28 August 2014

PLAZA CENTERS N.V.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

PLAZA REPORTS SUCCESSFUL CONCLUSION OF RESTRUCTURING PROCESS AND SIGNIFICANT OPERATIONAL PROGRESS

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading property developer and investor with operations in Central and Eastern Europe ("CEE") and India, today announces its results for the six months ended 30 June 2014.

Financial highlights:

- Reduction in total assets to €519 million (31 December 2013: €586 million), primarily due to a non-cash, predominantly market-related impairment of €70 million in the value of trading properties mainly in Romania (€43 million), India (€10 million) and Greece (€11 million).
- Total revenues decreased to €12.6 million (30 June 2013 €14.3 million), largely due to the closure of some of the gaming and entertainment units at Fantasy Park, which resulted in a €1.4 million decrease in revenue, and the sale of the Prague 3 project in Czech Republic in the second half of 2013 (which caused a €0.7 million decrease). Without these changes, the revenues would have been €14.7 million.
- Losses in the period of €99 million (30 June 2013: €81 million loss), arising from the non-cash €70 million impairment of trading property, net finance costs of €27 million and restructuring costs of €2.5 million.
- Basic and diluted loss per share of €0.33 (30 June 2013: €0.27 loss per share).
- Consolidated cash position at the period end (including restricted bank deposits and held for trade financial assets) of €35 million (31 December 2013: €34 million) and current cash position of circa €34 million.

Asset and operational highlights:

- Significant improvements in turnover and occupancy levels across Plaza's existing shopping and entertainment centres, with increases in turnover reaching a peak of 20%, compared to the second quarter of 2013, and overall average occupancy now reaching circa 94%. This is the result of a number of new anchor tenants opening stores and a general strengthening of the tenant mix across the portfolio. Notable achievements included:
    - At Torun Plaza, Poland turnover rose by 19.8% compared to the same quarter of last year, the largest increase across the portfolio, supported by the opening of over 4,000 sqm of new retail space since March 2014 and an additional 1,400 sqm being taken by Sports Direct in July.
    - At Zgorzelec Plaza, Poland sales remained strong, resulting in a 19.7% increase in turnover compared to the same quarter last year.

  - At Riga Plaza, Latvia, Plaza's largest shopping and entertainment centre and one of the fastest growing and most popular centres in the country, turnover increased by 17.8% in the second quarter compared to the corresponding period in 2013. Occupancy levels reached 97%.
  - At Suwalki Plaza, Poland turnover grew by 10.7% in Q2 compared to Q2 2013 and occupancy increased to 93%. Suwalki Plaza has developed a strong market position due to its location and tenant mix. It is expected that the arrival of the Euro in Lithuania in January 2015 will boost Suwalki's appeal to customers in neighbouring geographies, providing an opportunity to further build market share.
  - At Liberec Plaza, Czech Republic turnover increased by 9.3% compared to Q2 of 2013, buoyed by Sports Direct opening a new 1,600 sqm store.
  - At Kragujevac Plaza, Serbia turnover continued to increase at a steady level, rising by 5.7% quarter to quarter.

- Footfall increased in the majority of centres during the period. Significant improvements included: an 8.2% increase in footfall at Kragujevac Plaza; a 7.8% increase at Zgorzelec Plaza; a 6.9% increase at Riga Plaza; and a 6.4% increase at Torun Plaza.

- Across the portfolio, Plaza successfully secured a number of significant tenants, including: H&M, which opened a 2,835 sqm shop in Riga Plaza in April; Sports Direct, which opened a 1,600 store in Liberec and a 1,400 sqm store in Torun; Carry, which opened a 1,275 sqm store in Torun Plaza, an 888 sqm store in Suwalki Plaza and a 547 sqm store in Zgorzelec Plaza between April and May; and Sin-say, which opened a 340 sqm shop in Torun Plaza.

Restructuring process and key highlights since the period end:

- On 8 July 2014, the Dutch Court approved the Company's Dutch restructuring plan ("the Plan") following approval from 92% of creditors who voted in favour of the Plan, thereby demonstrating their resounding endorsement. The restructuring process was formally concluded on 18 July 2014, meaning that the whole process was swiftly and successfully resolved in a period of less than eight months.

- The approval of the Plan will allow the Company to proceed with a proposed rights offering of shares to its existing shareholders to raise an aggregate amount of €20 million in order to further strengthen the Company's equity position and comply with the conditions for the approval of the Plan. Plaza's parent company, Elbit Imaging Ltd, has announced that its wholly owned subsidiary, Elbit Ultrasound (Luxembourg) BV/ S. a' r. l ("EUL") intends to enter into a Deed of Undertaking (the "Undertaking") with Plaza. As part of this, EUL has undertaken, among other matters, to ensure that it will exercise EUL's rights to take up EUL's full pro-rata portion under the Rights Offering and that it will subscribe for any unexercised portion of the Rights Offering (the "Additional Shares"), at a price per share of EUR 0.105, all subject to the provisions of the Back Stop Agreement (as defined in the announcement published on

23 June 2014). Plaza's shares will also be admitted to trading on the Tel Aviv Stock Exchange following the rights issuance.

- Five new board appointments were announced in July, bringing the board membership to seven. The Company is looking forward to benefitting from the experience of the newly configured board as it develops its strategy now that the liquidity situation has been fully and satisfactorily resolved.

Commenting on the results, Ran Shtarkman, the President and CEO of Plaza Centers, said:
"The past six months have been highly significant for Plaza Centers. It was gratifying to be able to confirm the conclusion of the Company's restructuring process in July, less than eight months after we made the initial announcement, and we are looking forward now to the future. The timeframe in which we were able to complete the process and the resounding support we secured from our creditors has been notable.

"During this particularly busy period for the Company, we were also able to make significant operational improvements across the business. We have delivered double digit turnover increases at Torun, Zgorzelec, Riga and Suwalki, while footfall trends were positive; Kragujevac Plaza recorded the largest increase at 8.2%. Occupancy levels now exceed 92% in five of our six CEE shopping centres and H&M, Sports Direct and TK Maxx are among some of the high profile tenants with whom we have secured agreements in the period. This is testament to the talent of our management team and puts us in a solid position for growth.

"We maintain a cautious approach to development, given ongoing economic uncertainty, but the macro situation is now showing clear signs of improving. With the help of our newly configured board, we can begin planning for the long term and I believe we are in a strong position now to drive capital value and income growth for the benefit of our shareholders, including bringing forward a number of development projects where appropriate."

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Notes to Editors

Plaza Centres N.V. (www.plazacenters.com) is a leading emerging markets developer of shopping and entertainment centres with operations in Central and Eastern Europe and India. It focuses on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres in both capital cities and important regional centres. The Company is dual listed on the Main Board of the London Stock Exchange and, as of 19 October 2007, the Warsaw Stock Exchange (LSE:"PLAZ", WSE: "PLZ/PLAZACNTR"). Plaza Centers N.V. is an indirect subsidiary of Elbit Imaging Ltd. ("EI"), an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. It has been active in real estate development in emerging markets for over 18 years.

Forward-looking statements

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

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S STATEMENT

The first half of 2014 and subsequent weeks have been very significant for Plaza. On 21 July 2014, we were delighted to report that the restructuring programme, first announced in November 2013, had been formally and irrevocably approved by the Dutch Court, and the suspension of payments lifted, enabling us to emerge successfully from the reorganisation process and regain full management control of the Company. The speed with which this highly successful process has been completed and the support that has been received from our shareholders and bondholders has been noteworthy.

In addition, it is immensely pleasing that, throughout the last eight months, we have been able to record ongoing improvements at the operational level of our business. This has included significant increases in turnover, occupancy and footfall, underpinning the potential for our portfolio to deliver capital and income growth. It is a tribute to the dedication of our talented management teams that this progress has been achieved at the same time as the complex restructuring programme was underway.

Alongside this positive news, it is encouraging to note increasing momentum in the recovery of the economies and markets in which we operate, as well as improving retail and consumer confidence. This, combined with the significant milestones achieved in the year to date, as set out in more detail below, ensures the business is now well placed to return to delivering value and growth to our investors.

Key Events

During the period, the Company focused its efforts on ensuring a successful and efficient conclusion to the debt restructuring process, which was completed in July.

- On 26 March 2014, the Company reached an agreement with the trustees of the Israeli Series A and Series B Notes, respectively (the "Trustees"), on certain commercial amendments to the debt restructuring plan as initially filed with the Dutch Court on 18 November 2013.
- On 13 May 2014, the Dutch Court confirmed a voting procedure for the Israeli bondholders and other creditors and, following this court decision, a letter from the Administrator and filing and voting instructions memorandum was circulated on 16 May 2014. The Dutch Court set a voting record date of 2 June 2014.
- 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.

Alongside this considerable activity, we have also continued to make progress through the active management of our income-generating assets. In particular, we have improved a number of key metrics at our operating shopping and leisure centres, increasing occupancy and footfall and securing a number of new anchor tenants.

Results

As a result of a €70 million non-cash impairment, net finance costs of €27 million and restructuring costs of €2.5 million, for the first half of the year Plaza recorded a €98 million loss attributable to the owners of the Company (up from an €81 million loss in six months to 30 June 2013). The €70 million impairment charge is ascribed mainly to the re-valuation of Koregaon Park in Pune, India (€10 million), assets in Romania (€43 million, of which €31 million relates to Casa Radio) and Greece (€11 million). The completion process for the sale of Koregaon is ongoing and is anticipated to be concluded before the end of the year.

First half revenue from operating shopping centres was €12.5 million (H1 2013: €14.3 million), with the reduction largely due to the closure of some of the gaming and entertainment units at Fantasy Park, which resulted in a €1.4 million decrease in revenue, and the sale of the Prague 3 project in Czech Republic in H2 2013 (responsible for €0.7 million in rent during the comparative period), in line with strategy.

Rental income from European assets comprised the majority of revenue for the period. It declined slightly to €11.7 million, from €12 million in the comparable period of H1 2013, largely due to the sale of the Prague 3 project as outlined above.

The Net Operating Income ("NOI") of the Group decreased slightly in the first six months of 2014 to €7.3 million (H1 2013: €7.6 million), mainly due to the above mentioned disposal of the Prague 3 asset.

As at 30 June 2014, the Company had a consolidated cash position (including restricted bank deposits and available for sale financial assets) of €35 million (31 December 2013: €34 million). The Company has a current cash position of circa €34 million, as at the date of this announcement.

Mid-year valuation

Following the appointment of the new Board in July, an external independent valuer was appointed at its request to undertake a desk-top valuation of the properties which the Company does not intend to develop within the next 24 months. Altogether 12 assets were appraised, as detailed in the below list, with a particular focus on the Company's Casa Radio project, Plaza's single most valuable asset, where the permitting process has been delayed. The valuations were conducted taking into account recent market conditions, the current permit status and the development time frame.

Assets appraised in June 2014 (in EUR):**Country**	**Project Name**	**Value 2013 year end**	**Value 2014 June**
Hungary	Arena Plaza Extension	7,800,000	6,550,000
Poland	Lodz (Resi)	6,500,000	5,400,000
	Leszno Plaza	1,719,000	1,500,000
	Kielce Plaza	5,350,000	4,320,000
Romania	Casa Radio Plaza	130,612,500	90,000,000
	Miercurea Ciuc Plaza	5,620,000	3,370,000
	Targu Mures	6,175,000	3,750,000
	Hunedoara Plaza	2,375,000	1,610,000
	Slatina Plaza	1,650,000	1,080,000
	Iasi Plaza	11,550,000	8,130,000
	Constanta Plaza	6,300,000	5,000,000
Greece	Helios Plaza	15,300,000	4,750,000

Impairment losses for the six month period ended 30 June 2014 in € millions:

Project name (location)	Six months ended June 30, 2014
Casa Radio (Bucharest, Romania)	31
Koregaon Park (Pune, India)	10.1
Helios Plaza (Athens, Greece)	10.9
Constanta Paza (Constanta, Romania)	3.8
Miercueara Ciuc (Ciuc, Romania)	3.7
Kragujevac (Serbia)	3.7
Iasi Plaza (Iasi, Romania)	3.4
Hunedoara Plaza (Hunedoara, Romania)	1.2
Shumen Plaza (Shumen, Bulgaria)	1.0
Other, aggregated	0.9
Total	69.7

The impairment recorded in the financial statements is not identical to the difference between the 2013 year end and June 2014 values, as some of the assets were valued at a lower amount in the 2013 full year accounts than in the recent valuation report. In the case of Kragujevac Plaza, Plaza's management has assumed a more conservative internal valuation of €38.5 million, and similarly for Miercuera Ciuc, Hunedoara and Constanza Plaza.

Portfolio progress

Currently the Company is engaged in 20 development projects and owns seven operational shopping and entertainment centre assets and two office schemes, located across the Central and Eastern European region and in India. The location of the projects, as at 28 August 2014, is summarised as follows:

	Number of assets (CEE and India)		
Location	**Active**	**Under development/ planning**	**Offices**
Romania	-	9	1
India	1	2	-
Poland	3	4	-
Hungary	-	1	1
Serbia	1	2	-
Czech Republic	1	-	-
Bulgaria	-	1	-
Greece	-	1	-
Latvia	1	-	-
Total	**7**	**20**	**2**

Liquidity & Financing

Plaza ended the period with a consolidated cash position (including restricted bank deposits and held for trading financial assets) of €35 million, compared to €34 million at the end of 2013. As mentioned above, the Company's current consolidated cash position is circa €34 million. The Company expects to receive €20 million following a rights issuance which is expected to occur before the end of November this year.

The Group continues to pursue a conservative financing policy and has made progress, focusing primarily on cashflow management, in compliance with the approved restructuring plan. The level of debt increased to 78% of the balance sheet (31 December 2013: 64%) largely as a result of the suspension of payments on its issued debt and an increase in the fair value of part of the bonds traded in Israel.

Strategy and Outlook

At the time we announced our full year results in March, we stated that it was the clear priority of the Company's management to bring the Dutch restructuring plan to a successful conclusion. Five months on, it is extremely pleasing to say that we have achieved this objective, with 92% of creditors approving the plan at a vote in June and gaining the Dutch court's formal and irrevocable approval in July. From the initial announcement of the Company's intentions in November 2013, this highly satisfactory outcome has been achieved in eight months.

The overwhelming support shown for our restructuring plan clearly demonstrates the confidence that our bondholders and other creditors have in the underlying fundamentals of Plaza's business. This support has been compounded by the commitment and support given by our largest equity shareholder to our proposed capital increase, which we anticipate launching and concluding by the end of November 2014. Following the rights issuance, Plaza's shares will also be listed on the Tel Aviv Stock Exchange, which we believe should result in an increase in the trading volume of our shares, enhanced potential for securing diversified sources of financing in the future and the further diversification of our investor base.

Against this backdrop, and with the added benefit of the wise counsel of our five new Board directors, our attention now turns firmly to the future. The longer term perspective we can now apply enables the Company to return to its core focus of securing the rewards of capital appreciation and income growth for all our investors and stakeholders. This new Board is currently giving detailed consideration to the strategic options which give the optimal potential to return to an accelerated growth trajectory and it is anticipated that further clarification on this strategic direction will be provided in the next few months.

In the meantime, supported by growing confidence in the economies and markets in which we operate, we believe our portfolio of high quality, destination shopping centres should be particularly well positioned to deliver strong performance. We therefore continue to apply our expertise and intensive management skills to secure maximum capital and income growth from our income-generating assets, while starting to accelerate development plans for up to five key projects which can now be brought forward to meet fast-growing retailer and consumer demand in markets offering notable potential, such as Poland, Serbia and Romania. The next project in the pipeline is Timisoara Plaza in Timisoara, Romania where construction is expected to start in the next six months.

With the clear support of shareholders and bondholders, our expert management team and more buoyant market conditions than have been apparent for some time, we look forward to Plaza's future with greater confidence.

OPERATIONAL REVIEW

Over the course of the year to date, Plaza has continued to make good progress against its operational and strategic objectives, delivering improved turnover, footfall and occupancy at the portfolio level and securing a number of new high profile tenants through the application of intensive asset management skills.

As at the reporting date, Plaza has 29 assets in nine countries, of which 20 are under various stages of development across the CEE region and India. Of these, nine are located in Romania, two in India, four in Poland, two in Serbia, and single assets in Bulgaria, Greece and Hungary. In addition to these developments, Plaza retains the ownership of and operates seven shopping and entertainment centres in Poland, Czech Republic, Serbia, India and Latvia and two office buildings in Budapest and Bucharest.

The second quarter of 2014 saw particularly strong growth in terms of turnover and occupancy levels across the portfolio, reflecting the signing of some major tenancies and a general strengthening of the tenancy mix.

On the whole, shopping centre footfall trends were positive. Footfall at Kragujevac was up 8.2%, while Zgorzelec increased by 7.8%, Riga by 6.9% and Torun was up by 6.4% compared to Q2 2013.

Turnover trends and growth showed a significant upturn in Q2 2014, with increases ranging from 6% to 20%, compared to the second quarter of 2013. Torun saw the biggest increase in turnover, up 19.8%. This can be attributed to the opening of TK Maxx at the end of Q1 and other new tenancies including Carry, Sin-say, Kolporter and Pandora By Dziubeka. Over 4,000 sqm of new retail space has opened in Torun since March, including an extension of Big Star, with the opening of Sports Direct in July adding a further 1,400 sqm.

Zgorzelec also maintained its impressive performance, showing a year on year sales increase of 19.7%.

Plaza's largest shopping centre at Riga also recorded an outstanding second quarter, with sales up 17.8% on the corresponding period of Q2 2013. Riga continues to go from strength to strength and is now just short of reaching 100% occupancy. Riga has earned a reputation as a strong and growing centre, with its solid tenancy mix appealing to a range of consumer demands and tastes.

Turnover in Suwalki also showed a robust increase at 10.7% compared to Q2 2013. Suwalki is also nearing 100% occupancy and it has developed a strong position in the market place. The centre's dominance in the region and strong tenancy mix continues to prove a winning combination, and is regarded by retailers as a solid and reliable performer. The arrival of the Euro in Lithuania in January 2015 is expected to boost Suwalki's appeal to neighbouring geographies, with potential to grow its market share still further.

Sales growth at Liberec was healthy at 9.3% compared to Q2 2013, assisted by the opening of a 1,600 sqm Sports Direct store in April.

Kragujevac showed consistent sales growth of 5.7%. Plaza's market dominance in this city is complemented by a continual focus on community and event marketing.

The overall average occupancy levels across the portfolio have reached 94% in five of the six CEE located shopping centres (95% in three of the six centres and 92% in a further two). Major store openings during the second quarter include: H&M's 2,835 sqm shop in Riga Plaza in April; Sports Direct's 1,600 sqm store in Liberec Plaza in April; Carry's three store openings in Torun (1,275 sqm), Suwalki (888 sqm) and Zgorzelec Plaza (547 sqm) between April and May; and Sin-say, which opened a 340 sqm shop in Torun Plaza.

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 Centres					
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
Kragujevac Plaza	Kragujevac, Serbia	Retail & entertainment scheme	22,000	100	Operating, opened in March 2012
Riga Plaza	Riga, Latvia	Retail & entertainment scheme	49,000	50	Operating; opened in March, 2009
Koregaon Park Plaza	Pune, India	Retail, entertainment and office scheme	41,000	100	Operating; opened in March, 2012. In November 2013 the Company reached an agreement to sell the centre, subject to certain conditions
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	555,000 (GBA including parking spaces)	75	Under planning; completion of the first phase is scheduled for 2017
Timisoara Plaza	Timisoara, Romania	Retail & entertainment scheme	38,000	100	Construction scheduled to commence in 2014/5; completion scheduled for 2016
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	35,000	100	Construction scheduled to commence in 2015/6; completion scheduled for 2017
Belgrade Plaza	Belgrade,	Apartment-hotel and	63,000	100	Construction

	Serbia	business centre with a shopping gallery	(GBA)		scheduled to commence in 2015/6; completion scheduled for 2017
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Construction scheduled to commence in 2015/6; completion scheduled for 2017
Cina Plaza	Bucharest, Romania	Retail and office scheme (Existing building for development)	4,786	Lease rights for 43 years (starting 12/2007)	Construction scheduled to commence in 2015; completion scheduled for 2016
Chennai	Chennai, India	Residential Scheme	230,000 (for sale)	40	Construction scheduled to commence in late 2015; phased completion scheduled over 2014/5-2018/9
Operational Office Buildings					
David House	Budapest, Hungary	Office	2,000	100	Operational office
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational office
Pipeline Projects					
			Plot Size (sqm)		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	25,000	100	Feasibility examination
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	17,000	100	Feasibility examination
Lodz (Residential)	Lodz, Poland	Residential scheme	33,000	100	Feasibility examination
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Feasibility examination
Csiki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Feasibility examination
Iasi Plaza	Iasi, Romania	Retail, entertainment and office scheme	46,500	100	Feasibility examination
Slatina Plaza	Slatina, Romania	Retail & entertainment scheme	24,000	100	Feasibility examination
Hunedoara Plaza	Hunedoara, Romania	Retail & entertainment scheme	41,000	100	Feasibility examination
Targu Mures Plaza	Targu Mures, Romania	Retail & entertainment scheme (Power Centre)	31,500	100	Feasibility examination
Constanta Plaza	Constanta, Romania	Retail & entertainment scheme	28,500	100	Feasibility examination
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Feasibility examination
Pireas Plaza	Athens, Greece	Retail & entertainment scheme	15,000	100	Feasibility examination
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Feasibility examination

(*) all completion dates are subject to securing external financing and sufficient tenant demand.

Ran Shtarkman

President and Chief Executive Officer

28 August 2014

FINANCIAL REVIEW

Results

During the reporting period and into the third quarter of 2014, Plaza has continued to execute its core operations and implement its strategy after having successfully concluded the debt restructuring process.

Revenue for the period almost entirely comprised European rental income (€8.1 million in H1 2014 compared to €8.3 million in H1 2013) because the rent income from India is immaterial due to the 2012 fire at Koregaon Park and its subsequent reconstruction. Total European rental income decreased in spite of the improved performance in our operating centres in CEE, due to the sale of the Prague 3 project (in the Czech Republic) during the second half of 2013, which led to a rental income decrease of approximately €0.7 million during the period. Management fees from operating malls increased to €3.3 million in H1 2014 compared to €3 million in H1 2013, though income derived from the Group's subsidiary, Fantasy Park, which provides gaming and entertainment services in active shopping centres, decreased to €0.9 million (H1 2013: €2.3 million) during the period as a result of the closure of some units in malls owned by third parties.

Operating costs (including selling and marketing expenses) have decreased to €4.0 million (from €4.4 million in H1 2013) as a result of the above mentioned sale of the Prague 3 project and an additional €1.1 million of cost efficiencies secured against the entertainment centres.

A loss of €4.0 million, included as part of the loss from disposal of equity accounted investees in the income statement was recorded as a result of the termination of Plaza's joint venture agreement with Aura Group ("Aura"). The seven companies held by the joint venture group in Romania were split between the Company's subsidiary (50.1% held by Plaza), Plaza Bas, and Aura. Aura received full control (100%) over three of the assets and the Company received full control over the remaining assets (including principally four assets and two bank facilities). In addition, Aura has paid €0.6 million to the Company as part of the joint venture termination. The Company has undertaken a valuation of the assets and liabilities it obtained as a result of the termination and recorded the above mentioned loss of €4.0 million, which is primarily due to the first time consolidation of the related bank loans.

Administrative expenses decreased from €5.0 million in H1 2013 to €4.0 million in H1 2014 (including €0.2 million and €0.1 million in employee option plan costs), due to increased cost efficiencies. €2.5 million of costs were incurred as a result of the debt restructuring process.

In the course of the first six months of 2014, the Company realised an impairment loss of €70 million. €10 million relates to Koregaon Park in Pune, India following a revaluation of the asset which is the subject of an ongoing completion process, following the November 2013 announcement of its sale. Another €43 million of write down relates to assets in Romania (€31 million of which was realised on the Casa Radio project) and €11 million relates to the Helios Plaza in Greece.

Other income to the amount of €2.3 million was recorded from the insurance payment for the loss of profit received as a result of the fire incident at Koregaon Park last year.

A net finance cost of €27 million was recorded in H1 2014 (H1 2013: net finance cost of €9 million). The main components of the loss comprised:

- €7 million in interest on bank loans and debentures, a decrease compared to H1 2013 (€7.4 million) where the interest expense on bonds was decreasing as a result of principal repayments. In addition, a default interest in respect of the Polish bonds was incurred increasing the cost.
- Net costs related to the Company's debentures (revaluation and foreign exchange difference) amounting to a €20 million loss. This loss is attributed to both an increase in the market price of bonds from 0.92 ILS million to 1.08 ILS million per bond (€17.6 million), as well as to the strengthening of the Israeli Shekel (ILS) against the EUR from 4.78 to 4.69 ILS/EUR (€2.7 million).

As a result, the loss for the period amounted to circa €99 million in H1 2014, compared to a €81 million loss in H1 2013.

Basic and diluted losses per share for the period were €0.33 (H1 2013: €0.27 loss).

Balance sheet and cash flow

The balance sheet as at 30 June 2014 showed total assets of €519 million compared to total assets of €586 million at the end of 2013, largely as a result of a decrease in the value of trading property to €430 million (31 December 2013: €495 million) due to the impairment adjustments.

The Company's consolidated cash position deriving from cash, restricted cash and held for trading financial assets increased to €35 million (31 December 2013: €34 million), as a result of operating income generated by the malls and suspended payments mainly on the Company's issued debentures. The gearing position stood at 78% of the balance sheet (31 December 2013: 64%) as a result of losses realised from the impairment of trading properties.

The value of trading properties decreased from €495 million as at 31 December 2013 to €440 million at the end of the period after the impairment losses.

Investments in investee companies has improved slightly, due to an increase in the net value of the Riga Plaza (Latvia).

Total bank borrowings (long and short term) amounted to €182 million (31 December 2013: €175 million). The increase is attributable to the Plaza Bas consolidation, where loans (to the amount of €9.5 million) connected to the projects were consolidated and then offset by the repayment of project loans.

Aside from bank financing, Plaza has a balance sheet liability (including accrued interest) of €193 million (with an adjusted par value of circa €211 million net of the €3.9 million series B bonds held in treasury) from issuing debentures on the Tel Aviv Stock Exchange and to Polish institutional investors. These debentures are presented at their fair value, with the exception of the debentures issued from August 2009 onward, which are presented at amortised cost. For the updated conditions of the Company's issued debt, please refer to the approved restructuring plan published at http://www.plazacenters.com/index.php?p=debt_restructuring .

Derivatives liabilities recorded at the period end were €1.0 million comprising interest rate swaps relating to project financing loans.

Other current liabilities have increased mainly due to accrued interest on the issued bonds of the Company as the interest payment was suspended during the restructuring..

Roy Linden
Chief Financial Officer
28 August 2014

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

	Note	June 30, 2014 € '000 Unaudited	December 31, 2013 € '000 Audited
ASSETS			
Cash and cash equivalents		26,917	26,157
Restricted bank deposits		6,841	6,319
Held for trading financial assets		1,321	1,246
Trade receivables		3,520	3,372
Other receivables		3,107	4,871
Prepayments and advances		1,723	1,393
Trading property	10(b)	-	40,333
Total current assets		43,429	83,691
Trading property	10(b)	429,768	454,841
Equity accounted investees		33,746	33,102
Loan to equity accounted investees		7,084	7,039
Property and equipment	10 (c)	4,888	6,520
Other non-current assets		584	573
Total non-current assets		476,070	502,075
Total assets		519,499	585,766
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks		181,746	175,338
Debentures at fair value through profit or loss	7	117,418	97,983
Debentures at amortized cost	7	71,531	70,636
Trade payables		1,819	2,432
Related parties liabilities		1,250	944
Provisions		15,597	15,597
Derivatives		1,039	910
Other liabilities		14,750	11,219
Total current liabilities		405,150	375,059
Non-current liabilities			
Deferred tax liabilities		324	379
Total non-current liabilities		324	379
Equity			
Share capital		2,972	2,972
Translation reserve		(38,602)	(40,651)
Capital reserve due to transaction with Non-controlling interests		(20,706)	(20,706)
Other reserves		35,257	35,133
Share premium		261,773	261,773
Retained losses		(127,300)	(28,799)
Total equity attributable to owners of the Company		113,394	209,722
Non-controlling interests		631	606
Total equity		114,025	210,328
Total equity and liabilities		519,499	585,766

August 27, 2014		
Date of approval of the financial statements	**Ran Shtarkman** **President and Chief Executive Officer**	**David Dekel** **Director and Chairman of the Audit Committee**

Plaza Centers N.V.
Condensed consolidated interim statement of profit or loss

	Note	For the three months ended June 30, 2014 € '000 Unaudited	For the three months ended June 30, 2013 € '000 Unaudited	For the six months ended June 30, 2014 € '000 Unaudited	For the six months ended June 30, 2013 € '000 Unaudited
Continuing operations					
Rental income		5,814	6,159	11,693	12,005
Revenues from entertainment centers		356	651	870	2,293
		6,170	6,810	12,563	14,298
Cost of operations		(1,998)	(1,842)	(4,033)	(4,368)
Cost of operations – entertainment centers		(658)	(1,106)	(1,198)	(2,297)
Gross profit		3,514	3,862	7,332	7,633
Write-down of Trading Property	10(b)	(69,716)	(60,380)	(69,716)	(60,906)
Write-down of equity-accounted investees		-	-	-	(4,277)
Loss from disposal of equity accounted investees (holding undeveloped Trading Property)	10(h)	(4,048)	(5,143)	(4,048)	(5,143)
Share in results of equity-accounted investees, net of tax		521	44	414	(195)
Administrative expenses, excluding restructuring costs (*)		(2,014)	(2,634)	(4,162)	(5,037)
Restructuring costs		(2,141)	-	(2,519)	-
Other income	10(g)	2,336	(228)	2,336	318
Other expenses		(416)	(4,771)	(1,035)	(4,771)
Results from operating activities		(71,964)	(69,250)	(71,398)	(72,378)
Finance income		205	5,067	211	6,671
Finance costs		(14,693)	(10,121)	(27,486)	(15,636)
Net finance costs		(14,488)	(5,054)	(27,275)	(8,965)
Loss before income tax		(86,452)	(74,304)	(98,673)	(81,343)
Tax benefit (income tax expense)		116	(807)	113	754
Loss from continuing operations		(86,336)	(75,111)	(98,560)	(80,589)
Discontinued operation					
Profit (loss) from discontinued operation, net of tax		(7)	(130)	59	(454)
Loss for the period		(86,343)	(75,241)	(98,501)	(81,043)
Loss attributable to:					
Owners of the Company		(86,343)	(75,241)	(98,501)	(81,043)
Earnings per share					
Basic and diluted loss per share (in EURO)		(0.29)	(0.25)	(0.33)	(0.27)
Earnings per share – continuing operations					
Basic and diluted loss per share (in EURO)		(0.29)	(0.25)	(0.33)	(0.27)

(*) Including share based payment expenses of EUR 0.1 million (2013 – EUR 0.2 million).

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

	For the three months ended June 30,		For the six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	€ '000	**€ '000**	**€ '000**	**€ '000**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Loss for the period	(86,343)	(75,241)	(98,501)	(81,043)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Net changes in fair value on Available for sale financial assets transferred to the statement of profit or loss	-	(513)	-	(723)
Net change in fair value of available for sale financial assets	-	(19)	-	(14)
Foreign currency translation differences - foreign operations (Equity accounted investees) – reclassified to profit or loss	-	4,360	-	4,360
Foreign currency translation differences - foreign operations (Equity accounted investees)	255	(12,209)	1,470	(8,010)
Foreign currency translation differences - foreign operations (trading properties)	207	(3,768)	604	(2,006)
Income tax effect on other comprehensive income due to change in fair value of Available for sale financial assets	-	133	-	184
Other comprehensive income (loss) for the period, net of income tax	462	(12,016)	2,074	(6,209)
Total comprehensive loss for the period, net of tax	(85,881)	(87,257)	(96,427)	(87,252)
Total comprehensive income (loss) attributable to:				
Owners of the Company	(85,885)	(87,177)	(96,452)	(87,200)
Non-controlling interests	4	(80)	25	(52)

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

	Attributable to owners of the Company									
	Share capital	**Share Premium**	**Other reserves**	**Translation Reserve**	**Capital reserve from acquisition of non-controlling interests without a change in control**	**Available for sale reserve**	**Retained earnings (losses)**	**Total**	**Non-controlling interests – restated**	**Total equity**
	€ '000									
Balance at December 31, 2013 (audited)	2,972	261,773	35,133	(40,651)	(20,706)	-	(28,799)	209,722	606	210,328
Share based payment	-	-	124	-	-	-	-	124	-	124
Total comprehensive income (loss)	-	-	-	2,049	-	-	(98,501)	(96,452)	25	(96,427)
Balance at June 30, 2014 (unaudited)	**2,972**	**261,773**	**35,257**	**(38,602)**	**(20,706)**	**-**	**(127,300)**	**113,394**	**631**	**114,025**
Balance at December 31, 2012 (audited)	2,972	261,773	34,709	(26,359)	(20,706)	553	189,274	442,216	716	442,932
Share based payment	-	-	215	-	-	-	-	215	-	215
Total comprehensive loss	-	-	-	(5,604)	-	(553)	(81,043)	(87,200)	(52)	(87,252)
Balance at June 30, 2013 (unaudited)	**2,972**	**261,773**	**34,924**	**(31,963)**	**(20,706)**	**-**	**108,231**	**355,231**	**664**	**355,895**

Plaza Centers N.V.
Condensed consolidated interim statement of cash flows

	For the six months ended June 30,	
	2014	2013
	€ '000	€ '000
	Unaudited	Unaudited
Cash flows from operating activities		
Loss for the period	(98,501)	(81,043)
Adjustments necessary to reflect cash flows used in operating activities:		
Depreciation and impairment of property and equipment	153	56
Net finance costs	27,275	8,965
Write-down of investment property		3,439
Equity-settled share-based payment transaction	124	262
Loss (gain) on sale of property and equipment	109	(19)
Share of loss (profit) of equity-accounted investees, net of tax	(414)	195
Tax benefit	(113)	(754)
	(71,367)	(68,899)
Changes in:		
Trade receivables	544	(223)
Other receivables	1,684	7,083
Trading property	71,922	57,674
Equity accounted investees	3,846	24,435
Trade payables	(618)	(2,443)
Other liabilities, related parties liabilities	2,843	(146)
	80,221	86,380
Interest received	293	385
Interest paid	(4,930)	(6,558)
Taxes paid	(111)	(344)
Net cash from operating activities	4,106	10,964
Cash from investing activities		
Purchase of property and equipment	(6)	(4)
Proceeds from sale of property and equipment	1,375	44
Proceeds from liquidation of equity accounted investee EPUS	-	32,438
Purchase of marketable debt securities financial assets	-	(155)
Proceeds from sale of available for sale financial assets	-	11,014
Net cash from investing activities	1,369	43,337
Cash from financing activities		
Proceeds from bank loans and financial institutions	-	509
Payments due to hedging activities through sell of options	-	(1,950)
Right issuance prepayments	(202)	-
Changes in restricted cash	(364)	3,193
Proceeds from re-issuance of long term debentures	-	13,772
Repayment of interest bearing loans from banks	(4,169)	(17,833)
Net cash used in financing activities	(4,735)	(2,309)
Effect of exchange rate fluctuations on cash held	20	(432)
Increase in cash and cash equivalents during the period	760	51,560
Cash and cash equivalents at 1 of January	26,157	35,374
Cash and cash equivalents at 30 of June	**26,917**	**86,934**

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Plaza Centers N.V. ("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 Company is dually listed on the Main Board of the London Stock Exchange ("LSE") and on the Warsaw Stock Exchange ("WSE").

The Company's immediate parent company is Elbit Ultrasound (Luxembourg) B.V. / S.à r.l. ("EUL"), which holds 62.5% of the Company's shares, as at the end of the reporting period (December 31, 2013 – 62.5%). The ultimate parent company is Elbit Imaging Limited ("EI").

As previously announced the Company has filed for reorganization proceedings (surseance van betaling) with the District Court of Amsterdam in the Netherlands (the Court") and submitted a restructuring plan to the Court in November 2013. 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. For more information on the restructuring plan, refer to note 6.

The condensed consolidated interim financial statements of the Company as at June 30, 2014 and for the six months then ended comprise the Company, its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended December 31, 2013 are available on the Company's website (www.plazacenters.com) and also upon request from the Company's registered office.

During the six months period ended June 30, 2014, no changes occurred in the Company's holdings, except as described in note 10(h).

2. Basis of accounting

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU. It does not include all of the information required for a complete set of IFRS financial statements; and should be read in conjunction with the annual Consolidated Financial Statements of the Group as at and for the year ended December 31, 2013.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2013.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on August 27, 2014.

3. Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013, with the exception of valuations performed in July 2014 (refer to note 10(b)).

<u>Going concern</u>

As part of the reorganization proceedings filling, as mentioned in note 1 above, the Company withheld payment on the bonds and any material payment to its creditors.

For a detailed discussion about the Group's liquidity position and the approved restructuring plan refer to note 6.

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Group will be able to successfully complete its proposed debt arrangement plan, following court approval. It is noted that, though the restructuring plan was approved by both the creditors and the Court, if the Group is not able to raise EUR 20 million equity from shareholders which is a pre-condition to the debt restructuring plan completion (refer to Note 6) then this would likely have an adverse impact on the Group's ability to realise assets at their recognised values, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements and ultimately result in the Group being unable to continue as a going concern.

However, the Company's management and Board of Directors estimate the chances of raising the EUR 20 million as highly probable, based on the information it has, as describes also in note 6.

3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2013.

5. Segment reporting

The Group comprises the following main geographical segments: CEE and India. The Group does not have reportable operating segments. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of Trading Property and Investment Property geographically located in the relevant segment. 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.

Data regarding the geographical analysis in the six months ended June 30, 2014 and 2013 is as follows:

	Central & Eastern Europe	India	Total
	€ 000'	**€ 000'**	**€ 000'**
	Six months ended June 30, 2014		
Total revenues (1)	11,988	575	12,563
Operating loss by segment (2)	(57,799)	(10,830)	(68,629)
Net finance costs	(2,983)	(1,668)	(4,651)
Other income (expenses), net	(1,035)	2,336	1,301
Share in results of equity-accounted investees	1,087	(673)	414
Reportable segment loss before tax	(60,730)	(10,835)	(71,565)
Less - unallocated general and administrative expenses			(1,965)
Restructuring cost			(2,519)
Discontinued operations			59
Less - unallocated finance costs			(22,624)
Loss before income taxes			(98,614)
Tax benefit			113
Loss for the period			(98,501)
Assets and liabilities as at June 30, 2014			
Total segment assets	421,569	60,395	481,964
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch corporate level)			37,535
Total assets			519,499
Segment liabilities	181,839	26,837	208,676
Unallocated liabilities (Mainly debentures)			196,798
Total liabilities			405,474

(1) CEE- Out of which Poland – EUR 7.7 million.

(2) CEE – including impairment losses of EUR 59.6 million (refer to note 10(b)) and loss from the Bas transaction (refer to note 10(h)) of EUR 4.0 million. India – includes impairment of EUR 10.1 million (refer to note 10(b)).

5. Segment reporting (cont.)

	Central & Eastern Europe	India	Total
	€ 000'	**€ 000'**	**€ 000'**
	Six months ended June 30, 2013		
Total revenues (1)	13,915	383	14,298
Operating loss by segment (2)	(44,709)	(16,726)	(61,435)
Net finance costs	(3,589)	(1,899)	(5,488)
Other expenses, net (3)	(4,121)	(332)	(4,453)
Share in results of equity-accounted investees (4)	537	(5,009)	(4,472)
Reportable segment profit (loss) before tax	(51,882)	(23,966)	(75,848)
Less - unallocated general and administrative expenses			(2,018)
Discontinued operations			(454)
Unallocated finance costs			(3,477)
Loss before income taxes			(81,797)
Tax benefit			754
Loss for the period			(81,043)
Assets and liabilities as at December 31, 2013			
Total segment assets	480,196	68,829	549,025
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch corporate 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) CEE- Out of which Poland – EUR 8.7 million.
(2) CEE – including impairment of EUR 45.3 million. India - including impairment of EUR 15.6 million.
(3) CEE- including fair value negative adjustment of Investment property of EUR 3.4 million.
(4) India – including equity accounted investees loss mainly due to impairment of EUR 4.3 million

6. Restructuring plan update

As mentioned in notes 1 and 3, the Court has approved the restructuring plan after the Company experienced a significant liquidity crisis.

Since December 31, 2013, the following main changes occurred in the restructuring plan, as approved by the Company's creditors on June 26, 2014:

1. **Equity upside** - The Company will allocate, post the completion of the right issuance, to the Deferred Debt holders shares representing 13.21% of the Company's shares (2.86% to series A holders, 9.22% to series B holders and 1.13% to the Polish holders), instead of options to purchase shares in the Company representing an aggregate maximum of 9.99% of the outstanding share capital of the Company.

6. Restructuring plan update (cont.)

2. **Payment to the holders of the Unsecured Debt -** following the removal of the suspension of payments order, the Company shall pay to the holders of the Deferred Debt an amount of EUR 11.6 million, on account of 2014 interest payments.
3. **Postponement of creditors meeting to vote on the restructuring plan -** On March 11, 2014, the Company obtained from the Dutch court a postponement of the dates for the voting on the proposed plan, due to technicalities involved with the completion of the arrangement. The Dutch court set June 26, 2014 as the date for voting on the proposed restructuring plan, and the restructuring plan was approved on that date and became an irrevocable decision on July 21, 2014.

In addition the bondholders demanded that shareholders provide capital/monetary inflow to the Company of at least EUR 20 million as a pre-condition to the approval of the debt restructuring plan.

The Company confirmed on June 23, 2014 that EI announced that, as part of the Company's debt restructuring process which incorporates a rights offering of shares to its existing shareholders to raise an aggregate amount of at least EUR 20 million (the "Rights Offering"), its wholly owned subsidiary EUL intends to enter into a Deed of Undertaking (the "Undertaking") with the Company. The Undertaking was signed and became binding and formal on July 7, 2014.

As part of this, EUL has undertaken, among other things, to ensure that it will exercise EUL's rights to take up EUL's full pro-rata portion under the Rights Offering and to procure that it will subscribe for any unexercised portion of the Rights Offering (the "Additional Shares"), at a price per share of EUR 0.105, all subject to the provisions of the Back Stop Agreement (as defined below).

EI will guarantee the performance of EUL's obligations as detailed in the Undertaking. EI has further announced that, concurrently with the Undertaking, EUL entered into a legally binding Back Stop Agreement (the "Back Stop Agreement") with various affiliates of Davidson Kempner Capital Management LP ("DK"), pursuant to which DK will undertake to purchase, in lieu of EUL, such proportion of shares in the Company to be determined by EUL, provided that the monies payable in respect of such shares to be acquired by DK shall not be less than the higher of EUR 3 million or the amount required to acquire the Additional Shares (the "Back Stop Undertaking"), and has further provided that such Back Stop Undertaking does not result in DK being liable to acquire more than EUR 10 million of the Company shares or result in DK and its affiliates, directly or indirectly crossing the threshold of 30 per cent of the total voting rights in the Company.

Consequently, in the event the total price of the Additional Shares falls below EUR 3 million, the Company will be obligated to increase the number of shares offered pursuant to the Rights Offering such that the total price of the shares acquired by DK shall not be less than EUR 3 million.

EI also voted in favour of all resolutions relating to the Rights Offering, including resolutions to designate the Company's board of directors, generally and unconditionally, as the competent body to issue ordinary shares (including rights to acquire ordinary shares) and to restrict or exclude pre-emptive rights upon issuing ordinary shares of the Company.

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

7. Financial instruments

a. Carrying amounts and fair values

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

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

	Carrying amount		Fair value	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	€ 000'			
Statement of financial position				
Debentures A at amortized cost – Israeli bonds	13,996	13,765	11,981	10,393
Debentures B at amortized cost – Israeli bonds (*)	43,116	42,403	38,064	33,507
Debentures at amortized cost – polish bonds	14,419	14,468	14,419	14,468
Total	71.531	70,636	64,464	58,368

(*) Refer also to note 10(e)

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 plan 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.

The Company presents and measures part of its debentures according to its fair value. The Carrying amount as at June 30, 2014 of the debentures presented at fair value (including accrued interest) was as follows:

	Fair value	Adjusted par value (*)
	€ 000'	
Statement of financial position		
Debentures A at fair value – Israeli bonds	43,666	48,877
Debentures B at fair value – Israeli bonds	73,752	79,378
Total	117,418	128,255

(*) Adjusted par value is the principal amount, as adjusted (or indexed) due to changes in Israeli Consumer price index.

7. Financial instruments (cont.)

b. Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
	€ 000'			
Assets				
Held for trading financial assets	1,321	-	-	1,321
Liabilities				
Derivatives	-	1,039	-	1,039
Debentures at fair value through profit or loss	117,418	-	-	117,418
Total financial liabilities carried at fair value	117,418	1,039	-	118,457

8. Income tax

The Group calculates the period income tax using the tax rate that would be applicable to the expected total annual earnings.

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended June 30, 2014 was 0% (six months ended June 30, 2013: 1%) .The change in effective tax rate was caused mainly by the following factors:

- Change in fair value of Debentures at fair value through profit or loss.
- Impairment of trading property and Equity accounted investees.

9. Related parties

	June 30, 2014	December 31, 2013
	€ 000'	
Statement of financial position		
Trade and other payables	1,250	944

	For the six months ended June 30,	
	2014	2013
	€ 000'	€ 000'
Income statement		
Related parties - interest income	-	34
Related parties – recharges from Elbit	(99)	(67)

10. Significant events during the period

a. Updates to the proposed debt restructuring plan

In respect of main changes in the restructuring plan during the reporting period, refer to note 6 above.

b. Write-down 2014

Following the appointment of the new Board in July, our external independent valuer was assigned to perform a desk-top valuation and re-appraised the properties which the Company does not intend to develop in the next 24 months, and also to value the Casa Radio project as it is the most single valuable asset in the Company's assets portfolio and the permitting process for this asset had suffered significant delays in the time table. Altogether 13 assets were re-appraised as detailed in the below list.

Assets appraised in June 2014:Country	Project Name	Value 2013 year end (MEUR)	Value 2014 June 30 (MEUR)
Hungary	Arena Plaza Extension	7.8	6.6
Poland	Lodz (Resi)	6.5	5.4
	Leszno Plaza	1.7	1.5
	Kielce Plaza	5.4	4.3
Romania	Casa Radio Plaza (*)	130.6	89.25
	Csiki Plaza	5.6	3.4
	Targu Mures	6.2	3.8
	Hunedoara Plaza	2.4	1.6
	Slatina Plaza	1.7	1.1
	Iasi Plaza	11.6	7.8
	Constanta Plaza	6.3	5.0
Greece	Helios Plaza	15.3	4.4
Bulgaria	Shumen Plaza	2.1	1.6

(*)Represent the Company's share in the Project (75%)

The valuations were conducted taking into account updated market conditions, the current permit status and development time frame. More specifically, the Board requested the valuer to consider more conservative assumptions, but still in the acceptable range, than those used in the previous year's valuation in respect to exit yields, rent price levels and commencement date of the project.

In respect of two main impairments performed in the first half of 2014 (Casa Radio and Helios), the main changes in the assumptions included in the updated valuations comparing the December 31, 2013 were as follows:

<u>Casa Radio:</u>

1) Exit yield for the shopping center changed from 7% to 7.5%.
2) Average assumed rent for the shopping center scheme dropped to 27.5 EUR/sqm from 29 EUR/sqm.
3) Average assumed rent for the office scheme reduced from 17 EUR/sqm to 16 EUR/sqm.
4) Construction cost of the shopping center dropped to 1,300 EUR/sqm from 1,400 EUR/sqm.

10. Significant events during the period (cont.)

b. Write-down 2014 (cont.)

Helios:

1) The project scheme will have to be redesigned as the building permit will expire at the end of 2014. According to the current zoning the land cannot be used for the construction of a shopping center. The new valued project is a ground floor retail scheme with office towers on the top.
2) Expected rent for the offices (including the ground floor commercial space) is 13.00 EUR/sqm and the expected exit yield is – 8%.
3) Total size of the offices: 38,661 sqm with 700 car parking.

The following four properties, for which the Company intends to accelerate the selling process to a considerably shorter period, were valued internally based on management estimation of their expected net realizable values:
1) Csiki Plaza (Romania) – the net realizable value of the project was determined with reference to prevailing asking prices in the market. Discounted by 41 % to a net realizable value of EUR 2 million
2) Hunedoara Plaza Romania- the net realizable value of the project was determined with reference to asking prices in the market. Discounted by 25 % to a net realizable value of EUR 1.2 million
3) Constanta Romania- the net realizable value of the project was determined with reference to asking prices in the market. Discounted by 50 % to a net realizable value of EUR 2.5 million
3) Shumen Plaza Bulgaria - the net realizable value of the project was determined with reference to asking prices in the market. Discounted by 31 % to a net realizable value of EUR 1.1 million

Following the above mentioned valuations, in the course of the first six months of 2014, the following impairments were performed in respect of trading properties held by the Group (in MEUR):

	The six months ended June 30,	
Project name (location)	2014	2013
Casa Radio (Bucharest, Romania)	31.0	-
Koregaon Park (Pune, India) (*)	10.1	15.6
Belgrade Plaza (MUP) (Belgrade, Serbia)	-	25.7
Helios Plaza (Athens, Greece)	10.9	6.4
Liberec Plaza(Liberec, Czech Republic)	-	9.0
Constanta (Constanta, Romania)	3.8	-
Csiki Plaza (Ciuc, Romania)	3.7	-
Iasi (Iasi, Romania)	3.7	-
Roztoky (Czech Republic)	-	3.5
Kragujevac Plaza (Serbia) (**)	3.4	-
Hunedoara Plaza (Hunedoara, Romania)	1.2	-
Shumen Plaza (Shumen, Bulgaria)	1.0	-
Other, aggregated	0.9	0.7
Total	69.7	60.9

(*) In respect of the Koregaon park impairment; this impairment was done in light of ongoing delay in the closing process of the transaction that was announced on November 2013.Also, in light of the ongoing delay, the Company reclassified the Koregaon Park trading property to long term.

(**) In respect of Kragujevac, the Company impaired the asset based on its internal estimates, relying on its acquaintance with the investment market in Serbia.

10. Significant events during the period (cont.)

c. Sale of airplane

On February 25, 2014 the Company disposed of its corporate jet for a total consideration of USD 1.9 million (EUR 1.4 million). The proceeds from the disposal were used to partially repay the bank facility taken for the purchase of the airplane, and the Company currently negotiates with the financing bank the conditions to be set for the repayment of the remaining outstanding bank loan (EUR 1.2 million).

d. Sale of turbines

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.

e. Bonds Series B held in treasury

As at the date of approval of these condensed consolidated interim financial statements the Company, through its wholly owned subsidiary holds in treasury NIS 15.9 million (EUR 3.4 million) par value of series B bonds.

f. Update on covenants

As at the end of the reporting period, all of the Group's companies are in compliance with the entire loan covenants, with the exception of three bank facilities, for two of which (Kragujevac, Zgorzelec),with an outstanding balance of EUR 50 million, the Company has received waiver valid for 2014, and in respect of the other facility (Liberec), totalling EUR 21 million, the Company is currently in negotiations with financial institutions to obtain of waivers, for all outstanding breaches. In addition, and in respects of two bank facilities assumed under the termination agreement in Romania (refer to 10(h) below), both bank facilities have expired and the Company is in negotiations on new terms for the facilities.

Furthermore, cross-default clauses in credit facilities may be triggered due to the fact that the Company has been granted a provisional suspension of payments. The Company has therefore reclassified all bank debt as current.

g. Receiving of insurance claim India

In June 2014 the Company reclaimed INR 190 million (EUR 2.3 million) of cash due to insurance claim in respect of loss of profit in its Koregaon Park shopping Center in Pune India, following the fire event there in June 2012. The refund was recorded as part of other income in the income statement.

h. 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 assets companies held by the joint venture were splitted 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 Company has performed 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 these condensed consolidated interim statement of profit or loss.