for early principal

repayment. In addition, no dividend distribution will be made prior to repayment of 75% of the principal balance of the bonds in cycle on the effective date of the trust deeds and compliance with a coverage ratio of 150% following the distribution.

Besides the defined risk level, the Company's future will be determined by the bondholders. Covenants were defined in order to allow the debt holders to future-proof the Company against unwanted situations.

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 74% in 2014.

In November 2013, the Company's Latvian 50% subsidiary signed a new €59.3 million investment loan with a consortium comprising two banks for its shopping and entertainment center in Riga, Latvia. The new facility has duration of four years and therefore substantially lengthens the duration of the debt compared to the previous loan facility, which was due for repayment on 30 June 2014. Total bank borrowing reduced to €150.8 million. This decrease is primarily the result of loans disposed of and repaid during the year. Following the conclusion of the restructuring plan, all non-current maturities of interest bearing loans (previously short termed due to cross default clause covenant) were reclassified to long term, unless covenant breach is still valid, and no waiver obtained.

Clearly identified pipeline and acquisitions

Plaza is engaged in 18 development projects, and owns two office buildings and six operational assets, located across the CEE region and in India. The Group has the ability to identify new growth opportunities, constantly targeting attractive returns in fast growing emerging markets.

Capital markets

During 2014, Plaza successfully completed the restructuring process which was followed by the completion of a successful rights offering in the last quarter of 2014, which provided the Company with a €20 million capital injection and marked an important final step in the restructuring process.

On 24 February 2015, the Israeli credit rating agency which is a division of International Standard & Poor's, updated the credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from "D" to "BBB-", on a local Israeli scale, with a stable outlook.

A third listing on the Tel Aviv Stock Exchange and the recent upgrade in Plaza's credit rating from the Israeli division of Standard & Poor's have further underlined the achievements of the year and strengthens the Company's position.

Strong brand name

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

Highly skilled management team

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

Extensive network

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

Thorough project evaluation

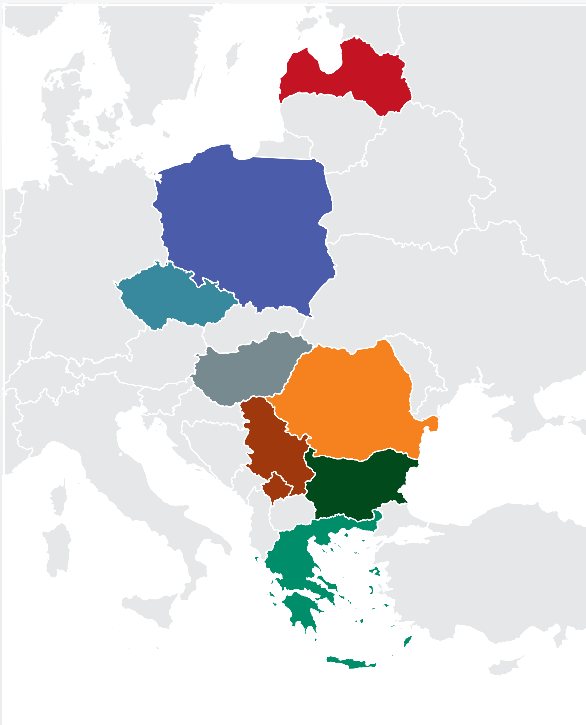
Prior to each project, Plaza goes through a carefully developed, structured evaluation process involving each of the relevant disciplines (economics, engineering, marketing, etc.).

gths

Our markets

Europe

- Poland
- Serbia
- Romania
- Latvia
- Czech Republic
- Hungary
- Greece
- Bulgaria
- India



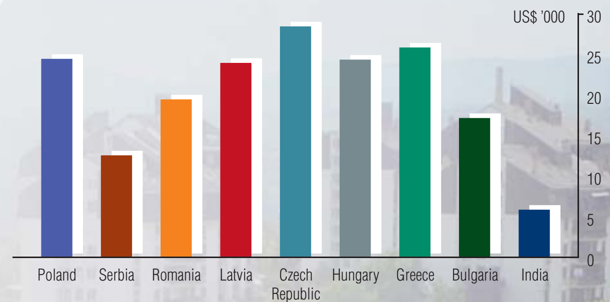
India

* Source: CIA – The World Factbook

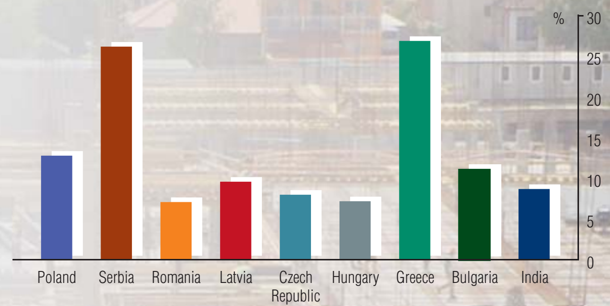
Population (m)*

Country	Population (m)
Poland	38.3
Serbia	7.2
Romania	21.7
Latvia	2.2
Czech Republic	10.6
Hungary	9.9
Greece	10.8
Bulgaria	6.9
India	1,236.3

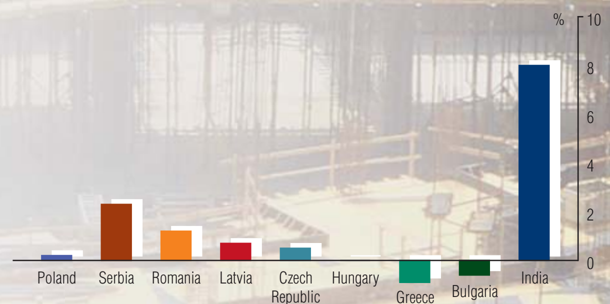
GDP per capita*



Unemployment*



CPI - Change in 2014*

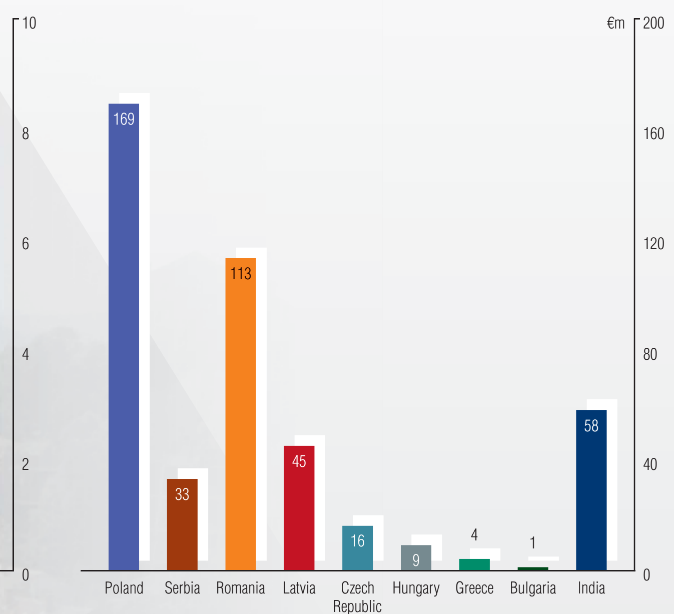


Our portfolio at a glance

Total of 26 assets located across CEE region and in India. Estimated value of €1,947 million on completion.

Portfolio composition – by country

Market value of the land and project



Project	Market value on completion (€m)[1]	Market value of the land and the project (€m)[1]
Complete and active projects	247	247.4
Current developments	962.1	145.9
Pipeline projects	737[2]	55.5
Total as at 31 December 2014	**1,946.5**	**448.8**

1 Value of Plaza Centers' stake by Cushman and Wakefield as of 31 December 2014.
2 Leszno Plaza was valued with the comparative sales price method, no value at completion was estimated.

Group NAV at 31 December 2014

	€'000
Market value of land and projects by Cushman and Wakefield	448,844
Assets minus liabilities as at 31 December 2014[3]	(295,577)
Total	153,267
NAV per issued share	**£0.17**

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

Development focus

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

Timisoara Plaza

Romania

40,000 sqm GLA

Plaza owns a plot of land with an area of 32,000 sqm in Timisoara, on which it is intending to develop a shopping and entertainment center. The planned center will have a GLA of approximately 40,000 sqm and includes a supermarket, a hypermarket complex, fashion retailers, a fantasy park, a food court and restaurants. Plaza intends to commence construction in 2015 and the center is scheduled to open in 2016.

Belgrade Plaza
(Visnjicka) Serbia
32,000 sqm GLA

Plaza owns a 31,000 sqm plot of land in Belgrade, the capital of Serbia. The Belgrade market offers particular potential, with its large populated catchment area of approximately 1.7 million people. Plaza intends to develop a new shopping and entertainment center with a GLA of approximately 32,000 sqm. The Group intends to commence construction in late 2015 and the center is scheduled to open in 2017.

Lodz Plaza
Poland
35,000 sqm GLA

Lodz is the third largest city in Poland with over 720,000 inhabitants. Lodz Plaza is planned to be a two-floor shopping and entertainment center with approximately 35,000 sqm of GLA anchored by a supermarket, a department store as well as a multi-screen cinema and bowling and entertainment center. Plaza intends to commence construction in late 2016, with completion targeted for 2017.

Current portfolio

Poland

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2014 (€)	Market value of the land and project 31 December 2014 (€)	Expected completion
Torun Plaza	Torun	100%	40,000	96,300,000	96,300,000	Opened in Q4 2011*
Suwalki Plaza	Sulwalki	100%	20,000	43,075,000	43,075,000	Opened in Q2 2010*
Zgorzelec Plaza	Zgorzelec	100%	13,000	13,450,000	13,450,000	Opened in Q1 2010*
Lodz Plaza	Lodz	100%	35,000	70,911,000	7,400,000	2017
Kielce Plaza	Kielce	100%	33,000	70,158,000	3,600,000	**
Leszno Plaza	Leszno	100%	16,000	n/a[1]	800,000	**
Lodz (Residential)	Lodz	100%	80,000[2]	86,448,000	4,800,000	**

* Operating ** Under planning and feasibility examination

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

2 GBA

Plaza has already completed 10 shopping and entertainment centers in Poland of which seven have already been sold. Currently the Group owns and operates three completed shopping and entertainment centers across Poland. During the year, each of the centers delivered notable asset management success, improving overall occupancy throughout the Polish portfolio from 90% in 2013 to 95% as at the reporting date.

Torun Plaza: complete and active project

Torun Plaza is located in Torun, an almost 800-year-old city of approximately 200,000 inhabitants. Torun is one of the most beautiful cities in Poland, located at the intersection of ancient trade routes. The gothic buildings of Torun's old town were designated as a world heritage site by UNESCO in 1997. Torun Plaza, which opened in November 2011, is the Group's tenth completed development in Poland. The two-floor shopping and entertainment center, with approximately 40,000 sqm of GLA, is anchored by Zara, Reserved, Home & You, New Yorker, H&M, Media Expert, Carry, TK Maxx, a multi-screen Cinema City and Pure fitness center. In 2014, occupancy of the mall increased to 92.5% compared to 89% in 2013. A total of 4,100 sqm of additional retail space was opened at the center in 2014, increasing the total lettable area of the shopping center by more than 10%. Among the most notable openings were TK Maxx, Sports Direct, Carry (replacing a previously underperforming tenant), Sinsay and various smaller fashion stores. As a result of these asset management initiatives and other marketing activities, the shopping center reported a significant increase in turnover (+21.2%) compared to 2013 and footfall also increased by 6.3% during the year.

Zgorzelec Plaza

Zgorzelec Plaza: complete and active project

Zgorzelec Plaza is located in Zgorzelec in south west Poland, near the German border. Thanks to two roads border crossing (including one of the largest in Poland), a railway border crossing and the restored old town bridge which connects the old towns of Zgorzelec and Goerlitz (55,000 citizens on the German side), Zgorzelec is a “gate” between Germany and Poland. The shopping and entertainment center is situated less than five minutes walking distance from the railway station. Zgorzelec Plaza comprises approximately 13,000 sqm of GLA anchored by H&M, KappAhl, Douglas, Carry, a fitness center, a cinema and 300 parking spaces. In 2014, occupancy increased to 95.2% from 91% in 2013 with the opening of a 547 sqm Carry and a number of small fashion and service stores contributing to its success. The center had an increase of 14.1% in turnover and 8.4% rise in footfall.

Suwalki Plaza

Leszno Plaza

Suwalki Plaza: complete and active project

Suwalki Plaza is located in Suwalki, a city crossed by expressway E67(8), which links Augustow with the Lithuanian border. Suwalki is a city with approximately 70,000 inhabitants and is located 45km from the Polish-Lithuanian border. The creation of Suwalki special economic zone offers new opportunities for trade, commerce and tourism. Suwalki Plaza, which was opened in May 2010, is located in the main commercial and residential district of the city and is fronted by an important arterial route to the east. It is also located on a junction of a street which links directly into the city center. The PKS bus terminal and main railway station are located approximately 1km from the shopping and entertainment center. Suwalki Plaza is a three-floor shopping and entertainment center with approximately 20,000 sqm of GLA anchored by Delima Delicatessen, H&M, KappAhl, Deichmann, Carry, HeBe, Douglas, Empik and a three-screen cinema. In 2014, occupancy increased to 97.7% compared to 91% in 2013 and turnover increased by 7% during the year. Contracts with KIK and several fashion stores were signed for new premises during the year and, to date, more than 87% of the existing tenants have signed lease options or renewals, with the fifth anniversary of the opening of the center approaching in May.

Lodz Plaza: current development

Lodz Plaza is located in Lodz, the third largest city in Poland with over 720,000 inhabitants. Lodz is recognised as an important academic and cultural center in Poland, hosting well-known cultural events. Lodz Plaza is planned to be a two-floor shopping and entertainment center with approximately 35,000 sqm of GLA anchored by a supermarket, a department store as well as a multi-screen cinema and bowling and entertainment center. The Group intends to commence construction in late 2016, with completion targeted for 2017.

Kielce Plaza: pipeline project

Plaza has won a competitive tender and acquired a site from PKS Kielce S.A. (the local branch of the Polish National Bus Company) for the development of a major new shopping and entertainment center in Kielce. The new center will be located on a 25,000 sqm plot alongside a major road and 2km from the heart of Kielce. Kielce has over 200,000 inhabitants and an estimated catchment area of approximately 350,000 people, and is located in central Poland on the main motorway linking Warsaw and Krakow. On completion, the scheme will have a GLA of 33,000 sqm, and approximately 1,000 car parking spaces. The Company will be targeting a mixture of domestic and high-profile international retailers and entertainment operators as potential tenants for the center. The project is under planning and feasibility examination.

Leszno Plaza: pipeline project

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

Lodz (Residential): pipeline project

Plaza owns part of a development site and has a perpetual usufruct over the remaining part of the site, located in the center of Lodz, which is suitable for use as a residential and offices area. The city of Lodz, which is the administrative capital of the Lodzkie region, is situated in the center of Poland approximately 140km south west of Warsaw, and, with a population of over 720,000, it is the third most populous city in Poland. The site is located in the central university district, within 500 meters of the popular Piotrkowska pedestrian street. The site is also located in close proximity to large high density housing estates. The planned development will comprise built area of approximately 80,000 sqm. The Group is also considering selling the plot.

Current portfolio

Serbia

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2014 (€)	Market value of the land and project 31 December 2014 (€)	Expected completion
Belgrade Plaza (Visnjicka)	Belgrade	100%	32,000	91,299,000	18,850,000	2017
Belgrade Plaza (MUP)	Belgrade	100%	63,000[1]	153,831,000	13,650,000	2017

1 GBA

In the fourth quarter of 2014, Plaza completed the disposal of its first shopping and entertainment center in Serbia, Kragujevac Plaza for €38.6 million. It was the first western-style shopping and entertainment center to be opened outside the capital, Belgrade. As of the reporting date, the center is fully let to remarkable tenants, demonstrating the success of the Company's first venture into Serbia. Currently the Group has two additional sites for the development of mixed-use and shopping and entertainment projects in the capital Belgrade. On 1 March 2013, Serbia was granted candidate status to the European Union. The Company believes this will significantly increase the flow of international capital into the country, enabling its carefully selected Serbian development pipeline and complete and operate the assets to benefit from an anticipated growth in investor interest.

Belgrade Plaza (Visnjicka): current development

Plaza owns a 31,000 sqm plot of land in Belgrade, the capital of Serbia. The Belgrade market offers particular potential, with its large populated catchment area of approximately 1.7 million people. The Company intends to develop a new shopping and entertainment center with a total GLA of approximately 32,000 sqm. The Group intends to commence construction in late 2015 and the center is scheduled to open in 2017. Planning permission was granted.

Belgrade Plaza (MUP)

Belgrade Plaza (MUP): current development

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

The Belgrade market offers particular potential, with its large populated catchment area of approximately 1.7 million people. The new complex will be located on the prominent site of the former Federal Ministry of Internal Affairs, situated on the main street which runs through the center of Belgrade. The area is home to foreign embassies, the Serbian Government, the Serbian Ministry of Finance, the Belgrade Chamber of Commerce and Belgrade's largest public hospital as well as the city fair and the future railway station. The Group intends to commence construction in 2016 and the center is scheduled to open in 2017. Processes to secure the relevant local planning and permitting approvals are underway.

Belgrade Plaza
(Visnjicka) Serbia
32,000 sqm GLA

Plaza owns a 31,000 sqm plot of land in Belgrade, the capital of Serbia. The Belgrade market offers particular potential, with its large populated catchment area of approximately 1.7 million people. Plaza intends to develop a new shopping and entertainment center with a GLA of approximately 32,000 sqm. The Group intends to commence construction in late 2015 and the center is scheduled to open in 2017.

Current portfolio

Romania

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2014 (€)	Market value of the land and project 31 December 2014 (€)	Expected completion
Palazzo Ducale	Bucharest	100%	700	1,320,000	1,320,000	Operating
Timisoara Plaza	Timisoara	100%	40,000	72,283,000	8,940,000	2016
Casa Radio	Bucharest	75%	467,000[1]	555,138,000	87,075,000	2017[2]
Iasi	Iasi	100%	58,000	82,355,000	7,280,000	*
Csiki Plaza	Miercurea Ciuc	100%	14,000	14,276,000	2,460,000[3]	*
Slatina Plaza	Slatina	100%	17,000	30,151,000	1,000,000	*
Constanta Plaza	Constanta	100%	18,000	3,300,000	3,300,000[3]	*
Cina	Bucharest	100%[4]	4,786	n/a[5]	n/a[5]	*

* Under planning and feasibility examination
1 GBA including parking
2 First phase
3 The Company applied a more conservative approach, and lower value was used in the financial statements than in the valuation report.
4 Development rights
5 External valuation was not conducted.

**Plaza has a significant development pipeline in Romania, with seven sites for shopping and entertainment centers and mixed-use schemes in various stages of development.
In 2014, the Company successfully disposed of two of its non-core sites in Romania, at Targu Mures and Hunedoara for a total of €4.7 million. The Company continues checking the feasibility and planning of the projects, including obtaining permits.**

Timisoara Plaza

Palazzo Ducale (Bucharest): operational office

In October 2007, the Company acquired a prestigious French-style villa converted into an office building. The building is located in the center of Bucharest and was completely renovated in 2005. The total constructed area is approximately 540 sqm, built on a plot of around 450 sqm and consists of three floors, a basement and a garage. Two floors are currently leased.

Timisoara Plaza: current development

Plaza owns a plot of land with an area of 32,000 sqm in Timisoara, on which it is intending to develop a shopping and entertainment center. The site is situated in the north east of Timisoara, a city in western Romania, close to the border with Hungary with a population of 320,000 inhabitants and a catchment area of approximately 700,000 inhabitants. The site is situated on a three-way junction and enjoys excellent visibility. The planned center will have a GLA of approximately 40,000 sqm which is intended to include a supermarket, a hypermarket complex, fashion retailers, a fantasy park, a food court and restaurants. The Group intends to commence construction in 2015 and the center is scheduled to open in 2016.

Casa Radio

Romania

467,000 sqm GBA

Casa Radio will include a 90,000 sqm GLA shopping mall and indoor leisure center, approximately 127,000 sqm GBA of offices, hotel complex with conference center, Public Authority Building and underground car parking spaces.

Iasi Plaza

Slatina Plaza

Casa Radio (Bucharest): current development

In February 2007, the Company consummated a transaction for the acquisition of a 75% interest in a company (the "Project Company"), which under a public-private partnership agreement with the Government of Romania is expected to develop the Casa Radio (Dambovita) site in central Bucharest. The property comprises a site covering an approximate area of 92,000 sqm (97,000 sqm including 5,000 sqm for Public Authority Building ("PAB")). The proposed scheme will comprise the refurbishment of the existing building as well as the development of additional space annexed to the building and on adjoining land. The development of Casa Radio comprises approximately 467,000 sqm of built area, including a 90,000 sqm GLA shopping mall and indoor leisure center, approximately 127,000 sqm GBA of offices, hotel complex with conference center and underground car parking spaces. The Company expects to complete the first phase of the project, which includes the shopping center, parking and PAB, in 2017. The Company has obtained the "PUD" (Detailed Urban Permit) and the "PUZ" (Zonal Urban Permit) tor the site.

Iasi Plaza: pipeline project

Plaza has purchased a 46,500 sqm plot of land in Iasi, on which it is expecting to develop a shopping and entertainment center and office space. Iasi Plaza is situated in Iasi, a city in the north east of Romania, with a population of approximately 320,000 inhabitants and a catchment area of approximately 820,000 inhabitants. The shopping center is planned to comprise approximately 40,000 sqm of GLA, and is intended to include an anchor supermarket, a cinema, fashion retailers, a fantasy park, a food court and restaurants. In addition, the project is intended to include office space of 18,000 sqm GLA. The project is under planning and feasibility examination.

Csiki Plaza: pipeline project

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

Slatina Plaza: pipeline project

Plaza has acquired a site in Slatina, in southern Romania. The site totals approximately 24,000 sqm and is located in the north west part of Slatina. Slatina is a city with around 63,500 inhabitants and is considered a major city in the county of Olt. The Company plans to build a shopping and entertainment center with approximately 17,000 sqm of GLA. The project is under planning and feasibility examination.

Constanta: pipeline project

Plaza has acquired a 26,500 sqm plot in Constanta. The plot is conveniently located on one of the two main entrance roads to the city and consists of an existing shopping center and an open parking lot of 8,500 sqm. Constanta is located on the Black Sea bank and is one of Romania's main industrial, commercial and tourist centers. The Group is investigating the option of adapting the existing shopping center to create approximately 18,000 sqm of GLA which will be suitable for one big anchor such as a leading supermarket and/or a DIY store together with some smaller retail units.

Cina (Bucharest): pipeline project

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

Current portfolio

India

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2014 (€)	Market value of the land and project 31 December 2014 (€)	Expected completion
Koregaon Park Plaza	Pune	100%	41,000	33,816,000	33,816,000	Opened in Q1 2012*
Chennai	Chennai	40%	172,000[1]	18,709,000	10,032,000	2016-2020
Bangalore	Bangalore	25%	310,000[2]	109,646,000	14,206,000	**

* Operating. Under sale. ** Under planning and feasibility examination.

1 For sale.

2 GBA

Currently the Group owns Koregaon Park Plaza shopping and entertainment center in Pune, India and has interest (through a joint venture with Elbit Imaging) in two sites for residential developments located in the cities of Chennai and Bangalore.

Koregaon Park Plaza: complete and active project

Koregaon Park Plaza shopping and entertainment center comprises a 41,000 sqm GLA and it was completed and opened to the public in March 2012. It is the Group's first completed project in India and is located in the upmerket area of Pune, Maharashta State. The Company has signed a preliminary non-binding agreement with an Indian-based developer for the sale of Koregaon Park shopping and entertainment center. The agreement is subject to certain conditions and discussions to complete the disposal are currently at advanced stage.

Chennai: current development

The Indian JV Vehicle (in which Plaza's share is 50%) has an 80% stake in a company which holds a 75 acre plot (and paid advances in order to secure acquisition of an additional 8.4 acres) in Chennai, India's fourth largest city with a population of over eight million people. The site will be developed into a residential project consisting of approximately 110,000 sqm of plotted area for development and approximately 62,000 sqm for high quality villas. The Company anticipates that the project will be completed in phases between 2016 to 2020.

Bangalore

Bangalore: pipeline project

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

Current portfolio

Latvia, Czech Republic, Hungary, Greece, Bulgaria

Project	City	Ownership	GLA (sqm)	Market value on completion 31 December 2014 (€)	Market value of the land and project 31 December 2014 (€)	Expected completion
Latvia						
Riga Plaza	Riga	50%	49,000	45,000,000	45,000,000	Opened in Q1 2009*
Czech Republic						
Liberec Plaza	Liberec	100%	17,000	15,725,000	15,725,000	Opened in Q1 2009*
Hungary						
David House	Budapest	100%	2,000	2,625,000	2,625,000	Operating
Arena Plaza Extension	Budapest	100%	40,000	87,353,000	6,650,000	**
Greece						
Pireas Plaza	Athens	100%	38,000	73,141,000	4,475,000	**
Bulgaria						
Shumen Plaza	Shumen	100%	20,000	29,176,000	1,025,000	**

* Operating ** Under planning and feasibility examination

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

Latvia

Riga Plaza: complete and active project

Riga Plaza is located on the west coast of the Daugava river, south west of Riga's city center. Riga, the capital of Latvia and the largest city in the Baltic States, has a population of approximately 700,000 inhabitants. Riga Plaza has excellent connections to the city center (a three to five-minute drive), as well as outstanding connections to the nearby main roads. There are several public transport stops (trolleybus and bus) located nearby, with the nearest public transport stop located directly in front of Riga Plaza. Riga Plaza is a two-floor shopping and entertainment center with a GLA of approximately 49,000 sqm, anchored by a hypermarket, an eight-screen multiplex cinema and 2,000 sqm of Fantasy Park. In 2014, occupancy of the mall increased to 99.5% from 97% in 2013. H&M opened its largest store in Latvia (2,700 sqm) at Riga Plaza in April 2014, and another 1,060 sqm was leased to Elkor Kids. The shopping center had the second highest increase in turnover in the portfolio, with 15.6% increase in sales compared to the previous year, and a 7.2% increase in footfall.

Liberec Plaza, Czech Republic

Czech Republic

Liberec Plaza: complete and active project

Liberec Plaza is located in the center of Liberec, a city in the north of the Czech Republic, close to the border with Germany and Poland, with a population of 101,000 inhabitants and catchment area of approximately 350,000 inhabitants. The site is situated 20 meters from the main square. The complete center comprises of approximately 17,000 sqm of GLA, and includes an anchor supermarket, fashion retailers, a squash and sports center, a Dinopark, a food court and restaurants. The center is also comprising a residential area of 514 sqm (five apartments) and 1,100 sqm of office space. The center was opened to the public in March 2009. Occupancy of the mall in 2014 remained steady at 84%.

Riga Plaza, Latvia

Arena Plaza Extension, Hungary

Hungary

David House (Budapest): operational office

The Company owns an office building located on Andrassy Boulevard, a prestigious location and one of the most soughtafter streets in the center of Budapest. Several foreign embassies are situated nearby. The building facades of all buildings on the Andrassy Boulevard, including David House, are listed in the "World Heritage" list. The building was reconstructed / refurbished by Plaza during 2000-2001 in cooperation with the local Monument Preservation Authority. Many of the original features have been retained, including the inner courtyard, staircases, stucco, ornate metalwork and fine wood carvings. The building is located on a 800 sqm plot and consists of four floors, an atrium and a basement, with a total constructed area of approximately 2,000 sqm.

Arena Plaza Extension (Budapest): pipeline project

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

Greece

Pireas Plaza (Athens): pipeline project

Plaza currently owns a plot of approximately 15,000 sqm in the city of Piraeus, a commercial-industrial center 10km from the heart of Athens. The site has an ideal highly visible and commercial position at the junction of two of the biggest arteries in Attica National Highway, running from the north to the south of Greece and Piraeus Avenue, connecting the center of Athens with the port of Piraeus. Conveniently located in front of the ISAP metro line, bus stations and in a walking distance from Europe's largest passenger port, the project will be easily accessed by a large catchment of more than one million people. Pireas Plaza is planned to be a 38,000 sqm mixed-use office and retail developments, including 700 car spaces. The project is under planning and feasibility examination.

Bulgaria

Shumen Plaza: pipeline project

Plaza has purchased a 26,000 sqm plot of land in Shumen, one of the largest cities in north-eastern Bulgaria, 80km from Varna. The site is ideally situated at the crossroads of the two major traffic arteries in Shumen, within a short walking distance to the city center, railway station and university. Shumen Plaza is expected to be the first western-style shopping center in the district and to serve the city population of approximately 100,000 people and a larger catchment of 205,000 people. Shumen Plaza is planned to be a three-floor commercial and entertainment center with 20,000 sqm GLA and 650 parking spaces. The project is under planning and feasibility examination.

President and Chief Executive Officer's statement

2014 has been another significant year for the business as we completed our restructuring process efficiently, within an eight month period and with the resounding support of 92% of our creditors. We finished the year with a successful rights offering, which provided the Company with a €20 million capital injection, and a third listing on the Tel Aviv Stock Exchange, and we have started 2015 with the news of an upgrade to our credit rating from Standard & Poor's from "D" to "BBB-" on a local Israeli scale with a stable outlook.

We have continued to make strides in restructuring our portfolio by disposing of non-core assets, using the proceeds to repay our debts and allowing us to focus more on operational improvements within the core portfolio. Notably, the sale of Kragujevac Plaza in Serbia was completed 18 months ahead of schedule and 75% of the net cash proceeds from the transaction was returned to bondholders as an early repayment, in line with our restructuring plan.

Alongside this activity, we are seeing signs of economic improvement in our core geographies.

Against this background, I am pleased to report that Plaza has achieved notable progress at an asset level, with increases in footfall, occupancy and turnover reported across our core portfolio of CEE shopping centers. During the year we secured a number of significant lettings with high profile anchor tenants including H&M, which opened its largest store in Latvia at Riga Plaza in April, TK Maxx and Sports Direct, and turnover at these core assets is also up considerably thanks to our asset management activity. Torun Plaza alone achieved a 21.2% uplift in turnover, compared to 2013.

After a busy 2014, we are entering 2015 with renewed vigour and we are looking forward to the year ahead.

Key Events

During the first half of 2014, the Company focused its efforts on ensuring a successful and efficient conclusion to the debt restructuring process, which was completed in July. Subsequent to these events, the Company announced a rights offering, which formed part of the restructuring plan and which provided the Company with a €20 million cash injection.

- On 26 June 2014, Plaza announced that its amended Dutch restructuring plan, filed with the Dutch Court on 27 May 2014, had been approved with 92% of creditors voting in favour.
- On 21 July, following the plan's approval by the Dutch Court on 9 July 2014, Plaza was in a position to announce the formal completion of the debt restructuring process and that management had resumed control of the full business.
- On 20 November 2014, the Company published a listing document in Israel announcing its intention to list all of its ordinary shares on the Tel Aviv Stock Exchange ("TASE"). With effect from 27 November 2014 Plaza's ordinary shares have been traded on the TASE under the ticker "PLAZ".
- On 28 November, an EGM was held at which shareholders approved the proposed rights offering, which formed part of the Company's restructuring plan, enabling the Company to raise €20 million.
- On 19 December 2014, the Company announced the successful completion of the rights offering.

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

- On 2 October 2014, Plaza successfully completed the disposal of its shopping and entertainment center, Kragujevac Plaza in Serbia for €38.6 million, in line with the asset's last reported book value. Following the repayment of related bank debt of c. €28.2 million, the Company received net cash from the disposal of c. €10.4 million. Restricted cash linked to the bank debt and other working capital balances of circa €2 million were also released following the transaction. 75% of the net cash proceeds (including the released restricted cash deposit) was distributed to the Company's bondholders in the fourth quarter of the year as an early repayment of the bonds, in line with the Company's stated restructuring plan.
- On 4 September 2014, Plaza reached an agreement to sell its 31,500 sqm site in Targu Mures, Romania, to a third party developer for €3.5 million, consistent with the asset's last reported book value.
- On 2 December 2014, Plaza reached an agreement to sell its 41,000 sqm site in Hunedoara, Romania, to a third party developer for €1.2 million, consistent with the asset's last reported book value.

75% of the net cash proceeds of the above two transactions was distributed to the Company's bondholders in the December as an early repayment of the bonds.

Alongside this substantial activity, Plaza continued to make significant progress in its operational and asset management initiatives, with a focus on delivering positive uplifts in key performance indicators at our income-generating centers.

Results

Due to a circa €89 million non-cash impairment charged against the Company's trading properties and equity accounted investees, Plaza ended the year with a loss attributable to the owners of the

Ran Shtarkman
President and Chief Executive Officer

Company of €120 million. A €89 million impairment charge related to the reduction in the value of our assets across the portfolio in the following main geographic areas: Romania (€51 million); India (€12 million); Greece (€11 million); Serbia (€6 million); Poland (€6 million); Czech Republic (€2 million); and Bulgaria (€1 million). There was a €0.4 million increase in the value of Riga Plaza, Latvia. The writedowns are a reflection of the ongoing economic uncertainty in many of the countries in which we operate.

As at 31 December 2014, Plaza had a consolidated cash position (including restricted bank deposits, and held for trading financial assets) of approximately €41.7 million, of which circa €7 million of cash was held as restricted cash on a consolidated basis. Working capital stood at negative €6 million (including €33 million of debt expected to be revolved). Following the successful completion of the debt restructuring, part of the liabilities were reclassified to non-current. As at the date of this report, the Company has a current cash position of circa €39.5 million (inclusive of the €7 million of restricted cash).

Debt restructuring plan

Background
Due to reasons previously reported, by the end of 2013, the Company was faced with significant liquidity challenges.

Notwithstanding the liquidity issues, the Company continued to have a strong balance sheet, with a significant positive net asset value, and it had assets and development opportunities under ownership that offered significant potential to deliver returns over the medium to long term. Accordingly, the Board believed that, on a going concern basis, the Company retained substantial value for its stakeholders and would be able to repay its creditors in full, and that a forced liquidation or a bankruptcy would cause creditors and shareholders to incur significant losses.

Suspension of payment procedure
Therefore, on 18 November 2013, the Company applied for suspension of payment proceedings under Dutch law and simultaneously filed a draft restructuring plan (the "restructuring plan") with the District Court of Amsterdam, The Netherlands (the "Court"). The restructuring plan was adopted by the plan creditors on 26 June 2014. On 9 July 2014, the Court approved the restructuring plan which became final and definitive on 18 July 2014.

One of the terms of the approved restructuring plan was that at least €20 million should be injected into the Company against the issuance of new ordinary shares by means of a rights offering (the "rights offering"). The rights offering was concluded on 28 November 2014 and consequently the restructuring plan became effective on the same day. In addition to the trading on the Tel Aviv Stock Exchange of Plaza's Series A and Series B Bonds, the listing of the Company's shares on the Tel Aviv Stock Exchange also took place.

Summary of the restructuring plan
A summary of the main terms of the restructuring plan are set out below:

- A deferral of principal payment obligations to bondholders for a period of between 3.5-4.5 years;
- Deferral of obligations under guarantees issued as security for liabilities of subsidiaries for a period of four years and the claims will only be enforceable after the collateral granted as security for the underlying loan has been realised. The amount of the guarantee claim will be reduced to the extent that the collateral is sold at a price below 90% of the fair market value as determined by a reputable appraiser;
- 1.5% per annum interest to be paid to bondholders in addition to regular interest;
- Early repayment of the Company's outstanding bonds in certain events upon the realisation or refinancing of certain assets with 75% of the net cash flows (subject to certain adjustments);
- An issue to bondholders of ordinary shares representing 13.21% of the outstanding share capital of the Company following any capital injection;
- Agreement to a "negative pledge", "no new financial indebtedness" and "coverage ratio" covenants (subject to certain exceptions) in favour of all creditors bound by the restructuring plan and certain limitations on distributions (including dividends) to shareholders. In addition, the restructuring plan includes certain financial covenants with respect to the realisation of certain real estate assets of the Group and with respect to the purchase and development of real estate assets. The subsidiaries of Plaza Centers have issued an undertaking to be bound by certain of these covenants and restrictions;
- A mutual "waiver from claims" provision, in favour of the Company, the direct and indirect shareholders of the Group, and their respective directors and officers, the bondholders, the trustees under the Trust Deeds, and other affiliated parties.

NAV

The Company's property portfolio (CEE and India) was valued by Cushman and Wakefield as at 31 December 2014 and their summary valuation is shown overleaf.

Net Asset Value per share decreased to €0.22/share from €0.92/share at year end 2013, mainly as a result of further impairments and new shares issued during 2014 (basic NAV/share €0.52/share).
The writedown in value reflects uncertainties in respect of the development of projects, depressed rental levels in the above

mentioned countries and low transaction volumes resulting from a constrained supply of debt. The majority of written down assets comprise land with associated planning consent, which management continues to value at the lower of cost or net realisable value. Management will continue to evaluate the local economic context before any development programme commences, as well as looking at other alternatives to monetise the land bank if development is not economically viable.

The Company's NAV was calculated as follows:

Use	EUR (Thousand)
Market value of land and projects by Cushman Wakefield	448,844
Assets minus liabilities as at 31 December 2014[1]	(295,577)
Total	**153,267**

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

Portfolio progress

The Company is currently engaged in 18 development projects and owns six operational shopping and entertainment center assets and two office schemes, located across the CEE and in India. The location of the projects, as at 19 March 2015, is summarised as follows:

Number of assets (CEE and India)

Location	Active	Under development/ planning	Offices
Romania	-	7	1
India	1	2	-
Poland	3	4	-
Hungary	-	1	1
Serbia	-	2	-
Czech Republic	1	-	-
Bulgaria	-	1	-
Greece	-	1	-
Latvia	1	-	-
Total	**6**	**18**	**2**

Liquidity & Financing

Plaza ended the year with a consolidated cash position (including restricted bank deposits, short term deposits and available for sale financial assets) of approximately €41.7 million, of which circa €7 million of cash is held as restricted cash on a consolidated basis. Working capital as at 31 December 2015 totalled negative €7 million, and, as mentioned above, the Company's current cash position is circa €39.5 million (of which €7 million is restricted).

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 74% in 2014.

Strategy & Outlook

2014 marked a year of progress for Plaza as the Company successfully completed the Dutch restructuring plan, with 92% of creditors approving the plan in June, and the Dutch Court's formal and irrevocable approval being granted in July, just seven months after the Company made its initial announcement. The successful rights offering, which concluded in November, provided the Company with a welcome €20 million cash injection and the completion of this considerable activity provided us with a strengthened platform to start the new year.

Going into 2015, the economic outlook is relatively positive in the Company's core geographies. This trend is expected to continue and the effect of lower oil prices, together with the knock-on impact of quantitative easing and the wider Eurozone recovery, should prove beneficial.

Transactional activity has been strong, as evidenced by the sales of Kragujevac in Serbia and non-core land in Romania, reflecting the improvement in investor sentiment. In the year ahead, the Company will continue to drive the reshaping of the portfolio with the disposal of further non-core assets in order to deleverage the balance sheet and advance key development projects in core geographies including Timisoara in Romania, Belgrade in Serbia and Lodz in Poland. In Poland, the Company expects to deliver a master plan for the planned retail and entertainment scheme, Lodz Plaza, by the end of this year and has secured a number of pre-lets for Timisoara Plaza in Romania and Belgrade Plaza (Visnjicka) in Serbia, where construction is planned to commence later this year, subject to securing bank financing and sufficient levels of pre-lets.

Day to day, we will continue to pursue our intensive asset management strategy which has seen clear success at our income-generating centers in the CEE, where our focus remains on initiatives that will drive occupancy levels, footfall and turnover to maximise income and deliver value.

While there remains a lot to do in the short and medium term, we have confidence in the long term future growth of the Company and the management is resolute in its belief that, with the ongoing support of our bondholders and shareholders, the delivery of the strategy, together with the brightening economic outlook, will result in the delivery of value and growth to our investors.

Ran Shtarkman
President and Chief Executive Officer
19 March 2015

Operational review

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

Highlights for the financial year included:

- **Operations**: Improving performance of its operating shopping and entertainment centers located in four countries in the CEE.
- **Disposals**: In 2014, the Company received net cash of circa €17.1 million (including restricted cash released) through the disposal of three assets out of which 75% was repaid to the bondholders as early repayment.
- **Financial position:** Plaza's current consolidated cash position stands at circa €40 million (out of which €7 million is restricted).

As of the reporting date, Plaza has 26 assets in nine countries, of which 18 are under various stages of development across the CEE region and India. Of these, seven are located in Romania, two in India, four in Poland, two in Serbia, and single assets in Bulgaria, Greece and Hungary. In addition to these developments, Plaza retains the ownership of and operates six shopping and entertainment centers in Poland, Czech Republic, India and Latvia and two office buildings in Budapest and Bucharest.

The development projects are at various stages of the development cycle, from the landholdings through to the planning and permits.

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

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status *
Operating Shopping and Entertainment Centers					
Suwalki Plaza	Suwalki, Poland	Retail & entertainment scheme	20,000	100	Operating, opened in May 2010
Zgorzelec Plaza	Zgorzelec, Poland	Retail & entertainment scheme	13,000	100	Operating, opened in March 2010
Torun Plaza	Torun, Poland	Retail & entertainment scheme	40,000	100	Operating, opened in November 2011
Liberec Plaza	Liberec, Czech Rep.	Retail & entertainment scheme	17,000	100	Operating, opened in March 2009
Riga Plaza	Riga, Latvia	Retail & entertainment scheme	49,000	50	Operating; opened in March, 2009
Koregaon Park Plaza	Pune, India	Retail, entertainment and office scheme	41,000	100	Operating; opened in March, 2012. Under sale

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

Operational review

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status *
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	467,000 (GBA including parking spaces)	75	Under planning; completion of the first phase is scheduled for 2017
Timisoara Plaza	Timisoara, Romania	Retail & entertainment scheme	40,000	100	Construction scheduled commence in 2015; completion scheduled for 2016
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	35,000	100	Construction scheduled commence in 2016; completion scheduled for 2017
Belgrade Plaza (MUP)	Belgrade, Serbia	Apartment-hotel and business center with a shopping gallery	63,000 (GBA)	100	Construction scheduled to commence in 2016; completion scheduled for 2017
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Construction scheduled commence in 2015; completion scheduled for 2017
Chennai	Chennai, India	Residential scheme	172,000 (for sale)	40	Construction scheduled to commence in late 2016; phased completion scheduled over 2016-2020
Operational Office Buildings					
David House	Budapest, Hungary	Office	2,000	100	Operational office
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational office

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

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status *
Pipeline Projects			**Plot size (sqm)**		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	25,000	100	Under planning and feasibility examination
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	18,000	100	Under planning and feasibility examination
Lodz (Residential)	Lodz, Poland	Residential scheme	33,000	100	Under planning and feasibility examination
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Under planning and feasibility examination
Csíki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Under planning and feasibility examination
Iasi Plaza	Iasi, Romania	Retail, entertainment and office scheme	46,500	100	Under planning and feasibility examination
Slatina Plaza	Slatina, Romania	Retail & entertainment scheme	24,000	100	Under planning and feasibility examination
Cina	Bucharest, Romania	Retail & office scheme	5,000 (49 years leashold)	100	Under planning and feasibility examination
Constanta Plaza	Constanta, Romania	Retail & entertainment scheme	26,500	100	Under planning and feasibility examination
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Under planning and feasibility examination
Pireas Plaza	Athens, Greece	Office scheme	15,000	100	Under planning and feasibility examination
Bangalore	Bangalore, India	Residential scheme	218,500	25	Under planning and feasibility examination

* All completion dates of the projects are subject to securing external financing and securing sufficient tenant's demand. Project that are classified as "Under planning and feasibility examination" – potential also to be sold as land.

Operational review

Details of these activities by country are as follows:

Poland

Plaza owns and operates three completed shopping and entertainment centers across Poland. During the year, each of the centers has delivered notable asset management successes, improving the overall occupancy of the Polish portfolio to above 95%.

Torun Plaza, which was completed and opened in late 2011, comprises approximately 40,000 sqm of GLA and is Plaza's tenth completed center in Poland. Occupancy level increased to 92.5% at year end. A total of 4,100 sqm of additional retail space was opened at the center in 2014, increasing the total lettable area of the shopping center by more than 10%. Among the most notable openings were TK Maxx, Sports Direct, Carry (replacing a previously underperforming tenant), Sinsay and various smaller fashion stores. As a result of these asset management initiatives and other marketing activities, the shopping center reported a significant increase in turnover (+21.2%) compared to 2013 and footfall also increased by 6.3% during the year.

Suwalki Plaza, comprising approximately 20,000 sqm of GLA with tenants such as H&M, Rossmann, New Yorker, KappAhl and Cinema Lumiere, continues to perform well. Occupancy increased to 97.7% (2013: 91%) and turnover increased by 7% during the year. Contracts with KIK, and several fashion stores, were signed for new premises during the year and to date, more than 87% of the existing tenants have signed lease options or renewals, with the fifth anniversary of the opening of the center approaching in May.

Significant operational improvement was also achieved at **Zgorzelec Plaza.** The 13,000 sqm shopping and entertainment center experienced strong occupancy growth in reaching 95.2% (2013: 91%), with the opening of a 547 sqm Carry and a number of small fashion and service stores. The center had an increase of 14.1% in turnover and 8.4% rise in footfall.

Feasibility and planning studies were also progressed at **Lodz Plaza** (comprising approximately 35,000 sqm of GLA) and construction is now scheduled to begin in late 2016, with completion expected in 2017.

Hungary

Plaza has a transferable land use right to a site adjacent to the **Arena Plaza**, on which it plans to develop a 40,000 sqm office complex extension to the existing shopping center. In line with Plaza's cautious approach to development, the Company will hold off on the commencement of any construction on the project until it is satisfied that a recovery in the Budapest office market and a general rise in both occupancy rates and rental levels is underway.

David House, an office building on Andrassy Boulevard, in Budapest, remains under the Company's ownership.

Czech Republic

Turnover at **Liberec Plaza** shopping and entertainment center (approximately 17,000 sqm GLA), which has been owned and managed by the Company since it opened in March 2009, improved by 8%, while occupancy remained steady at 85%.

Romania

Plaza holds a 75% interest in a joint venture with the Government of Romania to develop **Casa Radio** (Dambovita), the largest development plot in central Bucharest. The 467,000 sqm complex, including a 90,000 sqm GLA shopping mall and leisure center, offices, a hotel and a convention and conference hall, is planned for the site. The Company has obtained the PUD (Detailed Urban Permit) and the PUZ (Zonal Urban Plan) for the Dambovita Center Multifunctional Complex and completion of the first phase is scheduled for 2017. In light of the financial crisis, and in order to ensure a construction process that is aligned to current market conditions, the Company initiated preliminary discussions with the authorities (which are shareholders in the SPV and a party to the Public Private Partnership) regarding the future of the project. The Company has also officially notified the authorities that it will be seeking to redefine some of the terms in the existing PPP contract, including the timetable, structure and project milestones.

The Company has progressed the feasibility and planning studies and permitting of **Timisoara Plaza** (comprising approximately 40,000 sqm of GLA) and construction is scheduled to begin in 2015, with completion expected in 2016.

Latvia

At **Riga Plaza**, which is 50% owned by Plaza, occupancy increased to 99.49% (2013: 97%). H&M opened its largest store in Latvia (2,700 sqm) at Riga Plaza in April 2014, and another 1,060 sqm was leased to Elkor Kids. The shopping center had the second highest increase in turnover in the portfolio, with 15.6% increase in sales compared to the previous year, and a 7.2% increase in footfall.

The Latvian economy has continued to grow over 2014, despite the geopolitical turbulence in the region between the Ukraine and Russia. Unemployment has decreased and average salaries have increased, having a positive effect on the purchasing power of consumers and on the country's wider retail market.

Serbia

Plaza's most prominent investment in Serbia is a building in the central administrative district of Belgrade, which Plaza secured in a competitive tender and which housed the former Yugoslavian Government's Federal Ministry of Internal Affairs. Development plans for **Belgrade Plaza (MUP)** comprise a shopping gallery, an apartment-hotel and a business center, totalling circa 63,000 sqm. Construction is planned to commence in 2016 and scheduled for completion in 2017. Processes to secure the relevant local planning and permitting approvals are underway.

Planning permission has been granted for **Belgrade Plaza (Visnjicka)** (previously known by the project name Sport Star Plaza), with construction on the 32,000 sqm shopping and entertainment center set to commence this year and completion anticipated in 2017.

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

Greece

Plaza owns a development site in Athens, with plans intended for a 38,660 sqm mixed-use office and retail development, including 700 car parking spaces. While the project, **Pieras Plaza**, is currently under planning and feasibility examination, Plaza will wait until it is fully satisfied that the recovery in the office market and a general rise in both occupancy rates and rental levels is underway before beginning construction, in line with its cautious approach to development.

India

The Company has signed a preliminary non-binding agreement with an Indian based developer for the sale of **Koregaon Park** shopping and entertainment center in Pune, and it collected €2.6 million (INR 200 million) of advances in 2014 and 2015. The agreement is subject to certain conditions and discussions to complete the disposal are currently at an advanced stage.

In 2008, Plaza formed a 50:50 joint venture with Elbit Imaging (the "JV") to develop mega mixed-use projects in Bangalore, Chennai and Kochi. Under the terms of the agreement Plaza acquired a 47.5% stake in Elbit India Real Estate Holdings Limited, which had existing stakes in mixed-use projects in India, in conjunction with local Indian partners.

The JV projects are as follows:

Bangalore - This residential project, owned in an equal share between the JV and a prominent local developer, is located on the eastern side of Bangalore, India's fifth largest city with a population of more than eight million inhabitants. With a total built area of over 310,000 sqm, it will comprise over 1,100 luxury residential units when completed. In July 2010, the JV signed a new framework agreement with the local developer which, inter alia, decreased the scope of the project to 165 acres. Currently the project is in a planning and permitting phase. As at 31 December 2013, due to uncertainty around the Group's ability to progress the project in the foreseeable future, the Group recorded a €31 million writedown in expenses for the year.

Chennai - A residential development, which is 80% owned by the JV and 20% by a prominent local developer. The scheme will be developed into a residential project consisting of approximately 110,000 sqm of plotted area for development and approximately 62,000 sqm for high quality villas. Chennai is India's fourth largest city with a population of more than eight million inhabitants. The JV signed a Memorandum of Understanding (the "MOU") with a reputable local developer for the joint development of the project. On the basis of the MOU, the parties to the transaction have finalised the terms and conditions of the definitive Joint Development Agreement, and they intend to execute the Joint Development Transaction upon fulfilment of a certain conditions.

Financial review

Results

During 2014, Plaza remained focused on the execution of its strategy to dispose of the non-core assets in its portfolio in order to reallocate capital to its core yielding assets and to reduce debt levels.

The Company has designated its properties into three types:

- Completed trading properties projects
- Projects scheduled for construction
- Plots in the planning phase

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

In respect of the sites held, which are not intended to be developed in the near future, the Company is actively looking for buyers and does not hold the land passively with the intention to gain from a potential value increase. Sites scheduled for construction are intended to be developed and sold in the normal course of business once circumstances allow. For this reason we also believe that these are appropriately classified as trading properties. As at 31 December 2014, the trading properties were classified as non-current assets in the statement of financial position.

Income comprised rental income from operating shopping centers. In 2014, Plaza generated €22.1 million of income compared to €23.7 million in 2013. This includes rental income and service charges collected from the tenants. The rental income in 2014 was €15.4 million while in 2013 it was €16.6 million. The decrease is a result of the strategic sale of Kragujevac Plaza in mid-2014 (c. €1.1 million of income) and also by the sale of other undeveloped projects. A 3.5% increase in 2014 in NOI from the operation of shopping centers (from €17 million to €17.6 million, including company share in NOI from commercial center of Riga, Latvia). Excluding the impact of the commercial center Kragujevac, which was sold in the summer of 2014, the Group recorded a 13% increase in NOI from the operation of shopping centers (from €13.2 million to €14.9 million). Income from the Group's Fantasy Park operation, which provides gaming and entertainment services in Plaza's active shopping centers, decreased to €1.7 million from €3.3 million in 2013 following the operational closure of some units in the Group's shopping centers.

The disposal of Kragujevac Plaza also led to a decrease in operating costs from €9.4 million 2013 to €8.5 million in 2014. The cost of the Fantasy Park operations also decreased from €4 million in 2013 to €2.2 million in 2014 after the closures.

A writedown of trading properties amounted to €87 million in 2014 (€118 million in 2013), comprising projects in Romania (€51.3 million); India (€10 million); Greece (€11 million); Serbia (€6 million); Poland (€6 million); Czech Republic (€2 million); and Bulgaria (€1 million).

The writedown in relation to joint ventures classified as equity accounted investments amounted to €1.7 million in 2014 and €56 million in 2013. The writedown relates to Plaza's Indian project (Chennai) and was slightly offset by the €0.4 million increase in the value of Riga Plaza (Latvia).

The Company's active efforts to reduce costs bore fruit as administrative costs fell by 20% to €7.4 million (2013: €9.4 million), comprising a decrease in payroll and employee related expenses (€1 million) and a decrease in the expense of professional service providers (€0.8 million).

Other expenses net a reduction from €11 million in 2013 to nil (where a change in the fair value of the Prague 3 investment property and an impairment of advances received in connection with the Kochi project in India were recorded). The net result in 2014 is attributable to the €2.3 million insurance pay out received in connection with the Koregaon Park fire incident, the expenses resulting from the impairment of other assets (mainly Palazzo Ducale office in Romania €0.7 million) and a loss on the disposal of other assets (€1.5 million).

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

A net finance loss of €35.6 million was recorded in 2014, compared to a net finance cost of €39.3 million in 2013.

Finance income remained at the same level (€1.3 million) attributable to the settlement of the airplane loan (with a gain recorded of €0.6 million).

Finance expenses decreased from €40.6 million to €36.8 million (in 2013 borrowing costs of €6.5 million were capitalised). The main components of the expenses were:

Roy Linden
Chief Financial Officer

- Interest expense on debentures (€5.3 million compared to €9.6 million in 2013)

- €9.6 million interest expense on bank borrowings compared to €10.7 million in 2013

- Change in the fair value of debentures measured at fair value due to the successful conclusion of the restructuring process and the changes in the exchange rate of EUR/NIS (€21.3 million in 2014 while €13.2 million in 2013).

A tax benefit of €1.3 million recorded in the consolidated income statement largely represents the creation of deferred tax assets attributed to the Polish operations.

As a result of the above, the loss for the year amounted to c. €120 million in 2014, compared to €218 million in 2013. Basic and diluted loss per share for 2014 was €0.39 (2013: €0.73).

Balance sheet and cash flow

The balance sheet as at 31 December 2014 showed total assets of €466 million, compared to total assets of €586 million at the end of 2013. The decrease was mainly driven by the writedown of trading properties and equity accounted investees, as well as the disposal of assets and cash used for repayment of debt.

The Company's consolidated cash position (including restricted bank deposits, short term deposits and held for trading financial assets) increased to €41.7 million (31 December 2013: €33.7 million) after the sale of assets and capital raised during the rights issuance. Gearing increased to 74% (31 December 2013: 64%) as a result of impairment losses and finance costs incurred during the year.

Trading property values decreased from €495 million in 2013 to €371 million in 2014 as result of writedowns booked in the period and the selling of assets. At the end of the year, trading properties were classified as non-current assets due to uncertainties around the development and commencement dates.

Plaza has on its balance sheet a €42 million investment in equity accounted investees which includes joint venture projects. The only operating asset currently classified under this heading is Riga Plaza. The remainder are the two development sites in India (Bangalore and Chennai). The value has increased by €2 million since 2013, as a result of various factors. It has increased by €1.6 million by the share in results and by €2.7 million due to exchange rate movements, while it has decreased by €2.7 million due to disposals and impairments.

Total bank borrowings (long and short term) amounted to €150.8 million (31 December 2013: €175.5 million). This decrease is primarily the result of loans repaid during the year, largely through the proceeds of the Kragujevac Plaza disposal.

Apart from bank financing, Plaza has a balance sheet liability of €162.9 million (with an adjusted par value of circa €191.5 million) from issuing debentures on the Tel Aviv Stock Exchange and to Polish institutional investors. These debentures are presented at amortised cost.

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

As at 31 December 2014, the net balance of the Company, with its controlling shareholders, is a liability of approximately €1.2 million, in the main related to projects in India.

Other current liabilities have increased from €11.2 million to €13.2 million in 2014. The increase is attributable to the advance payment received in respect of a potential sale of Koregaon Park in India and the disposal of land in Romania.

The total equity decreased from €210 million in 2013 to €120 million in 2014 due to a €119.7 million loss suffered mainly from writedowns, the result of rights issuances (net of issuance costs) and allocation of shares to bondholders under the debt arrangement (€24.7 million addition) and from a €4 million increase in the translation reserve connected to the Indian operations of the Company, stemming from the strengthening of the Indian Rupee against the Euro.

Roy Linden
Chief Financial Officer
19 March 2015

Valuation summary by Cushman and Wakefield

as at 31 December 2014 (in EUR)[1]

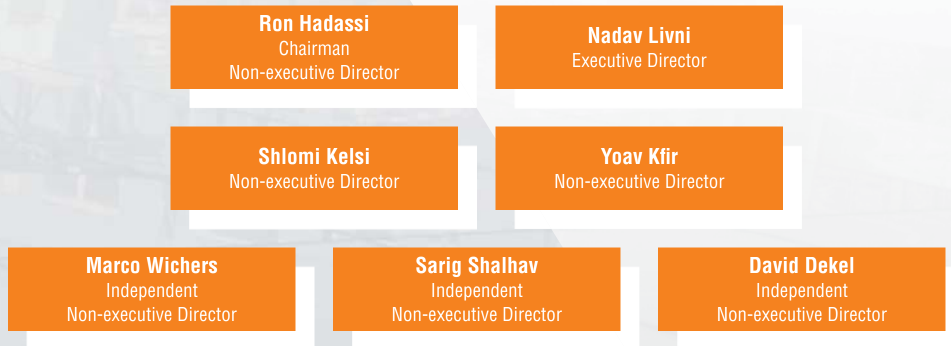
Country	Project name	Market value of the land and project 31 December 2013	Market value of the land and project 31 December 2014	Market value upon completion 31 December 2013	Market value upon completion 31 December 2014
Hungary	Arena Plaza Extension	7,800,000	**6,650,000**	88,941,000	**87,353,000**
	David House	3,950,000	**2,625,000**	3,950,000	**2,625,000**
Poland	Torun Plaza	97,580,000	**96,300,000**	97,580,000	**96,300,000**
	Zgorzelec Plaza	17,125,000	**13,450,000**	17,125,000	**13,450,000**
	Suwalki Plaza	43,525,000	**43,075,000**	43,525,000	**43,075,000**
	Lodz (Residential)	6,500,000	**4,800,000**	89,331,000	**86,448,000**
	Lodz Plaza	7,925,000	**7,400,000**	74,214,000	**70,911,000**
	Leszno Plaza	1,719,000	**800,000**	n/a[2]	**n/a[2]**
	Kielce Plaza	5,350,000[3]	**3,600,000**	75,502,000	**70,158,000**
Czech Republic	Liberec Plaza	17,675,000	**15,725,000**	17,675,000	**15,725,000**
Romania	Palazzo Ducale	1,800,000	**1,320,000**	1,800,000	**1,320,000**
	Casa Radio	130,613,000	**87,075,000**	622,880,000	**555,138,000**
	Timisoara Plaza	10,825,000	**8,940,000**	76,965,000	**72,283,000**
	Csiki Plaza (Miercurea Ciuc)	5,625,000	**2,460,000[3]**	14,868,000	**14,276,000**
	Hunedoara Plaza	2,375,000	**SOLD**	9,959,000	**SOLD**
	Slatina Plaza	1,650,000	**1,000,000**	40,920,000	**30,151,000**
	Iasi Plaza	11,550,000	**7,280,000**	94,946,000	**82,355,000**
	Targu Mures	6,175,000[3]	**SOLD**	72,344,000	**SOLD**
	Constanta Plaza	6,300,000	**3,300,000[3]**	n/a[2]	**3,300,000**
	Brasov	n/a	**1,990,000**	n/a	**147,039,000**
Latvia	Riga Plaza	43,863,000	**45,000,000**	43,863,000	**45,000,000**
Greece	Pireas Plaza	15,300,000	**4,475,000**	94,555,000	**73,141,000**
India	Koregaon Park Plaza	n/a	**33,816,000**	n/a	**33,816,000**
	Bangalore	12,251,000	**14,206,000**	90,665,000	**109,646,000**
	Chennai	11,272,000	**10,032,000**	39,899,000	**18,709,000**
Bulgaria	Shumen Plaza	2,125,000	**1,025,000**	31,260,000	**29,176,000**
Serbia	Belgrade Plaza (MUP)	16,150,000	**13,650,000**	145,729,000	**153,831,000**
	Belgrade Plaza (Visnjicka)	19,025,000	**18,850,000**	108,309,000	**91,299,000**
	Kragujevac Plaza	41,775,000	**SOLD**	41,775,000	**SOLD**
TOTAL		**547,823,000**	**448,844,000**	**2,038,580,000**	**1,946,525,000**

1 Rounded to nearest thousand.
2 Assets were valued with the comparative sales price method, no value at completion was estimated.
3 The Company applied a more conservative approach, and lower value was used in the financial statements than in the valuation report.

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

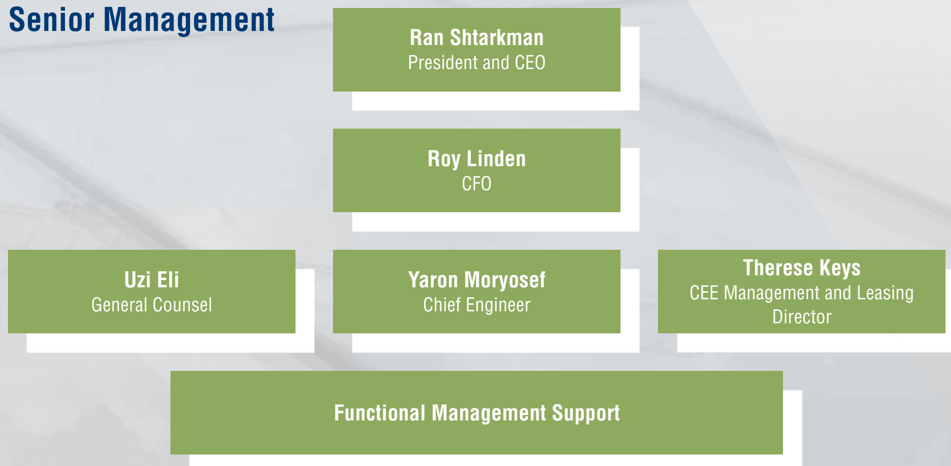
Management structure

Plaza Centers' Board



- Oversight of company strategy and all project development decisions
- Wide-ranging property development expertise
- Review and approval of business plan and budgets
- Active management and monitoring of development risks

Senior Management



- Experienced property development professionals with global property development expertise
- Responsible for sourcing development projects
- Development of business plans
- Overseeing the management of development projects

Local Country Management

- Extensive local experience
- Cultivating connections within market to source opportunities
- Day-to-day management of local operations and developments

Board of Directors and Senior management

Chairman

Mr. Ron Hadassi, Non-executive director (male, 50, Israeli)
Mr. Ron Hadassi has a broad experience in leading real estate firms. Mr. Hadassi currently is the senior manager of Bronfman-Fisher Group, engaged in industry, real estate, finance and retail and holds various positions within the Bronfman-Fisher Group. He also serves on the Board of Directors of the controlling shareholder and Carmel Winery and he is the chairman of Elbit Medical Technologies Ltd. Mr. Hadassi holds a BA in economics, political science, an LLB and an MBA from the Tel Aviv University. Mr. Hadassi was appointed as an executive director on 8 July 2014 and elected as a chairman and non-executive director on 28 November 2014. Mr. Hadassi may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Hadassi will have expressed his availability for a subsequent term of office.

Executive director

Mr. Nadav Livni, (male, 41, British)
Mr. Nadav Livni is the founder of The Hillview Group, an independent privately owned merchant bank based in London. Since 2006, The Hillview Group has expertly managed over $3.5 billion of strategic capital market transactions across Central and Eastern Europe, Russia, Africa and USA. Mr. Livni previously worked at Deutsche Bank, Goldman Sachs and KPMG. He also serves on the board of EI. Mr. Livni is a qualified chartered accountant, holds a Bachelor of Commerce (honours in economics), a Master of Science (finance), and is a guest speaker on the topics of private equity and real estate investment at London Business School. Mr. Livni was appointed as a non-executive director on 8 July 2014 and elected as an executive director on 28 November 2014. Mr. Livni may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Livni will have expressed his availability for a subsequent term of office.

Non-executive directors

Mr. Shlomi Kelsi (male, 43, Israeli)
Mr. Shlomi Kelsi is currently the managing director of all holding subsidiaries of Ampal-American Israel Corporation, which was one of the largest investment companies in Israel, traded on the NASDAQ and the Tel Aviv Stock Exchange. He also serves on the Board of Elbit Imaging Ltd. Mr. Kelsi holds an MSc in finance from the Tel Aviv University. He is a certified public accountant (CPA, Israel) and holds a BA in accounting and economics (summa cum laude) from the Tel Aviv University. Mr. Kelsi was appointed as a non-executive director on 8 July 2014. Mr. Kelsi may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Kelsi will have expressed his availability for a subsequent term of office.

Mr. Yoav Kfir (male, 43, Israeli)
Mr. Yoav Kfir serves as the founder and managing director of VAR Group. He has served as interim chief executive officer, chief financial officer, advisor or court appointed officer, crisis manager and trustee with respect to various companies. He currently serves as Board and Audit Committee member at Elbit Imaging Ltd, Plaza Centers N.V. and Elbit Medical and served in such capacities in Orkit Communications Ltd. Among his roles, Mr. Kfir served as a Creditors' Committee member in the restructuring process at Elbit; receiver and trustee to Alvarion Ltd; financial advisor to Moti Ben Moshe and the Extra Holding Group in the IDB Group take-over and restructuring process; trustee to Eshbal Technologies Ltd; and a court-appointed expert to Sunny Electronics Ltd. Prior to founding VAR Group, he managed auditing projects as well as business development at Kesselman & Kesselman, a member of PwC International. Mr. Kfir is the sole non-government member of the Friends' Society of Jerusalem Mental Hospitals and serves on several audit committees of non-profit organisations. He holds a BA in business administration from the College of Management, Rishon LeZiyon and is a certified public accountant (CPA, Israel). Mr. Kfir was appointed as a non-executive director on 8 July 2014. Mr. Kfir may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Kfir will have expressed his availability for a subsequent term of office.

Independent non-executive directors

Mr. Marco Habib Wichers (male, 56, Dutch)
Mr. Marco Habib Wichers is currently the chief executive officer of Branco Europe B.V. Between 1994 and 2013 he acted as the CEO of AMGEA Holding B.V. Between 1988 and 1995, he acted as the CEO of Branco International Inc. New York (a manufacturing company) and between 1983 and 1995 he acted as the CEO and owner of Cravat Club, Inc. New York (a manufacturing company). Mr. Wichers holds a degree in economics and marketing from the International University of Hospitality Management. Mr. Wichers was appointed as non-executive director on 1 November 2006. In November 2011, he was appointed as chairman of the Board. The General Meeting appointed Mr. Wichers as non-executive director, in accordance with the Dutch Act on Management and Supervision (Wet bestuur en toezicht) on 20 November 2012. Mr. Wichers has been re-elected in accordance with article 23.6 of the Articles, by the General Meeting on 8 July 2014. Mr. Wichers may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Wichers will have expressed his availability for a subsequent term of office.

Mr. Sarig Shalhav (male, 41, Dutch)
Mr. Sarig Shalhav is a lawyer and tax counsel and has extensive experience on commercial real estate and real estate finance transactions and advises multinational businesses, government agencies, private equity houses and banks on a wide range of real estate and real estate finance related matters. In addition he acts as a counsel in restructuring and enforcement scenarios, buyout and venture capital transactions. Mr. Shalhav holds an LLB degree in law from Manchester University, an LLM degree in international business law and a PhD in international taxation from Amsterdam University. He has been working with leading law firms and major audit & tax corporations. Mr. Shalhav was appointed as a non-executive director by the General Meeting on 19 December 2013. Mr. Shalhav may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Shalhav will have expressed his availability for a subsequent term of office.

Mr. David Dekel (male, 50, Dutch)
Mr. David Dekel is currently a non-executive director at Nanette Real Estate Group N.V., a residential developer, operating in Central Europe. He is the founder and chief executive officer of Endeavour Enterprises N.V. from Amster-

dam, the Netherlands and has several other managerial functions.
Mr. Dekel holds a BBA from the Delta University in Utrecht, the Netherlands and an MBA from the University of Teesside (the Hague extension) in the Hague, the Netherlands. Mr. Dekel was appointed as a non-executive director on 8 July 2014. Mr. Dekel may periodically be re-elected by the Annual General Meeting pursuant to article 23.6 of the Articles, provided that Mr. Dekel will have expressed his availability for a subsequent term of office.

Senior management

Mr. Ran Shtarkman (47) CPA, MBA, President & CEO
Mr. Ran Shtarkman joined the Company in 2002. He was appointed chief financial officer of the Company in 2004, and he was appointed chief executive officer in 2006. Prior to his joining the Company, Mr. Shtarkman acted as CFO of SPL Software Ltd., the finance and administration manager of the Israeli representative office of Continental Airlines (a publicly traded company – New York Stock Exchange), and the controller of Natour Ltd. (a publicly traded company – TASE). Mr. Shtarkman holds a BA degree in accounting and economics from the Tel Aviv University and an MBA degree from Ben-Guryon University of the Negev. Mr. Shtarkman was initially appointed as an executive director on 12 September 2006 and as president of the Company in 2007. He was dismissed from his position as executive director by the Annual General Meeting on 8 July 2014 after which he remained with the Company as chief executive officer. The term "chief executive officer" is not a concept of Dutch law and, as per the amendment of 18 August 2014, this term has been deleted from the Articles therewith introducing the possibility to grant the – unofficial – title to persons not being members of the Board. The Board has resolved to grant Mr. Shtarkman the title of chief executive officer, to emphasise the importance of Mr. Shtarkman's presence with the Company.

Mr. Roy Linden (38) BBA, CPA (USA, Isr), Chief Financial Officer
Mr. Roy Linden joined the Company in November 2006 and has acted as chief financial officer since then. Prior to joining the Company, he served as manager in the real estate desk of KPMG in Hungary for nearly four years, specialising in auditing, business advisory, local and international taxation for companies operating throughout the CEE region. He also served as a senior member of an audit team of Ernst and Young in Israel for three years and specialised in high-tech companies. Mr. Linden holds a BBA degree in accounting from the College of Management Academic Studies and he is a certified public accountant in Israel and in the United States.

Mr. Uzi Eli (39) LLB, Attorney at Law (Isr), MBA, General Counsel and Compliance Officer
Mr. Uzi Eli joined the Company as general counsel and compliance officer in 2007. Prior to joining the Company, he practised law in two leading commercial law firms in Israel. His main practice concentrated in commercial and corporate law, providing ongoing legal services to corporate clients (mainly hi-tech and bio-tech companies and venture capital funds) in all aspects of corporate governance, and representation in various transactions, such as financing and M&A transactions and other wide varieties of licensing and technology transactions. Mr. Eli holds a LLB degree and an MBA degree from the College of Management Academic Studies and he is an attorney at law.

Mr. Yaron Moryosef (41) BSc, Chief Engineer
Mr. Yaron Moryosef joined the Company in 2007. Prior to joining the Company, he acted as the site engineer of the Arena Herzelia shopping and entertainment center, which was developed by Elbit Imaging Ltd. At the Company he was acting as the project manager of Romanian projects. In 2010 Mr. Moryosef became the Company's country chief engineer in Romania and on 1 August 2012 he was appointed as the Group's chief engineer and head of construction.

Mr. Luc Ronsmans (64) MBA, The Netherlands and Romania Country Director
Mr. Luc Ronsmans joined the Europe Israel Group in 1999. Located in Amsterdam and Bucharest, he acts as manager for European operations for both the company and its group affiliates. Prior to joining the Europe Israel Group, Mr. Ronsmans was active in the banking sector, holding managerial positions with Manufacturers Hanover Bank, Continental Bank (Chigaco), AnHyp Bank and Bank Naggelmachers in Belgium.

Mr. Dori Keren (45) BA, MBA, BB in Accounting, Poland and Latvia Country Director
Mr. Dori Keren joined Plaza Centers in 2006 as financial director of Poland and Latvia and was appointed Poland country director in 2013. Prior thereto, he worked in Israel for 10 years in variety of financial jobs in positions which accompany business activity as economist, financial controller and CFO.

Mr. Oren Kolton (39) BSc, MSc, MBA, Republic of India Country Director
Mr. Oren Kolton has served as the India country director for Elbit Imaging Group ventures in India since January 2010. From mid 2007 to December 2009, he has served as Elbit's vice president of business development Asia. Prior to joining the Elbit Imaging Group in April 2005, he served as a faculty member at the civil engineering faculty, in the Technion – the Israel Institute of Technology –, where he was involved in research and taught undergraduate management courses. Mr. Kolton holds a BSc (magna cum laude) in civil engineering and MSc in construction management from the Technion, and an MBA in financing and marketing from the Tel Aviv University.

Mr. Rabia Shihab (36) BA, CPA, Czech Republic, Serbia and Balkan States Country Director
Mr. Rabia Shihab joined Plaza Centers in June 2008 as financial director of Romania and Bulgaria. From November 2011, he has been serving as the financial director of Serbia and the Czech Republic. On March 2014, he was additionally appointed as the country manager. Prior joining Plaza Centers, he served as financial controller for Tefron Ltd. Mr. Shihab holds Bachelor degree of economics from the Hebrew University of Jerusalem.

Ms. Therese Keys (44) Bbus (Marketing), CEE Management and Leasing Director
Ms. Therese Keys joined the Plaza team in January 2013 as CEE Management and Leasing Director. Prior to joining Plaza Centers, she was involved for 9 years in land acquisition and commercial, and residential development in the Balkans. Before moving to Eastern Europe Ms. Keys worked for 10 years in the shopping center industry in Australia, initially with the Stockland Trust Group, and then The Westfield Group. Roles in these companies included development, management, marketing and leasing of shopping centers.

Directors' report*

Principal activities and review of business

Plaza Centers N.V. is a leading developer of shopping and entertainment centers with a focus on the emerging markets of Central and Eastern Europe ("CEE"), where it has operated since 1996 when it became the first company to develop western-style shopping and entertainment centers in Hungary. This followed its early recognition of the growing middle class and increasingly affluent consumer base in such markets.

Since then, it has expanded its CEE operations into Poland, the Czech Republic, Latvia, Romania and Serbia. In addition, the Group has extended its area of operations beyond the CEE into India and the US. The Group has been present in real estate development in emerging markets for over 19 years. To date, the Group has developed, let and opened 33 shopping and entertainment centers and one office building. 21 of these centers were acquired by Klepierre, one of the largest shopping center owners/operators in Europe. Four additional shopping and entertainment centers were sold to the Dawnay Day Group, one of the UK's leading institutional property investors at that time. One shopping center (Arena Plaza in Budapest, Hungary) was sold to Active Asset Investment Management ("AAIM"), a UK commercial property investment group and one shopping center (Kragujevac Plaza in Serbia) was sold in 2014 to New Europe Property Investments plc ("NEPI"), a publicly traded commercial property investor and developer in Eastern Europe, holding 26 income producing assets. The remaining six centers, which were completed during 2009, 2010, 2011 and 2012 are being held and managed by the Company, while utilising the Company's extensive experience in managing retail assets.

For a more detailed status of current activities and projects, the directors refer to the President and Chief Executive Officer's statement on pages 28 to 30 as well as to the following chapters: Overview, Business Review and Management and Governance.

For an overview of subsequent events refer to note 33 to the consolidated financial statements.

Pipeline projects

The Company is active in seeking new sites and development opportunities in countries in which the Company is currently operating. The Company is also analysing and contemplating investment in further countries that meet its development arameters and investment criteria.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities and debentures, as disclosed in notes 12 and 17 of the consolidated financial statements.

The Board of Directors have analysed the following two major risks associated with the preparation of the financial statements included in the annual report:

1 Extensive review and assessment of the real estate valuation process, together with senior management and the external valuators of the Company as of 31 December 2014, which is the base for important disclosures included in the Company's 2014 financial reports.
2 Review and assessment of the features of the debt restructuring plan details, including prospective cash outflow, covenants and comply with these elements.

Based on the above assessments, done for the period of 12 months following the signature of these reports, the Board of Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due.

Dividends

The Company shall not make any dividend distributions, unless (i) at least 75% of the unpaid principal balance of the debentures (€199 million) has been repaid and the coverage ratio on the last examination date prior to such distribution is not less than 150% following such distribution, or (ii) a majority of the plan creditors consents to the proposed distribution.

Notwithstanding the aforesaid, in the event an additional capital injection of at least €20 million occurs, then after one year following the date of the additional capital injection, no restrictions other than those under restructuring plan as specified on page 54 and the applicable law shall apply to dividend distributions in an aggregate amount up to 50% of such additional capital injection.

Directors' interests

The directors have no interests in the shares of the Company, other than the directors' share options as given on page 64 of this report.

Directors and appointments

The following served as directors of the Company at 31 December 2014:

Ron Hadassi – Chairman, Non-executive director
Nadav Livni – Executive director
Shlomi Kelsi – Non-executive director
Yoav Kfir – Non-executive director
Marco Wichers – Independent non-executive director
Sarig Shalhav – Independent non-executive director
David Dekel – Independent non-executive director

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

Directors' report

The General Meeting of Shareholders is the corporate body authorised to appoint and dismiss the directors. All directors in function, unless they are retiring, submit themselves for re-election every three years, pursuant to the rotation scheme for directors as laid down in Article 15.3 of the Articles of Association. The General Meeting of Shareholders is entitled to suspend and dismiss directors by a simple majority vote.

Substantial shareholdings

As of the balance sheet date, Burlington Loan Management Limited held approximately 26.3%%*, SC Fundamental Value Fund LP held approximately 4.76% and York Capital Management Global Advisors held approximately 3.64% of the entire issued share capital of the Company. Other than that and except as disclosed under "directors' interests" above, the Company is not aware of any additional interests amounting to 3% or more in the Company's shares besides that of its parent company Elbit Imaging Ltd.

Issue of shares

Pursuant to the Articles of Association, the General Meeting of Shareholders is the corporate body authorised to issue shares and to disapply pre-emption rights. In each Annual General Meeting, the General Meeting of Shareholders is requested to delegate these powers to the Board. The scope of this power of the Board shall be determined by the resolution of the General Meeting of Shareholders to give the authorisation. Typically, the Company requests in each Annual General Meeting of Shareholders the authorisation for the Board to issue shares up to an aggregate nominal value of 33% of the then issued share capital and an authorisation for the Board to disapply pre-emption rights which is limited to the allotment of shares up to a maximum aggregate nominal amount of 10% of the then issued share capital. The authorisation is valid for a period ending on the date of the next Annual General Meeting.

Employee involvement

The Company has 120 employees and other persons providing similar services. In 2013 the Group had 136 employees and other persons providing similar services. The management does not expect significant changes in the development of the number of employees, following the reorganisation process in recent years. The Company's employees are vital to its ongoing success. It is therefore important that all levels of staff are involved in its decision-making processes. To this end, the Company has an open culture and flexible structure, and staff are encouraged formally and informally to become involved in discussions on the Company's future strategy and developments. Employee share option schemes were adopted on 26 October 2006 (as was amended in October 2008 and November 2011) and on 22 November 2011, which enable employees to share directly in the success of the Company.

Annual General Meeting (AGM)

The Annual General Meeting of Shareholders is held every year within six months from the end of the financial year in order to discuss and approve the annual report and adopt (vaststellen) the Dutch statutory annual accounts, discharge of the directors from their liability for the conduct of business in the preceding year and any other issues mentioned below.

The main powers of the General Meeting of Shareholders relate to the appointment of members of the Board, the adoption of the annual financial statements, declaration of dividend, release the Board's members from liability and amendments to the Articles of Association.

The Annual General Meeting of Shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, the Netherlands on 8 July 2014 at 10.30 am (CET).

In this AGM, inter alia, the following resolutions were proposed to the shareholders: (i) to approve the Company's Dutch statutory annual accounts and annual report for the 2013 financial year being drawn up in the English language; (ii) to adopt the Company's Dutch statutory annual accounts for the year ended 31 December 2013; (iii) not to distribute any dividend to the holders of ordinary shares in respect of the year ended 31 December 2013; (iv) to discharge the directors of the Company from their liability for the conduct of business for the year ended 31 December 2013; (v) to appoint Mazars Paardekooper Hoffman Accountants N.V. as the external auditor for the 2014 financial year; (vi) to amend the Company's Articles of Association relating to the proposed listing of the Company's ordinary shares on the Tel Aviv Stock Exchange; (vii) to grant power of attorney to have the notarial deed of amendment of the Articles of Association executed; (viii) to authorise the Board generally and unconditionally to exercise all powers of the Company to allot equity securities in the Company up to 98,071,426 (ninety eight million seventy one thousand four hundred twenty-six) ordinary shares, being 33 per cent of the Company's issued ordinary share capital as at the date of the notice for the Annual General Meeting, provided that such authority shall expire on the conclusion of the Annual General Meeting to be held in 2015, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (ix) to designate the Board, generally and unconditionally, as the competent body to restrict or exclude pre-emptive rights upon issuing ordinary shares set out in article 6 of the Company's Articles of Association, such power to expire at the conclusion of the next Annual General Meeting to be held in 2015, and the Board

* As of 19 December 2014, based on the latest disclosed positions made by Davidson Kempner Capital Management LLC ("DK"). Burlington Loan Management Limited holds 23.89%. and DK holds 2.4% directly.

may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of the equity securities up to the percentage of 10% of the issued capital of the Company at the date of the notice for this Annual General Meeting, being 29,718,614 (twenty nine million seven hundred eighteen thousand six hundred fourteen) ordinary shares in the capital of the Company; (x) to approve the contemplated admission to trading of the Company's ordinary shares on the Tel Aviv Stock Exchange; (xi) to re-elect as a non-executive director, Mr. Marco Habib Wichers; (xii) to honourably dismiss Mr. Mordechay Zisser from his position as executive director, in accordance with article 15 paragraph 1 of the Articles of Association; (xiii) to honourably dismiss Mr. Ran Shtarkman from his position as executive director, in accordance with article 15 paragraph 1 of the Articles of Association, (xiv) to honourably dismiss Mr. Shimon Yitzchaki from his position as non-executive director, in accordance with article 15 paragraph 1 of the Articles of Association; (xv) to honourably dismiss Mr. Marius Willem van Eibergen Santhagens from his position as non-executive director, in accordance with article 15 paragraph 1 of the Articles of Association; (xvi) to appoint, in accordance with article 15 of the Articles of Association, Mr. Ron Hadassi as executive director of the Company; (xvii) to appoint, in accordance with article 15 of the Articles of Association, Mr. David Dekel as non-executive director of the Company; (xviii) to appoint, in accordance with article 15 of the Articles of Association, Mr. Shlomi Kelsi as non-executive director of the Company; (xix) to appoint, in accordance with article 15 of the Articles of Association, Mr. Yoav Kfir as non-executive director of the Company and (xx) to appoint, in accordance with article 15 of the Articles of Association, Mr. Nadav Livni as non-executive director of the Company.

All proposed resolutions were passed, save for the proposed resolution to appoint the external auditor of the Company for the 2014 financial year under item (v) herein above which was not brought to vote and the resolution was included in the agenda of the Extraordinary General Meeting specified herein below.

Extraordinary General Meeting (EGM)

An Extraordinary General Meeting of Shareholders was held at Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, the Netherlands on 28 November 2014 at 10am (CET). The background of the EGM is detailed on pages 8 and 9. In this EGM, inter alia, the following resolutions were proposed to the shareholders: (i) to designate the Board, generally and unconditionally as the competent body to issue ordinary shares to cover the issue of new ordinary shares and the escrow shares (including rights to acquire ordinary shares) up to an aggregate nominal amount of €7,028,138.62 (seven million twenty eight thousand hundred thirty eight euro and sixty two eurocent), being the unissued part of the Company's authorised share capital (maatschappelijk kapitaal) as at the date of the notice of the EGM being €10,000,000 (ten million euro), provided that such authority shall expire on the conclusion of the Annual General Meeting to be held in 2015 unless previously renewed, varied or revoked by the General Meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (ii) to designate the Board, generally and unconditionally, as the competent body to restrict or exclude pre-emptive rights upon issuing ordinary shares to cover the issue of new ordinary shares and the escrow shares such power to expire at the conclusion of the Annual General Meeting to be held in 2015, and the Board may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of equity securities (including rights to acquire equity securities) up to a maximum aggregate nominal amount of €7,028,138.62 (seven million twenty eight thousand hundred thirty eight euro and sixty two eurocent), being the unissued part of the Company's authorised share capital as at the date of the notice of the EGM being €10,000,000 (ten million euro); (iii) to designate the Board, generally and unconditionally as the competent body to issue ordinary shares (including rights to acquire ordinary shares) to cover the issue of the bondholders' shares and any additional placing shares) up to an aggregate nominal amount of €7,028,138.62 (seven million twenty eight thousand hundred thirty eight euro and sixty two eurocent), being the unissued part of the Company's authorised share capital as at the date of this notice being €10,000,000 (ten million euro), provided that such authority shall expire on the conclusion of the Annual General Meeting to be held in 2015 unless previously renewed, varied or revoked by the General Meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (iv) to designate the Board, generally and unconditionally, as the competent body to restrict or exclude pre-emptive rights upon issuing bondholders' shares and any additional placing shares such power to expire at the conclusion of the annual general meeting to be held in 2015, and the Board may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of equity securities (including rights to acquire equity securities) up to a maximum aggregate nominal amount of €7,028,138.62 (seven million twenty eight thousand hundred thirty eight euro and sixty two eurocent), being the unissued part of the Company's authorised share capital as at the date of this notice being €10,000,000 (ten million euro); (v) to approve the arrangements under the Controlling Shareholders Undertaking, including, without limitation, approving the undertaking by Elbit Ultrasound Luxembourg ("EUL") that to the extent that not all shareholders take up their rights to subscribe for new ordinary shares under the rights offering, to subscribe, and/

or procure that other persons subscribe, for such number of rump shares (being ordinary shares left in the rights offering due to the fact that not all shareholders have exercised their rights) at the rights offering price such that the aggregate consideration to be received by the Company pursuant to the rights offering, together with the consideration received from the bondholders (or their nominees) in respect of the escrow shares, shall not be less than €20 million); approving the Board to issue additional placing shares to EUL or persons nominated by it; and approving the placing of the additional placing shares at the rights offering price at what may, at the time of the issuance of such shares, be a discount of more than 10 per cent to the middle market quotation of the Company's ordinary shares as derived from the daily official list or any other publication of a recognised international exchange showing quotations for listed securities for the relevant date; (vi) to amend the Company's Articles of Association; (vii) to grant power of attorney to have the notarial deed of amendment of the Articles of Association executed; (viii) to appoint Grant Thornton Accountants en Adviseurs B.V as the external auditor for the 2014 financial year; (ix) to dismiss Mr. Nadav Livni from his position as non-executive director of the Company, in accordance with article 23.4 of the Articles of Association and proposal to appoint Mr. Nadav Livni as executive director of the Company, in accordance with article 23 of the Articles of Association; (x) to dismiss Mr. Ron Hadassi from his position as executive director of the Company, in accordance with article 23.4 of the Articles of Association and proposal to appoint Mr. Ron Hadassi as non-executive director of the Company, in accordance with article 23 of the Articles of Association; (xi) to approve the terms of the appointment letter relating to Mr. Livni; (xii) to approve the terms of appointment of Mr. Ron Hadassi;(xiii) to approve the terms of appointment of Mr. Yoav Kfir; (xiv) to approve the terms of appointment of Mr. Shlomi Kelsi and (xv) to approve the terms of appointment of Mr. David Dekel.

All proposed resolutions were passed.

Article 10 of Directive 2004/25

With regard to the information referred to in the resolution of Article 10 of the EC Directive pertaining to a takeover bid which is required to be provided according to the Dutch law, the following can be reported:

- There are no special restrictions on the transfer of the shares of the Company.
- There are no special statutory rights related to the shares of the Company.
- There are no restrictions on the voting rights on the Company's shares.
- Information on significant shareholding can be found above.
- There are no agreements between the shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights.
- The applicable provisions regarding the appointment and dismissal of members of the Board and amendments to the Articles of Association are set forth above.
- The power of the Board regarding the issue of shares and the exclusion of pre-emption rights and the repurchase of shares in the Company can be found above.
- There are no significant agreements to which the Company is a party and which take effect alter or terminate upon a change of control of the Company following a takeover bid.
- There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.
- Other information can be found in the notes to the financial statements (please see note 19 - Equity)

Forecast

Plaza continues to evaluate its extensive development pipeline, which it believes offers significant opportunities. Plaza remains prudent and pragmatic in its approach to deploying significant levels of equity to commence new projects. This being said, Plaza continues to progress a limited number of projects in the most resilient countries in 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 in Poland, as well as Timisoara Plaza in Romania will be the next centers to commence construction.

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

Following the successful completion of the restructuring plan, Plaza has confidence in the long term future growth of the Company and the management is resolute in its belief that, with the ongoing support of the Group's bondholders and shareholders, the delivery of the strategy, together with the brightening economic outlook, will result in the delivery of value and growth to the Company's investors.

Plaza is on various stages of negotiation for selling part of its assets, but currently there are no signed agreements or head of terms in place, except the agreement to sell Koregaon Park in India and pre-agreement for selling of leasehold right in a plot in Romania.

The number of the Group's employees changed significantly in the course of the past years, however, following the approval of the restructuring plan, no material change is expected for 2015, except for the resignation of the current CEO.

Corporate governance

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

Compliance

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

Deviations from the Dutch Code in 2014

- Best Practice Provision II.1.3 stipulates, inter alia, that the Company should have an internal risk management and control system which should in any event employ as instruments of the internal risk management and control system a code of conduct which should be published on the Company's website. Such code of conduct has not been available during 2014.

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

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

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

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

- Best Practice Provision II.2.12 and Best Practice Provision II.2.13 stipulate, inter alia, that the remuneration report of the supervisory board shall include account of the manner in which

the remuneration policy has been implemented in the past financial year as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years and should contain the information specified in these provisions. The current remuneration policy of the Company has remained unchanged from 2006 at the moment the Company's shares were admitted to listing and is fairly straight forward, as such that "implementation" is not an issue. Furthermore, pursuant to the Articles of Association, the General Meeting of Shareholders determines the remuneration policy, and not the non-executive directors. When the remuneration policy needs changing, this will be addressed in a General Meeting of Shareholders.

- Best Practice Provision II.3.3 and Best Practice Provision III.6.2 stipulate that both executive directors and non-executive directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the Company. Since 4 July 2013, section 17.1 of the Articles of Association provides for this. Section 17.2 of the Articles of Association further stipulates that if as a consequence of the provision of section 17.1. of the Articles of Association, no board resolution can be passed, then despite the conflict of interest, such resolution can be resolved by the Board provided that the resolution is adopted unanimously and in a meeting where all board members are present or represented.

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

- Best Practice Provision III.1.7 stipulates that the supervisory board shall discuss at least once a year on its own, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the supervisory board shall also be discussed. Moreover, the supervisory board shall discuss at least once a year without the management board being present, the functioning of the management board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. In 2014 the non-executive directors have not specifically discussed the items that appear in this Best Practice Provision on separate occasions. The Board, however, feels it important to notify the shareholders that as a rule, every Board Meeting includes an assessment by all board members of their own functioning and that of their fellow Board members. The board is of the view that, given the fact that the Company has a one-tier board rather than a separate management board and supervisory board, this course of action appropriately meets the requirements as laid down in this Best Practice Provision.

- Best Practice Provision III.1.8 stipulates that the supervisory board shall discuss at least once a year the corporate strategy and the risks of business and the results of assessment by the management board of the structure and operation of the internal risks management and control systems, as well as any significant changes thereto. In 2014, there have not been separate meetings of the non-executive directors to discuss the items mentioned in this Best Practice Provision. The reason therefore is that risk management at the Company is, pursuant to the internally applicable corporate governance regulations, a matter specifically reserved for decision by the full Board. Board Meetings in 2014 have included discussions in respect of corporate strategy and risk management and periodically throughout the year, the internal system of risk management has been assessed by the full Board.

  Best Practice Provisions III.2.1 and III.8.4 stipulate that the majority of the members of the Board shall be independent non-executives within the meaning of Best Practice Provision III.2.2. The Company currently has one executive director, Mr. Nadav Livni and six non-executive directors out of whom three non-executive directors are considered to be independent, applying the criteria of Best Practice Provision III.2.2. The non-executive directors who are considered to be non-independent are Messrs. Ron Hadassi, Yoav Kfir and Shlomi Kelsi. The independent non-executive directors are Messrs. Mark Wichers, Sarig Shalhav and David Dekel. See also page 40 – Additional information for an overview of the directors' former and current functions. Consequently, three out of the six directors are considered to be independent. The Board believes that the experience of the non-independent directors is of great importance to the Company.

- Best Practice Provision III.3.3 and Best Practice Provision III.4.1 (a) stipulate that all supervisory board members shall follow an induction program. In 2014, four new non-executive directors have started working in the Company. At that time, no induction programme was in place as, since 1 November 2006, there had been no changes to the Board (and no changes were foreseen) and thus there had been no necessity to have an induction programme. Given the fact that, at the time the four new non-executive directors came in function, the Company was in the middle of a debt restructuring and was in the process of setting up a rights offering, the four non-executive directors followed an

ad hoc introduction to the Company which made them familiar with the Company and its business and which enabled them to perform their tasks.

- Best Practice Provision III.3.5 stipulates that a non-executive director (in terms of the Dutch Corporate Governance Code a supervisory director (commissaris)) may be appointed to the board for a maximum of three four-year terms. Section 23 of the Articles provides for a retirement schedule whereby directors who have been in office for not less than three consecutive annual general meetings shall retire from office. Pursuant to section 23.9 of the Articles, such a director may be reappointed, which could result in a term of office which is longer than three four-year terms.

- Best Practice Provision III.5.1 provides that the committee rules stipulate that a maximum of one member of each committee need not be independent within the meaning of Best Practice Provision III.2.2. Whereas prior to 8 July 2014, the Company's Nomination Committee comprised two non-independent members, which was not in compliance with the Dutch Code, from 8 July 2014 onwards, the Nomination Committee is comprised of four members, three of whom are considered to be independent, Messrs. Wichers, Dekel and Shalhav and one of whom, Mr. Kelsi, is considered to be non-independent, which is in compliance with the Dutch Code.

- Best Practice provision III.5.6 stipulates that the Audit Committee must not be chaired by the chairman of the board or by a former executive director of the Company. Whereas prior to 8 July 2014, the Company's Audit Committee comprised two non-independent members, which was not in compliance with the Dutch Code, from 8 July 2014 onwards, the Audit Committee is comprised of four members, three of whom are considered to be independent, Messrs. Wichers, Dekel and Shalhav and one of whom, Mr. Kfir, is considered to be non-independent. The Audit Committee is chaired by Mr. Dekel, who has been a non-executive independent director of the Company and thus the Company does not deviate from this Best Practice Provision.

- Best Practice Provision III.5.11, inter alia, provides that the Remuneration Committee shall not be chaired by a non-executive director who is either a former executive director or a member of the management board of another listed company. Whereas, prior to 8 July 2014, the Company's Remuneration Committee was chaired by Mr. Shimon Yitzchaki, who is a former executive director and serves as president of Elbit Imaging Ltd., from 8 July 2014 onwards, the Remuneration Committee comprises four members, three of whom are considered to be independent, being Messrs. Wichers, Dekel and Shalhav and the non-independent director being Mr. Shlomi Kelsi, which is in compliance with the Dutch Code.

- Best Practice Provision V.3 stipulates, inter alia, that the Company should have an internal auditor. Though in fact the Company does not have an internal auditor itself, as part of Elbit Imaging Group the Company has a quality control regulator, which practically functions as an internal auditor.

Deviations from the UK Code on Corporate Governance

The Company did not comply with the following provisions of the UK Code on Corporate Governance in the year ended 31 December 2014:

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

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

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

- Code Provision B.6.3 states that the non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors. In 2014, the chairman and the non-executive directors did not meet separately. However, at every Board Meeting, an assessment is made by each Board member of his/her own performance and that of other members. The Board is of the view that this course of action provides an appropriate mechanism for the evaluation of the performance of Board members.

- Code Provision B.2.1 states, amongst other things, that a majority of members of the Nomination Committee should be independent non-executive directors and that the chairman or an independent non-executive director should chair the Committee. Whereas prior

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to 8 July 2014, the Company's Nomination Committee comprised two non-independent members, which was not in compliance with the Code, from 8 July 2014 onwards, the Nomination Committee is comprised of four members, three of whom are considered to be independent, Messrs. Wichers, Dekel and Shalhav and one of whom, Mr. Kelsi, is considered to be non-independent. The Nomination Committee is chaired by Mr. Wichers, who has been a non-executive independent director of the Company and thus the Company does not deviate from this Code Provision.

- Code Provision C.2.3 states that the Board should, at least annually, conduct a review of the effectiveness of the Company's risk management and internal control systems and should report to shareholders that they have done so. The Board did not conduct a review of the effectiveness of the Company's risk management and internal control systems in the year under review. However, the Board has established a process for identifying and managing the risks faced by the Company and both the Audit Committee and the executive director regularly consider the effectiveness of the Company's internal controls and risk management procedures as part of the on-going management of the Company. The Board confirms that any appropriate actions either have been or are being taken to address any weaknesses in these areas.

- Code Provision C.3.6 states, amongst other things, that, where there is no internal audit function, the Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report. Although the Company does not have an internal auditor, the Company has access to a quality control regulator who, in practice, functions as an internal auditor.

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

Compliance with WSE Corporate Governance Rules

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

Board practices

In the Netherlands, statutory law provides for both a one-tier governance and a two-tier governance (the latter having a separate management board and a separate supervisory board). It is well established practice for international active companies in the Netherlands to have a one-tier structure in the management board (raad van bestuur). Although all members of the management board are formally managing directors (bestuurders), the Articles provide that certain directors have tasks and obligations which are similar to tasks and obligations of executive directors and certain directors which have tasks and obligations which are similar to tasks of non-executive directors. The Articles provide that some directors are responsible for the day-to-day management of the Company and other directors are responsible for supervising the day-to-day management of the Company. All responsibilities are subject to the overall responsibility of the board. All statutory provisions relating to the members of the management board apply in principle to all members of a one-tier board.

The board is accountable to the general meeting of shareholders.

Corporate governa

Composition and operation of the Board

Since 8 July 2014 the Company has seven directors – one executive director and six non-executive directors, of whom three are independent.

The appointment of board members is done by the general meeting. The current Articles of Association contain (section 23A) an arrangement for the appointment/re-appointment of independent directors, if and for so long as the ordinary shares are admitted to the official list of the London Stock Exchange, which in essence provide for a regulation pursuant to which the appointment is made by separate resolutions of the general meeting and the meeting of independent shareholders (an independent shareholder not being a person who exercises or controls on its own or together acting in concert thirty percent (30%) or more of the votes in a general meeting).

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

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

Audit Committee

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

Composition: Mr. Wichers, Mr. Dekel, Mr. Shalhav and Mr. Kfir.
Chairman: Mr. Dekel.

Remuneration Committee

The Remuneration Committee – comprising four non-executive directors, three of whom are independent – meets at least twice each financial year to prepare the Board's decisions on the remuneration of directors and other senior employees and the Company's share incentive plans (under Dutch law and the Articles, the principal guidelines for directors' remuneration and approval for directors' options and share incentive schemes must be determined by a General Meeting of Shareholders). The Committee also prepares an annual report on the Company's remuneration policy. The remuneration report may be found on pages 62 to 64 of this document.

Composition: Mr. Wichers, Mr. Dekel, Mr. Shalhav and Mr. Kelsi.
Chairman: Mr. Wichers.

Nomination Committee

Meeting at least twice a year, the Nomination Committee comprises four non-executive directors, three of whom are independent. Its main roles are to prepare selection criteria and appointment procedures for Board members and to review the Board's structure, size and composition. Whereas since 8 July 2014 new directors have been appointed, the Committee met only once to appoint the members of the Committees.

Composition: Mr. Wichers, Mr. Dekel, Mr. Shalhav and Mr. Kelsi.
Chairman: Mr. Wichers.

Internal control/risk management

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

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

Share Dealing Code

The Company operates a Share Dealing Code, which limits the freedom of directors and certain employees of the Company to deal in the Company's shares. The Share Dealing Code imposes restrictions beyond those that are imposed by law. The Company takes all reasonable steps to ensure compliance by those parties

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affected. The Company operates a Share Dealing Code, particularly relating to dealing during close periods, for all Board members and certain employees, as is appropriate for a listed company. The Company takes all reasonable steps to ensure compliance by those parties affected. The Share Dealing Code meets the requirements of both the model code set out in the listing rules and the market abuse chapter of the Netherlands act on the financial supervision.

Controlling shareholder and conflicts of interest

At the date of this document, the Company is aware of the following persons who are interested directly or indirectly in 3% or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued share capital/voting rights
Elbit Imaging Limited	307,847,376	44.90%
Davidson Kempner Capital Management LLC	180,282,196	26.30%
The SC Fundamental Value Fund LP	14,153,376	4.76%
ING Open Pension Fund	13,509,540	4.55%
York Capital Management Global Advisors LLC	24,936,483	3.63%

The Board is satisfied that the Company is capable of carrying on its business independently of Elbit Imaging Limited, with whom it has a relationship agreement to ensure that all transactions and relationships he has with the Group are conducted at arm's length and on a normal commercial basis.

Shareholder communication

The Board meets with shareholders each year at the Annual General Meeting (AGM) to discuss matters relating to the business.

Details of this year's AGM can be found on pages 43 and 44. The Board is committed to maintaining an open, honest and positive dialogue with shareholders.

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

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

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

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

Corporate, social and ethical policies

The Company is responsible not only to its shareholders, but also to a range of other stakeholders including employees, customers, suppliers and the communities upon whom its operations have an impact. It is therefore the responsibility of the Board to ensure that the Company, its directors and its employees act at all time in an ethical manner. As a result, the Company seeks to be honest and fair in its relations with all stakeholders and to respect the laws and sensitivities of all the countries in which it operates.

Environment

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

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

Health and safety

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

Corporate governa

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

Corporate governance declaration

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

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

- Compliance with the provisions and best practice principles of the Code (pages 46 to 51);
- The functioning of the Shareholders' Meeting and its primary authorities and the rights of shareholders and how they can be exercised (pages 43 to 45);
- The composition and functioning of the Board and its Committees (starting on pages 40 and 41, and page 50);
- The regulations regarding the appointment and replacement of members of the Board (page 50);
- The regulations related to amendment of the Company's Articles of Association (pages 43 to 45); and
- The authorisations of the members of the Board in respect of the possibility to issue or purchase shares (page 43).

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Risk management

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

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

The strategic risks largely pertain to the real estate sector and country allocation, and to the timing of purchases, development, investments and sales and the corresponding financing arrangements. Operational risks include, amongst other things, the selection of properties and lessees, the technical condition of properties, tax-related risks, as well as the performance of Plaza's organisation and its systems. The financial risks concern interest-rate, liquidty and credit risks as well as refinancing risks and compliance with its debt restructuring plan.

Plaza has an adequate risk management and internal control system. An important element of the internal control system is a management structure that can take decisions effectively and on the basis of consultation. Strict procedures are followed for the regular preparation of monthly, quarterly and annual figures based on the Company's accounting principles. Monthly meetings or conference calls are held between the reconfigured Management Board and local managers to discuss the results per country versus budgets and the long term financial planning. The internal management reporting system is designed to follow developments in rental income, the value of investments, rent arrears, vacancies, the progress of (re)development and expansion projects and disposal of further non-core assets, and the development of the financial results for the review period in comparison with the budget. There is a back-up and recovery plan to ensure that data will not be lost in case of emergencies.

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

Business strategy and restructuring plan

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

2014 marked a year of progress for Plaza, as the Company successfully completed the Dutch restructuring plan, with 92% of creditors approving the plan in June and the Dutch Court's formal and irrevocable approval being granted in July, just seven months after the Company made its initial announcement. The successful rights offering, which concluded in November, provided the Company with a welcome €20 million cash injection and the completion of this considerable activity provided Plaza with a strengthened platform to start 2015.

Plaza has been working closely with its reconfigured Board and its continued confidence in the management's ability to deliver value and repay the Company's creditors is supportive of Plaza strategy going forward. The economic landscape in the Company's core markets is improving slightly and Plaza has entered 2015 with renewed focus.

The strategy is evaluated by the Management Board each year, reformulated as necessary and established in a business plan and a cash flow forecast. The strategy considers a period of five years, with detailed budget proposals elaborated in the first year. The strategy is then translated into concrete tasks and actions. During this process, opportunities and important business risks are identified, and the Company's objectives and strategy are evaluated and adjusted if appropriate. The strategy is discussed with and approved by the Management Board pursuant to the restrecuturing plan restrictions.

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

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

Due to the global crisis starting in late 2008, the Company adjusted its activity to the market conditions and limited the commencement of construction for projects to those meeting two major criteria as follows:

1 Projects enjoying intensive demand from tenants.
2 Projects that are based on external bank financing which require minimal equity investment.

Risk management

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

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

Capital management

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

According to the Company's dividend policy, dividends are expected to be paid at the rate of 25% on the first €30 million of such annual net profits and thereafter at the rate of between 20% and 25%, as determined by the Company's Board of Directors, on any additional annual net profits which exceed €30 million.

However, pursuant to the approved restructuring plan, the Company will be allowed to distribute dividends to its shareholders only if at least 75% of the unpaid balance of the bonds (excluding bonds that are sold by a Company's subsidiary) following the date the restructuring plan will come into effect and shall bind all creditors which are subject to it, have been repaid in full prior to such distribution and provided that following such distribution a certain financial coverage ratio is met, unless such distribution has been approved in a meeting of the creditors that are subject to the restructuring plan by a majority of at least 67% of the debt's balance which is being held by the creditors participating in such meeting and voting. Notwithstanding the aforesaid, in case of an additional equity investment in the Company of at least €20 million that occurs following the date the restructuring plan comes into force (i.e., in addition to the equity contribution), the Company will be allowed (subject to applicable law) to distribute a dividend to its shareholders in an amount equal to 50% of the said additional equity investment and such distribution will not be subject to the said limitations.

Under the restructuring plan Plaza's equity was influenced, as follows:

- An injection of €20 million into the Company at a price per share of €0.0675, (equity contribution) through successful rights offering which marked an important final step in the restructuring process.
- Plaza issued to the holders of unsecured debt (i.e. outstanding debt under the Israeli Series A and B Notes and the Polish Notes) 13.21% of the Company's shares (post equity contribution). Such shares issuance was distributed among the holders of unsecured debt pro rata to the relative share of each relevant creditor in the deferred debt.
- A third listing on the Tel Aviv Stock Exchange and the recent upgrade in Plaza's credit rating from the Israeli division of Standard & Poor's.

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

Financing risk management

Liquidity risk

Despite ongoing efforts to complete a number of asset sales and secure some alternative financing transactions, Plaza had been unable to conclude these deals within a timeframe that would have enabled it to meet those payment obligations. Therefore, to ensure the long term viability of the business, the Board agreed to approach the creditors of the Company with a restructuring plan so that a formalised restructuring process could be implemented. For a non-exhaustive brief summary of the material agreed commercial terms refer to note 30(A) in the consolidated financial statements and on pages 8 and 9 of the annual report.

The restructuring plan purports to enable the Company to continue its business operations in the forthcoming future by, inter alia, the extension of the maturity of certain debt.

Plaza continued to focus on deleveraging its balance sheet during the period but, as a result of impairment losses recorded in the period and finance costs incurred, the gearing level increased to 74% in 2014.

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

As Plaza depends on external financing and has high exposure to emerging markets, Plaza bears the risks that due to fluctuations in interest rates, exchange rates, selling yields and other indices, its financial assets and debt value, cash flow, covenants and cost of capital will be effected, thereby affecting its ability to raise capital. On 24 February 2015, the Israeli credit rating agency, which is a division of International Standard & Poor's, updated the credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from

"D" to "BBB-", on a local Israeli scale, with a stable outlook, which put Plaza in a strengthened position going into 2015.

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

External factors influencing the results

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

- Market yield determining the valuation of the trading property, and in certain circumstances the need for impairment of trading property. The higher the market yields are the less the value of the trading properties are, and the probability for impairment is increasing; and

- Occupancy rate of the operating malls together with the rental fee level defines the rental income derived from the shopping center, and the other component of the valuation of the investment property. Higher occupancy rates and higher rental levels result in better operating results.

Interest rate risks

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

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

Foreign currency exchange rates

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

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

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

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

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

The Company's top risks

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

- **Global financial and economic developments**

  Risk description: Plaza's financial performance reflects the ongoing financial turmoil of 2008, as writedowns of trading properties are a reflection of the ongoing economic uncertainty in many of the countries in which Plaza operates. The global economy is still fragile and a very slow pace of recovery cannot be excluded. This could jeopardise Plaza's development project, profitability and cash flows as demand and rents for shopping and entertainment centers may decline and adversely affect the Group's financial condition, results and prospects. Furthermore, economic recession may detrimentally affect the ability of the Group (where it has retained a development) to collect rent from tenants, which could negatively impact cash flow and debt service reserve covenants under its financing facilities.

  Risk mitigation: In reaction to the economic downturn, Plaza has successfully initiated measures to reduce costs and focus on commitment to reposition the business by raising €17.1 million through the successful disposal of one shopping center in

Serbia and disposals of non-core sites in Romania, and restrict its commencement of construction projects to only the very best opportunities focusing on projects with tenant demand and availability of external bank financing which require minimal equity investment. Plaza will progress a selected number of projects in the most resilient countries of CEE, such as Poland, Serbia and Romania. These measures have been and will be pursued with vigour. Market development will be closely watched and additional measures will be taken if necessary. Plaza will continue to make significant progress in its operational and asset management initiatives, with a focus on delivering positive uplifts in key performance indicators at its income-generating centers. Occupancy has risen to 94% across the portfolio and our centers continued to attract high profile, international brands contributing to higher footfall and turnover across our core CEE portfolio.

- **Events of default under the Group's debt arrangements may result in cross-defaults being triggered under other debt arrangements that the Group has in place**
  If an event of default were to subsist under one or more of the Group's debt arrangements, that event of default may, in accordance with the cross-default provisions, constitute an event of default under the Group's other debt arrangements. Upon an event of default (whether due to cross-default or otherwise), the relevant lenders would have the right, subject to the terms of the relevant facility arrangements to, amongst other things, declare the borrower's outstanding debts under the relevant facilities to be due and payable and/or cancel their respective commitments under the facilities, enforce their security, take control of certain assets or make a demand on any guarantees given in respect of the relevant facility. In respect of the bonds, the trustees representing holders of bonds (or a resolution of the holders of bonds) may be able to claim, under circumstances where the Company does not fulfil its obligations under the bonds (including but not limited to payment obligations) an immediate settlement, and declare all or any part of the unsettled balance of the bonds immediately due and payable. In respect of the Polish bonds, each holder of the Polish bonds has the right to ask for an early redemption of the Polish bonds on the occurrence of an event of default by the Company (including but not limited to payment obligations). A default and/or acceleration of repayment of debt under the debt arrangements may affect the ability of the Group to obtain alternative financing in the longer term, either on a timely basis or on terms favourable to the Group, and the Group's ability to pursue its strategic business plans. This may have an adverse effect on the Group's business, results of operations, financial condition and/or prospects. Whilst the use of borrowings is intended to enhance the returns on the Group's invested capital when the value of the Group's underlying assets is rising, it may have the opposite effect where the value of underlying assets is falling. Any fall in the value of any of the Group's properties may significantly reduce the value of the Group's equity investment in the member of the Group which holds such property, meaning that the Group may not make a profit, may incur a loss on the sale or revaluation of any such property and/or increase the likelihood of a member of the Group breaching certain financial covenants in its existing debt arrangements resulting in an event of default under such arrangements. The occurrence of one or more of these factors may have a material adverse effect on the Group's business, financial condition and/or results of operations.

  Risk mitigation: Continous negotiation with financing banks in order to improve credit facilities' terms, or disposal of subsidiaries, in which facility agreement is in place.

- **The Group's financial performance is dependent on local real estate prices and rental levels**
  Risk description: There can be no guarantee that the real estate markets in CEE region and India will continue to develop, or develop at the rate anticipated by the Group, or that the market trends anticipated by the Group will materialise. In case the yields will be high, such as some of the current market yields, the Group will not be able to achieve substantial capital gains by selling the commercial centers.

  Risk mitigation: Once assets are developed, and given the Company's financial strength, Plaza is able to hold developments on its balance sheet as yielding assets. Sales of assets will not be undertaken if offered yields are high and Plaza will capitalise upon its extensive experience gained over eight years of managing and running shopping malls efficiently to hold and manage these as income-generating investments in its portfolio, and continue to drive occupancy at these centers until sufficient offered yields are in place, subject to the restructuring plan.

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

the Group's properties may fluctuate as a result of factors such as changes in regulatory requirements and applicable laws (including taxation and planning), political conditions, the availability of credit finance and the condition of financial markets, interest and inflation fluctuations and local factors such as competition. Each of these factors may have an adverse effect on the Group's business, result of operations, financial condition and/or prospects. The Company may from time to time publish such valuations. Any decreases in the published value of the Group's properties may adversely affect the price of the ordinary shares.

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

- **The Group's borrowing costs and access to capital markets depend significantly on the Company's credit ratings and market perception of the Company's and the controlling shareholder's financial resilience**
  Risk description: On 24 February 2015, the Israeli credit rating agency, which is a division of International Standard & Poor's, updated the credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from "D" to "BBB-", on a local Israeli scale, with a stable outlook. The update follows the performance of debt arrangement of Plaza with its creditors. Reduction in the credit ratings of the Group or deterioration in the capital market perception of the Group's financial resilience, could significantly increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Therefore, any further reduction in credit ratings or deterioration of market perception could materially adversely affect the Group's access to liquidity and competitive position and, hence, have a material adverse effect on the Group's business, financial position and/or results of operations. These material adverse effects could also follow from a reduction in the credit ratings of the controlling shareholder.

  Risk mitigation: Implementing the restructuring plan will resolve the Company's liquidity situation. Plaza is making big efforts to raise external financing for capital needs and continues reviewing financing options available to the Company to achieve the most effective debt profile.

  Plaza is actively pursuing sales opportunities to generate cash which will contribute to the Company's liquidity and reduced debt level. The amended maturity schedule of debentures and loans is detailed in the restructuring plan on page 8 and 9. In addition, the Group maintains good relations with the financing banks who remain supportive of companies with strong track records and few debt facilities are under negotioaiton.

- **Plaza may be subject to risk relating to its co-investments, because ownership and control of such investments are shared with third parties**
  Risk description: Some of the Group's projects (at the date of this document, Riga Plaza, Plaza Bas projects, the Casa Radio development and two projects in India (Bangalore and Chennai) are held through joint venture arrangements with third parties meaning that ownership and control of such assets is shared with third parties. As a result, these arrangements involve risks that are not present with projects, in which the Group owns a controlling interest, including:

- the possibility that the Group's joint venture partner might at any time have economic or other business interests that are inconsistent with the Group's business interests;
- the possibility that the Group's joint venture partner may be in a position to take action contrary to the Group's instructions or requests, or contrary to the Group's policies or objectives, or frustrate the execution of acts which the Group believes to be in the interests of any particular project;
- the possibility that the Group's joint venture partner may have different objectives from the Group, including with respect to the appropriate timing and pricing of any sale or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers;
- the possibility that the Group's joint venture partners may engage in, or be perceived to engage in, disreputable conduct;
- the possibility that the Group's joint venture partner might become bankrupt or insolvent; and
- the possibility that the Group may be required to provide finance to make up any shortfall due to the Group's joint venture partner failing to provide such equity finance or to furnish collaterals to the financing banks.

Disputes or disagreements with any of the Group's joint venture partners could result in significant delays and increased costs associated with the development of the Group's properties. Even when the Group has a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require joint venture partner or other third party approval. If the Group is unable to reach or maintain agreement with the joint venture partner or other third party on the matters relating to the

operation of its business, this may have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

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

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

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

Legal and regulatory risk

Like all international companies, the Company is exposed to the changing regulatory environment in the countries and regions where it conducts business. Many of the CEE countries in which the Group operates or intends to operate are countries that until the last two decades were allied with the former Soviet Union under a communist economic system, and they are still subject to various risks, which may include instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. The Group will be affected by the rules and regulations regarding foreign ownership of real and personal property.

The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a site owned or leased by it, regardless of whether a member of the Group was responsible for the presence of such hazardous or toxic substances. The costs of any required removal, investigation or remediation of such substances may be substantial and/or may result in significant budget overruns and critical delays in construction schedules. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Group's ability to sell or lease the development or to borrow using the real estate as security. Additionally, any future sale of the development will be generally subject to indemnities to be provided by the Group to the purchaser against such environmental liabilities. Accordingly, the Group may continue to face potential environmental liabilities with respect to a particular property even after such property has been sold. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. Any environmental issue may significantly increase the cost of a development and/or cause delays, which may have a material adverse effect on the profitability of that development and the results of operations of the Group.

There is an increasing awareness of environmental issues in Central and Eastern Europe. This may be of critical importance in areas previously occupied by the Soviet Army, where soil pollution may be prevalent. The Group generally insists upon receiving an environmental report as a condition for purchase, or alternatively, conducts environmental tests during its due diligence investigations. Also, some countries such as Poland, Hungary, Romania and the Czech Republic require that a developer carries out an environmental report on the land before building permit applications are considered. Nevertheless, the Group cannot be certain that all sites acquired will be free of environmental pollution. If a property that the Group acquires turns out to be polluted, such a finding will adversely affect the Group's ability to construct, develop and operate a shopping and entertainment center on such property, and may cause the Group to suffer expenses incurred in cleaning up the polluted site which may be significant.

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

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

Relief from taxation available to the Group may not be in accordance with the assumptions made by the Company and/or may change. Changes to the tax laws or practice in the countries in which the Company operates or any other tax jurisdiction affecting the Group could be relevant. Such changes could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to shareholders. The tax positions taken by the Group, including the tax effect of transfer pricing and the availability of tax relief provisions, are also subject to review by various tax authorities.

Under the Dutch participation exemption rules, income including dividends and capital gains derived by Dutch companies in respect of qualifying investments in the nominal paid up share capital of resident or non-resident investee companies, are exempt from Dutch corporate income tax provided the conditions as set under these rules have been satisfied. The participation exemption rules and more particularly the statutory conditions thereunder have most recently been amended with effect of 1 January 2010. Such amended conditions require, among others, a minimum percentage of the share capital in the investee company requires that the investee company is not held as a passive investment (the 'motive test'). If the motive test is not met, the participation exemption nevertheless applies provided that either the subject-to-tax-test or asset test is met. To benefit from the participation exemption regime during the entire holding period, the requirements must be met throughout the entire holding period. The participation exemption also applies to qualifying hybrid loans. Should the Company not be in compliance with all participation exemption requirements or should the participation exemption rules be amended, this will affect its tax relief which could have an adverse effect on its cash flow position and net profits.

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

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

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

Financial reporting

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

Internal control and risk management procedures

I) Definition and objectives

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

Plaza's internal control procedures aim to ensure:

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

The system is based on the following three key principles:

- the involvement of and taking responsibility by all personnel: all Group employees contribute to internal control procedures; each employee, at his or her level, should exercise effective control over the activities for which he or she is responsible;

- the full extent of the scope covered by the procedures: the procedures should apply to all entities (operational and legal); and
- separation of tasks: control functions should be independent of operating functions.

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

II) Four components of internal control procedures

a) Organisation and environment

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

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

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

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

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

b) Risk management

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

c) Control activities to meet these risks

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

First level – First degree – Permanent control

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

First level – Second degree – Permanent control

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

Second level – Permanent control

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

Internal accounting control

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

d) Management and supervision of internal control systems

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

III) Risk management and internal control bodies

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

a) Management Board

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

b) Audit Committee

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

c) Functional management

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

d) Group employees

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

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

I) Definition and objectives

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

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

II) Management process for accounting and financial organisation

a) Accounting organisation

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

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

b) Financial risk management

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

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

a) Operational processes used to generate accounting information

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

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

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

c) The Audit Committee

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

Remuneration report

Remuneration Committee

As stated in the Corporate governance report on pages 46 to 52 of this document, the Remuneration Committee meets at least twice each financial year to prepare, among other matters, the decision of the Board relating to the remuneration of directors and any share incentive plans. It is also responsible for preparing an annual report on the Company's remuneration policies and for giving full consideration in all its deliberations to the principles set out in the Combined Code.

The Committee comprises four non-executive directors – since 8 July 2014 it is chaired by Marco Wichers, and the other members are David Dekel, Sarig Shalhav and Shlomi Kelsi.

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

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

Remuneration policy

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

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

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

2014	Salary and fees €'000	Share option plan[1] €'000	Total remuneration for the year 2014 €'000
Executive directors			
Mr. Mordechay Zisser[2]	114	-	114
Mr. Nadav Livni[3]	32	-	32
Mr. Ran Shtarkman[4]	479	-	479
Subtotal	625	-	625
Non-executive directors			
Mr. Shimon Yitzchaki[2]	-	21	21
Mr. Marius van Eibergen Santhagens[2]	50	-	50
Mr. Sarig Shalhav	67	-	67
Mr. Ron Hadassi[3]	93	-	93
Mr. David Dekel[3]	32	-	32
Mr. Shlomi Kelsi[3]	32	-	32
Mr. Yoav Kfir[3]	32		32
Mr. Marco Wichers	67	-	67
Subtotal	373	21	394
Total – All directors	**998**	**21**	**1,019**

There were no performance related remuneration in 2014.

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

2 Until July 2014.

3 Directors from July 2014. Mr. Hadassi serves also as the chairman of the Board.

4 Directors until July 2014. Mr. Shtarkman serves also as the CEO of the Company throughout 2014, salaries and fees are included for the entire year of 2014.

Service arrangements

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

Bonuses

The Company has the authority to award discretionary bonuses for senior executives and employees up to certain level based on general achievements.

The shareholder returns performance 2014*

* Source: Bloomberg, as of 31 December 2014. Past performance is not an indication of future returns.

Share options

The Company adopted its share option schemes ("first ESOP") on 26 October 2006 (which was amended on 25 November 2008, 22 November 2011 and 20 November 2012) and on 22 November 2011 ("second ESOP") (refer to note 21 to the consolidated financial statements) the terms and conditions of which (except for the exercise price) are regulated by the share option schemes.

Options will vest in three equal annual portions and have a contractual life of fifteen and ten years following grant date for first ESOP and second ESOP, respectively. In the course of 2014, no options were granted under ESOP. For the exercise and forfeit of options refer to the table below.

For further detailed information about share option schemes refer to note 21 in the consolidated financial statements.

	Number of options granted and unexercised	Number exercisable as at 31 December, 2013 and 2014	Exercise price of options £	Remaining maturity (years)
Mr. Mordechay Zisser	3,907,895	3,907,895	0.43	6.82
Mr. Ran Shtarkman	7,089,151	7,089,151	0.43	6.82
Mr. Shimon Yitzchaki	1,794,361	1,794,361*	0,43	6.82
Mr. Marius van Eibergen Santhagens	-	-	-	-
Mr. Sarig Shalhav	-	-	-	-
Mr. Ron Hadassi	-	-	-	-
Mr. David Dekel	-	-	-	-
Mr. Shlomi Kelsi	-	-	-	-
Mr. Yoav Kfir	-	-	-	-
Mr. Nadav Livni	-	-	-	-
Mr. Marco Wichers	-	-	-	-

	Number of options as at 31 December 2014
Total pool	47,834,586
Granted	47,195,174
Exercised	8,420,598
Forfeited	(14,502,203)
Left for future grant	15,141,615

* 2013: 1,127,695 options exercisable

Amsterdam, 30 April 2015

The Board of Directors:

Ron Hadassi
Nadav Livni
Shlomi Kelsi
Yoav Kfir
Marco Wichers
Sarig Shalhav
David Dekel

ort

Statement of the directors

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

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

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

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

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

The directors need to select appropriate accounting policies and apply them consistently in their reports. They must state whether they have followed applicable accounting standards, disclosing and explaining any material departures in the financial statements.
Any judgments and estimates that directors make must be both reasonable and prudent. The directors must also prepare financial statements on a “going concern” basis, unless it is inappropriate to presume that the Company will continue in business.
The directors confirm that they have complied with the above requirements in preparing the financial statements.
Throughout the financial year, the directors are responsible for keeping proper accounting records which disclose at any time and with reasonable accuracy the financial position of the Company. They are also responsible for ensuring that these statements comply with applicable company law.

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

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

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

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

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

In view of all of the above, hereby following the requirements of Article 5:25c Paragraph 2 under c. of the Netherlands Act on the Financial Supervision (Wet op het financieel toezicht), the directors hereby confirm that (i) the annual financial statements 2014, as included herein, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its affiliated companies that are included in the consolidated financial statements; and (ii) the annual report includes a fair review of the position at the balance sheet date and the development and performance of the business of the Company and its affiliated companies that are included in the consolidated annual financial statements and that the principal risks and uncertainties that the company faces are described.

The Board of Managing Directors

Ron Hadassi
Non-executive director

Nadav Livni
Executive director

Shlomi Kelsi
Non-executive director

Yoav Kfir
Non-executive director

Marco Wichers
Independent non-executive director

Sarig Shalhav
Independent non-executive director

David Dekel
Independent non-executive director

30 April 2015

Independent auditors' report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Plaza Centers N.V. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statement of profit or loss and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the EU.

Budapest, Hungary
March 19, 2015

KPMG Hungaria Kft.
Michael Carlson
Partner

Consolidated statement of financial position

	Note	December 31, 2014 €'000	December 31, 2013 €'000
ASSETS			
Cash and cash equivalents	4	33,363	26,157
Restricted bank deposits	5	6,886	6,319
Held for trading financial assets		1,434	1,246
Trade receivables	6	2,719	3,372
Other receivables	7a	2,963	4,871
Prepayments and advances	7b	767	1,393
Trading properties	8	-	40,333
Total current assets		**48,132**	**83,691**
Trading properties	8	370,761	454,841
Equity accounted investees	10	36,108	33,102
Loan to equity accounted investees	10	6,121	7,039
Property and equipment	9	4,029	6,520
Deferred taxes		921	-
Other non-current assets		25	573
Total non-current assets		**417,965**	**502,075**
Total assets		**466,097**	**585,766**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks	12	37,885	175,338
Debentures at fair value through profit or loss	16	-	97,983
Debentures at amortised cost	17	-	70,636
Trade payables	13	1,893	2,432
Related parties liabilities	14	1,161	944
Derivatives	11	430	910
Provisions	8	-	15,597
Other liabilities	15	13,175	11,219
Total current liabilities		**54,544**	**375,059**
Interest bearing loans from banks	12	112,962	-
Debentures at amortised cost	17	162,862	-
Provisions	8	15,597	-
Derivatives	11	559	-
Deferred tax liabilities	18	-	379
Total non-current liabilities		**291,980**	**379**
Share capital	19	6,856	2,972
Translation reserve	19	(36,699)	(40,651)
Capital reserve due to transaction with Non-controlling interests		(20,706)	(20,706)
Other reserves	19	35,340	35,133
Share premium	19	282,596	261,773
Retained losses		(148,486)	(28,799)
Equity attributable to owners of the Company		**118,901**	**209,722**
Non-controlling interests		672	606
Total equity		**119,573**	**210,328**
Total equity and liabilities		**466,097**	**585,766**

March 19, 2015
Date of approval of the
financial statements

Ran Shtarkman
President and Chief
Executive Officer

David Dekel
Director and Chairman of the
Audit Committee

The notes on pages 73 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

	Note	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 Restated* €'000
Continuing operations			
Revenue from disposal of trading property	30(d)	38,600	-
Rental income	22(a)	22,112	23,678
Revenues from entertainment centers	22(b)	1,713	3,345
Total revenues		**62,425**	**27,023**
Cost of trading property disposed	30(d)	(38,600)	-
Cost of operations	23(a)	(8,491)	(9,408)
Cost of operations – entertainment centers	23(b)	(2,169)	(4,025)
Gross profit		**13,165**	**13,590**
Loss from disposal Trading Property	30(d), 30(e)	(573)	(346)
Writedown of Trading Properties	8	(87,489)	(117,913)
Writedown of equity-accounted investees, net	10	(1,687)	(56,417)
Loss from disposal of equity accounted investees (holding undeveloped Trading Properties)	30(j)	(4,048)	(3,724)
Share in results of equity-accounted investees	10	1,641	952
Administrative expenses, excluding restructuring costs	24a	(7,434)	(9,435)
Restructuring costs	24b	(2,388)	(702)
Other income	25	2,484	413
Other expenses	25	(2,507)	(11,468)
Results from operating activities		**(88,836)**	**(185,050)**
Gain from restructuring plan	17	3,443	-
Finance income	26	1,263	1,288
Finance costs	26	(36,839)	(40,632)
Net finance costs		(35,576)	(39,344)
Loss before income tax		**(120,969)**	**(224,394)**
Tax benefit	27	1,282	6,256
Loss from continuing operations		**(119,687)**	**(218,138)**
Discontinued operation			
Profit from discontinued operation, net of tax		-	65
Loss for the year		**(119,687)**	**(218,073)**
Loss attributable to:			
Owners of the Company		(119,687)	(218,073)
Earnings per share			
Basic and diluted loss per share (in EURO)	20	(0.39)	(0.73)
Earnings per share – continuing operations			
Basic and diluted loss per share (in EURO)	20	(0.39)	(0.73)

The notes on pages 73 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 Restated* €'000
Loss for the year	**(119,687)**	**(218,073)**
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Net change in fair value of available for sale financial assets transferred to profit or loss	-	(723)
Change in fair value of available for sale financial assets	-	(14)
Foreign currency translation differences - foreign operations (Equity accounted investees) – reclassified to profit or loss	-	4,360
Foreign currency translation differences - foreign operations (Equity accounted investees)	2,740	(15,036)
Foreign currency translation differences - foreign operations (Trading properties)	1,278	(3,726)
Tax on other comprehensive income due to change in fair value of available for sale financial assets	-	184
Other comprehensive income (loss) for the year, net of income tax	4,018	(14,955)
Total comprehensive loss for the year	(115,669)	(233,028)
Total comprehensive income (loss)attributable to:		
Owners of the Company	(115,735)	(232,918)
Non-controlling interests	66	(110)
Total comprehensive loss for the year	**(115,669)**	**(233,028)**

The notes on pages 73 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the equity holders of the Company									
	Share capital €'000	Share premium €'000	Share based payment reserves €'000	Translation reserve €'000	Capital reserve from acquisition of non-controlling interests without a change in control €'000	Financial assets available for sale reserve €'000	Retained earnings (losses) €'000	Total €'000	Non-controlling interests* €'000	Total €'000
Balance at December 31, 2012	**2,972**	**261,773**	**34,709**	**(26,359)**	**(20,706)**	**553**	**189,274**	**442,216**	**716**	**442,932**
Share based payment (refer to note 21)	-	-	424	-	-	-	-	424	-	424
Comprehensive income for the year										
Net loss for the year	-	-	-	-	-	-	(218,073)	(218,073)	-	(218,073)
Foreign currency translation differences	-	-	-	(14,292)	-	-	-	(14,292)	(110)	(14,402)
Available for sale reserve, net of tax	-	-	-	-	-	(553)	-	(553)	-	(553)
Total comprehensive loss for the year	**-**	**-**	**-**	**(14,292)**	**-**	**(553)**	**(218,073)**	**(232,918)**	**(110)**	**(233,028)**
Balance at December 31, 2013	**2,972**	**261,773**	**35,133**	**(40,651)**	**(20,706)**	**-**	**(28,799)**	**209,722**	**606**	**210,328**
Right issuance (refer to note 19)	3,884	20,823	-	-	-	-	-	24,707	-	24,707
Share based payment (refer to note 21)	-	-	207	-	-	-	-	207	-	207
Comprehensive income for the year										
Net loss for the year	-	-	-	-	-	-	(119,687)	(119,687)	-	(119,687)
Foreign currency translation differences	-	-	-	3,952	-	-	-	3,952	66	4,018
Total comprehensive loss for the year	**-**	**-**	**-**	**3,952**	**-**	**-**	**(119,687)**	**(115,735)**	**66**	**(115,669)**
Balance at December 31, 2014	**6,856**	**282,596**	**35,340**	**(36,699)**	**(20,706)**	**-**	**(148,486)**	**118,901**	**672**	**119,573**

The notes on pages 73 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Note	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 Restated* €'000
Cash flows from operating activities			
Loss for the year		(119,687)	(218,073)
Adjustments necessary to reflect cash flows used in operating activities:			
Depreciation and impairment of property and equipment	9	982	423
Change in fair value of investment property		-	4,267
Net finance costs	26	35,576	39,344
Equity-settled share-based payment transaction		207	424
Gain from restructuring plan	17	(3,443)	-
Discontinued operations		-	(65)
Loss (gain) on sale of property and equipment	30(f)	232	(23)
Share of loss of equity-accounted investees, net of tax	10	(1,641)	(952)
Tax benefit	27	(1,282)	(6,256)
Subtotal		**(89,056)**	**(180,911)**
Changes in:			
Trade receivables		222	(122)
Other accounts receivable		2,566	10,126
Trading properties	8	106,176	108,831
Equity Accounted Investees		5,122	79,569
Trade payables		(64)	(4,028)
Other liabilities, related parties liabilities and provisions		3,964	3,498
Subtotal		**117,986**	**197,874**
Interest received		93	353
Interest paid		(20,664)	(10,926)
Taxes paid		(18)	(295)
Net cash from (used in) operating activities		**8,341**	**6,095**
Cash from investing activities			
Purchase of property and equipment	9	(12)	(75)
Proceeds from sale of property and equipment	30(f)	1,375	169
Proceeds from sale of investment property		-	7,649
Proceeds from liquidation of equity accounted investee EPUS		-	32,410
Purchase of marketable debt securities financial assets		-	(1,424)
Proceeds from sale of available for sale financial assets		-	12,012
Net cash from investing activities		**1,363**	**50,741**

The notes on pages 73 – 136 are an integral part of these consolidated financial statements.

Consolidated statement of cash flow

	Note	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Cash from financing activities			
Proceeds from bank loans and financial institutions		-	659
Proceeds (payments) from hedging activities through sell of options	11	313	(2,364)
Changes in restricted cash		(2,019)	9,316
Proceeds from re-issuance of long term debentures		-	13,772
Proceeds from right issuance, net of right issuance costs	19	18,836	-
Repayment of debentures	17	(12,057)	(60,319)
Repayment of interest bearing loans from banks	12	(7,527)	(27,490)
Net cash used in financing activities		**(2,454)**	**(66,426)**
Effect of movement in exchange rate fluctuations on cash held		**(44)**	**373**
Increase (decrease) in cash and cash equivalents during the year		**7,206**	**(9,217)**
Cash and cash equivalents as at January 1st		**26,157**	**35,374**
Cash and cash equivalents as at December 31st		**33,363**	**26,157**

The notes on pages 73 – 136 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

NOTE 1 - PRINCIPAL ACTIVITIES AND OWNERSHIP

Plaza Centers N.V. ("the Group" or "the Company") was incorporated and is registered in the Netherlands. The Company's registered office is at Prins Hendrikkade 48-S, 1012 AC, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe (starting 1996), India (from 2006), and, between 2010 and 2012, also in the USA. The consolidated financial statements for each of the periods presented comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Company is listed on the Main Board of the London Stock Exchange ("LSE"), the Warsaw Stock Exchange ("WSE") and, starting November 2014, on the Tel Aviv Stock Exchange ("TASE").

The Company's immediate parent company is Elbit Ultrasound (Luxembourg) B.V. / S.a r.l. ("EUL"), which holds 44.9% of the Company's shares, as at the end of the reporting period (December 31, 2013 – 62.5%). Refer to note 19 for the issuance of shares in the course of 2014. The Company regards Elbit Imaging Limited ("EI") as the ultimate parent company (refer to note 31 for more details. For the list of the Group entities, refer to note 35.

NOTE 2 - BASIS OF PREPARATION

a. Statement of compliance

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

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements prepared in accordance with The Netherlands Civil Code. At the date of approving these financial statements the Company had not yet prepared consolidated financial statements for the year ended December 31, 2014 in accordance with the Netherlands Civil Code.

The consolidated financial statements were authorised for issue by the Board of Directors on March 19, 2015.

b. Basis of measurement

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

- Liabilities for cash-settled share-based payment arrangements are measured at fair value
- Held for trading 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 were measured in 2013 at fair value. No such assets exist in 2014.

c. Functional and presentation currency

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

d. Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities and debentures, as disclosed in notes 12 and 17.

e. Investment property vs. trading property classification

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

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

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

f. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making 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 recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Information about other critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 8 – Suspension of borrowing costs capitalisation
- Note 8 – Classification of trading properties as current vs. non-current
- Note 2(e) – Trading property vs. Investment property
- Note 10 – Classification of the joint arrangement
- Note 17 – Measurement of fair value of new debenture series

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

- Notes 8 – Key assumptions used in determining the net realisable value of trading properties
- Note 8, 29 – Provisions and contingencies
- Note 21 – Measurement of share-based payments
- Note 27 – Recognition of deferred tax assets and availability of future taxable profits against which carry-forward tax loss can be used

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) since it is the currency of the economic environment in which the Group operates. This is because the EUR (and in India the INR) is the main currency in which management determines its pricing with tenants, potential buyers and suppliers; it also determines its financing activities and budgets and assesses its currency exposures.

Operating cycle determination

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

The Company maintains its existing business model; however following the financial crisis as background, the level of uncertainty of the actual amount of time needed to complete all steps in the process has become much higher than what the Company believes is a normal level. Over the period 2009 – 2012, the Company has had difficulty selling completed properties at prices reflecting management's view of reasonable estimated values, as well as experienced a lack of available finance for development of plots. The return to what management considers more normal conditions, primarily in the CEE markets where it has properties, has been longer than expected.

In view of these uncertainties and abnormalities, the Company has taken in 2013 (and reassured this position in 2014) a position of reclassifying its entire trading properties to long term, with the exception of a property where a sale and purchase agreement exists, until the abnormal level of uncertainty is reduced.

NOTE 3 - MEASUREMENT OF FAIR VALUES

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)
- Note 11 – Derivatives
- Note 16 – Debentures at fair value through profit or loss in 2013 and 2014
- Note 21 – Employee share option plan
- Note 28 – Financial instruments

NOTE 4 - CASH AND CASH EQUIVALENTS

Bank deposits and cash denominated in	Interest rate as of December 31, 2014	December 31, 2014 €'000	December 31, 2013 €'000
EUR	See below[1]	26,954	13,894
Polish Zlotys (PLN)	Mainly overnight Wibid*0.7	2,248	3,393
Romanian Lei (RON)	Mostly 2.5%	2,203	192
New Israeli Shekel (NIS)		554	3,375
United States Dollar (USD)		505	3,250
Indian Rupee (INR)		497	1,541
Other currencies		402	512
Cash and cash equivalents in the statement of financial position		**33,363**	**26,157**

1 Main EUR deposits as of December 31, 2014 are held on corporate level and bear money market interest rates which are mainly 0%.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

NOTE 5 - RESTRICTED BANK DEPOSITS

	Interest rate as of December 31, 2014	December 31, 2014 €'000	December 31, 2013 €'000
Short-term restricted bank deposits			
In EUR	See below[1]	5,232	5,579
In USD	See below[2]	1,037	-
In other currencies		617	740
Total short-term		**6,886**	**6,319**

1 As of December 31, 2014, EUR 3.8 million is restricted mainly in respect of bank facilities agreements signed to finance Projects in Poland and the Czech Republic. These amounts carry an annual interest rate of mainly Overnight rates. Additional EUR 1.3 is a secured deposit due to hedging activities through sell of currency options, and carrying no interest.

2 As of December 31, 2014, EUR 1.0 million is a secured deposit bearing no interest due to hedging activities through sale of currency options.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

NOTE 6 - TRADE RECEIVABLES

	December 31, 2014 €'000	December 31, 2013 €'000
Trade receivables	4,255	4,887
Less - Allowance for doubtful debts	(1,536)	(1,515)
Total	**2,719**	**3,372**

NOTE 7 - OTHER RECEIVABLES, PREPAYMENTS AND ADVANCES

a. Other receivables	December 31, 2014 €'000	December 31, 2013 €'000
Receivable in respect of disposal of equity-accounted investee Uj Udvar	-	2,350
VAT and tax receivables	2,502	1,877
Others	461	644
Total	**2,963**	**4,871**

b. Prepayments and advances	December 31, 2014 €'000	December 31, 2013 €'000
Advances to suppliers	275	776
Prepaid expenses	492	617
Total	**767**	**1,393**

NOTE 8 - TRADING PROPERTIES

	December 31, 2014 €'000	December 31, 2013* €'000
Balance as at 1 January	495,174	612,475
Acquisition and construction costs[1]	7,520	3,728
Capitalised borrowing costs[2]	-	6,530
Writedown of trading properties[3]	(87,489)	(117,913)
Effect of movements in exchange rates	3,713	(7,831)
Trading properties disposed (refer to note 30 (D), (E) and (F))	(48,157)	(1,815)
Balance as at 31 December[4]	**370,761**	**495,174**
Completed trading properties (operating shopping centers)	170,189	222,976
Plots scheduled for construction[4, 5]	164,930	206,236
Plots under planning stage	35,642	65,962
Total	**370,761**	**495,174**

* As of December 31, 2013, the Koregaon Park trading property was the only trading property presented as short term, owing to the existence of a sale and purchase agreement on the trading property. Following the continuous delay in the selling process it was decided in 2014 to reclassify the abovementioned property to long term. All other trading properties are classified as long term.

1 Including EUR 5 million acquired following the termination of the BAS joint venture (refer to note 30(J) for more details).

2 Regarding accounting policy of capitalizing borrowing costs refer to note 34 (e). The Company temporarily suspended capitalisation of borrowing costs starting July 1, 2013, following temporary suspension of active development of the majority of its trading properties due to the Group's liquidity crisis.

3 Breakdown of writedown of trading properties:

Project name (location)	The year ended December 31, 2014 €'000	The year ended December 31, 2013 €'000
Iasi (Iasi, Romania)	4,280	1,582
Koregaon Park (Pune, India)	10,059	15,564
Belgrade Plaza (Belgrade, Serbia)	2,500	29,347
Helios Plaza (Athens, Greece)	10,901	12,267
Liberec (Liberec, Czech Republic)	2,080	11,578
Belgrade Plaza Visnjicka (Belgrade, Serbia)	175	6,825
Lodz Plaza (Lodz, Poland)	829	6,400
Casar Radio (Bucharest, Romania)	33,583	6,305
Zgorzelec (Zgorzelec, Poland)	3,868	2,013
Constanta (Constanta, Romania)	3,813	4,972
Ciuc (Ciuc, Romania)	3,653	4,414
Kragujevac (Kragujevac, Serbia)	3,395	751
Timisoara (Timisoara, Romania)	2,027	3,968
Roztoky (Prague, Czech Republic)	-	3,500
Kielce (Kielce, Poland)	(323)	828
Other, aggregated	6,649	7,599
Total	**87,489**	**117,913**

The writedowns were caused mainly by the following factors:

- There were significant decreases in Net Realisable Values of certain projects below the carrying amount due to deteriorating market condition in certain countries in which the Group operates.

  Also affecting the valuations (in respect of plots under development) are delays in the execution and commencement of construction of projects by the Company, increase in the risks inherited with the Company's developments projects which cause an increase in the discounts rate and the exit yields of the undeveloped projects. In certain cases, changes were performed to schemes of projects (e.g Casa Radio, please see (4) below) which triggered additional significant impairments.

  In the operational projects (Koregaon Park in India and Zgorzelec in Poland) impairment was performed due to delays in executing a sale transaction for the project and that current transaction is in lower prices (in case of Koregaon Park), and also a decrease in the performance of both commercial centres.

- The disposal, or contracted disposal, of certain properties at a selling price below their carrying amount triggered writedown of these properties to their contractual selling price (refer to note 30(E)).

4 Including carrying amount of Casa Radio project in Romania in a total amount of EUR 116 million (2013 – EUR 153 million). The 2014 impairment is attributed to the change of scheme of the project, mainly by excluding a residential component.

5 The 2013 value of the Casa Radio project in Romania includes two non-operative gas turbines with a total carrying amount of EUR 3 million (following writedown). These turbines were purchased in the past with the purpose of supplying energy to the completed project due to lack of sufficient energy infrastructure capabilities in Bucharest at the time. Following an improvement in the energy infrastructure in recent years the turbines became redundant and efforts were made to dispose of them. In the course of 2013 the turbines were written down (EUR 6.3 million) to their Net Realisable Values based on most recent offering prices received from potential buyers. Refer to note 30 (F) for the selling of the turbines.

Casa Radio note

1. General

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

As part of the PPP, the Project SPV was granted with development and exploitation rights in relation to the site for a period of 49 years, starting December 2006. In addition, the Project SPV has committed to construct a Public Authority Building ("PAB") measuring approximately 11,000 square meters for the Romanian Government at its own cost.

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

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

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

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

3. Discussions with Authorities on construction time table deferral

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

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

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

The Company estimates that although there is no formal obligation from the Romanian Authorities to renegotiate the PPP agreement, such obligation is expressly provided for the situation when extraordinary economic circumstances arise.

Management believes that an agreement should be reached with the Authorities regarding the future development of the project (management cannot assess at this stage the timing of reaching such agreement).

4. Provision in respect of PAB

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

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

Security over trading properties

As of December 31, 2014, a total carrying amount of EUR 170 million (December 31, 2013 – EUR 223 million) which represent operating shopping centres is pledged against secured bank loans of approximately EUR 141 million.

Writedown of trading properties

Trading properties are measured at the lower of cost and net realisable value. Determining net realisable value is inherently subjective as it requires estimates of future events and takes into account special assumptions in the valuations, many of which are difficult to predict.

Actual results could be significantly different than the Company's estimates and could have a material effect on the Company's financial results. Trading Properties accumulated writedowns from cost as of December 31, 2014, amounted to EUR 274 million or 42% percent of trading properties original cost (December 31, 2013 – EUR 222 million or 31% of gross trading property balance).

These valuations becomes increasingly difficult as it relates to estimates and assumptions for projects in the preliminary stage of development in addition to current economic uncertainty and the lack of transactions in the real estate market in the CEE and India for same or similar properties.

Management is responsible for determining the net realisable value of the Group's Trading Properties. In determining net realisable value of the vast majority of Trading Properties, management utilises the services of an independent third party recognised as a specialist in valuation of properties (As at December 31, 2014, 98% of the value of trading properties was based on valuations done by the independent third party valuation service (2013 - 98%). The remaining properties were valued internally.

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

1. Completed trading properties (operating shopping centers)

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

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

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

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

2. Incomplete trading properties (undeveloped plots of lands)

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

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

2a – Comparative method

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

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

- Adjustment because of the time of the transaction. Market conditions at the time of the sales transaction of a comparable property may differ from those on the valuation date of the property being valued. Factors that impact market conditions include rapidly appreciating or depreciating property values, changes in tax laws, building restrictions or moratoriums, fluctuations in supply and demand, or any combination or forces working in concert to alter market conditions from one date to another.

- Adjustment because of asking price and condition of payment. The special motivations of the parties to the transaction in many situations can affect the prices paid and even render some transactions as non-market. Examples of special conditions of sale include a higher price paid by a buyer because the parcel has synergistic, or marriage value; a lower price paid because a seller was in a hurry to conclude the sale; a financial, business, or family relationship between the parties involved in the transaction, unusual tax considerations; lack of exposure of the property in the (open) market; or the prospect of lengthy litigation proceedings.

- Adjustment because of size, shape and surface area. Where the physical characteristics of a comparable property vary from those of the subject property, each of the differences is considered, and the adjustment is made for the impact of each of these differences on value.

- Adjustment because of location. The locations of the comparable sale properties and the subject property are compared to ascertain whether location and the immediate environment are influencing the prices paid. The better location a property is located in the more it is worth per square meter; and conversely the worse location a property is in the less it is worth per square meter. An adjustment is made to reflect such differences based on the valuers' professional experience. Extreme location differences may indicate that a transaction is not truly comparable and are disqualified.

2b – Residual method

The residual method, in contrast, relies on an approach that is a combination of comparison and cost and it requires making a number of assumptions – any of which can affect the outcome in varying degrees. Having established the development potential a residual valuation can be expressed as a simple equation: (value of completed development) – (development costs + developers profit) = land value. Each element of this equation is discussed in the following paragraphs.

Value of completed development

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

Development costs

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

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

Developer's profit

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

All of the trading properties were valued using the Residual technique (or the Discounted Cash Flows technique for operating shopping centres) with the exception of one project (2013: four projects) with a total amount of EUR 0.8 million (2013: EUR 15.5 million) using the comparative method.

All the trading properties carrying amounts equal their net realisable values with the exception of the following projects: Torun and Suwalki in Poland and Arena extension in Hungary (2013: Torun, Suwalki and Lodz residential in Poland, Arena Extension in Hungary and Casa Radio project in Romania), where the carrying amount reflects the cost.

3. Significant estimates

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

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Operating shopping centers – Poland	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centers. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated rental prices per SQM (EUR 3–40.0, weighted average EUR 13.70). • Estimated exit yield is between 7.45% and 9.75%. • Discount rate is between 9.50% to 11.75%. • Based on 100% occupancy rate to be achieved within 2 years.	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the Estimated yield rates were lower (higher); • the Estimated discount rates were lower (higher); • The occupancy of the mall was higher (lower).
Operating shopping center – Czech Republic	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the shopping centers. The cash flow projections include specific estimates for 10 years. The expected net cash flows are discounted using a risk-adjusted discount rate.	• Estimated rental prices per SQM (EUR 3.50–42.0, weighted average EUR 5.3). • Estimated exit yield is 10.00%. • Discount rate is 11.50%. • Based on 100% occupancy rate to be achieved within 1 year.	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the Estimated yield rates were lower (higher); • the Estimated discount rates were lower (higher); • The occupancy of the mall was higher (lower).
Plots in CEE (except Casa Radio)	Residual method: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development.	• Estimated weighted average rental prices per SQM is between EUR 10.00 to EUR 20.00. • The estimated exit yield for the projects are between 8.50% and 10.50%. • The construction cost of the projects are between 400 EUR/sqm for retail parks to 1,100 EUR /sqm for the malls. • The development finance rate is 7.00%. • The occupancy of the projects at opening are estimated at 95%.	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the Estimated yield rates were lower (higher); • the Estimated discount rates were lower (higher); • The construction costs of the project were lower (higher); • The developer’s profit provisions for the project were lower (higher); • The development finance provisions for the project were lower (higher); • The estimated completion of the project were shorter (longer); • The occupancy of the mall were higher (lower); • The land prices for comparable transactions on the market would be higher (lower); • The characteristics of the project would be changed.

Group of assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Casa Radio	Residual method: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development	• Estimated weighted average rental prices per SQM EUR 25.00. • The Estimated Exit Yield is 7.50% for the mall and 8.00% for the office component. • The construction cost of the project is 1,000 EUR/sqm for the mall; 850 EUR/sqm for the offices; 500 EUR/sqm for the residential component. • The development finance rate is 7.50%. • The occupancy of the project at opening is estimated at 95%. • The scheme would compose the following components: (i) retail; (ii) offices; (iii) residential.	The estimated fair value would increase (decrease) if: • the estimated rental prices per sqm were higher (lower); • the estimated yield rates were lower (higher); • The construction cost of the project were lower (higher); • The developer's profit provision for the project were lower (higher); • The development finance provision for the project were lower (higher); • The estimated completion of the project were shorter (longer); • The occupancy of the mall were higher (lower); • The characteristics of the project would be changed.
Bangalore and Chennai (Joint Ventures)	Residual method was used as follows: The valuation model considers the net present value (based on an NPV factor) based on the estimated value of the project upon completion less the estimated development cost including a provision for the profit for the potential development	For residual approach: • The sales price per sqm for the development is between INR 92,000 and INR 126,000 subject to the size, location and the quality of the asset class. • The construction cost per sqm for the development is INR 21,000 to INR 38,000 subject to location and the quality of the asset class.	The estimated residual fair value would increase (decrease) if: • the estimated sales prices per sqm were higher (lower); • the estimated construction cost were lower (higher); • The development finance provision for the project were lower (higher); • The estimated completion of the project were shorter (longer); • The characteristics of the project would be changed; • The developer's profit provision for the project were lower (higher).

ts NOTE 8

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

Operating Property	Exit Yield				
	-50bps	-25bps	0	+25bps	+50bps
Polish operating shopping centers	163,250	157,825	152,825	148,100	143,675

	Increase in exit yields (base points)				
	0	+15bps	+25bps	+40bps	+50bps
Belgrade Plaza visnjicka	18,850	17,750	17,025	16,000	15,325
Belgrade Plaza (MUP)	13,650	12,090	11,140	9,770	8,890
Lodz Plaza	7,400	6,450	5,825	4,925	4,325
Timisoara Plaza	8,940	8,100	7,540	6,760	6,240
Casa Radio	116,110	107,190	101,480	93,220	87,920

	Delay in construction commencement day (months)				
	0	+6	+12	+18	+24
Belgrade Plaza visnjicka	18,850	18,000	17,175	16,400	15,650
Belgrade Plaza (MUP)	13,650	13,100	12,575	12,075	11,575
Lodz Plaza	7,400	7,200	7,025	6,825	6,650
Timisoara Plaza	8,940	8,560	8,200	7,860	7,520
Casa Radio	116,110	111,300	106,670	102,200	97,890

	Construction costs for all phases				
	-10%	-5%	0	+10%	+5%
Belgrade Plaza visnjicka	22,475	20,650	18,850	17,025	15,225
Belgrade Plaza (MUP)	20,025	16,825	13,650	10,450	7,250
Lodz Plaza	11,650	9,525	7,400	5,275	3,150
Timisoara Plaza	12,520	10,740	8,940	7,140	5,360
Casa Radio	144,870	130,490	116,110	101,720	87,340

	Rental income for all the phases				
	-10%	-5%	0	+10%	+5%
Belgrade Plaza visnjicka	13,250	16,050	18,850	21,650	24,450
Belgrade Plaza (MUP)	5,850	9,750	13,650	17,525	21,400
Lodz Plaza	2,400	4,900	7,400	9,900	12,400
Timisoara Plaza	4,340	6,640	8,940	11,240	13,540
Casa Radio	75,730	95,920	116,110	136,300	156,480

Below is a summary table for main projects status:

Project	Location	Purchase year	Holding Rate (%)	Nature of rights	Permit status	Planned Gross Lettable Area (sqm)	Carrying amount December 31, 2014 (MEUR)	Carrying amount December 31, 2013 (MEUR)
Suwalki Plaza	Poland	2006	100	Ownership (starting Q2 2010)	Operating shopping center	20,000	39.2	38.7
Zgorzelec Plaza	Poland	2006	100	Ownership (starting Q1 2010)	Operating shopping center	13,000	13.5	17.1
Torun Plaza	Poland	2007	100	Ownership (starting Q4 2011)	Operating shopping center	40,000	68.0	67.4
Lodz (Residential)	Poland	2001	100	Ownership/ Perpetual usufruct	Planning permit valid	80,000*	4.8	5.5
Lodz Plaza	Poland	2009	100	Perpetual usufruct	Planning permit pending	35,000	7.4	7.9
Kielce Plaza	Poland	2008	100	Perpetual usufruct	Planning permit valid	33,000	3.5	4.0
Leszno Plaza	Poland	2008	100	Perpetual usufruct	Planning permit valid	16,000	0.8	1.7
Liberec Plaza	Czech Republic	2006	100	Ownership (starting Q1 2009)	Operating shopping center	17,000	15.7	17.7
Koregaon Park Plaza	India	2006	100	Ownership (starting Q1 2012)	Operating shopping center	41,000	33.8	40.3
Casa Radio	Romania	2007	75	Leased for 49 years	Detailed Zoning Plan ("PUD") valid	467,000*	116.1	152.3
Iasi Plaza	Romania	2007	100	Ownership	Zoning Plan ("PUZ") valid	58,000	7.3	11.6
Slatina Plaza	Romania	2007	100	Ownership	Detailed Zoning Plan ("PUD") valid	17,000	1.1	1.7
Targu Mures Plaza	Romania	2008	100	Ownership	Zoning Plan ("PUZ") valid	30,000	Sold	3.5
Hunedoara Plaza	Romania	2008	100	Ownership	Zoning Plan ("PUZ") valid	14,000	Sold	2.4
Timisoara Plaza	Romania	2007	100	Ownership	Zoning Plan ("PUZ") valid	40,000	8.9	10.8
Constanta Plaza	Romania	2009	100	Ownership	Existing building	18,000	2.5	6.3
Miercurea Ciuc Plaza	Romania	2007	100	Ownership	No valid permit (Building Permit expired)	14,000	2.0	5.6
Kragujevac Plaza	Serbia	2007	100	Currently Construction lease period (99 years) with subsequent ownership	Operating shopping center (starting Q1 2012)	22,000	Sold	41.8
Belgrade Plaza (Visnjicka)	Serbia	2007	100	Ownership	Building Permit pending	32,000	18.9	19.0
Belgrade Plaza (MUP)	Serbia	2007	100	Ownership	Approval of DRP pending	63,000*	13.7	16.2
Shumen Plaza	Bulgaria	2007	100	Ownership	Planning permit valid	20,000	1.0	2.1
Arena Plaza Extension	Hungary	2005	100	Land use rights	Building permit valid	40,000	3.4	3.4
Piraeus Plaza	Greece	2002	100	Ownership	-	38,660	4.4	15.3
Other small plots, grouped							4.8	2.9
Total							**370.8**	**495.2**

* GBA (sqm)

ts NOTE 9

NOTE 9 - PROPERTY AND EQUIPMENT

	Land and buildings €'000	Equipment €'000	Fixtures and fittings €'000	Airplane[1] €'000	Total €'000
Cost					
Balance at January 1, 2013*	**7,181**	**4,357**	**1,397**	**4,737**	**17,672**
Additions	-	75	-	-	75
Disposals	-	(749)	-	-	(749)
Exchange rate effect	-	(141)	-	-	(141)
Balance at December 31, 2013	**7,181**	**3,542**	**1,397**	**4,737**	**16,857**
Additions	-	12	-	-	12
Disposals	-	(208)	-	(4,737)	(4,945)
Exchange rate effect	-	54	-	-	54
Balance at December 31, 2014	**7,181**	**3,400**	**1,397**	**-**	**11,978**
Accumulated depreciation and impairment					
Balance at January 1, 2013*	**2,691**	**3,403**	**1,054**	**3,143**	**10,291**
Depreciation	85	194	17	127	423
Disposals	-	(333)	-	-	(333)
Exchange rate effect	-	(44)	-	-	(44)
Balance at December 31, 2013	**2,776**	**3,220**	**1,071**	**3,270**	**10,337**
Depreciation	85	197	-	-	282
Impairment**	700	-	-	-	700
Disposals	-	(66)	-	(3,270)	(3,336)
Exchange rate effect	-	(34)	-	-	(34)
Balance at December 31, 2014	**3,561**	**3,317**	**1,071**	**-**	**7,949**
Net carrying amounts					
At December 31, 2014	3,620	83	326	-	4,029
At December 31, 2013	4,405	322	326	1,467	6,520
At January 1, 2013	4,490	954	343	1,594	7,381

* Restated in 2013 due to Retrospective application. A net amount of EUR 0.7 million was transferred to investment in Equity accounted investee Ercorner, as part of implementation of IFRS 11.

** 2014 depreciation – including impairment of EUR 0.7 million due to office building in Romania.

1 For the selling of the airplane refer to note 30(F).

NOTE 10 - EQUITY ACCOUNTED INVESTEES

The Group has the following interest (directly and indirectly) in the below joint ventures (the Group has no investment in associates), as at December 31, 2014 and 2013:

Company name	Country	Activity	Interest of holding (percentage) as at December 31, 2014	Interest of holding (percentage) as at December 31, 2013
Elbit Plaza USA II LP	USA	Inactive	50%	50%
Elbit Plaza India Real Estate Holdings Ltd. ("EPI")	Cyprus	Mixed-use large scale projects	47.5%	47.5%
Elbit Kochin Ltd.	Cyprus	Inactive	40%	40%
Bas - Adams Invest S.R.L [1]	Romania	Residential	N/A	25%
Bas - Colorado Invest S.R.L [1]	Romania	Residential	N/A	25%
Bas - Malibu Invest S.R.L [1]	Romania	Residential	N/A	12.5%
Bas - Spring Invest S.R.L [1]	Romania	Residential	N/A	25%
Bas - Sunny Invest S.R.L [1]	Romania	Residential	N/A	25%
Bas - Primavera Invest S.R.L [1]	Romania	Residential	N/A	25%
Bas development S.R.L [1]	Romania	Residential	N/A	25%
SIA Diksna ("Diksna")	Latvia	Operating shopping center	50%	50%

1 Refer also to note 30(J) for the transaction with joint venture partner.

None of the joint ventures are publicly listed.

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

	2014 €'000	2013 €'000
Balance as at 1 January	40,141	161,779
Investments in equity-accounted investees	463	1,849
Share in results of equity-accounted investees, net of tax	1,641	952
Writedown of Equity-accounted investees[2]	(1,687)	(56,417)
Effect of movements in exchange rates	2,740	(15,036)
EPUS dissolved[1]	-	(32,410)
Equity-accounted investees disposed[3]	(1,069)	(20,576)
Balance as at 31 December [4]	42,229	40,141

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

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

Project name (holding company name)	The year ended December 31, 2014 €'000	The year ended December 31, 2013 €'000
Bangalore (held by EPI)	(557)	31,017
Chennai (held by EPI)	2,463	20,745
Kharadi (sold in 2013)	-	4,311
Riga Plaza (held by Diksna)	(420)	(1,513)
Elbit Kochin	201	-
Új Udvar (sold in 2013)	-	1,857
Total	**1,687**	**56,417**

3 Refer also to note 30(J) in respect of the termination of the BAS joint venture.

4 As of December 31, 2014, the loan to equity accounted investee Diksna totalled EUR 6.1 million bearing interest of 3 months EURIBOR +2.5% per annum (December 31, 2013 – EUR 7.04 million). Other investment in equity accounted investees is either through various equity instruments, or by loans to cover negative equity position considered part of the Group's net investment in the investee.

Material joint ventures

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

	December 31, 2014 EPI €'0000	December 31, 2014 Diksna €'000	December 31, 2013 EPI €'000	December 31, 2013 Diksna €'000
Current assets*	3,168	2,696	1,274	2,776
Trading properties-non current	48,475	90,000	46,752	87,725
Other current liabilities	(709)	(2,414)	(674)	(1,275)
Interest bearing loans from banks	-	(56,884)	-	(59,046)
Group loan to Diksna	-	(12,242)	-	(14,078)
Net assets (100%)	50,934	21,156	47,352	16,102
Group share of net asset (50%)**	25,467	10,578	23,676	8,051
Purchase price allocated to trading property	-	-	-	-
Carrying amount of interest in joint venture	**25,467**	**10,578**	**23,676**	**8,051**

* Including cash and cash equivalents in the amount of EUR 0.8 million (2013 - EUR 1.1 million).

** Though EPI is 47.5% held by the Company, the Company is accounted for 50% of the results, as the third party holding 5% in EPI is deemed not to participate in accumulated losses, hence EI and the Company, the holders of the remaining 95% each account for 50% of the results of EPI.

	The year ended December 31, 2014 EPI €'000	The year ended December 31, 2014 Diksna €'0000	The year ended December 31, 2013 EPI €'000	The year ended December 31, 2013 Diksna €'000
Revenue	-	11,244	-	10,122
Cost of operations	-	(4,291)	-	(4,304)
Interest expenses	-	(2,018)	-	(2,016)
Gain from refinance of loan	-	-	-	1,800
Reversal of writedown (Writedowns)	(3,812)	840	(66,024)	3,026
Total net profit (loss) and comprehensive income (100%)	(4,730)	5,092	(67,446)	7,666
Group share of Profit (loss) and comprehensive income (50%)	(2,365)	2,546	(33,723)	3,833
Interest income on Diksna loan	-	82	-	90
Impairment of purchase price allocated to trading property	-	-	(18,750)	-
Total results from investee	**(2,365)**	**2,628**	**(52,473)**	**3,923**

Immaterial joint ventures information

With the exception of EPI and Diksna, all other December 31, 2014 and 2013 outstanding joint ventures were considered immaterial. The aggregation of the information in respect of these immaterial joint ventures was as follows (the Group's part):

	December 31, 2014 €'000	December 31, 2013 €'000
Current assets	63	61
Trading properties	-	7,152
Interest bearing loans from banks	-	(5,727)
Current liabilities	-	(70)
Carrying amount of interest in joint venture	**63**	**1,416**

	The year ended December 31, 2014 €'000	The year ended December 31, 2013 €'000
Revenues	23	801
Cost of operations	-	(674)
Writedowns (refer to impairment table above)	(201)	(6,168)
Loss and comprehensive income	**(309)**	**(6,915)**

NOTE 11 - DERIVATIVES

The table below summarises the results of the 2014 and 2013 derivatives activity, as well as the outstanding derivatives as of December 31, 2014 and 2013:

Derivative type	Nominal amount as of December 31, 2014	Fair value of derivatives at December 31, 2014	Gain (loss) in 2014	Fair value of derivatives at December 31, 2013	Gain (loss) in 2013	Maturity date of derivative
Currency options[1]	EUR 25 million	(95)	217	N/A	(2,364)	March 2015
Cross currency Interest Rate SWAP[2]	N/A	N/A	N/A	N/A	(251)	N/A
Interest Rate Swap ("IRS") 1[3]	N/A	N/A	220	(222)	188	N/A
IRS 2[4]	N/A	N/A	20	(475)	(31)	N/A
IRS 3[5]	EUR 35.5 million	(894)	(689)	(213)	187	December 2017
Total		**(989)**	**(232)**	**(910)**	**(2,271)**	

1 Selling options strategy (by writing call and put options through Israeli banks) in order to manage its foreign currency risk (EUR-NIS) inherent in its long term debentures series A and series B issued in NIS. The Company wrote call option on an amount of EUR 25 million with a strike exchange rate of 4.92 NIS per EUR, and collected EUR 0.3 million in cash premium. In respect of collaterals to this transaction refer to note 5 above. In respect of post balance sheet activity refer to note 33(B).

2 The Company was paying a fixed interest of 6.98% based on a nominal EUR amount of EUR 15.1 million and receiving an interest of six months WIBOR + 4.5% with the same amortisation schedule as the Polish bonds (refer to note 17). The swap was settled in March 2013 for a cash payment of EUR 0.8 million, in order to release EUR 2.7 million restricted cash served as guarantee in respect of the SWAP.

3 In respect of Suwalki project loan. The project company paid EUR fixed interest rate of 2.13% and receives three months Euribor on a quarterly basis, until June 30, 2014.

4 In respect of Kragujevac project loan. The project company paid EUR fixed interest rate of 1.85% and receives three months EURIBOR on a quarterly basis, until December 31, 2014.

5 In respect of Torun project loan. The project company pays fixed interest rate of 1% and receives three months Euribor on a quarterly basis, until December 31, 2017. Regarding pledges in respect of derivative activity refer to note 29(d)(2).

None of the abovementioned activities qualified for hedge accounting.

Fair value measurement

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

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

NOTE 12 - INTEREST BEARING LOANS FROM BANKS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, refer to note 28. All interest bearing loans from banks are secured. Terms and conditions of outstanding loans were as follows:

	December 31, 2014 €'000	December 31, 2013 €'000
Non-current loans		
Trading properties secured bank loans	112,962	-
Current loans (including current maturities of long-term loans)		
Trading properties secured bank loans	37,885	172,810
Other secured bank loans	-	2,528
Total	**37,885**	**175,338**

Below is the breakdown of all outstanding bank loans:

	Nominal interest rate	Currency	Year of maturity	December 31, 2014 €'000	December 31, 2013 Carrying amoung €'000
Torun project secured bank loan (1)	3M Euribor+3%	EUR	2017	46,735	47,906
Liberec project secured bank loan (2)	3M Euribor+1.5%	EUR	2018	20,468	20,498
Suwalki project secured bank loan	3M Euribor+1.65%	EUR	2020	29,886	31,595
Zgorzelec project secured bank loan (3)	3M Euribor+2.75%	EUR	2014	21,993	21,993
Kragujevac project secured bank loan	3M Euribor+5%	EUR		-	29,108
Koregaon Park project secured bank loan (4)	13.50%	INR	2021	22,065	21,710
Bas project secured bank loans (5)	3M EURIBOR+5.5%	EUR	2014	9,700	-
				150,847	**172,810**
Other secured bank loans (6)	3M USD Libor+4%	USD		-	2,528
				-	**2,528**
Total interest bearing liabilities				**150,847**	**175,338**

1 IRS on bank loans – refer to note 11.

2 Liberec loan – recourse loan. The Company obtained a waiver for the remaining maturity of the loan for all covenants breached.

3 Zgorzelec loan – mostly non-recourse loan (except a component of a EUR 1.2 million which is recourse) –the loan has expired – the Company is in discussions with the financing bank on signing new facility. The Company has also pledged its plot in Leszno, Poland (refer also to note 11) in favour of the financing bank. Full loan reclassified as short termed. Refer also to note 33(d) for subsequent event on this issue.

4 Koregaon Park loan – out of 2014 balance, an amount of EUR 14.2 million is recourse loan.

5 The two loans have expired, and the Company is currently negotiates with the financing banks new terms and conditions for the loans. Loans are with recourse on interest payments (not principal). Both loans were reclassified as short term.

6 Refer to note 30(F) in respect of selling of the airplane and the repayment of the secured loan.

The below table summarise the main covenants (Loan to Value ("LTV") and Debt Service Coverage Ratio ("DSCR")) on group loans:

Bank facility	Actual LTV	Contractual LTV	Actual DSCR	Contractual DSCR
Torun project secured bank loan	49%	70%	1.56	1.25
Liberec project secured bank loan	130%	80%	1.07	1.15
Suwalki project secured bank loan	69%	70%	1.68	1.20
Zgorzelec project secured bank loan[1]	N/A	N/A	N/A	N/A

1 The Zgorzelec loan has expired, with no new ratios established, therefore no DSCR and LTV comparisons can be made

Long term vs. Short term reclassification

Following the conclusion of the restructuring plan in 2014, all non-current maturities of interest bearing loans (previously short termed due to cross-default clause covenant) were reclassified to long term, unless covenant breach is still valid, and no waiver obtained.

NOTE 13 - TRADE PAYABLES

	Currency	December 31, 2014 €'000	December 31, 2013 €'000
Construction related payables		-	1,115
Other trade payables	Mainly in PLN	1,893	1,317
Total		**1,893**	**2,432**

NOTE 14 - RELATED PARTIES PAYABLES

	Currency	December 31, 2014 €'000	December 31, 2013 €'000
El Group- ultimate parent company – expenses recharged	EUR, USD	457	672
Other related parties in El group	EUR	704	272
Total		**1,161**	**944**

For payments (including share based payments) to related parties refer to note 31. Transactions with related parties are priced at an arm's length basis.

NOTE 15 - OTHER LIABILITIES

Short-term	Currency	December 31, 2014 €'000	December 31, 2013 €'000
Advance payment in respect of selling of trading property[1]	INR, RON	5,868	2,343
Obligations to tenants	EUR	2,401	2,613
Accrued bank interest	Mainly EUR	2,265	2,377
Obligation in respect of plot purchase	Mainly EUR	1,380	1,380
Loan from non-controlling interest	EUR	215	1,455
Accrued expenses and commissions		50	305
Government institutions and fees		529	416
Salaries and related expenses		180	174
Other		287	156
Total		**13,175**	**11,219**

1 Advances in respect of selling of Koregaon Park shopping center. Refer to note 33(A) for more details. In addition, an amount of EUR 2 million was received as an advance payment for a potential selling of the plot of the Company in Iasi, Romania.

NOTE 16 - DEBENTURES AT FAIR VALUE THROUGH PROFIT OR LOSS

In comparative 2013 figures, and up and until December 9, 2014 (refer to note 30(A) for details) NIS 190.6 million par value of debentures Series A (raised in July 2007) and NIS 319.2 million par value of debentures Series B (raised in February and May 2008), were measured at fair value through profit or loss. For the terms and conditions of both debentures series, prior and post the Restructuring Plan, refer to note 17.

The below table summarise the quotes of the bonds (in NIS cents):

	2014 €'000	2013 €'000
Series A Debentures		
Market quote at January 1:	91.60	80.62
Market quote at December 31*:	110.6	91.60
Series B Debentures		
Market quote at January 1:	92.42	90.47
Market quote at December 31*:	112.07	92.42
Total	**37,885**	**175,338**

* In 2014: This is the last quote of previous Debentures on December 9, 2014. Following this date a total carrying amount was de-recognised to profit or loss, as part of re-measurement of newly extended debentures. For the calculation of the gain due to new debentures series refer to note 17.

Following the issue of new debentures, the Company decided to present all its bonds at amortised cost (refer to note 17). Therefore, as of December 31, 2014, there are no more debentures measured at fair value through profit or loss.

The total net carrying amounts (in EUR thousands) of the Debentures measured at fair value were as follows:

	December 9, 2014 €'000	December 31, 2013 €'000
Series A Debentures	43,260	36,294
Series B Debentures	73,411	61,689
Total	**116,671**	**97,983**

All debentures (including those presented at amortised cost) were reclassified in 2013 to current liabilities, in view of the decision to withhold all payments to creditors, which was an event of default. For more details on the Debt Restructuring Plan, refer to note 30(A). In 2014 the presentation of debentures is in accordance with repayment schedule, as determined under the trust deed of the Debentures.

Fair value

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

NOTE 17 - DEBENTURES AT AMORTISED COST

Old debentures issued in Israel

In comparative 2013 figures, and up and until December 9, 2014 (refer to note 30(A) for details) NIS 54.6 million par value of debentures Series A (raised after July 2007) and NIS 189.3 million net par value of debentures Series B (raised after May 2008, net after deduction of NIS 15.9 million par value which are held by a Company's subsidiary), were measured at amortised cost.

Both debentures principal were adjusted ("adjusted par value") based on the change in the Israeli Consumer Price Index ("CPI"), meaning that every 1 percent change in Israeli CPI is causing a one (1) percent change in the principal value of the bond, and also on the interest paid. Indexation is made on a monthly basis. As the Company holds indirectly debentures series B in treasury (refer to note 30(I)), all the information in this note relates to the net debenture debt of the Company, after eliminating debentures held in treasury.

Table 1

The total net adjusted par value, being the carrying amounts of old amortised costs debentures (in EUR thousands) were as follows:

	December 9, 2014 €'000	December 31, 2013 €'000
Series A Debentures	13,522	13,765
Series B Debentures	41,653	42,403
Total	**55,175**	**56,168**

New debentures following the conclusion of the restructuring plan

In view of the significant change in the terms of the Debentures, the Company de-recognised all of its outstanding debentures, and recognised new debentures at fair value (with subsequent measurement at amortised cost) determined by the market quote at the end of the trade date of December 10, 2014.

Table 2

Following the above, a value of EUR 170.2 million was deemed to be the fair value of the principal of new debentures.

Short-term	Principal fair value determined	Effective interest rate	Quote deemed as fair Value of Debenture (in NIS or PLN cents)
Series A Debentures*	54,119	12.6%	112
Series B Debentures*	101,476	15.2%	105.34
Polish Debentures**	14,562	13.8%	96.5
Total	**170,157**		

* In respect of Israeli bonds, market quote of December 10, 2014 was inclusive of accrued interest due to the year 2014, therefore, and in order to reach a clean quote of the principal, accrued interest in the amount of EUR 3.5 million and EUR 7.9 million had to be deducted from the fair value derived from the quote of debentures A, and B, respectively.

** See below in respect of general information on Polish bonds. Fair value of Polish debentures (untraded) was determined using the known effective interest rates determined for Israeli debentures, and the value of the Polish debentures was derived from it.

Gain from de-recognition and re-recognition (restructuring plan gain)

Table 3

As a result of the above, the Company recorded a gain of EUR 3.4 million from eliminating the old debentures and recording of the new debentures. Refer to table 3 below for the calculation. The gain is calculated as follows:

	Carrying amount recognised (de-recognised) €'000
Items de-recognised	
Total Israeli debentures at fair value through profit or loss (refer to note 16)	(116,671)
Total Israeli debentures at amortised costs (refer to table 1 above)	(55,175)
Total Polish debentures	(14,425)
Old accrued interest due debentures at amortised cost as of December 10, 2014	(6,097)
Total amounts de-recognised	**(192,368)**
Items added	
Fair value of new bonds (refer to table 2 above)	170,157
New accrued interest due debentures at amortised cost as of December 10, 2014	12,614
Value of new shares issued to bondholders (share premium - refer to note 19)	6,154
Total amounts recognised	**188,925**
Gain recorded at December 10, 2014	**3,443**

As part of the restructuring plan (refer to note 30(A)), and as interest due up and until December 31, 2013 was added to the principal of the debentures, an additional NIS 5.5 million par value debentures series A and net NIS 13.3 million par value debentures series B were issued (refer also to note 30(A)). Also additional PLN 2.8 million of par value was issued to Polish investors.

Table 4

Following the additional issuance, the total par value and adjusted par value (in EUR thousands) outstanding were as follows:

	Par Value €'000	Adjusted par value €'000	Fair value determined €'000	Discount Created* €'000
Series A Debentures	51,447	62,108	54,119	7,989
Series B Debentures (Net of treasury bonds)	103,813	121,535	101,476	20,059
Polish Bonds	15,090	15,090	14,562	528
Total		**198,733**	**170,157**	**28,576**

* The discount created will be recognised as a finance cost across the remaining maturity of the debentures, according to the effective interest rate method.

Following the disposal of several asset by the Company (refer to notes 30(D) and 30(E), the Company has repaid principal to Bondholders a total net amount of EUR 12.1 million, representing 75% of the total proceeds obtained of asset disposal. The Company also repaid all outstanding net interest accrued on the Debentures in the amount of EUR 13.8 million. The payment of Interest was done also on account of the first six days of 2015 and therefore an amount of EUR 0.2 million is presented as part of prepaid expenses.

Following the above, refer to the below table for the movement in the carrying amount of the debentures between December 10, 2014 and December 31, 2014:

	Fair value As at December 10, 2014 €'000	Amortisation Of discount in 2014 €'000	Repayment Of principal €'000	Forex and inflation €'000	Carrying Amount as at December 31, 2014* €'000
Series A Debentures	54,119	216	(2,615)	1,537	53,257
Series B Debentures	101,476	488	(8,406)	2,820	96,378
Polish Debentures	14,562	55	(1,036)	(354)	13,227
Total	**170,157**	**759**	**(12,057)**	**4,003**	**162,862**

* Carrying amount as at December 31, 2014 is composed of EUR 191,545 thousands net debentures obligation and EUR 28,683 thousands of discount outstanding.

For debentures established covenants refer to note 29 (b).

As a result of the restructuring plan, new interest rates and maturities were applied to the debentures as follows:

	Interest rate Before	Interest rate After	Principal final maturity Before	Principal final maturity After*
Series A Debentures	4.5%+ CPI	6%+ CPI	2017	2019
Series B Debentures	5.4%+ CPI	6.9%+ CPI	2015	2018
Polish Debentures	4.5%+ 6M WIBOR	6%+ 6M WIBOR	2013	2017

* Principal payment is subjected to the 75% mandatory prepayment (refer to note 30(A). Also, if until December 1, 2016 the Company manages to repay NIS 434 million (EUR 92 million) of the Unsecured Debt, then the remaining principal payments shall be deferred for an additional year.

Both new NIS series of debentures are rated BBB- as of the date of approval of these financial statements.

Bonds issued in Poland

In November 2010, the Company completed a bond offering to Polish institutional investors. The Company raised a total of PLN 60 million (approximately EUR 15.2 million). Following the completion of the restructuring plan (refer also to note 30(A)), the terms and conditions of the bonds were changed, as described above. As also discussed above, additional PLN 2.8 million of par value was issued to Polish investors following the conclusion of the restructuring plan. Refer also to table 4 above for the determination of fair value of the new Polish bonds.

NOTE 18 - RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes recognised are attributable to the following items:

Assets/(liabilities) 2014	December 31, 2013 €'000	Recognised in Profit or loss 2014 €'000	December 31, 2014 €'000
Property, equipment and other assets	(379)	1,300	921
Debentures and structures at fair value through profit or loss	(9,248)	1,914	(7,334)
Tax value of loss carry-forwards recognised*	9,248	(1,914)	7,334
Deferred tax liability, net	**(379)**	**1,300**	**921**

* Due to tax losses created on the Company level.

Assets/(liabilities) 2012	December 31, 2012 restated[1] €'000	Recognised in Profit or loss €'000	Recognised in comprehensive income €'000	December 31, 2013 €'000
Investment property	(1,003)	1,003	-	-
Property, equipment and other assets	(293)	(86)	-	(379)
Debentures and structures at fair value through profit or loss	(9,588)	9,588	-	-
Derivatives	(1,569)	1,569	-	-
Available for sale financial assets	(184)	-	184	-
Tax value of loss carry-forwards recognised	5,707	(5,707)	-	-
Deferred tax liability, net	**(6,930)**	**6,367**	**184**	**(379)**

1 Restated due to Retrospective application.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses in a total amount of EUR 135,580 thousands (2013: EUR 90,043 thousand).

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from. As of December 31, 2014 the expiry date status of tax losses to be carried forward is as follows:

Total tax losses carried forward	2015	2016	2017	2018	2019	After 2019
164,915	23,960	6,797	7,549	14,484	25,800	86,325

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

NOTE 19 - EQUITY

	Remarks	December 31, 2014 Number of shares	December 31, 2013 Number of shares
Authorised ordinary shares of par value EUR 0.01 each		1,000,000,000	1,000,000,000
Issued and fully paid:			
At the beginning of the year		297,186,138	297,186,138
Issuance of shares in respect of right issuance	See below[1]	282,326,830	-
Issuance of shares to bondholders	See below[2]	106,047,307	-
At the end of the year		**685,560,275**	**297,186,138**

1 Right issuance - as part of the implementation of the restructuring plan, certain shareholders participated in a right issuance process, following of which EUR 20 million were injected to the Company, and the Company has issued a total of 282,326,830 shares to these shareholders for a share price 0.0675 EUR per share. The premium resulted from the share issuance in a total amount of EUR 16.2 million was attributed to share premium. Legal, prospectus related, and other expenses associated with the issuance of shares in a total amount of EUR 1.6 million was also attributed to share premium. For more details on the right issuance process refer to note 30(A).

2 Issuance of shares to bondholders - as part of the implementation of the restructuring plan, a total of 106,047,307 shares were issued to the debentures holders, for which the bondholders have paid the par value of the shares. As a result of the above, a total deemed premium of EUR 6.2 million was contributed to the share premium of the entity, based on the market value of the shares granted at the closing of the day of trading December 10, 2014.

As a result of the abovementioned two processes, the holding rate of EI in the Company was reduced from 62.25% to 44.9%.

Share based payment reserve

Other capital reserve is in respect of Employee Share Option Plans ("ESOP") in the total amount of EUR 35,520 thousands as of December 31, 2014 (2013 – EUR 35,313 thousands). Regarding the amendments of ESOP 1 and ESOP No. 2 and its effect on other capital reserves refer to note 21.

Translation reserve

The translation reserve comprises, as of December 31, 2014, all foreign exchange differences arising from the translation of the financial statements of foreign operations in India.

Dividend policy

The Company shall not make any dividend distributions, unless (i) at least 75% of the Unpaid Principal Balance of the Debentures (EUR 199 million) has been repaid and the Coverage Ratio on the last Examination Date prior to such Distribution is not less than 150% following such Distribution, or (ii) a Majority of the Plan Creditors consents to the proposed Distribution.

Notwithstanding the aforesaid, in the event an additional capital injection of at least EUR 20 million occurs, then after one year following the date of the additional capital injection, no restrictions other than those under the applicable law shall apply to dividend distributions in an aggregate amount up to 50% of such additional capital injection.

NOTE 20 - EARNINGS PER SHARE

The calculation of basic earnings per share ("EPS") at December 31, 2014 was based on the loss attributable to ordinary shareholders of EUR 119,687 thousand (2013: loss of EUR 218,073 thousand) and a weighted average number of ordinary shares outstanding of 309,955 thousand (2013: 297,181 thousand).

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

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

In thousands of shares with a EUR 0.01 par value	December 31, 2014 €'000	December 31, 2013 €'000
Issued ordinary shares at 1 January	297,186	297,186
Issuance of shares due to restructuring plan	12,769	-
Weighted average number of ordinary shares at 31 December	**309,955**	**297,186**

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, 2014 €'000	December 31, 2013 €'000
Weighted average number of ordinary shares (basic)	309,955	297,186
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 31 December	**309,955**	**297,186**

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.

NOTE 21 - EMPLOYEE SHARE OPTION PLAN

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

On November 22, 2011 the Company's general shareholders meeting and the Board of Directors approved to amend the 1st ESOP to extend the Option Term (i.e., as defined in the 1st ESOP, being the term during which options can be exercised under the 1st ESOP) from seven (7) to ten (10) years from the Date of Grant.

Furthermore, 2nd ESOP plan was adopted on November 22, 2011 which is based on the terms of the 1st ESOP as amended in accordance with the terms as referred to above, with a couple of amendments, the most important of which is the total number of options to be granted under the 2nd ESOP is fourteen million (14) and a cap of GBP 2.

On November 22, 2012 the Company's general shareholders meeting and the Board of Directors approved to amend the 1st ESOP to extend the Option Term (i.e., as defined in the 1st ESOP, being the term during which options can be exercised under the 1st ESOP) from ten (10) to fifteen (15) years from the Date of Grant.

Exercise of the options is subject to the following mechanism:

Grant date / employees entitled	Number of options	Vesting conditions	Contractual life options[1]
ESOP No.1			
Option grant to key management at October 27, 2006	13,218,073	See below[3]	15 years
Option grant to employees at October 27, 2006	1,858,589	See below[3]	15 years
Total granted in 2006	15,076,662	See below[3]	15 years
Total granted in 2007[2]	1,016,156	See below[3]	15 years
Total granted in 2008[2]	763,887	See below[3]	15 years
Total granted in 2009[2]	391,668	Three years of service	15 years
Total granted in 2011[2]	120,000	Three years of service	15 years
ESOP No.2			
Total granted in 2011[2]	4,704,000	Three years of service	
Total granted in 2012[2]	930,000	Three years of service	10 years
Total granted in 2013[2]	1,270,000	Three years of service	
Total share options Granted	**24,272,373**		

1 Following the 4th amendment of ESOP1, the contractual life for stock options granted changed from 10 years to 15 years.

2 Share options granted to key management: 2007 – 100,000 share options; 2008 – 260,000 share options; 2009 - 73,334 share options; 2011- 3,225,000 share options (ESOP No. 2); 2012 – 450,000 share options; 2013 – 150,000 share options.

3 Vesting conditions - On November 25, 2008 the Company's general shareholders meeting and the Board of Directors approved modification of the first ESOP. The amendment plan determined that all options that were not vested on October 25, 2008 ("record date") shall vest over a new three-year period commencing on the record date, in such way that each year following that date one third of such options shall be vested. The number of options which were modified under the amendment was 28,182,589.

On exercise date the Company shall allot, in respect of each option so exercised, shares equal to the difference between (A) the opening price of the Company's shares on the LSE (or WSE under certain conditions) on the exercise date, provided that if the opening price exceeds GBP 3.24, the opening price shall be set at GBP 3.24 (Except 2nd ESOP as stated above); less (B) the Exercise Price of the Options; and such difference (A minus B) will be divided by the opening price of the Company's Shares on the LSE (or WSE under certain conditions) on the exercise date:

	Weighted average exercise price* 2014 GBP	Number of options 2014	Weighted average exercise price* 2013 GBP	Number of options 2013
Outstanding at the beginning of the year	0.43	25,061,138	0.43	24,997,557
Exercised during the year**	-	-	-	-
Forfeited during the period - back to pool**	0.42	(618,765)	0.45	(1,586,419)
Granted during the year	-	-	0.29	1,650,000
Outstanding at the end of the year	**0.43**	**24,442,373**	**0.43**	**25,061,138**
Exercisable at the end of the year		**23,115,706**		**21,070,033**

* The options outstanding at 31 December 2014 have an exercise price in the range of GBP 0.28 to GBP 0.54 (app. EUR 0.34 - EUR 0.65), and have weighted average remaining contractual life of 7.1 years. The weighted average share price at the date of exercise for share options exercised in 2013 was GBP 0.425.

** The total accumulated share based payment costs due to options exercise and forfeiture were 13,216 thousands as of December 31, 2014 (December 31, 2013 – EUR 13,073 thousands, December 31, 2012 – 12,280 thousands).

The maximum number of shares issuable upon exercise of all outstanding options as of the end of the reporting period is 34,783,568.

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

	Key management personnel 2014 €'000	Key management personnel 2013 €'000	Employees 2014 €'000	Employees 2013 €'000
Fair value of share options and assumptions				
Fair value at measurement date (in EUR)*	**-**	**22,849**	**-**	**183,403**
Weighted average Exercise price	-	0.28	-	0.29
Expected volatility	-	49.36%-49.85%	-	46.74%-49.9%
Weighted average share price (Gbp)	-	0.28	-	0.3
Suboptimal exercise multiple	-	2	-	1.5
Expected dividends	-	-	-	-
Risk-free interest rate (based on the yield rates of the non-indexed linked UK treasury bonds)	-	0.33%-4.42%	-	0.18%-4.42%

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

During 2014 the total employee costs for the share options granted was EUR 207 thousands (2013 - EUR 424 thousands).

Due to low trading volumes, there is not enough information concerning Plaza share price. Therefore, in order to derive the expected stock price volatility, analysis was performed based on the data of Plaza, and of three other companies operating in the similar segment, which have similar market capital and are traded at the Warsaw Stock Exchange. In an attempt to estimate the expected volatility in 2013 and 2012, first calculation of the short-term standard deviation (standard deviation of company's share during one year as of the options' Grant Date) has been done. In the next stage, calculation of the long-term standard deviation (standard deviation for the period starting one year prior to the Grant Date for the remaining period of the plan) has been done, where the weight of the standard deviation for the Company was ranging between 45% -65% and the weight of the average of standard deviations of comparative companies was 35% – 55% (2012: the same)The working assumption is that the standard deviation of the underlying asset yield converges in the long term with the multi-year average.

PCI and EPI Share Option plans

On March 14, 2011 ("Date of grant") the Company's direct subsidiaries PCI and EPI ("Companies") granted non-negotiable options, exercisable into the Companies' ordinary shares, to employees, directors and officers of the Companies and/or affiliates of the Companies. The options were granted for no consideration and have 3 years of vesting with contractual life of 7 years following the date of grant of such options. PCI had granted 14,212 share options with exercise price of EUR 227 per option. EPI had granted 51,053 share options with exercise price of EUR 0.01 per option. PCI and EPI common shares valuation methodology was based on NAV Model. The expected stock price volatility was based on 5 Indian publicly traded real estate companies and set to range 43.31%-54.4%. The annual risk free interest rate range was: 1.25% -4.03%. The suboptimal exercise multiple for key management personnel were set to 2 and for employees 1.5 in 2011. The Option Plans include, among others, a Cashless Exercise mechanism prior to/following IPO and conversion upon the listing of a subsidiary.

The total number of Underlying Shares reserved for issuance under PCI Plan and EPI Plan and any modification thereof shall be 14,697 Underlying Shares and 52,600 Underlying Shares, respectively (representing approximately 5% of the share capital of the Companies on a fully diluted basis, inclusive of all Underlying Shares).

ts NOTE 22,23

NOTE 22 - RENTAL INCOME

a. Continuing operations (rental)

	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Rental income from operating shopping centers[1]	21,343	22,480
Other rental income[2]	769	1,198
Total	**22,112**	**23,678**

1 As of the end of 2014 there are five operating shopping centers presented as part of trading properties, 2013 – six), following the sale Kragujevac shopping center in September 2014 (refer to note 30(D)).

2 2014 – Small scale rental fees charged on plots held by the Group (2013 - Composed mainly from rental income generated by the Investment property Prague 3 (disposed in July 2013) in the amount of EUR 0.7 million). The rest of

b. Continuing operations (entertainment centers)

Revenue from operation of entertainment centers is attributed to a subsidiary of the Company known as as "Fantasy Park" which provided gaming and entertainment services in operating shopping centers. As of December 31, 2014, these subsidiaries operate in one shopping centre held by the group (December 31, 2013 – in four shopping centers).

NOTE 23 - COST OF OPERATIONS

a. Continuing operations (cost of operations)

	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Operating shopping centers[1]	7,669	8,187
Other cost of operations[2]	822	1,221
Total	**8,491**	**9,408**

1 Refer to note 22 above.

2 2014 - Attributed to small scale costs on plots held by the Group (2013- Composed mainly from costs generated by the Investment property Prague 3 (disposed in July 2013) in the amount of EUR 0.3 million). The rest of the cost is attributed to small scale costs on plots held by the Group.

b. Continuing operations (entertainment centers)

Refer also to note 22 (b) above. The costs are inclusive of management of the operation of the entertainment centers, as well as utility, rent and spent material associated with the operation of the entertainment centers.

NOTE 24 - ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

a. Administrative expenses, excluding restructuring costs

	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Salaries and related expenses	3,594	4,522
Professional services	2,961	3,743
Offices and office rent	281	445
Travelling and accommodation	266	180
Depreciation and amortisation	133	382
Others	199	163
Total	**7,434**	**9,435**

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

b. Restructuring costs

The Company incurred restructuring cost as a result of the restructuring process completion during 2013 and 2014 (refer to note 30(A)).

NOTE 25 - OTHER INCOME AND OTHER EXPENSES

	For the year ended December 31, 2013 €'000	For the year ended December 31, 2012 Restated* €'000
Gain from selling property and equipment	-	23
Income from insurance company (refer to note 30 (G))	2,287	-
Other income	197	390
Total other income	**2,484**	**413**
Impairment of Kochi advance	-	(4,321)
Impairments of other assets[1]	(1,014)	(2,548)
Loss from selling turbines, airplane and other	(852)	-
Change in fair value of investment property[2]	-	(4,267)
Other expenses related to plots sold	(641)	(332)
Total other expenses	**(2,507)**	**11,468**
Other expense, net	**(23)**	**(11,055)**

1 2014 – Including impairment of Palazzo Du Calle office building in Romania in the amount of EUR 0.7 million. 2013 - Mainly due to assets associated with trading properties in Romania (Targu Mures and BAS).

2 2013 – Due to the impairment of the Prague 3 asset sold in July 2013.

NOTE 26 - NET FINANCE INCOME (COSTS)

Recognised in profit or loss	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Gain from settlement of bank debt (refer to note 30(F))	622	-
Finance income from hedging activities through sale of options	217	-
Foreign exchange gain on bank deposits, bank loans	202	17
Interest income on bank deposits	69	119
Finance income from held for trading financial assets	80	956
Changes in fair value of derivatives	-	93
Interest from loans to related parties	73	103
Finance income	**1,263**	**1,288**
Interest expense on debentures (including CPI)	(5,325)	(9,580)
Interest expense on bank loans	(9,557)	(10,732)
Changes of fair value in debentures measured at fair value through profit or loss*	(21,290)	(13,185)
Loss from reissuance of bonds	-	(5,707)
Finance costs from hedging activities through sale of options	-	(2,364)
Foreign exchange losses on debentures	(469)	(5,352)
Other finance expenses	(199)	(242)
Subtotal	**(36,840)**	**(47,162)**
Less-borrowing costs capitalised to trading properties under development	**-**	**6,530**
Finance costs	**(35,577)**	**(40,632)**
Net finance costs	**(35,577)**	**(39,344)**

* Credit risk of the entity couldn't be reliably measured in 2014, as the Company started the year at a state of default in her payments, and no reliable cash flow projection could have been measured. In 2013 the change in fair value includes a total of EUR 4 million attributable to the credit risk of the Company.

NOTE 27 - TAXES

Tax recognised in profit or loss	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Current year	(18)	(295)
Deferred tax benefit (refer to note 18)	1,300	6,551
Total	**1,282**	**6,256**

Deferred tax expense (tax benefit)

	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Origination and reversal of temporary differences	1,300	6,551
Total	**1,300**	**6,551**

Reconciliation of effective tax rate:

	%	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Dutch statutory income tax rate		25%	25%
Loss from continuing operations before income taxes		(120,969)	(224,394)
Tax at the Dutch statutory income tax rate	25%	(30,242)	(56,098)
Recognition of previously unrecognised tax losses		(981)	-
Effect of tax rates in foreign jurisdictions		6,356	19,607
Current year tax loss for which no deferred tax asset is provided (1)		18,695	26,854
Non-deductible expenses		4,890	3,381
Tax Expense (Tax benefit)		**(1,282)**	**(6,256)**

1 2013 and 2014 – Mainly due to impairments not recognised for tax purposes.

The main tax laws imposed on the Group companies in their countries of residence:

The Netherlands

a. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25%. The first EUR 200,000 of profits is taxed at a rate of 20%. Tax losses may be carried back for one year and carried forward for nine years.

b. Under the participation exemption rules, income (including dividends and capital gains) derived by Dutch companies in respect of qualifying investments in the nominal paid up share capital of resident or non-resident investee companies, is exempt from Dutch corporate income tax provided the conditions as set under these rules have been satisfied. Such conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy at least one of the following tests:

- Motive Test, the investee company is not held as passive investment;
- Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);
- Asset Test, the investee company owns (directly and indirectly) less than 50% low taxed passive assets.

India

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

Taxable book profits are computed in accordance with relevant provisions of the Indian Income Tax Act. The final tax payable is the higher of the MAT liability or corporate income tax payable. If taxes are paid under MAT, then credit to the extent of MAT paid over corporate income tax is available (MAT credit). MAT Credit can be availed, if the company has future taxable profits in the following ten years and credit to the extent of difference of the MAT payable and corporate income tax payable of the Company is allowed.

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

Dividends paid out of the profits are subject to Dividend Distribution Tax at the rate of 19.99% (on account of grossing up and including surcharge of 10% and cess of 3%) There is no withholding tax on dividends distributed by an Indian company and no additional taxes need to be paid by the Shareholder. Business losses can be offset against profits and gains on any business or profession for a period of eight years from the incurrence year's end. There is no limit for carry forward of unabsorbed depreciation.

India-Cyprus treaty issue

India has a Tax Treaty with Cyprus and under the Indian domestic tax laws, a resident of Cyprus would be eligible to claim recourse to the provisions of the India-Cyprus Tax Treaty to the extent the provisions of the Tax Treaty are more beneficial than those of the Indian domestic tax laws.

The India-Cyprus Tax Treaty contains more beneficial provisions in respect of taxation of interest, capital gains etc. (In connection with the taxability of interest income, tax rates in the Indian domestic tax laws are more beneficial than those in the Tax Treaty in certain cases such as interest earned on foreign currency loans given between 1 June 2012 and 1 July 2017).

However, with effect from 1 November 2013, Cyprus has been notified as a Notified Jurisdictional Area ("NJA") under the Indian domestic tax laws due to lack of effective exchange of information with Cyprus.

The notification of Cyprus as an NJA is an anti tax-avoidance measure and provides for onerous tax consequences in respect of transactions with Cypriot entities.

The consequences of entering into transactions with Cypriot entities in light of the NJA provisions are:

- If a taxpayer enters into a transaction with a person in Cyprus, then all the parties to the transaction shall be treated as Associated Enterprises [,AE'] and the transaction shall be treated as an international transaction resulting in application of transfer-pricing provisions contained in the Indian domestic tax law including maintenance of prescribed documentation;

- No deduction in respect of any payment made to any financial institution in Cyprus shall be allowed unless the taxpayer furnishes an authorisation allowing for seeking relevant information from the said financial institution;

- No deduction in respect of any other expenditure or allowance arising from the transaction with a person located in Cyprus shall be allowed unless the taxpayer maintains and furnishes the prescribed information;

- If any sum is received from a person located in Cyprus, then the onus is on the taxpayer to satisfactorily explain the source of such money in the hands of such person or in the hands of the beneficial owner, and in case of his failure to do so, the amount shall be deemed to be the income of the taxpayer;

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

Despite the above, the Company does not expect the above to have a material effect on its business in India, as , the proposed transaction with potential buyer (refer to note 33(A)) will not give rise to a capital gain on Cypriot level and hence, there would no impact of the above provisions for the Group.

NOTE 28 - FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments::

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has established a continuous process for identifying and managing the risks faced by the Group (on a consolidated basis), and confirms that it is responsible to take appropriate actions to address any weaknesses identified.

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

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

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial instruments held in banks and from other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral in the form of mainly deposit equal to three months of rent from tenants of shopping centers (collected deposits from tenants totalled EUR 2.4 million and EUR 2.6 million as at December 31, 2014 and 2013, respectively).

Cash and deposits and other financial assets

The Group limits its exposure to credit risk in respect to cash and deposits, including held for sale financial assets (debt instruments) by investing mostly in deposits and other financial instruments with counterparties that have a credit rating of at least investment grade from international rating agencies. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group encountered severe liquidity crisis during the last months of 2013 and suspended all payments to its debt holders in November 2013 and sought for credit protection from the Dutch court. Following the completion of the Restructuring Plan this risk was mitigated.

c. Market risk

Currency risk

Currency risk is the risk that the Group will incur significant fluctuations in its profit or loss as a result of utilizing currencies other than the functional currency of the respective Group company.

The Group is exposed to currency risk mainly on borrowings (debentures issued in Israel and in Poland) that are denominated in a currency other than the functional currency of the respective Group companies. The currencies in which these transactions primarily are denominated are the NIS or PLN.

The Board of Directors approved a framework for hedging risk using currency options and forwards. Regarding currency and risk hedging of the debentures refer also to note 11.

Interest Rate Risk (including inflation)

The group's interest rate risk arises mainly from short and long term borrowing (as well as debentures). Borrowings issued at variable interest rate expose the Group to variability in cash flows. Borrowings issued at fixed interest rate (but are presented at their fair value) expose the Group to changes in fair value, if the interest is changing. In certain case, the Group uses IRS to minimise the exposure to interest risk by fixing the interest rate. Regarding interest rate risk hedging of the debentures and bank facilities, refer to note 11. As the Israeli inflation risk is diminishing to a level that management believes is acceptable (Israeli CPI 2014 -0.2%; 2013 1.9%), the Company has stopped using hedging of CPI risk in 2012.

Shareholders' equity management

Refer to note 19 in respect of shareholders equity components in the restructuring plan. The Company's Board of Directors is updated on any possible equity issuance, in order to assure (among other things) that any changes in the shareholders equity (due to issuance of shares, options or any other equity instrument) is to the benefit of both the Company's bondholders and shareholders. Refer also to note 19 on dividend policy.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The vast majority of financial assets are not passed due, and the management believes that the unimpaired amounts that are past due by more than 60 days are still collectible in full, based on historic payment behavior and extensive analysis of customer credit risk. The maximum exposure to credit risk at the reporting date was:

	Note	Credit quality	Carrying amount as at December 31, 2014 €'000	Carrying amount as at December 31, 2013 €'000
Cash and cash equivalents	4	Mainly Baa3	33,363	26,157
Restricted bank deposits- short term	5	Mainly BBB+	6,886	6,319
Held for trading financial assets		Mostly BB+	1,434	1,246
Trade receivables, net	6	N/A	2,719	3,372
Other receivables	7	N/A	2,963	4,871
Loan to Diksna	10	N/A	6,121	7,039
Restricted bank deposits – long term			25	181
Total			**53,511**	**49,185**

As of December 31, 2014 and 2013, all debtors without credit quality have a relationship of less than five years with the Group. At 31 December 2014, the ageing of trade and other receivables that were not impaired was as follows:

	Carrying amount December 31, 2014 €'000	Carrying amount December 31, 2013 €'000
Neither past due nor impaired	1,160	4,443
Past due 1–90 days	1,130	3,372
Past due 91–120 days	3,392	428
Total	**5,682**	**8,243**

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

	Carrying amount December 31, 2014 €'000	Carrying amount December 31, 2013 €'000
Banks and financial institutions	41,683	33,903
Tenants	2,719	3,372
Governmental and insurance institutions	2,502	1,877
Loan to Diksna	6,121	7,039
Receivable due to selling equity accounted investee	-	2,350
Related parties and other	486	644
Total	**53,511**	**49,185**

Liquidity risk

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

December 31, 2014	Carrying amount	Contractual cash flows	6 months or less*	6-12 months	1-2 years	2-5 years	More than 5 years
Derivative financial liabilities							
IRS Derivatives	989	(1,053)	(263)	(163)	(319)	(308)	-
Non-derivative financial liabilities							
Secured bank loans	150,847	(173,058)	(39,616)	(5,697)	(10,202)	(86,362)	(31,181)
Debentures issued	162,862	(238,451)	(6,228)	(6,602)	(25,466)	(200,155)	-
Trade and other payables	15,068	(15,068)	(15,068)	-	-	-	-
Related parties	1,161	(1,161)	(1,161)	-	-	-	-
Total	**329,938**	**(427,738)**	**(62,073)**	**(12,299)**	**(35,668)**	**(286,517)**	**(31,181)**

* Out of the total amount of EUR 62.1 MEUR, the Company expects contractual cash flows due to secured bank loans in the amount of EUR 33 million and other liabilities in the amount of EUR 10 million to be revolved.

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

* In 2013, and in view of the restructuring procedure and the default in bond payments which triggered a cross default on all other loan facilities within the Group, all loan facilities were payable on demand, triggering also repayments of trade and other payables, and therefore were reclassified and assumed as to be paid within six months from the end of the comparative reporting period. The Restructuring plan did not provide any protection from the banks rights to demand early repayment under secured bank loans without recourse rights, including exercising the collateral, of loans provided to the Groups' entities.

Currency risk

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

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

EUR	Average rate 2014	Average rate 2013	Reporting date Spot rate 2014	Reporting date Spot rate 2013
NIS 1	**0.211**	**0.208**	**0.212**	**0.209**

PLN denominated debentures - A change of 6 percent in EUR/PLN rates at the reporting date would have increased/(decreased) profit or loss by EUR 0.8 million, as a result of holding PLN linked bonds.

NIS denominated debentures - A change of 11 percent in EUR/NIS (2013- 10 percent) rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

For the year ended December 31,	Carrying amount of debentures	Profit or loss effect NIS strengthening effect	Profit or loss effect NIS devaluation effect
2014	149,635	(16,460)	14,829
2013	154,151	(16,957)	16,957

Interest rate risk

Profile

As of the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount 2014 €'000	Carrying amount 2013 €'000
Fixed rate instruments		
Financial assets	41,683	30,951
Financial liabilities	-	(21,710)
Total	**41,683**	**9,241**
Variable rate instruments		
Financial assets	-	-
Debentures	(162,862)	(168,619)
Other financial liabilities	(150,847)	(153,628)
Total	**(313,709)**	**(322,247)**

Cash flow sensitivity analysis for variable rate instruments

A change of 5 basis points in Euribor interest rates (2013 – 5 basis points) at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

Variable Interest rate effect (excluding debentures)	Profit or Loss Increase	Profit or Loss Decrease
December 31, 2014	(75)	75
December 31, 2013	(77)	77

NIS Debentures

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

A change of 3 percent in Israeli Consumer Price Index ("CPI") at the reporting date (and in 2013) would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

For the year ended December 31,	Carrying amount of debentures	Profit or loss effect CPI increase effect	Profit or loss effect CPI increase effect
2014	149,635	(4,489)	4,489
2013	154,151	(4,625)	4,625

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

A change of 1 percent in Israeli basic interest rate at the reporting date (and on 2013) would have increased (decreased) profit or loss by the amounts shown below. The analysis relates only to debentures presented at fair value through profit or loss, as there is no effect on carrying amount of debentures presented at amortised cost. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

For the year ended December 31,	Carrying amount of debentures	Profit or loss effect Interest increase effect	Profit or loss effect Interest decrease effect
2014 (Refer to note 16)	N/A	N/A	N/A
2013	97,983	(1,104)	1,136

Fair values

Fair values measurement versus carrying amounts

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

In respect the Company's financial instruments liabilities:

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

	Carrying amount 2014	Carrying amount 2013	Fair value 2014	Fair value 2013
Debentures at amortised cost – Polish bonds	13,227	14,468	12,699	14,468
Debentures A at amortised cost – Israeli bonds	53,257	13,765	47,148	10,393
Debentures B at amortised cost – Israeli bonds	96,378	42,403	92,666	33,507

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

Fair value Hierarchy

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

	Note	Fair value hierarchy	Carrying amount as at December 31, 2014 €'000	Carrying amount as at December 31, 2013 €'000
Financial assets not measured at fair value				
Cash and cash equivalents	4		33,363	26,157
Restricted bank deposits- short term	5		6,886	6,319
Held for trading financial assets		Level 1	1,434	1,246
Trade receivables, net	6		2,719	3,372
Other receivables	7a		2,963	4,871
Loan to Diksna	10		6,121	7,039
Restricted bank deposits – long term			25	181
Total			**53,511**	**49,185**

	Note	Fair value hierarchy	Carrying amount as at December 31, 2014 €'000	Carrying amount as at December 31, 2013 €'000
Financial liabilities not measured at fair value				
Interest bearing loans from banks	12	Level 2	150,847	175,338
Debentures at amortised cost	17	Level 1	162,862	70,636
Trade and other payables			15,068	13,651
Related parties	14		1,161	944
Total			**329,938**	**260,569**

	Note	Fair value hierarchy	Carrying amount as at December 31, 2014 €'000	Carrying amount as at December 31, 2013 €'000
Financial liabilities measured at fair value				
Debentures at fair value through profit or loss	16	Level 1	-	97,983
Derivatives	11	Level 3	989	910
Total			**989**	**98,893**

NOTE 29 - CONTINGENT LIABILITIES AND COMMITMENTS

a. Contingent liabilities and commitments to related parties

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

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

   As a result of the conclusion of the debt restructuring plan in EI, Europe Israel has been diluted to approximately 2% of the issued and outstanding share capital of EI and therefore ceased to be the controlling shareholder of the Company. In addition, on July 21, 2013 the Israeli District Court in Tel-Aviv Jaffa had appointed a receiver for Europe Israel and later on the receiver was appointed also as the liquidator of Europe Israel which had ceased to be a going concern.

2. In October 2006, the Company and EI entered into an agreement, pursuant to which with effect from 1 January 2006 the Company will pay commissions to EI in respect of all and any outstanding corporate and first demand guarantees which have been issued by EI in favour of the Company up to 0.5% of the amount or value of the guarantee, per annum. As of the end of the reporting period the Group has no outstanding guarantees from EI and no consideration was paid in this respect.

3. On October 13, 2006, EI entered into an agreement (the "Agreement") with the Company, under which EI is obliged to offer to the Company potential real estate development sites sourced by it in India. Under the agreement, EI is obliged to offer the Company the exclusive right to develop all of the shopping center projects which EI acquires during the 15-year term of the Agreement. The Agreement was terminated upon the signing of the joint venture in India (refer to note 30(B)), but both EI and the Company agreed that upon the termination of the Joint Venture agreement they will re-execute the Agreement.

4. On November 28, 2014 the Company entered into an indemnity agreement with all of the Company's newly appointed directors and on June 20, 2011 with part of the Company's senior management - the maximum indemnification amount to be granted by the Company to the directors shall not exceed 25% of the shareholders' equity of the Company based on the shareholders' equity set forth in the Company's last consolidated financial statements prior to such payment. No consideration was paid by the Company in this respect since the agreement was signed.

b. Contingent liabilities and Commitments to others

1. As part of the completion of the restructuring plan (refer also to note 30 (A)), the Group has taken the following commitments and collaterals towards the creditors:

   a. **Restrictions on issuance of additional debentures** – The Company undertake not to issue any additional debentures other than as expressly provided for in the Restructuring Plan.

   b. **Restrictions on amendments to the terms of the debentures** – The Company shall not be entitled to amend the terms of the debentures, with the exception of purely technical changes, unless such amendment is approved under the terms of the relevant series and the applicable law and the Company also obtains the approval of the debentures holders of all other series of debentures issued by the Company by ordinary majority

   c. **Coverage Ratio Covenant ("CRC")** – the CRC is a fraction calculated based on known Group valuations reports and consolidated financial information available at each reporting period. Minimum CRC deemed to be complied with by the Group is 118% in each reporting period. For the December 31, 2014 calculated CRC refer to note 30 (H). In the event that the CRC is lower than the Minimum CRC, then as from the first cut date on which a breach of the CRC has been established and for as long as the breach is continuing, the Company shall not perform any of the following: (a) a sale, directly or indirectly, of a Real Estate Asset ("REA") owned by the Company or a subsidiary, with the exception that it shall be permitted to transfer REA's in performance of an obligation to do so that was entered into prior to the said cut date, (b) investments in new REA's; or (c) an investment that regards an existing project of the Company or of a subsidiary, unless it does not exceed a level of 20% of the construction cost of such project (as approved by the lending bank of these projects) and the certain loan to cost ratio of the projects are met.

      If a breach of the Minimum CRC has occurred and continued throughout a period comprising two consecutive quarterly reports following the first quarterly/year end report on which such breach has been established, then such breach shall constitute an event of default under the trust deeds and Polish debentures terms, and the group of (i) Series A Debentures holders, (ii) Series B Debentures holders, (iii) Polish Debentures holders, and (iv) guarantee and other creditors shall, each as a separate group acting by majority vote, be entitled to declare by written notice to the Company that all or a part of their respective (remaining) claims become immediately due and payable.

d. **Minimum Cash Reserve Covenant ("MCRC")** – cash reserves of the Company has to be greater than the amount estimated by the Company's management required to pay all administrative and general expenses and interest payments to the debentures holders falling due in the following six months, minus sums of proceeds from transactions that have already been signed (by the Company or a subsidiary) and closed and to the expectation of the Company's management have a high probability of being received during the following six months. MCRC is kept as of December 31, 2014.

e. **Negative Pledge on REA of the Company** – The Company undertakes that until the debentures has been repaid in full, it shall not create any encumbrance on any of the REA, held, directly or indirectly, by the Company except in the event that the encumbrance is created over the Company's interests in a subsidiary as additional security for financial indebtedness ("FI") incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary.

f. **Negative Pledge on the REA of Subsidiaries** – The subsidiaries shall undertake that until the debentures have been repaid in full, none of them will create any encumbrance on any of REA except in the event that:

(i) the subsidiary creates an encumbrance over a REA owned by such subsidiary exclusively as security for new FI incurred for the purpose of purchasing, investing in or developing such REA; Notwithstanding the aforesaid, subsidiaries shall be entitled to create an encumbrance on land as security for FI incurred for the purpose of investing in and developing, but not for purchasing, an REA held by a different Group company (hereinafter: a "Cross Pledge"), provided the total value of the lands owned by the Group charged with Cross Pledges after the commencement date of the plan does not exceed EUR 35 million, calculated on the basis of book value (the "Sum of Cross Pledges"). When calculating the Sum of Cross Pledges, lands that were charged with Cross Pledges created prior to the commencement date of the plan or created solely for the purpose of refinancing an existing FI shall be excluded. The Group did not have cross-default as of December 31, 2014.

(ii) The encumbrance is created over an asset as security for new FI that replaces existing FI and such asset was already encumbered prior to the refinancing. For the avoidance of doubt, any excess net cash flow generated from such refinancing, shall be subject to the mandatory early prepayment of 75%.

(iii) The encumbrance is created over interests in a Subsidiary as additional security for FI incurred by such subsidiary which is secured by encumbrances on assets owned by that subsidiary as permitted by sub-section (i) above. The encumbrance is created as security for new FI that is incurred for purposes other than the purchase of and/or investment in and development of an REA, provided that at least 75% of the net cash flow generated from such new FI is used for mandatory early prepayment.

g. **Limitations on incurring new FI by the Company and the subsidiaries** – The Company undertakes not to incur any new FI (including by way of refinancing an existing FI with new FI) until the outstanding debentures debt (as of November 30, 2014) has been repaid in full, except in any of the following events:

(i) the new FI is incurred for the purpose of investing in the development of a REA, provided that: (a) the Loan To Cost ("LTC") Ratio of the investment is not less than 50% (or 40% in special cases); (b) the new FI is incurred by the subsidiary that owns the REA or, if the FI is incurred by a different subsidiary, any encumbrance created as security for such new FI is permitted under the negative pledge stipulation above; and (c) following such investment the consolidated cash is not less than the MCRC;
(ii) The new FI is incurred by a subsidiary for the purpose of purchasing a new REA by such Subsidiary, provided that following such purchase the cash reserve is not less than the MCRC.
(iii) At least 75% of the net cash flow resulting from the incurrence of new FI is used for a 75% early prepayment of the debentures. It shall be clarified that, subject to the terms of the plan, the Group may also refinance existing FI if this does not generate net cash flow.

h. **No distribution policy** – Refer to note 19 on Dividend Policy.

i. **75% mandatory early repayment** – Refer to note 30(A) and to other sections in this note.

j. **Permitted Disposals** – provisions with respect to the four shopping malls – the Company will be allowed to sell the four shopping malls (Torun, Suwalki, Kragujevac and Riga) or to perform refinancing for any of these (hereinafter: "Disposal Event"), subject to the cumulative net cash flow in the Disposal Event in respect of these four shopping malls being no less than EUR 70 million. In case no Disposal Event occurs for the four shopping malls together, the Company will be allowed to perform a special purpose Disposal Event only if after execution of the special purpose Disposal Event, the surplus value of shopping malls not sold (according to the valuation deducting the specific debt to banks) is no less than EUR 70 million, deducting the net cash flows received from previous Disposal Events and deducting the net cash flows from the special purpose Disposal Event.

2. General commitments and warranties in respect of trading property disposals.

In the framework of the transactions for the sale of the Group's real estate assets, the Group has undertaken to indemnify the respective purchasers for any losses and costs incurred in connection with the sale transactions. The indemnifications usually include: (i) Indemnifications in respect of completeness of title on the assets and/or the shares sold (i.e that the assets and/or the shares sold are owned by the Group and are clean from any encumbrances and/or mortgage and the like). Such indemnifications generally survived indefinitely and are capped to the purchase price in each respective transaction;

and (ii) Indemnifications in respect of other representation and warranties included in the sales agreements (such as: development of the project, responsibility to defects in the development project, tax matter and others).

Such indemnifications are limited in time (generally 3 years from signing a closing agreement) and are generally capped to 25% to 50% of the purchase price. No indemnifications were provided by the Group till the date of the statement of financial position.

The Hungarian tax authorities have challenged the applied tax treatment in two of the entities previously sold in Hungary by the Company to Klepierre in the course of the Framework Agreement dated 30 July, 2004 ("Framework Agreement"). In respect of two of the former subsidiaries of the Company, the tax authorities decision of reducing the tax base by and imposed a penalty in the sum of HUF 428.5 Million (circa EUR 1.4 million), were challenged by the previously held entities at the competent courts. Klepierre has submitted an indemnification request claiming that the tax assessed in the described procedures falls into the scope of the Framework Agreement tax indemnification provisions and the Company in its respond rejected such claims. Subsequently Klepierre has submitted a claim to the International Chamber of Commerce in Brussels for arbitration procedure. As of the reporting date the procedure is in initial stage, hearings shall be held in July 2015.

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

3. Tesco - The Company is liable to the buyer of its previously owned shopping center in the Czech Republic ("NOVO") – sold in June 2006 - in respect to one of its tenants ("Tesco"). Tesco leased an area within the shopping center for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for EUR 6.9 million which was paid in advance. According to the lease agreement, the tenant has the right to terminate the lease agreement subject to fulfilment of certain conditions as stipulated in the agreement. The Company's management believes that it is not probable that this commitment will result in any material amount being paid by the Company.

4. The Company is retaining a 100% holding in all its projects in Serbia after it was decided to discontinue the negotiations with a Serbian developer. The Company has a contingent obligation to pay the developer in any case there is major progress in the projects. The total remaining potential obligation is EUR 0.9 million.

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

c. Contingent liabilities due to legal proceedings

The Company is involved in litigation arising in the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time, the Company's management believes, that the chances these litigations will result in any outflow of resources to settle them is remote, and therefore no provision or disclosure is required.

d. Securities, guarantees and liens under bank finance agreements with subsidiaries

1. Certain companies within the Group which are engaged in the purchase, construction or operation of shopping centres ("Project Companies") have secured their respective credit facilities (with withdrawn facility amounts totalling EUR 180 million, as of December 31, 2014) awarded by financing banks (for projects in Poland, Latvia, Czech Republic and India), by providing first or second ranking (fixed or floating) charges on property owned thereby, including right in and to real estate property as well as the financed projects, on rights pertaining to certain contracts (including lease, operation and management agreements), on rights arising from insurance policies, and the like. Shares of certain Project Companies were also pledged in favour of the financing banks.

   In respect of corporate guarantee for the fulfilment of its subsidiaries obligations under loan agreements, refer to note 12.

   Shareholders loans as well as any other rights and/or interests of shareholders in and to the Project Companies were subordinated to the respective credit facilities.

   Payment to the shareholders is permitted (including the distribution of dividends but excluding management fees) subject to fulfilling certain preconditions.

   Certain loan agreements include an undertaking to fulfil certain financial and operational covenants throughout the duration of the credit, namely: complying with "a minimum debt services cover ratio", "loan outstanding amount" to secured assets value ratio; complying with certain restrictions on interest rates; maintaining certain cash balances for current operations; maintaining equity to project cost ratio and net profit to current bank's debt; occupancy percentage and others. In respect of breach of covenants, refer to note 12.

   The Project Companies undertook not to make any disposition in and to the secured assets, not to sell, transfer or lease any substantial part of their assets without the prior consent of the financing bank.

In certain events the Project Companies undertook not to allow, without the prior consent of the financing bank:

(i) any changes in and to the holding structure of the Project Companies nor to allow for any change in their incorporation documents;
(ii) execution of any significant activities, including issuance of shares, related party transactions and significant transactions not in the ordinary course of business;
(iii) certain changes to the scope of the project;
(iv) the assumption of certain liabilities by the Project Companies in favour of third parties;
(v) Receipt of loans by the Project Companies and/or the provision thereby of a guarantee to third parties; and the like.

2. Commitment in respect of derivative transaction

Within the framework of derivative transactions (refer to note 11), executed between the Group and commercial banks (the "Banks"), the Group agreed to provide the Banks with collateral or cash deposits.

Accordingly, and in respect of Torun IRS the project company also established a bail mortgage up to EUR 5.4 million encumbering the real estate project.

Also, in view of resuming the currency option strategy (refer to note 11), the company also deposited EUR 2.3 million as a collateral to the transaction.

NOTE 30 - SIGNIFICANT EVENTS

A. Restructuring plan

On November 14, 2013, the Company announced that its Board of Directors had concluded that the Company will withhold payment on the upcoming maturities of its bonds and approach its creditors with a restructuring plan. The restructuring plan was approved on June 26, 2014 by the vast majority of the creditors, and subsequently approved by the Court on July 9, 2014, becoming an irrevocable decision on July 21, 2014. The company announced publication of prospectus in respect of Rights offering on October 16, 2014. The Shareholders approved the rights offering on November 28, 2014 followed by capital injection of EUR 20 million by existing shareholders of the company on that date. All conditions precedent of the restructuring plan were fulfilled by November 30, 2014.

Actual first payment of both principal and interest to Debentures occurred on January 7, 2015, with the Company transferring all funds already effective December 23, 2014 to governing authorities.

The following are material commercial features of the restructuring plan:

- An injection of a EUR 20 million into the Company at a price per-share of EUR 0.0675, ("Equity Contribution", refer also to note 19).

- The Company issued to the holders of unsecured debt (i.e. outstanding debt under the Israeli Series A and B Notes and the Polish Notes) ("Unsecured Debt") 13.21% of the Company's shares (post Equity Contribution) for payment of par value of shares. Such shares issuance was distributed among the holders of Unsecured Debt pro rata to the relative share of each relevant creditor in the Deferred Debt ("Deferred Debt Ratio").

- Each principal payment under the debentures due in the years 2013, 2014 and 2015 pursuant to the original terms of the debentures shall be deferred by exactly four and a half years and each principal payment due pursuant to the original terms of the debentures in subsequent years (i.e. 2016 and 2017) will be deferred by exactly one year.

  In the event that the Company does not succeed in prepaying an aggregate amount of at least NIS 434 million (EUR 92 million) of the principal of the debentures, excluding linkage differentials within a period of two years before 1 December 2016, then all principal payments under the debentures deferred in accordance with above, shall be advanced by one year (i.e. shall become due one year earlier).

- All unpaid interest accrued on the Israeli debentures and polish debentures until and including December 31, 2013 will be added to the principal and paid together with it.

- As of 1 January 2014, the annual interest rate of the Unsecured Debt shall be increased by 1.5%.

- The Company paid to the holders of the Unsecured Debt an amount of EUR 13.8 million of 2014 interest payments.

- The Company, its directors and officers and its controlling shareholder are fully released from claims.

- The net cash flow received by the Company following an exit or raising new FI (except if taken for the purpose of purchase, investment or development of real estate asset) or refinancing of REA's after the full repayment of the asset's related debt that was realised or in respect of a loan paid in case of debt recycling (and in case where the exit occurred in the subsidiary – amounts required to repay liabilities to the creditors of that subsidiary) and direct expenses in respect of the asset (any sale and tax costs, as incurred), will be used for repayment of the accumulated interest until that date in all of the series (in case of an exit which is not one of the four shopping centers only 50% of the interest) and 75% of the remaining cash (following the interest payment) will be used for an early repayment of the close principal payments for each of the series (A, B, Polish) each in accordance with its relative share in the deferred debt. Such prepayment will be real repayment and not via bond purchase.

- The restructuring plan also includes, inter alia: (i) certain limitations on distribution of dividends, actual investments and incurring of new indebtedness (refer to note 19); (ii) negative pledge on direct and indirect holdings of the Company on real estate assets (refer also to note 29 (b)); (iii) financial covenants and undertakings of the Company with respect to the sale and financing of certain projects and investment in new projects (refer also to note 29(b) and to note 30(h) below); (iv) compliance with financial covenants CRC and MCRC (refer to note 29(b) and (v) commitment to publish quarterly financial statements as long as the Unsecured Debt is outstanding.

B. Update in respect of the Bangalore and Chennai projects

Bangalore

In March, 2008 EPI entered into an amended and reinstated share subscription and framework agreement (the "Amended Framework Agreement"), with a third party (the "Partner"), and a wholly owned Indian subsidiary of EPI which was designated for this purpose ("SPV"), to acquire, through the SPV, up to 440 acres of land in Bangalore, India (the "Project") in certain phases as set forth in the Amended Framework Agreement. As of December 31, 2014, the Partner has surrendered land transfer deeds in favor of the SPV to an escrow agent nominated by the parties for approximately 54 acres for a total aggregate consideration of approximately INR 2,843 million (EUR 40 million), and upon the actual transfer of the title, the Partner will be entitled to receive 50% of the shareholdings in the SPV. The above mentioned amounts are presented in the statement of financial position as of December 31, 2014 and 2013 as equity accounted investees.

In addition, the SPV paid to the Partner advances of approximately INR 2,536 million (EUR 35 million) on account of future acquisitions by the SPV of a further 51.6 acres. Such amount is presented in the statement of financial position as of December 31, 2014 and 2013 as part of the equity accounted investees (refer to note 10).

On July 22, 2010, a new set of arrangements was entered into between, EPI, the SPV and the Partner (the "New Framework Agreement" as defined above), according to which EPI will remain the holder of 100% of the shareholdings and the voting rights in the SPV and the scope of the Project will be decreased to 165 acres. The net proceeds from the Project will be distributed in a manner by which the Group's share will be approximately 70% until such time that EPI's investment in the amount of INR 5,780 million (approximately EUR 75 million) ("EPI's Investment") plus an internal return rate of 20% per annum calculated from September 30, 2009 ("IRR") is paid to the SPV (the "Discharge Date"). Following the Discharge Date, EPI will not be entitled to receive any additional profits from the Project and it will transfer to the Partner the entire shareholdings in the SPV for no consideration. In addition, the Partner has a call option, subject to applicable law and regulations, to acquire the entire shareholdings of the SPV, at any time, in consideration for EPI's Investment plus the IRR calculated on the relevant date of acquisition.

The New Framework Agreement will enter into full force and effect upon execution of certain ancillary agreements as set forth therein. As of December 31, 2014 these ancillary agreements were not yet executed.

On December 31, 2014, a valuation was prepared by an independent appraiser who valued the project in two methods: residual method and comparable method. The valuation according to the residual method was performed in accordance with the New Framework Agreement, for 163 Acres and under the assumptions of developing a residential project. The comparable method was performed in accordance with the current land holdings, held by the SPV (i.e.:54 acres) which were compared to other assets in the close neighbourhood.

As for December 31, 2013 and 2014 due fact that the New Framework Agreement did not enter into effect and due to the uncertainty to develop the project in the foreseeable future with the partner according to the New Framework Agreement, the Group measured the net realisable value of the project according to the comparable method. As a result on December 31, 2013, the SPV wrote down trading properties and advances on account of trading properties in the amount of EUR 31 million. Such writedown were included in the Company's profit and loss account for 2013 as share in losses of an associated.

Chennai

In December 2007, EPI executed agreements for the establishment of a special purpose vehicle ("Chennai Project SPV") together with one of the leading real estate developers in Chennai ("Local Partner"). Subject to the fulfillment of certain conditions, the Chennai Project SPV undertook to acquire the ownership and development rights in and up to 135 acres of land situated in the Sipcot Hi-Tech Park in the Siruseri District of Chennai, India. Due to changes in market conditions, EPI and Chennai Project SPV later decided to limit the extent of the project to 83.4 acres.

Under these agreements, EPI holds 80% of the equity and voting rights in the Chennai Project SPV, while the Local Partner will retain the remaining 20%. The project land is to be acquired by the SPV in stages subject to such land complying with certain regulatory requirements and the due diligence requirements of EPI. As of December 31, 2014 the Chennai Project SPV has completed the purchase of approximately 75 acres out of the total 83.4 acres for consideration of a total of INR 2,367 million (EUR 31 million) (EPI share). In addition, as of December 31, 2014, EPI paid advances in the amount of INR 564 million (EUR 7 million) in order to secure acquisition of an additional 8.4 acres.

The parties have entered into a shareholders' agreement in respect of the management of the Chennai Project SPV, which provides, among other matters, for a five member board of directors, with one member appointed by the Seller for so long as it maintains a 10% holding in the Chennai Project SPV and four members appointed by EPI. The shareholders' agreement also includes pre-emptive rights and certain restrictions pertaining to transferring of securities in the Chennai Project SPV. Profit distributions declared by the Chennai Project SPV will be distributed in accordance with the parties' proportionate shareholdings, subject to EPI's entitlement to receive certain preferential payments out of the Chennai Project SPV's cash flow, as determined in the agreements.

EPI intends to make certain changes in the project's implementation plan, and in this respect the Chennai Project SPV signed a memorandum of understanding with a local developer for the joint development of the project ("JD Transaction" and "MOU", respectively). On the basis of the MOU, the parties to the JD Transaction have finalised the terms and conditions of the definitive Joint Development Agreement, and they intend to execute the JD Transaction upon fulfillment of a certain condition precedent. In accordance with the provisions of the JD Agreement, a certain percentage from the sales of the villas and the plotted land will be allocated to the Chennai SPV. If the parties fail to execute the JD Transaction prior to 30 June 2015, the Chennai Project SPV shall have to reimburse the local developer the initial deposit and certain expenses in the aggregate amount of INR 7.5 Crores (EUR 1 million).

On 12 December 2014, the Local Partner filed a request with the Chennai court for a stay order against, inter alia, the directors of the Chennai Project SPV, ordering them not to make any disposition with respect to the land property. A temporary stay order was granted by the court, and immediately thereafter, EPI filed a request for a removal of the stay order. The court set a date for a hearing on this case on 15 April 2015.

On December 31, 2014 and 2013 a valuation was prepared by, an independent appraiser who valued the asset. In 2013 the valuation was performed on 84 acres, while in 2014 it was performed on 75 acres which are the actual land plots held by the SPV.

Since the Group intends to establish a Joint Development agreement in order to develop the land, we find the residual approach more suitable for the valuation of the project. However, since there is uncertainty with regard to the Group's ability to develop the project in the foreseeable future, the Group measured the net realisable value of the project on discounted basis. Accordingly a writedown of the advances paid to the seller and to the cost of the land, in a total amount of EUR 20.7 million was recorded in the Company's 2013 profit and loss account. In 2014 an additional writedown was recorded in a total amount of EUR 2.5 million.

C. Additional impairments

For additional impairments information refer to note 8.

D. Disposal of shopping center in Kragujevac, Serbia

Effective beginning September 2014 the Company disposed of its shopping and entertainment centre, Kragujevac Plaza in Serbia for EUR 38.6 million, in line with the asset's book value. Following the repayment of related bank debt of circa EUR 28.2 million, the Company received (post balance sheet date) net cash from the disposal of circa EUR 10.4 million.

Restricted cash linked to the bank debt and other working capital balances of circa EUR 2 million were also released following the transaction. The Company recorded a loss of EUR 0.6 million from the transaction, relating mainly to the writedown of receivables and bank loan break fees.

75% of the net cash proceeds was distributed to the Company's bondholders in the fourth quarter of this year as an early repayment of the bonds (refer to note 29 (b)), in line with the Company's stated restructuring plan.

E. Disposal of plots in Romania

On September 4, 2014 the Company completed the sale of its 31,500 sqm site in Targu Mures, Romania to a third party developer for a consideration of EUR 3.5 million. No profit or loss was recorded as a result of this transaction. In addition, On December 1, 2014 the Company completed the sale of its 41,000 sqm site in Hunedoara, Romania to a third party developer for a consideration of EUR 1.2 million. No profit or loss was recorded as a result of this transaction.

In line with the Company's stated restructuring plan, 75% of the net cash proceeds from both transactions was distributed to the Company's bondholders in the fourth quarter of this year as an early repayment of the bonds (refer to note 29(b)).

F. Sale of airplane and turbines

On February 25, 2014 the Company disposed of its corporate jet for a total consideration of USD 1.9 million (EUR 1.4 million) and recorded a loss of EUR 0.1 million. The proceeds from the disposal were used to partially repay the bank facility taken for the purchase of the airplane, and the Company also paid later on (after reaching a settlement with the airplane financing bank) an amount of EUR 0.8 million. This settlement generated a gain of EUR 0.6 million in the Company's books, recorded as part of finance income.

In March 2014 the Casa Radio's project company disposed of the turbines held in respect of the Casa Radio project (and included as part of the trading property) for a total net consideration of EUR 2.6 million. A loss of EUR 0.6 million was recorded from this transaction, recorded as part of other expenses.

G. Receiving of insurance claim India

In June 2014 the Company reclaimed INR 190 million (EUR 2.3 million) of cash due to the insurance claim in respect of loss of profit on its Koregaon Park shopping Center in Pune India, following the fire there in June 2012. The refund was recorded as part of other income in the income statement.

H. Update on covenants

In respect of covenants update on bank facilities, refer to note 12.

In respect of the CRC, as defined in the restructuring plan, as of December 31, 2014 the CRC was 144%, in comparison with 118% minimum ratio required.

I. Treasury bond held

As of December 31, 2014, the Company holds through its wholly owned subsidiary 15.2 million NIS par value bonds in series B debentures (adjusted par value of NIS 17.8 million (EUR 3.8 million).

J. Termination of Joint venture agreement in Romania

In June 2014, the Company terminated, following a mutual agreement, its joint venture agreement with an Israeli based Company ("Aura"). The seven asset companies held by the joint venture were split between the Company's 50.1% subsidiary ("Plaza Bas") and Aura, where Aura received full control (100%) over three of the asset companies, Plaza Bas received full control over the remaining four asset companies (including principally four trading property assets valued at EUR 5 million and two bank facilities with principal of EUR 9.7 million).

In addition, Aura paid in July 2014 an amount of EUR 0.6 million to the Company as part of the joint venture termination. The joint venture has performed an internal valuation of the assets and liabilities it obtained in full following the termination, and as a result recorded a loss of EUR 4.1 million from this transaction, included as part of the Loss from disposal of equity accounted investees in the statement of profit or loss.

ts NOTE 31

NOTE 31 - RELATED PARTY TRANSACTIONS

Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Company has seven directors. In July 2014, four directors (including the CEO) were replaced by five new directors. The annual remuneration of the directors and the CEO in 2014 amounted to EUR 1 million (2013 – EUR 0.9 million) and the annual share based payments expenses amounted to EUR 20 thousand (2013 – EUR 0.1 million). There was no change in the number of Company options granted to key personnel in 2014. There are no other benefits granted to directors or CEO. Information about related party balances as of December 31, 2014 and 2013 refer to note 14.

Trading transactions

During the year, Group entities had the following trading transactions with related parties that are not members of the Group:

	For the year ended December 31, 2014 €'000	For the year ended December 31, 2013 €'000
Income		
Interest on balances with EI	-	139
Costs and expenses		
Recharges – EI and EUL	194	233
Executive director[1]	115	222
Project management provision and charges – Control Centers group[2]	-	327
Lease agreement on plot in Bucharest	60	60

1 The Executive director, who is also the former controlling shareholder of the ultimate parent company, was receiving an annual salary of USD 300 thousand, until July 2014.

2 Control Centers (refer to note 29 a(1)) was a company owned by the former ultimate shareholder of the Company. Control Centers group costs were capitalised to the relevant trading property.

3 The Company signed in 2007 a 49 years lease agreement with a subsidiary of EI for a monthly fees of EUR 5 thousands on a plot located in Bucharest, Romania. Refer also to note 33(c) regarding the selling of lease rights.

As of December 31, 2014 the Company identified York Capital Management Global Advisors, LLC ("York") and Davidson Kempner Capital Management LLC ("DK") as the Company related parties.

DK holds 26.3% of the Company's outstanding shares of the Company as of the reporting date, following the finalisation of the Restructuring plan. DK has no outstanding balance as of the reporting date with any of the Group companies. There were no transactions with DK in the reporting period. York is the main shareholder in EI, holding 19.8% of the outstanding shares of EI, and also has a direct holding of 3.6% in the Company shares. York is also holding (as of December 31, 2014) 17.0% of debentures series A of the Company and 29.6% of debentures series B of the Company.

In total, York is holding, as of December 31, 2014, 23.4% out of the total debentures debt of the Company. York has no outstanding balance as of the reporting date with any of the Group companies. There were no transactions with York in the reporting period.

NOTE 32 - OPERATING SEGMENTS

The Group comprises the following main reportable geographical segments: CEE and India. None of the Group's tenants accounts for more than 10% of the total revenue. Also, no revenue is derived in the Netherlands, where the Company is domiciled. The Group's CEO reviews the internal management reports of each segment at least quarterly. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulted from either the selling or operating of assets geographically located in the relevant segment. Refer to note 8 for further detail by property on carrying amounts of Trading Properties and note 12 for detail on project secured bank loans by property.

Year ended December 31, 2014	Central & Eastern Europe €'000	India €'000	Total €'000
Total revenues[1]	**61,509**	**916**	**62,425**
Operating loss by segment[2]	**(71,068)**	**(11,736)**	**(82,804)**
Net finance costs	(5,848)	(3,160)	(9,008)
Other expenses, net	(2,507)	2,484	(23)
Share in results of equity-accounted investees	2,319	(2,365)	(46)
Reportable segment loss before tax[2]	**(77,104)**	**(14,777)**	**(91,881)**
Less - unallocated general and administrative expenses (Dutch corporate level costs)			(5,963)
Gain from restructuring plan			3,443
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)			(26,568)
Loss before income taxes			(120,969)
Tax benefit			1,282
Loss for the period			**(119,687)**
Assets and liabilities as at December 31, 2014			
Total segment assets[3]	362,910	62,584	425,494
Unallocated assets (Mainly Cash and other financial instruments held on Dutch level)			40,603
Total assets			**466,097**
Segment liabilities	153,547	29,523	183,070
Unallocated liabilities (Mainly debentures)			163,454
Total liabilities			**346,524**

1 Out of which EUR 38.6 million is due to Kragujevac disposal (refer to note 30(d) and EUR 15.9 million is attributed to Poland.

2 Central Eastern Europe – including EUR 77.4 million of impairments and EUR 4.1 million of loss from selling of Bas equity accounted investees (refer to note 30 (J)). India – including EUR 12 million of impairments.

3 Refer to note 8 for the breakdown of Trading properties assets by location.

NOTE 32

Year ended December 31, 2013	Central & Eastern Europe €'000	India €'000	Total €'000
Total revenues[1]	**26,340**	**683**	**27,023**
Operating loss by segment[2]	**(92,684)**	**(20,756)**	**(113,440)**
Net finance costs	(5,858)	(4,054)	(9,912)
Other expenses, net	(6,402)	(4,653)	(11,055)
Share in results of equity-accounted investees	1,348	(56,813)	(55,465)
Reportable segment loss before tax	**(103,596)**	**(86,276)**	**(189,872)**
Less - unallocated general and administrative expenses (Dutch corporate level costs).			(5,090)
Unallocated other expenses (Dutch corporate level)			-
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)			(29,432)
Loss before income taxes			**(224,394)**
Tax benefit			6,256
Discontinued operations US			65
Loss for the period			**(218,073)**
Assets and liabilities as at December 31, 2013			
Total segment assets (3)	480,196	68,829	549,025
Unallocated assets (Mainly Cash and other financial instruments held of Dutch level)			36,741
Total assets			**585,766**
Segment liabilities	175,302	26,715	202,017
Unallocated liabilities (Mainly debentures)			173,421
Total liabilities			**375,438**

1 Out of which EUR 16.6 million is attributed to Poland

2 Central Eastern Europe – including EUR 109 million of impairments. India – including EUR 76 million of impairments.

3 Refer to note 8 for the breakdown of Trading Property assets by location.

NOTE 33 – EVENTS AFTER THE REPORTING PERIOD

A. Koregaon park shopping center in Pune, India

As described in note 15, a total amount of INR 300 million (EUR 3.9 million) was collected in respect of selling the shopping centre. Additional INR 100 million (EUR 1.3 million) of advances were collected in the first quarter of 2015.

In respect of one of the advances provided in 2013 and 2014 in the amount of INR 200 million (EUR 2.6 million), the Company has reached a settlement in February 2015 with the potential buyer to settle the liability, in view of the cancellation of the signed pre-agreements, to refund the potential buyer with INR 150 (EUR 1.9 million) of advances received. The Company will record a gain of INR 50 million (EUR 0.6 million) as a result of this settlement.

The Company has also signed preliminary non-binding agreements with another Indian based developer for the selling of the shopping centre, and collected an additional INR 200 million (EUR 2.6 million) of advances in 2014 and 2015. The agreement is still subjected to several conditions being met, and the Company cannot estimate, as of the date of signing of these reports, when it will be able to conclude the sale.

B. Call option strategy activity in 2015 and movements in NIS rate with the EUR

In the course of the first quarter of 2015, the Company wrote a EUR/NIS call option on an amount of EUR 15 million and rolled over another call option on an amount of EUR 25 million, with a strike price range between 4.30 and 4.38 NIS, and collected EUR 1.0 million in cash as premium.

In the course of the first quarter of 2015, and up and until the approval date of these financial statements, NIS strenghtened against the EUR by circa 11%, thus resulting (after taking into account impact of changes in Israeli CPI) in an increase of the NIS denominated debentures liability in an amount of circa EUR 17 million.

C. Selling of leasehold rights in Romania

On March 13, 2015, one of the Company's subsidiaries in Romania, having a 49 years leasehold rights over a plot in Bucharest, Romania ("Property" and "Rights", respectively), signed a pre-agreement for waiving its Rights for a certain consideration to be further agreed with the owner of the Property (a subsidiary of EI) and approved by the relevant organs of these entities. The mentioned pre-agreement was signed as part of a sale transaction between the owner of the Property to a certain third party and it is subject to fulfillment of certain conditions precedent and approval by the relevant organs of the Company.

D. Debt repayment call due to bank finance debt in Poland

On March 5, 2015, the Company and its subsidiary ("Zgorzelec") received a debt repayment call from the financing bank of the Zgorzelec active shopping centre (refer to note 12), for an immediate repayment of EUR 22.4 million of mostly non-recourse debt (principal and interest). The Company is in discussions with the financing bank on signing new facility. The Zgorzelec shopping center asset was valuated at EUR 13.5 million, as at December 31, 2014.

NOTE 34 – SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

A. Basis of consolidation

1. Subsidiaries

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

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

2. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

3. Non-controlling interests

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

4. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

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

2. Foreign operations

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

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

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

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

c. Financial instruments

1. Non-derivative financial assets and financial liabilities – recognition and de-recognition.

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Refer to note 28 for the list of Non-derivative financial assets and financial liabilities.

2. Non-derivative financial assets – measurement

Cash and cash equivalents and restricted bank deposits

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

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off in the period in which they are identified. Doubtful receivables are impaired when there is objective evidence that the Group will not collect all amounts due. These types of assets are discussed in note 6, 7a and 7b.

Held for trading financial assets

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

Available-for-sale financial assets

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

3. Non-derivative financial liabilities

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss

Financial Liabilities at fair value through profit or loss

Financial Liabilities at fair value through profit or loss include selected unsecured non-convertible Debentures series A and series B (refer to note 16).

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

Other non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Group has the following non-derivative financial liabilities: interest bearing loans, debentures (refer to note 17), trade payables, related parties and other liabilities at amortised cost.

4. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

d. Share capital

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

e. Trading properties

Properties that are being constructed or developed for sale in the ordinary course of business and empty plots acquired to be developed for such a sale are classified as trading properties (inventory) and measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete construction and selling expenses. If net realisable value is less than the cost, the trading property is written down to net realisable value.

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

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

Costs comprise all costs of purchase, direct materials, direct labour costs, subcontracting costs and other direct overhead costs incurred in bringing the properties to their present condition.

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the costs of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised as an expense in the period in which they incurred.

Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditure and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the asset is substantially ready for its intended use (i.e. upon issuance of certificate of occupancy).

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

Non–specific borrowing costs are capitalised to such qualifying asset, by applying a capitalisation rate to the expenditures on such asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset.

The amount of borrowing costs capitalised during the period does not exceed the amount of borrowing costs incurred during that period.

f. Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

g. Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (refer to accounting policy 34(h)).If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

The estimated useful lives of property for current and comparative periods and equipment are as follows:

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

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

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

h. Impairment

1. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including interest on loan to equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

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

Financial assets measured at amortised cost

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

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

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

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

2. Non-financial assets and interests in equity accounted investees

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

An impairment loss in respect of goodwill is never reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

i. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Construction costs

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

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

The expense relating to any provision is presented in the income statement net of any reimbursement.

Warranties

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

Restructuring plan

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

j. Revenue

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

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

Rental income

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

The leases generally provide for rent escalations throughout the lease term. For these leases, the revenue is recognised on a straight line basis so as to produce a constant periodic rent over the term of the lease. The leases may also provide for contingent rent based on a percentage of the lessee's gross sales or contingent rent indexed to further increases in the Consumer Price Index ("CPI").

Where rentals that are contingent upon reaching a certain percentage of the lessee's gross sales, the Group recognises rental revenue when the factor on which the contingent lease payment is based actually occurs. Rental revenues for lease escalations indexed to future increases in the CPI are recognised only after the changes in the index have occurred.

Revenues from selling of trading properties and investment properties

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

a. the Group has transferred to the buyer the significant risks and rewards of ownership;
b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold;
c. the amount of revenue can be measured reliably;
d. it is probable that the economic benefits associated with the transaction will flow to the Group (including the fact that the buyer's initial and continuing investment is adequate to demonstrate commitment to pay);
e the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
f. there are no remaining significant performance obligations.

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

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

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

k. Operating lease payments

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

l. Finance income and cost

For the composition of finance income and costs refer to note 26. For capitalisation of borrowing costs please refer to note 8.

Interest income and expenses which are not capitalised are recognised in the income statement as they accrue, using the effective interest method. For the Group's policy regarding capitalisation of borrowing costs refer to note 34(e).

m. Income tax

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reduction is reversed when the probability of future taxable profits improved.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

n. Segment reporting

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

o. Employee benefits

1. Bonuses

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

2. Share-based payment transactions

The fair value of options granted to employees to acquire shares of the Company is recognised as an employee expense or capitalised if directly associated with development of trading property, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

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

p. Discontinued operation

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

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

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

is classified as a discontinued operation, the comparative statement of profit or loss and statement of other comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.

q. New standards not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions.
- IFRIC 21 Levies.
- IFRS 3 Business Combinations.
- Annual Improvements to IFRSs

NOTE 35 - LIST OF GROUP ENTITIES

As of December 31, 2014, the Company owns the following companies (all are 100% held subsidiaries at the end of the reporting period presented unless otherwise indicated):

HUNGARY	ACTIVITY	REMARKS
Directly wholly owned		
HOM Ingatlanfejlesztesi es Vezetesi Kft.	Management company	
Plaza House Ingatlanfejelsztesi Kft.	Office building	David House
Plaza Centers Establishment B.V.	Inactive	
Szombathely 2002 Ingatlanhasznosito es Vagyonkezelo Kft.	Inacitve	
Tatabanya Plaza Ingatlanfejlesztesi Kft.	Inacitve	
Indirectly or jointly owned		
Kerepesi 5 Irodaepulet Ingatlanfejleszto Kft.	Holder of land usage rights	100% held by Plaza Centers Establishment B.V. Arena Plaza Extension project

SLOVAKIA	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Centers Slovak Republic S.R.O.	Inactive	

POLAND	ACTIVITY	REMARKS
Directly wholly owned		
Kielce Plaza Sp. z o.o.	Shopping center project	Kielce Plaza project
Leszno Plaza Sp. z o.o.	Owns plot of land	Leszno Plaza project
Lodz Centrum Plaza Sp. z o.o.	Owns plot of land	Lodz (Residential) project
Wloclawek Plaza Sp. z o.o.	Mixed-use project	Lodz Plaza project
02 Fitness Club Sp. z o.o.	Entertainment	02 Fitness Club project
Plaza Centers Polish Operations B.V.	Holding company	
EDMC Sp. z o.o.	Management company	
Plaza Centers (Poland) Sp. z o.o.	Management company	
Bytom Plaza Sp. z o.o.	Inactive	
Bielsko-Biala Plaza Sp. z o.o.	Inacitve	
Bydgoszcz Plaza Sp. z o.o.	Inacitve	
Chorzow Plaza Sp. z o.o.	Inactive	
Gdansk Centrum Plaza Sp. z o.o.	Inactive	
Gliwice Plaza Sp. z o.o.	Inactive	
Gorzow Wielkopolski Plaza Sp. z o.o.	Inactive	
Jelenia Gora Plaza Sp. z o.o.	Inactive	
Katowice Plaza Sp. z o.o.	Inactive	
Legnica Plaza Sp. z o.o.	Inactive	
Opole Plaza Sp. z o.o.	Inactive	
Radom Plaza Sp. z o.o.	Inactive	
Rzeszow Plaza Sp. z o.o.	Inactive	
Szczecin Plaza Sp. z o.o.	Inactive	
Tarnow Plaza Sp. z o.o.	Inactive	
Tychy Plaza Sp. z o.o.	Inactive	

ts NOTE 35

Indirectly or jointly owned		
Legnica Plaza Spolka z ograniczona odpowiedzialnoscia S.K.A.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Torun Plaza project
Suwalki Plaza Sp. z o.o.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Suwalki Plaza project
Zgorzelec Plaza Sp. z o.o.	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Zgorzelec Plaza project
EDP Plaza Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. with Israeli-based partner
Lublin Or Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. with Israeli-based partner
P.L.A.Z.A B.V.	Inactive	50% held by Plaza Centers N.V. 50% held by Mulan B.V.
Hokus Pokus Rozrywka Sp. z o.o.	Inactive	50% held by Plaza Centers N.V. 50% held by P.L.A.Z.A B.V.
Fantasy Park Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Suwalki Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Torun Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Zgorzelec Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Bytom Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Lodz Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Warszawa Sp. z o.o.	Inactive	100% held by Mulan B.V.
Fantasy Park Investments Sp. z o.o.	Inactive	100% held by Mulan B.V.

LATVIA	ACTIVITY	REMARKS
Indirectly or jointly owned		
Diksna SIA	Operating shopping center	Equity accounted investee 50% held by Plaza Centers N.V. 50% held by JV partner Riga Plaza project.
Fantasy Park Latvia SIA	Entertainment	100% held by Mulan B.V.

ROMANIA	ACTIVITY	REMARKS
Directly wholly owned		
Dambovita Centers Holding B.V.	Holding company	100% held by Plaza Centers N.V.
Plaza Centers Management B.V.	Holding company	
S.C. Elite Plaza S.R.L.	Shopping center project	Timisoara Plaza project
S.C. Green Plaza S.R.L.	Shopping center project	Iasi Plaza project
S.C. North Eastern Plaza S.R.L.	Shopping center project	Constanta Plaza project
S.C. North Gate Plaza S.R.L.	Shopping center project	Csiki Plaza (Miercurea Ciuc) project
S.C. Eastern Gate Plaza S.R.L.	Real estate project	Cina project
S.C. South Gate Plaza S.R.L.	Shopping center project	Slatina Plaza project
S.C. Mountain Gate Plaza S.R.L.	Inactive	
S.C. Palazzo Ducale S.R.L.	Office building	Palazzo Ducale
S.C. Plaza Centers Management Romania S.R.L.	Management company	
S.C. North West Plaza S.R.L.	Inactive	
S.C. White Plaza S.R.L.	Inactive	
S.C. Blue Plaza S.R.L.	Inactive	
S.C. Golden Plaza S.R.L.	Inactive	
S.C. West Gate Plaza S.R.L.	Inactive	
S.C. South Eastern Plaza S.R.L.	Inactive	
S.C. South West Plaza S.R.L.	Inactive	
S.C. Plaza Operating Management S.R.L.	Inactive	
Indirectly or jointly owned		
S.C. Dambovita Center S.R.L.	Mixed-use project	75% held by Dambovita Centers Holding B.V. Casa Radio project
Plaza Bas B.V.	Holding company	50.1% held by Plaza Centers N.V.

Adams Invest S.R.L.	Residential project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Valley View project
Colorado Invest S.R.L.	Residential project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Pine Tree project
Sunny Invest S.R.L.	Residential project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Green Land project
Primavera Invest S.R.L.	Office project	95% held by Plaza Bas B.V. 5% held by Plaza Centers Management B.V. Primavera Tower Ploiesti project

SERBIA	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Centers (Estates) B.V.	Holding company	
Plaza Centers (Ventures) B.V.	Holding company	
Plaza Centers Management D.O.O.	Management company	
Plaza Centers Holding B.V.	Inactive	
Indirectly or jointly owned		
Leisure Group D.O.O.	Shopping center project	100% held by Plaza Centers (Estates) B.V. Belgrade Plaza (Visnjicka) project Krusevac Plaza project
Orchid Group D.O.O.	Shopping center project	100% held by Plaza Centers (Ventures) B.V. Belgrade Plaza (MUP) project
Accent D.O.O.	Inactive	100% held by Plaza Centers Logistic B.V.
Telehold D.O.O.	Inactive	100% held by S.S.S. Project Management B.V.

CZECH REPUBLIC	ACTIVITY	REMARKS
Directly wholly owned		
P4 Plaza S.R.O.	Operating shopping center	Liberec Plaza project
Plaza Centers Czech Republic S.R.O.	Management company	

BULGARIA	ACTIVITY	REMARKS
Directly wholly owned		
Shumen Plaza EOOD	Shopping center project	Shumen Plaza project
Plaza Centers Management Bulgaria EOOD	Management company	
Plaza Centers Development EOOD	Inactive	

GREECE	ACTIVITY	REMARKS
Directly wholly owned		
Helios Plaza S.A.	Shopping center project	Pireas Plaza project
Indirectly or jointly owned		
Elbit Cochin Island Ltd.	Inactive	40% held by Plaza Centers N.V.

CYPRUS – UKRAINE	ACTIVITY	REMARKS
Directly wholly owned		
Tanoli Enterprises Ltd.	Finance activity	
PC Ukraine Holdings Ltd.	Inactive	
Plaza Centers Ukraine Ltd.	Inactive	100% held by PC Ukraine Holdings Ltd.
Nourolet Enterprises Ltd.	Inactive	100% held by PC Ukraine Holdings Ltd.

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THE NETHERLANDS	ACTIVITY	REMARKS
Directly wholly owned		
Plaza Dambovita Complex B.V.	Holding company	
Plaza Centers Enterprises B.V.	Finance company	100% held by Plaza Dambovita Complex B.V.
Mulan B.V. (Fantasy Park Enterprises B.V.)	Holding company	Holds Fantasy Park subsidiaries in CEE
Plaza Centers Administrations B.V.	Inactive	
Plaza Centers Connections B.V.	Inactive	
Plaza Centers Engagements B.V.	Inactive	
Plaza Centers Foundations B.V.	Inactive	
Plaza Centers Logistic B.V.	Inactive	
S.S.S. Project Management B.V.	Inactive	
Obuda B.V	Inactive	

THE DUTCH ANTILLES	ACTIVITY	REMARKS
Directly wholly owned		
Dreamland Entertainment N.V.	Inactive	

CYPRUS – INDIA	ACTIVITY	REMARKS
Directly wholly owned		
PC India Holdings Public Company Ltd.	Holding company	
Indirectly or jointly owned		
Permindo Ltd.	Holding company	100% held by PC India Holdings Public Company Ltd. Holds 99.9% of Anuttam Developers Pvt. Ltd.
Anuttam Developers Pvt. Ltd.	Operating shopping center	99.99% held by Permindo Ltd. Koregaon Park Plaza project
HOM India Management Services Pvt. Ltd.	Management company	99.99% held by PC India Holdings Public Company Ltd.
Spiralco Holdings Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Rebeldora Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Rosesmart Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Xifius Services Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Dezimark Ltd.	Inactive	100% held by PC India Holdings Public Company Ltd.
Elbit Plaza India Real Estate Holdings Ltd.	Holding company	Equity accounted investee 47.5% held by Plaza Centers N.V.
Polyvendo Ltd.	Holding company	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Elbit Plaza India Management Services Pvt. Ltd.	Management company	99.99% held by Polyvendo Ltd.
Kadavanthra Builders Pvt. Ltd.	Mixed-use project	80% held by Elbit Plaza India Real Estate Holdings Ltd. Chennai (SipCot) project
Aayas Trade Services Pvt. Ltd.	Mixed-use project	99.9% held by Elbit Plaza India Real Estate Holdings Ltd. Bangalore project
Elbit India Architectural Services Ltd.	Inactive	100% held by Elbit Plaza India Real Estate Holdings Ltd.

UNITED STATES OF AMERICA	ACTIVITY	REMARKS
Indirectly or jointly owned		
Elbit Plaza USA II LP (EPUS II)	Holding company	Equity accounted investee 50% held by Plaza Centers N.V. 50% held by Elbit Imaging Ltd.
EPN REIT II	Inactive	100% held by Elbit Plaza USA II LP (EPUS II)

Entities disposed or dissolved in 2013 and 2014

HUNGARY	ACTIVITY	REMARKS
Szeged 2002 Ingatlanhasznosito es Vagyonkezelo Kft.	Inactive	Liquidated
Ercorner Gazdasagi Szolgaltato Kft.	Holding company	50% held by Plaza Centers N.V. 50% held by Hungarian commercial bank
Alom Sziget 2004 Ingatlanfejleszto Kft.	Mixed-use project	87% held by Ercorner Gazdasagi Szolgaltato Kft. Dream Island project
DI Gaming Holding Ltd.	Holding company	87% held by Ercorner Gazdasagi Szolgaltato Kft.
Alom Sziget Entertainment Zrt.	Holding company	49.99% held by DI Gaming Holding Ltd. - associate
Alom Sziget Hungary Kaszinojatek Kft.	Holding company	100% held by Alom Sziget Entertainment Zrt.
SBI Hungary Ingatlanforgalmazo es Epito Kft.	Shopping center	50% held by Plasi Invest 2007 Ingatlanforgalmazo Kft. 50% held by Israeli-based partner Uj Udvar project

ROMANIA	ACTIVITY	REMARKS
Malibu Invest S.R.L.	Residential project	Equity account investee 25%/75% held by Plaza Bas B.V. with partner Fountain Park project
Spring Invest S.R.L.	Office project	Equity accounted investee 50%/50% held by Plaza Bas B.V. with partner Primavera Tower Brasov project
Bas Developement S.R.L.	Residential project	Equity accounted investee 50%/50% held by Plaza Bas B.V. with partner Acacia Park project

CZECH REPUBLIC	ACTIVITY	REMARKS
Praha Plaza S.R.O.	Logistic center	Prague III project
Plaza Housing S.R.O.	Owns plot of land	Roztoky project

INDIA	ACTIVITY	REMARKS
P-One Infrastructure Pvt. Ltd.	Real estate	50% held by Spiralco Holdings Ltd. 50% held by Indian third party Kharadi Plaza project Trivandrum Plaza project

SERBIA	ACTIVITY	REMARKS
Sek D.O.O.	Operating shopping center	100% held by Plaza Centers Holding B.V. Kragujevac Plaza project

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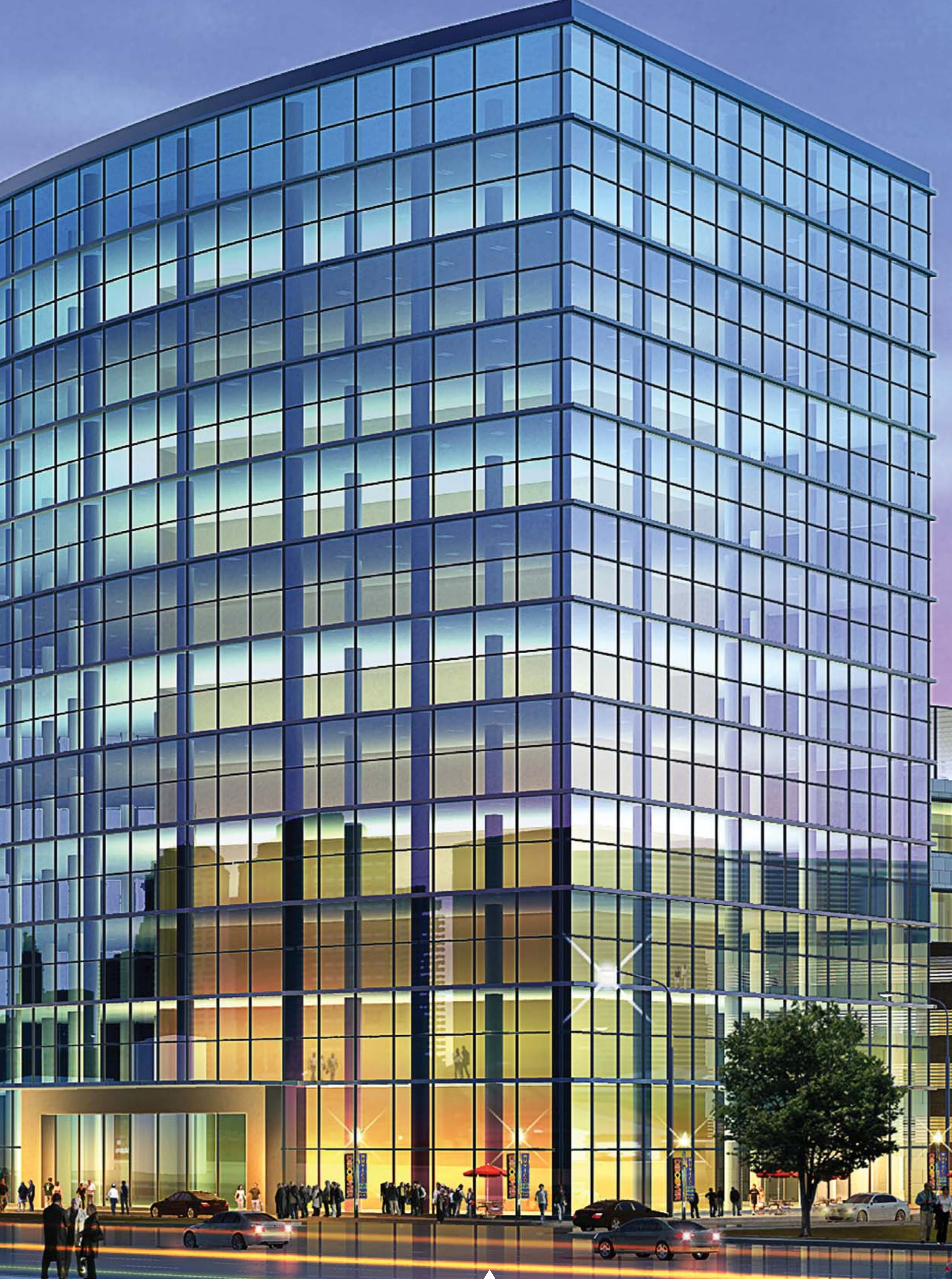

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