

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult a person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) or the Dutch Act on the financial supervision (AFS) or the applicable Polish laws who is qualified and authorized to provide advice.**



## **PLAZA CENTERS N.V.**

*(incorporated and registered in the Netherlands with company registration number 33248324)*

### **Proposed 19 for 20 Rights Offering of up to 282,326,831 New Ordinary Shares at EUR 0.0675 per New Ordinary Share**

### **Proposed Placing of up to 90,336,596 Bondholders' Shares and 15,710,712 Escrow Shares at EUR 0.01 per Bondholders' Share and Escrow Share**

### **Proposed Placing of up to 44,444,445 Additional Placing Shares at EUR 0.0675 per Additional Placing Share**

*Sponsor and Financial Adviser*  
**SPARK Advisory Partners Limited**

This document (the "**Prospectus**"), which comprises a prospectus relating to Plaza Centers N.V. ("**Plaza Centers**" or the "**Company**"), has been approved by and filed with the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten ("**AFM**")). The Company has requested that the AFM provide the competent authority in Poland, the Polish Financial Supervision Commission ("**PFSC**"), and the competent authority in the United Kingdom, the Financial Conduct Authority ("**FCA**"), with a certificate of approval attesting that the prospectus has been drawn up in accordance with the AFS and related regulations which implement Directive 2003/71/EC (the "**Prospectus Directive**") in Dutch law ("**Notification**"). The Company may request that the AFM provide the Notification to competent authorities in additional Member States within the European Economic Area.

This Prospectus relates to the issuance of up to 282,326,831 new ordinary shares in the capital of the Company with a nominal value of EUR 0.01 each (the "**New Ordinary Shares**") at an issue price of EUR 0.0675 (the "**Rights Offering Price**") per share. Subject to applicable securities laws and the terms set out in this Prospectus, holders of ordinary shares in the share capital of Plaza Centers (the "**Existing Ordinary Shares**") as at the Record Date (as defined below) are being granted transferable subscription rights to subscribe for New Ordinary Shares (the "**Rights**") and together with the New Ordinary Shares, the "**Rights Securities**") *pro rata* to their shareholding in the Company. The offer to subscribe for New Ordinary Shares through the exercise of Rights is referred to as the "**Rights Offering**".

This Prospectus furthermore relates to the introduction to listing on the LSE and the WSE of the Bondholders' Shares, the Escrow Shares and any Additional Shares.

Each 20 Existing Ordinary Shares held immediately after the close of trading in Ordinary Shares on the London Stock Exchange Group plc in London ("**LSE**") and the Warsaw Stock Exchange ("**WSE**") at 6.00 p.m., Central European Time ("**CET**") on 25 November 2014 (the "**Record Date**") will entitle its holder to 19 Rights. Qualifying Shareholders (as defined in the chapter "Definitions") will be entitled to subscribe at the Rights Offering Price for 1 New Ordinary Share for every Right held. Qualifying Shareholders in Poland may, subject to applicable securities laws, subscribe for New Ordinary Shares by exercising Rights from 9.00 a.m. CET on 1 December 2014. The latest time and date for acceptance and payment in full of Rights by Qualifying Shareholders taking up Rights in Poland will be earlier than for Qualifying Shareholders taking up the Rights outside of Poland due to involvement of several intermediaries between such investors in Poland and CREST. Investors taking up Rights in Poland should consult their brokers to find out the exact latest time and date for acceptance and payment in full of Rights. Qualifying Shareholders outside of Poland may, subject to applicable securities laws, subscribe for New Ordinary Shares by exercising Rights from 9.00 a.m. CET on 1 December 2014 until noon CET on 18 December 2014 (the "**Rights Exercise Period**"). A Right once exercised by a Qualifying Shareholder cannot be revoked or modified, except in certain circumstances as set out in "Terms and Conditions of the Rights Offering" in Part VIII.

The statutory pre-emptive rights (*wettelijke voorkeursrechten*) of the holders of Existing Ordinary Shares in respect of the Rights Offering, the Placing and the Additional Placing have been validly excluded.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares or Existing Depository Interests (other than ex-rights) in certificated form before 9.00 a.m. CET on 1 December 2014 (the "**Ex-Rights Date**"), please send this document at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States and any of the other Excluded Territories. If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares or Existing Depository Interests (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear UK which, on settlement, will transfer the appropriate number of Rights to the purchaser or transferee.

The distribution of this document, any other offering or publicity material relating to the Additional Placing, the Placing or the Rights Offering into jurisdictions other than the United Kingdom may be restricted by law or regulation. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. In particular, subject to certain exceptions, such documents should not be distributed, forwarded to or transmitted in or into the United States or any other Excluded Territory. The transfer of the Bondholders' Shares, the Escrow Shares, the Additional Placing Shares, the Rights and/or the New Ordinary Shares may also be so restricted by law or regulation. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. The Bondholders' Shares, the Escrow Shares, the Additional Placing Shares, the Rights and the New Ordinary Shares are not transferable except in accordance with, and the distribution of the foregoing documents is subject to, the restrictions set out in section 6 of Part VIII ("Terms and Conditions of the Rights Offering") of this document. No action has been taken by Plaza Centers or by SPARK Advisory Partners Limited that would permit an offer of the Bondholders' Shares, the Escrow Shares, the Additional Placing Shares, the Rights or the New Ordinary Shares (or rights thereto), or possession, distribution, forwarding or transmission of the foregoing documents in or into any jurisdiction where action for that purpose is required, other than the United Kingdom and Poland.

The Existing Ordinary Shares have been admitted to (i) the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities; and (ii) trading on the WSE main market. Application will be made to the (i) UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List; (ii) London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities; and (iii) WSE for the New Ordinary Shares to be admitted to trading on the WSE's main market for listed securities. It is expected that admission to listing of the New Ordinary Shares on the premium segment of the Official List will become effective and that dealings in the New Ordinary Shares, fully paid, on the London Stock Exchange's main market for listed securities will commence at 9.00 a.m. CET on 23 December 2014. It is expected that trading in the New Ordinary Shares, fully paid, on the WSE's main market for listed securities will commence at 9.00 a.m. CET on 23 December 2014.

Application will also be made to the UK Listing Authority for the Bondholders' Shares, the Escrow Shares and any Additional Placing Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the Bondholders' Shares, the Escrow Shares and any Additional Placing Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that (i) admission to listing of any Additional Placing Shares and the Escrow Shares on the premium segment of the Official List will become effective, and dealings in any Additional Placing Shares and the Escrow Shares on the London Stock Exchange's main market for listed securities will commence, at 9.00 a.m. CET on 23 December 2014; and (ii) admission to listing of any Bondholders' Shares on the premium segment of the Official List will become effective, and dealings in Bondholders' Shares on the London Stock Exchange's main market for listed securities will commence, at 9.00 a.m. CET on 23 December 2014. In addition, an application will be made to the WSE for the Bondholders' Shares, any Additional Placing Shares and the Escrow Shares to be admitted to trading on its main market for listed securities. It is expected that trading in the Escrow Shares and any Additional Placing Shares on the WSE's main market for listed securities will commence, at 9.00 a.m. CET on 23 December 2014 and that trading in the Bondholders' Shares on the WSE's main market for listed securities will commence, at 9.00 a.m. CET on 23 December 2014.

The whole of this document should be read, including the information incorporated by reference into this document. Shareholders and any other persons contemplating an acquisition of Bondholders' Shares, Escrow Shares, Additional Placing Shares, Rights or New Ordinary Shares should review the section of this document entitled "Risk Factors" for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Additional Placing, the Placing and/or the Rights Offering or deciding whether or not to subscribe for or acquire Bondholders' Shares, Escrow Shares, Additional Placing Shares, Rights or New Ordinary Shares. In making an investment decision each investor must carry out their own examination, analysis and enquiry of the Company and the terms of the Additional Placing, the Placing and the Rights Offering, including the merits and risks involved.

It is expected that Qualifying CREST Shareholders (other than Excluded Shareholders) and Bondholders will receive a credit to their appropriate stock accounts in CREST in respect of the Rights to which they are entitled 9.00 a.m. CET on 1 December 2014. The Rights so credited are expected to be enabled for settlement by Euroclear UK as soon as practicable after Admission.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document or the Rights Offering.

The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of Rights is expected to be noon CET on 18 December 2014. The latest time and date for acceptance and payment in full of the Rights by Qualifying Shareholders taking up Rights in Poland will be earlier than for Qualifying Shareholders taking up the Rights outside of Poland due to the involvement of several intermediaries between such investors in Poland and CREST. Investors taking up Rights in Poland should consult their brokers to find out the exact latest time and date for acceptance and payment in full of Rights. The procedures for delivery of Rights, acceptance and payment are set out in Part VIII ("Terms and Conditions of the Rights Offering") of this document. Qualifying CREST Shareholders and Bondholders should refer to section 3 of Part VIII ("Terms and Conditions of the Rights Offering") of this document.

SPARK Advisory Partners Limited is authorised by the FCA. SPARK Advisory Partners Limited is acting for the Company and no one else in connection with the Additional Placing, the Placing and the Rights Offering, and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Additional Placing, the Placing

and the Rights Offering, and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Additional Placing, the Placing and the Rights Offering or any matters referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on SPARK Advisory Partners Limited by FSMA or the regulatory regime established thereunder or otherwise under law SPARK Advisory Partners Limited does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by SPARK Advisory Partners Limited in relation to the contents of this document, including its accuracy, completeness or verification or regarding the legality of any investment in the Bondholders' Shares, Escrow Shares, Additional Placing Shares, the Rights or the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Bondholders' Shares, Escrow Shares, Additional Placing Shares, the Rights, the New Ordinary Shares, the Placing, the Additional Placing or the Rights Offering, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. To the fullest extent permissible SPARK Advisory Partners Limited accordingly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

#### **NOTICE TO OVERSEAS SHAREHOLDERS**

This document does not constitute an offer of, or a solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer or solicitation is unlawful or to any person to whom it is unlawful to make such offer or solicitation. The Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights and the New Ordinary Shares have not been and will not be registered under the US Securities Act, or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights and the New Ordinary Shares offered outside the United States are being offered in reliance on Regulation S under the US Securities Act.

The Company and SPARK Advisory Partners Limited do not make any representation to any offeree, subscriber or acquirer of the Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights or the New Ordinary Shares regarding the legality of an investment in the Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights or the New Ordinary Shares by such offeree, subscriber or acquirer under the law applicable to such offeree, subscriber or acquirer. Each investor should consult with his or its own advisers as to the legal, tax, business, financial and related aspects of an acquisition of the Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights or the New Ordinary Shares. The Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights, the New Ordinary Shares and this document have not been recommended, approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights and the New Ordinary Shares may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, within any of the Excluded Territories except pursuant to an applicable exemption from registration and in compliance with any applicable securities laws. There will be no public offer of the Bondholders' Shares, the Escrow Shares, Additional Placing Shares, the Rights or the New Ordinary Shares in any of such Excluded Territories.

**EXCEPT AS OTHERWISE PROVIDED FOR HEREIN, THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OF BONDHOLDERS' SHARES, ESCROW SHARES, ADDITIONAL PLACING SHARES, RIGHTS OR NEW ORDINARY SHARES TO ANY PERSON WITH A REGISTERED ADDRESS, OR WHO IS LOCATED OR RESIDENT, IN THE UNITED STATES OR ANY OF THE OTHER EXCLUDED TERRITORIES.**

A QIB will, in the Company's sole discretion, be permitted to take up its entitlements to New Ordinary Shares under the Rights Offering only if the QIB executes a US Purchaser's Letter in the form set out in Appendix 1 to this document and delivers it to the Company with a copy to the Sponsor. The US Purchaser's Letter will require each such QIB to represent and agree that, amongst other things, (i) it is a QIB; and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions exempt from the registration requirements of the US Securities Act and in compliance with applicable securities laws. The US Purchaser's Letter contains additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares.

In addition, until 40 days after Admission, an offer, sale or transfer of the Rights, the New Ordinary Shares, the Additional Placing Shares or the Bondholders' Shares within the United States by a dealer (whether or not participating in the Rights Offering) may violate the registration requirements of the US Securities Act.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document, if and when received, or any other document to a jurisdiction outside the United Kingdom should read section 6 of Part VIII ("Terms and Conditions of the Rights Offering") of this document.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS SECTION.**

#### **NOTICE TO EEA INVESTORS**

In relation to each EEA State (except for the Netherlands, the United Kingdom and Poland) which has implemented the Prospectus Directive (each a "relevant member state"), no Bondholders' Shares, Escrow Shares, Additional Placing Shares, Rights or New Ordinary Shares have been offered or will be offered pursuant to the Placing or the Rights Offering to the public in that relevant member state prior to the publication of a prospectus in relation to the Bondholders' Shares, the Escrow Shares, Rights and New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, offers of Bondholders' Shares, the Escrow Shares, the Additional Placing Shares, Rights or New Ordinary Shares may be made to the public in that relevant member state at any time:

- (A) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (B) to fewer than 100 or, if the relevant member state has implemented the relevant provision of the PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant member state; or
- (C) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Bondholders' Shares, Escrow Shares, Additional Placing Shares, Rights or New Ordinary Shares shall result in a requirement for the publication by the Company, SPARK Advisory Partners Limited of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in that relevant member state.

For this purpose, the expression "offer of any Bondholders' Shares, Escrow Shares, Additional Placing Shares, Rights or New Ordinary Shares to the public" in relation to any Bondholders' Shares, Escrow Shares, Additional Placing Shares, New Ordinary Shares, Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Placing, the Additional Placing and the Rights Offering and any Bondholders' Shares, Escrow Shares, Additional Placing Shares, Rights and New Ordinary Shares to be offered so as to enable an investor to decide to subscribe for or acquire any Bondholders' Shares, Escrow Shares, Additional Placing Shares, Rights or New Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

#### **NOTICE TO ALL INVESTORS**

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Bondholders' Shares, the Escrow Shares, the Additional Placing Shares, the Rights or the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the Bondholders' Shares, the Escrow Shares, the Additional Placing Shares, the Rights or the New Ordinary Shares agrees to the foregoing.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Without limitation, the contents of the websites of the Group do not form part of this document.

Capitalised terms have the meanings ascribed to them in the chapter of this document entitled "Definitions".

The Rights Offering, on the assumption that all Shareholders exercise all their Rights, will result in up to 282,326,831 New Ordinary Shares being issued and the number of Ordinary Shares being increased from a total of 297,186,138 Ordinary Shares to a total of 579,512,969 Ordinary Shares (disregarding the issue of the Bondholders' Shares, the Escrow Shares and any Additional Placing Shares), representing an increase of 95 per cent..

The Placing (which will occur immediately following the Rights Offering) will, (i) result in up to 90,336,596 Bondholders' Shares being issued, 15,710,712 Escrow Shares being issued and the number of Ordinary Shares being increased from a total of 297,186,138 Ordinary Shares (as at the Record Date) to a total of 685,560,277 Ordinary Shares, representing an increase of 95 per cent.; and (ii) reduce the proportional ownership and voting interest in the Ordinary Shares of the Shareholders (as at the Record Date) by between 40.71 per cent. and 43.35 per cent. (depending upon the issuance of any Additional Placing Shares). **The latest date for acceptance under the Rights Offering is expected to be noon CET on 18 December 2014 for Qualifying Shareholders taking up their Rights other than in Poland or in Excluded Territories. Qualifying Shareholders taking up their Rights in Poland should contact their brokers to determine the latest date for acceptance under the Rights Offering.**

Plaza Centers may adjust the dates, times and periods of the Rights Offering the Placing and any Additional Placing given in this Prospectus in consultation with SPARK Advisory Partners Limited. If Plaza Centers should decide to do so, Plaza Centers will make this public through a press release which will, amongst others, be placed on the Plaza Centers website ([www.plazacenters.com](http://www.plazacenters.com)).

Any dealings in the Rights, the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and/or the Additional Placing Shares prior to settlement and delivery are at the sole risk of the parties concerned. The lapsing of Rights will be without prejudice to the validity of any trades in Rights that have been settled. Any non-settled trades in Rights that have occurred on the LSE or the WSE will be deemed null and void.

There will be no refund or compensation in respect of Rights purchased in the market or in any other manner. None of Plaza Centers, SPARK Advisory Partners Limited, the London Stock Exchange and/or the WSE accept any responsibility or liability with respect to the withdrawal of the Rights Offering, the Placing, the Additional Placing or the related annulment of any transactions in Rights, New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and/or the Additional Placing Shares on the London Stock Exchange or the WSE.

**INVESTING IN NEW ORDINARY SHARES AND TRADING IN RIGHTS INVOLVES RISKS. SEE "RISK FACTORS" FOR A DESCRIPTION OF THE MATERIAL RISKS THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE NEW ORDINARY SHARES OR TRADING IN THE RIGHTS.**

## Table of contents

<b>Part I</b>	<b>Summary</b> .....	<b>1</b>
<b>Part II</b>	<b>Risk Factors</b> .....	<b>24</b>
<b>Part III</b>	<b>Information on the Group</b> .....	<b>57</b>
<b>Part IV</b>	<b>Market Overview</b> .....	<b>75</b>
<b>Part V</b>	<b>Management</b> .....	<b>142</b>
<b>Part VI</b>	<b>Selected Financial Information</b> .....	<b>152</b>
<b>Part VII</b>	<b>Operating and Financial Review</b> .....	<b>158</b>
<b>Part VIII</b>	<b>Details of the Rights Offering, the Placing and the Additional Placing</b> .....	<b>179</b>
<b>Part IX</b>	<b>Additional Information</b> .....	<b>200</b>
<b>Part X</b>	<b>Summary of applicable Dutch law</b> .....	<b>274</b>
	<b>Directors, Registered Office and Advisers</b> .....	<b>280</b>
	<b>Definitions</b> .....	<b>281</b>

## Part I—Summary

### PART I—Summary

Summary following Prospectus Regulation for Rights Offering, Placing and Additional Placing.

Summaries are made up of disclosure requirements known as **Elements**. These Elements are numbered in Sections A - E (A.1 - E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding this Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”. Certain capitalized terms used in this summary are defined in “Definitions”.

#### SECTION A—INTRODUCTION AND WARNINGS

- A.1 Introduction and warnings** This summary should be read as an introduction to this Prospectus. Any decision to invest in the Rights, the New Ordinary Shares, the Bondholders’ Shares, the Escrow Shares, the Additional Placing Shares or the Company should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the Economic European Area, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or if it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Rights, the New Ordinary Shares, the Bondholders’ Shares, the Escrow Shares, the Additional Placing Shares or the Company.
- A.2 Consent by the Company for the use of the Prospectus for resale or final placement of securities by financial intermediaries** Not applicable; there will be no subsequent resale or final placement of securities by financial intermediaries.

#### SECTION B—THE COMPANY

- B.1 Legal and commercial name of the Company** Plaza Centers N.V. (the “**Company**”)
- B.2 Domicile, legal form, legislation and country of incorporation** The Company is a public company (*naamloze vennootschap*) incorporated under the laws of and domiciled in the Netherlands. The Company has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands.
- B.3 Key factors relating to the nature of the Group’s operations and its principal activities** The Group is a leading emerging markets developer of shopping and entertainment centers, focusing on constructing 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 CEE since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary.
- The Group has been present in real estate development in emerging markets for over 18 years, initially pursuing shopping and

**Part I—Summary**

entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Romania, Latvia, Greece, Serbia, Bulgaria and India. The Group has developed and let 32 shopping and entertainment centers in the CEE and one in India, of which 26 between 2004-2008 were sold with an aggregate gross value of circa EUR 1.16 billion.

The Group’s headquarters are in Amsterdam, the Netherlands.

The Group believes it has the following strengths:

- Well positioned in current challenging times for real estate
- Pioneer in introducing western-style shopping and entertainment centers to the CEE region and India
- Highly skilled management team
- Productive relationships with both leading international and local retailers
- Proven track record and strong relationships with premier property investors and operators
- Flexible business model
- Diversification and focus
- Strong brand name
- Flexible product mix tailored to local market demand

**B.4a Significant trends affecting the Company and the industries in which it operates**

In the years starting 2008, as result of the change in the economic environment in connection with the global credit crises, the Company’s original strategy of developing for sale has faced new challenges. The decline in the retail consumption has led to hardened conditions in the leasing of the shopping and entertainment centres. The uncertainties in the economies of the CEE countries, the lack of funds for asset financing and the increasing yield expectations has resulted in sharp drop in the volume and number of investment transactions. Under these conditions the Company scaled back on new developments starting 2008 and developed only in cases when external bank financing was secured and strong tenant demand was in place. Realization of the existing projects in the past years was hard to be executed at fair prices.

**B.5 Description of the Group and the Company’s positioning within the Group**

Plaza Centers N.V. is the holding company of the Group that includes the following material Subsidiaries (held directly or indirectly by the Company), all of which are engaged in the company’s business:

COUNTRY	REMARKS
<b>HUNGARY</b>	
<b><u>Directly wholly owned</u></b>	
Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft.	100% held by Plaza Centers Establishment B.V. Arena Plaza Extension project
Plaza House Ingatlanfejlesztési Kft.	David House
HOM Ingatlanfejlesztési és Vezetési Kft.	

**Part I—Summary**

<b>POLAND</b>	
<b>Directly wholly owned</b>	
Kielce Plaza Sp.z.o.o.	Kielce Plaza project
Leszno Plaza Sp.z.o.o.	Leszno Plaza project
Łódź Centrum Plaza Sp.z.o.o.	Łódź (Residential) project
Olsztyn Plaza Sp.z.o.o.	Białystok Plaza project
Włocławek Plaza Sp.z.o.o.	Łódź Plaza project
Plaza Centers Polish Operations B.V.	
EDMC Sp.z.o.o.	
Plaza Centers (Poland) Sp.z.o.o.	
<b>Indirectly or jointly owned</b>	
Suwałki Plaza Sp.z.o.o.	100% held by Plaza Centers Polish Operations B.V. Suwałki Plaza project
Legnica Plaza Spółka z ograniczoną odpowiedzialnością S.K.A.	100% held by Plaza Centers Polish Operations B.V. Toruń Plaza project
Zgorzelec Plaza Sp.z.o.o.	100% held by Plaza Centers Polish Operations B.V. Zgorzelec Plaza project
Fantasy Park Sp.z.o.o.	100% held by Mulan B.V.
Fantasy Park Suwałki Sp.z.o.o.	100% held by Mulan B.V.
Fantasy Park Toruń Sp.z.o.o.	100% held by Mulan B.V.
Fantasy Park Zgorzelec Sp.z.o.o.	100% held by Mulan B.V.
<b>LATVIA</b>	
<b>Indirectly or jointly owned</b>	
Diksna SIA	Equity accounted investee—50% held by Plaza Centers N.V. with JV partner (50%). Riga Plaza project.
Fantasy Park Latvia SIA	100% held by Mulan B.V.
<b>ROMANIA</b>	
<b>Directly wholly owned</b>	
Dâmbovița Centers Holding B.V.	100% held by Plaza Centers N.V.
Plaza Bas B.V.	50.1% held by Plaza Centers N.V.
S.C. Elite Plaza S.R.L.	Timișoara Plaza project
S.C. Green Plaza S.R.L.	Iași Plaza project
S.C. North Eastern Plaza S.R.L.	Constanța Plaza project
S.C. North West Plaza S.R.L.	Hunedoara Plaza project

**Part I—Summary**

S.C. North Gate Plaza S.R.L.	Csíki Plaza (Miercurea Ciuc) project
S.C. Eastern Gate Plaza S.R.L.	Cina project
S.C. South Gate Plaza S.R.L.	Slatina Plaza project
S.C. Palazzo Ducale S.R.L.	
S.C. Plaza Centers Management Romania S.R.L.	
<b>Indirectly or jointly owned</b>	
S.C. Dâmbovița Center S.R.L.	75% held by Dambovita Centers Holding B.V. 15% by Romanian government and 10% by private investor. Casa Radio project
Adams Invest S.R.L.	100% held by Plaza Bas B.V with partner. Valley View project
Colorado Invest S.R.L.	100% held by Plaza Bas B.V with partner. Pine Tree project
Sunny Invest S.R.L.	100% held by Plaza Bas B.V with partner. Green Land project
Primavera Invest S.R.L.	100% held by Plaza Bas B.V with partner. Primavera Tower Ploiești project
<b>SERBIA</b>	
<b>Directly wholly owned</b>	
Plaza Centers Holding B.V.	
Plaza Centers (Estates) B.V.	
Plaza Centers (Ventures) B.V.	
Plaza Centers Management D.O.O.	

**Part I—Summary**

<b>Indirectly or jointly owned</b>	
Leisure Group D.O.O.	100% held by Plaza Centers (Estates) B.V. Belgrade Plaza (Visnjicka) project
Orchid Group D.O.O.	100% held by Plaza Centers (Ventures) B.V. Belgrade Plaza project
Accent D.O.O.	100% held by Plaza Centers Logistic B.V. Kruševac Plaza project
<b>CZECH REPUBLIC</b>	
<b>Directly wholly owned</b>	
P4 Plaza S.R.O.	Liberec Plaza project
<b>BULGARIA</b>	
<b>Directly wholly owned</b>	
Shumen Plaza EOOD	Shumen Plaza project
<b>GREECE</b>	
<b>Directly wholly owned</b>	
Helios Plaza S.A.	Pireas Plaza project
<b>THE NETHERLANDS</b>	
<b>Directly wholly owned</b>	
Plaza Dâmbovita Complex B.V.	
Plaza Centers Enterprises B.V.	100% held by Plaza Dâmbovita Complex B.V.
Mulan B.V. (Fantasy Park Enterprises B.V.)	Holds Fantasy Park subsidiaries in CEE
<b>CYPRUS—INDIA</b>	
<b>Directly wholly owned</b>	
PC India Holdings Public Company Ltd.	
<b>Indirectly or jointly owned</b>	
Permindo Ltd.	100% held by PC India Holdings Public Company Ltd. Holds 99.9% of Anuttam Developers Pvt. Ltd. Koregaon Park Plaza project
Anuttam Developers Pvt. Ltd.	99.99% held by Permindo Ltd. Koregaon Park Plaza project
Spiralco Holdings Ltd.	100% held by PC India Holdings Public Company Ltd.
HOM India Management Services Pvt. Ltd.	99.99% held by PC India Holdings Public Company Ltd.

**Part I—Summary**

Elbit Plaza India Real Estate Holdings Ltd.	Equity accounted investee 47.5% held by Plaza Centers N.V.
Polyvendo Ltd.	100% held by Elbit Plaza India Real Estate Holdings Ltd.
Elbit Plaza India Management Services Pvt. Ltd.	99.99% held by Polyvendo Ltd.
Kadavanthra Builders Pvt. Ltd.	80% held by Elbit Plaza India Real Estate Holdings Ltd. Chennai (SipCot) project
Aayas Trade Services Pvt. Ltd.	100% held by Elbit Plaza India Real Estate Holdings Ltd. Bangalore project (refer to note 34(B)) financial statements 2013

**B.6 Persons who, directly and indirectly, have a notifiable interest in the Company's capital or voting rights**

**Elbit Imaging Limited**

- 185,000,000 Ordinary Shares (*185,000,000 Ordinary Shares held by Elbit Ultrasound (Luxembourg) B.V./S.à.r.l.*;
- 62.25%/62.25% issued capital/voting rights

**Davidson Kempner Capital Management LLC**

- 16.478.999,00 Ordinary Shares
- 5.54%/5.54% issued capital/voting rights (*pursuant to an equity swap whereby the capital interest is potential*)

**ING Open Pension Fund**

- 13.509.540,00 Ordinary Shares
- 4.55%/4.55% issued capital/voting rights

**Different voting rights**

All Ordinary Shares have the same voting rights

**Direct and indirect ownership of or control over the Company and nature of such control**

The Company is not aware of any party, or any parties acting in concert, that directly or indirectly control the vote at any General Meeting, nor is the Company aware of any arrangement the operation of which may result in a change of control in the Company

**B.7 Selected Key Historical Financial Information**

The table below sets out selected financial information for each of the three financial years ended 31 December 2011, 2012 and 2013 and is derived, subject to the note immediately below, from the Company's consolidated financial statements for the financial years ended 31 December 2011, 2012 and 2013, each of which is incorporated by reference. This table and the information in it should be read in conjunction with the Company's consolidated financial statements for the financial years ended 31 December 2011, 2012 and 2013, including the accompanying notes, and the rest of this Prospectus, including the information in "Operating and Financial Review".

## Part I—Summary

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as Equity accounted investees. The balances of 2012 have been restated in the financial statements.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS IN '000 EUR

	For the year ended 31 December		
	2013	2012 Restated <sup>(*)</sup>	2011 Reclassified <sup>(**)</sup>
<b>Continuing operations</b>			
Rental income . . . . .	23,678	23,112	15,629
Revenues from entertainment centers . . . . .	3,345	6,911	7,121
	<u>27,023</u>	<u>30,023</u>	<u>22,750</u>
Cost of operations . . . . .	(9,408)	(9,384)	(9,388)
Cost of operations—entertainment centers . . . . .	(4,025)	(8,267)	(7,757)
	<u>13,590</u>	<u>12,372</u>	<u>5,605</u>
<b>Gross profit</b> . . . . .			
Gain (Loss) from disposal of undeveloped Trading Property . . . . .	(346)	(65)	109
Write-down of Trading Properties . . . . .	(117,913)	(60,293)	(47,987)
Write-down of equity-accounted investees . . . . .	(56,417)	(23,443)	—
Loss from disposal of equity accounted investees (holding undeveloped Trading Properties) . . . . .	(3,724)	—	—
Share in results of equity-accounted investees . . . . .	952	1,475	(153)
Administrative expenses, excluding restructuring costs . . . . .	(9,435)	(11,432)	(15,957)
Restructuring costs . . . . .	(702)	—	—
Other income . . . . .	413	8,970	169
Other expenses . . . . .	(11,468)	(1,122)	(1,783)
<b>Results from operating activities</b> . . . . .	<u>(185,050)</u>	<u>(73,538)</u>	<u>(59,997)</u>
Finance income . . . . .	1,288	20,358	103,018
Finance costs . . . . .	(40,632)	(37,531)	(29,032)
Net finance costs . . . . .	<u>(39,344)</u>	<u>(17,173)</u>	<u>73,986</u>
<b>Profit (Loss) before income tax</b> . . . . .	<u>(224,394)</u>	<u>(90,711)</u>	<u>13,989</u>
Tax benefit (expense) . . . . .	6,256	6,592	(12,910)
<b>Profit (Loss) from continuing operations</b> . . . . .	<u>(218,138)</u>	<u>(84,119)</u>	<u>1,079</u>
<b>Discontinued operation</b>			
Profit (loss) from discontinued operation, net of tax . . . . .	65	(2,044)	12,785
<b>Profit (Loss) for the year</b> . . . . .	<u>(218,073)</u>	<u>(86,163)</u>	<u>13,864</u>
<b>Profit (Loss) attributable to:</b>			
Owners of the Company . . . . .	(218,073)	(86,163)	9,346
Non-controlling interests . . . . .	—	—	4,518
<b>Earnings per share</b>			
Basic and diluted loss per share (in EURO) . . . . .	(0.73)	(0.29)	0.03
<b>Earnings per share—continuing operations</b>			
Basic and diluted loss per share (in EURO) . . . . .	(0.73)	(0.28)	0.003

(\*) Restated due to Retrospective application of IFRS. As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as Equity accounted investees. The balances of 2012 have been restated in the financial statements. Amounts for the year ended 31 December 31, 2011 were not amended due to application of IFRS 11.

(\*\*) In respect of 2011 figures, certain reclassifications (including reclassifications of discontinued operations income and expenses, as well as reclassification of impairment expenses into a separate line item, and also reclassifications of expenses between administrative expenses and cost of operations) were made.

**Part I—Summary**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN '000 EUR**

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

(\*) Restated due to Retrospective application.

**Part I—Summary**

**CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR**

	For the year ended 31 December		
	2013	2012 Restated <sup>(*)</sup>	2011 Reclassified <sup>(**)</sup>
<b>Cash flows from operating activities</b>			
Profit (Loss) for the year . . . . .	(218,073)	(86,163)	13,864
<i>Adjustments necessary to reflect cash flows used in operating activities:</i>			
Depreciation and impairment of property and equipment . . . . .	423	1,065	2,517
Change in fair value of investment property . . . . .	4,267	(837)	(8,084)
Net finance costs . . . . .	39,344	17,173	(73,986)
Equity-settled share-based payment transaction . . . . .	424	197	2,978
Discontinued operations . . . . .	(65)	2,044	(12,785)
Gain on sale of property and equipment . . . . .	(23)	(13)	(4)
Share of loss of equity-accounted investees, net of tax . . . . .	78,617	19,854	153
Tax benefit . . . . .	(6,256)	(6,592)	12,910
	<u>(101,342)</u>	<u>(53,272)</u>	<u>(62,437)</u>
<i>Changes in:</i>			
Trade receivables . . . . .	(122)	(581)	(1,298)
Other accounts receivable . . . . .	10,126	5,821	(2,300)
Trading properties . . . . .	108,831	27,632	(21,930)
Trade payables . . . . .	(4,028)	(18,122)	543
Other liabilities, related parties liabilities and provisions . . . . .	3,498	(8,577)	5,093
	<u>118,305</u>	<u>6,173</u>	<u>(19,892)</u>
Interest received . . . . .	353	3,822	9,356
Interest paid . . . . .	(10,926)	(24,214)	(36,593)
Taxes paid . . . . .	(295)	(297)	(58)
<b>Net cash from (used in) operating activities . . . . .</b>	<u>6,095</u>	<u>(67,788)</u>	<u>(109,624)</u>
<b>Cash from investing activities</b>			
Purchase of property and equipment . . . . .	(75)	(462)	(380)
Proceeds from sale of property and equipment . . . . .	169	250	30
Discontinued operations . . . . .	—	63,885	10,576
Proceeds from sale of investment property . . . . .	7,649	—	—
Proceeds from liquidation of equity accounted investee EPUS . . . . .	32,410	—	—
Long term deposits redemption . . . . .	—	50,643	—
Purchase of marketable debt securities financial assets . . . . .	(1,424)	(16,089)	(9,307)
Proceeds from sale of available for sale financial assets . . . . .	12,012	31,294	9,051
Short term deposits, net . . . . .	—	3,102	(3,213)
<b>Net cash from investing activities . . . . .</b>	<u>50,741</u>	<u>132,623</u>	<u>6,757</u>

**Part I—Summary**

**CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR (cont.)**

	For the year ended 31 December		
	2013	2012 Restated <sup>(*)</sup>	2011 Reclassified <sup>(**)</sup>
<b>Cash from financing activities</b>			
Proceeds from bank loans and financial institutions . . . . .	659	46,720	80,098
Proceeds from utilization and settlement of derivatives . . . . .	—	238	39,331
Proceeds (payments) from hedging activities through sell of options	(2,364)	11,683	5,212
Repurchase of debentures . . . . .	—	(18,814)	(29,966)
Changes in restricted cash . . . . .	9,316	(1,796)	17,964
Acquisition of non-controlling interest . . . . .	—	—	(40,370)
Dividend paid . . . . .	—	—	(30,018)
Proceeds from re-issuance (2011—issuance) of long term debentures . . . . .	13,772	—	62,895
Repayment of debentures . . . . .	(60,319)	(65,320)	(76,075)
Repayment of interest bearing loans from banks . . . . .	(27,490)	(53,554)	(4,667)
<b>Net cash used in financing activities . . . . .</b>	<b>(66,426)</b>	<b>(80,843)</b>	<b>24,134</b>
<b>Effect of movement in exchange rate fluctuations on cash held . . .</b>	<b>373</b>	<b>(56)</b>	<b>(807)</b>
<b>Decrease in cash and cash equivalents during the year . . . . .</b>	<b>(9,217)</b>	<b>(16,064)</b>	<b>(79,540)</b>
<b>Cash and cash equivalents at 1 of January . . . . .</b>	<b>35,374</b>	<b>51,438</b>	<b>137,801</b>
<b>Cash and cash equivalents at 31 of December . . . . .</b>	<b>26,157</b>	<b>35,374</b>	<b>58,261</b>

(\*) Restated due to Retrospective application. Amounts for the year ended 31 December 2011 were not amended due to application of IFRS 11.

**Part I—Summary**

**SEMI-ANNUAL FINANCIAL STATEMENTS 2014**

***Profit or loss***

The table below sets out the Group's results of operations in the six months ended 30 June 2014 and 30 June 2013

	<b>The six months ended 30</b>	
	<b>2014</b>	<b>2013</b>
<b><i>Continuing operations</i></b>		
Rental income . . . . .	11,693	12,005
Revenues from entertainment centers . . . . .	870	2,293
	<u>12,563</u>	<u>14,298</u>
Cost of operations . . . . .	(4,033)	(4,368)
Cost of operations—entertainment centers . . . . .	(1,198)	(2,297)
	<u>(1,198)</u>	<u>(2,297)</u>
<b>Gross profit</b> . . . . .	<u>7,332</u>	<u>7,633</u>
Write-down of Trading Property . . . . .	(69,716)	(60,906)
Write-down of equity-accounted investees . . . . .	—	(4,277)
Loss from disposal of equity accounted investees (holding undeveloped Trading Property) . . . . .	(4,048)	(5,143)
Share in results of equity-accounted investees, net of tax . . . . .	414	(195)
Administrative expenses, excluding restructuring costs . . . . .	(4,162)	(5,037)
Restructuring costs . . . . .	(2,519)	—
Other income . . . . .	2,336	318
Other expenses . . . . .	(1,035)	(4,771)
	<u>(71,398)</u>	<u>(72,378)</u>
<b>Results from operating activities</b> . . . . .	<u>(71,398)</u>	<u>(72,378)</u>
Finance income . . . . .	211	6,671
Finance costs . . . . .	(27,486)	(15,636)
	<u>(27,275)</u>	<u>(8,965)</u>
Net finance costs . . . . .	<u>(27,275)</u>	<u>(8,965)</u>
<b>Loss before income tax</b> . . . . .	<u>(98,673)</u>	<u>(81,343)</u>
Tax benefit . . . . .	113	754
	<u>(98,560)</u>	<u>(80,589)</u>
<b>Loss from continuing operations</b> . . . . .	<u>(98,560)</u>	<u>(80,589)</u>
<b><i>Discontinued operation</i></b>		
Profit (loss) from discontinued operation, net of tax . . . . .	59	(454)
	<u>59</u>	<u>(454)</u>
<b>Loss for the six months period<sup>(*)</sup></b> . . . . .	<u>(98,501)</u>	<u>(81,043)</u>
<b>Earnings per share</b>		
Basic and diluted loss per share (in EURO) . . . . .	(0.33)	(0.27)

(\*) All attributable to shareholders of the Company.

## Part I—Summary

### Assets and liabilities

	<u>30 June 2014</u>	<u>31 December 2013</u>
Cash and cash equivalents, Restricted bank deposits and Held for trading financial assets . . . . .	35,079	33,722
Trading property . . . . .	429,768	495,174
Equity accounted investees (including loans to equity accounted investees . . . . .	40,830	40,141
Other assets . . . . .	13,822	16,729
<b>Total assets</b> . . . . .	<b>519,499</b>	<b>585,766</b>
Interest bearing loans from banks . . . . .	181,746	175,338
Debentures . . . . .	188,949	168,619
Other liabilities . . . . .	34,779	31,481
<b>Total liabilities</b> . . . . .	<b>405,474</b>	<b>375,438</b>
<b>Total equity</b> . . . . .	<b>114,025</b>	<b>210,328</b>

### Cash flow

	<u>The six months ended 30 June</u>	
	<u>2014</u>	<u>2013</u>
Net cash flows from operating activities . . . . .	4,106	10,964
Net cash flows from investing activities . . . . .	1,369	43,337
Net cash flows used in financing activities . . . . .	(4,735)	(2,309)
Effect of exchange rate fluctuations on cash held . . . . .	20	(432)
<b>Increase in cash and cash equivalents</b> . . . . .	<b>760</b>	<b>51,560</b>
<b>cash and cash equivalents at the beginning of the year</b> . . . . .	<b>26,157</b>	<b>35,374</b>
<b>cash and cash equivalents at the end of the year</b> . . . . .	<b>26,917</b>	<b>86,934</b>

<b>B.7</b>	<b>Description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information</b>	There has been no significant change in the financial or trading position of the Group since 30 June 2014, the date of the last interim unaudited accounts for the half-year period ended 30 June 2014.
<b>B.8</b>	<b>Selected key pro forma financial information</b>	Not applicable; no pro forma financial information is included in this Prospectus.
<b>B.9</b>	<b>Profit forecast</b>	Not applicable; no profit forecast or estimate is included in this Prospectus.
<b>B.10</b>	<b>Historical audit report qualifications</b>	Not applicable, there have been no qualifications (in respect of 2013 however, with emphasize of matter with indication of the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern) on the accounts of the Group for those financial years.
<b>B.11</b>	<b>Working capital</b>	The Company is of the opinion that it does not have sufficient working capital for its present requirements; that is for at least 12 months from the end of the date of this document. However, as outlined in this document, should Shareholders approve the Restructuring Resolutions and the Related Party Resolutions proposed at the General Meeting to be held on or around 27 November 2014, then the Company will receive the Guaranteed Proceeds from the proposed Rights Offering and Placing, which

## Part I—Summary

will enable the Restructuring Plan, as explained in this document, to become effective in its entirety. The Company has sufficient working capital until the General Meeting under its current arrangements and, once the Restructuring Plan is effective, the Company is of the opinion that it will then have sufficient working capital for its present requirements; that is for at least the next 12 months from the date of this document.

However, as stated in this document, if the Restructuring Resolutions and the Related Party Resolutions are not approved by Shareholders at the General Meeting, the Rights Offering will not occur and the Company will have failed to comply with the requirements set out in the Restructuring Plan.

Whilst the Directors, and where appropriate the Independent Directors, are recommending that Shareholders should vote in favour of all the Resolutions at the General Meeting, including the Restructuring and Related Party Resolutions, there are no guarantees that Shareholders will follow their recommendations and, at this stage there are no indications of Shareholders' voting intentions.

The Company expects that one or more of its creditors will apply to the Dutch courts, as they will be entitled, for rescission of the Restructuring Plan if the required terms of the Restructuring Plan (as set out in this document) are not met as required by 30 November 2014. The Company's creditors will be entitled, at any time after 30 November 2014, to apply to the Dutch courts for rescission of the Restructuring Plan. This would mean that payments to the Polish and Israeli Bondholders and other creditors (totaling in excess of €225 million, which had been deferred under the Restructuring Plan, would become payable immediately and the Company would not be able to meet these payments from its existing cash reserves. The Company would also be in breach of a number of its banking covenants.

In the event that creditors exercise their right to apply for rescission of the Restructuring Plan, a court hearing is likely to take place within 4-6 weeks following any application by creditors. The court would usually be expected to reach a determination within 2-4 weeks following such a hearing. If an order to rescind the Restructuring Plan is granted, which is the most likely outcome in these circumstances, the court will simultaneously declare the Company bankrupt. No second restructuring plan may be proposed. After rescission of the existing Restructuring Plan and opening of bankruptcy proceedings the Company will have to be liquidated. An application to rescind the Restructuring Plan and to declare the Company bankrupt is likely therefore to be decided within a period of a few weeks following the creditors having made their application to the Dutch court.

**THE DIRECTORS DO NOT BELIEVE THERE ARE ANY CREDIBLE FINANCING ALTERNATIVES AVAILABLE TO THE COMPANY IF THE RESTRUCTURING PLAN FAILS. ACCORDINGLY, IF THE RESTRUCTURING PLAN FAILS THE DIRECTORS BELIEVE IT WILL BE PLACED INTO LIQUIDATION BY ITS CREDITORS.**

## Part I—Summary

### SECTION C—SECURITIES

<b>C.1</b>	<b>Type and class Security identification number</b>	<p>The Rights are transferable subscription rights to subscribe for the New Ordinary Shares. The New Ordinary Shares are new ordinary shares of the same class as the Company's existing Ordinary Shares.</p> <p><b>Codes for the Rights</b></p> <p>ISIN code: NL0010938148</p> <p>Codes for the New Ordinary Shares and the Bondholders' Shares</p> <p>Symbol: "PLAZ" (London Stock Exchange)</p> <p>Symbol: "PLZ"(Warsaw Stock Exchange),</p> <p>ISIN code: NL 0000686772</p>
<b>C.2</b>	<b>Currency</b>	<p>Trading in the Rights will be effected, in GBP and PLN. The Rights Offering Price is denominated in EUR.</p> <p>The par value of the New Ordinary Shares is denominated in euro.</p>
<b>C.3</b>	<b>Number of Ordinary Shares issued, par value per share</b>	<p>At the date of this Prospectus, 297,186,138 Ordinary Shares are issued and are fully paid up. The Ordinary Shares each have a par value of EUR 0.01.</p>
<b>C.4</b>	<b>Rights attached to the Rights, the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares</b>	<p>The New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares will, upon issue, in respect of voting, dividend, transfer and other rights rank pari passu with the Ordinary Shares. Each New Ordinary Share Bondholder Share, Escrow Share and Additional Placing Share entitles its holder to cast one vote at the General Meeting. There are no restrictions on voting rights. The New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares will be eligible for any dividends which the Company may declare on Ordinary Shares after the Settlement Date.</p> <p>Holders of Ordinary Shares have a pre-emption right in the event of an issue of Ordinary Shares. Exceptions to these pre-emption rights include (i) the issue of Ordinary Shares issued against a payment in kind and (ii) the issue of Ordinary Shares to employees of the Group.</p> <p>Pursuant to the Articles the pre-emption rights may be restricted or excluded by a resolution of the General Meeting. The General Meeting may furthermore designate the Board to resolve to limit or exclude the pre-emption rights. This designation may be granted for a specified period of not more than five years and only if the Board has also been designated or is simultaneously designated as the body authorised to resolve to issue Shares. The designation may be extended, from time to time, for no longer than five years at a time and only applies as long as the designation to issue Ordinary Shares is in force. In order for the General Meeting to authorise the Board to restrict or exclude the pre-emption right, a majority of at least two-thirds of the votes cast shall be required.</p>
<b>C.5</b>	<b>Restrictions on free transferability of the Rights, the New Ordinary Shares, the Bondholders' Shares, Escrow Shares and Additional Placing Shares</b>	<p>There are no restrictions on the free transferability of the Ordinary Shares under the Articles. However, the offer of the Rights and the New Ordinary Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the Netherlands, the United Kingdom or Poland, and the transfer of Rights, Escrow Shares, Additional Placing Shares, New Ordinary Shares and Bondholders' Shares into jurisdictions other than the</p>

## Part I—Summary

### C.6 Listing and admission to trading

Netherlands, the United Kingdom or Poland may be subject to specific regulations or restrictions. Rights may only be exercised and used to subscribe for New Ordinary Shares by Qualifying Shareholders and Qualifying Depository Interest Holders. For a description of the restrictions on resale and transfer of the New Ordinary Shares see Part VIII—1.

Application has been made for admission to listing and trading of the Rights, the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares on the London Stock Exchange. Application will be made for admission to listing and trading of the Rights, the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares on the Warsaw Stock Exchange.

The Company expects trading of the Rights on the London Stock Exchange and the Warsaw Stock Exchange to commence at 9:00a.m. CET on 1 December 2014 and to cease at noon CET on 18 December 2014 on the London Stock Exchange. The latest date for acceptance and payment in full of Rights by Qualifying Shareholders taking up Rights in Poland will be earlier than for Qualifying Shareholders taking up the Rights outside Poland and CREST. Investors taking up Rights in Poland should consult their brokers to find out the exact latest time and date for acceptance and payment in full of Rights.

The Company expects that the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares will be admitted for listing and that trading in the New Ordinary Shares, the Escrow Shares and the Additional Placing Shares will commence, on the London Stock Exchange and the Warsaw Stock Exchange at 09.00 a.m CET on 23 December 2014.

The Company expects that the Bondholders' Shares will be admitted for listing and that trading in the Bondholders' Shares will commence on the London Stock Exchange and on the Warsaw Stock Exchange at 09.00 a.m CET on 23 December 2014.

The New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares will be listed and traded on the London Stock Exchange under the symbol "PLAZ" and on the Warsaw Stock Exchange under the symbol "PLZ".

### C.7 Dividend Policy

Pursuant to the 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

## Part I—Summary

shareholders in an amount equal to 50% of the said additional equity investment and such distribution will not be subject to the said limitations.

### SECTION D—RISKS

#### Risks relating to the Restructuring Plan

- Failure to pass the Related Party Resolutions and the Restructuring Resolutions will result in the Restructuring Plan not being implemented and this will lead to the insolvency of the Company
- Provisional suspension of payments terminated however failure of the Restructuring Plan to be performed may lead to direct insolvency of the Company

#### D.1 Key Risks specific to the Company and the Group

#### Financing Risks

- the Group will borrow to fund its future growth and expects to have a relatively high level of gearing
- the Group may be unable to secure finance or refinancing existing debt arrangements
- 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
- The Group's leverage could adversely affect its ability to operate its business
- the Group's financial instruments (mainly its loans and debentures) and its derivative financial instruments are subject to fluctuation in interest rates, currency exchange rates, changes in the Israeli consumer price index and/or changes in fair value, which may have a negative impact on its earnings, balance sheet and cash flows
- the Group is subject to interest rate risk
- the Group is subject to counterparty credit risk
- the Group is exposed to changes in foreign currency exchange rates

#### Risks relating to the real estate projects

- the Group develops real estate and is subject to construction and development risks
- the Group may be subject to increases in operating and other expenses
- Certain projects have limited development and exploitation rights
- The homebuilding industry continues to be cyclical and affected by changes in general economic, real estate or other business conditions that could adversely affect the Group's business or financial results
- If home buyers or such home buyers' buyers are not able to obtain suitable financing, the Group's results of operations may be adversely affected
- The Group may have excess land inventory if it is not successful in completing housing projects and selling homes profitably

## Part I—Summary

- The Group may be affected by shortages in raw materials and employees
- There is no assurance that the Group will successfully implement its “construct and dispose” strategy and in such event its results may be materially adversely affected
- The Group’s shopping and entertainment center business is seasonal in nature
- The Group’s claims to the titles to properties may be subject to challenge in certain cases, and permits in relation to such properties may have been obtained in breach of applicable laws

### **Geographical risks**

- The Group is subject to various risks related to its operations in CEE and Asia, including economic and political instability, political and criminal corruption and the lack of experience and unpredictability of the civil justice system
- Expropriation of land (general)
- Historical monuments and protected buildings developing a site, the Group may be faced with archaeological findings on historic sites
- The group may not replicate its success in other markets
- There are certain limitations in India’s property title registration system and other associated risks in relation to real property, which may expose the Group to third party claims in connection with the purchase of land in India by the Group
- Hostilities in India and other countries in Asia may have a material adverse effect on the Group’s financial conditions and results of operations
- Changes in the economic policies of the Indian government or political instability may have a material adverse effect on the Group’s business
- The Group’s Indian operations are relatively new and the Group may not be able to apply its existing skills and experience in the region
- Limitations by the Indian government to invest in India may adversely affect the Group’s business and results of operations
- Restrictions on the repatriation of capital in India may adversely affect the Group’s cash flows and results of operations

### **Risks relating to the Group’s business**

- The Group is highly dependent on realising cash proceeds from the sale of existing and pipeline projects in order to service its financial obligations including these relating to the Bonds
- Rental income received by the Group may fall
- The Group may be subject to risk relating to its co-investments, because ownership and control of such investments are shares with third parties
- The Group may take on additional costs and liabilities associated with existing lease obligations

## Part I—Summary

- The Group is dependent on attracting third parties to enter into lease agreements
- The Group's results of operations, specifically those related to the Group actually operating shopping centers, may be affected by retail climates and tenant bankruptcies
- The Group may be unable to comply with governmental regulations
- The Group is dependent upon securing suitable locations for development
- The Group may not be as successful in identifying suitable development sites outside of its traditional areas of operation
- The Group may face competition in acquiring sites and/or may face competition from other projects
- Zoning restrictions and local opposition can delay or preclude construction
- The Group depends on contractors and subcontractors to construct its centers
- Delays in completion of construction projects could affect the Group's success
- The Group may be held liable for design or construction defects of third party contractors
- The Group is dependent on the presence of anchor tenants
- The Group's business is impacted by general economic conditions in the regions in which it operates
- The Group's financial performance is dependent on local real estate prices and rental levels
- Real estate valuation is inherently subjective and uncertain
- The fair value of the Group's real estate assets may be harmed by certain factors, which may entail impairment losses not previously recorded which, in turn, will affect the Group's financial results
- Far reaching and continually changing real estate laws and regulations may impose additional burdens on the Group
- Real estate developments are relatively illiquid
- The Group may incur environmental liabilities
- The Group may suffer material losses in excess of insurance proceeds in operating a shopping and entertainment center
- The Group may be unable to retain and develop skilled management and personnel
- The Group's global operations expose it to additional and unpredictable risks
- The Group's failure to maintain certain financial ratios and adherence to terms of its credit facilities could result in the imposition of restrictive covenants and could trigger the immediate repayment of certain credit facilities
- Failure to comply with laws and regulations to which the Group is subject may lead to disciplinary, administrative, civil and/or criminal enforcement actions, fines, penalties and civil liability

## Part I—Summary

and may result in negative publicity harming the Group's business and reputation

- The AFM has requested additional information in respect of the Company's 2013 annual financial statements
- Interim management statement Q1 2014 not filed in time
- Risks relating to the Company's management
- Risks relating to the inability of the Company to repurchase Ordinary Shares

### **Risks relating to the Group's structure**

- EI controls a significant shareholding of the Company and its interests may conflict with the interests of other Shareholders
- The Controlling Shareholder has pledged its Ordinary Shares
- Changes in tax laws of their interpretation could affect the Group's financial condition or prospects and the cash flows available to the Company
- Participation by the Company in a distribution of a Subsidiary's assets will generally be subject to prior claims of creditors
- 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
- If the Company is characterized as a passive foreign investment company for US federal income tax purpose, the holders of Ordinary Shares may suffer adverse tax consequences

### **D.3 Key Risks specific to the Rights and the Ordinary Shares**

### **Risks relating to an investment in Ordinary Shares and participation in the Rights Offering—general**

- There is a risk that the Rights Offering may not be approved by the Shareholders
- Non-performance by the Controlling Shareholder of the Controlling Shareholder Undertaking may seriously affect the results of the Rights Offering
- The share price of publicly traded companies can be highly volatile, including for reason, related to differences between expected and actual operating performance, corporate and strategic actions taken by such companies or their competitors, speculation and general market conditions and regulatory changes
- Qualifying Shareholders and Qualifying Depositary Interest Holders who do not subscribe for New Ordinary Shares or New Depositary Interests in the Rights Offering will experience dilution in their ownership of the Company
- The issue of Bondholders' Shares, Escrow Shares and New Ordinary Shares will dilute the holders of Existing Ordinary Shares
- The issue of additional Ordinary Shares in connection with future acquisitions, capital raisings, the Share Option Schemes or otherwise may dilute all other shareholdings
- Even if an Eligible Person elects to sell his/her unexercised Rights, the consideration he/she receives may not be sufficient to compensate him/her fully for the dilution of his/her percentage ownership of the Company's share capital that may be caused as a result of the Rights Offering

## **Part I—Summary**

- An active trading market in the Rights may not develop and there may be volatility in the trading price of the Rights
- The Company's ability to pay dividends in the future depends on, among other things, the Group's financial performance and is therefore not guaranteed
- Restructuring Plan arrangements for limitations on Distributions
- Exchange rate risks and exchange control risks
- Legal investment considerations may restrict certain investments
- Anti-takeover provisions could negatively impact holders of Ordinary Shares
- Holders of Ordinary Shares may not be able to exercise their pre-emption rights
- Future substantial sales of Ordinary Shares, or the perception that such sales might occur, could depress the market price of the Ordinary Shares

### **Risks relating to the Depositary Interests**

- DI holders may not have the rights that Dutch law confers on holders of depositary receipts
- DI holders do not have the rights attaching to the underlying Ordinary Shares and must rely on the Depositary or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit

### **Risks relating to the listing and trading of the Ordinary Shares**

- The market price of the Ordinary Shares may be subject to fluctuation, which could result in substantial losses to investors
- There has been no prior public market in Israel for the Ordinary Shares, and an active trading market in Israel may not develop
- Shareholders face additional investment risk related to the Ordinary Shares Resulting from exchange rates
- The Rights Offering is denominated in EUR and Shareholders may face an exchange rate risk
- The Ordinary Shares are and will be traded on different markets and this may result in price variations
- The Ordinary Shares are and will be traded on different markets and simultaneous trading on different markets may cause delay in settlement
- If existing shareholders sell additional Ordinary Shares, the market price of the Ordinary Shares could decline
- Trading in the Rights or the Ordinary Shares on the LSE May Be Suspended
- The FCA may cancel the listing of the Rights or the Ordinary Shares
- The Ordinary Shares have been placed on the Alert List by the WSE

## Part I—Summary

- The Rights, the Bondholders' Shares and the New Ordinary Shares may not be eligible for trading or listing on the main market of the WSE
- Trading in the Rights or the Ordinary Shares on the WSE may be suspended
- The Polish Financial Supervision Commission or WSE may delist the Rights or the Ordinary Shares the market
- Trading in the Ordinary Shares on the TASE may be suspended
- The Ordinary Shares may be excluded from trading on the TASE

### SECTION E—THE RIGHTS OFFERING

#### E.1 Net proceeds and estimated expenses

After deducting the estimated expenses related to the Rights Offering, and the Placing of EUR 1 million, the Group expects to receive approximately EUR 19.1 million in net proceeds from the Rights Offering, and the Placing.

#### E.2 Reasons for the Rights Offering, the Placing and use of proceeds

##### Background and reasons for the Rights Offering

The Company's provisional suspension of payments has required it to present the Restructuring Plan to the Bondholders. One of the main features of the Restructuring Plan is the amendment of the Trust Deeds. The amended Trust Deeds require, *inter alia*, to the injection of at least EUR 20 million into the Company through issuance of new Ordinary Shares. The Rights Offering has been initiated to meet this requirement.

##### Background and reasons for the Placing

The issue of Ordinary Shares to the Bondholders is one of the conditions of the Restructuring Plan.

##### Use of Proceeds

The net proceeds of the Rights Offering, the Placing and the Additional Placing, expected to amount to approximately EUR 22 million (assuming that all Additional Placing Shares are issued), will be used by the Company for payment of expenses related (amounting to approximately EUR 1 million) to the Rights Offering, the Placing and any Additional Placing, and of unpaid accrued interest under the Bonds (amounting to approximately EUR 14.5 million).

#### E.3 Terms and Conditions of the Rights Offering

##### Rights Offering Price

EUR 0.0675 per New Ordinary Share.

##### Price for the Bondholders' Shares

The Bondholders' Shares will be issued against payment of nominal value (EUR 0.01).

##### Pre-emptive rights

A proposal for the exclusion of statutory pre-emptive rights (*wettelijke voorkeursrechten*) of the Shareholders in respect of the Rights Offering and the Placing will be put on the agenda of the extraordinary General Meeting that will be convened as soon as practicable after publication of this document.

**Record Date**

The Record Date is immediately after the close of trading on the London Stock Exchange and the Warsaw Stock Exchange at 6:00 p.m. CET on 25 November 2014.

Until the close of trading in the Ordinary Shares on the Record Date, the Ordinary Shares will trade *cum*-Rights. As from 9:00 a.m. CET on 1 December 2014, the Ordinary Shares will trade *ex*-Rights.

**Rights**

20 Ordinary Shares held immediately after the close of trading on the London Stock Exchange and the Warsaw Stock Exchange at 6:00 p.m. CET on the Record Date will entitle its holder to 19 (nineteen) Rights.

Subject to applicable securities laws and the terms set out in this Prospectus, each existing Shareholder that is a Qualifying Shareholder will be entitled, until the end of the Exercise Period, to subscribe for 1 New Ordinary Share for every one Right held against payment of the Rights Offering Price for each New Ordinary Share. No fractional New Ordinary Shares will be issued.

**Exercise Period**

The Exercise Period is:

- (i) In Poland: from 1 December 2014, 9:00 a.m. CET. Due to involvement of intermediaries in Poland, Polish investors should contact their brokers to be informed of the end of the Exercise Period in Poland.
- (ii) Outside of Poland and the Excluded Territories: from 9:00 a.m. CET on 1 December 2014 up to noon CET on 18 December 2014.

If a Qualifying Shareholder has not exercised his Rights by the end of the Exercise Period, they can no longer be exercised.

**Payment and delivery**

Payment for the Rights must be made to the Receiving Agent no later than the Settlement Date. A holder of Rights must pay the Rights Offering Price for the New Ordinary Shares subscribed for in accordance with the instructions received from the financial intermediary through which he holds the Rights. The financial intermediary will pay the Rights Offering Price to the Receiving Agent, who will in turn pay it to the Company. Financial intermediaries may require payment to be provided to them prior to the Settlement Date

Payment for the Bondholders' Shares will be made through the issuance of additional Ordinary Shares to the Controlling Shareholder

Delivery of the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares will take place through the automated system of CREST

**Controlling Shareholder Undertaking**

On or around the date hereof, EUL entered into the Controlling Shareholder Undertaking, where EUL made various undertakings

## Part I—Summary

to the Company. EUL subject to various conditions precedent, undertook, inter alia, to (i) acquire the Escrow Shares from the holders of the Bonds (or their nominees) (the proceeds of which will be used to pay up to the par value of the Bondholders' Shares and the Escrow Shares subscribed by the holders for the Bonds); and (ii) to the extent that any Rights are not taken up, to subscribe or procure that other persons subscribe for such number of additional New Ordinary Shares to ensure that the aggregate consideration received by the Company pursuant to the Rights Offering, the consideration for the Bondholders' Shares and the Escrow Shares shall not be less than EUR 20 million. The obligations of EUL under the Controlling Shareholder Undertaking have been guaranteed by EI.

**E.4 Interests material to the Rights Offering and the Placing (including conflicting interests)**

The arrangements in the Controlling Shareholder Undertaking qualify as a "Related Party Transaction" under the Listing Rules. Accordingly, the arrangements under the Controlling Shareholder Undertaking will be subject to approval by the Independent Shareholders. The Placing involves Bondholder's Shares being issued to Bondholders of the Company. As York Global Finance Offshore BDH (Luxembourg) S.a.r.l. holds approximately 19.7 per cent. as to outstanding shares of EI, the issue to York Global Finance Offshore BDH (Luxembourg) S.a.r.l. of the Bondholders' Shares constitutes a related party transaction under the Listing Rules. Apart from this, there is no interest, including any conflicting interest, that is material to the Rights Offering, the Placing or the Additional Placing.

**E.5 Person or entity offering to sell the securities and lock-up arrangements**

The Company will be issuing and offering the Rights, the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the Additional Placing Shares.

**E.6 Dilution**

The Rights Offering, on the assumption that all Shareholders exercise all their Rights, will result in up to 282,326,831 New Ordinary Shares being issued and the number of Ordinary Shares being increased from a total of 297,186,138 Ordinary Shares to a total of 579,512,969 Ordinary Shares (disregarding the issue of the Bondholders' Shares, the Escrow Shares and any Additional Placing Shares), representing an increase of 95 per cent..

The Placing (which will occur immediately following the Rights Offering) will, (i) result in up to 90,336,596 Bondholders' Shares being issued, 15,710,712 Escrow Shares being issued and the number of Ordinary Shares being increased from a total of 297,186,138 Ordinary Shares (as at the Record Date) to a total of 685,560,277 Ordinary Shares, representing an increase of 95 per cent.; and (ii) reduce the proportional ownership and voting interest in the Ordinary Shares of the Shareholders (as at the Record Date) by between 40.71 per cent. and 43.35 per cent. (depending upon the issuance of any Additional Placing Shares).

**E.7 Estimated expenses charged to the investors by the Company**

Not applicable; no expenses have been/will be charged to investors by the Company in relation to the Rights Offering or the Placing.

## Part II—Risk Factors

### PART II—Risk Factors

Any investment in the Ordinary Shares (including in the New Ordinary Shares, Bondholders' Shares, Escrow Shares and Additional Placing Shares) is subject to a number of risks. Before making any investment decision, prospective investors should consider carefully the factors and risks attaching to an investment in the Ordinary Shares (including in the New Ordinary Shares, Bondholders' Shares, Escrow Shares and Additional Placing Shares), together with all other information contained in this document, including, in particular, the risk factors described below. The information below does not purport to be exhaustive. Additional risks and uncertainties not presently known to the Group, or that the Group currently deems immaterial, may also have an adverse effect on its business. Investors should consider carefully whether an investment in the Ordinary Shares (including in the New Ordinary Shares, Bondholders' Shares, Escrow Shares and Additional Placing Shares) is suitable for them in the light of the information in this document and their personal circumstances.

Investors should note that the risks summarised in Part I (*Summary*) are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares (including in the New Ordinary Shares, Bondholders' Shares, Escrow Shares and Additional Placing Shares). However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, the investor should consider not only the information on the key risks summarised in Part I (*Summary*) but also, among other things, the risks and uncertainties described below.

A potential investor who is in any doubt about the action they should take should consult a professional adviser authorised under the AFS, the FSMA, applicable Polish law or other applicable regulation who specialises in advising on the acquisition of shares and other securities.

#### **Risks relating to the Restructuring Plan**

***Failure to pass the Restructuring Resolutions and the Related Party Resolutions will result in the Restructuring Plan not being implemented and this will lead to the insolvency of the Company.***

The Rights Offering is conditional on the extraordinary General Meeting passing all of the Restructuring Resolutions and all of the Related Party Resolutions and upon EUL's support of the Rights Offering in terms of the obligations to partially underwrite the Rights Offering. If the Restructuring Resolutions and the Related Party Resolutions are not approved, the Rights Offering will not occur and the Company will fail to comply with the requirements set out in the Restructuring Plan to raise at least EUR 20 million by way of a capital injection before 30 November 2014. If the Restructuring Resolutions and the Related Party Resolutions are not approved by 30 November 2014, the Company's creditors will be entitled to apply to the Dutch courts, at any time after 30 November 2014, for rescission of the Restructuring Plan. A court hearing is likely to take place within 4-6 weeks following the application by creditors. The court would usually be expected to reach a determination within 2-4 weeks following the hearing. If an order to rescind the Restructuring Plan is granted which is the most likely outcome in these circumstances, the court will simultaneously declare the Company bankrupt. No second restructuring plan may be proposed. After rescission of the existing Restructuring Plan and opening the bankruptcy proceedings the Company will have to be liquidated. An application to rescind the Restructuring Plan and to declare the Company bankrupt is likely to be decided with a period of a few weeks following the creditors having made their application to the Dutch court.

***Provisional suspension of payments terminated however failure of the Restructuring Plan to be performed may lead to direct insolvency of the Company***

The Company has been incorporated under the laws of the Netherlands which means that the applicable jurisdiction for all matters of corporate law will be governed by Dutch law and that all matters relating to its insolvency will be governed by the Dutch Bankruptcy Code (*Faillissementswet*).

On 18 November 2013, the Company applied for suspension of payments proceedings (*surseance van betaling*) under Dutch law and simultaneously filed the draft Restructuring plan (*ontwerpakkoord*) with the district court of Amsterdam, the Netherlands (*Rechtbank Amsterdam*). On 26 June 2014, the Restructuring Plan was approved by the Plan Creditors after which, on 9 July 2014, the Amsterdam District Court confirmed (*homologeren*) the Restructuring Plan. Therewith, the provisional suspension of payments was terminated. At the date of this document the term for appeal against the aforementioned court

## **Part II—Risk Factors**

confirmation has expired, as a result of which the court confirmation has become final and definitive (*in kracht van gewijsde*).

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.

If the Restructuring Resolutions and the Related Party Resolutions are not approved by 30 November 2014, the Restructuring Plan will not have been satisfied and the Company may be declared bankrupt and enter into liquidation proceedings. It is uncertain whether the proceeds from the liquidation of the Company's assets will be sufficient to redeem outstanding debt. Therefore, in a liquidation scenario, it is most likely that the holders of Ordinary Shares will lose their entire investment.

### **Financing risks**

#### ***The Group will borrow to fund its future growth and expects to have a relatively high level of gearing***

The Group intends to use debt financing for its developments, acquisitions, the debt refinancing and early repayment of the Bonds (if and to the extent the Bonds will be early repaid) and expects to have high levels of gearing. It is not certain that borrowing facilities will be able to be secured at levels or on terms acceptable to the Company, or on a non-recourse basis. Any amounts that are secured under a bank facility are likely to rank ahead of rights of holders of Bonds and the rights of holders of Bonds rank ahead of rights of holders of Ordinary Shares. Holders of Ordinary Shares may not recover their initial investment. Should any fall in the underlying asset value or revenues result in the Company or another member of the Group breaching financial covenants given to any lender, the Company or that member of the Group may be required to repay such borrowings in whole or in part (on full recourse loans), together with any related costs, or sell the relevant development on unfavourable terms to fund such repayment. Additionally, where an unanticipated and significant increase in construction costs occurs, the Group may be required to inject further equity capital so as to ensure the completion of the project in terms of cost overrun guarantees which are generally given under non-recourse loans.

#### ***The Group may be unable to secure finance or refinancing existing debt arrangements***

Similar to other businesses in the property investment and development sector, the Group's business continues to employ a certain level of gearing with the aim of maximising returns. The Group requires substantial up-front expenditures for land acquisition, development and construction costs as well as certain investments in research and development. In addition, following construction capital expenditures are necessary to maintain the centers in good condition. Accordingly, the Group requires substantial amounts of cash and construction financing from banks and other capital resources (such as institutional investors and/or the public) for its operations. In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of predetermined construction and space leasing milestones. If the Group fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. In addition, a change in credit ratings of notes issued by the Company or any other member of the Group, could adversely affect the Group's financing costs and its ability to raise funds in the future. The Company's debt securities experienced credit rating downgrades in 2012 and 2013 and following the announcement of the suspension of payment proceedings.

It is not certain that borrowing facilities will be able to be secured at levels or on terms acceptable to the Group, or on a timely or non-recourse basis. The ability of the Group and its joint ventures to raise funds to roll-over or refinance its existing debt arrangements, on similar terms to the Group's existing debt arrangements, or at all (particularly in the current market and in light of recent economic conditions), will depend on a number of factors, including general economic, political, debt and equity capital market conditions, funding availability and, importantly, the appetite of the financial institutions to lend to the property sector. If the Group were to face a liquidity crisis in the future, whether for macroeconomic reasons or for reasons specific to the Group, it could significantly increase the Group's cost of funding or lead to difficulties for the Group in refinancing debts.

If refinancing will not be possible or if additional financing will not be available, the Group may not be able to complete the relevant developments on schedule or at all, invest in or develop properties, the Group might have to sell its assets, or may default on its debt obligations. Sales in such circumstances may not deliver the level of proceeds that the Group may otherwise expect. In addition, if the Group is unable to renegotiate or refinance existing debt arrangements, there is a material risk that the Group would face insolvency or be placed into administration by the relevant lenders.

## **Part II—Risk Factors**

### ***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 Notes, the trustees representing holders of Notes (or a resolution of the holders of Notes) may be able to claim, under circumstances where the Company does not fulfil its obligations under the Notes (including but not limited to payment obligations) an immediate settlement, and declare all or any part of the unsettled balance of the Notes 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).

Current defaults under the Group’s debt arrangement are mentioned in the risk factor “the Group’s failure to maintain certain financial ratios and adherence to terms of its credit facilities could result in the imposition of restrictive covenants and could trigger the immediate repayment of certain credit facilities” below.

According to the provisions of the Restructuring Plan, the right to demand payment or enforce claims under the Polish Bonds is suspended between the day when the Restructuring Plan becomes effective and binding on all creditors and the date when the Polish Bonds are amended pursuant to the Restructuring Plan, i.e. when it is fully implemented.

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.

### ***The Group’s leverage could adversely affect its ability to operate its business***

The Group has significant debt service obligations, including bank debt, the publicly traded Notes in Israel and the Polish Bonds, all of which require cash payments of principal and interest, in the short and medium term. In addition, the Group may incur additional debt from time to time to finance acquisitions or capital expenditures or for other purposes.

The Group’s lenders require it to maintain and comply with certain financial and operational covenants including compliance with certain debt to equity ratios, restrictions on interest rates and maintenance of cash balances for current operations. The Group’s ability to comply with these covenants may be affected by events beyond the Group’s control. Any breach of the financial ratios or operational covenants by the Group could result in the imposition of restrictions on the actions the Group may take, or may constitute an event of default, and if such breach were continuing and not cured or waived in a timely manner, the Group may be required to immediately repay (in full or in part) such credit facilities or borrowings, including all accrued interest and any pre-payment premiums. In addition, a default under one of the

## Part II—Risk Factors

Group's existing or future credit facilities, may trigger a cross default in some of the Group's other credit facilities or borrowings or under the Bonds.

As a result of the Group's indebtedness, the Group:

- could be more vulnerable to general adverse economic and industry conditions;
- may find it more difficult to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- will be required to dedicate a substantial portion of its cash flow from operations to the payment of principal and interest on its debt, reducing the available cash flow to fund other projects;
- may have limited flexibility in planning for, or reacting to, changes in the business and in the industry;
- may have a competitive disadvantage relative to other companies in the same business segments with less debt; and
- if insolvent, upon a liquidator's distribution to holders of equity or debt securities, the owners of such securities may receive less than their initial investment or nothing at all, given that the secured bank debt will take priority.

The Group cannot guarantee that it will be able to generate enough cash flow from operations or that it will be able to obtain sufficient capital to service the Group's debt or fund the Group's planned capital expenditures. In addition, the Group may need to refinance some or all of its indebtedness on or before maturity. The Group cannot guarantee that it will be able to refinance its indebtedness on commercially reasonable terms or at all. The Group has the ability under its debt instruments to incur substantial additional indebtedness and any additional indebtedness it incurs could exacerbate the risks described above.

*The Group's financial instruments (mainly its loans and debentures) and its derivative financial instruments are subject to fluctuation in interest rates, currency exchange rates, changes in the Israeli consumer price index and/or changes in fair value, which may have a negative impact on its earnings, balance sheet and cash flows*

The Group is impacted by currency exchange rates and fluctuations. The Group has a large exposure to exchange rates and has limited hedging protection. The Group is likely to face risks from fluctuations in the value of the functional currencies of its Subsidiaries against its functional currency. In addition, the Group is exposed to currency exchange rate fluctuations with respect to certain of its publicly traded debentures, to the extent that such exchange rate fluctuations are unhedged or insufficiently hedged. Although the Group's exposure to USD exchange rate fluctuations has decreased following the sale of its investment properties in the USA, the Group still has a number of facilities, contract arrangements and cash balances denominated in USD. To the extent that the Group at any time is unhedged or insufficiently hedged against currency exchange rates, the Group's earnings, cash flows and balance sheet position may be negatively impacted.

Furthermore, floating interest rates on debt facilities expose the Group to increases in market interest rates and subsequent increases in interest costs. Internationally the interest rates set by central banks have been at historic lows, but to the extent that the Group at any time is unhedged or insufficiently hedged against future interest rate fluctuations, the Group's earnings and cash flows may be negatively impacted. In addition, certain debt agreements may include, under certain circumstances, default interest, which may be higher than the original interest rate set out in the debt agreement. If a lender successfully asserts its right to invoke a default or increased interest clause, this will increase the Group's effective interest costs in respect of facilities with that lender.

The principal and interest of certain of the Group's debt instruments (including, in particular, its Israeli publicly traded Notes) is determined by reference to the Israeli consumer price index (the "Israeli CPI"), which represents the basis level and entails significant risks not associated with similar investments in a conventional fixed or floating rate debt security. The historical value of the Israeli CPI is not indicative of future Israeli CPI performance and its value is affected by, and sometimes depends on, a number of inter related factors, including direct government intervention and economic, financial, regulatory, and political events, over which the Group has no control. An increase in the Israeli CPI may result in additional financing expenses and may have an adversely negative impact on the Group's cash flows and profitability.

## **Part II—Risk Factors**

### ***The Group is subject to interest rate risk***

Changes in interest rates could adversely affect the results of the Group's operations by increasing financing costs. Any increase in interest rates would increase debt service costs (on the floating element of the Group's debt) and would adversely affect the Group's cash flow. Conversely, whilst a reduction in interest rates would have a positive cash flow effect (due to a reduction in interest payable on the floating element of the Group's debt), it would reduce the Group's net asset value (to the extent the reduction in interest rates is reflected in long-term yield curves) as well as the market value of any hedging contracts entered into by the Group. Accordingly, changes in interest rates could therefore have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

In addition, the Group may not be able to continue borrowing on similar terms to its debt financing arrangements. If interest rates on new debt financing arrangements entered into are higher than the rates applicable to existing arrangements, then the Group's profitability may be affected.

### ***The Group is subject to counterparty credit risk***

The Group is potentially exposed to counterparty credit risk on cash deposits, marketable securities and in respect of certain financial derivatives being used to hedge interest rates risk by Subsidiaries. There is a risk of a loss being sustained by the Group as a result of payment default by the counterparty with whom the Group has deposited cash or entered into hedging transactions. Any such payment defaults by counterparties may have a material adverse effect the Group's business, financial condition and/or results of operations. Currently, the Group does not hedge against interest rate fluctuations unless obliged to do so by the lending banks if interest rates exceed certain levels.

### ***The Group is exposed to changes in foreign currency exchange rates***

The Group is exposed to risks deriving from changes in foreign currency exchange rates as some of its purchases of construction materials and services 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 Group 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 profits and cash flows. A devaluation of the local currencies in relation to the euro, or vice versa, may adversely affect the Group's profitability.

## **Risks relating to the real estate projects**

### ***The Group develops real estate and is subject to construction and development risks***

As part of its business, the Group develops real estate, which subjects it to the general risks associated with construction and development projects. The Group's development and construction activities may involve the following risks:

- the Group may be unable to proceed with a development because it cannot obtain financing on favourable terms;
- the Group may incur construction costs for a development that exceeds its original estimates due to increased material, construction input index, labour or other costs, which could make completion of the development uneconomical because it may not be able to increase rents or the sale price to offset the increase in such costs;
- the Group may be unable to obtain, or face delays in obtaining required land-use, building, occupancy, environmental and other governmental permits and authorisations, which could result in increased costs deriving from delays in construction and operation and could result in the Group abandoning its activities entirely with respect to a development;
- the Group may be unable to complete the construction, leasing or sale of a development on schedule, which could result in increased debt servicing, construction or renovation costs and which could allow

## Part II—Risk Factors

competitors to enter into lease agreements with tenants that the Group was targeting or open a shopping and entertainment center or other development ahead of the Group, which may have a negative effect on the ability of the Group to sell the completed development;

- the Group may lease developed shopping and entertainment centers or other developments at below expected rental rates or sell at a price which is below what was expected;
- occupancy rates and rents at newly completed or renovated shopping and entertainment centers or other developments may fluctuate depending on a number of factors, including market and economic conditions, and may result in the Group's disposal of the shopping and entertainment center or other development not being profitable;
- the Group may experience difficulties in finding suitable sites for development in an increasingly competitive market, either at all or at viable prices;
- the Group may take on additional development and construction risks outside its traditional area of expertise in developing shopping and entertainment centers when it develops hotels, residential apartments or offices as part of integrated large scale business and leisure projects, such as mixed use or residential projects, the Casa Radio development in Bucharest, Romania or large projects in India;
- the Group may encounter unforeseen construction delays due to factors beyond its control, such as delays caused by previously unknown soil contamination or the discovery of archaeological findings, which may have a significant impact on development budgets and schedules, and which may in turn have a detrimental effect on the viability or marketability of the development.
- arbitrary changes in enabling legislation, such as zoning and environmental laws, after site acquisition may cause serious delays or frustrate the development entirely; and
- some occupational tenants may enjoy enhanced occupational rights which may require the Group to make additional *ex gratia* payments to them in order to obtain vacant possession before the contractual expiry of such occupational tenants' lease terms.

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.

### *The Group may be subject to increases in operating and other expenses*

The Group's operating and other expenses could increase without a corresponding increase in turnover. Factors which could increase operating and other expenses include:

- increases in the rate of inflation and currency fluctuation;
- increases in real estate, commercial, corporate and turnover taxes and other statutory charges;
- changes in laws, regulations or government policies (including those relating to health, safety and environmental compliance) that increase the costs of compliance with such laws, regulations or policies;
- increases in insurance premiums;
- unforeseen increases in the costs of developing and selling shopping and entertainment centers and other developments;
- defects and findings affecting the developments that need to be rectified such as soil contamination and archaeological findings;
- failure to perform by subcontractors or increases in operating costs;
- a shortage of suitably qualified and experienced building contractors in the local market, resulting in higher construction costs which may not be offset by rentals in a weaker retail market;
- disputes with building contractors or other third parties; and
- increase in labour expenses.

Such increases may have a material adverse effect on the Group's business, financial position, its results of operations and its ability to make distributions to its Shareholders.

### *Certain projects have limited development and exploitation rights*

In 2006, the Group added the Casa Radio project in Romania to its portfolio. The nature of the development and exploitation rights granted to the joint venture company in relation to the Casa Radio

## Part II—Risk Factors

site in Bucharest are for a period of only 49 years, and in the event that this term is not extended, the rights in relation to the site would revert to the Government of Romania. Furthermore, these rights are subject to termination under certain circumstances by the Romanian government, and any termination prior to the expiration of such rights may have a material adverse effect on the Group.

The building permit obtained by the Group for the development of Helios Plaza will expire by the end of 2014 and there is no assurance for prolongation. In respect of the Arena Plaza Extension, the building permit has expired and a renewal will need to be applied for.

Any expiry or termination of these rights may have a material adverse effect on the Group's business, financial condition and/or results of operations.

### *The homebuilding industry continues to be cyclical and affected by changes in general economic, real estate or other business conditions that could adversely affect the Group's business or financial results*

The homebuilding industry has been cyclical historically and continues to be significantly affected by changes in industry conditions, as well as in general and local economic conditions, such as:

- employment levels;
- availability of financing for homebuyers;
- interest rates;
- consumer confidence;
- levels of new and existing homes for sale;
- demographic trends; and
- housing demand.

These may occur on a global scale or may affect some of the regions or markets in which the Group operates more than others. When adverse conditions affect any of the Group's larger markets, they may have a proportionately greater impact on the Group than on some other homebuilding groups. Where the Group has significant inventory, this will more adversely affect the Group's financial results than in its other markets. An oversupply of alternatives to new homes, including foreclosed homes, homes held for sale by investors and speculators, other existing homes and rental properties, can also reduce the Group's ability to sell new homes and depress new home prices and reduce its margins on the sales of new homes.

As a result of the foregoing matters, potential customers may be less able or willing to buy the Group's homes, or the Group may need longer or incur more costs to build them. Because of current market conditions, the Group may not be able to recapture any increased costs by raising prices and its ability to do so may also be limited by market conditions or because it fixes its prices in advance of delivery by signing home sales contracts. The Group may be unable to change the mix of its home offerings or the affordability of its homes to maintain its margins or satisfactorily address changing market conditions in other ways. In addition, cancellations of home sales contracts in backlog may increase as homebuyers cancel or do not honour their contracts. 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.

### *If home buyers or such home buyers' buyers are not able to obtain suitable financing, the Group's results of operations may be adversely affected*

The Group's results of operations will depend on the ability of potential home buyers to obtain mortgages for the purchase of the Group's homes. Uncertainties in the mortgage markets and their impact on the overall mortgage market, including the tightening of credit standards, could adversely affect the ability of the Group's customers to obtain financing for a home purchase, thus preventing potential home buyers from purchasing the Group's homes. Moreover, increases in the cost of home mortgage financing could prevent potential home buyers from purchasing the Group's homes. In addition, where potential home buyers must sell their existing homes in order to buy a home from the Group, increases in mortgage costs and/or lack of availability of mortgages or alternative financing could prevent the buyers of those potential home buyers' existing homes from obtaining the mortgages they need to complete the purchase, which could result in those potential customers' inability to buy a home from the Group. If home buyers, potential buyers or buyers of home buyers' current homes cannot obtain suitable financing, this may have a material adverse effect on the Group's business, financial condition and/or results of operations.

## **Part II—Risk Factors**

### ***The Group may have excess land inventory if it is not successful in completing housing projects and selling homes profitably***

Inventory risks are substantial for the Group's homebuilding business. The risks inherent in controlling or purchasing and developing land increase as consumer demand for housing decreases. Thus, the Group may have acquired options on or bought and developed land at a cost that it will not be able to recover fully or on which it cannot build and sell homes profitably. The Group's deposits for building lots controlled under option or similar contracts may be put at risk. The value of undeveloped land, building lots and housing inventories can also fluctuate significantly as a result of changing market conditions. In addition, inventory carrying costs can be significant and can result in reduced margins or losses in a poorly performing project or market. In weak market conditions, the Group may have to sell homes and land for lower margins or at a loss and it may record significant inventory impairment charges.

The Group's goals for the supply for ownership and control of land and building lots are based on management's expectations for future volume growth. In light of any weaker market conditions, the Group may have to significantly slow its purchases of land and lots and make substantial land and lot sales as part of its strategy to reduce its inventory to better match its reduced rate of production. Because future market conditions are uncertain, the Group may not be successful in managing its future inventory risks. 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.

### ***The Group may be affected by shortages in raw materials and employees***

The building industry may, from time to time, experience fluctuating prices and shortages in the supply of raw materials as well as shortages of labour and other materials. The inability to obtain sufficient amounts of raw materials and to retain efficient employees on terms acceptable to the Group may result in delay in the construction of the project and increase the budget of the project and, consequently, may have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***There is no assurance that the Group will successfully implement its "construct and dispose" strategy and in such event its results may be materially adversely affected***

The Group's strategy is to dispose of a project upon completion or, if there are no willing purchasers at the value that the Group attributes to a project, to retain and operate it upon completion, until economic conditions and other factors mean that a profitable sale can be made. The decision to sell properties is based on various factors, including market conditions and exit yield rates, and the Group cannot predict when such sales will actually occur. There can be no assurance that the Group will be able to complete dispositions on a timely basis, on commercially reasonable terms or at all. Accordingly, the Group's results of operations and cash flows may be materially adversely affected.

### ***The Group's shopping and entertainment center business is seasonal in nature***

The shopping and entertainment center business is, to some extent, seasonal in nature. Tenants typically achieve their highest levels of sales during the fourth quarter due to the holiday season, which generally results in a higher percentage rent income for the Group in the fourth quarter. Additionally, shopping and entertainment centers earn most of their "temporary" rents (rents from short-term tenants) during the same holiday period. As a result, occupancy levels and revenue production are generally the highest in the fourth quarter of each year. Results of operations realised in any one quarter may not be indicative of the results likely to be experienced over the course of the Group's fiscal year.

### ***The Group's claims to the titles to properties may be subject to challenge in certain cases, and permits in relation to such properties may have been obtained in breach of applicable laws***

It may be difficult or, in certain cases, impossible for the Group to establish with certainty that the title to a property has been vested in a relevant Group company due to the fact that real estate laws in Poland and other jurisdictions in which the Group operates are complicated and often ambiguous and/or contradictory and the relevant registries may not be reliable. For example, under the laws of Poland, transactions involving real estate may be challenged on many grounds, including where the seller or assignor to a given property did not have the right to dispose of such property, for a breach of the corporate approval requirements by a counterparty or a failure to register the transfer of a title in an official register, when

## Part II—Risk Factors

required. Also, even if a title to real property is registered, it may still be contested. Therefore, there can be no assurance that the Group's claim to a title would be upheld if challenged. Further, it is possible that permits, authorisations, re-zoning approvals or other similar decisions may have been obtained in breach of applicable laws or regulations. Such matters would be susceptible to subsequent challenge. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land leases and development rights. It may be difficult, or impossible, to monitor, assess or verify these concerns. If any of these permits, authorisations, re-zoning approvals or other similar requirements were to be challenged, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Rights or the Ordinary Shares.

### *Geographical risks*

*The Group is subject to various risks related to its operations in CEE and Asia, including economic and political instability, political and criminal corruption and the lack of experience and unpredictability of the civil justice system*

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. These risks are very difficult to quantify or predict; however, if they were to materialise, may have a material adverse effect on the Group. Although many governments of CEE countries have liberalised policies on international trade, foreign ownership and development, investment, and currency repatriation to increase both international trade and investment, such policies might change unexpectedly. The Group will be affected by the rules and regulations regarding foreign ownership of real and personal property. Such rules may change quickly and dramatically and thus may have an adverse impact on ownership and may result in a loss of the Group's property or assets without legal recourse. Domestic and international laws and regulations, whether existing today or in the future, could adversely affect the Group's ability to market and sell the shopping and entertainment centers developed by it and could impair its profitability.

With respect to the Group's operations in Romania, any foreign company or litigant may encounter difficulties in prevailing in any dispute with, or enforcing any judgment against, the Romanian government or any of officers or directors under the Romanian legal system. The joint venture in relation to the Casa Radio site in Bucharest is governed by the public-private partnership laws of Romania pursuant to which no projects have yet been implemented in Romania. There is a risk that the legal structure of this partnership may be challenged in the future and that the development and exploitation rights to be granted by the Romanian government to the joint venture company are more restrictive than currently anticipated, leading to the Group being unable to obtain the development profits it has predicted for the project. Furthermore, third parties could challenge the Romanian government's decision, following the failure of the original partners to fulfil their obligations under the 2003 contract award, neither to put the contract out to tender nor to carry out a new site valuation. A successful challenge on either count could result in the Group having to enter a new tender process, with associated costs and uncertainties.

Furthermore, some countries, like Serbia, may regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect the Group's ability to repatriate investment loans or to remit dividends. Many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries.

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.

## **Part II—Risk Factors**

### ***Expropriation of land (general)***

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. The Group is, as of the date of this document, not aware that any claims have materialized.

### ***Historical monuments and protected buildings developing a site, the Group may be faced with archaeological findings on historic sites.***

During the development phase of a project, the Group may be faced with archaeological findings or be faced with building restrictions on historic sites. Such findings and restrictions will in most cases lead to a substantial delay in the development of a project and may have a material adverse effect on the costs involved with such project.

### ***The Group may not replicate its success in other markets***

Whilst the Directors believe that the skills and experiences acquired through sourcing sites, and developing and selling shopping and entertainment centers in emerging markets in CEE, can be applied successfully to projects in India and other countries, this cannot be guaranteed. The differences between emerging markets in CEE and emerging markets in India and other countries in Asia or in the United States, such as differing legal structures, requirements and business cultures and restrictions on foreign ownership and control of real estate projects, may mean that the success of the Group in developing and selling shopping and entertainment centers in CEE may not be replicated in India and Asia.

### ***There are certain limitations in India's property title registration system and other associated risks in relation to real property, which may expose the Group to third party claims in connection with the purchase of land in India by the Group***

Under Indian law, the registration of ownership in land with the land registration offices does not automatically guarantee the absence of third party rights to such land. In contrast to other countries, India does not have a central title registry for real property. Title registries are maintained at the state and district level and, since the process of storing such records digitally has only recently started, may not be available online for inspection. In addition, because it is common practice in some parts of India (especially in villages) for transfers of title upon deaths of family members and in certain other circumstances to be made only by notation in local revenue records, changes in the ownership of land may not be registered with the relevant land registry in a timely manner or at all. Title registries and local revenue records may not be updated or complete. As such, legal defects and irregularities may exist in the title to the properties on which the Group's existing facilities and/or future facilities are or may be located. While the Group goes to considerable lengths to ensure integrity of title in the real estate properties acquired by it, the system of recording ownership and rights in and to immovable property is not conclusive. The Group's rights in respect of such properties may be threatened by improperly executed, unregistered or insufficiently stamped conveyance instruments, unregistered encumbrances in favour of third parties, rights of adverse possessors, ownership claims of family members of prior owners, or other defects of which the Group may not be aware. These defects may arise after land is acquired by the Group, and are not necessarily revealed by due diligence, due to various factors, including incomplete land records, transactions without registered documents, the decentralised nature of land registries and local revenue records, property-related litigation in India and family disputes in previous sellers' families. Any defects or irregularities of title may result in litigation and/or the loss of development rights over the affected property. With respect to projects on leasehold land, revocation/expiry of the lease and any defect or irregularity in the lessor's title may result in loss of the Group's rights over affected property. Any such loss could have a material adverse effect on the Group's business, results of operations and cash flows. Currently, there is litigation in respect of certain of the Group's properties in India. Reference is made to Part IX (Additional Information) nr. 15 (Litigation). Other than the court cases mentioned there, the Company is not aware of any other claims in respect of land in India.

## **Part II—Risk Factors**

### ***Hostilities in India and other countries in Asia may have a material adverse effect on the Group's financial conditions and results of operations***

India has from time to time experienced instances of hostilities with neighbouring countries, including Pakistan and China. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that companies operating in India are usually involved in higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and may have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, India has from time to time experienced social and civil unrest due to religious strife.

### ***Changes in the economic policies of the Indian government or political instability may have a material adverse effect on the Group's business***

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector and significantly reducing the roles of the state governments in the Indian economy as producers, consumers and regulators. The Indian government has announced policies and taken initiatives that support the continued economic liberalisation pursued by previous governments. However, this trend of liberalisation may not continue in the future. The rate of economic liberalisation could change, and specific laws and policies generally affecting the foreign investment, currency exchange, repatriation of profits and other matters affecting the Group's investments, as well as specifically affecting the sectors of commercial activity in which the Group operates, could also change. A significant shift in India's economic liberalisation and deregulation policies could materially adversely affect business and economic conditions in India generally, as well as the Group's business operations in particular. In addition to potential economic instability, the Indian economy and business practices are relatively unsophisticated and lacking in experience, and there have been some instances of political and criminal corruption. Furthermore, India continues to suffer from high unemployment, low wages and low literacy rates. These risks are very difficult to quantify or predict; however, if they were to materialise they may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Indian governments are democratically elected, but are invariably comprised of a coalition of several political parties. The withdrawal of one or more of these parties from the coalition could cause the government to fall, resulting in political instability or stagnation pending new elections or the formation of a new coalition. Such events could delay or even halt the progress and development of the Indian economy and its receptiveness to foreign investment, and could thus have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***The Group's Indian operations are relatively new and the Group may not be able to apply its existing skills and experience in the region***

While the Company believes that the Group's skills and experiences in sourcing sites in the emerging markets in CEE for potential shopping and entertainment sites and thereafter developing and selling such sites can be applied successfully to projects in India, this cannot be guaranteed. The differences between emerging markets in CEE and emerging markets in India, such as differing mentalities, social and business cultures, legal structures and systems, integrity of the courts, and restrictions on foreign ownership of real estate, may mean that the Group's success in developing and selling shopping and entertainment centers in CEE may not be replicated in India which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

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

## **Part II—Risk Factors**

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

### ***Restrictions on the repatriation of capital in India may adversely affect the Group's cash flows and results of operations***

Pursuant to regulations promulgated under the FDI Policy and by the Central Bank of India, the repatriation of capital with regard to investments made in the real estate sector is such to strict regulatory procedures, and is restricted during three years commencing on the date of such investment. If the Group is unable to repatriate capital from its investments in India, in whole or in part, this may have a material adverse effect on the Group's cash flows, business, financial condition and/or results of operations.

### **Risks relating to the Group's business**

#### ***The Group is highly dependent on realising cash proceeds from the sale of existing and pipeline projects in order to service its financial obligations including these relating to the Bonds***

The Company's primary business strategy is the construction, development and sale of shopping and entertainment centers in CEE and other markets where it operates. Whilst the Company intends to continue to implement its "construct and sell" development strategy, it also holds completed developments on its balance sheet, until sales prices which appropriately reflect their potential are achieved. While the properties are held on the Company's balance sheet, it manages them deriving rental and other income from those assets

The Group's current debt maturity profile indicates that significant principal repayments of senior secured and other debt obligations will come due over the anticipated life of the Bonds. There is no assurance that the Group will be successful in either realising cash proceeds to service such debt obligations or, alternatively, re-negotiating and extending scheduled debt maturities in order to match its income on completed projects which have not been sold. The non-realisation of cash proceeds from sales and/or an inability to renegotiate debt maturities may have a material adverse effect on the Company's ability to service its debt obligations, including the Bonds.

#### ***Rental income received by the Group may fall***

The Group's turnover and the value of the properties of the Group is, to a significant degree, dependent on the rental and occupancy rates that can be achieved from the properties the Group and its joint ventures own or manage. Return from an investment in property depends, amongst other things, on the amount of rental income generated by the property and the costs and expenses incurred in the ownership or redevelopment of the property (including financing costs). A reduction in income may adversely affect the Group's profitability.

Lease payment defaults by tenants could also cause the Group to lose rental income and to have to meet the tenant's costs relating to the property. In the event of a tenant's default, the Group may experience delays in enforcing its rights as landlord and may incur substantial costs including litigation, enforcement and related expenses in protecting its investment and re-letting its property. If a lease is terminated, the Group may be unable to lease the property for the level of rent which it previously received or unable to sell the property without incurring a loss. During any other period in which a property is vacant, the Group will suffer a rental shortfall and incur additional costs in maintaining, running, insuring and re-letting the property, as well as meeting any void costs, until the property is occupied. Lettings at a reduced level of rent and lower demand for property may result in reduced returns on a relevant investment, which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

## **Part II—Risk Factors**

### ***The Group may be subject to risk relating to its co-investments, because ownership and control of such investments are shared with third parties***

Some of the Group's projects (at the date of this document, Riga Plaza, 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.

### ***The Group may take on additional costs and liabilities associated with existing lease obligations***

The Group may in the future acquire development sites or existing shopping and entertainment centers that have existing tenants. In so doing, the Group may acquire lease liabilities and obligations in connection with such acquisitions. As a consequence, the Group's earnings may be adversely affected to the extent that the Group is obliged to give continued occupation to tenants with lease payments below the then market rate for the refurbished or redeveloped center. In addition, the Group may incur costs in obtaining vacant possession of a site where there are existing tenants who have protected occupation rights, and the Group is required to pay compensation to evict such tenants. The Group may also be obliged to relocate existing tenants, which could delay the development of the site and add to the cost of development. Any of the above costs may also apply if the Group wishes to improve the mixture of tenants by replacing current lessees. 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.

### ***The Group is dependent on attracting third parties to enter into lease agreements***

The Group is dependent on its ability to attract third parties to enter into new leases on favourable terms in order to receive a profitable price for each shopping and entertainment center or other development. The level of demand from occupiers for premises varies depending on a number of factors, including materials or labour, general economic conditions, interest rates and the cost of credit. Reduced occupancy rates could lead to a decline in the value of the Group's property assets and rental income and/or restrict the ability of the Group to maintain or increase rental rates in certain areas and to maintain current tenants and gain new tenants. Such a decline in net rental income could result in a consequential reduction in the value of the Group's properties and result in additional expenses being incurred until the property is re-let or sold. The continuing and long term lack of demand from occupiers for premises may have a material adverse impact on the Group's business, financial condition and/or results of operations.

## **Part II—Risk Factors**

### ***The Group's results of operations, specifically those related to the Group actually operating shopping centers, may be affected by retail climates and tenant bankruptcies***

The Group's ability to collect rents depends on the solvency of the tenants. Tenants may be in default or not pay on time, or the Group may need to reduce the amount of rents invoiced by lease incentives, to align lease payments with the financial situation of some tenants. 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.

Bankruptcy filings by retailers are normal in the course of the Group's operations. The Group continually re-leases vacant spaces arising out of tenant terminations. As a consequence, adverse economic factors that negatively affect retailers may have an adverse effect on the Group as such factors may impact the Group's ability to retain existing tenants or find new tenants for property vacancies that result from store closings or bankruptcies. The occurrence of one or more of these factors could also have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***The Group may be unable to comply with governmental regulations***

The Group's business is subject to numerous national and local government regulations, including those relating to acquisition of real estate properties, building and zoning requirements, fire safety control, access for the disabled, environmental law and health authorities' reviews and standards. In addition, the Group is subject to laws governing its relationships with employees, including minimum wage requirements, overtime, working conditions, work permit requirements, and in some localities, to collective labour agreements. A determination that the Group is not in compliance with these regulations could result in the imposition of fines, an award of damages and compensation to private and public entity litigants and significant expenses in bringing its operations into compliance with such laws and regulations. In addition, the Group's ability to dismiss staff may be hampered by local labour laws and courts which traditionally favour employees in disputes with former employers.

The tenants or operators of units comprising part of a development may be unable to obtain the necessary governmental permits or licences which are necessary for the operation of their respective businesses. Where such operations are delayed or not permitted due to lack of necessary permits this may have a negative impact on the attractiveness of the project and, consequently, a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***The Group is dependent upon securing suitable locations for development***

The choice of suitable locations for the construction of shopping and entertainment centers or other developments is an important factor in the success of individual projects. Ideally for shopping and entertainment centers, these sites should be located: (i) within or near to the city center, with well-developed transportation infrastructures (road and rail) in close proximity to facilitate customer access; or (ii) within local areas with sufficient population to support the center. If the Group is not able to find sites in the target cities which meet these criteria, either at all or at viable prices, this may have a material adverse effect on the Group's business, financial condition and/or results of operations.

If the Group finds and acquires a location that is suitable for the development of a shopping and entertainment center, the suitability of that location may be adversely affected by external factors such as a competing shopping center opening within the same catchment area. In the event that the suitability of a location is adversely affected, the development of a shopping and entertainment center by the Group may be delayed or abandoned. In such circumstances, the Group may not be able to use the site for an alternative development or be able to sell the site, either of which circumstances may have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***The Group may not be as successful in identifying suitable development sites outside of its traditional areas of operation***

Most of the properties developed by the Group have been in Hungary and Poland. The Group is not actively investigating any further development opportunities for shopping and entertainment centers in Hungary, as it believes that more attractive development opportunities exist in other countries. Therefore, the Group's future success will depend in large part on its ability to identify locations and develop centers in these other countries where the Group may have less experience and less market knowledge than in Hungary. As a result, the Group may not be as successful in the identification and development of future

## **Part II—Risk Factors**

projects as it has been to date in Hungary, which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***The Group may face competition in acquiring sites and/or may face competition from other projects***

In each country, the Group may face competition from other property developers for sites that the Group has identified for the development of projects, including shopping and entertainment centers. In particular, when seeking to acquire development sites for shopping and entertainment centers in CEE in the past the Group has faced competition from Atrium European Real Estate, Multi Corporation BV, Globe Trade Center SA, ECE Projektmanagement GmbH and TriGranit Holding Limited. Furthermore, strong competition from other developers not only affects the availability of suitable sites but also the cost at which they may be acquired.

Developers compete not only for patrons, but also for desirable properties, financing, raw materials, qualified contractors, experienced system consultants, expert marketing agents and skilled labour. The public bidding process through which the Group often acquires new properties in the CEE region, and prime locations in general, is subject to competition. In addition, some of the Group's competitors have longer operating histories and greater resources than the Group, all of which may limit the Group's ability to successfully acquire such projects. There can be no assurance that the Group will be successful in winning projects that it bids for, or which are awarded pursuant to fixed price tenders, or that it will otherwise continue to be successful in competing in such countries for prime and selected locations.

If the Group finds and acquires a suitable location for a project, the suitability of that location may be adversely affected by external factors such as competing projects in the same area, demographic trends and urban development and changes. These factors may impact both the character of the target or potential customers (in case of shopping and entertainment centers) and the projects' operations. In the event that the suitability of a location is adversely affected, the development of the project may be delayed or abandoned. In such circumstances, there is no guarantee that the Group will be able to use the site for an alternative development or be able to sell the site.

In the event that the Group's shopping or entertainment centers face competition from other such centers, the Group's centers may experience a decline in occupancy levels. Any inability to acquire sites as a result of competition or any decline in occupancy levels due to competing centers may have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***Zoning restrictions and local opposition can delay or preclude construction***

Sites that meet the Group's criteria must be zoned for commercial activities of the type contained in shopping and entertainment centers and other developments. In instances where the existing zoning is not suitable or in which the zoning has yet to be determined, the Group will apply for the required zoning classifications. This procedure may be protracted, particularly in countries where the bureaucracy is cumbersome and inefficient, and the Group cannot be certain that the process of obtaining proper zoning will be completed with sufficient speed to enable the relevant shopping and entertainment center to open ahead of the competition, or at all. Opposition by local residents to zoning and/or building permit applications may also cause considerable delays. In addition, arbitrary changes to applicable zoning regulations, policies or decisions may jeopardise projects that have already commenced. Therefore, if the Group does not receive zoning approvals or if the procedures for the receipt of such zoning approvals are delayed, the Group's costs will increase.

Building permits have in the past contained, and may in the future contain, conditions that the Group must satisfy in order to develop a shopping and entertainment center. Such conditions may require the Group to contribute to local infrastructure or alter a planned development to include additional landscaping or planted areas. If the Group is obliged to maintain certain areas of the project site as "green areas" this may reduce lettable areas, which may, in turn, reduce potential rental revenues on the one hand and increase development costs on the other hand.

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.

### ***The Group depends on contractors and subcontractors to construct its centers***

The Group relies on subcontractors for all of its construction and development activities. If the Group cannot enter into subcontracting arrangements on terms acceptable to it or at all, the Group will incur

## **Part II—Risk Factors**

additional costs which will have an adverse effect on its business. The competition for the services of quality contractors and subcontractors may cause delays in construction, thus exposing the Group to a loss of its competitive advantage. Subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on subcontractors, the Group becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability of the subcontractors. A shortage of workers would have a detrimental effect on the Group and its subcontractors and, as a result, on the Group's ability to conclude the construction phase on time and within budget. The Group generally requires its subcontractors to provide bank guarantees in its favour to financially secure their performance. In the event the subcontractor fails to perform, the bank guarantees provide for a monetary payment to the Group. The guarantees do not, however, oblige the subcontractors to complete the project and may not adequately cover the Group's costs of completing the project or the Group's lost profits during the period while alternative means of completing the project are sought. The occurrence of one or more of these factors may have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

### ***Delays in the completion of construction projects could affect the Group's success***

An important element in the success of the Group's shopping and entertainment center projects is the short construction time (generally eight to 18 months from the receipt of building permits, depending on the size of the project), and the Group's ability to open the centers ahead of its competition, particularly in cities which do not have shopping and entertainment centers of the type constructed by the Group.

This makes the Group subject to a number of risks relating to these activities. Such risks include:

- delays in obtaining zoning and other approvals;
- the unavailability of materials and labour;
- the abilities of subcontractors to complete work competently and on schedule;
- the surface and subsurface condition of the land underlying the project;
- environmental uncertainties;
- extraordinary circumstances or "acts of God"; and
- ordinary risks of construction that may hinder and/or delay the successful completion of a particular project.

In addition, under the Group's development contracts with local municipalities, the Group has deadlines for several of its projects (subject to limited exceptions). If construction of a project does not proceed in accordance with the Group's schedule, it may in some instances be required to pay penalties to the vendor (usually local municipalities) based on the extent of the delay and in isolated instances to forfeit rights in the land. The failure to complete a particular project on schedule or on budget may have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***The Group may be held liable for design or construction defects of third party contractors***

The Group relies on the quality and timely performance of construction activities by third party contractors. Claims may be asserted against the Group by local government and zoning authorities or by third parties for personal injury and design or construction defects. These claims may not be covered by the professional liability insurance of the contractors or of the architects and consultants. These claims may give rise to significant liabilities, which may have a material adverse effect on the Group's financial condition.

### ***The Group is dependent on the presence of anchor tenants***

The Group relies on the presence of "anchor" tenants in its entertainment and commercial centers. Anchor tenants (such as cinemas, supermarkets and department stores) in entertainment and commercial centers play an important part in generating customer traffic and making a center a desirable location for other tenants. The failure of the Group to secure: (a) an agreement in principle from a prospective anchor tenant, (b) entry by an anchor tenant into a formal lease or (c) a renewal of an anchor tenant's lease may have an adverse effect on the Group's ability to achieve specified occupancy levels in the relevant center. Likewise, the termination of an anchor tenant's lease, or the bankruptcy or economic decline of an anchor tenant may lead to a reduction in a center's occupancy levels as the Group may not be able to replace such

## **Part II—Risk Factors**

anchor tenants in a timely manner or it may not be able to do so on acceptable terms or without incurring further costs. Furthermore, the expiration of an anchor lease at an entertainment and commercial center may make the refinancing of such a center difficult. In addition, any deterioration of the Group's relationships with any of its anchor tenants may negatively impact on the Group's ability to retain such anchor tenants and/or secure anchor tenants for its future projects, which may, in turn, have a material adverse effect on the Group's business, financial condition and/or results of operations.

### ***The Group's business is impacted by general economic conditions in the regions in which it operates***

If an economic downturn occurs in the regions in which the Group operates, the demand and rents for shopping and entertainment centers may decline. Property markets tend to be cyclical and affected by general economic conditions and/or by the political and economic climate of the locality in which the property assets are situated, as well as in the rest of the world. The Group has experienced, and may experience in the future, the negative impact of periods of economic slowdown or recession and corresponding declines in the demand for property in the markets in which it operates. Relevant economic factors which can affect rental incomes and property values resulting in an adverse effect on the Group's business, results of operations, financial condition and/or prospects include tenant and investor demand for property, changes in growth of gross domestic product, employment trends, inflation, changes in interest rates, the availability and cost of credit, declining investment yields and the liquidity of financial markets. The financial performance of the Group's business could be adversely affected by the continued worsening of general economic conditions globally or in certain individual markets and which may limit the Group's ability to make investments, pursue developments or refinance projects. Furthermore, any economic downturn may adversely 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. The occurrence of one or more of these factors could therefore have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The performance of the Group's financial performance is dependent, in part, on real estate prices and rental levels in the countries in which the Group operates remaining stable or rising at corresponding levels. There is no guarantee that this will be the case. The Group may not be able to sell or let the centers and other developments that it develops at profitable prices. The Group's financial performance also depends, in part, on the economic situation in the markets in which it operates. The real estate markets in these countries may not continue to develop, or develop at the rate anticipated by the Group and that the market trends anticipated by the Group may not materialise. 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.

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

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.

### ***The fair value of the Group's real estate assets may be harmed by certain factors, which may entail impairment losses not previously recorded which, in turn, will affect the Group's financial results***

Certain circumstances may affect the fair value of the Group's real estate assets, including, among other things, (i) the absence of, or modifications to, permits or approvals required for the construction and/or

## **Part II—Risk Factors**

operation of any real estate asset; (ii) with respect to shopping and entertainment centers where a significant part of the rental area is subject to long term leases with a small group of retailers, the Group may be exposed to a risk of rental rates being significantly lower than otherwise might be the case; (iii) with regard to shopping and entertainment centers, any material long term decline in the business operations of retailers may impact their ability to pay rents and service charges at all, ultimately resulting in vacant units, thereby having an adverse effect on the real estate assets recoverable amount and their final sale prices; (iv) delays in completion of works beyond the anticipated target, may adversely affect the Group's results of operations and cash flows; and (v) lawsuits that are pending, whether or not the Group is a party thereto, may have a significant impact on its real estate assets and/or on certain of its shareholding rights in the companies owning such assets.

In addition, certain laws and regulations, applicable to the Group's business in certain countries where the legislative process undergoes constant changes, may be subject to frequent and substantially different interpretations; agreements which may be interpreted by governmental authorities so as to shorten the term of use of real estate, and which may be accompanied with a demolition order (with or without compensation), may significantly affect the value of such real estate asset. The fair value of the Group's real estate assets may be significantly decreased, thereby resulting in potential impairment losses not previously recorded in its financial results.

Since market conditions and other parameters which affect the fair value of the Group's real estate assets and investments, vary from time to time, the fair value may vary significantly following the date that the measurement was executed. In the event the projected forecasts regarding the future cash flows generated by those assets are not met, the Group may have to record an additional impairment loss not previously recorded.

In addition, any further downward change in the yield of any of the Group's real estate assets may cause a significant decrease to the fair value of such assets, thereby resulting in potential impairment losses not previously recorded in the Group's financial results.

### ***Far reaching and continually changing real estate laws and regulations may impose additional burdens on the Group***

CEE and Indian jurisdictions are subject to extensive real estate regulations. Changes to the law create an uncertain environment for investment and business activity. In addition, the comparatively recent nature of some CEE region legislation (enacted following the breakup of the Soviet Union) and of certain Indian laws creates a number of problems. The legal systems in the CEE region and India demonstrate a number of risks, including:

- limited judicial and administrative guidance on interpretations of law;
- a lack of transparency in decision making;
- gaps in the regulatory structure due to delay or absence of implementing legislation;
- discrepancies between federal and regional legislation, especially with regard to town planning, construction, zoning and land rights;
- the relative inexperience of a number of judges in interpreting new principles of law, particularly business and corporate law; and
- bankruptcy procedures that are still being developed.

In addition, in the CEE region and India, laws and regulations, particularly those involving taxation, foreign investment and trade, title to securities, and transfer of title that are applicable to the Company's activities, can change quickly and in a far more volatile manner than in developed market economies. This could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

### ***Real estate developments are relatively illiquid***

Properties, including the projects which the Group develops, or may develop in the future, can be relatively illiquid investments and are typically more difficult, and/or take longer, to realise than certain other investments such as equities, gilts or bonds. This lack of liquidity may affect the ability of the Group to realise valuation gains and to dispose of or acquire properties in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. Economic conditions could materially and adversely affect the ability of the Group to dispose of properties. A decline in the value of

## **Part II—Risk Factors**

the Group's property assets may limit or reduce the level of return on the Group's investment in the property, which in turn could have an adverse effect on the Group's business, results of operations and/or financial condition.

### ***The Group may incur environmental liabilities***

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.

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. At the date of this document, the Company is not aware of any environmental claims.

### ***The Group may suffer material losses in excess of insurance proceeds in operating a shopping and entertainment center***

The Group's properties could, in the event the Group operates a shopping and entertainment center after practical completion of the development, suffer physical damage caused by fire or other causes, resulting in losses which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, terrorism or acts of war, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds may be inadequate to restore the Group's economic position with respect to the affected developments. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected developments as well as anticipated profits from that shopping and entertainment center. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group would also remain liable for any debt or other financial obligation related to that center. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

Furthermore, the Group may not be able to obtain insurance for its assets and properties at coverage levels or at cost it deems to be and appropriate based on the risks associated with the Group's business and on industry practice.

## **Part II—Risk Factors**

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.

### ***The Group may be unable to retain and develop skilled management and personnel***

The Group's future success is substantially dependent on the continued services and performance of the executive Board members and its senior management team and skilled personnel and the Company believes that the Group's future financial success and ability to meet its financial objectives will depend, in part, on its ability to retain and continue to attract highly skilled management and personnel and maintain their skills. The Group is also dependent on the implementation of adequate succession planning procedures in respect of key roles to ensure continuity. If the Group does not succeed in retaining skilled personnel, fails to maintain the skills of its personnel or is unable to continue to attract and retain all personnel necessary for the development and operation of its business, it may not be able to grow its business as anticipated or meet its financial objectives which may have an adverse effect on the Group's business, results of operations, financial condition and/or prospects. The departure from the Group of any of the Directors or certain senior employees, could, in the short term, have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

### ***The Group's global operations expose it to additional and unpredictable risks***

The Group conducts its businesses on a global basis focusing mainly on the CEE region and constantly seeks new opportunities in various regions of the world. The Group's future results could be materially adversely affected by a variety of factors relating to international transactions, including changes in currency exchange rates, general economic conditions, regulatory requirements, tax structures or changes in tax laws or practices, and longer payment cycles in the countries in its geographic areas of operations. International operations may be limited or disrupted by the imposition of governmental controls and regulations, political instability and difficulties in managing international operations. There can be no assurance that one or more of these factors will not have a material adverse effect on the Group's international operations and, consequently, on the Group's business, financial condition and results of operations. A failure to effectively manage the expansion of the Group's business could have a negative impact on the Group's business. To accommodate its global expansion, the Group is continuously implementing new or expanded business systems, procedures and controls. There can be no assurance that the implementation of such systems, procedures, controls and other internal systems can be completed successfully.

### ***The Group's failure to maintain certain financial ratios and adherence to terms of its credit facilities could result in the imposition of restrictive covenants and could trigger the immediate repayment of certain credit facilities***

The Group's credit facilities require the Group to comply with certain financial and operational covenants. The Group is currently in breach of certain covenants in connection with three of its credit facilities (i.e. for Liberec, Kragujevac and Zgorzelec) and there is no guarantee that the Group will obtain the necessary waivers or alternative financing (which it is currently in the process of negotiating) from the financing bank. 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.

If the Group is unable to obtain the necessary waivers or alternative financing and restrictions are imposed or a breach continues over a period of time, culminating in an event of default the Group may, among other things, be required to immediately fully or partially repay such credit facilities, including accrued interest and premiums. Such events may have a material adverse effect on the financial condition, results of operations and prospects of the Group and may increase the difficulty for the Group to obtain financing in the future or to refinance existing debt.

### ***Failure to comply with laws and regulations to which the Group is subject may lead to disciplinary, administrative, civil and/or criminal enforcement actions, fines, penalties and civil liability and may result in negative publicity harming the Group's business and reputation.***

The Group is subject to laws and regulations relating to several areas such as environment, health and safety, construction, procurement, administrative, accounting, corporate governance, market disclosure, tax, employment and data protection. Such laws and regulations may be subject to change and interpretation. Any failure to comply with applicable laws and regulations that may change over time, or the interpretation and enforcement of which may change over time, may lead to disciplinary,

## Part II—Risk Factors

administrative, civil and/or criminal enforcement actions, fines, penalties and civil liability and may result in negative publicity harming the Group's business and reputation.

The laws and regulations applicable to the real estate industry have generally become more stringent, and penalties and potential liability have increased and may increase further in the future. In addition, changes in such laws and regulations including the reversal of current favourable policies may impose more onerous obligations on the Group and limit its profitability, including increasing costs associated with its compliance. Failure to comply with laws and regulations may have an adverse effect on the Group's business, results and financial condition.

### *The AFM has requested additional information in respect of the Company's 2013 annual financial statements*

On 23 September 2014, the AFM sent a letter to the Company, which letter includes a request for further information in respect of the Company's 2013 annual financial statements. This request has been made pursuant to section 2 subsection 1 of the Dutch financial reporting supervision act (*Wet toezicht financiële verslaggeving*). Pursuant to this act, the AFM, for purposes of supervision, is entitled to ask a securities issuing institution to further clarify the application of certain financial reporting standards (including but not limited to International Accounting Standards (IAS), title 9 of book 2 of the DCC and the AFS).

In this case, the AFM has raised a question about the application of rule IAS 2.30 in respect of trading property. The Company should further explain why it did use different average rental prices per square meter for the net realizable value calculation based on discounted cash flows (operating shopping centers) and based on the residual value (the land plots). The Company is requested to provide the AFM with a detailed overview per shopping center and land plot stating the cost of the residual value of the object as well as the most recent taxation reports and any other relevant information in this respect. The AFM indicated that they do not understand a discrepancy in estimated weighted average rental prices used by the Company in the calculation of the net realizable value using the discounted cashflow method for shopping centers in operation and the estimated weighted rental prices used by the Company in the calculation of the net realizable value of the land plots using the residual value method.

The Company sent a letter in reply to this matter on Thursday 9 October 2014, explaining the reasoning for the calculations to support the statements in the 2013 annual financial statements. Might the Company's response not be satisfactory to the AFM, the AFM may notify the Company that the financial reporting does not meet the applicable requirements. Such notification may be accompanied by a recommendation that obliges the Company to file information with the AFM and to make that information generally available, which information shall include: (i) an explanation how the relevant rules will be applied, describing the consequences thereof; or (ii) an explanation which parts of the financial reporting do not meet the applicable requirements and the consequences thereof for the financial reporting.

### *Interim management statement Q1 2014 not filed in time*

The Company has not complied with its obligation to file its interim management statement (*tussentijdse verklaring*) in respect of the first quarter of 2014, in time with the AFM. Accordingly, the Company is currently in violation of article 5:25e of the AFS. The AFM is, in these circumstances, entitled to impose an order subject to a penalty (*last onder dwangsom*) and/or an administrative fine (*bestuurlijke boete*) on the Company. The standard amount of the administrative fine is EUR 10,000 (*ten thousand euro*) in respect of the violation of article 5:25e of the AFS.

It should be noted that, for various reasons, the Company also failed to file the 2013 Dutch statutory accounts and annual report within the required timeframe with the AFM, which constitutes a violation of article 5:25c AFS. Though the AFM has sent the Company a letter in respect of the 2013 Dutch statutory accounts and annual report, without imposing an administrative fine, the AFM has not informed the Company of any regulatory measures following from the late filing of the Q1 2014 interim management statement.

In respect of the administrative fine that may be imposed in respect of the violation of article 5:25e of the AFS, the AFM has discretion to increase or decrease the minimum level of the administrative fine by 50% depending upon the seriousness or the duration of the offence or insofar the degree to which blame can be attributed to the Company justifies such decrease or increase.

Any fine imposed by the AFM on the Company may have adverse consequences on the financial position of the Company.

### *Risks relating to the Company's management*

During the annual General Meeting held on 8 July 2014, the General Meeting resolved to restructure the Board. Four Directors were dismissed (being Messrs. Shtarkman, Zisser, Yitzchaki and Van Eibergen Santhagens) and only two out of six Directors (being Messrs. Wichers and Shalhav) remained in place. The change in the composition of the Board may, under circumstances, have an adverse effect on the effectiveness of the Company's management.

## **Part II—Risk Factors**

### ***Risks relating to the inability of the Company to repurchase Ordinary Shares***

As the General Meeting was unable to adopt the Company's 2013 annual accounts within six months after the end of the 2013 financial year, the Company, pursuant to section 2:98 paragraph 3 DCC, will not be allowed to repurchase Ordinary Shares. This prohibition also extends to its Subsidiaries. As listed companies mainly use the repurchase of shares to facilitate a capital decrease, such limitation may have consequences for the price of the Ordinary Shares.

### **Risks relating to the Group's structure**

#### ***EI controls a significant shareholding of the Company and its interests may conflict with the interests of other Shareholders***

The Controlling Shareholder indirectly holds approximately 62.25% of the Company's Ordinary Shares. Through its holdings, the Controlling Shareholder will continue to be able to exert significant influence over, or in some cases block, certain matters that must be decided by a vote of the General Meeting, including the election of directors. To the extent that the interests of the Controlling Shareholder may differ from the interests of other Shareholders, such other Shareholders may be disadvantaged by any actions that the Controlling Shareholder may seek to pursue. Historically, the Controlling Shareholder has been supportive of the Company and the Company has enjoyed a good working relationship with it. The Controlling Shareholder has recently approved an arrangement with its creditors in relation to its debt. This may alter the relationship that existed between the Company and the Controlling Shareholder. Although the Controlling Shareholder is a separate legal entity to the Company, the Company's stakeholders may also form a negative view of the Company's financial condition due to its association with the Controlling Shareholder.

For further information, see in Part III "Controlling Shareholder" and in Part IX "Related Party Transactions".

#### ***The Controlling Shareholder has pledged its Ordinary Shares***

On 31 March 2011, EUL, the Controlling Shareholder, granted to Bank Hapoalim a first priority pledge under Luxembourg law, over its rights, title and interest in a securities account held with ABN AMRO Bank (Luxembourg) S.A.. This pledge effectively *inter alia* covers 29% of the Ordinary Shares in issue by the Company from time to time. The pledge has been granted to secure any debt outstanding between EI and Bank Hapoalim. Should EI be in default under the pledge agreement or under any of its outstanding debt arrangements with Bank Hapoalim, Bank Hapoalim will be entitled to operate payment of all its secured obligations under the pledge agreement at its option by, including but not limited to, sell the Ordinary Shares in the market or have the Ordinary Shares sold in realization upon mutual agreement in a private transaction at normal commercial conditions, taking control of the proceeds. A forced sale by Bank Hapoalim of 29% of the Ordinary Shares in issue will have a negative effect on the price of the Ordinary Shares.

#### ***Changes in tax laws or their interpretation could affect the Group's financial condition or prospects and the cash flows available to the Company***

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

## **Part II—Risk Factors**

motive test is not met, the participation exemption nevertheless applies provided that either the subject-to -tax- test or asset test is met. To benefit from the participation exemption regime during the entire holding period, the requirements must be met throughout the entire holding period. The participation exemption also applies to qualifying hybrid loans. Should the Company not be in compliance with all participation exemption requirements or should the participation exemption rules be amended, this will affect its tax relief which could have an adverse effect on its cash flow position and net profits.

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

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

If the Company were to be treated as having a permanent establishment, or as otherwise being engaged in a trade or business (including owning real estate outside the Netherlands), in any country in which it develops shopping and entertainment centers or in which its centers are managed, income (positive and negative) attributable to or effectively connected with such permanent establishment or trade or business, is generally excluded from the Dutch tax base. Specific conditions may apply based on the relevant double taxation treaty and Dutch domestic law.

### ***Participation by the Company in a distribution of a Subsidiary’s assets will generally be subject to prior claims of creditors***

The Company holds all of its property assets in its Subsidiaries and in joint venture entities. The Company’s rights to participate in a distribution of its Subsidiaries’ and joint ventures’ assets upon their liquidation, re-organisation or insolvency is generally subject to any claims made against the Subsidiaries and joint ventures, including secured creditors (if any) such as any lending bank and trade creditors.

The obligations of the Company to make payments to Shareholders is therefore structurally subordinated to any liabilities of the Company’s subsidiaries and joint ventures. In the event that members of the Group are unable to remit funds to the Company, the Company’s ability to make dividend or other payments to Shareholders may be adversely affected.

### ***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***

At the date of this document, the Company’s two series of Notes are rated “D” by Maalot. An obligation rated ‘D’ by Maalot, is in payment default. The ‘D’ rating category is used when payments on an obligation are not made on the date due, unless Maalot (Standard & Poor’s) believes that such payments will be made within five business days, irrespective of any grace period. The ‘D’ rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation’s rating is lowered to ‘D’ upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par. The update follows the Company’s announcement on 14 November 2013, that it will withhold payment on the upcoming maturities of the Bonds and will approach the creditors of the Company with a restructuring plan in a formalized restructuring process.

The downgrading of the rating followed a series of consecutive downgrading activities Maalot have performed in recent years. In the last downgrading that was carried out in July 2013, Maalot stressed its estimate then that in absence of material positive developments, the Company would struggle to fulfil promptly its entire liabilities already in the next six months. This estimate was based on the previous rating date on the deterioration of the Company’s financial flexibility and its liquidity, which it defined as “weak” according to its methodology and the Company’s high dependency on selling its assets in a challenging macroeconomic environment.

## **Part II—Risk Factors**

On 31 July 2013, Midroog has updated the rating of the Notes to “B1” with a negative outlook on a local Israeli scale. At the Company’s request Midroog discontinued the rating of the Notes.

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.

***If the Company is characterized as a passive foreign investment company for US federal income tax purpose, holders of Ordinary Shares may suffer adverse tax consequences***

Generally, if for any taxable year 75% or more of the Company’s gross income is passive income, or at least 50% of the value of its assets, averaged quarterly, are held for the production of, or produce, passive income, the Company will be characterized as a passive foreign investment company (“PFIC”), for US federal income tax purposes. A determination that the Company is a PFIC could cause the Company’s US shareholders to suffer adverse tax consequences, including having gains realized on the sale of the Company’s shares taxed as ordinary income rates, rather than capital gains rates, and being subject to an interest charge on gain from the sale or other disposition of ordinary shares, and on certain “excess distributions” with respect to Ordinary Shares and could have an adverse effect on the price and marketability of such shares. If the Company is a PFIC for US federal income tax purposes, highly complex rules would apply to US holders owning the Ordinary Shares. Accordingly, you are urged to consult your tax advisors regarding the application of such rules.

### **Risks relating to the investment in Ordinary Shares and participation in the Rights Offering**

***There is a risk that the Rights Offering may not be approved by the Shareholders***

The Rights Offering, the Placing and the Additional Placing are conditional on the General Meeting passing certain resolutions during the extraordinary General Meeting which will be convened as soon as practically possible after publication of this document. If the resolutions, which include resolutions approving the terms of the Rights Offering, the Placing and the Additional Placing and the authorization for the Board to issue New Ordinary Shares, Bondholders’ Shares, Escrow Shares and any Additional Placing Shares and to disapply pre-emption rights, are not approved, the Rights Offering, the Placing and the Additional Placing will not be effected. In that event, unless the condition in the Restructuring Plan that there be a capital injection of EUR 20 million is satisfied by other means, the Restructuring Plan will not become effective. Failure of the Restructuring Plan may lead to the direct insolvency of the Company.

Furthermore, the Group would not benefit from the net proceeds expected to result from the Rights Offering, the Placing and the Additional Placing and, therefore, it would be necessary for the Group to raise the additional funding required by alternative means. There can be no certainty that the Group would be able to successfully raise such funding or as to the terms on which such funding could be raised, including the price and/or whether any equity fundraising would occur on a pre-emptive basis. If the Rights Offering is not effected and the Group is unable to find alternative sources of funding, the Group’s business, results of operations and/or financial condition may be materially adversely affected, its credit ratings may drop and its cost of funding may increase.

***Non-performance by the Controlling Shareholder of the Controlling Shareholder Undertaking may seriously affect the results of the Rights Offering***

On or around the date hereof EUL in its capacity of direct major Shareholder of the Company entered into the Controlling Shareholder Undertaking (guaranteed by EI). This undertaking guarantees subject to certain conditions being met, see: Part IX “Related Party Transactions”, “Controlling Shareholder Undertaking” an equity investment in the Company by EUL of EUR 20 million through the Rights Offering. This undertaking has been guaranteed by the EI (EUL’s parent company). A breach by EUL or EI of any of the provisions of the Controlling Shareholder Undertaking may, seriously affect the financial results of the Rights Offering.

## **Part II—Risk Factors**

*The share price of publicly traded companies can be highly volatile, including for reason, related to differences between expected and actual operating performance, corporate and strategic actions taken by such companies or their competitors, speculation and general market conditions and regulatory changes*

Investors should be aware that the value of an investment in the Ordinary Shares may decrease or increase abruptly. In addition, stock markets have, from time to time, and especially in recent years, experienced significant price and volume fluctuations (including as a result of technical failures or market disruptions) which have affected the market price of securities. A number of factors outside the control of the Group may impact the price and performance of the Ordinary Shares. The market price of the Ordinary Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession and the reduction in the availability of credit.

The Company can give no assurance that the market price of the Ordinary Shares will not decline below the Rights Offering Price. Qualifying Shareholders and Qualifying Depositary Interest Holders should note that if the market price of the Ordinary Shares is lower than the Rights Offering Price during the period of the Rights Offering, it may not be economically advantageous for Qualifying Shareholders and Qualifying Depositary Interest Holders to take up their entitlements to the New Ordinary Shares. Should the market price of the Ordinary Shares decline below the Rights Offering Price after Qualifying Shareholders and Qualifying Depositary Interest Holders take up their entitlements to New Ordinary Shares or New Depositary Interests, such Qualifying Shareholder or Qualifying Depositary Interest Holder would suffer an immediate unrealised loss on the New Ordinary Shares issued in respect of its entitlements. Moreover, there can be no assurance that, following the take up of their New Ordinary Shares or New Depositary Interests, Qualifying Shareholders and Qualifying Depositary Interest Holders will be able to sell these securities at a price equal to or greater than the Rights Offering Price.

*Qualifying Shareholders and Qualifying Depositary Interest Holders who do not subscribe for New Ordinary Shares or New Depositary Interests in the Rights Offering will experience dilution in their ownership of the Company*

If Shareholders do not take up their entitlements to New Ordinary Shares under the Rights Offering by the latest date for application and payment in full in respect of their entitlements to New Ordinary Shares that are set out in this document, their proportionate ownership and voting interest in the Company will be reduced, and the percentage that their existing Ordinary Shares represent of the ordinary share capital of the Company will be reduced accordingly. Subject to certain exceptions, holders of Existing Ordinary Shares in the United States or any other Excluded Shareholders will in any event, not be able to participate in the Rights Offering.

*The issue of the Bondholders' Shares, Escrow Shares, the Additional Placing Shares and the New Ordinary Shares will dilute the holders of Existing Ordinary Shares*

The Company's issued capital will be enlarged following the Rights Offering and consequently, Shareholder who have not exercised their Rights, irrespective for which reason, will suffer a dilution. Furthermore, as soon as practically possible after the Settlement Date, as provided for in the Restructuring Plan, the Company will issue the Escrow Shares and 13.2106% of the then enlarged outstanding capital in Ordinary Shares to holders of Notes and Polish Bonds. Consequently, after the Rights Offering has closed, the Shareholders will suffer an immediate dilution of approximately 14% of their shareholding by means of the issue of the Bondholders' Shares. Furthermore, under the Controlling Shareholder Undertaking, EUL may in certain circumstances require the Company to issue up to 44,444,445 Additional Placing Shares further diluting shareholders.

*The issue of additional Ordinary Shares in connection with future acquisitions, capital raisings, the Share Option Schemes or otherwise may dilute all other shareholdings*

The Group may seek to raise financing to fund future acquisitions, future investments and other growth opportunities. The Company may, for these and other purposes (including but not limited to each of the Share Option Schemes), issue additional equity or convertible equity securities. As a result, the Company's existing Shareholders would suffer dilution in their percentage ownership.

## **Part II—Risk Factors**

*Even if an Eligible Person elects to sell his/her unexercised Rights, the consideration he/she receives may not be sufficient to compensate him/her fully for the dilution of his/her percentage ownership of the Company's share capital that may be caused as a result of the Rights Offering*

The consideration that a Qualifying Shareholder or Qualifying Depositary Interest Holder receives may not be sufficient to compensate him/her fully for the dilution of his/her percentage ownership of the Company's share capital that may be caused as a result of the Rights Offering.

*An active trading market in the Rights may not develop and there may be volatility in the trading price of the Rights*

An active trading market in the Rights may not develop on the London Stock Exchange and the Warsaw Stock Exchange (the only exchanges on which the Rights will be traded) since the Rights and will have a lower value than the Ordinary Shares and will only have a limited trading life. In addition, because the trading price of the Rights depends on the trading price of the Ordinary Shares, the price of the Rights will be subject to the same risks as the price of Ordinary Shares and any volatility in the price of the Ordinary Shares may increase volatility in the trading price of the Rights.

*The Company's ability to pay dividends in the future depends on, among other things, the Group's financial performance and is therefore not guaranteed*

The Company is a holding company with no material assets other than its equity interests in its subsidiaries. Almost all of the Company's operations are carried out through its subsidiaries and group companies. The Company's principal source of income and its ability to meet its financial obligations, including its ability to pay dividends to Shareholders, is therefore, dependent on the level of dividends, loan repayments, distributions and other inter-company transfers of funds it receives from its subsidiaries. There is no contractual or other obligation for the Company's subsidiaries to make regular dividend payments to the Company. In addition, the ability of the directors of the Company's subsidiaries to declare dividends or the amount of dividends they may pay will depend on such relevant subsidiary's operating results and will be subject to applicable laws and regulations.

These factors may also have an adverse effect on the ability of the Company to pay interest and principal on its debt facilities and outstanding debt securities.

*Restructuring Plan arrangements for limitations on Distributions*

Pursuant to the Restructuring Plan, the Company will be allowed to make any Distribution to its Shareholders provided (i) at least 75% of the unpaid principal balance of the Bonds as per the Amendment Date (excluding Bonds that are sold by a Subsidiary following the Amendment Date) have been repaid in full prior to such Distribution and (ii) 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 the event that, following the implementation of the Restructuring Plan, at least an additional €20 million is invested in the Company in the form of an equity investment or in the form of subordinated debt to the debt towards the Bondholders (i.e., in addition to the equity contribution that is a condition to the Restructuring Plan), the Company will be permitted (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 aforementioned limitations.

*Exchange rate risks and exchange control risks*

The Company will calculate any dividends on the Ordinary Shares in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit ("**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of the EUR or revaluation of the Investor's Currency and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease (1) the Investor's Currency-equivalent of the dividends payable on the Ordinary Shares and (2) the Investor's Currency-equivalent market value of the Ordinary Shares.

## **Part II—Risk Factors**

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less dividend payments than expected or none at all.

### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Ordinary Shares are legal investments for it, (2) the Ordinary Shares can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Ordinary Shares. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Ordinary Shares under any applicable risk-based capital or similar rules.

### ***Anti-takeover provisions could negatively impact holders of Ordinary Shares***

The AFS contains mandatory provisions regarding mandatory tender offers for companies with seat in the Netherlands and whose shares are admitted to listing on a regulated market (*i.e.* for the Company: the London Stock Exchange and the Warsaw Stock Exchange).

Under the AFS any party who, either on its own or together with persons with which it acts in joint consultation, acquires, either directly or indirectly, at least 30% of the voting rights of a public company shall make a public takeover bid for all the shares and all the depositary receipts for shares issued with the public company's cooperation.

Pursuant to the DCC, in a tender offer pursuant to which at least 95% of the issued share capital of the target company which represent at least 95% of the voting rights of the target company were purchased, each of the offeror or the remaining shareholders of such company may file a legal claim for the purchase of the remaining shareholders' shares and their transfer to the offeror. The claim must be filed with the Enterprise Chamber (*Ondernemingskamer*) of the Court of Appeal in Amsterdam, or the "Enterprise Chamber", within three months after the deadline set for acceptance of the tender offer. Following a mandatory tender offer as referred to above, the bid price offered in that tender offer is regarded as a fair price. Nevertheless, the Enterprise Chamber may order that one or three experts shall report on the value of the shares to be transferred. All of the above provisions limit the acquisition of control in the Company.

### ***Holders of Ordinary Shares may not be able to exercise their pre-emption rights***

In the case of certain increases in the Company's issued share capital, the Company's existing Shareholders are generally entitled to pre-emption rights unless such rights are waived by a special resolution of the Shareholders at a General Meeting. In case the General Meeting has authorized the Board as the competent corporate body to issue shares and to exclude pre-emption rights, pre-emption rights may be excluded by the Board. Holders of Ordinary Shares outside the Netherlands may not be able to exercise their pre-emption rights over Ordinary Shares unless the Company decides to comply with applicable local laws and regulations and, in the case of holders of Ordinary Shares in the United States, a registration statement under the US Securities Act is effective with respect to such rights and Ordinary Shares, or an exemption from the registration requirements of the US Securities Act is available. The Company cannot assure any Shareholders outside the Netherlands (including but not limited to Israeli Shareholders) that steps will be taken to enable them to exercise their pre-emption rights, or to permit them to receive any proceeds or other amounts relating to their pre-emption rights.

### ***Future substantial sales of Ordinary Shares, or the perception that such sales might occur, could depress the market price of the Ordinary Shares***

The Controlling Shareholder indirectly holds approximately 62.25% of the Company's Ordinary Shares. Any sales of substantial amounts of Ordinary Shares in the public market by the Controlling Shareholder or by the Company, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

## **Part II—Risk Factors**

### **Risks relating to the Depositary Interests**

#### ***DI holders may not have the rights that Dutch law confers on holders of depositary receipts***

Under Dutch law, holders of depositary receipts of shares (*certificaten van aandelen*) issued with a company's concurrence, have certain rights such as the right to attend meetings of shareholders of the company that issued the shares and a statutory right of pledge on the shares underlying their depositary receipts.

The Company believes that the DIs qualify as depositary receipts for these purposes. However, there can be no assurance that this view will be endorsed by the competent Dutch courts. Consequently, holders of DIs should not rely on the rights conferred by Dutch law on holders of depositary receipts, but should rely solely on the rights conferred on them by the Articles and the Deed Poll pursuant to which the DIs have been created.

#### ***DI holders do not have the rights attaching to the underlying Ordinary Shares and must rely on the Depositary or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit***

DI holders do not have the rights which Dutch law and the Articles confer on Shareholders of the Company such as voting rights. In respect of the Ordinary Shares underlying the DIs, those rights vest in the Depositary or any custodian. Consequently, if the DI holders want to exercise any of those rights, they must rely on the Depositary or any custodian to either exercise those rights for their benefit, or authorise them to exercise those rights for their own benefit. Pursuant to the Deed Poll pursuant to which the DIs have been created, the Depositary and any custodian must pass on to, and so far as it is reasonably able, exercise on behalf of the relevant DI holders all rights and entitlements which it receives or is entitled to in respect of the underlying Ordinary Shares and which are capable of being passed on or exercised. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised.

### **Risks relating to the listing and trading of the Ordinary Shares**

#### ***The market price of the Ordinary Shares may be subject to fluctuation, which could result in substantial losses to investors***

The stock market in general, and the market price of the Ordinary Shares in particular, is subject to fluctuation, and changes in our share price may be unrelated to the Group's operating performance. The market price of the Ordinary Shares on the stock exchanges where they have been admitted to listing may fluctuate and each fluctuation on a certain market may affect the market price on other markets where the Ordinary Shares are traded. The market price of the Ordinary Shares is and will be subject to a number of factors, including:

- trends in the end-markets in which the Group operates;
- general market conditions;
- variations in the Group's and its competitors' results of operations;
- changes in earnings estimates or recommendations by securities analysts; and
- general market conditions and other factors, including factors unrelated to the Group's operating performance.

In addition, the admission and introduction of the Rights, the New Ordinary Shares, the Bondholders' Shares the Escrow Shares and the Additional Placing Shares to trading on the LSE and the WSE does not guarantee their liquidity. If an appropriate level of trading in the Ordinary Shares or the Rights is not achieved or maintained, it could have a material impact on the liquidity and price of the Rights and the Ordinary Shares. Even if the appropriate level of trading in the Ordinary Shares and Rights is achieved and maintained, the market price of the New Ordinary Shares may be below the Rights Offering Price.

These factors and any corresponding price fluctuations may materially and adversely affect the market price of the Ordinary Shares and result in substantial losses to the investors.

## **Part II—Risk Factors**

### ***There has been no prior public market in Israel for the Ordinary Shares, and an active trading market in Israel may not develop***

Prior to the Rights Offering and the Placing, there has been no public market in Israel for the Ordinary Shares. An active trading market in Israel may not develop following the registration of the Ordinary Shares on the Tel Aviv Stock Exchange or, if developed, may not be sustained. The lack of an active market may impair an investor's ability to sell the Ordinary Shares at the time the investor desires to sell them or at a price that is considered reasonable. The lack of an active market may also reduce the fair market value of the Ordinary Shares.

### ***Shareholders face additional investment risk related to the Ordinary Shares resulting from exchange rates***

The Ordinary Shares and the Rights will be quoted in PLN on the WSE, whereas on the LSE the Ordinary Shares and the Rights will be quoted in GBP. In addition, the reporting currency of the Company is EUR and all payments to holders of Ordinary Shares including the payment of dividends on the Ordinary Shares will be made in EUR. As a result holders of Ordinary Shares or Rights may suffer losses that result from any fluctuations of the currency exchange rates related in particular to EUR, GBP and PLN.

### ***Shareholders may face a risk related to the currency exchange rate due to the denomination of the Rights Offering Price in EUR***

The Rights Offering Price is denominated in EUR and the Ordinary Shares are quoted in pence on the London Stock Exchange and in PLN on the Warsaw Stock Exchange. The Rights will be quoted in pence on the London Stock Exchange and in PLN on the Warsaw Stock Exchange. Consequently, the price of the Ordinary Shares and the Rights on the London Stock Exchange and the Warsaw Stock Exchange may be affected by the fluctuations of the currency exchange rates. Shareholders who exercise their Rights will have to pay the Rights Offering Price in EUR and accordingly will face an additional currency exchange rate risk during the period between the payment of the Rights Offering Price and the receipt of the New Ordinary Shares or the New Depositary Interests when they will not be able to trade in the New Ordinary Shares or the New Depositary Interests.

### ***The Ordinary Shares are and will be traded on different markets and this may result in price variations.***

The Ordinary Shares are traded on the LSE and the WSE and will be listed on the TASE prior the completion of the restructuring of the Company. Trading in the Ordinary Shares on these markets will be made in different currencies (GBP on the LSE, PLN on the WSE and NIS on the TASE) and will take place at different times (resulting from different time zones, different trading days and different public holidays in the United Kingdom, Poland and Israel). The trading prices of the Ordinary Shares on these three markets may differ due to these and other factors. Any decrease in the price of the Ordinary Shares on one of these markets could cause a decrease in the trading price of the Ordinary Shares on the other market.

### ***The Ordinary Shares are and will be traded on different markets and simultaneous trading on different markets may cause delay in settlement***

The Ordinary Shares are traded on the LSE and the WSE and will be listed on the TASE following the completion of the restructuring of the Company. Trading on three different markets may cause settlement issues which result therein that there may lead to delay in settlement which may have an adverse effect on the sale or purchase price of the Ordinary Shares

### ***If existing shareholders sell additional Ordinary Shares, the market price of the Ordinary Shares could decline***

The sale of substantial amounts of Ordinary Shares in the public market, or the perception that such sales could occur, could harm the prevailing market price of the Ordinary Shares on the LSE, on the WSE, or on the TASE. These sales, or the perception that such sales could occur, also might make it more difficult for the Company to sell equity securities in the future at a time and at a price that the Board deems appropriate.

### ***Trading in the Rights or the Ordinary Shares on the LSE may be suspended***

The FCA may suspend, with effect from such time as it may determine, the listing of any securities if the smooth operation of the market is, or may be, temporarily jeopardised or it is necessary to protect investors. Examples of when the FCA may suspend the listing of securities include (but are not limited to)

## **Part II—Risk Factors**

situations where it appears to the FCA that: (1) the Company has failed to meet its continuing obligations for listing; or (2) the Company has failed to publish financial information in accordance with the listing rules; or (3) the Company is unable to assess accurately its financial position and inform the market accordingly; or (4) there is insufficient information in the market about a proposed transaction; or (5) the Company's securities have been suspended elsewhere; or (6) the Company has appointed administrators or receivers, or is an investment trust and is winding up.

### ***The FCA May cancel the listing of the Rights or the Ordinary Shares***

The FCA may cancel the listing of securities if it is satisfied that there are special circumstances that preclude normal regular dealings in them. Examples of when the FCA may cancel the listing of securities include (but are not limited to) situations where it appears to the FCA that: (1) the securities are no longer admitted to trading as required by the listing rules; or (2) the Company no longer satisfies its continuing obligations for listing, for example if the percentage of shares in public hands falls below 25% or such lower percentage as the FCA may permit (the FCA may, however, allow a reasonable time to restore the percentage, unless this is precluded by the need to maintain the smooth operation of the market or to protect investors); or (3) the securities' listing has been suspended for more than six months.

### ***The Ordinary Shares have been placed on the alert list by the WSE***

The segment of the WSE regulated market—Alert List has been separated under resolution No. 1387/2013 of the Management Board of the WSE of 2 December 2013 which has been in force since 1 January 2014 for the purposes of classifying and verifying shares of issuers in the Alert List as of 27 March 2014. Shares of issuers are placed on the Alert List when the average price of the shares of a given issuer, established as the arithmetic mean of the closing price of the shares in the last three calendar months (including the month of the verification but excluding the last three trading days of such month) is lower than PLN 0.50, and for classification performed starting from the second trading day prior to the last trading day in December 2014, lower than PLN 1.00. Such situation also pertains to the rights to shares.

According to a communiqué of the Management Board of the WSE dated 26 September 2014, it has been announced that the Ordinary Shares have been placed on the Alert List for the first time because the average price of the Ordinary Shares calculated as mentioned above was PLN 0.49. Consequently, as of 1 October 2014, the trading system on which the Ordinary Shares are listed has been changed and the shares are now listed in the single-price auction system. Additionally, the shares were removed from the index portfolio, the name of the shares of the Company has been marked with a specific designation in the WSE information services and WSE Daily Bulletin (*Cedula Gieldy Warszawskiej*), and they have been removed from the list of securities available for short selling orders.

The Ordinary Shares will remain on the Alert List at least until the publication of the results of the next quarterly WSE's review, which will occur on the second trading day prior to the last trading day in December 2014.

In case the Ordinary Shares are listed in the single-price auction, it cannot be excluded that the Rights will also be listed and traded in such system. In such circumstances, since the Ordinary Shares are now listed in the single-price auction system, no assurance may be given that the Ordinary Shares or the Rights will be actively traded on the exchange due to investors being prevented from making quick responses to fluctuation prices. In the case where the general market situation or the market price of the Ordinary Shares or the Rights on the LSE fluctuates, the single-price auction system may hinder the execution of the transaction due to the lack of changes in the price. If the price of the Ordinary Shares or the Rights remains below the above-described levels in the period subject to verification and classification regarding the Alert List segment by the WSE at the end 2014, there is no assurance that the Company will not be requested to present a corrective action plan, and if the low prices persist in the longer term and the Company fails to take action to eliminate the reasons for the placement of the Ordinary Shares on the Alert List, no assurance may be given that trading in the Ordinary Shares or the Rights on the regulated market will not be suspended for three months or even that the Ordinary Shares will not be delisted. Furthermore, no assurance can be given that the trading system on which the Ordinary Shares or the Rights are traded will not change from continuous to the single-price auction system even if the Ordinary Shares or the Rights are traded at the above prescribed levels.

Due to the fact that the Ordinary Shares have been placed on the Alert List for the first time, the Company is not yet required to commence the preparation of the corrective action plan. An issuer is required to

## **Part II—Risk Factors**

prepare and disclose to the public a corrective action plan within 30 days of the disclosure to the public of information on the second consecutive placement of its shares on the Alert List, and such situation does not currently apply to the Company.

The WSE performs periodic verification and classification or removal of shares from the Alert List on a quarterly basis two trading days prior to the last trading day in March, June, September and December of each year. Shares which are no longer classified as belonging on the Alert List are readmitted to the continuous trading system unless the Management Board of the WSE or a WSE employee authorised by the Management Board of the WSE decides otherwise.

If the shares of an issuer are placed on the Alert List for a second consecutive time, such issuer is required, within 30 days from the disclosure of the information of the second consecutive classification to the public, to prepare and disclose to the public a corrective action plan indicating the measures that the issuer intends to take in order to eliminate the reasons for the classification, including, without limitation, a description of such measures and the timeline for their implementation. If the shares of an issuer are placed on the Alert List for a sixth consecutive time, the Management Board of the WSE will suspend trading in the shares for a period of up to three months, unless it decides that the scope and progress of the measures taken by the issuer in order to eliminate the reasons for the placement of the shares on the Alert List indicate that the issuer will complete such measures prior to next periodic classification and trading in the shares of the issuer does not jeopardise the safety of exchange trading or the interests of trading participants.

After the lapse of the trading suspension period referred to above, the Management Board of the WSE will delist an issuer's shares from exchange trading if the reasons for the placement of the shares on the Alert List continue. The Management Board of the WSE may resolve not to take a decision on delisting the shares from exchange trading if it comes to the conclusion that this is justified by the scope and progress of the measures taken by the issuer in order to eliminate the reasons for the placement of the shares on the Alert List and continued trading in the shares of the issuer does not jeopardise the safety of exchange trading or the interests of trading participants.

Trading in the single-price auction system is based on an auction procedure, i.e. determination of the price of securities based on the orders submitted before the start of trading. The procedure of determining the price and executing a transaction is carried out twice daily (at 11:00 a.m. and 3:00 p.m.). In the first phase of the session (pre-opening phase), the system accepts buy and sell orders, but no transactions are executed. In this phase, the indicative opening price (IOP) is calculated and published. Next, using the appropriate algorithm, the computer system calculates the single price at which transactions are to be executed. The single price is determined on the basis of broker orders containing a limit price and orders with no such limit. Once the single price is published, it becomes the price at which transactions are concluded. After the first post-auction phase, another pre-opening phase occurs and the IOP is once again calculated, and the second single price of the day is determined for securities traded in the single-price auction system. After this single price is published, the post-auction phase begins for a second time that day.

### ***The Rights and the New Ordinary Shares may not be eligible for trading or listing on the main market of the WSE***

The introduction of the Rights, the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and any Additional Placing Shares to trading on the regulated market is subject to the consent of the Management Board of the WSE and the registration by the Polish National Depository for Securities of the Rights, the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and any Additional Placing Shares. The Company cannot assure that these approvals and consents will be obtained and that the Rights, the New Ordinary Shares, the Escrow Shares and any Additional Placing Shares will be admitted and introduced to trading on the main market of the WSE.

### ***Trading in the Rights or the Ordinary Shares on the WSE may be suspended***

According to Article 20.2 of the Polish Act on Trading in Financial Instruments, if the trading of specific securities or other financial instruments is conducted in circumstances suggesting the possibility of a threat to the correct functioning of the regulated market or security of trading on this market or a breach of the interests of the investors, on the request of the Polish Financial Supervision Commission, the company managing the regulated market may suspend the trading of these securities or instruments for a period of no longer than one month.

## **Part II—Risk Factors**

According to §30.1 of the Warsaw Stock Exchange Rules, the Management Board of the WSE, at the Company's request, or if the Management Board of the WSE recognizes that the Company is breaching the regulations which are in force at the WSE or if the interest and safety of the trading participants requires so, may suspend trading in the Rights or the Ordinary Shares for a period of up to three months. Pursuant to §30.2 of the Warsaw Stock Exchange Rules, the Management Board of the WSE suspends trading in the Rights or the Ordinary Shares for a period of no longer than one month on the request of the Polish Financial Supervision Commission made in accordance with the provisions of the Polish Act on Trading in Financial Instruments.

### ***The Polish Financial Supervision Commission or WSE may delist the Rights or the Ordinary Shares from the market***

If the Company fails to fulfil, improperly fulfils its duties under, or breaches the prohibitions which have been imposed or provided for in the respective provisions of the Polish Act on Public Offering, the Polish Act on Trading in Financial the Polish Financial Supervision Commission may:

- issue a decision to delist the securities from the regulated market for a defined period or indefinitely;
- impose a fine of up to PLN 1,000,000, taking into consideration the financial standing of the entity which is being fined; or
- apply both of the above sanctions together.

Furthermore, according to Article 20.3 of the Polish Act on Trading in Financial Instruments, at the request of the Polish Financial Supervision Commission, the company managing the regulated market must delist the securities or other financial instruments specified by the Polish Financial Supervision Commission if their trading poses a material threat to (1) the correct functioning of the regulated market, (2) the security of this market or (3) results in a breach of the interests of investors.

Similarly, according to §31.1 of the Warsaw Stock Exchange Rules, the Management Board of the WSE may delist financial instruments from the stock exchange if:

- their transferability has become limited;
- upon the demand of the Polish Financial Supervision Commission announced in accordance with the provisions of the Polish Act on Trading in Financial Instruments;
- in the event of the cancellation of their dematerialization; or
- in the event of their delisting from the regulated market by the appropriate supervisory authority.

Furthermore, the Management Board of the WSE may delist financial instruments from the stock exchange in accordance with §31.2 of the Warsaw Stock Exchange Rules:

- if they cease to meet the conditions for admittance to trading on the relevant market other than the restrictions on transferability;
- if the issuer permanently violates the stock exchange rules;
- upon the application of the issuer;
- as a result of the declaration of bankruptcy of the issuer or in the event of the rejection by the court of a bankruptcy petition due to a lack of assets on the part of the issuer sufficient to cover the cost of the proceedings;
- if it determines that delisting is required given the interest and security of the trading participants;
- as a result of a decision to merge the issuer with another entity, to divide it or to restructure the issuer;
- if, within the preceding three months, there were no stock exchange transactions concerning the relevant financial instrument;
- as a result of commencement by the issuer of activities prohibited by an existing law; or
- upon the initiation of the issuer's liquidation.

### ***Trading in the Ordinary Shares on the TASE may be suspended***

The TASE's Chief Executive Officer has the right to suspend trading in the securities of a listed company if: (1) the company delays the publication of its financial statements by more than the period detailed in the TASE's regulations; (2) a liquidator, temporary liquidator, receiver or temporary receiver is appointed

## **Part II—Risk Factors**

to a company or to the majority of its assets; (3) there is no clarity with regard to the company, its controlling shareholders or its securities, which may influence the price of the security. There can be no assurance that trading in the Ordinary Shares will not be suspended. Currently, there are no specific reasons to assume that such a suspension may occur in the foreseeable future. Any suspension of trading would adversely affect the price of the Ordinary Shares.

### ***The Ordinary Shares may be excluded from trading on the TASE***

The TASE's board is allowed in certain circumstances to exclude a company's securities from trading on the TASE subject to the timetable set in the TASE regulation. There can be no assurance that the value of public holdings in the Ordinary Shares will not decrease below the minimum required under the TASE's regulations which may result in the exclusion of the Ordinary Shares from trading on the TASE and thereby adversely affecting the price of the Ordinary Shares.

## Part III—Information on the Group

### PART III—Information on the Group

#### 1. Estimations and forward looking statements; completion dates

The Group's estimations in this Part III—"Information on the Group" regarding the Group's projects, including their development plans, schedule for construction and opening, number of projects to be constructed each year, holding period of projects upon completion and forecast regarding market conditions, constitute forward looking statements that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, and are based on the Group's current estimations with regard to its projects. Such estimations may differ materially from the impression created by the forward looking statement. The main factors that may affect the Group's estimations include, but are not limited to, the global financial crisis, zoning restrictions and opposition by local inhabitants, delays in construction, the obtaining of financing for the relevant projects, and all other risk factors that are specified in Part II—"Risk Factors" herein.

Prospective investors should duly notice that all of the below mentioned completion dates are estimated and dependent on and subject to the securing of external project financing and/or tenants' demand.

#### 2. Overview, competitive strengths and development strategy

##### *Background*

The Group is a leading emerging markets developer of shopping and entertainment centers, focusing on constructing 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 CEE since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary. The Group has pioneered this concept throughout CEE whilst building a strong track record of successfully developing, letting, managing and selling shopping and entertainment centers. In 2006, the Group has extended its area of operations beyond CEE into India. In 2010, the Company took advantage of a real estate opportunity in the US and made, with its joint venture partners, a first acquisition of a strategic stake in EDT Retail Trust, which then owned 49 retail properties located in 20 states. The Group then exited from the US during 2012 with a significant return on the invested equity.

The Company is an indirect subsidiary of EI, an Israeli public company whose shares are traded on both the TASE in Israel and the NASDAQ Global Select Market in the United States. EI engages, directly or indirectly, mainly in the following areas: (i) shopping and entertainment centers—initiation, construction and sale of shopping and entertainment centers and other mixed-use projects in Central and Eastern Europe and in India primarily through the Company. In certain circumstances and depending on market conditions, EI operates and manages the centers prior to their sale; (ii) Hotels—hotel ownership, operation, management and sale, primarily in major European cities. (iii) Medical Industries—(a) research and development, production and marketing of magnetic resonance imaging guided focused ultrasound treatment equipment, and (b) development of stem cell population expansion technologies and stem cell therapy products for transplantation and regenerative medicine; (iv) Residential Projects—initiation, construction and sale of residential projects and other mixed-used real property projects, predominately residential, located primarily in India; (v) Fashion Apparel—distribution and marketing of fashion apparel and accessories in Israel.

The Group has been present in real estate development in emerging markets for over 18 years, initially pursuing shopping and entertainment center development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Romania, Latvia, Greece, Serbia, Bulgaria and India. The Group has developed and let 32 shopping and entertainment centers in the CEE and one in India, of which 26 were sold with an aggregate gross value of circa EUR 1.16 billion between 2004-2008. Twenty one of these centers and an office project were acquired by Klépierre, a player of the top rank in the continental European shopping center property market, which manages over 300 shopping centers in 13 countries in continental Europe. An additional four shopping and entertainment centers were sold to Dawnay Day. Another shopping center was sold in 2007 to aAIM. The transaction had a completion value totaling approximately EUR 387 million, representing circa 20% of all real estate transactions completed in Hungary in 2007.

In addition to these 26 shopping centers, the Company sold one office building in Hungary in 2007 and concluded seven (7) additional transactions between 2013-2014 two (2) in India, two (2) in Hungary, two (2) in Czech Republic, one (1) in Romania and a shopping center in Serbia, as described below.

### Part III—Information on the Group

Shopping and entertainment centers sold to Klépierre in 2004 had an aggregate gross asset value of EUR 278 million and produced an average net yield of approximately 9.3%:

<u>Name</u>	<u>City</u>	<u>Country</u>	<u>GLA (m<sup>2</sup>)</u>	<u>Acquirer</u>
Alba Plaza	Székesfehérvár	Hungary	14,981	Klépierre
Csepel Plaza	Budapest	Hungary	13,565	Klépierre
Debrecen Plaza	Debrecen	Hungary	14,624	Klépierre
Duna Plaza	Budapest	Hungary	35,915	Klépierre
Győr Plaza	Győr	Hungary	15,085	Klépierre
Kanizsa Plaza	Nagykanizsa	Hungary	5,947	Klépierre
Kaposvár Plaza	Kaposvár	Hungary	8,296	Klépierre
Miskolc Plaza	Miskolc	Hungary	14,647	Klépierre
Nyír Plaza	Nyiregyháza	Hungary	13,775	Klépierre
Szeged Plaza	Szeged	Hungary	15,842	Klépierre
Szolnok Plaza	Szolnok	Hungary	6,815	Klépierre
Zala Plaza	Zalaegerszeg	Hungary	7,405	Klépierre
<b>Total</b>			<b><u>166,897</u></b>	

Shopping and entertainment centers sold to Dawnay Day in 2005 had an aggregate gross asset value of EUR 54.4 million and produced an average net yield of approximately 9.2%:

<u>Name</u>	<u>City</u>	<u>Country</u>	<u>GLA (m<sup>2</sup>)</u>	<u>Acquirer</u>
Balaton Plaza	Veszprém	Hungary	9,155	Dawnay Day
Pécs Plaza	Pécs	Hungary	15,356	Dawnay Day
Savaria Plaza	Szombathely	Hungary	8,235	Dawnay Day
Sopron Plaza	Sopron	Hungary	14,128	Dawnay Day
<b>Total</b>			<b><u>46,874</u></b>	

Shopping and entertainment centers sold to Klépierre in 2005 had an aggregate gross asset value of EUR 204 million and produced an average net yield of approximately 8.4%:

<u>Name</u>	<u>City</u>	<u>Country</u>	<u>GLA (m<sup>2</sup>)</u>	<u>Acquirer</u>
Kraków Plaza	Kraków	Poland	30,209	Klépierre
Poznań Plaza	Poznań	Poland	29,522	Klépierre
Ruda Śląska Plaza	Ruda Śląska	Poland	14,452	Klépierre
Sadyba Best Mall	Warsaw	Poland	24,078	Klépierre
<b>Total</b>			<b><u>98,261</u></b>	

Shopping and entertainment centers sold to Klépierre in 2006 (Novo), in 2007 (Rybnik (100%), Sosnowiec (100%) and Lublin (50%)) and in 2008 (Plzeň), had an aggregate gross asset value of EUR 240.5 million and produced an average net yield of approximately 6.9%:

<u>Name</u>	<u>City</u>	<u>Country</u>	<u>GLA (m<sup>2</sup>)</u>	<u>Acquirer</u>
Rybnik Plaza	Rybnik	Poland	18,127	Klépierre
Sosnowiec Plaza	Sosnowiec	Poland	12,860	Klépierre
Lublin Plaza	Lublin	Poland	25,738	Klépierre
Novo Plaza	Prague	Czech Republic	26,417	Klépierre
Plzeň Plaza	Plzeň	Czech Republic	20,000	Klépierre
<b>Total</b>			<b><u>103,142</u></b>	

Shopping and entertainment centers forward sold to aAIM in 2007 had an aggregate gross asset value of approximately EUR 387 million and produced a gross yield of approximately 5.9%:

<u>Name</u>	<u>City</u>	<u>Country</u>	<u>GLA (m<sup>2</sup>)</u>	<u>Acquirer</u>
Arena Plaza	Budapest	Hungary	66,000	aAIM

### Part III—Information on the Group

Duna Plaza offices were sold to Klépierre in May 2007 for a consideration of EUR 14.2 million. The Company recorded a gain of approximately EUR 2.5 million from this transaction.

<u>Name</u>	<u>City</u>	<u>Country</u>	<u>GLA (m<sup>2</sup>)</u>	<u>Acquirer</u>
Duna Plaza Offices . . . . .	Budapest	Hungary	11,000	Klépierre

During 2012, the Group completed the sale of its 49 US-based assets for USD 1.47 billion, mainly to a joint venture between Blackstone Real Estate and DDR Corp. After monitoring the US real estate market for a number of years, the Group 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, the Group achieved its aim of repositioning the portfolio through reducing debt levels and improving occupancy rates as well as lengthening lease and in-place debt maturities. Consequently, in June 2012, EPN Group, the Group'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 the Group of nearly 50% in a period of little over 18 months. In July 2012, EPN Group completed the disposal phase of the Group's highly successful first venture in the US with the sale of its two remaining US assets.

During 2013 and beginning of 2014, the Group completed several transactions as follows:

- (i) in May 2013 the Group completed the sale of its 50% interest in a vehicle which mainly holds interests in an office complex project located in Pune, India, generating gross cash proceeds of circa €16.7 million in line with its holding;
- (ii) in July 2013 the Group Completed the sale of 100% of its interest in a vehicle which holds the interest in the Prague 3 project, a logistics and commercial center in the third district of Prague. The transaction valued the asset at circa €11.1 million and, as a result, further to related bank financing and other balance sheet adjustments, the Group has received cash proceeds of net circa €7.6 million; In addition, in the same month, the Group completed the sale of a residential plot in Roztoky, generating net cash proceeds of €1.3 million;
- (iii) in November 2013 the Group reached an agreement to sell the Koregaon Park Plaza shopping and entertainment center in Pune, India, subject to the fulfillment of certain closing conditions. Following the repayment of the bank loan, the Group expects to receive circa €18 million before transaction and tax costs that will be paid in several installments during 2014-2016. Due to ongoing delay in the closing of the described transaction, the Company has started to take action in respect of terminating the existing contracts. Currently, the sale of this project is under negotiations with a different potential purchaser. At the date of this document, these negotiations are conducted on the basis of a signed, non-binding letter of intent.
- (iv) in November 2013 the Group completed the sale of the Dream Island project in Budapest to the Hungarian state for approximately €16.5 million (the Group's share 43.5%). The proceeds of the transaction were used to repay a proportion of the securitised related bank debt held against the asset; and
- (v) in January 2014 the Group has reached an agreement to sell its 35% stake in the Uj Udvar project in Budapest, Hungary. As a result of the transaction, proceeds of €2.35 million in cash were received by the Company for its share in the asset.
- (vi) in September 2014 the Group completed the sale of a plot it owned in Targu Mures, Romania. As a result of the transaction, the Company received cash proceeds of EUR 3,48 million.
- (vii) in October 2014, the Group completed the sale of the Kragujevac Plaza shopping and entertainment center in Kragujevac, Serbia at a gross value of EUR 38,6 million. Following the repayment of the related bank debt, the Group will receive net cash of approximately EUR 10,4 million.

#### *The shopping and entertainment center product offering*

The Group has generally built shopping and entertainment centers of between 6,000m<sup>2</sup> and 66,000m<sup>2</sup> (GLA), but would consider developing larger shopping and entertainment centers if its development criteria were met. The Group builds shopping and entertainment centers whose size, tenant mix and design are dictated by market demand, and that take into account particular factors such as the size of the local catchment area (generally a minimum of 50,000 people), the socio-economic status of the population, any competing shopping and entertainment centers in the locality, local retail demand (whether for fashion,

### **Part III—Information on the Group**

grocery/local convenience stores or entertainment) and the location of the site (whether city center or suburban).

Each center comprises two principal elements: shopping and entertainment.

The shopping element in the Company's centers (currently and in the past) comprises large retail anchor tenants (such as Tesco, Match, Peek&Cloppenburg, New Yorker, H&M, TKMaxx, Toys 'R Us, Zara, C&A etc.). These anchor tenants form the basis of the shopping areas around which smaller boutiques, international brands such as Hugo Boss, Mango, Aldo, Sephora, Reserved, House, Esprit, and local retailers create a carefully balanced tenant mix to meet local demand. Leases with anchor tenants generally run for a term of ten to fifteen years, with an option to extend. Leases with semi-anchor tenants are usually for a term of five to ten years, while standard units usually will be leased for three to five years.

The entertainment facilities typically include a multiplex cinema complex of between four and twelve screens, depending on the size of the center, and, where appropriate, an IMAX auditorium. The entertainment areas also include a gaming area comprising a video games arcade, bowling alley, electronic gaming machines, billiards, discotheque, bar and a children's playground. Mulan B.V., which is a Subsidiary of the Company, operates the "Fantasy Park" gaming area. Each entertainment area also includes a food court offering a wide range of food outlets together with coffee shops and restaurants.

#### ***Competitive strengths***

The Directors believe that the Group has a number of strengths that enable it to compete effectively in the industry where it operates. These strengths include:

##### ***Well positioned in current challenging times for real estate***

Despite the testing conditions in real estate markets worldwide, the Group continues to deliver high-class western-style developments. The Group, however, is mindful of the impact of these extraordinary markets on investor demand in the regions in which it operates. The Group is therefore taking a cautious view on the projects on which it has not yet started construction and will keep the timing of the commencement of these under regular scrutiny in order to identify the optimal time to deliver these projects into a recovering market. The Group is being well positioned to prosper thanks to its conservative gearing levels and good relationships with its financing banks, who appreciate the Group's strong track record.

##### ***Pioneer in introducing western-style shopping and entertainment centers to the CEE region and India***

The Group has been active in emerging markets since 1996, when it opened the first western-style shopping and entertainment center in Hungary and began to implement its vision of offering western-style retail and entertainment facilities to a growing middle class and an increasingly affluent consumer base. Over the past 18 years, the Group has expanded its operations in central Europe and eastwards into Poland, the Czech Republic, Greece, Latvia, Romania, Serbia and Bulgaria, as well as to India and the US, and has proven its ability to anticipate and adapt to market trends and deliver innovative prestigious projects.

##### ***Highly skilled management team***

In its 18 years of operation, the Group's highly qualified real estate professionals and local management teams have accumulated extensive knowledge of local markets and demonstrated a proven ability to source strategic development sites, design attractive and innovative projects that meet the demands of the local market and obtain planning and building permissions expeditiously. The Group runs a highly efficient construction process in order to minimise costs—the Group has completed the many of its developments within a construction timeframe of between twelve and twenty-four months and without budget overruns. The Directors believe that it is this efficiency and quality of execution together with the Company's local knowledge and infrastructure that has given the Group its competitive advantage in each of its principal markets.

##### ***Productive relationships with both leading international and local retailers***

The Group has productive relationships with recognised international retailers—such as H&M, Inditex, C&A, TKMaxx, New Yorker, Peek & Cloppenburg and Reserved—and local retailers. The strength of such relationships is demonstrated by the Company's track record of signing up tenants, with 80% to 100% of each shopping and entertainment center developed by the Group having been let within the first two years after opening and at least 70% of each shopping center having been pre-let during the construction period. In addition, through its exclusive relationship with Cinema City International N.V., Multi-Kino, Cineplex (international cinema operators) and its own Subsidiary Mulan B.V. (operating the Fantasy Park gaming areas), the Group has strong relationships with the occupiers of the entertainment space in the centers.

### **Part III—Information on the Group**

#### ***Proven track record and strong relationships with premier property investors and operators***

The Company's strong track record in successfully selling (and sometimes pre-selling) its centers is demonstrated by the sale of developments between 2004-2008 to Klépierre, a major player in continental Europe's retail property market, and Dawnay Day, then one of the UK's leading institutional property investors and aAIM. The Group also has continuing relationships with leading institutional property developers and strategic buyers. Monitoring the economic and financial developments in the CEE markets since the financial turmoil of 2008, the Group has positioned its development program to ensure that it can deliver shopping centers into markets with the highest retail demand. Between 2009-2012, the Group has opened seven shopping centers and currently operates them using its managing experience, while benefiting from their rental income, until sufficient sale prices are achieved.

Despite the challenging economic conditions in the CEE, the Group has managed to conclude some significant transactions between 2012-2014. In 2012, taking advantage of its qualities and experience in identifying opportunities, managing and exiting gained over the years, the Group completed another significant sale of 49 US-based assets: 47 sold to a joint venture between Blackstone Real Estate and DDR Corp. in a transaction valued at USD 1.428 billion, which reflects an ROE for the Group of nearly 50% in a period of little over 18 months and the other two assets were sold in different transactions valued USD 42 million. In addition, during 2013-2014, in line with its disposal program, the Company has managed to successfully sell some of its assets—Kharadi and Trivandrum projects in India, Prague 3 and a plot in Roztoky in the Czech Republic, Dream Island and existing shopping center Uj Udvar in Hungary, as well as the sale of Targu Mures, a plot in Romania and the sale of Kragujevac shopping center in Serbia.

#### ***Flexible business model***

The Group has the flexibility and ability to anticipate and adapt to market trends—it is well positioned to satisfy the significant retail demand resulting from rapidly growing incomes as well as increasingly westernized tastes and habits of emerging market populations. Decisions to dispose of portfolio properties are based on an in-depth analysis of the market situation at the relevant time.

During the years 1996-2004, when exit yields (yields of realization) were high, the Group retained and operated shopping centers on completion and gained rental income. Once property yields decreased, starting 2004, the Group started selling its shopping centers in line with the commercial decision to focus its business more on development and sale rather than operating. While yields are high, the Group has the management skills to operate the assets and benefit from their rental income, as done in the past, until the next low yields cycle. The Company is currently managing its existing centers, as it is expecting a drop in the yields, which would most likely lead to a significant profit over the invested equity.

#### ***Diversification and focus***

In geographic terms, the Group is well diversified, active in nine countries and reviews potential new geographic markets on a continuous basis.

The Group's diversification, experience, "know-how" and ability to quickly identify opportunities and act have led to its transaction in the US, as previously described. In addition, the Group completed in 2013 its first transaction in India, with the sale of 100% of its interest in an office complex project located in Pune. This sale is in-line with the Group's strategy to reduce its activity in India and in the office segment.

#### ***Strong brand name***

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

#### ***Flexible product mix tailored to local market demand***

The Group has pioneered the development of western-style shopping and entertainment centers in both capital cities and other key regional centers in CEE. Furthermore, the Group is able to design and deliver shopping and entertainment centers based on a comprehensive demographic analysis within each of its markets. Each project is tailored to the demand of the local market in terms of the retail/entertainment

### **Part III—Information on the Group**

offering, tenant mix, design and lettable area so as to seek to exploit the local market to the maximum effect.

#### ***Business strategy***

The Group's development strategy is to:

- develop modern western-style shopping and entertainment centers in the capital and regional cities of selected countries, primarily in CEE (focusing in the medium term on Poland, Serbia and Romania);
- acquire operating shopping centers that show significant redevelopment potential (either as individual assets or as portfolios) for refurbishment and subsequent resale;
- depending on market yields and occupancy level, to either pre-sell or hold and manage its assets until the exit yields are sufficiently attractive; and
- where the opportunity exists in CEE, extend its developments beyond shopping and entertainment centers by leveraging its strengths and drawing upon the experience and skills of the Group's executive management team and the Elbit Imaging Group's to participate in residential, hotel, office and other development schemes where such developments form part of integrated large scale business and leisure developments, such as Casa Radio project in Romania.

The Group will also assess and consider specific development opportunities that satisfy its development parameters and investment criteria in countries not previously targeted. The Group will also seek to acquire high yielding mature assets or invest in new markets where opportunities may arise to enhance capital and income.

The Group monitors regularly whether under market yields at the relevant time, it is favourable to hold and operate centers or to sell upon completion. While yields are high, the Group has the management skills to operate the assets, as done in the past, until the next low yields cycle. To date, the Group operates and manages seven shopping and entertainment centers. Currently, the Group is managing and stabilizing its shopping centers before selling them, as it believes that investors are seeking to invest in assets with a track record and above 90% occupancy.

Mindful of the impact of the ongoing issues in the euro area on the economies in which the Group operates, the Group will seek to find the optimal blend of reducing its levels of gearing while progressing its limited development program into the strongest economies of the CEE. The Group's cautious but opportunistic approach is set to unlock significant value on behalf of its creditors and shareholders. It will continue to attempt to sell completed developments but will hold them on its balance sheet and benefit from the rental income until sufficient sale prices are achieved. The Directors believe that selling developments at the present time, due to ongoing economic conditions, be unlikely to recover the invested equity, and therefore the Group is focusing, where possible, on developing the project and realizing value at an appropriate stage.

The Group will continue to examine other future emerging and mature market opportunities, which it considers to offer the highest returns with minimum risks. Therefore, the Group will seek to utilize its track record and experience to find attractive new opportunities including purchasing existing shopping malls in markets other than its traditional areas of operation.

#### ***Financing of new projects***

The financing of new projects includes two elements: equity (which is invested from the Company's funds) and loans (from banks and other financial institutions). Usually the equity component is 35%-40% from the total cost of the project and the rest is financed by construction loans. Construction loans are being paid according to the agreed payment schedule only once construction is finished and the development is operating. The Company has already invested a major part of the necessary equity for the development of these new projects, i.e. the land was already purchased and additional investments on permits and design were made. The rest of the necessary equity is expected to be invested with the commencement of the construction of the development projects.

## Part III—Information on the Group

### Trends

There are no significant trends in rental income, prices of real estate and cost of development since the end of the last financial year up to the date of this document.

### 3. The Groups developments

The Group is currently in the process of developing 25 projects, which are under various stages of development.

In respect of valuation of the various properties, the Company has used the same figures as in the Valuer's Report (which is incorporated by reference into this document) for the financial statements 2013 with the exception of the Kielce project, which figure was lowered for conservative reasons (EUR 4 million instead of EUR 5,35 million).

#### Complete and Active Projects

<u>Project</u>	<u>City</u>	<u>Ownership (%)</u>	<u>(i) GLA (m2)</u>	<u>Opened</u>
<b>Poland</b>				
Zgorzelec Plaza . . . . .	Zgorzelec	100	13,000	Q1 2010
Suwalki Plaza . . . . .	Suwalki	100	20,000	Q2 2010
Torun Plaza . . . . .	Torun	100	40,000	Q4 2011
<b>Czech Republic</b>				
Liberec Plaza . . . . .	Liberec	100	17,000	Q1 2009
<b>Latvia</b>				
Riga Plaza . . . . .	Riga	50	49,000	Q1 2009
<b>India</b>				
Koregaon Park Plaza* . . . . .	Pune	100	41,000	Q1 2012
<b>Total . . . . .</b>			<b>180,000</b>	

\* an agreement for sale is in place (see details below)

#### Poland

The Group has three operating shopping and entertainment centers in Poland:

##### *Torun Plaza, Torun*

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 of 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 40,000m<sup>2</sup> of GLA, is anchored by Zara, Reserved, Home & You, New Yorker, H&M, Media Expert, Carry, TKMaxx, a multi-screen Cinema City, Pure fitness center as well as a Fantasy Park bowling and entertainment area.

##### *Zgorzelec Plaza, Zgorzelec*

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 and comprises approximately 13,000m<sup>2</sup> of GLA anchored by H&M, KappAhl, Douglas, Carry, a Fantasy Park entertainment area, a fitness center, the only cinema in the area and 300 parking spaces.

(i) The Valuer's Report may suggest a different GLA of the operating malls as the GLA was determined according to the size of shops opened as of the inspection day of the relevant shopping center. The actual GLA measure however, is subject to the opening/closing/relocation of tenants in the relevant shopping center.

## **Part III—Information on the Group**

### ***Suwalki Plaza, Suwalki***

Suwalki Plaza is located in Suwalki, a city crossed by expressway E67(8), which links Augustow with the Lithuanian border. Suwałki is a city with approximately 70,000 inhabitants and is located 45km from the Polish-Lithuanian border. The creation of Suwałki Special economic zone offers new opportunities for trade, commerce and tourism.

Suwałki Plaza, which was opened in May 2010, is located in the main commercial and residential district of the city and is fronted by an important arterial route to the east. It is also located on a junction of a street which links directly into the city center. The PKS bus terminal and main railway station are located approximately 1km from the shopping and entertainment center. Suwałki Plaza is a three-floor shopping and entertainment center with approximately 20,000m<sup>2</sup> of GLA anchored by Delima delicatessen, H&M, KappAhl, Deichmann, Carry, HeBe, Douglas and Empik. The entertainment area comprises a three-screen cinema and bowling and entertainment center.

### **Czech Republic**

The Group has one operating shopping and entertainment center in Czech Republic:

#### ***Liberec Plaza, Liberec***

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 a catchment area of approximately 350,000 inhabitants. The site is situated 20m from the main square. The complete center comprises of approximately 17,000m<sup>2</sup> of GLA, and includes an anchor supermarket, fashion retailers, a squash and sports center, a Dino Park, a food court and restaurants. The center is also comprising a residential area of 514m<sup>2</sup> (five apartments) and 1,100m<sup>2</sup> of office space. The center was opened to the public in March 2009.

### **Latvia**

The Group has one operating shopping and entertainment center in Latvia:

#### ***Riga Plaza, Riga***

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. 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 49,000m<sup>2</sup>, anchored by a hypermarket, an eight-screen multiplex cinema and 2,000m<sup>2</sup> of Fantasy Park. The center was opened to the public in March 2009.

The Riga Plaza project is held by the Company and two affiliates of Development Capital Corporation (Latvia) (for the purposes of this paragraph "DCC") through a joint Subsidiary (in which the Company holds a 50% stake), named SIA Diksna. The agreement between the Company and DCC provides for a buy-out mechanism in the event of certain deadlocks and for certain limitations on the sale of each party's holdings in SIA Diksna, including a right of first offer and a tag along right to all of each party's shares. For additional information regarding the joint venture agreement relating to this project, reference is made to paragraph 12 of Part IX (Additional Information—Material Contracts).

### **India**

The Group has one operating shopping and entertainment center in India:

#### ***Koregaon Park Plaza, Pune***

In 2007 the Company purchased a plot of land of approximately six acres (24,000m<sup>2</sup>) in Koregaon Park, an upmarket area of Pune, Maharashtra State, India. The shopping and entertainment center, which comprises

### Part III—Information on the Group

a 41,000m<sup>2</sup> GLA, was completed and opened to the public on 2 March 2012. It is the Group's first completed project in India.

In June 2012, a fire event occurred at the center (due to a tenant's faulty electrical equipment), which required a temporary close-down, but did not consume it entirely. The center's safety and evacuation procedures were implemented quickly and efficiently and no injuries occurred in the incident. Although roughly two thirds of the center's rentable area was reopened in August 2012, the remainder of the center required extensive renovation and these works were completed in the second quarter of 2013. In June 2013 the Company collected INR 529 million (€6.9 million) refund from the insurance company in connection with the damage occurred, which covered all the renovation costs. An additional INR 190 million (EUR 2.3 million) were received in June 2014 in respect of loss of profit due to the fire event.

In November 2013, the Group reached an agreement to sell Koregaon Park Plaza, subject to the fulfillment of certain closing conditions (the "**KPP Sale Agreement**"). According to the KPP Sale Agreement, the Company was expected to receive EUR 18 million before transaction and tax costs (after the repayment of the bank loan) that should had been paid in several installments during 2014-2016. Due to ongoing delay in the closing of the described transaction, the Company has started to take action in respect of terminating the existing contracts. Currently, the sale of this project is under negotiations with a different potential purchaser. At the date of this document, these negotiations are conducted on the basis of a signed, non-binding letter of intent.

#### *Current developments*

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 1) 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.

Most of the projects are either in the design phase or awaiting permits. Prospective investors should duly note that the below mentioned completion dates are estimated and dependent on and subject to the securing of external project financing and tenant's demand/pre-leasing.

Project	City	Ownership (%)	GLA (m <sup>2</sup> ) <sup>(4)</sup>	Market value on completion (EURm) <sup>(3)</sup>	Market value of the land and project (EURm) <sup>(3)</sup>	Expected completion
<b>Poland</b>						
Lodz Plaza . . . . .	Lodz	100	35,000	74.2	7.9	2017
<b>Serbia</b>						
Belgrade Plaza (Visnjicka) . . .	Belgrade	100	32,000	108.3	19	2015/6
Belgrade Plaza (MUP) . . . . .	Belgrade	100	63,000 <sup>(1)</sup>	145.7	16.1	2017
<b>Romania</b>						
Timisoara Plaza . . . . .	Timisoara	100	38,000	77	10.8	2016
Casa Radio . . . . .	Bucharest	75	555,000 <sup>(1)</sup>	576.5	90.0	2017 <sup>(2)</sup>
<b>India</b>						
Chennai . . . . .	Chennai	40	230,000 <sup>(1)</sup>	39.9	11.3	2014/5 - 2018/9
<b>Total . . . . .</b>			<b>953,000</b>			

(1) GBA

(2) Phase 1

(3) Value as per Cushman and Wakefield valuation reports as at 31 December 2013, except of Casa Radio which was valued as of 30 June 2014.

(4) The GLA is measured in accordance with the Company's business plans. Figures may deviate from the ones in the Valuers' Report which figures are prepared by the independent valuator, who may assume different schemes for the development of a project.

#### **Poland**

##### *Lodz Plaza, Lodz*

Lodz Plaza is located in Lodz, the third largest city in Poland with over 720,000 inhabitants.

### **Part III—Information on the Group**

Lodz is recognized as an important academic and cultural center in Poland, hosting well-known cultural events. Lodz Plaza is expected to be a two-floor shopping and entertainment center with approximately 35,000m<sup>2</sup> of GLA anchored by a supermarket, a department store as well as a multi-screen cinema and bowling and entertainment center. The project is currently under master plan stage, which shall be prepared by the city municipality and the process is expected to be completed by the end of 2014.

The Group intends to commence construction in 2015/2016, with completion targeted for 2017.

#### **Serbia**

##### ***Belgrade Plaza (Visnjicka), Belgrade***

The Group owns a 31,000m<sup>2</sup> 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 32,000m<sup>2</sup>. The Group intends to commence construction in 2014/2015 and the center is scheduled to open in 2015/2016.

##### ***Belgrade Plaza (MUP), Serbia***

The Company won a 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 63,000m<sup>2</sup> 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 project is under planning and feasibility examination. The Group intends to commence construction in 2015/6 and the center is scheduled to open in 2017.

#### **Romania**

##### ***Timisoara Plaza, Romania***

The Group has a plot of land with an area of 32,000m<sup>2</sup> in Timisoara, on which it is intending to develop a shopping and entertainment center. Timisoara Plaza 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 38,000m<sup>2</sup> which is intended to include a supermarket, a hypermarket complex, fashion retailers, a fantasy park, a food court and restaurants. The Group intends to commence construction in 2014/2015 and the center is scheduled to open in 2016.

##### ***Casa Radio, Bucharest, Romania***

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, Romania. The property comprises a site covering an approximate area of 92,000m<sup>2</sup> (97,000m<sup>2</sup> including 5,000m<sup>2</sup> for Public Authority Building).

The proposed scheme will comprise the refurbishment of the existing building as well as the development of additional space annexed to the building and on adjoining land. The development of Casa Radio comprises approximately 555,000m<sup>2</sup> of built area, including a 76,000 m<sup>2</sup> GLA shopping mall with a large hypermarket and indoor leisure center (one of the largest in Europe), ferris wheel, approximately 148,000m<sup>2</sup> GLA of offices, hotel complex with conference center and 300 rooms, an apartment hotel with 150 apartments, casino and approximately 4,500 underground car parking spaces.

### Part III—Information on the Group

As per the PPP contract in consideration for granting the necessary development and exploitation rights in relation to the site for a 49-year period (starting the purchase date), the government of Romania holds a 15% share in the Project Company and additional investors hold 10%. The Company expects to complete the first phase of the project, which includes the shopping center, parking and PAB, in 2017.

For additional information regarding the public and private partnership contract relating to this project, reference is made to paragraph 12 of Part IX (Additional Information—Material Contracts).

#### India

##### Chennai, India

The Indian JV Vehicle has an 80% stake in a company which holds a 75 acres plot (and paid advances in order to secure acquisition of an additional 8.4 acres) in Chennai, India's fourth largest city with a population of over eight million people. The site will be developed into a residential project consisting of approximately 110,000m<sup>2</sup> of plotted area for development and approximately 62,000m<sup>2</sup> for high quality villas. The Company anticipates that the project will be completed between 2014/2015 to 2018/2019. For additional information regarding the joint venture agreement relating to this project, reference is made to paragraph 12 of part IX (Additional Information—Material Contracts).

##### Pipeline projects

The Group is particularly mindful of the impact of market conditions on investor demand in the regions in which it operates. The Group is, therefore, taking a cautious view on pipeline projects and will keep the timing of the commencement of these schemes under regular scrutiny. Developing will be subject to finance and tenants demand.

Project	City	Ownership (%)	GLA (m2)
<b>Poland</b>			
Kielce Plaza . . . . .	Kielce	100	33,000
Leszno Plaza . . . . .	Leszno	100	16,000
Lodz Residential . . . . .	Lodz	100	80,000 <sup>(1)</sup>
<b>Hungary</b>			
Arena Plaza Extension . . . . .	Budapest	100	40,000
<b>Bulgaria</b>			
Shumen Plaza . . . . .	Shumen	100	20,000
<b>Greece</b>			
Helios Plaza . . . . .	Athens	100	26,000
<b>Romania</b>			
Iasi . . . . .	Iasi	100	58,000
Csiki Plaza (Miercurea Ciuc) . . . . .	Miercurea Ciuc	100	14,000
Slatina Plaza . . . . .	Slatina	100	17,000
Hunedoara Plaza . . . . .	Hunedoara	100	14,000
Constanta Plaza . . . . .	Constanta	100	18,000
Cina Plaza . . . . .	bucharest	100	5,000 <sup>(1)</sup>
<b>India</b>			
Bangalore . . . . .	Bangalore	25	310,000 <sup>(2)</sup>
<b>Total</b> . . . . .			<b>651,000</b>

(1) not valued due to immateriality

(2) GBA

## **Part III—Information on the Group**

### **Poland**

The Group currently owns three development projects in Poland which are in the planning and permitting stage:

#### ***Kielce Plaza, Kielce***

The Company has won a competitive tender for a perpetual usufruct over a site previously owned by 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, Poland. The new center will be located on a 25,000m<sup>2</sup> plot alongside a major road and two kilometers from the heart of Kielce. Kielce has over 200,000 inhabitants and an estimated catchment area of approximately 350,000, and is located in Central Poland on the main motorway linking Warsaw and Krakow. On completion, the scheme will have a GLA of 33,000m<sup>2</sup>, 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, Leszno***

The Company has a perpetual usufruct over a 18,000m<sup>2</sup> site in Leszno, Poland 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 16,000m<sup>2</sup> providing space for over 70 shops and 450 car parking space. The project is under planning and feasibility examination.

#### ***Lodz, Poland***

The Group 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 140 km 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 500m 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 80,000m<sup>2</sup>. The Group is also considering selling the plot.

### **Hungary**

#### ***Arena Plaza extension, Budapest, Hungary***

The Group has land usage right on an area of 22,000m<sup>2</sup> located next to the Arena Plaza shopping and entertainment center, which was built by the Group in Budapest, Hungary. The Arena Plaza extension is a planned office addition to the Arena Plaza and is intended to comprise approximately 40,000m<sup>2</sup> GLA of “class A” offices. The Arena Plaza extension will occupy part of the former historic Kerepesi trotting track in the 8<sup>th</sup> district of Budapest. The project is under planning and feasibility examination.

### **Bulgaria**

#### ***Shumen Plaza, Shumen***

The Group has purchased a 26,000m<sup>2</sup> 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.

The proposed scheme 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 m<sup>2</sup> GLA and 650 parking spaces. The project is under planning and feasibility examination.

## **Part III—Information on the Group**

### **Greece**

#### ***Helios Plaza, Athens, Greece***

The Group currently owns a plot of approximately 15,000m<sup>2</sup> 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. Helios Plaza is planned to be a three-storey commercial and entertainment center with 26,000m<sup>2</sup> GLA and to be served by four underground parking levels for 775 cars. The project is under planning and feasibility examination. The Group obtained a building permit valid until 22 December 2014.

### **Romania**

#### ***Csiki Plaza (Miercurea Ciuc)***

The Group purchased a plot of land with an area of 36,500m<sup>2</sup> in Miercurea Ciuc, for the development of a shopping and entertainment center. Miercurea Ciuc Plaza is situated in the eastern part of Miercurea Ciuc, a city in Romania, with a population of 40,000 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 14,000m<sup>2</sup>, and is intended to include a supermarket, fashion retailers, a food court and restaurants. Construction commenced in late 2008 and stopped during 2009 due to lack of interest from tenants derived from the economic crisis. Currently the Group intends to sell the project or alternatively checking the option to lease-up the project parallel to the development of other sites in Romania—subject to leasing progress and financing.

#### ***Slatina Plaza Romania***

The Company has acquired a site in Slatina, in southern Romania. The site totals approximately 24,000m<sup>2</sup> 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 17,000m<sup>2</sup> of GLA. The project is under planning and feasibility examination.

#### ***Hunedoara Plaza, Romania***

The Company has acquired a 41,000m<sup>2</sup> site in Hunedoara, Romania, a city of 60,500 inhabitants. The site is intended to be developed into a modern, western style shopping and entertainment center, with 14,000m<sup>2</sup> of GLA. It is ideally located on the main entry to the city from Deva and which is near the city center. The project is under planning and feasibility examination.

#### ***Constanta, Romania***

The Company has acquired a 28,500m<sup>2</sup> plot in Constanta, Romania. 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 8,500m<sup>2</sup>. 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 18,000m<sup>2</sup> of GLA which will be suitable for one big anchor such as leading supermarket and/or DIY store together with some smaller retail units.

#### ***Iasi Plaza, Romania***

The Group has purchased a 46,500m<sup>2</sup> plot of land in Iasi. This land is expected to be developed as a shopping and entertainment center and office space. Iasi Plaza is situated in Iasi, a city in the northeast of Romania. The population of Iasi is approximately 320,000 inhabitants and the catchment area is approximately 820,000 inhabitants. The shopping center comprises approximately 40,000m<sup>2</sup> 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 spaces of 18,000m<sup>2</sup> GLA. The project is under planning and feasibility examination.

## **Part III—Information on the Group**

### ***Cina, Romania***

The Group 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 5,000m<sup>2</sup>. The Group intends to commence construction in 2014 and the center is scheduled to open in 2015/2016.

### **India**

#### ***Bangalore, India***

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 Indian JV Vehicle intends to develop the site into a mega mixed-use project with a total built area of 310,000m<sup>2</sup>. The project will comprise over 1,100 luxury residential units. According to the new framework agreement, the partner undertakes to complete the acquisitions of the additional land and/or the development rights therein in order to obtain the ownership and/or the development rights over all 165 acres needed for the development of the project. The project is under planning and feasibility examination. For additional information regarding the joint venture agreement relating to this project, reference is made to paragraph 12 of Part IX (Additional Information—Material Contracts).

### **Office buildings owned by the Group**

#### ***David House, Budapest, Hungary***

The Company owns an office building located on Andrásy Boulevard, a prestigious location and one of the most sought-after streets in the center of Budapest. Several foreign embassies are situated nearby. The building facades of all buildings on the Andrásy Boulevard, including David House, are listed in the "World Heritage" list. The building was reconstructed / refurbished by the Group 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 plot comprising an area of 800m<sup>2</sup> and consists of four floors, an atrium and a basement, with a total constructed area of approximately 2,000m<sup>2</sup>.

#### ***Palazzo Ducale, Bucharest, Romania***

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 540m<sup>2</sup> built on a plot of around 450m<sup>2</sup> and consists of three floors, a basement and a garage. All three floors are currently leased.

### **Plaza BAS B.V, Romania**

Seven (7) local special purpose vehicles ("Local SPVS") are holding residential and office projects in Bucharest, Ploiesti and Brasov through Plaza Bas B.V. ("Bas"). The Local SPVS were held together with Aura Investments Limited ("Aura").

On 7 November, 2013 BAS, Aura Investments Limited and Aura Europe S.A. have entered into a Share Sale and Purchase Agreement as further and ultimately amended by on 16 June 2014 for the mutual transfer between the parties of the shares held by Bas and Aura in the Local SPVS and accordingly, pursuant to this agreement BAS wholly owns four (4) Local SPV and Aura wholly owns three (3) Local SPVS.

The projects that will be wholly owned by Bas are the following: Valley View Project and Pine Tree Glade Projects located in Brasov and Primavera Tower and Greenland located in Ploiesti, Romania. For an overview of the subsidiaries through which the projects are held, reference is made to Part IX nr. 4 "Local subsidiaries and investments".

### Part III—Information on the Group

For additional information regarding the contracts relating to BAS reference is made to paragraph 12 of Part IX (Additional Information—Material Contracts).

#### 4. Valuations

##### *Valuation*

The values of the Company's assets were determined by Cushman & Wakefield, the external independent valuator, for the Company's annual financial statements as at 31 December 2013 (as incorporated by reference into this document). Following the restructuring of the Board in July 2014, the Board required the independent valuator to carry out additional mid-year desk-top valuations evolving more conservative assumptions for certain land banks that the Company does not have intention to develop in the near/medium horizon, as concerns were raised in respect of the value of these specific assets. In addition thereto, the Board asked for an updated valuation of the Casa Radio project since this project suffers permitting delays and it is a very significant asset on the Company's balance sheet.

It is however clarified that the Company is not obliged to perform and/or publish semi-annual valuations for all assets owned in the absence of any concerns as referred to above.

Altogether 12 assets were appraised as detailed in the below list (except of Targu Mures which had already been sold since then), with a particular focus on the Casa Radio project, the Company's most valuable single asset, where the permitting process has been delayed.

In addition the Company asked for an external (on-site) valuation of the Koregaon Park Plaza active shopping and entertainment center in India (which was not valued in December 2013). In view of the progress in the negotiations for the sale of Kragujevac Plaza shopping and entertainment center (which was sold in October 2014), it was decided to reduce the value of this project in the semi-annual financial statements 2014 to EUR 38,5 million.

##### *Changes to the valuations of the annual financial statements 2013*

The valuations were conducted taking into consideration recent market conditions, the current permit status and the development time frame. The values of the assets following the latest desktop valuation differ from these shown in the annual financial statements 2014. The main reasons for the differences in the values of these assets between the valuations of June 2014 compared to December 2013 are as follows:

<u>Country</u>	<u>Project Name</u>	<u>Value December 2013</u>	<u>Value June 2014</u>
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	3 975 000
Romania . . . . .	Casa Radio Plaza	130 612 500	89 250 000
	Miercurea Ciuc Plaza	5 620 000	3 370 000
	Hunedoara Plaza	2 375 000	1 610 000
	Slatina Plaza	1 650 000	1 080 000
	Iasi Plaza	11 550 000	7 770 000
	Constanta Plaza	6 300 000	5 000 000
Greece . . . . .	Helios Plaza	15 300 000	4 400 000
Bulgaria . . . . .	Shumen Plaza	2 125 000	1 625 000
India . . . . .	Koregaon Park Plaza*	N/A	32 724 000

\* Operating Shopping and Entertainment Center

##### Arena Plaza Extension:

- Assumed rent of offices dropped from 12.5 EUR/sqm to 12.25 EUR/sqm

### **Part III—Information on the Group**

#### Kielce:

- Assumed average rental income dropped by 6.4%

#### Leszno:

- Updated comparables for the plot

#### Lodz Residential:

- Assumed average rental income dropped by 2.2%

#### Mircurea Ciuc:

- Assumed rent for the shopping center dropped from 15.0 EUR/sqm to 10.0 EUR/sqm
- Assumed rent for the logistic part dropped from 4.5 EUR/sqm to 4.0 EUR/sqm
- Assumed exit yields went up:
  - Entertainment part: 9.0% to 10.50%
  - Logistic part: 9.0% to 10.75%

#### Hunedouara:

- Assumed rent dropped from 7.75 EUR/sqm to 7.25 EUR/sqm
- Assumed exit yield has increased from 9.00% to 10.00%

#### Slatina:

- The concept of the project has changed from shopping center to power center
- Assumed rent dropped from 17.00 EUR/sqm to 14.00 EUR/sqm
- Assumed exit Yield increased from 8.50% to 9.50%
- Construction cost dropped from 750 EUR/sqm to 550 EUR/sqm

#### Iasi:

- Assumed exit yield has increased from 7.5% to 8%
- Assumed financing cost increased to 8% from 7.5%

#### Constanta:

- Assumed average rent dropped to 6.8 EUR/sqm from 8.75 EUR/sqm
- Assumed void on lease expiries increased from 6 months to 9 months

#### Casa Radio:

- Assumed average rent for the mall dropped to 27.5 EUR/sqm from 29 EUR/sqm
- Assumed average rent for the office part dropped from 17 EUR/sqm to 16 EUR/sqm
- Assumed construction cost of the shopping center dropped to 1,300 EUR/sqm from 1,400 EUR/sqm
- Assumed development finance cost dropped from: 41.2 M EUR to 23.6 M EUR
- Assumed exit yield of the mall increased from 7.0% to 7.5%

#### Helios:

- The new valuation takes into consideration the expiry of the building permit
- Assumed new concept of project with a ground floor retail scheme and office towers

### Part III—Information on the Group

#### Shumen:

- Assumed average monthly rent decreased to 14.5 EUR/sqm from 15.0 EUR/sqm

#### Overview freehold and leasehold properties

The following table shows separately the number of the Company's freehold and leasehold properties together with the aggregate of their valuations.

Country	Project Name	Value December 2013	Value June 2014 (where applicable)	Nature of Rights
Hungary . . . . .	Arena Plaza Extension	7.800.000	6.550.000	Land use rights ownership
	David House	3.950.000	N/A	
Poland . . . . .	Torun Plaza	97.580.000	N/A	ownership
	Zgorzelec Plaza	17.125.000	N/A	ownership
	Suwalki Plaza	43.525.000	N/A	ownership
	Lodz (Resi)	6.500.000	5.400.000	ownership/perpetual usufruct
	Lodz Plaza	7.925.000	N/A	perpetual usufruct
	Leszno Plaza	1.719.000	1.500.000	perpetual usufruct
	Kielce Plaza	5.350.000	3.975.000	perpetual usufruct
Czech Republic . . . . .	Liberec Plaza	17.675.000	N/A	ownership
Romania . . . . .	Palazzo Ducale	1.800.000	N/A	ownership
	Casa Radio Plaza	130.612.500	89.280.000	lease for 49 years (Company's Share)
	Timisoara Plaza	10.825.000	N/A	ownership
	Miercurea Ciuc Plaza	5.625.000	3.370.000	ownership
	Hunedoara Plaza	2.375.000	1.610.000	ownership
	Slatina Plaza	1.650.000	1.080.000	ownership
	Iasi Plaza	11.550.000	7.770.000	ownership
	Constanta Plaza	6.300.000	5.000.000	ownership
Cina	N/A	N/A	lease for 49 years (not valued due to immateriality)	
Latvia . . . . .	Riga Plaza	43.862.500	N/A	ownership (Company's Share)
Greece . . . . .	Helios Plaza	15.300.000	4.400.000	ownership
India . . . . .	Koregaon Park	N/A	32.724.000	ownership
	Varthur Park Bangalore	12.251.211	N/A	development rights (Company's Share)
	SIPCOT Park Chennai	11.271.562	N/A	ownership (Company's Share)
Bulgaria . . . . .	Shumen Plaza	2.125.000	1.620.000	ownership
Serbia . . . . .	Belgrade Plaza	16.150.000	N/A	ownership
	Sport Star Plaza	19.025.000	N/A	ownership
	Kragujevac Plaza	41.775.000	N/A	construction lease period (99 years) with subsequent ownership
<b>TOTAL</b>		<b>541.646.773</b>	<b>N/A</b>	

#### 5. Controlling Shareholder

The Controlling Shareholder holds (directly and indirectly) 185,000,000 Ordinary Shares which represents approximately 62.25% of the Company's issued share capital. As such, the Controlling Shareholder has

### **Part III—Information on the Group**

effective control of the Company. The Company is satisfied that all transactions and relationships between the Group and the Controlling Shareholder are and will continue to be at arm's length and on a normal commercial basis. To ensure that this is the case, the Company has entered into a relationship agreement with the Controlling Shareholder (a summary of which is set out in paragraph 13 of Part IX (Additional Information—Related Party Transactions) of this document. In accordance with the terms of this agreement, if a conflict of interest arises between the Controlling Shareholder and the Company, the Controlling Shareholder will ensure that the non-independent Directors will not vote in respect of such matter.

The Controlling Shareholder holds 185,000,000 Ordinary Shares through its fully owned subsidiary EUL.

To the Company's best knowledge (affiliates of) DK hold approximately 5.5% of the outstanding shares of the Company and approximately 14.3% of the outstanding shares of the Controlling Shareholder. To the Company's best knowledge, York Global Finance Offshore BDH (Luxembourg). S.a.r.l. ("York") hold approximately 19.7% of the outstanding shares of the Controlling Shareholder and are major Bondholders.

**Part IV—Market Overview**

**PART IV—Market Overview**

*This market overview has been provided by CBRE Limited, Chartered Surveyors at the request of the Company and covers general information on each country in which the Group operated, operates or is intending to operate as at the date of this document.*

# MARKET OVERVIEWS

*Poland, Romania, Czech Republic, Greece, Hungary, Serbia, Latvia, India*

*On behalf of:  
Plaza Centers*

**Date of Consultancy: 28 February 2014**

# TABLE OF CONTENTS

<b>1</b>	<b>POLAND</b>	<b>3</b>
<b>2</b>	<b>ROMANIA</b>	<b>11</b>
<b>3</b>	<b>CZECH REPUBLIC</b>	<b>17</b>
<b>4</b>	<b>GREECE</b>	<b>24</b>
<b>5</b>	<b>HUNGARY</b>	<b>30</b>
<b>6</b>	<b>SERBIA</b>	<b>36</b>
<b>7</b>	<b>LATVIA</b>	<b>45</b>
<b>8</b>	<b>INDIA</b>	<b>53</b>
<b>A</b>	<b>APPENDIX</b>	<b>72</b>
<b>B</b>	<b>NOTES</b>	<b>83</b>

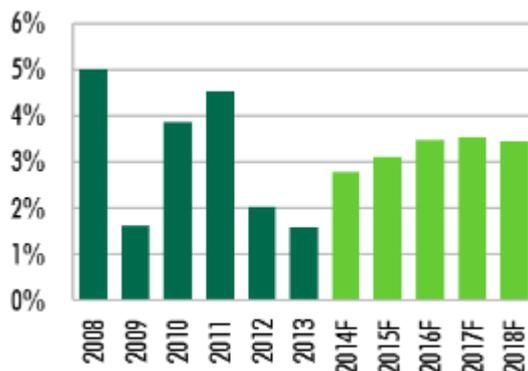
# POLAND

## Macroeconomics

Poland has a population of 38.5 million inhabitants. Warsaw is the capital city as well as the most significant political and economic centre of the country. The city is also an administrative hub of the Mazovian Voivodship, one of 16 voivodships in Poland.

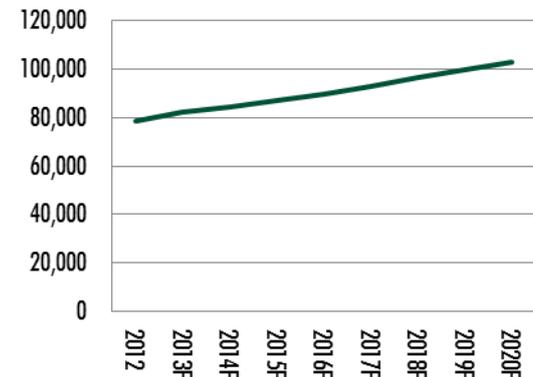
Along with the economic rebound, which is currently driven mostly by domestic rather than external demand, the business confidence is improving. According to the initial data, the Polish GDP increased by 1.6% in 2013 y-o-y, which is lower than the 2% registered in 2012. Nevertheless, the second half of the year brought a significant rebound of the Polish economy with the GDP growth amounting to 1.9% y-o-y in Q3 2013 and 2.7% in Q4 2013. Economists are confident that the positive trend will be carried well into 2014, fuelled by positive information from the EU zone.

GDP Growth in Poland



Retail sales in Poland

(million EUR, 2005 constant prices)



Source: Central Statistical Office; F - Oxford Economics forecasts, 2014

Source: Oxford Economics, 2014, F- forecasts

The long term prospects regarding the Polish economy also remain very positive. The country's GDP growth is expected to accelerate strongly in 2014, triggered by the low level of interest rates, strong consumer demand, and improving economic situation in many EU countries. The rebound is expected to continue throughout 2015-2016. The anticipated slowdown, expected to start in 2018 should be significantly smoother.

Poland is perceived as one of the most stable and dynamic economies in the CEE region. The continued recovery should result in a much stronger GDP growth than in most of the EU countries, proving that Poland remains a dynamic market with strong fundamentals and a huge growth potential. According to Oxford Economics, Poland's GDP will grow by 2.8% in 2014 and by 3.1% in 2015, in relation to 0.9% and 1.4% GDP growth forecasted for the Eurozone, respectively.

The Consumer Price Index (CPI), which began to compress in H2 2012, reached the level

of 0.8% y-o-y in November 2013, well below the Polish Monetary Council's target. The CPI for the whole 2013 amounted to a safe 1.4%. The most important factor influencing the low level of CPI is a relatively low pace of consumption growth, being triggered by the persistent uncertainty in the EU. This however might change throughout 2014 along with the early signs of economic uplift.

Both household disposable income and retail sales remain dependant on the general economic situation. The retail sales level in 2014 is expected to increase by 4.8% in comparison to the previous year. On top of that, according to Oxford Economics, in the medium to long run the dynamic of both retail sales as well as expenditures should remain positive, amounting to an average 3.2% y-o-y in 2014-2020.

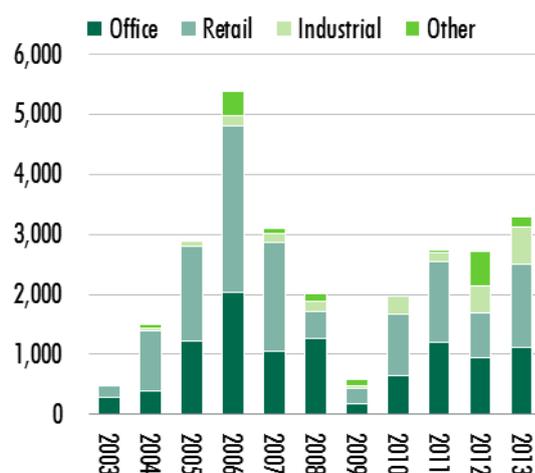
## Investment Market in Poland

After a period of a general slowdown in terms of real estate investment, the market has been facing a recovery since early 2011. Last year, Poland witnessed a strong demand for quality products, driven mainly by the core funds. However, the activity of players looking for secondary assets is increasing considerably. Activity on the investment market was focused primarily in Warsaw where the majority of the office transactions took place as well as in big regional cities where significant retail transactions were completed. The share of industrial in the investment volume remained strong throughout 2013, mainly due to two significant portfolio transactions that completed in the first and the fourth quarter.

In 2013 the investment volume in Central & Eastern Europe was around 39% higher than in 2012 and reached EUR 11.4 billion, triggered by solid year-end economic results in Poland and Russia. Notably, these two markets are increasingly driving CEE commercial real estate investment, with a combined share of ca. 75% in the transaction volume. Total investment activity in Poland amounted to EUR 3.3 billion in 2013, that is some 21% more in comparison to 2012. Due to the considerable number of on-going transactions, the 2014 investment volume might exceed EUR 3.5 billion.

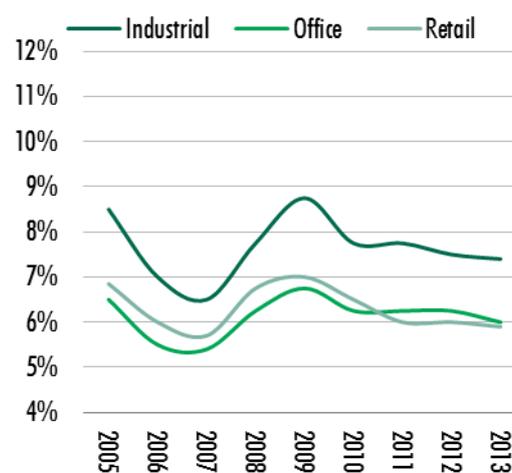
Last year the investment volumes considerably improved in all sector of the market. In total, 68 investment transactions were closed in 2013. Offices are considered to be the most liquid asset type in Poland with 27 schemes transacting last year, amounting to 34% of the investment volume. The retail sector was responsible for 42% of investment share with 23 schemes transacting worth almost EUR 1.4 billion sold last year. The industrial stake improved from 17% in 2012 up to 19% in 2013 with 13 transactions amounting together to EUR 610 million.

Poland Investment Volume  
(EUR million)



Source: CBRE

Prime yields in Poland  
(%)



Source: CBRE

Interest in the Polish assets remains viable mostly due to the political and economic stability of the country, accompanied by a sound performance of tenants in all sectors of the commercial property market. Moreover, the market fundamentals and the economic forecasts are relatively positive for Poland, which should sustain the investors' demand in the long run. Due to improving economic sentiment in the European Union, the investment volume in Poland continues to increase in all sectors of the market.

The European funds are the most important group of purchasers in Poland. UK investors proved to be most active in this regard, with a 22% share in the transaction volume, followed by German open-ended and close-ended funds, being responsible for 40% of purchasing activity in 2013. A significant 13% share has also been registered by Austrian investors. Furthermore, a visible trend from domestic buyers was also registered with volume at the level of 7% in 2013.

### Largest Retail Investment Transactions in Poland, 2013

CITY	NAME	SIZE (sq m)	YIELD	VOLUME (EUR)	BUYER
Katowice	Silesia City Centre	85,000	est. 6%	412 million	Allianz / ECE
Warsaw	Wola Park	61,900	6.00%	195 million	Inter Ikea
Krakow	Galeria Kazimierz	37,000	6.10%	180 million	Invesco
Wroclaw	Galeria Dominikanska	32,900	6.00%	152 million	Atrium
Warsaw	23% share of Zlote Tarasy	225,000	n/a	140 million	Unibail-Rodamco
Leszno	Galeria Leszno	32,500	8-8.5%	50 million	Blackstone
Krakow	Zakopianka	27,700	12.30%	44 million	Tristan
Wroclaw	Borek	12,000	8.70%	40.5 million	Tristan
Gliwice	Arena	12,000	8.70%	40.5 million	Tristan
Szczecin	Turzyn	11,900	8.70%	40 million	Tristan

Source: CBRE

## Retail Market Overview

Poland is gradually establishing its position as a strong and stable economy, offering attractive market conditions for both investors and developers. Economic drivers for further retail market development are easing, placing Poland among the top destinations for investment.

At the beginning of 2014 the shopping centre stock in Poland amounted to 9.85 million sq m located in 434 schemes. This is almost a 10% increase when compared to 2011. Over 57% of the stock is located in the major agglomerations, however the differentiation of the formats and schemes is deepening with 10 factory outlet centres and 33 retail parks already present on the market.

The Polish retail market is entering its third decade of continuous and dynamic development. After twenty years of demand-driven growth of the shopping centre offer in the major urban centres, it is well developed nearly everywhere, although market niches persist.

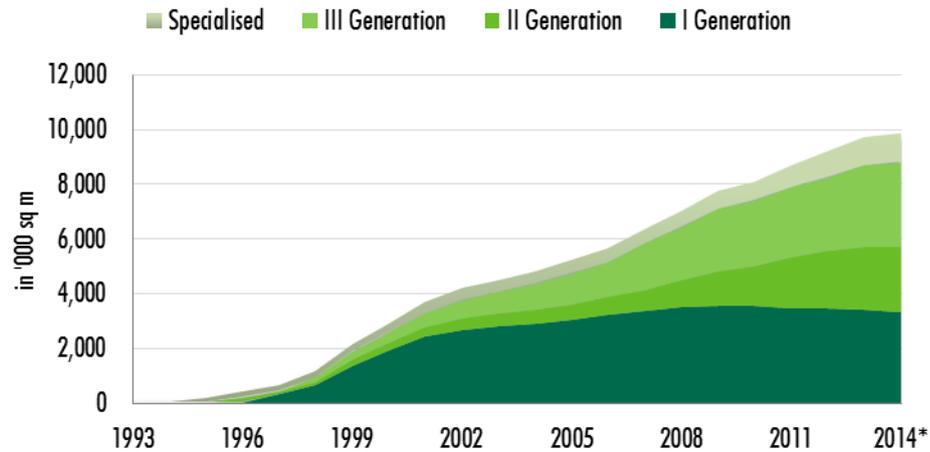
With 250 sq m of gross leasable area per 1,000 residents and gradually improving high streets, the modern retail in Poland has become increasingly mature while it still offers further, albeit more and more selective, development potential.

Although the Polish market is in-line with other rapidly developing EMEA countries, it still remains characterised by the dominance of shopping centre stock and relatively weak high street development.

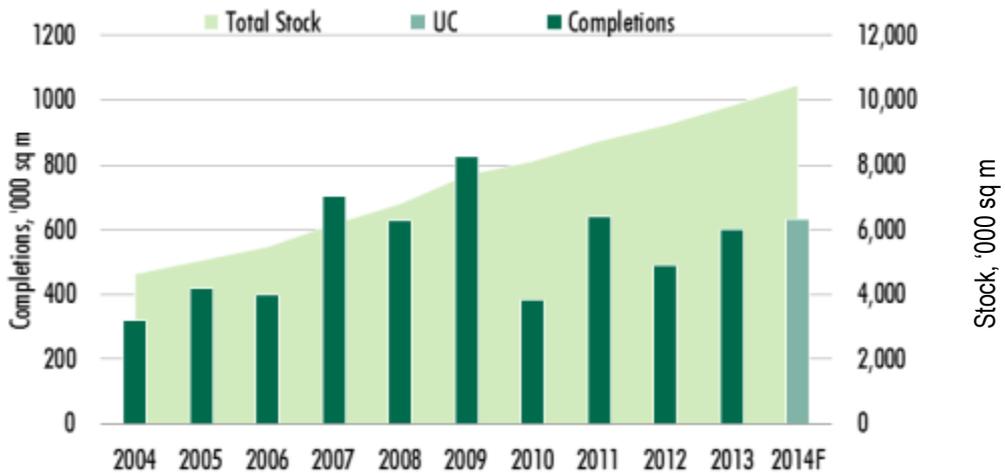
After 2012 completion results, with over 440,000 sq m of new GLA coming to the market, 2013 reached more significant results with nearly 600,000 sq m of new retail space, of which over 20% comprised the extensions and new phases of existing projects.

With only 3 out of 39 new 2013 completions being large shopping centres (over 40,000 sq m of GLA), the pipeline was once again dominated by small and medium-sized schemes as well as a considerable number of new additions to the existing schemes – 13 extensions and new phases were added to the market. In addition, a substantial amount of specialised projects was completed, with 1 factory outlet centre and 6 retail parks indicating the trend to diversify the retail offer.

### Retail Stock Evolution in Poland



### Shopping Centre Supply in Poland



Source: CBRE

In terms of size, currently completed shopping centres vary from small (under 20,000 sq m of GLA) to medium-sized schemes while projects over 40,000 sq m of GLA are becoming scarce in comparison to 2008 – 2010 pipelines.

Five large schemes were brought to the market in 2013, accounting for nearly 50% of the total completions. The largest scheme - Europa Centralna in Gliwice is a hybrid scheme combining a shopping centre and a retail park. Two large schemes were completed to integrate with the main railway station. Poznan City Center (58,000 sq m) and Galeria Katowicka (42,000 sq m) were both completed in H2 2013.

## Key New Shopping Centre Openings in Poland, 2013

City	Project name	Size (sq m of GLA)	Opening Quarter	Developer
Krakow	Auchan Bronowice	60,000	Q4	Immochan
Poznan	Poznan City Center	58,000	Q4	Tri Granit / Europa Capital / PKP
Katowice	Galeria Katowicka	42,000	Q3	Meyer Bergman
Gliwice	Europa Centralna	67,000	Q1	Helical Poland
Nowy Sacz	Trzy Korony	32,000	Q4	CD Locum
Inowroclaw	Galeria Solna	30,000	Q2	Acteeum CE
Chojnice	Brama Pomorza	25,300	Q4	Rank Progress
Warszawa	Factory Annopol	19,700	Q1	Neinver
Warszawa	Plac Unii City Shopping	15,400	Q4	Liebrecht&wood, BBI
Lomza	Veneda	15,300	Q1	Echo Investment

Source: CBRE

The vacancy rate in Polish shopping centres remains low with the average for the 15 largest cities of 3.55%. The lowest vacancy indicators on the city level (below 2.5%) were recorded in Czestochowa, Szczecin and Lodz, whereas Kielce, Bialystok and Poznan were the agglomerations with higher levels of vacant space (over 4.5%). Then medium-size cities are concerned, Radom, Bydgoszcz and Torun recorded the highest vacancy ratio of around 6%. Warsaw, with only 2.6% of vacant retail space remains the most attractive market in the country with availability of retail space for a typical, fashion tenant in an inner-city retail scheme remaining close to zero, indicating an outstanding potential for fashion anchored retail space.

As a natural entry point for the majority of retailers, Warsaw continues to attract newcomers and is still a shopping centre market that is being chosen over high street units. Most of the new brands appearing on the map of Poland choose prime locations as a guarantee of success. Latest direct entries recorded by the end of 2013 include such brands as Armani Jeans, Boomerang, Karl Lagerfeld, Manila Grace, Sports Direct and Laura Ashley.

Warsaw remains the most expensive retail location in Poland with prime rents at approximately EUR 75 - 90/ sq m/month (for the best unit of approximately 100 sq m and located in a prime shopping centre or high street) with upwards pressure continuing. Prime rents in other large cities of Poland are more moderate and reach up to EUR 40 – 55 /sq m/month. Average rents in Warsaw remain at EUR 25 – 35 /sq m/month. Service charges in the best shopping centres are at the level of EUR 7 – 10 /sq m/month while on average they reach EUR 5 – 7 /sq m/month. However, despite stabilising prime rental levels there is strong pressure on incentives, such as capital contributions towards shop fitting and rent-free periods, as well as turnover rents instead of set (or combined with lower) monthly payments. Also, tenants that are increasingly price-sensitive insist on better cost control in particular with regards to service and marketing charges.

## Retail Pipeline

2014 is expected to see shopping centre stock completion levels comparable to 2013, and is expected to bring 631,000 sq m of new retail space in 32 new schemes and 6 extensions.

Over 70% of the newly constructed schemes fall into the category of small retail (under 20,000 sq m of GLA). These are constructed to serve as the first retail scheme in small cities or to fill the niches in the less provisioned parts of the agglomerations. The largest scheme scheduled for opening in 2014 – Atrium’s Felicity (73,000 sq m) is built in the eastern city of Lublin. Other pipeline schemes, such as Galeria Warminska (41,300 sq m) in Olsztyn or Galeria Amber (33,500 sq m) in Kalisz will serve as the first third generation schemes in the city.

Among the schemes that are currently being extended are Galeria Sudecka (25,000 sq m added to the existing 19,000 sq m) in Jelenia Gora and Magnolia Park (24,000 added to the existing 77,000 sq m) in Wroclaw. All six extensions account for 15% of the 2014 pipeline (95,000 sq m).

### Map of Retail Pipeline in Poland (excluding extensions)



Source: CBRE, Google Maps

Selected under construction schemes (over 8,000 sq m) scheduled for opening in 2014 (excluding extensions)

Source: CBRE

NUTS II Region	NUTS III Region	Population	City	Address	Total Project Name	GLA sq m	Planned opening quarter	Developer 1
Lubelskie	M. Lublin	348 120	Lublin	Witosa /Grygowej	Felicity	73 000	Q1	Atrium European Real Estate( previously: Gray International)
Warminsko Mazurskie	- M. Olsztyn	175 482	Olsztyn	Sikorskiego i Tuwima	Galeria Warminska	41 270	Q4	Libra Project
Lubelskie	M. Lublin	348 120	Lublin	Tysiaclecia / Unii Lubelskiej	Tarasy Zamkowe	37 000	Q3	Immofinanz
Mazowieckie	M. Siedlce	76 495	Siedlce	Pilsudskiego/ Sienkiewicza i Jurowiecka	Galeria S	34 000	Q1	PB Konstanty Strus
Wielkopolskie	M. Kalisz	104 867	Kalisz	Gornoslaska, Dworcowa, Podmiejska	Galeria Amber	33 500	Q1	Echo Investment
Mazowieckie	M. Ostroleka	53 375	Ostroleka	Gorbatowa / Zebrowskiego	Galeria Bursztynowa	27 000	Q2	Narev-Inwestycje
Pomorskie	starogardzki	49 075	Starogard Gdanski	Pomorska / Jana Pawla	Galeria Neptun	25 400	Q4	Galeria Neptun sp z o.o. s.k.
Podlaskie	M. Bialystok	294 675	Bialystok	pl. Inwalidow Wojennych	Galeria Jurowiecka	25 000	Q4	Strus Przedsiębiorstwo Budowlane
Wielkopolskie	pilski	74 763	Pila	Chrobrego, Zakopianskiej i 14 Lutego	Galeria Pilska	23 800	Q4	Rank Progress
Swietokrzyskie	starachowicki	51 888	Starachowice	Ilzecka / Wyszynskiego	Galeria Galardia	17 600	Q4	Galardia (JV of NBGI / Balmain Asset Management / Claybark) Master Management Group
Warminsko Mazurskie	- elcki	59 370	Elk	Dabrowskiego / Kosciuszki	Brama Mazur	16 250	Q2	
Lodzkie	kutnowski	46 025	Kutno	ul. Kościuszki	Marcredo Kutno	16 000	Q1	Elbfonds
Pomorskie	chojnicki	40 291	Chojnice	Zielona / Derdowskiego	Multicentrum Victoria	16 000	Q1	Apo-Pharma (Victoria Sobol)
Mazowieckie	nowodworski	28 254	Nowy Dwor Mazowiecki	Warszawska / Thommee	CH HIT	15 000	Q4	MarcPol
Lubelskie	M. Lublin	348 120	Lublin	Melgiewska 16	Outlet Center	12 100	Q4	ADV Por Property Investment SA
Wielkopolskie	gniezienski	70 129	Gniezno	Gdanska 87/91	Galeria Winiary	11 500	Q3	San - Dal
Slaskie	wodzislawski	49 317	Wodzislaw Slaski	Marklowicka	Stara Kopalnia	10 000	Q4	PPH Rico
Wielkopolskie	M. Poznan	552 393	Poznan	28 Czerwca 1956r. 382	Galeria Debiec	9 750	Q3	RED Development
Lodzkie	radomszczanski	48 154	Radomsko	Sierakowskiego / Warszycza	Era Park Handlowy Radomsko	8 500	Q1	BW Logistyka
Slaskie	M. Slaskie Piekary	57 572	Piekary Slaskie	Miarki	Marcredo Center	8 500	Q1	Elbfonds Development
Podlaskie	zambrowski	22 653	Zambrow	Mazowiecka / Magazynowa	Galeria Bem	8 000	Q4	Wand-Pol (grupa Bemex)

## ROMANIA

### Macroeconomics

Very good macroeconomic results were recorded in 2013: the GDP growth was of 3.5% in 2013 (with an estimated 2.3% for 2014) coupled with record exports of approx. EUR 50 billion and the industrial production growth at 7.8%. The interest rate dropped to 4% in December 2013 while an historic low was registered for the inflation rate - 1.55%.

Major contributors to the GDP growth in 2013 were: agriculture, industrial production and exports (with second part of the year registering a strong increase for exports within auto industry).

2013		2012
Population	20 mln.	21 mln.
GDP Growth Rate (YoY)	3.5 %	0.7 %
Gross Monthly Wage (€)	516	479
Unemployment Rate	5.01%	5.59 %
Standard Income Tax Rate	16%	16%

*Source: National Institute of Statistics, ANOFM*

The Romanian economy continued to surprise on the upside, with 1.6% q/q expansion in Q3 following the 0.8% in Q2 2013. Exports remained the main driver of growth (up by 19.1% y/y) while a strong harvest provided additional support. Growth is expected to become increasingly broad-based as domestic demand benefits from the strong export sector.

The consumer sector is improving, with moderate growth of 0.6% y/y recorded in Q3. Inflation has fallen sharply and is now expected to stay within the target of 1.5-3.5% throughout 2014. Lower prices combined with the improving labour market and income growth are expected to result in a more significant rise in household disposable incomes in due course. Falling inflation triggered additional interest rate cuts at the end of 2013, which should continue to bring the cost of credit down.

### OUTLOOK

The economy is estimated to have grown by a robust 2.6% in 2013. This year growth is expected to become more broad-based, with the consumer responding to falling inflation and improving credit conditions and businesses expanding spending due to rising export orders. Slower than expected recovery in the euro zone and political tensions at home resulting from strained relations between the prime minister and the president are the main risks to domestic growth.

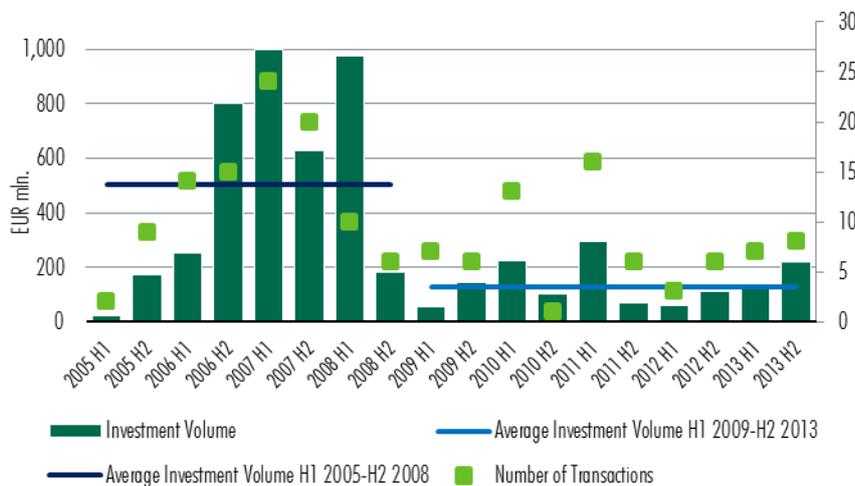
## Property Investment Market in Romania

### Investment Volume 2013

The real estate commercial investment volume for the entire year was EUR 343 million, up 100% versus 2012 and in a similar volume with 2011 and 2010, of this figure circa EUR 215m represented retail assets. A total of 15 transactions comprising 30 properties were recorded in the period with an average volume size of EUR 23 million.

The year was dominated by NEPI, as out of the 15 transactions recorded in 2013, NEPI was involved in six of them. NEPI was the buyer for the biggest transactions within each half-year - the sale of City Park Mall (81m Eur) in Constanta in H2 2013 and the sale of LakeviewOfficeBuilding in Bucharest by AIG in H1 2013. In total, NEPI holds 40% of the investment volume recorded in 2010 – 2013. In this period, NEPI bought office & retail properties, no industrial investment and has acted both in Bucharest & regional & secondary cities in Romania.

### Investment Volume Half-Year H1 2005 – H2 2013 (EUR mln)



Source: CBRE

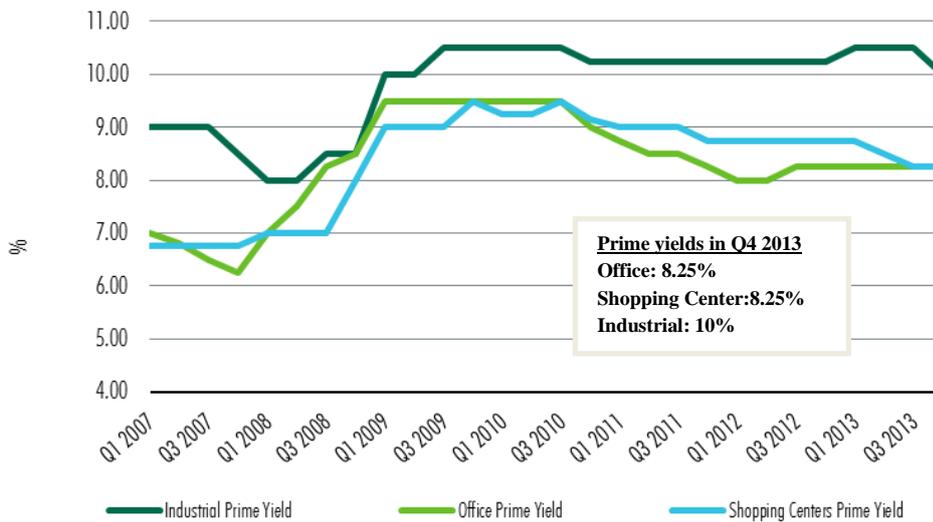
Some of the most important transactions of 2013 were: Mega Mall Bucharest, Deva Shopping Center, Vulcan Value Center, Severin Shopping Center (NEPI buyer), Cathedral Plaza (office), Timisoara Airport Park (industrial) - both acquired by Globalworth Real Estate Investment Limited, Galleria Suceava, Bucuresti store (retail) or Continental hotel in ClujNapoca. Smaller transactions occurred where Mitiska Ventures acquired three regional Cora shopping centers. Based on press releases, the majority of these transactions lay between 8,75% - 9,5% gross initial.

On top of the cash-flow generating investment volume, two other transactions concluded where the buyers were owner-occupiers. A medium-size office building on Nicolae Caranfil Street was bought by Koton and a retail premise on Lipsyani Street was purchased by a private Dutch investor – both for owner occupation.

The most transacted properties in 2013 were also the retail schemes (73%), followed by the office schemes (21%) and the industrial schemes (5%).

### Yields

During the past twelve months the yield for prime shopping centers in Bucharest dropped from 8.75% to 8.25% on the back of increased investor interest for prime retail schemes. Whereas in provincial cities such as Timisoara, Brasov, Cluj and Constanta yields are 9 – 9,5 %. Industrial yield compressed to 10% from 10.5% considering higher leasing transactional activity, while the prime yield for offices remained stable at 8.25% in Bucharest and plus 100bp higher in the provincial cities.



Source: CBRE

### Retail Market Overview

In 2013 there were approx. 106,000 sq m of shopping center space delivered to the market represented by Uvertura Mall Botosani, AFI Palace, Ploiesti (29,000 sqm), Promenada Bucharest (35,000 sq m) and Galati ShoppingCity (27,000 sqm), plus 18,000 sq m – Cora Constanta a hypermarket-led scheme.

By end of 2014 some schemes will be operational: GhenceaShopping Center and VulcanValueCenter, while for 2015-2016 major schemes like Mega Mall and Park Lake are to be completed.

Retail Scheme	GLA (sq m)	Project	Developer	City
---------------	------------	---------	-----------	------

Start				
Mega Mall	70,000	2015	NEPI	Bucharest
ParkLake	67,000	2016	Caelum Development & SonaeSierra	Bucharest
Vulcan ValueCenter	25,000	2014	NEPI	Bucharest
Ghencea Shopping Center	26,000	2015	Immochan	Bucharest
Coresi ShoppingCity(phase I)	48,000	2015	Immochan	Brasov
TarguJiu Shopping Center	27,000	2014	NEPI	TarguJiu

Source: CBRE

The Capital's retail stock comprises of approx. 575,000 sq m GLA of shopping center space and more than 266,000 sq m GLA of retail park space. With the addition of Uvertura Mall Botosani, AFI Palace Ploiesti, Promenada Bucharest and Galati Shopping City, Romania accounts for more than 2,810,000 sq m of modern stock – as of Q4 2013.

Retail sales in Romania registered a slower start in January 2013, while January 2014 recorded the highest increase (4.7%) since October 2012.

Expansions by international food chains continued in the fourth quarter of 2013 and this trend is expected to be maintained over the course of 2014. The most notable openings recorded last year included expansions by Mega Image and Profi which opened 104 and 64 units respectively. However, other similar retailers also expanded, albeit at a more modest pace, with Lidl, Penny marke, Billa and Kaufland adding stores to their portfolio. In the fashion segment, Zara and H&M continued to enlarge their presence, although their expansion strategy will be somewhat restricted by the limited number of new schemes being opened this year.

#### Retail Indicators (Q4 2013)

Stock (mln. sq m)	2.81
Shopping Center Stock (mln. sq m)	1.62
Retail Park Stock (mln. sq m)	1.19
Factory Outlet Stock (sq m)	16,000
Pipeline UC Romania 2014 vs 2013 (sq m)	56,500

Prime Rent High-Street (EUR / sq m / mth)	60
Prime Yield High-Street (%)	10
Prime Rent Shopping Centers (EUR / sq m / mth)	57.5
Bucharest Prime Yield Shopping Centers (%)	8.25

Source: CBRE

## Retail Market Timisoara

It is recognised that this city is one of the few in Romainia which is under supplied with modern retail formats and still there were no new deliveries during 2013 save for some isolated food retailing formats for Mega Image, Profi and Kaufland. Clear demand from the larger food store formats is lead by Auchan, Carrefour and Cora who are all seeking hypermarket formats in the city. Similarly, in the fashion segment, Inditex, C&A and H&M continued to enlarge their presence directly into shopping center formats.

Only two schemes are in the pipeline, that of NEPI in the south part of the city which is proposed to be a single level food anchored retail scheme of circa 20,000 sq m GLA and Timisoara Plaza to be developed by Plaza Centers representing circa 40,000 sq m GLA. Both schemes are anticipated to break ground during 2014.

Prime rental evidence (Julius Mall) suggests figures of EUR 35 – 38 /sq m/month for units shops dropping to under Eur 10 /sq m / month for fashion anchors. Average blended rents are believed to be circa Eur 14 - 15 / sq m /month.

## Office Market Overview

In 2013, signs of improvement in the occupier market have been noted with net take-up rising. However, rents held firm and the market is still tenant-led with landlords required to offer incentives in order to attract and retain tenants. Further improvements are expected in 2014 when impending monetary easing and strong exports should feed into the domestic economy.

A flurry of deals in Bucharest in Q4, equating to 77,000 sq.m, brings take-up in 2013 to 304,500 sq.m - the highest annual total seen since 2008 and 29% higher than 2012. The largest deal of the year was the 10-year lease, 26,000 sq m renewal of HP's headquarters at Novo Park. Pre-lets fell, but volumes were supported by rising new leases and renewals. Encouragingly, expansion driven occupier activity increased by 54%. Prime rents hover around EUR 19-20/sq m/ month in central Bucharest dropping to EUR 8-10/ sq m /month in the outerlying districts.

The total amount of new supply in 2013 is 118,100 sq.m, of which 80% is concentrated in Barbu Vacarescu (the capital's new business district). Floreasca Park (37,500 sq.m) was the only completion in Q4 also located in the Barbu Vacarescu district. Oracle pre-let 25,000 sq.m here as their new HQ premises. With a modest amount of new space coming to the market and better demand the overall vacancy rate nudged down to 13.50% and there is cautious optimism that it will continue to decline. Looking forward, there is potential for some of the 126,000 sq.m on hold to be activated with relative ease so developers must remain selective and seek pre-lets before breaking ground.

### OUTLOOK

The Romanian office market will see an occupier led recovery as investors wait for more visible and sustained income streams before investigating opportunities. There are lingering concerns over the relatively high vacancy rate and prime rents are still supported by incentive packages. However, demand is improving and less speculative completions will, over time, help to rebalance the office sector.

## CZECH REPUBLIC

### Macroeconomics

Czech Republic has a stable high credit rating, which is the highest of any country in the CE region. Czech Republic has deserved this favourable rating due to strict fiscal policy application and low level of government debt.

The table below shows recent development and the last updated economic forecast of macroeconomic variables for Czech Republic.

ITEM	2008	2009	2010	2011	2012	2013	2014f	2015F
GDP Growth (real y/y change, %)	2,9	-4,4	2,3	1,8	-0,9	-1,4	2,2	2,9
Consumption, private (real y/y change, %)	2,7	0,3	0,8	0,5	-2,1	-0,4	0,5	2,0
Unemployment rate (end of period, %)	4,1	6,2	7,0	6,7	6,8	7,7	7,7	7,4
Inflation rate (CPI y/y change, end of period, %)	6,3	1,0	1,5	1,9	3,3	1,4	1,8	1,8
Average wages (nominal y/y change, %)	7,5	-2,1	0,8	2,2	1,8	-0,2	3,1	5,3
Interest rate, short term (3 month, %)	4,0	2,2	1,3	1,2	1,0	0,5	0,5	0,9
EUR/CZK Exchange rate (end of period)	25,0	26,5	25,3	24,6	25,1	26,0	27,0	26,3

Source: Oxford Economics, February 2014

The Czech economy grew by 1.8% on average in Q4 2013 in comparison with the previous quarter according to the first GDP prediction of the Czech Statistical Office. The GDP for 2013 was reviewed downwards to -1.1% y-o-y. Czech GDP is forecast to increase again in 2014 by 2.2% and 2.9% in 2015. Preliminary GDP figures in the Eurozone as a whole decrease by 0.4% in 2013 and is forecast to increase by 0.9% in 2014 and by 1.4% in 2015.

The Czech Republic has the lowest unemployment rate within the Central European countries and has remained the economy with the lowest levels of unemployment within the EU-27 countries, despite witnessing a slight increase. Regardless of increasing industrial production and increasing GDP in last months, the unemployment rate experienced an increase and ended up at the level of 7.7% in 2013. In January 2014 the number of jobless people in the Czech Republic hit an all-time record and reached almost 630,000. We expect the unemployment rate to stabilise in the upcoming months and remain at 7.7% in 2014, before the expected drop in 2015 to 7.3%.

According to the CNB, inward Foreign Direct Investment (FDI) in 2012 was almost 5 times that recorded in 2011. FDI totalled EUR 8.3 billion in 2012 and this was the third highest since 1993. Almost EUR 84 billion in FDI has been recorded since 1993. The Czech Republic consistently attracts the highest rate of FDI per capita in the CE region. Germany, the United States, Austria, Japan and the United Kingdom are the most important investors in the country in the long-term. The most frequented sectors were financial intermediation, transport & storage and communications, trade & hotels and restaurants as well as machinery and equipment in 2012.

According to the Czech Statistical Office, the consumer price index (CPI) growth for years 2012 and

2013 was 3.3% and 1.4% respectively. However, it is expected to stabilise and reached the growth rate of 1.8% in 2014. In January 2014 the inflation rate stood at 1.3% y-o-y, a 0.2% increase when compared with January 2013. The total consumer price level decreased by 0.1% in Q3 2013 compared to the previous quarter. A decrease was recorded in the communication sector due to mobile operator discounts, also a drop in fuel prices and in furnishings and appliances. The growth came from a rise in clothing and shoes sector due to start of new collection and in alcoholic beverages and tobacco sector.

The Czech National Bank (CNB) holds its interest rates steadily very low. The CNB lowered them to the record low of 0.05%. No change was made with national bank interest rates during 2013 and no changes are predicted for the future until the Czech economic performance improves.

The National Bank sent its currency lower with an aggressive foreign-exchange intervention strategy on 7 November 2013. This was first central bank's intervention for 11 years and was carried out to avoid deflation and improve the economy by supporting the country's export. The CNB aims to target an exchange rate of around 27.00 CZK/EUR in the long term.

## Property Investment Market in the Czech Republic

After very moderate investment volumes in the Czech Republic in 2012 (only EUR 609 mln), 2013 recorded a substantial increase with a total volume of EUR 1,036 mln of investment transactions (an increase of 68%). This figure is however 50% less than 2011 and remains below the 10Y average. 2011 was an exceptional year both in terms of volumes as well as deal size. In terms of transaction numbers there were considerably more transactions in 2013; 31 deals compared to 20 and 24 respectively for the previous two years. It should be noted that recorded investment transactions refer predominantly direct property transactions. Therefore corporate transactions such as TPG/Ivanhoe Cambridge's purchase of PointPark Properties and Multi development's acquisition by Blackstone are excluded from the total volume.

The breakdown of annual volumes by asset type shows that offices continue to dominate accounting for 57.3%. Industrial stock and mixed-use were responsible for 14.7% and 7.0%, respectively. Little volume was seen this year in the retail sector reflecting only 6.3% of transactions. Conversely, hotels witnessed an exceptional year in 2013 with 4 hotels in Prague being sold for a total of EUR 152.5 mln. The Intercontinental hotel alone represents 75% of this amount and the purchasers in this transaction were Best Hotel Properties and J&T.

The significance of local investors is still evident, although the statistics are influenced by the purchase of The Park by Starwood Capital group. This deal alone was circa EUR 300 mln. Czech buyers accounted for 31% of the investment volumes in 2013, American for 28%.

Country	Company
Czech Republic	Cimex, REICO, CPI
USA	Starwood Capital group

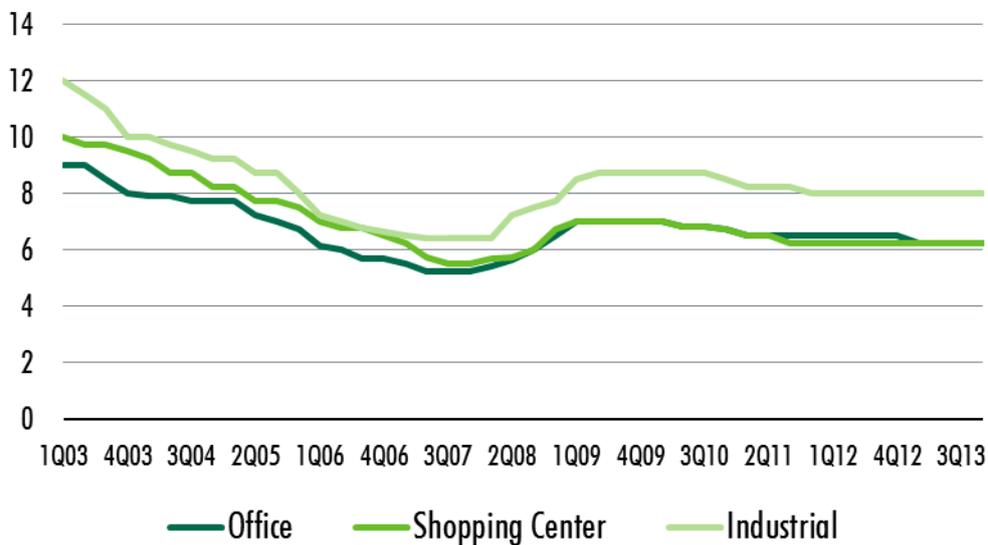
In 2013, office assets were responsible for EUR 594 mln and accounted for 57% of total investment volume which shows the continued dominance of the asset class. In Q3 2013, office assets were responsible for EUR 325 million and accounted for 73% of the total Q3 volume. Most of the office investments were transacted in Prague.

We are witnessing a further widening of yield discrepancies with the limited availability of true prime product resulting in downward yield pressure at the Prime end, with further drops expected.

Investment demand may increase as result of the expectation that the economic recovery will gain momentum both locally and in Europe. The 2013 investment volume was boosted by the single asset transaction of The Park. Similar scale transactions in retail and industrial could to be closed in 2014. This combined with an improving investment outlook suggests that total investment volumes in 2014 will exceed 2013.

The continued lack of supply of truly prime product will continue to maintain the prime yield levels; however the definition of what constitutes true prime is narrow and thus the proportion deals at these yields will remain low.

### Prime Yield Development in the Czech Republic (%)



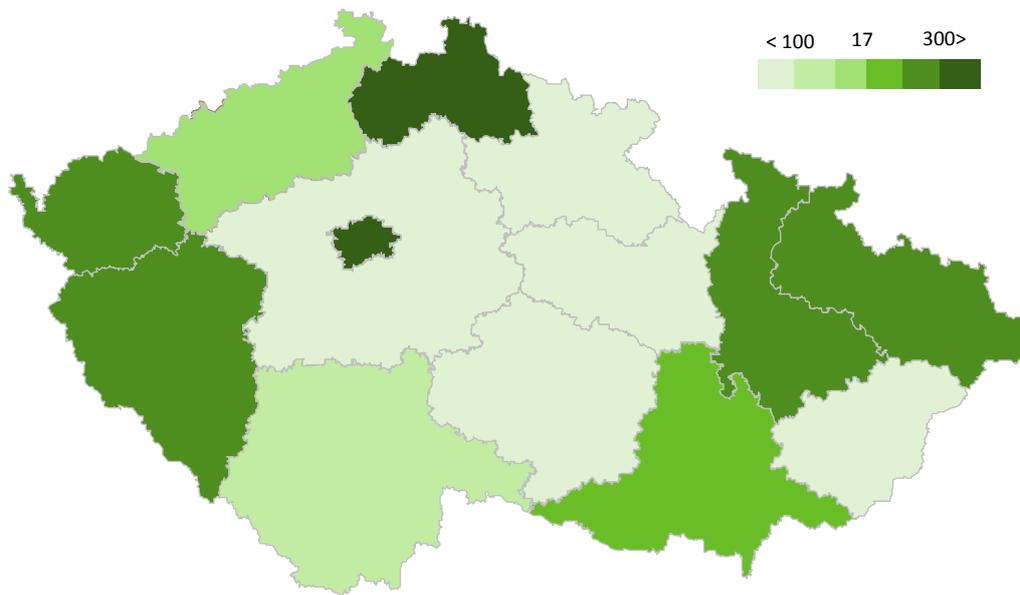
Source: CBRE Research

## Retail Market Overview

The volume of shopping centre stock reached 2.2 million sq m by the end of 2013 in the Czech Republic. Total saturation is 203 sq m of modern shopping centre stock per 1,000 population considering schemes with a GLA of 10,000 sq m and above. This puts the Czech Republic at 20th place in Europe. Within CEE, the saturation figures are slightly higher for Poland and Slovakia and significantly lower in the Hungarian and Romanian markets.

As for the regional stock, the most saturated is the capital Prague (24 shopping centres) with 703 sq m per 1,000 population and Liberecky region (6 shopping centres) with 377 sq m per 1,000 population. The lowest saturation is in the region Vysocina with 56 sq m per 1,000 population and only one shopping centre. Currently almost 80 % of all shopping centres are located in the regional cities. The retail market saturation has already reached its maximum in Liberec and Olomouc, where the volume exceeded the boundary of 1,000 sq m per 1,000 population. The potential for further development is in Hradec Kralove with the saturation below 500 sq m per 1,000 population.

Retail stock per capita per 000 population, 2013 year-end



Source: CBRE Research

The Czech retail market almost tripled its size in the last 10 years. The biggest shopping centre boom was recorded between 2004 and 2008 when almost 1 million sq m of modern shopping centre space was delivered to the market (38 new schemes and 8 expansions), out of which 40 % was in Prague, 10% in Brno and 8% in Plzen. Since 2008 construction has rapidly declined and finally in 2011 dropped to the bottom when only one small shopping centre was opened with a total size of 6,400 sq m.

The Czech retail development has gone through a recovery and is now stable. In 2012 over 100,000 sq m of modern retail space was added to the market. During 2013 seven new shopping centres and two expansions with a total area of 162,000 sq m were completed. This was the highest supply of modern retail space since 2008. The most active developers in this period were JTH (3 projects), Multi development, Dandreet and Unibail-Rodamco. Apart from two large constructions in 2013 namely, Centrum Cerny Most (extension) in Prague with over 44,000 sq m and Galerie Santovka in Olomouc with almost 50,000 sq m; developers focused on smaller regional projects below 10,000 sq m. Development in smaller regional cities reflected the need to adapt to customers demand who are now less willing to travel for shopping.

In terms of demand the situation on the Czech retail market was stable in 2013. Attractive destinations for tenants remained the dominant shopping centres and high streets in Prague. Due to the strong competitive environment the diversification on the market was getting gradually bigger in terms of the schemes and tenants as well – the strong becoming stronger, the weak becoming weaker.

The competitive environment also forced retailers to be more active in contract negotiations and the optimisation of their portfolio.

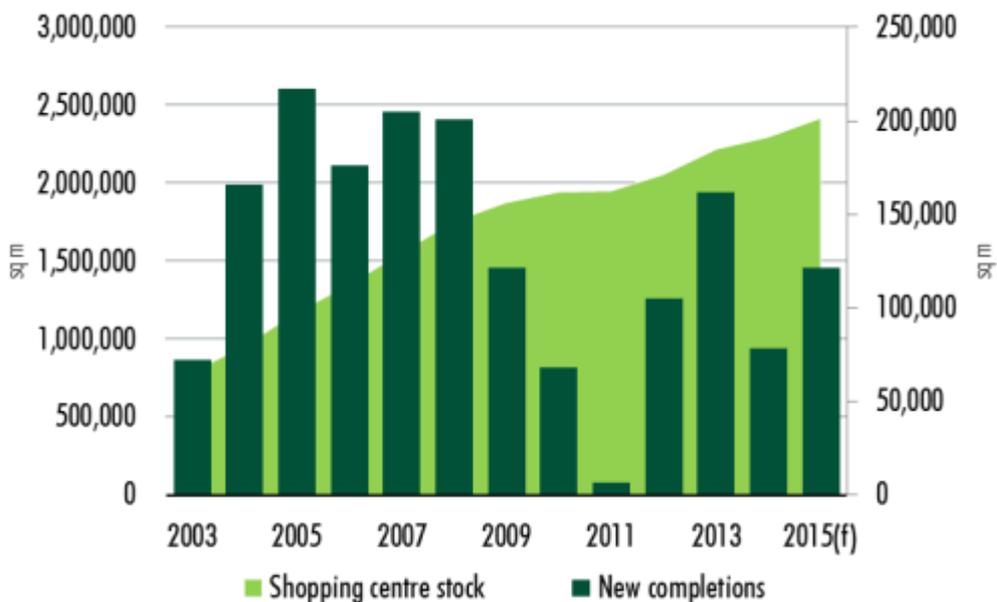
There are still new retailers entering the Czech market, namely Smyk, Wochas, Sinsay or Grycan entered the market in 2013. They were mostly looking for prime shopping centres and high street locations. Moreover, current retailers, especially large chains stores, expanded as well. Conversely, retailers such as KappAhl, Puntanela, Mixer and Pixmania left the Czech market.

The ongoing market consolidation will cause the termination of weaker retail chains and the buy up by the thriving retailers. We expect further penetration of online retailers to the stores, following the aim to get closer to the customer and offer the best service. Retailers will further pursue the so called click and collect policy of combining an online and mortar stores sales via new technologies and Internet.

Retail rents are subject to regional differences and depend on the performance and location of each project. In 2013, prime rents in traditional SC remained stable across the regions. As at 2013 year-end, prime SC rent stood at 85 EUR/sq m/month (no y-o-y change). Rental levels in traditional SC in regions vary from 20 to 45 EUR/sq m/month. Prime rental levels in retail parks across the Czech Republic vary from 7 to 12.50 EUR/sq m/month.

Rental levels are expected to remain stable in 2014. However due to the strong competitive environment the diversification on the market is getting gradually bigger in terms of the schemes and tenants as well, so we can expect higher pressure on rents in weaker projects.

### Growth of Shopping centre stock, 2013 year-end



Source: CBRE Research

## Retail Pipeline

Currently five new shopping centres are under construction with total size reaching 80,000 sq m and should be delivered by the end of 2014. The extension of Brno Kralovo Pole scheme will be completed in 2015. There are at least six other projects that are in the planning stage for 2014 and 2015, namely Tesco Trnita in Brno, Aupark in Hradec Kralove, Gecko in Ostrava, Central Kladno and Nova Palmovka and Palac Stromovka in Prague. The total value of modern retail stock of these schemes is 115,000 sq m.

Map of Retail Pipeline in the Czech Republic



Source: CBRE

City	Project	Size (sq m)	Rental level*	Developer	Anchor tenants	Delivery
Teplice	Galerie Teplice	21,800	EUR 20.0	Dandreet	H&M, Intersport, Bata, CCC, Gate, Euronics, dm drogerie, Bambule	Q1 2014
Decin	Pivovar Děčín	17,500	EUR 20.0	Settimo Development	CCC, dm drogerie, Euronics, H&M, Bambule	Q2 2014
Prague	OC Lužiny	16,000	EUR 35.0	Urban developers and Investors LTD	Billa, dm drogerie, Euronics, Dracik, Czech post office, City library	Q2 2014
Prague	Quadrio	8,000	EUR 70.0-80.0	CPI	Euronics, CCC, dm drogerie, Neo Luxor, Promod, Calzedonia	Q3 2014
Frydek-Mistek	OC Frýdek-Místek	14,800	EUR 20.0	TK Development	Billa, Intersport, H&M, New Yorker, Euronics	Q4 2014
Brno	NC Kralovo Pole	14,000	EUR 25.0-35.0	Tesco Stores	Tesco hypermarket, Reserved, CCC, dm drogerie, Deichmann, Sparkys, Okay	2015

\* EUR/sq m/m – referring to a 200 sq m unit in the ground floor

# GREECE

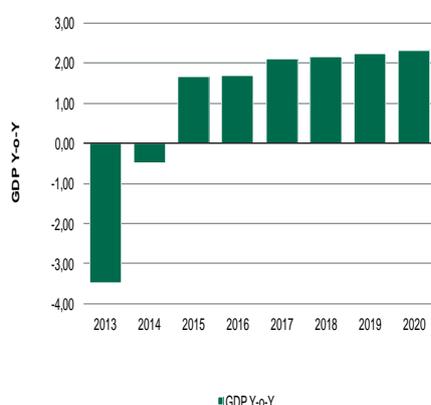
## Macroeconomics

Greece has a total population of 10,80 million inhabitants out of which 60% resides in urban areas. The average GDP per capita in PPS in 2012 has fallen to 75% compared to the European Union average according to Eurostat. The economy is heavily based on the services sector.

Greece suffers from a high public debt which led to the IMF – Eurozone support and to private sector debt swap. To acquire this, the Greek government proceeded with a severe austerity program which has resulted in less public investment and consumption.

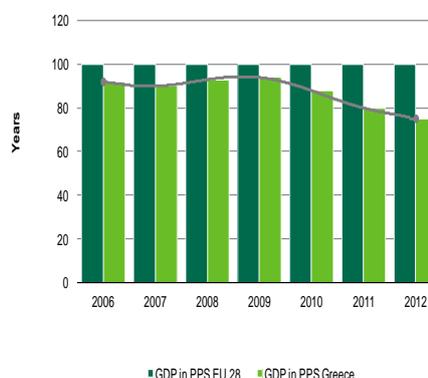
For the last five years the economy has been in deep recession. GDP decreased by -6.4% in 2012 and in 2013 it showed further decrease in the order of -3.7% according to the Hellenic Statistical Authority, which however was regarded as a very positive development as it was expected to exceed -4% . The unemployment rate has risen to 27% for Q3 2013 and, based on Oxford Economics projections, it is expected to rise further for 2014 reaching 28%, while it will start decreasing slightly from 2015 onwards (27.6%). Private expenditure in terms of volume diminished by -6.5% in 2013 and it is anticipated to decrease by -1.0% in 2014, before starting to increase again from 2015 onwards. The fall in private consumption is explained by a decrease in households' disposable income, as a result of reduced wages, a significantly lower number of employed persons and increased tax burden, as well as shrinking consumer credit and prevailing uncertainty.

### Long Term Greek GDP Forecasts



Source: Oxford Economics

### Greek GDP Evolution in PPS



Source: Eurostat

On the other hand, exports of goods and services are expected to increase in the foreseeable future (from 2.5% in 2013 gradually and up to 4.0% in 2016 in terms of volume and it is expected to keep this positive pace in the long term). Inflation was at -1.7% in December 2013 but it is expected to be cut down to -1.2% in 2014. From 2015 onwards, the consumer price index is expected to rise slightly (0.5% in 2015, 1.1% in 2016, 1.6% in 2017 etc). According to Oxford Economics the economy is estimated to start recovering in 2015. This depends to a certain degree on the implementation of structural reforms which leaves concerns over the future growth.

By now, the fiscal program of the country has been revised, however it still remains at high risk to be

knocked off track. In any case, according to the Governor the Bank of Greece's annual market report dated February 2013, the Greek economy is still in deep recession and the fiscal program should be followed, since recovery will be visible in the course of 2014.

## Property Investment Market in Greece

The annual turnover from retail activity in September 2013 (as cumulative period) decreased by 10.3% compared to the same period in 2012. This general index excludes automotive fuel and shows the significant impact of the salaries decrease in consumption and as a consequence to the retail activity. It should be stressed that a consequence of the decrease in retail activity was the increase in vacancy rates regarding retail units, as well as the significant decrease in rental values. According to forecasts of Oxford Economics, the general retail index in retail trade will decrease at 3.27% in 2014 and will start to recover gradually in the years to come, reaching by 2026 levels equal to those of 2008. On the other hand the retail sales volume in general, for the period between November 2012 and November 2013, presented a slight increase in the order of 3%, showing first of all that prices have fallen (combining it with the evolution of the annual turnover) and that the market starts to stabilize albeit slowly.

Regarding new foreign investments in Greece, some have taken place during 2013 which, although not always impressive, show a new trend in the economy. The areas of interest are energy, tourism, real estate and industry. Companies such as Piraeus Container Terminal (a subsidiary of Cosco Pacific in Greece), Qatar Petroleum International, Third Point, Fairfax Financial Holdings, Dogus, Eldorado Gold etc have already invested significant amounts in the above mentioned sectors during 2013. Also, companies such as GlaxoSmithKline, Unilever, Hewlett Packard, Kraft Foods, Johnson & Johnson, Philip Morris, Henkel and Novartis have either increased or transferred their production in Greece in the same year.

It should also be noted that there was strong mobility in the bank sector. Within a year ten banks have been absorbed by other Groups and mainly 4 banks control approximately 90% of the banking sector. These so called systemic banks are National Bank, Eurobank, Alpha Bank and Piraeus Bank.

Although the real estate investment sector in Greece is characterised by the lack of liquidity and finance, aggravation of the tax system regarding real estate assets, the continuous rental decrease and the laws that allow tenants to terminate their leases easily with a small penalty and the investors' perception of the public debt, during 2013 a rather important number of investments in real estate has taken place through the privatisations procedures by the Hellenic Asset Development Fund. It is noted that in general the actual investments in 2013 have taken place at prices higher than €100 million, compared to 2012, when the most important investments were no higher than €50-60 million, while the annual initial yield levels varied between 8.50%-10.50%.

Besides privatisations however, investors in the real estate sector in Greece are interested in acquiring hotels or small islands. Already a few transactions have taken place in the Ionian sea and Corfu island, where an Emir from Qatar acquired Miramar Hotel for € 40 million as well as Oxia island in the complex of Echinades islands. Furthermore, the most prestigious acquisition was that of Scorpio island, that belonged to the heiress of the Greek tycoon Aristotle Onassis and was sold on a long lease basis to the daughter of the Russian tycoon Dmitri Ribolovlev for € 117 million. Finally, the prestigious hotel complex of Astir Palace, in the area of Vouliagmeni, Athens, was sold to the Arab AGC for € 400 million.

As far as offices are concerned, in February 2013 Ethniki Pangaea acquired a 6 office building complex in Paiania, Attica, named "Karela Office Park", which is leased for 35 years to the telecommunications company "Cosmote". The property has a total main use floor area of approximately 40,000 sq.m. and it

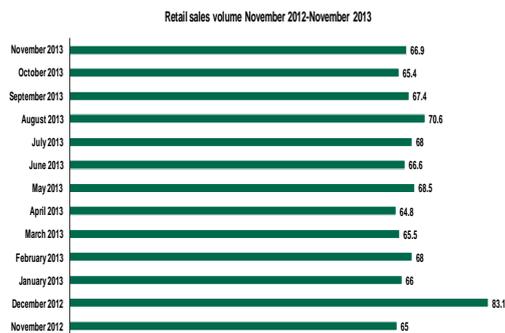
is the first development in Greece that was awarded with the international certification Leed Gold due to its environmental specifications. It was sold for € 120 million and the annual yield is estimated at 8.50%. Also in October 2013 Eurobank Properties acquired a portfolio comprising 14 office building in Athens, Xanthi, Serres and Corinthos, leased to the Greek Public Sector for € 14 million annually. The portfolio has a total area of 136,000 sq.m. (main areas) and was sold for 145.81 million at a 9.60% yield.

Logistics is also a sector that shows some mobility. In February 2014 Lidl Hellas inaugurated officially its new logistics centre, in the area of Kalyvia, close to the Athens International Airport “Eleftherios Venizelos”. It is Lidl’s 5<sup>th</sup> logistics centre in Greece and occupies a total area of 50,000 sq.m. Lidl is expected to operate another logistics centre in Thessaloniki, northern Greece, in 2014, with a total area of 60,000 sq.m., that will be the largest in Europe.

Regarding retail sector, an important investment transaction during 2013 concerns the acquisition of City Gate shopping centre in Thessaloniki by Marinopoulos Group for €6 million. The property has a total area of 87,000 sq.m. and belonged to the Australian Fund APN. What is worth mentioning is that the actual development cost of the centre was €80 million. Today, due to the negative economic climate the largest part of the centre is vacant, the most important departure being that of Ster Cinemas. In December Eurobank Properties acquired a portfolio of 4 commercial properties from Rockspring, that are leased to Praktiker, McDonald’s and Marinopoulos Group for € 50 million. Three of these properties are located in Athens and one in Thessaloniki. The total area of the portfolio is 65,000 sq.m., of which 53,500 sq.m. are above ground areas and 11,600 sq.m. underground ancillary areas, while the annual yield is estimated at approximately 12%.

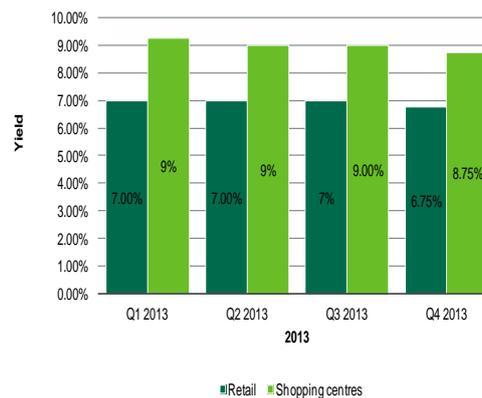
Yield levels for prime retail units have started to decrease in the last two quarters. Today they are believed to trade at 6.75%; however, no transactional evidence has confirmed this so far this year. Prime shopping centre yields may reach as high as 8.75%.

Retail sales volume 11.2012-11.2013



Source: Greek National Statistics Agency

Prime yield evolution



Source: CBRE ATRIA

## Retail Market Overview

Significant numbers of small even high-street retail units have closed and continue to close while vacancy rates have increased even in prime areas, such as the pedestrian Ermou Street and the

upscale fashionable district of Kolonaki in the centre of Athens. More specifically, vacancy rates in prime commercial areas in the centre of Athens have reached 25%, with higher rates to be observed in secondary areas.

As turnover keeps falling, the current economic climate and reduced demand have led to a significant fall in terms of market rents, both in prime as well as in secondary markets. Tenants tend to renegotiate harder and are prepared to leave the premises if they cannot obtain the reductions demanded. As a consequence, landlords in most cases tend to agree to reduce rents, thus preferring to reduce their income, than having to re-let an empty unit.

Transactions are generally very few, since companies have reconsidered their plans for potential expansion and even decided to close branches that do not perform as expected, while new businesses do not enter the market either. Following today's trends, a potential investor would be interested in nothing less than an A class property, at a prime area and preferably let to a tenant with strong covenant.

Regarding rents in general, they have decreased by even more than 70% in non-prime areas, while in prime areas the decrease is approximately around 40%-50% and key money is no longer asked by landlords. In other cases however tenants do not hesitate to go to court in order to obtain discounts they believe fair. Also, nowadays, most lease agreements are signed on a turnover basis, than on a specific rent amount.

What seems to be the general trend also is the gathering of commercial activity in specific prime areas, with very low vacancies, that will be dominated by the most important retail "players". On the other hand, the secondary commercial areas are not expected to survive, and this will lead consequently to a large number of vacant units that will not be easily absorbed by the market.

A notable new trend in the market is the expansion of bakery chains, which nowadays are located even in prime and central areas such as Kolonaki.

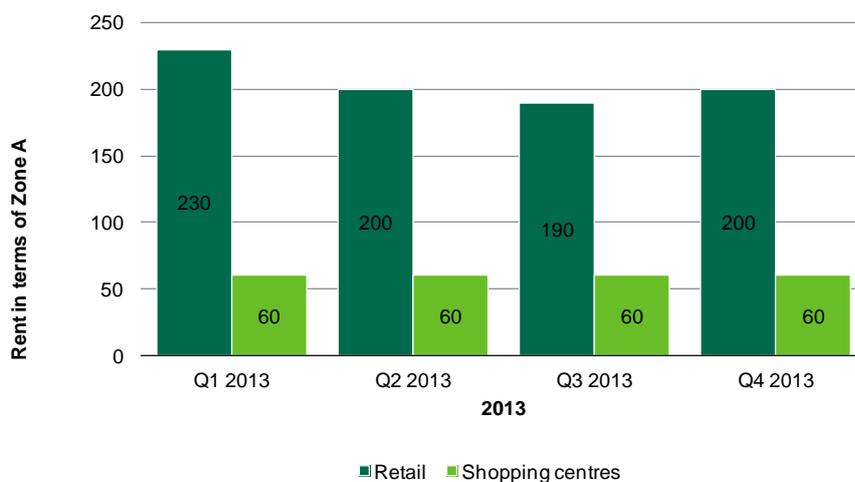
The total stock of shopping centres in Athens is estimated at 413,400 sq m. Typical size ranges between 20,000 sq m and 40,000 sq m. The largest shopping centre is "The Mall Athens", in the Municipality of Marousi with a total area of 58,500 sq m. The occupancy ratio of the most successful shopping centres is between 95%-98%, while the rest of the schemes range between 85%-90% in terms of total leasable area.

Even those tenants that already operate within the shopping centres ask for temporary reductions or for discounts in common charges. On the other hand however, shopping centres tend to be more attractive to operators than high-streets due to the significantly lower rents (approximately 1/4 of the rents asked in high streets) and the fact that they provide higher security levels as well as rather steady footfall flow.

The situation however is considered to be significantly more difficult when it comes to shopping centres in Greek cities other than Athens and Thessaloniki.

Following the above, rental values for retail units in prime areas in terms of zone A range between € 150-€200/m<sup>2</sup>/month. For prime shopping centre rents range between €40- €60/sq/m/month.

### Prime rent evolution in Athens (ITZA) in €/sq m/month



Source: CBRE ATRIA

## Retail Pipeline

The current economic climate prevents investors from undertaking new development projects, especially regarding retail. This trend is expected to last until the economy starts recovering, with the exception of some developments in Athens that have already been announced, and are expected to occupy approximately 223,000 sq m.

### Pipeline Shopping Centres

City	Project	Size	Rental level*	Developer	Anchor tenants	Delivery
Athens	Smart Park extension	17,680	N/A (we assume €10-12/sq.m./mth but we refer to cinemas and big box retail unit)	REDS S.A.	Village Praktiker (however no agreement has been signed yet)	Unknown- construction not started yet
Athens	Votanikos	35,000	N/A	Babis Vovos IC	N/A	Delivery unknown- Construction postponed due to problems with Council of the state
Athens	Ktima Kampa	66,000	N/A	REDS S.A.	N/A	Construction not started yet
Athens	Academy Gardens	54,000	N/A (we assume €40-60/sq m/month)	MGPA EUROPE FUND III	N/A	Construction not started yet
Athens	Pireas (Helios) Plaza	38,700	N/A	Plaza Centers	N/A	Construction not started yet due to domestic economic status.

\* Rental range in EUR/sq m/m – referring to a 200 sq m unit in the ground floor

*Source: CBRE AXIES*

# HUNGARY

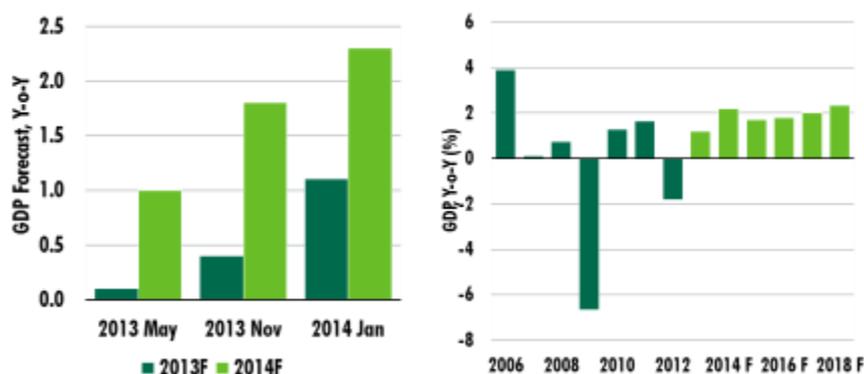
## Macroeconomics

GDP forecasts are turning more optimistic than they had been earlier on the back of a stronger economic performance in Q3. Oxford Economics gradually improved their GDP forecast figures throughout last year and now they forecast 2.2% for 2014, slightly under the government's expectation. There are increasing signs that the recovery is becoming more broad-based, with exports continuing to expand and also domestic demand gaining momentum. The unemployment rate is down to 9.8% in November, and the overall employment is close to surpass the 4.0 million line; however this figure is backed by public hiring programs which aim to channel back the least educated workforce into the labour market. CPI inflation has continued to decline since September, reaching a historic low in December at 0.4%. This level is, however, artificially low due to the phased cuts of state-regulated household energy prices.

On the back of falling inflation and with the aim of helping the economic recovery, the National Bank of Hungary (NBH) cut the base interest rate further to 2.85% in January. The NBH have been engaged in a lengthy easing cycle, with the base rate cut by a cumulative 415bp since August 2012. As another tool of monetary easing, the NBH launched the Funding for Lending scheme, with the programme set to expand up to over 5% of GDP by end-2014. This monetary easing is aimed to help Hungarian small and mid-sized enterprises (SMEs) who were suffering under the conservative lending policies of the commercial banks recently. On the commercial real estate market in particular, this funding scheme makes financing easier for typical local investors who are keen to enter the property market in the current stage of the value cycle.

Consumer spending is seemingly picking up with retail sales growth reaching 5% in November - supported by the recent sharp improvement in labour market conditions and an increase in real wages. According to Oxford Economics' forecast, GDP growth will be driven increasingly by domestic demand in 2014. Investment should also continue its recent revival, backed by the extended Funding for Growth scheme that has already had a noticeable impact on corporate lending.

Recent GDP Forecasts (left) and Long-Term GDP Forecast (right)



Sources: Oxford Economics, CBRE

In January the Hungarian Forint (HUF) depreciated significantly against the EUR and crossed the 310 HUF/EUR line. Expectations remain that the HUF exchange rate to the euro will stay around 300-310 in H1 2013, a significantly weaker level than previous year. Macroeconomic fundamentals speak for a

stronger currency as the deficit target of 2.7% was met in 2013 and also massive current account surplus has accumulated, and no deterioration is expected in fiscal scrutiny even in the election year of 2014. Nevertheless, US tapering impact the emerging markets (like Hungary) in an unfavourable way as capital flow can be more limited to such destinations and make their currency more volatile.

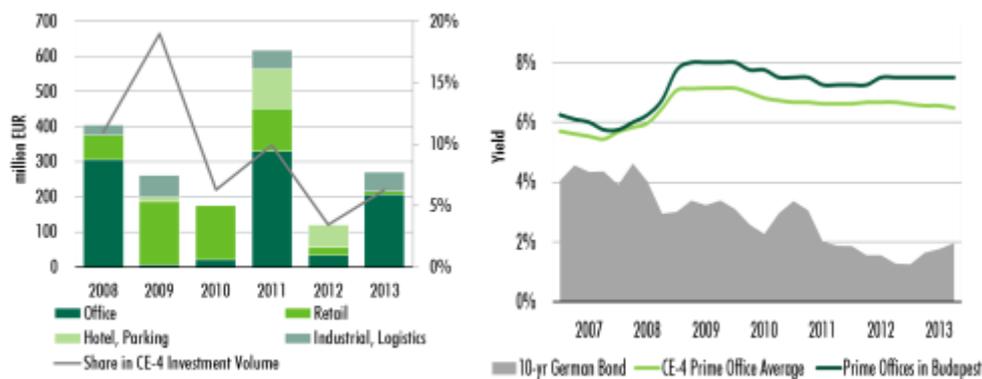
## Property Investment Market in Hungary

The annual investment volume in 2012 only reached EUR 121 million, marking a new low in commercial real estate (CRE) turnover on the Hungarian market. In 2013 market activity has clearly increased and annual turnover reached EUR 272 million.

Turnover figure in 2013 was boosted by two large corporate deals in H1, amounting to EUR 155 million. A prime office building in the capital was traded between two German funds and also the pan-European transaction between Norges (the buyer) and ProLogis (the vendor) added to the Hungarian CRE turnover in H1. A Budapest retail big-box anchored with TESCO was also traded. Two office assets in the ORCO Endurance Fund also changed owner as the entire Central European fund was taken over by CPI, a Czech listed property company.

The largest deal in H2 was the sale of Akadémia Park (Officium) in North Buda. The property was purchased by a Russian individual for an announced 34 mln EUR. Retail investments of small deal sizes (sub 3 million) remained very popular and CBRE are aware of two such deals in Q4 2013 with more are expected to close in 2014. This is a segment where our estimation can come short and similar transactions involving local buyers can go unnoticed.

### Commercial Real Estate Turnover and Prime Yield Evolution in Hungary



Sources: CBRE

Besides CRE turnover, there is a growing market of non-income yielding properties. These include corporate sales, owner occupied transactions and properties with vacant possession. Overall volume of these other investments accumulated to EUR 95-100 mln, up from an estimated EUR 40-50 mln in 2012. The largest portion of this non-income turnover is generated by end-users (corporates and owner occupiers) who made 70% of the volume last year. Besides end-users, opportunistic buyers contributed the remaining 30% of the turnover. Opportunistic investors are showing growing interest for well located, good quality vacant properties, mostly in the office sector.

Yield levels for all asset categories have been stable for the last two quarters. At the end of the year, prime office yields were quoted at 7.50%, supported by a transaction earlier in 2013. The best retail

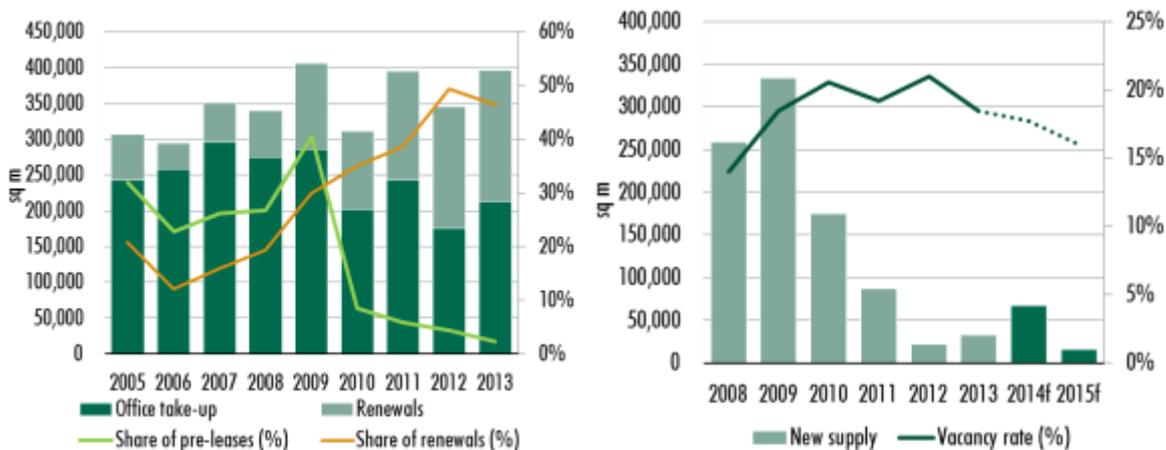
properties are believed to trade at 7.00%; however, no transactional evidence has confirmed this so far this year. Prime yields for logistics parks stand at 9.50% after a 25 bps shift in Q1 2013. Based on running bids, yields for ‚A‘ category offices not in the CBD are in the range of 8.0%-8.5%. Non-prime retail properties are priced at 9.0%-9.5%. All these yields have a stable outlook with little chance of decompression. Prime supermarket yields can move out from the current level of 7.75%.

## Office Market Overview

The total office stock in Budapest stands at 3.17 million sq m (including 0.63 mln sq m of owner occupied space). One third of this volume was developed in the period of 2007-2010 making Budapest one of the European office markets with the most dynamic growth. This period came to a sudden halt in 2010/2011 and new supply fell to levels never seen before. Some increase on this record-low development level was witnessed in 2013 with 30,100 sq m of new delivery. Furthermore, another 66,600 sq m are under construction and scheduled for delivery in 2014. The pipeline beyond 2014, however, looks very dry as only one larger project has kicked off recently. This can lead to a shortage of appropriate office space for larger occupiers as the modern premises are getting absorbed.

Office demand in 2013 showed revival on the previous year by all measures. Annual take-up totalled to 212,300 sq m, showing an increase of 21% compared to 2012. As usual, on the Budapest office market, pre-leases remained insignificant with a negligible share of 2% in take-up. Owner occupied transactions made up 12% of take-up this year. The remaining 86% of take-up was attributed to new leases or expansions of existing leases premises. On top of take-up, 184,200 sq m of lease renewals were also registered in 2013. While renegotiations were gaining weight within the office demand in the years following the recession in 2009, this trend seems to have stopped in 2013. However the share of renewals is still high with 48%, it is already slightly under the figure registered in the peak year of 2012 (51%).

Total Leasing Activity, New Supply and Vacancy Rate



Source: CBRE, BRF

The vacancy rate has decreased by 2.6 pps year-on-year and stood at 18.4% at the end of the year. Vacant stock decreased to 584,700 sq m – a level not seen in the last four years. On the back of stronger demand, net absorption was positive in all quarters in 2013. Rents vary significantly by category and location. In general, Budapest rents are competitive when compared to other CEE capitals across all market segments.

- As there has been no development in the prime category since 2010 and the most valuable floor plates are taken, premises in prime buildings are available for EUR 18.0-20.0\*. Eiffel Palace, the only running CBD development confirms this price level.
- 'A' category buildings in Central areas offer premises at headline rents quoted somewhere between EUR 11.0-16.0\*. Comparable average rents are typically at 12.5-12.75, going as high as 17.0\* in CBD.
- Rent range is even wider for 'A' category offices in Non-Central areas; however, a clear discount can be seen due to geography. Rents vary between EUR 6.0-13.5\* with typical comparables being at EUR 10.0-11.5\* and as low as EUR 7.5\* in Periphery.

\*All rents quoted in EUR on a sq m/month basis.

Rents go below this level for second-hand space in older premises. 'B' category rental rates start in single-digit figures in all submarkets except for the CBD. A discount due to lower technical specification and higher age of the building can accumulate to 30-40% depending on the state of the premise. Typical 'B' category rates start at EUR 4.0 in Non-Central areas and at EUR 6.0.

## Office Pipeline

Although the level of new completion has risen from the all-time low seen in 2012, the 2013 completion level is far from significant when compared to other CEE capitals. During the year, a total of 30,100 sq m was delivered, out of which 11,300 sq m was owner occupied (including the new Bosch HQ and the small building of Geometria, a Hungarian IT company). Such high share (38%) of owner occupancy in the new supply has never been measured on the Budapest market, reflecting the significant fall in speculative development activity. We believe the bottom of the market has been passed and we will see development activity slowly pick up in the coming years. However, larger projects are likely to start only based on built-to-suit agreement or at least 50% pre-lease. We are aware of several large occupiers actively searching for new premises and this can bring momentum to the development market, but until now none of these projects were officially launched.

### Pipeline Office Projects

PROJECT	DEVELOPER	SUBMARKET	SIZE (m <sup>2</sup> )	AVAILABLE (m <sup>2</sup> )	DELIVERY	KEY TENANTS
1 Ilka Corner	HU private	Non-Central Pest	2,700	850	Q1 2014	Small local IT tenants (largest: Jet-Sol)
2 Eiffel Palace	Horizon	CBD	14,500	5,500	H2 2014	PwC and Denton signed pre-leases; ongoing negotiations
3 Vision Tower	Futureal	Váci Corridor	23,000	8,450	H2 2014	KPMG and Teva signed pre-leases
4 Váci Corner	HB Reavis	Váci Corridor	20,200	20,200	H2 2014	No tenant; negotiations ongoing
5 Corvin Corner	Futureal	Central Pest	6,200	6,200	H2 2014	No tenant; tenants from Corvin 1/2 are likely to expand
6 Váci Greens C	Atenor	Váci Corridor	18,000	18,000	H2 2015	No tenant (potentially GE will expand into the building)
V17	WING	Váci Corridor	12,000	Start not confirmed yet /Negotiations with key tenant ongoing.		
Nordic Light I	Skanska	Váci Corridor	4,000	Start not confirmed yet /Negotiations with key tenant ongoing.		
Budapest One	Futureal	South Buda	Cca. 15,000	Start not confirmed yet /Negotiations with key tenant ongoing.		

Source: CBRE



# SERBIA

## Macroeconomics

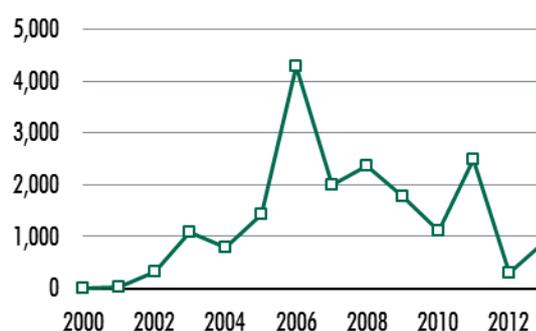
In 2007 Serbia had one of Europe’s fastest growing economies. GDP per capita reached EUR 3,946, whereas the major growth drivers were telecommunications, construction and transport. However, in 2009 the global economic crisis slowed down the overall situation in the Serbian economy, causing the drop of GDP to 3.5%. As per official data, GDP on a quarterly level in 2013 grew by 2.7%, 0.3% and 3.7%, respectively, and according to the flash estimate it grew 2.6% in Q4 2013. Having in mind that final figures on GDP for 2013 are not published yet, the National Bank of Serbia’s projection of GDP growth remains at the level of 2%, while the projection of GDP growth in 2014 has been revised to 1.5%.

According to the National bank of Serbia, the total net inflow of FDI in 2010 amounted to USD 1.12 billion, indicating a reduction of 37% when compared to 2009. However, 2011 witnessed a significant increase marking the highest inflow of FDI after 2006. The transaction by Belgium's Delhaize involving the acquisition of Delta Maxi for EUR 932 million is the largest single investment inflow of 2011.

GDP Growth



Net FDI (million USD)



Sources: National Bank of Serbia

Inflation in Serbia is highly sensitive to the changing of energy and food product prices due to their major share in CPI (Consumer Price Index) and the frequent price oscillation of these products. As per the National Bank of Serbia’s estimations, inflationary pressures weakened further in Q3 2013 and year-on-year inflation returned within the target tolerance band, confirming the projection and expectations of NBS. The key contribution to inflation’s return within the target came from monetary policy measures, falling prices of primary agricultural commodities, low aggregate demand and relative stability of the exchange rate of the local currency. In December 2013, y-o-y inflation stood at the level 2.2%, while the key inflation rate was decreased to the level of 9.5%.

As of March 2012, the European Union granted Serbia formal EU candidate status, which should result in an improvement of business potential and investment climate in Serbia resulting in a positive impact on Belgrade property market in general. The government of Serbia is continuously demonstrating positive signs to the international community that it wants to join the EU as soon as possible.

## Investment Market in Serbia

Being a small country, Serbia is far from being seen as an institutional investment destination, such as a few countries in the region which currently meet institutional investor's criteria. As of the beginning of the global economic crisis, Belgrade market lacks any recorded investment transactions, yet only several non-income transactions have been recorded in owner-occupied segment, generated by end-users (corporates and owner-occupiers). Besides end-users in several occasions, opportunistic buyers made the trade of properties with vacant possessions, aiming to renovate the property into a hotel or an office building. In addition, several transactions in the high street retail segment were marked, however, the volume of each transaction remained below EUR 1 million.

Still, at the moment, a few income producing large-scale properties have been put for sale, however, these transactions have not been realised yet. Based on general conditions in the Belgrade real estate market, as well as several offers during 2012 and 2013, we may believe that yields for high street properties vary between 7.5 and 8%, while for the other retail formats and office properties, yields range between 8.5% and 10.0%. The next chart shows the estimated yields in the Belgrade property market.

Belgrade Prime Yields (%)



Source: CBS International, part of the CBRE Affiliate Network

## Office Market Overview

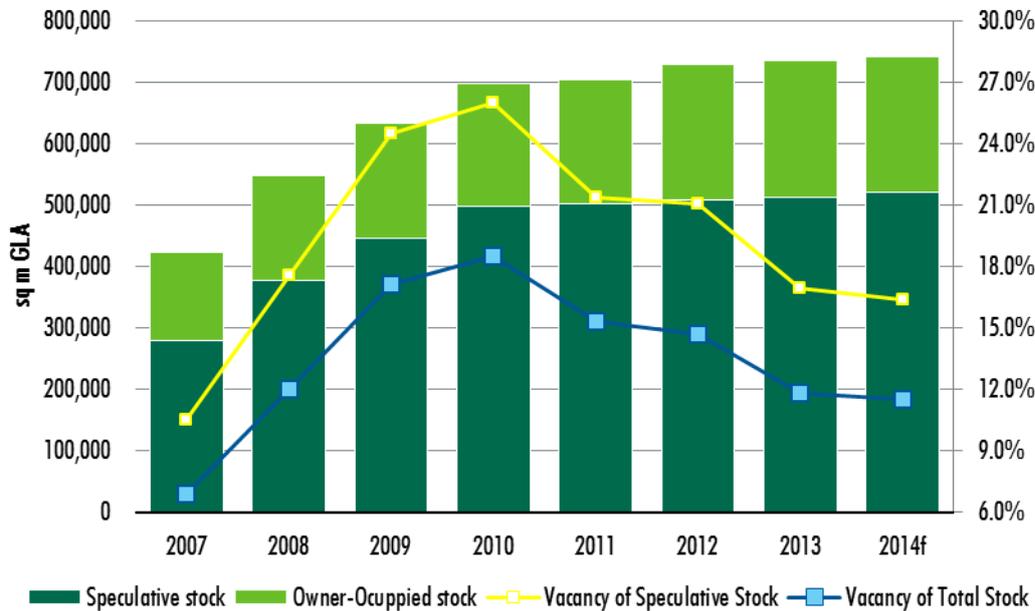
The Belgrade office market was faced with the challenge of responding to the needs of the constantly growing number of foreign companies and organisations searching for quality office space. Starting from 2000, construction activity marked an upward trend, but the real expansion phase started in 2005 and continued through the period 2006-2010, when a minimum 50,000 sq m of modern speculative office space was developed each year and offered to the market.

The total speculative stock of modern Class A and Class B office buildings, at the end of 2011, equalled 502,500 sq m of GLA. During 2012, owner-occupied (OO) stock was enlarged, due to the completion of Raiffeisen bank's HQ of 18,370 sq m in New Belgrade's block 66a, and small-scale project of local project design company Delta Inzenjering's of app. 2,000 sq m in Milutina Milankovica street, which led the owner-occupied stock to the level of 221,000 sq m of GLA. Moreover, in December 2012, the office building Danube Business Centre with 5,300 sq m of GLA became operational, whilst Zelengorska office scheme was completed in 2013, increasing the speculative stock to the level of app. 513,000 sq

m. Consequently, the total office stock stands at the level of app. 734,000 sq m of GLA.

The graph below shows the development process of Belgrade office stock (speculative and owner-occupied), starting from 2007.

### Belgrade Office Stock



Source: CBS International, part of the CBRE Affiliate Network

Location-wise, New Belgrade has established itself as a major business district as a result of the adequate infrastructure system, land availability, convenient parking ratios, as well as proximity to the airport and Corridor X. On the other side, due to the construction density and limited available land lots in downtown, the city centre has seen the least new developments in the previous years. Several refurbishments increased the availability of modern office space in the centre; however, this lack of appropriate space has forced many companies to choose New Belgrade for the future corporate settings.

Following the strong take-up in 2012, the year 2013 noted even higher figures in the leasing activity. At the end of 2013, the total take-up equalled 60,028 sq m, with no owner-occupied deals recorded. The 2013 results show almost equal total take-up to that realized in 2012, due to a large share of owner-occupied deals in 2012. However, when analysing the speculative take-up only, without owner-occupied deals, 2013 marked stronger activity in demand, noting an increase of more than 30%.

Class A office buildings mark mostly stable asking rents, ranging between EUR 14-16/sq m/month, while average asking rents of Class B stock vary between EUR 11-12/sq m/month.

Despite the fact that in recent years the office market was considered as a very attractive segment for investors, the turmoil on the world's financial market has influenced the developers to be rather cautious with regard to new investment decisions. In 2013, the only small-scale office scheme completed comprised 5,000 sq m in Zelegorska street, while few smaller projects entered the final phase of construction, or were in shell and core condition on standby for future tenants before completion. Overall, the office market is facing the lack of new supply and no large-scale projects have commenced construction, yet only small-scale projects are currently under construction.

### Office Pipeline in Belgrade

City	Project	Size (sq m)	Rental level*	Developer	Anchor tenants (retail) / Pre-lease (office)	Delivery
Belgrade	Becad	2,000	9-10 for the whole building	Becad	n/a	The project is currently shall and core completed, will be completed upon client's requests
Belgrade	Swiss Build	1,500	n/a	Swiss Build	n/a	mid-2014
Belgrade	Atlas	3,600	n/a	Atlas	n/a	the building is shall and core finished, which will be completed upon client's requests
Belgrade	OldMill	3,200	n/a	Soravia	n/a	mid-2014
Belgrade	B23	35,000	n/a	Verano	n/a	n/a, project on hold
Belgrade	TLD	9,000	n/a	MPC	n/a	n/a, project on hold
Belgrade	Banca Intesa HQ	32,000	n/a	Banca Intesa	n/a	n/a
Belgrade	GTC Fortyone	27,000	n/a	GTC	n/a	n/a

Source: CBS International, part of the CBRE Affiliate Network

Since the Belgrade office stock has seen limited changes in terms of new deliveries over the previous several quarters, the vacancy level continually marks a downward trend. Due to the strong activity on the market in 2013, the vacancy rate dropped below 12% when compared to the total stock. In terms of the vacancy rate when compared to only speculative (leasable) stock, it declined below 17% at the end of 2013. It is expected that the limited construction activity in the Belgrade office market along with stable demand will further boost the downward trend in vacancy levels.

## Retail Market Overview

Although Serbia is still underdeveloped when compared to the rest of the region, the retail market continues to pick up after the economic downturn. The current time is considered attractive for international retailers as they have the opportunity to position themselves in the market which is expected to grow following the anticipated EU accession.

The only retail scheme delivered in 2013 in Belgrade is the 30,000 sq m Stadion Shopping Centre, being developed at the location of Sports Centre Vozdovac, by local company Eurobau Connect. Although this project enlarged the shopping centre stock, Belgrade still suffers from a lack of modern retail space, with app. 230,000 sq m to serve nearly 2 million people. Presently, Belgrade retail stock holds only three modern western-style shopping centres, Usce Shopping center, Delta City and newly opened Stadion Shopping centre, totalling app. 100,000 sq m GLA.

Belgrade has not been developed at the same pace. Location-wise, New Belgrade area holds 60% of the total shopping centre stock, amounting to more than 500 sq m per 1,000 inhabitants. At the same time, the Belgrade downtown remains undersupplied, with less than 30,000 sq m of shopping centre schemes available for tenants.

### Belgrade Shopping Centre Stock



Source: CBS International, part of the CBRE Affiliate Network

The most significant new entrant in the Serbian retail market in 2013 is the long-awaited Swedish brand H&M, which secured 2,600 sq m flagship space in the Delta City mall in Belgrade, and in the newly-opened Stadion Shopping centre. Looking to 2014 and expected entrants to the market are the arrivals of LIDL and Carrefour, while Koton, MAC Cosmetics and Apple (via a premium reseller) are all set for further expansion. Also, for several years now, Swedish IKEA plans to enter Serbian market by opening a few facilities across the country. However, they are still in the process of search for appropriate locations. As per available information, this well-known retailer selected the location for the first store in Belgrade, nonetheless, the acquiring process is not ended yet.

Due to the limited offer, Belgrade rarely sees any vacant space in the prime shopping centres. Small modifications in unit sizes are enabling landlords to introduce certain new brands and keep the existing tenants in the centre. Vacancy rates usually stand at approximately 5% which is only due to the vacant space in smaller-scale retail schemes.

### Headline Rental Levels in Belgrade (EUR/sq m/month)

Location	Size of units	
	< 150 sq m	> 150 sq m
Knez Mihailova Street	Up to 100	40-60
Terazije Square/Kralja Milana Street/Kralja Aleksandra Blvd	45-60	30-40
Secondary high street	30-45	20-30
Modern Shopping Centres	50-70	15-60

Source: CBS International, part of the CBRE Affiliate Network

With access to financing still difficult, the retail market is witnessing more intensive development activity in retail park schemes, which require less initial capital. During April 2012, the retail park has been opened in city of Indjija, 45km away from Belgrade. The first phase of Blackoak Developments' Fashion Park Outlet holds 15,000 sq m with 65 stores. At the moment, Guess, Replay, Timberland, Tom Tailor, Adidas, BATA, Converse, Office Shoes, Nicola's, LISCA, Piquadro, NIKE, Bottega del Sarto, Puma are some of brands which can be purchased in this retail park.

In terms of the planned future offer in Belgrade, Israeli investor IBC plans to develop the retail park One in Zemun, estimated to cover approximately 28,000 sq m on 80,000 sq m of the land lot. The construction of the first phase commenced recently and will include the development of 15,300 sq m,

which is expected to be delivered in 2014. After the development of Aviv Park in Pancevo, Aviv Arlon intends to develop a retail park in Belgrade, in Zvezdara municipality. The retail park Aviv Park Beograd will comprise 11,000 sq m GLA.

In addition, prior to the global economic crisis, many shopping centre projects have been announced for completion. Since then, initiated projects have been put on hold, while projects that were in the planning stages have been postponed several times. The shortlist of shopping centres in the pipeline is given in the table below. Having in mind all announced projects in Belgrade and Serbia, the years to follow should greatly affect the retail scene in Serbia and significantly increase the retail offer and stock of shopping centres per 1,000 inhabitants in Belgrade. However, at the moment, the completion dates of mentioned projects remain uncertain.

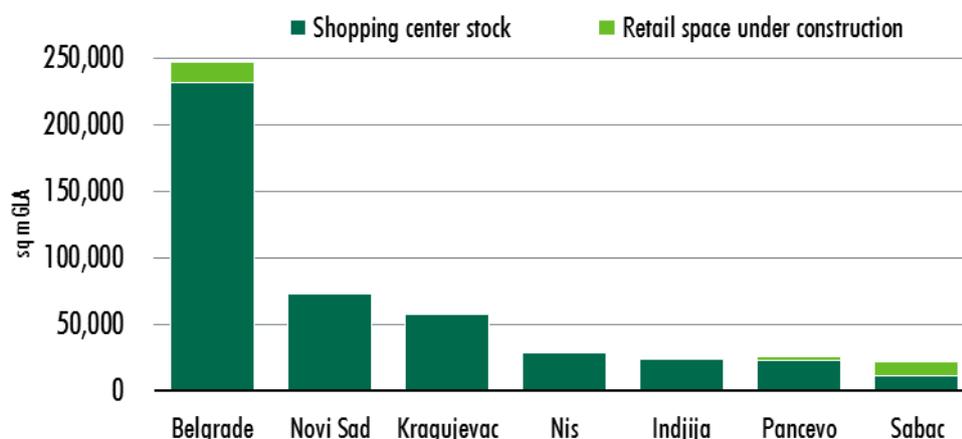
### Future Retail Schemes in Belgrade

City	Project	Size (sq m)	Rental level*	Developer	Anchor tenants (retail) / Pre-lease (office)	Delivery
Belgrade	Rajiceva	19,000	n/a	Ashtrom	n/a	n/a
Belgrade	Visnjicka Plaza	45,000	n/a	Plaza Centres	n/a	n/a
Belgrade	Delta Planet	70,000	n/a	Delta Holding	n/a	n/a
Belgrade	Skadarlija	38,000	n/a	Key stone	n/a	n/a
Belgrade	Ada mall	30,000	n/a	GTC	n/a	n/a

Source: CBS International, part of the CBRE Affiliate Network

The interest of both international and local developers in the Serbian retail market is constantly increasing which reflects the number of shopping centres planned for construction. On 7 November 2013, an Israeli investor opened the last phase of its retail park in Novi Sad, BIG CEE, which totals 34,000 sq m of GLA. After a few postponements, in December 2013, the construction works on the shopping center Vivo in Jagodina commenced. The project will comprise 10,000 sq m with app. 30 stores. Furthermore, the development of Capitol Park in Sabac of 9,850 sq m enters the final construction phase. The completion of the retail park is expected in March 2014.

### Serbia Shopping Centre Stock (sq m)



Source: CBS International, part of the CBRE Affiliate Network

## Hotel Market Overview

Even though the Belgrade hotel market has experienced considerable improvements over the previous years, the market still lacks a satisfactory number of high-end hotels and global hotel chains. The majority of hotels in Belgrade are two and three-star hotels that require additional investment to meet the needs of more demanding guests. Unsuitable maintenance and a lack of proper reconstructions due to financial difficulties resulted in a loss of former categorisation for several hotels. Instead of four star hotels, they were forced to charge for their services as three star hotels. Another characteristic is the level of difference between some hotels' stated standards and the actual quality of the offered service.

The most dynamic changes in the Belgrade hotel stock occurred in the upscale hotel segment, where the supply was enriched with several new or renovated establishments – i.e. IN Hotel, Holiday Inn, Zira Hotel, BAH, Life DESIGN Hotel, also the four-star Falkeinsteiner hotel opened in late 2012, hotel Prag was upgraded to a 4-star hotel in 2012, while Metropol Palace, as a five-star hotel with 239 rooms was opened in November 2013 after a complete renovation. Lower to middle budget hotels (2-3 star hotels) have still not attracted significant investment, and definitely promise good development prospects in the foreseeable future.

The InterContinental Hotel in Belgrade lost its 5th star and official license in 2005, and afterwards continued to operate under the name Hotel Continental. However, as of summer 2012, Delta Real Estate commenced a complete reconstruction of Hotel Continental, aiming to opening a five-star hotel Crown Plaza of 416 keys in late 2013, which will introduce the IHG hotel chain to the domestic market.

The Belgrade hotel stock of five-star hotels has increased to the level 1,038 keys, whilst the four-star hotels stock holds app. 1,800 keys.

In general, the Belgrade hotel market can be divided into two categories, i.e. international branded hotel operations and locally managed hotels. Within the total stock of less than 30 five-star and four-star hotels, only a few of them are affiliated with international chains: Hyatt Regency Belgrade (302 rooms), Holiday Inn (140 rooms), Falkeinsteiner (170 rooms), Crowne Plaza and two Best Western hotels – M (180 rooms) and Sumadija (110 rooms).

In addition to the prospective supply, Soravia Group is developing a 25,000 sq m large mixed-use project, which will contain a Radisson Blu 4 star-hotel of 236 keys and office space of app. 3,200 sq m. The completion date is set for mid-2014.

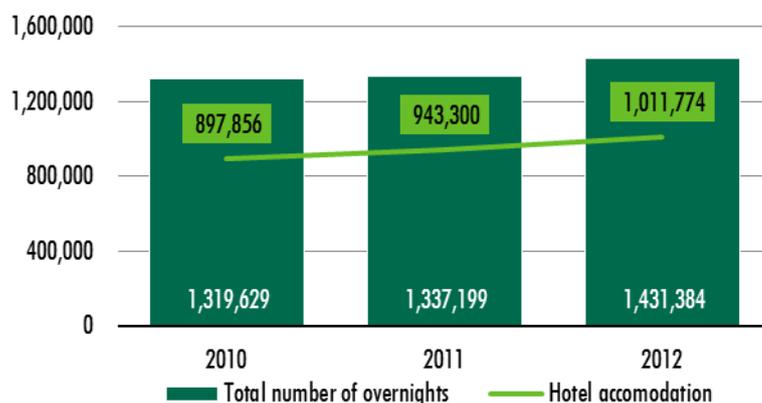
Belgrade cannot compete with the touristic potentials of Prague, Budapest or Vienna and will not follow the same path such as these primary hotel markets in the region. On the other hand, the overall development of the Belgrade hotel industry could more resemble hotel developments in secondary cities such as Sofia, Bucharest or Zagreb with great potential to exceed those markets i.e. to be positioned somewhere in-between these two segments. Sofia and Zagreb have less populations, more modest regional significance, but a more sophisticated and developed hotel supply.

Although this market segment saw positive movements in the previous period, Belgrade hotel market still lags behind the major cities of Central and Eastern Europe, in terms of market share of global hotel chains. Belgrade, with less than 25% share of international brands, is significantly below major regional cities that host between 40 to 80% of global chains of total stock in each city. Consequently, it is expected that international hotel chains will play an important role in the forthcoming period.

In the previous few years, the number of tourists in Belgrade and the number of overnights is increasing, as well as the number of tourists using hotel facilities for the accommodation. The share of

tourists who were using hotel in 2012 equaled 71%.

### Key Tourism Statistics in Belgrade



Source: Statistical Office of the Republic of Serbia

The number of hotels currently under construction or announced for development indicates the large interest in Belgrade market among hotel operators and investors. The market practice shows that the majority of hotels, precisely large hotels are financed through bank debts, while small-scale/boutique hotels are in some cases financed through equity. The following table presents the hotels that are under construction or only announced for construction the in four and five-star segment in the period to come.

### Future Hotel Schemes in Belgrade

Hotel	Address	Keys	Assumed opening date	Notes
Radisson Blu Old Mill	Vojvode Misica Boulevard	236	2014	Part of Old Mill mixed-use project
Courtyard by Marriott	Vasina Str.	108	2015	Next to National Theatre
Jump Inn	Zagrebacka Str.	49	March 1, 2014	Small-scale hotel of local developer
88 rooms	Takovska Str.	88	Q1 2014	The owner is MK Mountain Resort
Zepter	Terazije Str.	34	May 2014	
Nobel	Andricev venac	53	2014	
Constantine the Great	27.marta Str.	49	2014	
Rajiceva	Rajiceva Str	200	Unknown	incl. shopping centre
Kempinski	Nikole Tesle Blvd	280	Unknown	at the location of hotel Yugoslavia

MARKET OVERVIEWS, PLAZA CENTERS – 28 FEBRUARY 2014

*Source: CBS International, part of the CBRE Affiliate Network*

# LATVIA

## Macroeconomics

With reference to data obtained by the central statistical office, Latvia has been recorded as the probably fastest growing economy among the Euro zone countries in 2013. Latvia's gross domestic product (GDP) increased by 0.7% q-o-q in the October-December period of 2013, according to figures adjusted seasonally and for calendar effects. Compared with the last quarter of the previous year, real GDP growth was recorded at 3.5 %, thus recording overall increment of a little over 4.0 % per annum.

The quarterly GDP rise in Q3 of 2013 came mainly from external trade as the largest EU markets started to pick up. Exports returned to real growth in Q3, leaving them up 0.8% on the year in January-September, while imports were down by 0.4%. Industrial production, weak for the first seven months of this year, picked up in August and is set for more consistent growth in 2014 as faster EU and Russian expansion add to the momentum.

In accordance with Oxford Economics forecast Real GDP growth will remain in 2014, 2015 and 2016 of 4.2%, 5.2% and 5.0%, respectively.

With EU growth and currency union promoting exports, the current account deficit is forecast to remain around 1% of GDP despite faster GDP growth. It will stay financeable mainly through inward investment, promoted by the adoption of the Euro currency.

Falling unemployment, rising real incomes and recovery in property prices will continue to strengthen household finances, enabling a consumption upturn that includes catching up on durable purchases postponed in 2009-2012. Growth of retail sales has leveled off since mid-year, but they were still some 2% up on the year in September, and will be lifted in 2014 by falling real interest rates after some initial volatility due to the impending currency changeover. By November last year the unemployment level reached its three year historical minimum of 9.5 %. However, in January unemployment readjusted to 9.8 %, which is not considered significantly detrimental due to the rapid unemployment decrease in the previous quarter.

### Key economic indicators

INDICATOR		2011	2012	2013	2014F	2015F
GDP/capita (current prices)	(EUR)	10,183	10,197	11,000	11,525	12,059
Real GDP growth	(% year)	5.5	5.6	4.3	4.2	5.2
Current Account balance	(% of GDP)	-2.2	-1.7	-0.7	-1.0	-1.2
CPI	(%)	4.4	2.3	0.0	2.4	2.5

Source: Oxford Economics

Although the Latvian economy in 2014 for the year as a whole, will maintain a positive trend, and in the context of relatively rapid development dynamics, it is expected that the quarterly growth rate will become slightly lower than initially anticipated.

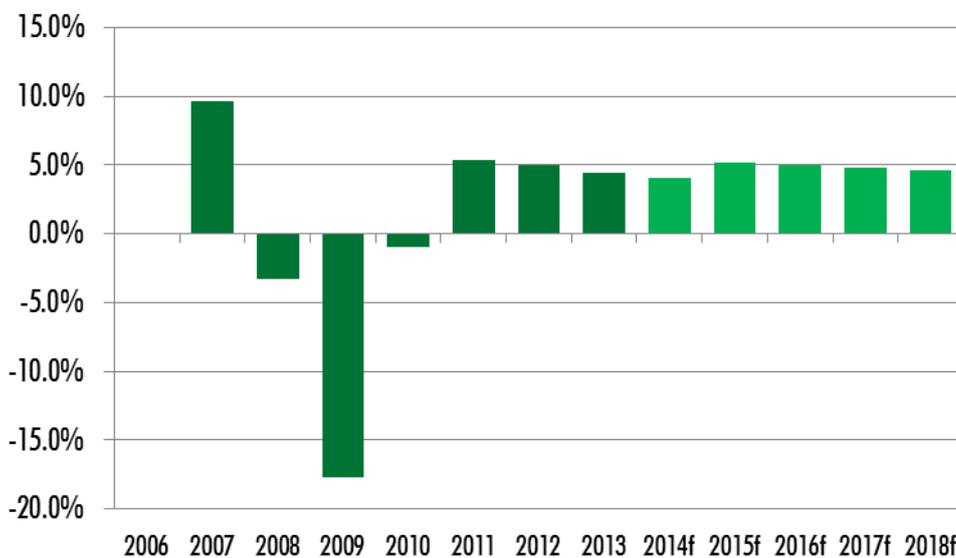
On the other hand, if, as expected, the income will continue to grow and inflation will remain at a low level, by improving the purchasing power of consumers, private consumption will continue further leadership. In addition, taking into account Latvia's accession to the eurozone, the successful development of the economy compared with other European countries, as well as the new EU funds

inflow, a positive impact of the investment is to be expected.

The return to growth will prompt wage bargainers to claw back some of the substantial real wage reduction imposed since 2008, making productivity growth essential if export revival and trade deficit reduction are to stay on track. Wage growth in 2014 – 2015 will be encouraged by the forecast rebound in inflation, from zero in October to around 2.5% in 2014 – 2016. This will gain extra impetus from interest rate cuts in Q4; the central bank dropped its refinancing rate from 2.5% in June to 1.5% in September and then to 0.24% in November to move into line with the ECB base rate of 0.25%.

It is considered that in 2014 inflation will also be affected by domestic supply-side factors, such as an increase in the tobacco excise tax and the delayed increase of the price of electricity to households.

### Long-Term GDP Forecast (Y-o-Y growth)



Sources: Oxford Economics, CBRE

## Property Investment Market in Latvia

The investment market in Latvia remained active during the last year. In H2 2013 investment deals of around EUR 5 million and over appeared with the same frequency as in the first half of the year. In general yields remained unchanged throughout the 2013.

Yield levels for all asset categories have been stable for the last 2013. With regard to research performed by Colliers International, prime office yields were quoted at 8.0 % and prime retail properties at 7.75%. Prime yields for warehouse and logistic properties stands at 9.0%.

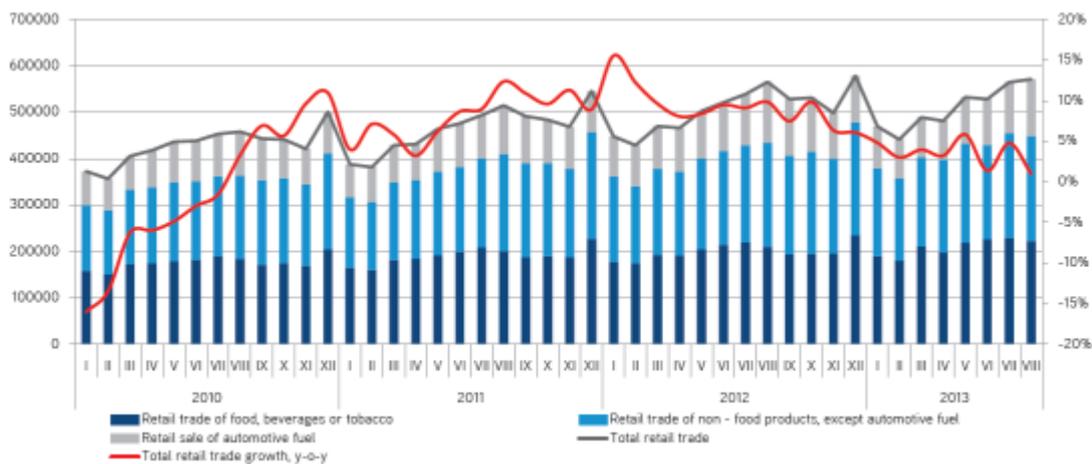
CBRE research data shows CRE capital market investment volume of slightly over EUR 120 million in 2013. Analyzed investment scope covers transactions of over EUR 3 million per deal. Comparing to the total CRE transaction volume of over EUR 330 million this illustrates continuous precaution among investors to invest in yielding assets.

In the beginning of 2014 a single investment transaction was closed between Russian Capital Mill as a purchaser and Baltic Property Trust AM on the vendor's side. The subject property is located in Barona Centrs in the CBD of Riga, consisting of retail premises with an area of 4,102 sq m. The transaction volume remains undisclosed.

The turnover figure in 2013 was boosted by local investment fund Lords LB Baltic Fund III acquiring SMI Group RE portfolio in H1, amounting to approximate EUR 60 million for the portfolio share situated in Latvia. The sold portfolio share in Latvia consists of one prime logistics centre with a GLA of 50,000 sq. m, located next to Riga city borderline and five separate neighborhood shopping centres including one DIY store. Several single asset deals took place in H1 2013 as well. A prime office building Valdemara Centrs and Kalku 15 in the CBD of Riga city was traded to Russian Capital Mill and Italy based Baltic RE group, respectively. The seller was Baltic Property Trust AM, BPT Secura fund. A Riga retail big-box with a GLA of 11,600 sq m anchored by Prisma and developed by Finnish VCA Baltic Retail Fund was also traded. It was acquired by East Capital Baltic Property Fund II. In Q3 2013, Dominante Logistics centre in Saulgozi, Kekava which is approximately 10 km from Riga was also transacted. The transaction amounted to EUR 11 million. In the industrial sector a single asset purchase of a warehouse complex comprising 10,000 sq m took place in December 2013. The transaction amounted to EUR 4.75 million.

Applied yield rates for the pointed transactions are not disclosed by the involved parties; however we assume the yield rates are in 8 – 9 % range for the above capital transactions.

### Retail Turnover in Latvia, thousand EUR



Source: Colliers International

## Retail Market Overview

Almost for three years the retail market continues to show positive development figures. These are generally supported by the continuously growing consumption and improvement in salary and employment levels.

After enjoying the fastest retail sales growth in EU (+7,3%) in 2012, the retail sales grew more moderately in 2013 (+3,8%). The steepest growth was achieved by non-food line sectors. It is forecasted that in 2014 retail sales will continue growing at +4% annual rate.

Vacancy rates are close to zero percent in the context of the leading prime shopping centres and as such rental rates have witnessed a marginal increase. The basic absence of additional retail premises results in improvements of tenant mix.

A certain amount of existing retail premises will become vacant following Dressmann, BikBok and Cubus exiting the market. Nevertheless, considering current market conditions, it is expected that

these future vacant premises will be occupied shortly after.

High-street retail continued to evolve, driven by ongoing tourist spending and the desire of some retailers to open high street store locations. However, the catering segment is believed to be oversupplied with market players, whose main income source is derived from tourist spending with many of them struggling to survive when the high season is over.

As already mentioned, at the end of 2013 the best-performing shopping centres' vacancy rates were close to zero (Galactico centres run by Linstow Centre Management Alfa, Galerija Centrs, Origo, Mols, Spice). For SC Domina Shopping vacancy was also below 2%. One of the most recognisable shopping centres, Riga Plaza, which positions itself as the leading fashion and entertainment centre and opened amidst the crisis in 2009, has a vacancy rate of 2.5%. Galleria Riga, which is among the new comers in the market and situated in the CBD of Riga with 8 levels dedicated to retail has nearly 20% vacancy. However, this is largely attributable to the redevelopment of the 5<sup>th</sup> and 6<sup>th</sup> level. Without this factor taken into consideration the vacancy in the retail floors is below 10%.

The total retail stock in Riga stands at approx. 660,000 sq m (excluding high street retail stock space). Shopping Centre take up comprises approximately 417,000 sq m from total retail stock, whilst big boxes and department stores fill out 212,500 sq m and 32,000 sq m respectively. Only 5 projects consist of more than 30,000 sq. m (51% of GLA), while others are considered medium or small shopping centres.

Most of this volume, comprising slightly above of 70% from total SC retail stock was developed in the period of 2002 – 2009.

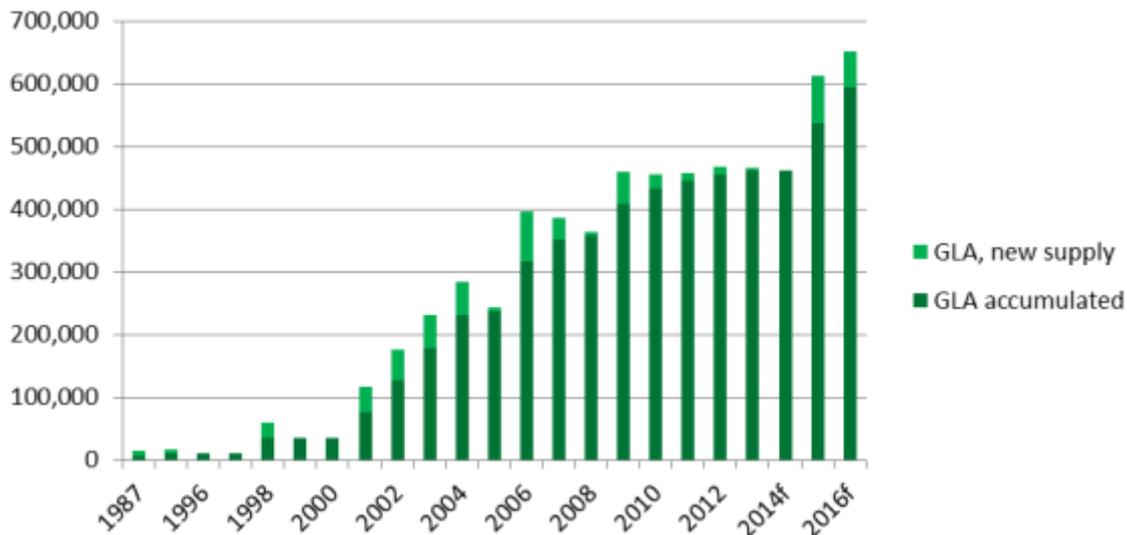
According to ICSC Baltic committee research, the share of retail turnovers in the traditional shopping centre formats starting from 5,000 sqm in Latvia constitutes approx. 24% of total retail sales in the country.

Turnover per square metre in medium and large shopping centres (starting from GLA 10.000 sqm) in Riga is within the range of EUR 1,000 – 3,600 / sqm / per year averaging at EUR 1,800 / sqm in 2012. According to data derived from the listed fashion retailers in Latvia (such as Apranga group and Baltika group), average sales efficiency of the leading fashion retailers per square meter is within the range of EUR 2,000 – 2,600 per year.

Due to the global economic crisis almost all planned and already started construction has been frozen and suspended for an indefinite period of time. However, separate developments have been introduced to consumers despite the overall suffering economy. Shopping Centre Galleria Riga was put into the operation in Q4 2010 adding an extra GLA of 23,600 sq m to the total retail stock. Later on, in 2011, Shopping Centre Damme with a GBA of 15,958 sq m was opened as well as Finnish Prisma anchored hypermarket with satellite tenants totaling to GLA of 11,600 was introduced in 2012.

Two leading competitors – grocery chains, in particular Rimi Latvia SIA (ICA) and Maxima Latvija SIA (VP Market), each sharing 50% of the local market, increased their hypermarket and supermarket figure. This expansion was not covering only the capital Riga, but also the biggest cities of Latvia as well. Like in 2012, the only hypermarkets/supermarkets were delivered to the market in 2013. RIMI anchored supermarket "Draudziba" was introduced to consumers and two Maxima hypermarkets: Maxima next to the SC Domina at Dzelzavas street 6a and Maxima Bikernieku 121 are expected to level out the existing stock.

Dynamics of Retail space, SC in Riga



Source: CBRE

Following the overall economic recovery and retail trade improvement, the market faced new brand entrants in 2012 and 2013. Among them were H&M, Massimo Dutti, Aldo, Desigual, Next, Cortefiel Group. When deciding on the first locations, brand holders' preference is given to the well-established leading shopping centres or prime city centre locations. Thus after a successful start at Galerija Centers two years ago, H&M proceeded with announcing openings in the largest malls, such as Alfa, Riga Plaza, Spice and Domina. The expansion of H&M led to indirect occupancy improvements elsewhere, for example Jysk will be reallocated from Spice to Spice Home in order to free the premises for the opening of an H&M store.

Given the fact that leading schemes are almost 100% occupied, the new brand entrants with the help of prime space is possible by landlord's necessity to further improve the tenant mix and cancelling the leases of existing occupiers, or – the brands can choose the route to open flagships on the high-street. This has been one of the factors boosting high-street retail activity. Brands such as Baldessarini, Superdry, River Island and COS are giving preference to high-street retail locations when searching for their first locations in Riga.

High-street locations have proven to be particularly successful for aspirational and luxury brand operators. Among the new comers to the market the luxury brands Burberry and Ermenegildo Zegna. Those who have preferred shopping centres for their first locations are Stefanel, i Blues, Marc Cain, Max&Co. In the next months Max Mara Weekend and EA Jeans will also open stores in the shopping centre, namely Spice, whose strategy is to focus of the upper middle customer group.

Among other potential market entrants is Swedish giant, IKEA. After successfully opening in Vilnius in September last year, the Swedish franchisee is evaluating further steps in Latvian and Estonian market. Similar evaluation of the market is undertaken by Senukai and Ermitažas DIY chains.

Continuously growing economies of the Baltic states will continue attracting attention of new international retailers. It will also facilitate decision taking of franchisees to take more brands in their portfolio. From official announcements it can be mentioned that Debenhams department store will open in Spice in spring. Among the brands which are interested in the market but have not yet fully decided are the fast food chain KFC and Pizza Hut express, George of Asda group, as well as Takko and

Deichmann which are already established in other Baltic countries and their entrance in Latvia was postponed by the crisis.

During 2013, rental rates in the shopping centres and high street retail premises showed growth of 10-15%, however in some prime retail space the growth was recorded even higher. The tendency goes in line with the continuously growing consumption and improvement in wage and unemployment levels. Monthly base rent for prime shopping centres and high street premises with leased areas up to 100 sq m is in the range of 25 – 50 EUR/sq m. Premises with areas up to 350 sq m can be leased at 15 – 35 EUR/sq m and anchor tenants can pay 6 – 10 EUR/sq m.

Notwithstanding the growth tendency, the market can still be regarded as a tenant's rather than a landlord's market. Due to low risk strategies, a careful approach is taken by most of the retailers when selecting locations and committing to rental terms.

## Retail pipeline

Since 2010 when the SC Galleria Riga with GLA of 23 600 sq m was commissioned no new significant (over 10,000 sq m of GLA) developments except SC Damme in 2011 and SC Prisma Deglava in 2012 with GBA of 15,958 sq m and 11,600 sq m respectively, have been launched ever after.

Riga market is saturated with traditional shopping Centre formats. However further developments are not stopped but are more focused on neighbourhood supermarket developments. Maxima, RIMI and Prisma super / hypermarket chains are opening new schemes and looking for further opportunities in underserved areas. Basically these schemes deliver 2,500 – 7,000 sq m of GLA.

To mention larger shopping centre schemes – about two years ago Lithuanian Akropolis (VP Market) has announced development of 2 large Akropolis schemes (up till GLA 90,000), however an exact construction and opening times were not revealed until 2013. It is likely that one of the two developments with retail GLA of 60,000 sq m could be commissioned in Q4 2015 although there are still uncertainties about the start of active construction phase. The site is in the neighborhood of the Southern Bridge, between Maskavas and Salaspils streets.

Another eventual development that has been started and is in early stage of preleasing is led by DOMUSS, which is a real estate development company – part of the US investment fund group NCH. The planned development is a retail park / outlet centre. These are two new formats not represented in Latvia market yet. Project development is envisaged in two stages. Kaivas Retail Park will be located next to the bypass of Riga –7 km from the center of the city. Delivery date is suspected by Q1 2016.

Also, it is announced that Linstow Centre Management will enlarge their existing schemes to remain competitive. Future extensions are planned for Origo and Alfa SC schemes.

A multifunctional complex consisting of office space and shopping center is to be built next to the Origo shopping center. The projected total floor space is 40,185 sq m, of which 15,750 sq m is space for retail lease. The time schedule for the new extensions to be commissioned is not announced yet.

The Alfa Retail Park is to be expanded. Currently the sketch design for the expansion of the Retail Park is underway. As a result of expansion, the total space of the Alfa Retail Park will increase by 16,400 sq m amounting to 79,940 sq m, while space for lease will increase by 11,150 sq m totalling to 58,950 sq m.

## Pipeline Shopping Centres

MARKET OVERVIEWS, PLAZA CENTERS – 28 FEBRUARY 2014

City	Project	Size	Rental level*	Developer	Anchor tenants	Delivery
Riga	RIGA AKROPOLE	60,000	20	AKROPOLIS GROUP	MAXIMA XXX and Forum cinemas	2015
Riga	Kaivas Retail park	41,000	N/A	Domuss	N/A	2016
Riga	ORIGO orpject	15,750	N/A	Linstow	N/A	N/A
Riga	Expansion of Alfa Retail park	16,400	N/A	Linstow	N/A	N/A

\* EUR/sq m/m – referring to a 200 sq m unit in the ground floor

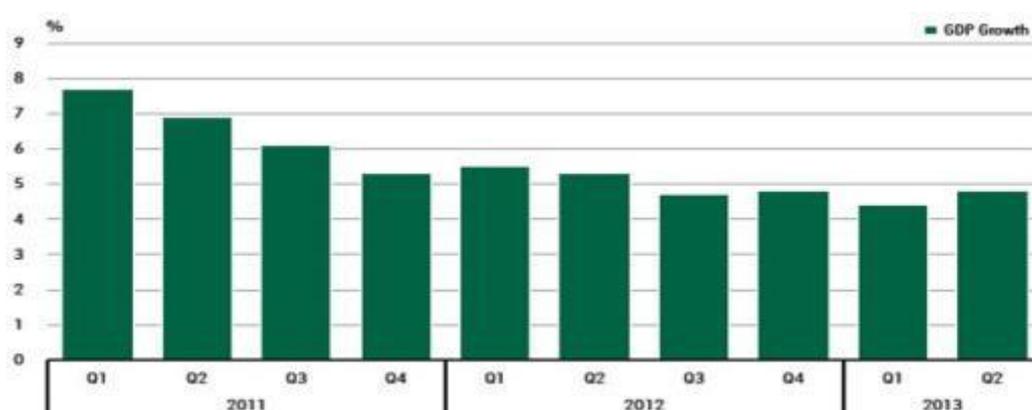
Source: CBRE

# INDIA

## Macroeconomics

India's recent economic performance stands in stark contrast to the high-growth years between 2003 and 2011. Official numbers revealed a slowdown to 5.1% y-o-y GDP growth in 2012 (lowest in a decade) and 4.4% y-o-y in H1 2013 (slowest quarterly growth in four years), compared to an average 8.3% y-o-y growth between 2003 and 2011. However, "green shoots" of revival were visible during the period July–September, 2013, when the economy grew by 4.8% largely on account of improved performance in agriculture, financing, insurance, real estate and business services, and select infrastructure sectors.

### India's Weakening Gross Domestic Product Growth (%)



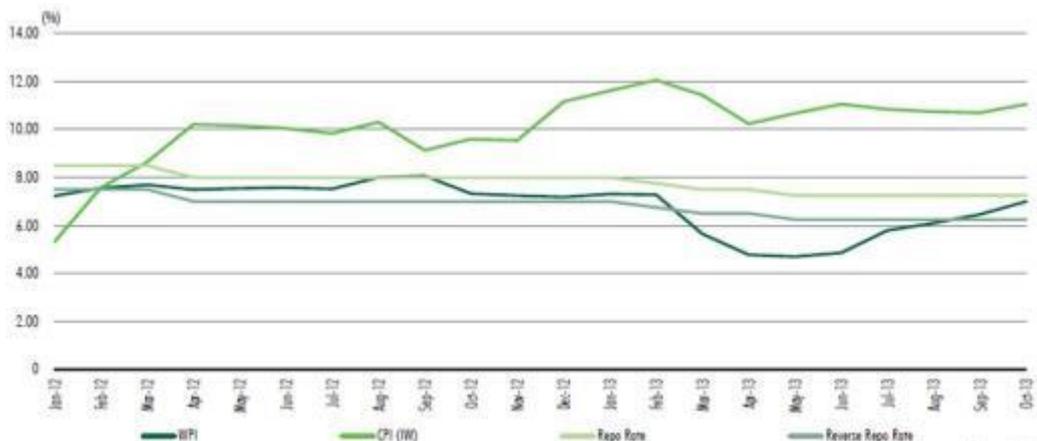
*Source: Ministry of Statistics & Programme Implementation (MOSPI); Kindly note that the years in exhibit above are reflective of Indian financial years (viz. 1<sup>st</sup> April to 31<sup>st</sup> March) in-line with data released by MOSPI*

### Factors impacting macroeconomics

- Persistently high inflation: The Consumer Price Index (CPI) - one of India's two main inflation gauges - has remained high due to rising food prices and capital inflows. The Ministry of Statistics' most recently released provisional data indicated CPI growth of 10.09% y-o-y in October 2013.
- Tight monetary policy: In response to the high inflation, the Reserve Bank of India (RBI) steadily raised interest rates from 4.25% in early 2010 to 8.5% in Q1 2012. Despite cuts in 2012, the RBI raised rates again in September and October 2013, citing inflationary concerns. Increased interest costs have slowed consumption and investment across sectors, and also contributed to slackening industrial growth. The latest figures for the government's Index of Industrial Production (IIP) showed a 1.1% y-o-y decline between April and June 2013.

- **Slowing exports:** Export growth slowed down to 1.5% y-o-y in 2012, as compared to 14% y-o-y between 2000 and 2012 - as weaker external demand, higher production costs, tighter monetary policy and supply constraints weighed on the trading sector. However, the latest government data indicated a rebound in exports, with a growth of 13.5% y-o-y during October, 2013.
- **Fragmented political landscape:** The inability of the present regime to clear itself from corruption scandals, as well as generate a political consensus on structural reforms has dimmed growth prospects and shifted foreign investors' focus to other emerging markets. The present market sentiment of a policy paralysis, both in terms of government decision making as well as bureaucratic approvals, has delayed investment plans of a large number of corporates.

### Credit Cost Increased Amidst Sustained High Inflation



Source: Ministry of Statistics & Programme Implementation, RBI, Ministry of Finance

### Impact on Real Estate Sector

As study of the real estate sector trends in year 2013 shows that the economic downturn has subdued office and retail markets, resulting in a sales slowdown and pressure on capital values across leading cities. Buyer sentiment in residential markets has largely remained cautious on account of relatively high price points and sticky borrowing costs amidst an economic downturn. As a result, investment has slowed across segments (viz. residential and commercial), resulting in stagnant construction activity.

From the perspective of office space alone, demand declined during Q3 2013 because corporates focused on consolidating and downsizing their space portfolios and relocating towards peripheral markets. While this has contributed to rental stability in most markets in Q3 2013, the subdued demand coupled with significant vacancy levels across key cities have led to a decline in office space supply during Q3 (with developers delaying their proposed launch of fresh supply), weighing on future investment plans.

Looking forward, deficits and high inflation will continue to weigh on the economy. Consensus growth estimates are for 4.9% GDP growth in H2 2013 — up from 4.6% in H1 2013, but flat compared with H2 2012 — and 8.8% y-o-y CPI growth. These developments, along with a phase of political instability before the General Elections,

will prevent a rapid growth recovery in the next two quarters. The clearance of the National Land Acquisition, Rehabilitation and Resettlement Bill (LARR) by the Parliament is likely to make the process of land acquisition more expensive and time consuming. In principle, the Bill is meant to promote transparency and clarity in land titling, protect landholders from coercion and raise compensation via land sales. However, the Bill is likely to make land acquisition more expensive and time consuming for developers and inhibit investment in development of townships and industrial projects. Owing to rising cost and, associated risks, more developers are likely to opt for joint development projects. From an investment perspective, rising costs and procedural delays may not augur well for foreign investors who may prefer to revise their investment outlook towards more investment-friendly markets.

### Some Positive Developments for the Economy

Recent indications of revival in the global and domestic economy, however, and the possibility of reforms being implemented to invigorate the economy once a new political order is established — should contribute towards better performance and improved economic prospects by the mid of 2014.

### Improving Outlook Clouded by Political Cycle

With the economy showing signs of improvement, consensus estimates are forecasting a pick-up in GDP growth to 5.9% y-o-y in 2014, from 4.9% y-o-y in 2013. Political dynamics need to be improved, however, with improved clarity and internal consensus on longer-term policy initiatives, before India's economy can approach its strong performance of previous years.

The upcoming General Elections in April 2014 will, hence, prove to be a watershed event for India's economic and investment rejuvenation. A coalition government with a fractured mandate might not be able to bring in sweeping transformation in the country's present system of economic management; while the return of the present regime might keep away investors. Hence, a lot that the Central Bank or the private sector can deliver depends on the outcome of the electoral process that unfolds during April–May 2014.

From the standpoint of both the economy and the real estate sector, reforms are required in the following areas:

- Speedier clearance of stalled projects: Slow, archaic project approval processes inhibit real estate development, and are unattractive to foreign investors.
- Liberalization of supply chain management: Supply bottlenecks are a key contributing factor to the high inflation rates of recent years. Both liberalization and investment are required to cater to the burgeoning consumer demand in India.
- Opening of key sectors to FDI: Retail is a prime example where India has a vast, largely unorganized market where government regulations restrict foreign investment.
- Public-private partnership projects: India is in urgent need of infrastructure

creation and foreign investments, but government regulations, again, are a drag on investment opportunities.

It is imperative for the new political order to be proactive from the outset, with respect to implementing industry-centric policies and reforms, while promoting measures to boost foreign investments into the country. Should these measures be implemented in their true essence, the Indian economy has the potential to break away from its recent experience of weak growth and post stronger economic performance, going forward.

## Property Investment Market in India

India remained quiet in Q4 2013 as the economic and political picture continued to dampen investor sentiment. The occupier markets were slightly more positive but the bulk of investors opted to remain on the sidelines ahead of the forthcoming general election scheduled to take place before the end of May.

The period saw a number of deals involving developers buying back stakes in projects as funds look to exit the market. Other funds have been active, however, with the likes of Blackstone, Xander Group and Red Fort Capital all active during the quarter. Funds previously only purchased stakes in projects as passive partners but are now more closely involved in the project cycle. Local developers remain in need of private equity cash given sluggish residential sales and weak lending environment.

On the regulatory side, the land acquisition bill was passed during the quarter and lays out new requirements and pricing guidelines for the government and private sector looking to acquire land for development purposes.

The other major regulatory change afoot pertains to REITs, initial guidelines for which were recently unveiled by the Securities and Exchange Board of India (SEBI). SEBI has proposed limiting investment in REITs initially to institutional investors and high net worth individuals. Final guidelines are expected later in the year.

The market will remain quiet in H1 2014 but activity is expected to increase in the second half of the year once the election is over. There will continue to be isolated deals as evidenced by the current level of activity by private equity groups (for example, Milestone Capital Advisors and Motilal Oswal Private Equity's investment in Bangalore based Fortuna Group, JP Morgan's investment in Vaswani Group, etc.).

## Residential Market Overview – Bangalore

The central region of Bangalore has been the core around which the real estate components in the city developed. Comprising of commercial and retail hubs such as MG Road, Brigade Road, Residency Road and Commercial Street, the central region emerged as the Central Business District (CBD), primarily characterized by a mixed development profile. In due course, the central zone started witnessing saturation due to indiscriminate real estate development as well as natural organic growth. Currently, central areas have limited development potential on account of scarce land coupled with spiralling land costs.

In conjunction with the increasing prominence of IT/ ITES activity in the late 1990s and

the natural expansion of the city, 'spill-over' growth was witnessed towards the suburban and peripheral regions due to ample land availability and affordability. Significant IT activity was witnessed in the suburban regions in the south of Bangalore city such as Koramangala, Bannerghatta Road and the Airport Road corridor.

Further, large campus developments by IT majors initiated the commercial activity in Electronic City and Hosur Road to the south and Whitefield (where the subject property is located) towards the eastern periphery of the city. These large campuses attracted a significant number of smaller IT/ ITES companies to follow suit and the two regions emerged as the commercial growth vectors of the city. Commensurate with the commercial activity and the ensuing influx of IT professionals from all parts of India, residential markets surrounding these commercial growth areas also exhibited significant activity levels. Prominent residential micro-markets to emerge in the South include Jayanagar, J P Nagar and BTM Layout while in the East, apart from established residential micro-markets such as Indiranagar and Old Madras Road significant residential activity was witnessed in Whitefield and surrounding areas.

Further in the mid 2000's, Sarjapur Outer Ring Road was completed in the south east of the city and resulted in this area emerging as a growth corridor due to a host of factors such as excellent connectivity and accessibility to other parts of the city and availability of large land parcels for development.

Along with Sarjapur Outer Ring Road, the northern periphery of the city has witnessed heightened real estate activity in the last 2-3 years primarily on account of the Kempegowda International Airport development at Devanahalli. Going forward, areas in the North such as Devanahalli, Yelahanka and Jakkur are expected to emerge as prominent real estate activity hubs, primarily as residential areas in the near to medium term, with commercial activity (office space, hospitality, retail) expected to pick up at the Bangalore International Airport in the medium term.

For the purpose of understanding the real estate sector, Bangalore can be classified into different activity zones based on the concentration/ profile of development activity, as below:

**Central Business District (CBD):** defined by the city centre location in proximity to MG Road, comprising of significant roads such as Residency Road, Richmond Road, Lavelle Road, St. Marks Road and Kasturba Road

**Non CBD:** micro-markets on the periphery of CBD (viz. approx. 4 – 6 km from CBD) such as Infantry Road, Cunningham Road, Langford Town, Airport Road, Frazer Town, Ulsoor, etc.

**Suburban Areas:** micro-markets outside the inner ring road (viz. approx. 6 – 10 km from CBD), however primarily inside the outer ring road such as Koramangala, Jayanagar, Banerghatta Rd, Banashankari, in South, IndiraNagar, C.V. Raman Nagar, etc. in the east and Sadashivnagar, RMV extension, etc. in North

**Peripheral Areas:** micro-markets beyond the outer ring road (viz. approx. 20 – 25 km from CBD) such as Electronic City, Whitefield, Devanahalli, etc. Though these micro-markets are located in peripheral areas, the proposed second phase of the metro rail is

expected to connect micro-markets such as Whitefield (subject location) to the CBD. The second phase of the metro rail initiative (for which work is expected to commence in year 2014) is expected to enhance the connectivity and accessibility of peripheral areas (such as Whitefield) thereby positively impacting the image and attractiveness of the region

## Residential Market Overview – Whitefield

Whitefield is one of the most established commercial IT/ITeS suburbs of Bangalore. The subject micro-market has emerged as a prominent IT/ ITeS destination, subsequent to the establishment of the Export Promotion Industrial Park (EPIP) Zone in 1996 and International Technology Park Ltd. (ITPL) in 1998. Prominent IT/ ITeS commercial developments in this region include ITPL, DivyaSree Technopark, DivyaSree NR Enclave, RMZ NXT, SJR I Park, etc. The subject micro-market has attracted interests from various MNCs and prominent Indian IT/ITeS majors, owing to availability of the good quality office space at lower rentals as compared to other established commercial micro-markets, availability of multiple scalable options, good connectivity and presence of good social infrastructure. Some of the prominent companies present in the micro-market include SAP Labs, IBM, Tesco, Accenture, TCS, HUL, etc. With the increase in IT/ ITeS activity in the recent past, residential activity has also witnessed a commensurate increase in and around the subject micro market to support the increasing demand of working populace looking at housing options close to their workplace. Prominent completed residential developments in the subject region include Sobha Rose, Gopalan Grandeur, Prestige Shantiniketan, Brigade Metropolis, etc. In addition, prominent residential developments which are currently marketing include Pursuit of Radical Rhapsody, Windmills of your mind, Brigade Cosmopolis, Brigade Lakefront, Prestige White Meadows, Sobha Habitech, Vaswani Brentwood, etc.

Further, the subject micro-market is well supported by social infrastructure in the form of Retail malls (viz. Park Square Mall, Phoenix Market City, Inorbit mall, etc.); Educational institutes (viz. The International School, Delhi Public School, Deans Academy, etc.); Hospitals (viz. Sri Sathya Sai Baba Hospital, Vydehi Institute of Medical Sciences, etc.). These social infrastructure facilities have contributed to the region to develop into a self-sustaining micro-market.

Within Whitefield, the residential and commercial activity has been witnessed across a few major corridors:

ITPL Main road ~ Emanates from Old Madras Road and connects to the Hope Farm Junction, housing large scale mixed use developments like Brigade Metropolis, Prestige Shantiniketan, Borukha IT Park, etc. The inner roads emanating from ITPL main road are witnessing villa developments such as Prestige Silver Oak, Gopalan Urban Woods, etc. Commercial developments located along the vector are few of the most prominent developments and include developments such as ITPB, Salarpuria GR Tech Park, Brigade Tech Park, etc.

Whitefield Main Road ~ Connecting Varthur circle to Hope Farm Junction and is a significant residential vector in Whitefield. Prominent residential developments along the road include Prestige White Meadows, Prestige Ozone, Sobha Rose, Brigade Cosmopolis, The Avenue, etc.

Graphite India road ~ Including Brookfields, is one of the established corridors for apartment and commercial activity due to proximity of EPIP zone. Prominent residential projects in the vector include Skylark Esta, Aratt Premier, Gopalan Granduer, Sterling

Brookside, Sterling Shalom, etc. Limited commercial developments witnessed on this vector, with RMZ Centennial and Kalyani Platina as the only few commercial developments located along this vector.

Varthur road ~ Owing to its good connectivity to Sarjapur Outer Ring Road and Old Airport Road this stretch has emerged as an important corridor as far as residential activity is concerned. The area consists of landmark villa developments such as Adarsh Palm Meadows, Prestige Lake Vista and large scale apartment developments such as Purva Riviera and Purva Fountain Square. In addition, upcoming developments in various stages of construction include Mahaveer Maple, DNR Atmosphere, UKN Miraya Rose, Vaswani Brentwood, etc. However, commercial developments are negligible on this vector, with the only prominent development being Sigma Tech Park by IDEB developers.

Sai Baba Ashram road ~ Current growth corridor within Whitefield, primarily witnessing large scale villa and apartment activity owing to ample availability of large tracts of land. It is located away from the IT/ITeS activity centres within Whitefield and therefore offers relatively calm and tranquil environment suitable of residential developments. Villa projects along the vector include Sterling Villa Grande, Goel Ganga Prive, Chaitanya Smaran, etc. Prominent apartment projects on this stretch include Nitesh Forest Hills, Nitesh Flushing Meadows, Mera Homes, etc.

Channasandra Road ~ Stretch from Hope Farm Junction to Chikka Tirupathi, primarily characterized by large tracts of agricultural land parcels. The initial stretch on this vector is witnessing increased real estate activity in the past 1-2 years, owing to the spill-over of demand from other established locations in Whitefield. Prominent residential developments on this vector include Sobha Habitech, Prestige Mayberry, DSR Sunrise, etc. Developments beyond the Food Corporation of India are in nascent stages and are characterized by affordable to mid end apartments being developed by local developers.

## Residential Benchmarks

### Apartments

	PROJECT	DEVELOPER	SUBMARKET	INVENTORY (Units)	SALEABLE AREA (m <sup>2</sup> /unit)	CAPITAL VALUES (USD / m <sup>2</sup> )	ABSORPTION	LAUNCH	DELIVERY
1	The Five Summit Address	The Address Makers	EPIP Zone	224	242	931	44%	Q4 2013	2016
2	Brigade Cosmopolis	Brigade Group	Whitefield Main Road	880	171	1,095	17%	Q3 2013	2016
3	UKn Miraya Rose	Ukn Properties	Varthur Main Road	95	317	1,653	11%	Q2 2013	2015
4	In Pursuit of Radical Rhapsody	Total Environment	ITPL Road	1,290	305	1,471	12%	Q1 2013	2015
5	The Avenue	Ezzy Group	Whitefield Main Road	48	313	1,044	73%	Q4 2012	2014
6	Indraprastha Ruhe	Indraprastha Developers	Whitefield Main Road	23	281	1,131	70%	Q1 2012	2014
7	Prestige White Meadows	Prestige Group	Whitefield Main Road	291	608	1,305	93%	Q1 2010	2014

Note: 1 USD = INR 61.787; Source: www.xe.com as on 18.02.2014

### Villas – Primary Sales

	PROJECT	DEVELOPER	TYPE OF DEVELOPMENT	SUBMARKET	INVENTORY (Units)	SALEABLE AREA (m <sup>2</sup> /unit)	PLOT AREA (m <sup>2</sup> /unit)	CAPITAL VALUES (USD / m <sup>2</sup> )	ABSORPTION	LAUNCH	DELIVERY
1	Prestige Lakeside Habitat	Prestige Group	Villas	Varthur	271	350	279	1,331	55%	2013	2018
2	VDB Willow Farm	Value Designbuild	Villas	Borewell Road	22	528	372	1,305	59%	2012	2014
3	Habitat Crest	Habitat Ventures	Villaments	ITPL Road	150	275	UDS	957	84%	2011	2014

MARKET OVERVIEWS, PLAZA CENTERS – 28 FEBRUARY 2014

4	Prestige Silver Oaks	Prestige Group	Villas	Off ITPL Road	146	370	188	1,305	92%	2010	2014
5	Sterling Villa Grande	Sterling Developers	Villas	Sai Baba Ashram Road	156	260	319	1,508	88%	2010	2014

Note: Highlighted developments are reflective of projects that are currently being marketed in the subject region

UDS – Un-Divided Share of area

**Villas – Secondary Sales**

	PROJECT	DEVELOPER	TYPE OF DEVELOPMENT	SUBMARKET	INVENTORY (Units)	SALEABLE AREA (m <sup>2</sup> /unit)	PLOT AREA (m <sup>2</sup> /unit)	CAPITAL VALUES (USD / m <sup>2</sup> )	ABSORPTION	LAUNCH	DELIVERY
1	Prestige Ozone	Prestige Developers	Villas	Varthur Circle	211	228	223.2	2,309	100%	2004	2006
2	Prestige Lake Vista	Prestige Developers	Villas	Varthur Road	28	298	446	2,067	100%	2001	2003
3	Adarsh Palm Meadows	Adarsh Developers	Villas	Varthur Road	585	326	372	2,586	100%	2001	2003
4	Prestige Bougainvillea	Prestige Developers	Villas	Off ITPL Main Road	40	353	326	2,061	100%	2006	2008
5	Prestige White Meadows	Prestige Developers	Villas	Whitefield Main Road	66	519	437	1,841	100%	2010	2014
6	Prestige Mayberry	Prestige Developers	Twin Houses	Off Whitefield Main Road	166	334	279	1,455	100%	2012	2015

Note: Developments highlighted above are reflective of prominent projects available for secondary sales in the subject region. Transactions in the above developments would be far and few (viz. approx. 1 – 2 units per year)

## Residential Market Overview - Chennai

Chennai is one of the key commercial hubs in South India. The city's real estate sector has been dominated by requirements of local corporate houses and financial service sector; as a consequence of the growth of the IT industry, this sector has witnessed significant growth in recent years.

For better understanding of the real estate dynamics in the city, Chennai has been classified into four distinct zones based on the concentration of real estate development activity as given below:

- Central Business District (CBD)
- Secondary Business District (SBD)
- Suburban Areas
- Peripheral Areas

### Central Business District (CBD):

The CBD of Chennai is primarily constituted by Anna Salai, Nungambakkam High Road and Dr. Radhakrishnan Salai (a part of the road is also referred to as Cathedral Road). These micro-markets are dominated by office / commercial developments. Residential developments (independent houses and apartment developments) in these micro-markets are limited and are primarily concentrated in a few clusters located off the main roads. Real estate activity is limited in this zone, primarily due to the lack of availability of land. Factors such as central location and business image have resulted in a distinct premium being attached to real estate available in these micro-markets (and its surrounding areas). The subject property considered for this research synopsis is located within this zone

### Secondary Business District (SBD):

This zone comprises of micro-markets that are located outside the CBD and are characterized by both commercial and residential real estate segments. Commercial activity is dominated by retail and office developments. Residential developments in these micro-markets primarily cater to the upper mid-end and mid-end income groups. Some significant micro-markets constituting the Secondary Business District in Chennai include T. Nagar, Kilpauk, Adayar, Anna Nagar, Guindy etc.

### Sub Urban Areas:

These are primarily fringe areas located beyond the Secondary Business District and are in the radius of 7-10 kms from the CBD. These micro-markets are primarily residential in nature with a few commercial developments. A few prominent micro-markets in this

zone include Velachery, Ambattur, Mogappair, etc.

Peripheral Areas:

This zone primarily comprises of micro-markets that are located in the periphery of the city. Development of micro-markets in this zone has been witnessed to be a consequence of conscious development programs initiated by the Government. Growth in these micro-markets is catalysed by either industrial or educational developments or campuses of prominent IT companies. The subject property is located in Siruseri micro market, which is one of the peripheral locations of the city.

## Residential Market Overview – Rajiv Gandhi Salai

The subject site is located in Siruseri micro-market on Rajiv Gandhi Salai (the erstwhile Old Mahabalipuram Road). Keeping in perspective the location of the subject property and nature of the development, it is opined that the subject development would be directly impacted by the existing and future dynamics of Rajiv Gandhi Salai. A brief real estate market overview of Rajiv Gandhi Salai has been provided below:

Rajiv Gandhi Salai, the designated IT corridor of Chennai, extends from Madhya Kailash Junction (located in Adyar micromarket) up to the tourist town of Mahabalipuram (located at a distance of approx. 50 kms). The subject property is located at a distance of approx. 24 Km from Madhya Kailash Junction in the Siruseri micro-market in close proximity to the SIPCOT IT Park. The corridor has been witnessing extensive real estate development activity in commercial/IT and residential segments over the last 8 to 10 years.

The initial stretch from Madhya Kailash Junction to Semmenchery comprises of large scale commercial / residential activity and currently characterised by organised supply of commercial (predominantly IT/ITES parks) and residential developments. This stretch has limited land availability and is witnessing a steady increase in capital values over the last 4-5 years. The subject property however is located in the latter half of Rajiv Gandhi Salai which extends from Semmenchery to Kelambakkam, approximately 14 km stretch. This stretch characterized by the presence of residential settlements, educational institutions etc. Navalur, Egattur, Siruseri, Semmencherry, Pudupakkam Kazhipattur, Padur, Kelambakkam, etc., are some of the notable micromarkets located along this stretch.

In conjunction with the first stretch, that has ELCOT SEZ and other IT Parks and residential developments. The second stretch is witnessing extensive office space development activity. This stretch is characterized by the presence of large IT parks, Special Economic Zones (SEZ's) and campuses of IT corporates. A few of the notable IT developments located within this stretch include ETA Technopark (an SEZ development), Pacifica Tech Park, SSPDL Alpha City, etc. Polaris Software, American Megatrends, Scope International, etc., are some of the notable companies to have established their campuses within the stretch.

In addition, an IT park (admeasuring approx. 750 acres) has been developed by State Industries Promotion Corporation of Tamil Nadu (SIPCOT) at Siruseri. Majority of the plots in the first phase of the development have been allotted to numerous IT corporates. A few of the prominent occupiers include Tata Consultancy Services, Steria, Polaris Technologies, Hexaware Technologies, Cognizant Technologies, etc. A few occupants of this park have already started their operations viz. Tata Consultancy Services, Steria, Cognizant Technologies, Patni Computers, Aspire Systems, Hexaware Technologies, etc., and a few other campuses were observed to be in various stages of construction. The subject land parcel is located behind the Tata Consultancy Services campus development located within SIPCOT, Siruseri. The scale of the above developments is in-turn creating residential demand.

Owing to extensive commercial/IT activity, the corridor has been witnessing launch of

numerous large-scale residential projects (in excess of 300 dwelling units) in the last 5-6 years. Majority of these projects have been positioned as integrated townships and are targeted at the existing and future IT population in the region. A few of the prominent large-scale residential projects that are currently under various stages of development Hiranandani 'Upscale', KGS 'Sunnyside', Provident Housing 'Cosmo City', L&T 'Eden park', Green Tree 'Green 201', Arihant 'Frangipani', Olympia 'Opaline', etc. The subject micro-market has presence of few educational institutions such as Hindustan University, Anand Institute of Higher Tech, Chettinad Dental Hospital & College, etc. and retail developments such as the recently operational Coromandel Plaza.

Currently, the residential activity has seen a spill over to other adjoining micro markets beyond Kelambakkam along Rajiv Gandhi Salai such as Thaiyur, Thiruporur, etc. However, commercial real estate activity predominantly is restricted until Kelambakkam with concentration of activity along the initial stretch of Rajiv Gandhi Salai. Rajiv Gandhi Salai continues to witness significant introduction of new residential and commercial supply. The capital values for residential apartments/villas are expected to remain stable in the short to medium term on account of introduction of new supply and unsold inventory in existing projects. The table overleaf highlights the current residential pricing levels along with the available inventory.

## Residential Benchmarks

### Apartments

	PROJECT	DEVELOPER	SUBMARKET	INVENTORY (Units)	SALEABLE AREA (m <sup>2</sup> /unit)	CAPITAL VALUES (USD / m <sup>2</sup> )	ABSORPTION	LAUNCH	DELIVERY
1	Eden Park Phase II	Larson & Toubro	Pudupakkam	712	104	678	5%	Q4 2013	2017
2	Green 201	Green Tree Constructions	Pudupakkam	585	107	582	95%	Q4 2012	2014
3	Sunnyside	KGS Developers	Siruseri	526	128	647	10%	Q4 2013	2016
4	Cosmo City Phase III	Provident Housing	Pudupakkam	784	91	534	70%	Q3 2010	2014
5	Earth Homes	KG Group	Siruseri	140	110	508	60%	Q2 2013	2015
6	Hiranandani Upscale Phase I & II	Hiranandani Realtors	Siruseri	Phase I – 1,120 & Phase II – 900	Phase I – 199 & Phase II – 227	Phase I – 1,068 & Phase II – 1,019	Phase I – 95% & Phase II – 20%	Phase I – 2007 & Phase II – 2012	Phase I – 2012 & Phase II – 2015
7	Imperial Towers	Sri Sreenivasa Constructions	Egattur	207	107	647	90%	Q4 2011	2014

Note: 1 USD = INR 61.787; Source: www.xe.com as on 18.02.2014

### Villas

	PROJECT	DEVELOPER	SUBMARKET	INVENTORY (Units)	SALEABLE AREA (m <sup>2</sup> /unit)	PLOT AREA (m <sup>2</sup> /unit)	CAPITAL VALUES (USD / m <sup>2</sup> )	ABSORPTION	LAUNCH	DELIVERY
1	Lake Wood Enclave	SSPDL	Thalambur	33	251	302	1052	80%	Q2 2012	2014
2	Groovy Woods	Shri Janani Homes	Kazhipattur	86	186	242	745	45%	Q2 2012	2014
3	Mia Villas	Isha Homes	Pudupakkam	106	274	232	906	85%	Q2 2011	2014
4	Pavilion	Casa Grande	Thalambur	330	235	186	647	75%	Q1 2012	2014
5	Villa Boutique	XS Real	Kazhipattur	23	128	220	971	40%	Q3 2012	2014
6	Whispering Villas	Gemma Habitats	Pudupakkam	28	116	209	906	90%	Q1 2012	2014
7	Aurum Villas	Pacifica Companies	Padur	410	281	233	728	94%	Q2 2009	2014

MARKET OVERVIEWS, PLAZA CENTERS – 28 FEBRUARY 2014

8	Panache	Olympia Group	Navalur	123	478	326	1295	81%	Q1 2013	2015
9	Green Athens	Green Tree Constructions	Kelambakkam	40	446	223	1133	15%	Q1 2013	2015

**Plotted Developments**

	PROJECT	DEVELOPER	SUBMARKET	INVENTORY (Units)	SALEABLE AREA (m <sup>2</sup> /unit)	CAPITAL VALUES (USD / m <sup>2</sup> )	ABSORPTION	LAUNCH	DELIVERY
1	Greenwood City	Arihant Unitech	Navallur	335	250	470	77%	2011	NA
2	Wing Haven	ETA Star	Karanai	465	290	450	93%	2010	NA



## Part V—Management

### PART V—Management

#### 1. The Board

The Company's one-tier Board currently comprises of the following persons:

Executive Director:	Mr. Ron Hadassi
Non-executive Directors:	Mr. Marco Habib Wichers (Chairman)—independent Non-executive Director
	Mr. Sarig Shalhav—independent Non-executive Director
	Mr. David Dekel—independent Non-executive Director
	Mr. Shlomi Kelsi
	Mr. Yoav Kfir
	Mr. Nadav Livni

#### Executive Director

**Mr. Ron Hadassi (49).** Mr. 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. Mr. Hadassi 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 from the Tel Aviv University, an LLB from the Tel Aviv University and an MBA from the Tel Aviv University.

Mr. Hadassi was appointed as an Executive Director on 8 July 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.

The agenda of the extraordinary General Meeting that will be held after publication of this document, contains the proposal to dismiss Mr. Ron Hadassi from his position as Executive Director and to simultaneously appoint Mr. Ron Hadassi as Non-executive Director. For further explanation, reference is made to Part IX Additional Information"nr. 2 subparagraph 10.

#### Non-executive Directors

**Mr. Marco Habib Wichers (55)** 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 Chief Executive Officer of Branco International Inc. New York (a manufacturing company) and between 1983 and 1995 he acted as the Chief Executive Officer 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, Mr. Wichers 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. Marco Habib Wichers is an independent Non-executive Director.

**Mr. Sarig Shalhav (40).** Mr. 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 Ph.D. in international taxation from

## Part V—Management

Amsterdam University. Mr. Shalhav has been working with leading law firms and major audit & tax corporations.

Mr. Sarig 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. Sarig Shalhav is an independent Non-executive Director.

**Mr. David Dekel (49).** Mr. David Dekel is currently a non-executive director at Nanette Real Estate Group N.V., a residential developer, operating in Central Europe. Mr. David Dekel is the founder and chief executive officer of Endeavour Enterprises N.V. from Amsterdam, the Netherlands and has several other managerial functions.

Mr. David 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.

Mr. David Dekel is an independent Non-executive Director.

**Mr. Shlomi Kelsi (42).** Mr. Kelsi is currently the managing director of all holding subsidiaries of Ampal-American Israel Corporation, 2013. Ampal-American was one of the largest investment companies in Israel, traded on the Nasdaq and the Tel Aviv Stock Exchange. After this company filed a Chapter 7 proceeding in the United States, Mr. Kelsi was nominated to serve as the managing director/representative in all holdings of Ampal-American. Mr. Kelsi also serves on the Board of EI.

Mr. Shlomi Kelsi holds an MSc. in finance from the Tel Aviv University. Mr. Kelsi 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 (42).** Mr. Kfir serves as the Founder and Managing Director of VAR Group. Mr. Kfir has served as interim Chief Executive Officer, Chief Financial Officer, Advisor or court appointed Officer, crisis manager and trustee with respect to various companies. Mr. Kfir 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, Mr. Kfir 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 organizations.

Mr. Yoav Kfir 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.

**Mr. Nadav Livni (40).** 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. The Hillview Group serves as a trusted advisor to its clients, providing discreet, independent advice on all aspects of capital markets transactions, business development initiatives, due diligence reviews and

## Part V—Management

value-maximising strategies. Mr. Nadav Livni previously worked at Deutsche Bank, Goldman Sachs and KPMG. Mr. Livni also serves on the Board of E1.

Mr. Nadav 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. 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. The agenda of the extraordinary General Meeting that will be held on after publication of this document, contains the proposal to dismiss Mr. Nadav Livni from his position as Non-executive Director and to simultaneously appoint Mr. Mr. Nadav Livni as Executive Director.

### 2. Senior managers

**Mr. Ran Shtarkman (46)** CPA, MBA. Mr. Shtarkman joined the Company in 2002. Mr. Shtarkman was appointed Chief Financial Officer of the Company in 2004. Mr. Shtarkman 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 B.A degree in accounting and economics from the Tel Aviv University and an M.B.A. 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. Mr. Shtarkman 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 emphasize the importance of Mr. Shtarkman’s presence with the Company.

**Mr. Roy Linden** joined the Company in November 2006 and has acted as chief financial officer since then. Prior to joining the Company, Mr. Linden 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. Mr. Linden 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 BB.A 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** joined the Company as general counsel and compliance officer in 2007. Prior to joining the Company, Mr. Eli 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 LL.B. degree and an MBA degree from the College of Management Academic Studies and he is an attorney at law.

**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 EI. At the Company he was acting as the project manager of Romanian projects. In 2010 he became the Company’s Country chief engineer in Romania and on 1 August 2012 he was appointed as the Group’s Chief engineer and Head of construction.

## **Part V—Management**

### **3. Management structure**

#### *The Board*

The Board, having wide-ranging property development expertise, has an oversight on the Company's strategy and all project development decisions. The Board will review and approve business plans and budgets and actively manages and monitors development risks.

#### *Senior management*

The senior management team, consisting of Messrs. Ran Shtarkman, Roy Linden, Uzi Eli and Yaron Moryosef are experienced property development professionals with global property development expertise. The team is responsible for sourcing development projects, developing business plans and overseeing the management of development projects.

#### *Local country management*

The local country management team, consisting of Dori Keren, Oren Kolton, Luc Ronsmans, Therese Keys and Rabia Shihab all have extensive local experience. The team is responsible for cultivating connections with market to source opportunities and the day-to-day management of local operations and development projects.

### **4. Corporate governance**

The Company has the Ordinary Shares listed on the main market of the LSE and on the main market of the WSE. It is envisaged that shortly after the completion of the restructuring of the Company, the Ordinary Shares will be admitted to listing on the TASE. Insofar the TASE will impose corporate governance on the Company, the Company shall, insofar in the position, abide by that. It is noted that currently, there are no corporate governance requirements by the TASE as such requirements are addressed in Israeli company law which does not apply to the Company.

Except as set out below, the Company complies with the Dutch Code and the UK Code on Corporate Governance. The Company acknowledges the importance of good corporate governance. The Company has made an effort in drawing up internal corporate governance regulations that comply, to the highest extent possible, with the Dutch Code, the UK Code on Corporate Governance and the WSE Corporate Governance Rules. Where deviations from the Dutch Code, the UK Code on Corporate Governance or the WSE Corporate Governance Rules have been necessary, such has been indicated below for the financial 2013 onwards and any future deviations will be indicated in the Company's annual reports on an ongoing basis.

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

#### *Deviations from the Dutch Code in 2013*

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

- Best Practice Provision II.1.3 stipulates inter alia that the Company should have an internal risk management and control system and that in that respect, it should have inter alia employ as instruments of such internal risk management and control system, a code of conduct which should be published on the Company's website. In 2013, such code of conduct has not been available on the Company's website.
- 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. In 2013, such description has not been available.

## Part V—Management

- Best Practice Provision II.1.6 stipulates that the management board shall describe the sensitivity of the results of the Company to external factors and variables. Since the Company has no streaming/fix annual revenue from operation of properties, it does not perform such analysis.
- Best Practice Provision II.2.4 stipulates that granted options shall not be exercised in the first three years after the date of granting. The Share Option Schemes do not restrict the exercise of options to a lockup period of three years. The reason therefore is that the Company and the Elbit Imaging Group share the same remuneration policy and Share Option Schemes were drafted in accordance with EI's share option scheme, in order to maintain the incentive for all employees of the Elbit Imaging Group based upon the same principles.
- Best Practice Provision II.2.7 stipulates that neither the exercise price nor the other conditions regarding the granted options shall be modified during the term of the options, except insofar as prompted by structural changes relating to the shares of the Company in accordance with established market practice. The Company has on 25 November 2008 adjusted the exercise price of the granted options and in November 2012 the Company extended the option term from ten (10) to fifteen (15) years from the date of grant of the 2006 Share Option Scheme. This has been done since the Board was of the view that the each Share Option Scheme should serve as an effective incentive for the employees of the Group, to encourage them to remain in employment and work to achieve the best possible results for the Company and the Shareholders. Market conditions and the global economic crisis that is still impacting the geographic regions and real estate sectors in which the Company operates, however, led to a strong decline in the Company's share price at both the London Stock Exchange and the Warsaw Stock Exchange, resulting in practically all options being out of the money without a favorable outlook for a quick recovery. In order to maintain the incentive for all employees, the Board has submitted to the extraordinary meeting of shareholders that was held on 25 November 2008, a proposal to amend the 2006 Share Option Scheme and to determine the exercise price of all options granted on or prior to 25 October 2008, to GBP 0.52 and to the extraordinary meeting of shareholders that was held on November 20, 2012, a proposal to amend the 2006 Share Option Scheme and to extend the option term from ten (10) to fifteen (15) years from the date of grant to be in line with the end date of the option term under the 2011 Share Option Scheme, adopted by the extraordinary General Meeting of shareholders on 22 November 2011. In an attempt to insure that the options are and remain an effective incentive and to assist in the retention of employees, and that the option holders should have the opportunity to exercise their options until the same end date as the holders of options under the 2011 Share Option Scheme, the revised 2006 Share Option Scheme includes an extension of the vesting term for options granted less than one year prior to 25 October 2008. The shareholders approved the amendments of the 2006 Share Option Scheme, the adjustment of the exercise price and the extension of the option term.
- Best Practice Provision II.2.12 and Best Practice Provision II.2.13 stipulate inter alia that the remuneration report of the supervisory board shall include account of the manner in which the remuneration policy has been implemented in the past financial year as well as an overview of the remuneration policy planned by the supervisory board for the next financial year and subsequent years and should contain the information specified in these provisions. The current remuneration policy of the Company has remained unchanged from 2006 at the moment the Company's shares were admitted to listing and is fairly straight-forward, as such that "implementation" is not an issue. Furthermore, pursuant to the Articles, the General Meeting determines the remuneration policy, and not the Non-executive Directors. When the remuneration policy needs amendment, this will be addressed in a General Meeting.
- Best Practice Provision II.3.3 and Best Practice Provision III.6.2 stipulate that both executive directors and non-executive directors shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the Company. Following the amendment of the Articles, since 4 July 2013, the Articles provides for this and the Articles further stipulate that, when as a consequence of the provision outlined above, 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.

## Part V—Management

- Best Practice Provision II.3.4 and Best Practice Provision III.6.3 stipulate, inter alia, that decisions to enter into transactions in which there are conflicts of interest with management board members that are of material significance to the Company and/or to the relevant board members require the approval of the non-executive directors. As the Company has a one-tier board and as each Board member is obliged to notify all direct and indirect conflicts of interest, the Articles contain no specific approval clause.
- Best Practice Provision III.1.7 stipulates that the supervisory board shall discuss at least once a year on its own, both its own functioning and that of its individual members, and the conclusions that must be drawn on the basis thereof. The desired profile, composition and competence of the supervisory board shall also be discussed. Moreover, the supervisory board shall discuss at least once a year without the management board being present, the functioning of the management board as an organ of the company and the performance of its individual members, and the conclusions that must be drawn on the basis thereof. In 2013 the Non-executive Directors have not specifically discussed the items that appear in this Best Practice Provision on separate occasions. The Board, however, feels it important to notify the shareholders that as a rule, every Board meeting includes an assessment by all Board members of their own functioning and that of their fellow Board members. The Board is of the view that, given the fact that the Company has a one-tier board rather than a separate management board and supervisory board, this course of action appropriately meets actual purpose of this Best Practice Provision.
- Best Practice Provision III.1.8 stipulates that the supervisory board shall discuss at least once a year the corporate strategy and the risks of business and the results of assessment by the management board of the structure and operation of the internal risks management and control systems, as well as any significant changes thereto. In 2013, there have not been separate meetings of the Non-executive Directors to discuss the items mentioned in this Best Practice Provision. The reason therefor is that risk management at the Company is, pursuant to the internally applicable corporate governance regulations, a matter specifically reserved for decision by the full Board. Board meetings in 2013 have included discussions in respect of corporate strategy and risk management and periodically throughout the year, the internal system of risk management has been assessed by the full Board.

Best Practice Provisions III.2.1 and III.8.4 stipulate that the majority of the members of the Board shall be independent non-executives within the meaning of Best Practice Provision III.2.2. and III.2.3. The Company currently has one Executive Director (who is considered to be non-independent) 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. Shlomi Kelsi, Yoav Kfir and Nadav Livni. The independent Non-executive Directors are: Messrs Marco Habib Wichers, Sarig Shalhav and David Dekel. Consequently, three out of the seven directors are considered to be independent. The Board believes that the experience of the non-independent Directors is of great importance to the Company.

- Best Practice Provision III.3.3 and Best Practice Provision III.4.1 (a) stipulate that all supervisory board members shall follow an induction program. The composition of the Board has remained unchanged from 2006 until 19 December 2013, on which date Mr. Sarig Shalhav was appointed as Non-executive director. Recently the Board has been extensively restructured with no formal induction program in place. The former Executive Directors and Non-executive Directors however, have been acting with due care to introduce the new Executive Director and Non-executive Directors in their functions.
- Best Practice Provision III.3.5 stipulates that a non-executive director (in terms of the Dutch Code a supervisory director (*commissaris*)) may be appointed to the board for a maximum of three four-year terms. Section 15 of the Articles (in the current Articles: Section 23) 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. Such a director may be reappointed, which could result in a term of office which is longer than three four-year terms.
- Best Practice Provision III.5.1 provides that the committee rules stipulate that a maximum of one member of each committee need not be independent within the meaning of Best Practice Provision III.2.2 The Company's nomination committee comprised in 2013 of three members, two of whom, Messrs. Shimon Yitzchaki and Sarig Shalhav, were considered to be non-independent. The Board believes that the composition of the nomination committee has been in the best interests of the Company, given the skills and experience of the committee members.

## Part V—Management

- Best Practice provision III.5.6 stipulates that the audit committee must not be chaired by the chairman of the board or by a former executive director of the company. The Company's audit committee was in 2014 chaired by Mr. Shimon Yitzchaki and thus the Company has deviated 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. Since the Company's remuneration committee was in 2013 chaired by Mr. Shimon Yitzchaki, the Company deviated from this requirement in 2013.
- Best Practice Provision III.7.1 stipulates that non-executive directors should not be granted any shares and/or rights to shares by way of remuneration. Under the 2006 Share Option Scheme, prior to the admission of the Ordinary Shares to trading on the London Stock Exchange and thereafter, options were granted to Mr. Shimon Yitzchaki, a former Non-executive Director who was dismissed by the General Meeting on 8 July 2014. Furthermore, the Share Option Schemes do not exclude the possibility of making further grants of options to Non-executive Directors. In particular, the Board believes that the granting of options to Mr Yitzchaki has been appropriate, given his extensive involvement in the Company. Furthermore, the Company has retained the right to grant options to Non-executive Directors as it believes that granting such options is appropriate in order to offer present and future non-executive directors a competitive remuneration package. All proposals for remuneration in the form of shares or rights to acquire shares (options) will be submitted to the General Meeting pursuant to Section 15.7 of the Articles and book 2 of the DCC.
- Best Practice Provision IV.3.13 stipulates that the Company shall formulate an outline policy on bilateral contacts with the shareholders and publish this policy on its website. All contacts between the Company and its shareholders are carried out in full transparency and therefore the Board considers such policy as not necessary.
- Best Practice provision V.1.3. states that the management board should be responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the management board, so that the timeliness, completeness and correctness of the external financial reporting are assured. For this purpose, the management board ensures that the financial information from business divisions and/or subsidiaries is reported directly to it and that the integrity of the information is not compromised. The non-executive directors (in terms of the Dutch Code: the supervisory board) shall ensure that the internal procedures are established and maintained. In respect of the Company, in 2013 the internal procedures on timeliness of external financial reporting were not met due to restructuring and investigation on compliance
- Best Practice Provision V.2.1. stipulates that the external auditor may be questioned by the General Meeting in relation to his report on the fairness of the financial statements and that the external auditor shall for this purpose attend and be entitled to address this General Meeting. As the experience is that the Shareholders vote by proxy in a General Meeting of shareholders, in the view of the Board, the presence of the external auditor is not required. The Company's Dutch auditor however, is available to attend, if required.
- Best Practice Provision V.3 stipulates inter alia that the Company should have an internal auditor. Though in fact the Company does not have an internal auditor itself, as part of the Europe Israel Group, the Company has a Quality Control Regulator, who practically functions as an internal auditor.

### *Deviations from the UK Code on Corporate Governance*

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

- Code Provision A.2.1 states that the division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the Board. Whilst the Company does not possess such a document, it believes that the division of responsibilities between the Chairman and Chief Executive is sufficiently clear.
- Code Provision A.4.2 states that the Chairman should hold meetings with the non-executive directors without the executive directors present and, led by the Senior independent director, the non-executive

## Part V—Management

directors should meet without the Chairman present at least annually to appraise the Chairman's performance and on such other occasions as are deemed appropriate. Code Provision B.6.1 states that the Board should refer in the annual report as to how performance evaluation of the Board, its committees and its individual directors has been conducted. Code Provision B.6.3 states that the non-executive directors, led by the Senior independent director, should be responsible for performance evaluation of the Chairman, taking into account the views of Executive directors. In 2013, the Chairman and the non-executive directors did not meet separately. However, at every Board meeting, an assessment is made by each Board member of his/her own performance and that of other members. The Board is of the view that this course of action provides an appropriate mechanism for the evaluation of the performance of Board members.

- Code Provision B.2.1 states, amongst other things, that a majority of members of the Nomination Committee should be independent non-executive directors and that the Chairman or an independent Non-executive director should chair the committee. Since the Nomination Committee was in 2013 chaired by Mr Shimon Yitzchaki, who is not regarded as being an independent non-executive director, the Company does not comply with this provision.
- Code Provision C.2.1 states that the Board should, at least annually, conduct a review of the effectiveness of the Company's risk management and internal control systems and should report to shareholders that they have done so. The Board did not conduct a review of the effectiveness of the Company's risk management and internal control systems in the year under review. However, the Board has established a process for identifying and managing the risks faced by the Company and both the audit committee and the Executive Directors regularly consider the effectiveness of the Company's internal controls and risk management procedures as part of the on-going management of the Company. The Board confirms that any appropriate actions either have been or are being taken to address any weaknesses in these areas.
- Code Provision C.3.6 states (amongst other things) that, where there is no internal audit function, the Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report. Although the Company does not have an internal auditor, as part of the Europe Israel Group, 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 the Audit Committee, Mr Shimon Yitzchaki, was unable to attend the annual General Meeting that was held in 2013.

### *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 of the rules set forth in Part I). Moreover, every year each WSE-listed company is required to publish a detailed statement on any non-compliance with the WSE Corporate Governance Rules (including the rules set forth in Part I) by way of a statement submitted with the Company's annual report. Companies listed on the WSE are required to justify non-compliance or partial compliance with any WSE Corporate Governance Rule and to present possible ways of eliminating the potential consequences of such non-compliance or the steps such company intends to take to mitigate the risk of non-compliance with such rule in the future. The Company intends, to the extent practicable, to comply with all the principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent permitted by Dutch law. Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law, will be

## **Part V—Management**

included in the aforementioned reports, which will be available on the Company's website and published by way of a current report.

### ***Board practices***

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

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

All statutory provisions relating to the members of the management board apply in principle to all members of a one-tier board.

The Board meets regularly throughout the year. To enable the Board to perform its duties, each Director has full access to all relevant information. If necessary, the Non-executive Directors may take independent professional advice at the Company's expense.

In line with the Dutch Code and the UK Code on Corporate Governance, the Company has established three committees: an audit committee, a remuneration committee and a nomination committee. The members of these committees are appointed from among the Non-executive Directors. The terms of reference of the committees have been supplemented with additional provisions from the UK Code on Corporate Governance. A brief description of the terms of reference of the committees is set out below. The Board has also established an executive committee comprising the Executive Director and any relevant Senior Managers or other personnel who may be invited. The executive committee meets on a monthly basis to discuss, amongst others, the status of contracts, including budgets, contingencies and risk management issues.

### ***Audit Committee***

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

### ***Remuneration Committee***

The remuneration committee, comprising three Non-executive Directors, meets at least twice each financial year to prepare the Board's decisions on the remuneration of directors and the Company's Share Option Scheme (Under Dutch law and the Articles, the principal guidelines for directors' remuneration and approval for directors' options and share incentive schemes must be determined by a General Meeting). The remuneration committee also prepares a Remuneration Report which is included into the Company's Annual Report. Currently, the Remuneration Committee is chaired by Mr. Wichers and the other members are Mr. Dekel, Mr. Kelsi and Mr. Shalhav.

### ***Nomination Committee***

Meeting at least twice a year, the Nomination Committee comprises three Non-executive directors. Its main roles are to prepare selection criteria and appointment procedures for Board members and to review

## **Part V—Management**

the Board's structure, size and composition. Currently, the Nomination Committee is chaired by Mr. Wichers and the other members are Mr. Dekel, Mr. Kelsi and Mr. Shalhav.

### ***Controlling Shareholder***

As stated in paragraph 8 of Part III—"Information on the Group", the Controlling Shareholder has effective control of the Company. To ensure that all transactions and relationships between the Group and the Controlling Shareholder are at arm's length and on a normal commercial basis, the Company has entered into a relationship agreement with the Controlling Shareholder. If a conflict of interest arises between the Controlling Shareholder and the Company, the non-independent Directors will take no part in the Board's decisions on the matter.

Furthermore, the Articles stipulate that a member of the Board must abstain from participating in the decision-making process with respect to matters by which he has a direct or indirect conflict of interest with the Company. When as a consequence thereof, no board resolution can be passed, then despite the conflict of interest such resolution can be resolved by the Board provided that the resolution is adopted unanimously in a meeting in which all members of the Board are present or represented.

### ***Corporate, social and ethical policies***

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

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

### ***Environment***

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

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

### ***Health and safety***

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

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

### ***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 Ordinary Shares. The share dealing code imposes restrictions beyond those that are imposed by applicable law. The share dealing code particularly relates to dealing during close periods, for all Directors and other key 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 AFS and the decree promulgated thereunder.

## Part VI—Selected Financial Information on the Group

### PART VI—Selected Financial Information on the Group

The table below sets out selected financial information for each of the three financial years ended 31 December 2011, 2012 and 2013 and is derived, subject to the note immediately below, from the Company's consolidated financial statements for the financial years ended 31 December 2011, 2012 and 2013, each of which is incorporated by reference. This table and the information in it should be read in conjunction with the Company's consolidated financial statements for the financial years ended 31 December 2011, 2012 and 2013, including the accompanying notes, and the rest of this Prospectus, including the information in "Operating and Financial Review".

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as Equity accounted investees. The balances of 2012 have been restated in the financial statements.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS IN '000 EUR

	For the year ended 31 December		
	2013	2012 Restated <sup>(*)</sup>	2011 Reclassified <sup>(**)</sup>
<b>Continuing operations</b>			
Rental income . . . . .	23,678	23,112	15,629
Revenues from entertainment centers . . . . .	3,345	6,911	7,121
	<u>27,023</u>	<u>30,023</u>	<u>22,750</u>
Cost of operations . . . . .	(9,408)	(9,384)	(9,388)
Cost of operations—entertainment centers . . . . .	(4,025)	(8,267)	(7,757)
	<u>13,590</u>	<u>12,372</u>	<u>5,605</u>
<b>Gross profit</b> . . . . .			
Gain (Loss) from disposal of undeveloped Trading Property . . . . .	(346)	(65)	109
Write-down of Trading Properties . . . . .	(117,913)	(60,293)	(47,987)
Write-down of equity-accounted investees . . . . .	(56,417)	(23,443)	—
Loss from disposal of equity accounted investees (holding undeveloped Trading Properties) . . . . .	(3,724)	—	—
Share in results of equity-accounted investees . . . . .	952	1,475	(153)
Administrative expenses, excluding restructuring costs . . . . .	(9,435)	(11,432)	(15,957)
Restructuring costs . . . . .	(702)	—	—
Other income . . . . .	413	8,970	169
Other expenses . . . . .	(11,468)	(1,122)	(1,783)
	<u>(185,050)</u>	<u>(73,538)</u>	<u>(59,997)</u>
<b>Results from operating activities</b> . . . . .			
Finance income . . . . .	1,288	20,358	103,018
Finance costs . . . . .	(40,632)	(37,531)	(29,032)
	<u>(39,344)</u>	<u>(17,173)</u>	<u>73,986</u>
<b>Profit (Loss) before income tax</b> . . . . .	(224,394)	(90,711)	13,989
Tax benefit (expense) . . . . .	6,256	6,592	(12,910)
	<u>(218,138)</u>	<u>(84,119)</u>	<u>1,079</u>
<b>Profit (Loss) from continuing operations</b> . . . . .			
<b>Discontinued operation</b>			
Profit (loss) from discontinued operation, net of tax . . . . .	65	(2,044)	12,785
	<u>65</u>	<u>(2,044)</u>	<u>12,785</u>
<b>Profit (Loss) for the year</b> . . . . .	<u>(218,073)</u>	<u>(86,163)</u>	<u>13,864</u>
<b>Profit (Loss) attributable to:</b>			
Owners of the Company . . . . .	(218,073)	(86,163)	9,346
Non-controlling interests . . . . .	—	—	4,518
<b>Earnings per share</b>			
Basic and diluted loss per share (in EURO) . . . . .	(0.73)	(0.29)	0.03
<b>Earnings per share—continuing operations</b>			
Basic and diluted loss per share (in EURO) . . . . .	(0.73)	(0.28)	0.003

(\*) Restated due to Retrospective application of IFRS. As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as Equity accounted investees. The balances of 2012 have been restated in the financial statements. Amounts for the year ended 31 December 31, 2011 were not amended due to application of IFRS 11.

(\*\*) In respect of 2011 figures, certain reclassifications (including reclassifications of discontinued operations income and expenses, as well as reclassification of impairment expenses into a separate line item, and also reclassifications of expenses between administrative expenses and cost of operations) were made

Part VI—Selected Financial Information on the Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN '000 EUR

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

(\*) Restated due to Retrospective application.

Part VI—Selected Financial Information on the Group

CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR

	For the year ended 31 December		
	2013	2012 Restated <sup>(*)</sup>	2011 Reclassified <sup>(**)</sup>
<b>Cash flows from operating activities</b>			
Profit (Loss) for the year . . . . .	(218,073)	(86,163)	13,864
<i>Adjustments necessary to reflect cash flows used in operating activities:</i>			
Depreciation and impairment of property and equipment . . . . .	423	1,065	2,517
Change in fair value of investment property . . . . .	4,267	(837)	(8,084)
Net finance costs . . . . .	39,344	17,173	(73,986)
Equity-settled share-based payment transaction . . . . .	424	197	2,978
Discontinued operations . . . . .	(65)	2,044	(12,785)
Gain on sale of property and equipment . . . . .	(23)	(13)	(4)
Share of loss of equity-accounted investees, net of tax . . . . .	78,617	19,854	153
Tax benefit . . . . .	(6,256)	(6,592)	12,910
	(101,342)	(53,272)	(62,437)
<i>Changes in:</i>			
Trade receivables . . . . .	(122)	(581)	(1,298)
Other accounts receivable . . . . .	10,126	5,821	(2,300)
Trading properties . . . . .	108,831	27,632	(21,930)
Trade payables . . . . .	(4,028)	(18,122)	543
Other liabilities, related parties liabilities and provisions . . . . .	3,498	(8,577)	5,093
	118,305	6,173	(19,892)
Interest received . . . . .	353	3,822	9,356
Interest paid . . . . .	(10,926)	(24,214)	(36,593)
Taxes paid . . . . .	(295)	(297)	(58)
<b>Net cash from (used in) operating activities</b> . . . . .	<u>6,095</u>	<u>(67,788)</u>	<u>(109,624)</u>
<b>Cash from investing activities</b>			
Purchase of property and equipment . . . . .	(75)	(462)	(380)
Proceeds from sale of property and equipment . . . . .	169	250	30
Discontinued operations . . . . .	—	63,885	10,576
Proceeds from sale of investment property . . . . .	7,649	—	—
Proceeds from liquidation of equity accounted investee EPUS . . . . .	32,410	—	—
Long term deposits redemption . . . . .	—	50,643	—
Purchase of marketable debt securities financial assets . . . . .	(1,424)	(16,089)	(9,307)
Proceeds from sale of available for sale financial assets . . . . .	12,012	31,294	9,051
Short term deposits, net . . . . .	—	3,102	(3,213)
<b>Net cash from investing activities</b> . . . . .	<u>50,741</u>	<u>132,623</u>	<u>6,757</u>

**Part VI—Selected Financial Information on the Group**

**CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 EUR (Continued)**

	For the year ended 31 December		
	2013	2012 Restated <sup>(*)</sup>	2011 Reclassified <sup>(*)</sup>
<b>Cash from financing activities</b>			
Proceeds from bank loans and financial institutions . . . . .	659	46,720	80,098
Proceeds from utilization and settlement of derivatives . . . . .	—	238	39,331
Proceeds (payments) from hedging activities through sell of options . . .	(2,364)	11,683	5,212
Repurchase of debentures . . . . .	—	(18,814)	(29,966)
Changes in restricted cash . . . . .	9,316	(1,796)	17,964
Acquisition of non-controlling interest . . . . .	—	—	(40,370)
Dividend paid . . . . .	—	—	(30,018)
Proceeds from re-issuance (2011—issuance) of long term debentures . . .	13,772	—	62,895
Repayment of debentures . . . . .	(60,319)	(65,320)	(76,075)
Repayment of interest bearing loans from banks . . . . .	(27,490)	(53,554)	(4,667)
<b>Net cash used in financing activities</b> . . . . .	<u>(66,426)</u>	<u>(80,843)</u>	<u>24,134</u>
<b>Effect of movement in exchange rate fluctuations on cash held</b> . . . . .	373	(56)	(807)
<b>Decrease in cash and cash equivalents during the year</b> . . . . .	(9,217)	(16,064)	(79,540)
<b>Cash and cash equivalents at 1 of January</b> . . . . .	<u>35,374</u>	<u>51,438</u>	<u>137,801</u>
<b>Cash and cash equivalents at 31 of December</b> . . . . .	<u><b>26,157</b></u>	<u><b>35,374</b></u>	<u><b>58,261</b></u>

(\*) Restated due to Retrospective application. Amounts for the year ended 31 December 2011 were not amended due to application of IFRS 11.

**Part VI—Selected Financial Information on the Group**

**SEMI-ANNUAL FINANCIAL STATEMENTS 2014**

***Profit or loss***

The table below sets out the Group's results of operations in the six months ended 30 June 2014 and 30 June 2013

	<b>The six months ended 30</b>	
	<b>2014</b>	<b>2013</b>
<b><i>Continuing operations</i></b>		
Rental income . . . . .	11,693	12,005
Revenues from entertainment centers . . . . .	870	2,293
	<u>12,563</u>	<u>14,298</u>
Cost of operations . . . . .	(4,033)	(4,368)
Cost of operations—entertainment centers . . . . .	(1,198)	(2,297)
	<u>(1,198)</u>	<u>(2,297)</u>
<b>Gross profit</b> . . . . .	<u>7,332</u>	<u>7,633</u>
Write-down of Trading Property . . . . .	(69,716)	(60,906)
Write-down of equity-accounted investees . . . . .	—	(4,277)
Loss from disposal of equity accounted investees (holding undeveloped Trading Property) . . . . .	(4,048)	(5,143)
Share in results of equity-accounted investees, net of tax . . . . .	414	(195)
Administrative expenses, excluding restructuring costs . . . . .	(4,162)	(5,037)
Restructuring costs . . . . .	(2,519)	—
Other income . . . . .	2,336	318
Other expenses . . . . .	(1,035)	(4,771)
	<u>(71,398)</u>	<u>(72,378)</u>
<b>Results from operating activities</b> . . . . .	<u>(71,398)</u>	<u>(72,378)</u>
Finance income . . . . .	211	6,671
Finance costs . . . . .	(27,486)	(15,636)
	<u>(27,275)</u>	<u>(8,965)</u>
Net finance costs . . . . .	<u>(27,275)</u>	<u>(8,965)</u>
<b>Loss before income tax</b> . . . . .	<u>(98,673)</u>	<u>(81,343)</u>
Tax benefit . . . . .	113	754
	<u>(98,560)</u>	<u>(80,589)</u>
<b>Loss from continuing operations</b> . . . . .	<u>(98,560)</u>	<u>(80,589)</u>
<b><i>Discontinued operation</i></b>		
Profit (loss) from discontinued operation, net of tax . . . . .	59	(454)
	<u>59</u>	<u>(454)</u>
<b>Loss for the six months period<sup>(*)</sup></b> . . . . .	<u>(98,501)</u>	<u>(81,043)</u>
<b>Earnings per share</b>		
Basic and diluted loss per share (in EURO) . . . . .	(0.33)	(0.27)

(\*) All attributable to shareholders of the Company.

## Part VI—Selected Financial Information on the Group

### *Assets and liabilities*

	<u>30 June</u>	<u>31 December</u>
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents, Restricted bank deposits and Held for trading financial assets . . . . .	35,079	33,722
Trading property . . . . .	429,768	495,174
Equity accounted investees (including loans to equity accounted investees . . . . .	40,830	40,141
Other assets . . . . .	13,822	16,729
<b>Total assets . . . . .</b>	<b>519,499</b>	<b>585,766</b>
Interest bearing loans from banks . . . . .	181,746	175,338
Debentures . . . . .	188,949	168,619
Other liabilities . . . . .	34,779	31,481
<b>Total liabilities . . . . .</b>	<b>405,474</b>	<b>375,438</b>
<b>Total equity . . . . .</b>	<b>114,025</b>	<b>210,328</b>

### *Cash flow*

	<u>The six months</u>	
	<u>ended 30 June</u>	
	<u>2014</u>	<u>2013</u>
Net cash flows from operating activities . . . . .	4,106	10,964
Net cash flows from investing activities . . . . .	1,369	43,337
Net cash flows used in financing activities . . . . .	(4,735)	(2,309)
Effect of exchange rate fluctuations on cash held . . . . .	20	(432)
<b>Increase in cash and cash equivalents . . . . .</b>	<b>760</b>	<b>51,560</b>
<b>cash and cash equivalents at the beginning of the year . . . . .</b>	<b>26,157</b>	<b>35,374</b>
<b>cash and cash equivalents at the end of the year . . . . .</b>	<b>26,917</b>	<b>86,934</b>

## Part VII—Operating and Financial Review

### PART VII—Operating and Financial Review

*The following discussion and analysis should be read in conjunction with the rest of this document, including the information set forth in “Selected Financial Information”, and the audited consolidated financial statements, including accompanying notes, subject to the following paragraph, as at, and for the financial years ended, 31 December 2011, 2012 and 2013, each of which is incorporated by reference in this document.*

*The review may contain forward-looking statements, including the development plans of the projects, schedules for construction and opening and costs of investments in projects, that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition, liquidity and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, the global financial crisis, zoning restrictions and opposition by local inhabitants, delay in construction, the obtaining of financing for the relevant properties and the risk factors as discussed in Part II—“Risk Factors”.*

*The Financial Information as incorporated by reference, contains information for the years ended 31 December 2011, 2012 and 2013, on the basis of IFRS.*

#### OVERVIEW

The Group is a leading emerging markets developer of shopping and entertainment centers, focusing on constructing 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 CEE since 1996 and was the first to develop western-style shopping and entertainment centers in Hungary. The Group has pioneered this concept throughout CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centers. The Group has extended its area of operations beyond CEE into India and between 2010 and 2012 was present in the USA, where it has completed a highly successful transaction.

Subsequent to pursuing shopping and entertainment centre development projects in Hungary the Group has expanded into Poland, the Czech Republic, Latvia, Greece, Romania, Serbia, Bulgaria, India and (between 2010 and 2012, as mentioned above) also in the USA.

To date, the Group has developed and let 33 shopping and entertainment centers and two office project in CEE and India of which 26 centers and the two office project were sold. Twenty one of these centers and the office project were acquired by Klépierre, the second largest shopping centre owner/operator in Europe, which owns more than 230 shopping centers in ten countries. An additional four shopping and entertainment centers were sold to Dawnay Day. One shopping centre was sold to aAIM, on 7 August 2007. In 2010 the Company together with several joint venture partners has entered the US retail market through a purchase and subsequent takeover of a publicly traded Australian REIT fund. The Company's total investment was US\$82 million for the 22.7% stake of the joint venture. In 2012, EPN Group, the Company's US based joint venture, completed the sale of all the 49 assets (47 was sold to the joint venture between Blackstone Real Estate and DDR Corp.) in a transaction valued at US\$ 1.47 billion. The transaction generated a gross cash inflow of circa US\$ 125 million to the Company before taxes and transaction costs.

The Group is currently involved in the development of 20 schemes and operates seven shopping and entertainment centers in CEE and India, and in addition, the Group owns two office buildings.

The Group might be considering to sell some of the projects before developing them.

In light of the changes in the market conditions, in the second half of 2008, the Group took the strategic decision to scale back on starting new projects and acquisitions. It was however decided to continue the development of the seven projects that were already in an advanced development or planning stage which are: (i) Casa Radio in Romania; (ii) Timisoara in Romania; (iii) Lodz Plaza in Poland; (iv) Belgrade Plaza in Serbia; (v) Visnjicka Plaza (Belgrade) in Serbia; (vi) Chennai in India; (vii) Cina Plaza (Bucharest) in Romania. Most of the other projects are either in the design phase or awaiting permits and the commencement of these projects will depend on the availability of external financing and letting progress.

## **Part VII—Operating and Financial Review**

The Company continues to be impacted by the lasting economic uncertainty across CEE. Whilst financial institutions in the region remain well financed, they continue to take a cautious approach to lending and investors continue to be wary of moving up the risk curve, both factors which are illustrated by the lack of transactional activity in 2013. In the shopping mall space, the core economies are well serviced with retail and entertainment centers, so the Company sees value in the region's secondary cities. For this reason, as signs of an improvement in business and investor sentiment across CEE become even more apparent, the Group's portfolio should be particularly well positioned to benefit from wider recovery in Eurozone growth. The Company's efforts to reposition the business resulted in five sales in the year 2013 of non-core assets and securing increased occupancy levels, footfall and turnover across its portfolio of operating assets. The success of the Company's intensive asset management initiatives, which have driven these operational achievements, are extremely important in maximising the income and value of our shopping centers, particularly in the context of the future implementation of the restructuring plan. Alongside the management of the restructuring process, which continues to make good progress, it is vital that the Company continues to look to the long term objectives of the business. The deferral of the repayment of the Company's debt maturities enables to progress with the initiation of projects and investment as appropriate, including actively managing income generating assets to prepare for their ultimate sale, whilst continuing to identify exit opportunities from the remaining non-core assets.

From 2005 onwards, the Group is preparing its financial information in accordance with IFRS, and the Financial Information as incorporated by reference into this document is in accordance with IFRS.

### ***Results of operations***

The following information should be read in conjunction with the Financial Information and operating data elsewhere in this document. The Financial Information has been prepared by the Directors from audited financial information for the years ended 31 December 2011, 31 December 2012 and 31 December 2013.

Potential investors should read the whole document (and in particular the Financial Information as incorporated by reference herein) and not rely on the summarised data.

## Part VII—Operating and Financial Review

The table below sets out the Group's results of operations in the three years ended 31 December 2011, 31 December 2012 and 31 December 2013.

	For the year ended 31 December		
	2013	2012 Restated <sup>(*)</sup>	2011 Reclassified <sup>(**)</sup>
<b>Continuing operations</b>			
Rental income . . . . .	23,678	23,112	15,629
Revenues from entertainment centers . . . . .	3,345	6,911	7,121
	<u>27,023</u>	<u>30,023</u>	<u>22,750</u>
Cost of operations . . . . .	(9,408)	(9,384)	(9,388)
Cost of operations—entertainment centers . . . . .	(4,025)	(8,267)	(7,757)
<b>Gross profit</b> . . . . .	<u>13,590</u>	<u>12,372</u>	<u>5,605</u>
Gain (Loss) from disposal of undeveloped Trading Property . . . . .	(346)	(65)	109
Write-down of Trading Properties . . . . .	(117,913)	(60,293)	(47,987)
Write-down of equity-accounted investees . . . . .	(56,417)	(23,443)	—
Loss from disposal of equity accounted investees (holding undeveloped Trading Properties) . . . . .	(3,724)	—	—
Share in results of equity-accounted investees . . . . .	952	1,475	(153)
Administrative expenses, excluding restructuring costs . . . . .	(9,435)	(11,432)	(15,957)
Restructuring costs . . . . .	(702)	—	—
Other income . . . . .	413	8,970	169
Other expenses . . . . .	(11,468)	(1,122)	(1,783)
<b>Results from operating activities</b> . . . . .	<u>(185,050)</u>	<u>(73,538)</u>	<u>(59,997)</u>
Finance income . . . . .	1,288	20,358	103,018
Finance costs . . . . .	(40,632)	(37,531)	(29,032)
Net finance costs . . . . .	<u>(39,344)</u>	<u>(17,173)</u>	<u>73,986</u>
<b>Profit (Loss) before income tax</b> . . . . .	<u>(224,394)</u>	<u>(90,711)</u>	<u>13,989</u>
Tax benefit (expense) . . . . .	6,256	6,592	(12,910)
<b>Profit (Loss) from continuing operations</b> . . . . .	<u>(218,138)</u>	<u>(84,119)</u>	<u>1,079</u>
<b>Discontinued operation</b>			
Profit (loss) from discontinued operation, net of tax . . . . .	65	(2,044)	12,785
<b>Profit (Loss) for the year</b> . . . . .	<u>(218,073)</u>	<u>(86,163)</u>	<u>13,864</u>
<b>Profit (Loss) attributable to:</b>			
Owners of the Company . . . . .	(218,073)	(86,163)	9,346
Non-controlling interests . . . . .	—	—	4,518
<b>Earnings per share</b>			
Basic and diluted loss per share (in EURO) . . . . .	(0.73)	(0.29)	0.03
<b>Earnings per share—continuing operations</b>			
Basic and diluted loss per share (in EURO) . . . . .	(0.73)	(0.28)	0.003

(\*) Restated due to Retrospective application of IFRS. As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as Equity accounted investees. The balances of 2012 have been restated in the financial statements.

(\*\*) The 2011 balances were prepared based on different IFRSs and therefore no direct comparison can be made with the 2012 and 2013 results. Amounts for the year ended 31 December 2011 were not amended due to application of IFRS 11. Please refer to Note 3 in the financial statements regarding initial application of the new suite of standards in 2012 and to notes 27, 28 and 29 on other reclassifications in 2011 and 2012 as incorporated by reference in this Prospectus. Refer also to changes in accounting policies paragraph in principal factors affecting the Group's results of operation below.

## **Part VII—Operating and Financial Review**

### **PRINCIPAL FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATION**

#### ***Changes in accounting Policy as of 1 January 2012 and impact on 2011 data of financial statements—elaboration***

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

- a. IFRS 10 Consolidated Financial Statements (2011)—early adoption
- b. IFRS 11 Joint Arrangements—early adoption
- c. IFRS 12 Disclosure of Interests in Other Entities—early adoption
- d. IFRS 13 Fair Value Measurement

#### **Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)**

As a result of the adoption of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements.

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

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

#### **Summary of quantitative impact—2011**

##### **Effect on the statement of financial position**

The summary of the quantitative effect on the statement of financial position of 31 December 2011 (or 1 January 2012) is described in note 3 (g) (1) of the financial statements 2013.

The main effect on the asset side was due to reclassification EUR 202 million of jointly controlled entities holding real estate projects (previously accounted according to proportional consolidation method, hence being part of the trading property line item) into the new line item Equity accounted investees.

Another major asset side change was the EUR 259 million reclassification of the investment in the US (being part of the investment property line item) into the new line item Equity accounted investee—discontinued operation.

From the liability side of the balance sheet, the main changed feature is the reclassification of interest bearing loans from banks of Equity accounted investees (EUR 87 million) and equity accounted investee—discontinued operation (EUR 137 million) to the asset side to the abovementioned line items, respectively.

Equity position of the group has remained unaffected at large, the main change being the diminished Non-Controlling interests, as the vast majority of non-controlling interests is under entities which are jointly controlled joint ventures (i.e. that the joint venture entity holds a subsidiary with minority holding). Regarding the possible effect on the retained earnings due change in the 2011 profit or loss, refer to the section Effect on the statement of profit or loss for the year ended 31 December 2011 below.

## Part VII—Operating and Financial Review

### Effect on the statement of profit or loss for the year ended 31 December 2011

The application of IFRS 11 did not require the restatement of the 2011 numbers. Therefore the figures appearing in this section are not audited, and are rough estimation of the Group on the possible impact, had IFRS 11 being implemented already in the beginning of 2011.

The net profit of the Group in 2011 was expected to decrease by circa EUR 1.2 million, as the group would have not able to allocate non-specific finance to its assets held under joint ventures, and the amount of EUR 1.2 million of non-specific finance would have stayed as additional finance cost.

Apart from that, profit or loss line items are changed due to reclassifications into the line item Share in results of equity-accounted investees. The below table is capturing the main estimated effect on the statement profit or loss, had IFRS 11 being implemented in the year 2011 (all information is unaudited and in thousands of EUR):

	As presented in the past	Discontinued operations reclassifications	Line item reclassifications	Estimated effect of IFRS 11 estimation	Proforma profit or loss
Total revenues . . . . .	57,074	(34,324)	—	(4,624)	18,126
Impairment losses—trading properties . . . . .	(47,987)	—	47,987	—	—
Cost of operations . . . . .	(25,798)	8,653	—	2,860	(14,285)
<b>Gross profit (loss) . . . . .</b>	<b>(16,711)</b>	<b>(25,671)</b>	<b>47,987</b>	<b>(1,764)</b>	<b>3,841</b>
Write-down of Trading Properties . .	—	—	(47,987)	14,161	(33,826)
Share in results of equity-accounted investees . . . . .	—	—	(153)	(16,041)	(16,194)
Administrative expenses . . . . .	(19,536)	3,579	—	1,255	(14,702)
Other expenses, net . . . . .	—	—	(1,505)	—	(1,505)
Other income . . . . .	1,692	(1,609)	(83)	—	—
Other expenses . . . . .	(1,588)	—	1,588	—	—
<b>Results from operating activities . .</b>	<b>(36,143)</b>	<b>(23,701)</b>	<b>(153)</b>	<b>(2,389)</b>	<b>(62,386)</b>
Finance income . . . . .	103,018	—	(103,018)	—	—
Finance expenses . . . . .	(37,672)	8,640	29,032	—	—
Net finance income (expenses) . . . .	65,346	8,640	73,986	1,193	75,179
Share in loss of associate . . . . .	(153)	—	153	—	—
<b>Profit (loss) before income tax . . . .</b>	<b>29,050</b>	<b>(15,061)</b>	<b>—</b>	<b>(1,196)</b>	<b>12,793</b>
Income tax expense (tax benefit) . .	(15,186)	2,276	—	—	(12,910)
<b>Profit (Loss) from continuing operations . . . . .</b>	<b>13,864</b>	<b>(12,785)</b>	<b>—</b>	<b>—</b>	<b>(117)</b>
Profit (loss) from discontinued operation, net of tax . . . . .	—	12,785	—	—	12,785
<b>Profit (loss) for the year . . . . .</b>	<b>13,864</b>	<b>—</b>	<b>—</b>	<b>(1,196)</b>	<b>12,668</b>

### Effect on the statement of cash flow for the year ended 31 December 2011

As mentioned above, the application of IFRS 11 did not require the restatement of the 2011 numbers. Therefore the figures appearing in this section are not audited, and are rough estimation of the group on the possible impact, had IFRS 11 being implemented already in the beginning of 2011.

## Part VII—Operating and Financial Review

As appeared from the table below, the main change in the cash flow report would have been net the reclassification of EUR 31 million of US joint venture related cash flow (equity accounted investee—discontinued operation) from finance activities to investing activities.

	As presented in the past	Discontinued operations reclassifications	Estimated effect of IFRS 11 estimation	Proforma profit or loss
Net cash used in operating activities . . . . .	(95,406)	(14,218)	(251)	(109,875)
Net cash from investing activities . . . . .	(7,461)	14,218	(31,245)	(24,488)
Net cash used in financing activities . . . . .	24,134	—	32,512	56,646
Effect of exchange rate fluctuations on cash and cash equivalents . . . . .	(807)	—	807	—
<b>Net increase (decrease) in cash and cash equivalents . . . . .</b>	<b>(79,540)</b>	<b>—</b>	<b>1,823</b>	<b>(77,717)</b>
<b>Cash and cash equivalents as at the beginning of the period . . . . .</b>	<b>137,801</b>	<b>—</b>	<b>(8,646)</b>	<b>129,155</b>
<b>Cash and cash equivalents at the end of the period . . . . .</b>	<b>58,261</b>	<b>—</b>	<b>(6,823)</b>	<b>51,438</b>

### *Rental Income and Revenues from entertainment centers*

Income comprised rental income from operating shopping centers: In 2013, the Company generated €23.7 million of income compared to €23.1 million in 2012 and €15.6 million in 2011. The 2013 rental income performance would have been even stronger, had there not been a loss of income caused by a fire incident in India. However, income from the Group's Fantasy Park operation which provides gaming and entertainment services in the Group's active shopping centers decreased to €3.3 million from EUR6.9 million in 2012 (2011—€7.1 million) following the closure of a number of underperforming units.

### *Cost of operations*

The cost of operation of active malls remained at the same level despite increasing rental income (€9.4 million in 2011, 2012 and 2013). The cost of marketing expenses were classified as part of operating cost rather than administrative expenses, and comparative figures for 2012 were also restated. The cost of the Fantasy Park operations (operation of entertainment centers) also decreased from €8.3 million in 2012 to €4 million in 2013 after the closures mentioned above (2011 €7.8 million).

### *Write-down of trading properties and equity accounted investees*

Write-down of trading properties amounted to €118 million in 2013 (€60 million in 2012, €48 million in 2011). This 2013 amount is attributable mainly to projects in Serbia (€37 million), Romania (€24.6 million), India (€15.6 million), Czech Republic (€15 million), Greece (€12 million), Poland (€11 million) and Bulgaria (€2.4 million). In accordance with IFRS 11, the Group has changed its accounting policy regarding joint arrangement. Joint ventures are classified as equity accounted investments. The write-down in connection to those assets amounted to €56 million in 2013 and €23 million in 2012. More than 90% of the write-down relates to the Company's Indian projects (Bangalore, Chennai and Kharadi). This was slightly offset by the 2013 €1.5 million increase in the value of Riga Plaza (Latvia).

### *Loss from disposal of equity accounted investees (holding undeveloped trading properties)*

In 2013 the Company has sold 50% interests in an investee which mainly held interests in an office complex project located in Pune, Maharashtra, has completed the sale of its Dream Island project (in which the Company held 43.5% stake) land and the consortium of shareholders of Uj Udvar, in which the Company indirectly holds a 35% stake, has completed the sale of its Uj Udvar project.

### *Administrative expenses, excluding restructuring costs*

Administrative expenses amounted to €9.4 million (2012: €11.4 million after restatement, 2011 €16 million), reflecting a 2013 decrease of 18% , mainly as a result of a decrease in payroll and employee related expenses as part of the Company's efforts to reduce costs during the year.

## Part VII—Operating and Financial Review

### *Other expense*

Other expense increased from €1 million in 2012 to €11.5 million in 2013, due to the impairment of certain prepayments and fair value adjustment of investment property (2011—€1.8 million).

### *Finance income, expense net*

A net finance loss of €39.3 million was recorded in 2013 compared to a net finance cost of €17.2 million in 2012 (2011—net finance income of €74 million).

Finance income decreased in 2013 to €1.3 million from €20.4 million in 2012 (2011 €103 million, mainly due to a €80 devaluation in value of bonds) mainly due to no income being recorded in connection to its buyback programme (2012: €4.3 million income) as the Company ceased this activity in order to preserve short term liquidity. In addition, no income resulted from hedging activity through selling currency options (2012: €11.7 million) as hedging activity was reduced also in order to preserve short term liquidity.

Finance expenses increased from €37.5 million to €40.6 million (after capitalization of borrowing costs of €6.5 million in 2013 and €19.1 million in 2012) (2011 €29 million). The main reasons for this 2013 increase were:

- discontinuing of capitalization of interest on debentures in H2 2013, resulting in an additional €3 million of expenses being reflected in the profit or loss
- loss on the reissuance of bonds previously bought back (2013—€5.7 million, 2012—nil)
- increase in foreign exchange loss on bonds issued in ILS and PLN (2013—€5.4 million, 2012—€2.0 million).

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

### *Tax benefit*

A tax benefit of €6.3 (2012—€6.6 million, 2011—€12.8 million tax expense) million recorded in the consolidated income statement mainly represents the decrease in the deferred tax liability, primarily in connection with the fair value changes of the debentures measured through the profit or loss.

## **SIGNIFICANT/PRINCIPAL ACCOUNTING POLICIES**

In respect of the changes in accounting policies effecting the presentation of comparative financial information, refer to abovementioned subsection principal factor affecting the Group's result of operation to paragraph Changes in accounting Policy as of 1 January 2012 and impact on 2011 data of financial statements—elaboration

### *Revenues*

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

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

### Rental income

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

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

## **Part VII—Operating and Financial Review**

leases may also provide for contingent rent based on a percentage of the lessee's gross sales or contingent rent indexed to further increases in the Consumer Price Index ("CPI").

Where rentals that are contingent upon reaching a certain percentage of the lessee's gross sales, the Group recognizes rental revenue when the factor on which the contingent lease payment is based actually occurs. Rental revenues for lease escalations indexed to future increases in the CPI are recognized only after the changes in the index have occurred.

### Revenues from selling of trading properties and investment properties

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

- a. the Group has transferred to the buyer the significant risks and rewards of ownership;
- b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Group (including the fact that the buyer's initial and continuing investment is adequate to demonstrate commitment to pay);
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- f. there are no remaining significant performance obligations.

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

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

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

### ***Trading properties***

Properties that are being constructed or developed for sale in the ordinary course of business and empty plots acquired to be developed for such a sale are classified as trading properties (inventory) and measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete construction and selling expenses. If net realisable value is less than the cost, the trading property is written down to net realisable value.

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

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

## Part VII—Operating and Financial Review

Lands which are designated for development of trading properties projects are not written down below costs if the completed projects are expected to be sold at or above cost.

Costs comprise all costs of purchase, direct materials, direct labour costs, subcontracting costs and other direct overhead costs incurred in bringing the properties to their present condition.

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the costs of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they incurred.

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

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

Non-specific borrowing costs are capitalised to such qualifying asset, by applying a capitalization rate to the expenditures on such asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowing made specifically for the purpose of obtaining a qualifying asset.

The amount of borrowing costs capitalized during the period does not exceed the amount of borrowing costs incurred during that period.

### *Impairment*

#### (1) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

#### Financial assets measured at amortised cost

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

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

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

## **Part VII—Operating and Financial Review**

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

### Available-for-sale financial assets

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

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

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

An impairment loss in respect of goodwill is never reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

### *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.

## **Part VII—Operating and Financial Review**

### (2) Non-derivative financial assets—measurement

#### Cash and cash equivalents and restricted bank deposits

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

#### 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.

#### Held for trading financial assets

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

#### Available-for-sale financial assets

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

### (3) Non-derivative financial liabilities

#### Financial Liabilities at fair value through profit or loss

Financial Liabilities at fair value through profit or loss include selected unsecured non-convertible Debentures series A and series B.

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

#### Other non-derivative financial liabilities

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

### (4) Derivative financial instruments

The Group holds (or held) derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

## Part VII—Operating and Financial Review

### LIQUIDITY AND CAPITAL RESOURCES

#### *Restructuring*

In the years starting 2008, as result of the change in the economic environment in connection with the global credit crises, the Company's original strategy of developing for sale has faced new challenges. The decline in the retail consumption has led to hardened conditions in the leasing of the shopping and entertainment centres. The uncertainties in the economies of the CEE countries, the lack of funds for asset financing and the increasing yield expectations has resulted in sharp drop in the volume and number of investment transactions. Under these conditions the Company scaled back on new developments starting 2008 and developed only in cases when external bank financing was secured and strong tenant demand was in place. Realization of the existing projects in the past years was hard to be executed at fair prices.

The cash position of the company was deteriorating through the years as a result of the bonds principal and interest repayments, and lack of cash inflows from project realizations. As the confidence in companies active in emerging markets was significantly reduced, the Company was not able to recycle its issued debt over the time, as planned and all the above finally lead to inability of timely repayment of its obligations

#### *Funding structure*

Operational shopping centers were financed by bank facilities. Expected development projects will be financed by bank loans (usually 60%-65% of the total construction cost). The Group is currently negotiating (without firm commitments having been made as of the date of this document) for the finance of pipeline projects.

The Group has relied in the past primarily upon bank and publicly traded debt to finance development and construction of the shopping and entertainment centers. The Company was not able to execute its asset disposal plan within a timeframe that would have enabled it to meet its short term obligations towards bondholders, specifically a circa EUR 15 million payment that was due to Polish bondholders on 18 November 2013 and a circa EUR 17 million payment that was due to Israeli bondholders on 31 December 2013, and therefore decided to withhold payment of principal and interest on maturities of all its bonds and any material payment to the Company's creditors. Furthermore, due to cross default clauses in the Group's bank facilities the Group has entered into, the financing banks can force immediate repayments of the Group's credit facilities which could result in foreclosure of the pledged property by the banks in cases of non-recourse loans or, in cases of recourse loans, to execute the guaranties provided by the Group in favour of the banks. As of the date of approval of these financial statements there were no early demand requests by any of the financing banks.

The table below sets out the principal components of the capital resources:

	Year ended 31 December		
	2011 <sup>(**)</sup>	2012 <sup>(*)</sup>	2013
	EUR'000		
Non current:			
Interest bearing loans from banks . . . . .	15,696	5,773	—
Debentures at fair value through profit or loss . . . . .	110,320	81,181	—
Debentures at amortized cost . . . . .	86,052	39,010	—
	<i>212,068</i>	<i>125,964</i>	—
Current:			
Interest bearing loans from banks . . . . .	208,858	205,977	175,338
Debentures at fair value through profit or loss . . . . .	32,930	34,966	97,983
Debentures at amortized cost . . . . .	22,831	34,184	70,636
	<i>264,619</i>	<i>275,127</i>	<i>343,957</i>

(\*) Restated

(\*\*) Reclassified

## Part VII—Operating and Financial Review

### Assets

The balance sheet as at 31 December 2013 showed total assets of €586 million compared to total assets of €886 million at the end of 2012 (2011 €1,095 million). The decrease from 2011 onwards was mainly driven by the write-down 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 and long term deposits, available for sale and held for trading financial assets) decreased to €33.7 million (31 December 2012: €65.8 million, 31 December 2011 €148 million). Gearing increased to 64% (31 December 2012: 50%, 31 December 2011 50%) as a result of impairment losses and finance costs incurred during the year.

The value of investment property decreased from €14.5 million in 2012 (€13.7 million in 2011) to nil in 2013, due to the sale of the Prague 3 project in the Czech Republic, the sole investment property at the end of the 2012 and 2011.

Trading properties decreased from €612 million in 2012 (€649 million as of 31 December 2011) to €495 million in 2013 mainly as result of write-downs booked in the period. At the end of the year, excluding Koregaon Park for which a sale and purchase agreement was signed before year end (see details in Part III—"Information on the Group"), trading properties were classified as non-current assets due to uncertainties about the development and realization dates.

The Company has on its balance sheet a €40 million investment in equity accounted investees which includes a joint venture project reclassified in accordance with IFRS 11. The only operating asset currently classified under this heading is Riga Plaza. The value has decreased from the 2012 figure of €161.7 mainly as result of the dissolution of the US holding entity (totalling €32 million), disposals (totalling €21 million), write-downs (totalling €56 million) and the effect of the changes in exchange rates (totalling €15 million). (as of 31 December 2011 the total investment in equity accounted investees was €251.9 million including the US joint venture sold during 2012)

	31 December 2013	31 December 2012 Restated <sup>(*)</sup>	1 January 2012 Restated <sup>(*)</sup>
<b>ASSETS</b>			
Cash and cash equivalents . . . . .	26,157	35,374	51,438
Restricted bank deposits . . . . .	6,319	18,759	17,440
Short term deposits . . . . .			3,102
Available for sale financial assets . . . . .	—	11,714	25,568
Held for trading financial assets . . . . .	1,246	0	—
Trade receivables . . . . .	3,372	3,399	2,792
Other receivables . . . . .	4,871	11,492	8,721
Prepayments and advances . . . . .	1,393	7,821	8,043
Trading properties . . . . .	<u>40,333</u>	<u>612,475</u>	<u>648,674</u>
<b>Total current assets</b> . . . . .	<u>83,691</u>	<u>701,034</u>	<u>765,778</u>
Trading properties . . . . .	454,841	—	—
Equity accounted investee—discontinued operations . .	—	—	95,475
Equity accounted investees . . . . .	33,102	154,830	141,174
Loan to equity accounted investees . . . . .	7,039	6,949	15,160
Long term deposits and other investments . . . . .	—	—	50,577
Property and equipment . . . . .	6,520	7,381	8,230
Investment property . . . . .	—	14,489	13,652
Other non-current assets . . . . .	<u>573</u>	<u>1,135</u>	<u>5,221</u>
<b>Total non-current assets</b> . . . . .	<u>502,075</u>	<u>184,784</u>	<u>329,489</u>
<b>Total assets</b> . . . . .	<u><u>585,766</u></u>	<u><u>885,818</u></u>	<u><u>1,095,267</u></u>

(\*) Restated

## Part VII—Operating and Financial Review

### Cash flow

The following table sets out data regarding the consolidated cash flow of the Group.

	Year ended 31 December		
	2013	2012 <sup>(*)</sup>	2011 <sup>(**)</sup>
	EUR'000	EUR'000	EUR'000
net cash flows from (used in) operating activities . . . . .	6,095	−67,788	−109,624
net cash flows from investing activities . . . . .	50,741	132,623	6,757
net cash flows used in financing activities . . . . .	−66,426	−80,843	24,134
Effect of exchange rate fluctuations on cash held . . . . .	373	−56	−807
<b>decrease in cash and cash equivalents . . . . .</b>	<b>−9,217</b>	<b>−16,064</b>	<b>−79,540</b>
<b>cash and cash equivalents at the beginning of the year . . . . .</b>	<b>35,374</b>	<b>51,438</b>	<b>137,801</b>
<b>cash and cash equivalents at the end of the year . . . . .</b>	<b>26,157</b>	<b>35,374</b>	<b>58,261</b>

(\*) Restated

(\*\*) Reclassified

A review of the cash flows for the two years ended 31 December 2013:

#### (i) Operating activities

Net cash flows used in operating activities decreased from 2012 to 2013 (and also between 2011 and 2012) principally due to lower investments in trading properties, proceeds obtained from disposal of both trading properties and equity accounted investees, and significantly lower interest paid on bonds (partially due to bond repayment and partially due to withholding of interest payment). The 2013 main source of cash was the net operating income generated by the operating shopping and entertainment centers (app €13.4 million) as well as the insurance received in connection with the Koregaon Park fire incident (app €7.6 million). Total construction and acquisition cost of trading properties was only €3.8 million in 2013 (2012—€21.3 million, 2011—€84.8 million).

#### (ii) Investing activities

Net cash flows from investing activities included the following items:

- 2013 Proceeds from sale of investment property of €7.6 million
- Net cash inflows from the sale of available for sale financial assets of €12 million (2012—€31 million, 2011 €9 million).
- 2012 figures including net cash obtained in respect of discontinued operations of €64 million (2011 €11 million), as well as financial instruments redemption of EUR 51 million.
- Proceeds in 2013 from liquidation of the US holding entity equity accounted investee EPUS of €32 million.
- The remainder relates mainly to other investing activities such as purchase of marketable debt securities (€1.4 million, 2012 and 2011—€16.1 million €9.3 million respectively), as well as small scaled purchase and sale of property and equipment.

#### (iii) Financing activities

Net cash flows from financing activities include the following items:

- Proceeds from bank loans and financial institutions €0.7 million (in 2012 €46.7 million, 2011 €80.1 million as a result of mainly draw down of project financing loans).
- Decrease in restricted cash of €9.3 million mainly as a result of release of funds held as collateral in respect of reclaiming the India insurance funds. (2012 €1.8 million increase, 2011 €18 million increase)
- Proceeds from re-issuance of long term debentures bought in previous years €13.8 million. In 2012 there was a net cash outflow used for repurchase of debentures in the amount of €18.8 million (2011—€30 million cash outflow).

## Part VII—Operating and Financial Review

- In 2011 the Company has also received €39 million from settlement of its derivatives and €63 million from bond issuance

Net cash flows used in financing activities include the following items:

- Payments for hedging activities through sell of options €2.4 million (2012 proceeds of €11.7 million, 2011 proceeds of €5 million). The Company writes currency option to hedge the foreign currency risk related to the NIS and PLN denominated bonds. As of 31 December 2013 there were no such derivatives held by the Company.
- Repayment of debentures and interest bearing loans from banks €87.8 million (2012 €118.9 million, 2011 €80.7 million)
- In 2011 the Company has used €40 million for acquisition of non-controlling interest (mainly US transaction) and paid €30 million dividend.

### FUNDING AND TREASURY POLICIES

The Group's funding and treasury policies are dictated by management's assessment of the Group's foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group's functional currency across all its Subsidiaries is the euro (with the exception of the Indian Operation, where the functional currency is the Indian Rupee (INR)) and therefore in order to avoid taking on currency risk, the Group has the policy of attempting wherever possible to pay the principal contractors and service suppliers in euros. The Group's principal loans and cash deposits are held in euros. With the exception of NIS denominated Series A and Series B Notes issued in Israel, PLN denominated bonds issued in Poland and INR denominated project financing loan for Koregaon Park. The company has used various derivatives to eliminate the risks associated with the foreign exchange currencies and variable interest rates. The table below summarizes the results of the 2013 and 2012 derivatives activity, as well as the outstanding derivatives as of 31 December 2013 and 31 December 2012:

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

(1) Selling options strategy (by writing call and put options through Major Israeli and foreign banks) in order to manage its foreign currency risk (EUR-NIS) inherent in its long term debentures series A and series B issued in NIS. The Company has suspended its selling option strategy effective 1 July 2013.

(2) The Company was paying a fixed interest of 6.98% based on a nominal EUR amount of EUR 15.1 million and receiving an interest of six months WIBOR + 4.5% with the same amortization schedule as the Polish Bonds. 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 pays EUR fixed interest rate of 2.13% and receives three months Euribor on a quarterly basis, until 30 June 2014.

(4) In respect of Kragujevac project loan. The project company pays EUR fixed interest rate of 1.85% and receives three months EURIBOR on a quarterly basis, until 31 December 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 31 December 2017.

## Part VII—Operating and Financial Review

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. In view of the restructuring procedure and the default in bond payments which triggered a cross default on all other loan facilities within the Group, all loan facilities are currently payable on demand, triggering also repayments of trade and other payables, and therefore are reclassified as to be paid within six months from the end of the reporting period:

### 31 December 2013

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>
<i>Derivative financial liabilities</i>			
IRS Derivatives . . . . .	910	(946)	(946)
<i>Non-derivative financial liabilities</i>			
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)
	<u>358,552</u>	<u>(401,449)</u>	<u>(401,449)</u>

### POST BALANCE SHEET EVENTS

#### A. Sale of airplane

On 25 February 2014, the Company disposed of an airplane for a total consideration of USD 1.9 million (EUR 1.4 million). The proceeds from the disposal were used to repay the bank facility taken for the purchase of the airplane, and the Company currently negotiates with the financing bank the conditions to be set for the repayment of the remaining outstanding bank loan (circa EUR 1 million).

#### B. Sale of turbines

In March 2014 the Casa Radio project company disposed the turbines held in respect of the Casa Radio project for a total net consideration of EUR 2.6 million.

#### C. Sale of plot in Targu Mures, Romania

In September 2014, the Group completed the sale of a plot it owned in Targu Mures, Romania. As a result of the transaction, the Company received cash proceeds of EUR 3,48 million (*three million four hundred eighty thousand euro*).

#### D. Sale of Kragujevac Plaza, Serbia

In October 2014, the Group completed the sale of the Kragujevac Plaza shopping and entertainment center in Kragujevac, Serbia at a gross value of EUR 38,6 million. Following the repayment of the related bank debt, the Group will receive net cash of approximately EUR 10,4 million.

#### E. Receipt of insurance claim India

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

## Part VII—Operating and Financial Review

### RATIO ANALYSIS

#### *Interest cover ratio*

	For the year ended 31 December		
	2013	2012 <sup>(*)</sup>	2011 <sup>(**)</sup>
	EUR'000		
Gross profit . . . . .	13,590	12,372	5,605
Net interest costs (excluding exchange gains and losses) <sup>(1)</sup> . . . . .	23,916	25,191	22,372
Interest cover . . . . .	0.57	0.49	0.25

(\*) Restated

(\*\*) Reclassified

(1) 2013—due to withholding of payment, the interest of the last six months of the Notes and the Polish Bonds in the amount of circa EUR 5 million was not repaid.

#### *The Group had net interest payable throughout the period, due to loans required to finance the Group development and centre operating activities.*

The Group funds projects out of project specific loans and debentures issued in addition to certain equity requirements from banks. The interest charged on these loans /and notes during the construction phase of the project is capitalised to the cost of the project and recovered by selling the completed operation. The company ceased capitalization of borrowing cost starting 1 July 2013. Interest on related party loans and interest charges after construction is complete are taken to the profit and loss as and when they are incurred.

#### *Debt/equity ratio*

	Year ended 31 December		
	2013	2012 <sup>(*)</sup>	2011 <sup>(*)</sup>
	EUR'000		
<b>Financial year ended</b>			
Interest bearing loans and borrowings . . . . .	175,338	211,750	224,554
Debentures at fair Value or Amortised cost . . . . .	168,619	189,341	252,133
Restricted bank deposits/Held for trading financial assets/Available for sale financial assets . . . . .	–7,565	–30,473	–96,687
Cash and short-term deposits . . . . .	–26,157	–35,374	–51,438
Net debt . . . . .	310,235	335,244	328,562
Shareholders' equity . . . . .	210,328	442,932	542,873
Gross gearing ratio . . . . .	164%	91%	88%
Net gearing ratio . . . . .	148%	76%	61%

(\*) restated

### SEMI-ANNUAL FINANCIAL STATEMENTS 2014

The following text should be read in conjunction with the half-year financial statements 2014 as reflected in Part VI—Selected Financial Information on the Group and the Company's combined historical financial statements over the years 2011, 2012 and 2013 and the notes thereto, as incorporated by reference into this document.

#### *Rental Income and Revenues from entertainment centers*

Income comprised rental income from operating shopping centers: In the first six months of 2014 (“**H1 2014**”), the Company generated €12.6 million of income compared to €14.3 million in the first six months of 2013 (“**H1 2013**”).

Total European rental income decreased (from €8.1 million in H1 2014 compared to €8.3 million in H1 2013) in spite of the improved performance in the Group's operating centers in CEE, and due to the

## Part VII—Operating and Financial Review

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 centers, 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.

### *Cost of operations*

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. The cost of the Fantasy Park operations (operation of entertainment centers) also decreased from €2.3 million in H1 2013 to €1.2 million in H1 2014 after the closures mentioned above.

### *Write-down of trading properties and equity accounted investees*

H1 2014—Following the appointment of the new Board in July, Cushman & Wakefield Kft, the Company's external independent valuator was assigned to perform a desktop valuation and re-appraised the plots 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 timetable. Altogether 13 assets were re-appraised and a total of nine impairments were performed as a result of the external valuations. Write-down of trading properties (for both H1 2014 and H1 2013) is presented in the below table in € millions:

<u>Project name (location)</u>	<u>The six months ended 30 June</u>	
	<u>2014</u>	<u>2013</u>
Casa Radio (Bucharest, Romania) . . . . .	31.0	—
Koregaon Park (Pune, India) <sup>(*)</sup> . . . . .	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) <sup>(**)</sup> . . . . .	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

(\*) 2014 H1—In respect of the Koregaon Park shopping center write-down; this write-down was done in light of ongoing delay in the closing process of the transaction that was announced in November 2013. Also, in light of the ongoing delay, the Company reclassified the Koregaon Park trading property to long term.

(\*\*) 2014 H1—In respect of Kragujevac shopping center write-down, the Company wrote down the asset based on its internal estimates, relying on its acquaintance with the investment market in Serbia.

In H1 2014 there was no impairment of trading property held under equity accounted investees (H1 2013-impairment of €4.3 million due to trading property held under equity accounted investee P-One (India)).

### *Loss from disposal of equity accounted investees (holding undeveloped trading properties)*

In respect of results from disposal of equity accounted investees, in H1 2014 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 the Company's joint venture agreement with Aura Group ("Aura"). The reason for the termination of the joint venture agreement with Aura Group is that Aura Group has been subject to a change of ultimate owner. The new owner and the Company resolved to terminate the joint venture agreement due to different corporate strategies. The seven companies held by the joint venture

## **Part VII—Operating and Financial Review**

group in Romania were split between the Company's subsidiary (50.1% held by the Company), 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. H1 2013 loss is attributable to the sale of equity accounted investee P-One in India in May 2013 (resulting mostly from foreign currency translation reserve reclassified to profit or loss).

### *Administrative expenses, excluding restructuring costs*

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.

### *Other income (expense)*

H1 2014—Other income in 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 in 2012.

Other expense decreased from €4.8 million in H1 2013 (stemming mainly from €3.4 million impairment in Prague 3 logistic center), to €1.0 million in H1 2014 (stemming mainly from loss from the sale of gas turbines €0.6 million).

### *Finance income, expense net*

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 NIS 0.92 million to NIS 1.08 million per bond (€17.6 million), as well as to the strengthening of the NIS against the EUR from 4.78 to 4.69 NIS/EUR (€2.7 million).

### *Assets and liabilities*

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 (as detailed below).

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 realized 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 equity accounted investees have 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, the Company has (as of 30 June 2014) 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 the Bonds. (31 December 2013—a balance sheet liability of

## Part VII—Operating and Financial Review

€168.6 million (with an adjusted par value of circa €201.5 million, including unpaid interest)). 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.

### *Cash flow*

Operating activities : net cash flows from operating activities decreased from H1 2013 to H1 2014 mainly due to lack of transaction of selling trading property in H1 2014 (H1 2013—disposal of P-One equity accounted investees for a total consideration of €16.7 million).

Investing activities: net cash flows from investing activities decreased sharply from H1 2013 to H1 2014 mainly due to minor level of investing activity in 2014 H1 2014 (H1 2013—dissolving of equity accounting investee EPUS resulted in net cash of €32.4 million, and selling of Available for sale financial assets generated €11 million).

Financing activities: net cash flows used investing activities increased from H1 2013 to H1 2014 mainly due to release of restricted cash deposits in H1 2013.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization and indebtedness as of 31 August 2014 in thousands of EUR (consolidated report).

The information in this table should be read in conjunction with Part VI (Selected Financial Information on the Group) and the Company's combined historical financial statements over the years 2011, 2012 and 2013 and the notes thereto, as incorporated by reference into this document.

### *Debt structure:*

Secured debt <sup>(1)</sup> : . . . . .	128,777
Guaranteed debt <sup>(2)</sup> : . . . . .	54,139
Unsecured Corporate level debt <sup>(3)</sup> : . . . . .	188,128
Total current debt <sup>(4)</sup> : . . . . .	<u>371,044</u>

(1) Secured against shares of Companies holding plots and active shopping centers operated by the Group in Poland and Serbia.

(2) Debt guaranteed by a parent company guarantee of the Company.

(3) Unsecured corporate bond debt which is to be restructured pursuant to the Restructuring Plan.

(4) All debt is considered current debt in view of breach of cross-default clause covenant.

### *Shareholders' equity (\*):*

Share capital: . . . . .	<u>2,972</u>
Legal reserve: . . . . .	<u>261,773</u>
Other reserves: . . . . .	<u>(151,351)</u>
Total: . . . . .	<u>113,394</u>

(\*) Derived from the Company's semi-annual financial statements published on 30 June 2014. The Company estimates no significant changes occurred between 30 June 2014 and 31 August 2014.

The information provided in the capitalization statement below is derived from the figures of 31 August 2014 unless otherwise indicated.

## Part VII—Operating and Financial Review

Net indebtedness in the short term and in the medium-long term is as follows:

A Cash	26,006
B Restricted cash	7,002
C Trading securities	1,269
<b>D Liquidity:</b>	<b>34,277</b>
<b>E Current financial receivables(*)</b>	<b>6,627</b>
F Current bank debt	182,916
G Bonds issued	188,128
H Other current financial debt(*)	18,858
<b>I Financial debt:</b>	<b>389,902</b>
<b>Net financial indebtedness (I)-(E)-(D)</b>	<b>348,998</b>

(\*) E and H are derived from the Company's semi-annual financial statements published on 30 June 2014, and the Company estimates no significant change occurred since June 30, 2014 till 31 August 2014.

The Group does not have any off-booked material indirect or contingent indebtedness, as it currently not involved in any long term construction activity in any of its projects.

### DIVIDEND POLICY AND DIVIDENDS

The Directors adopted a dividend policy which is intended to reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover. Under the dividend policy, subject to all factors mentioned above, and where it is otherwise appropriate to do so, the Directors intend to make distributions out of the annual net profits (after deduction of all directly related costs) derived from transactions for the sale of projects developed by the Group during any financial year. The dividend policy is to pay dividends at the rate of 25% on the first EUR 30 million of such annual net profits, and thereafter at the rate of between 20% and 25%, as determined by the Directors, on any additional annual net profits which exceed EUR 30 million. The Restructuring Plan has impact on the dividend policy, as set forth below.

Pursuant to the Restructuring Plan, the Company will be allowed to make Distributions to Shareholders only if at least 75% of the unpaid principal balance of the Bonds (excluding Bonds that are sold by a Subsidiary) following the Amendment Date, 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.

During the years 2011-2013, the following dividend payments have been made by the Company:

<u>Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Amount (EUR)	30,014,626	0	0
Ordinary Shares	297,174,515	297,186,138	297,186,138
<b>Dividend per Ordinary Share (EUR)</b>	<b>0.1010</b>	<b>0</b>	<b>0</b>

## Part VIII—Details of the Rights Offering, the Placing and the Additional Placing

### Part VIII—Details of the Rights Offering, the Placing and the Additional Placing

#### I. Terms and conditions of Rights Offering

##### 1.1 Background and reasons

The background and reasons for the Rights Offering are that the Company's provisional suspension of payments has required it to present the Restructuring Plan to the Bondholders. One of the main features of the Restructuring Plan is the amendment of the Trust Deeds. The amended Trust Deeds require, inter alia, the injection of at least EUR 20 million into the Company in consideration for the issuance of new Ordinary Shares. The Rights Offering has been initiated to meet this requirement.

##### *1.1.1. Restructuring Plan*

Shareholders should be aware that the Company has been under financial stress for some considerable time. In November 2013, the Board agreed to approach the Bondholders and other unsecured ordinary creditors with a restructuring plan so that a formalised restructuring process could be implemented. The Restructuring Plan was approved by the creditors on 26 June 2014 and confirmed by the Amsterdam district court on 9 July 2014, conditional upon the following final parts of the Restructuring Plan (set out below) being implemented by the Company, namely:

- The Company receives an equity injection of at least EUR 20 million by way of a rights offering (*claimemissie*), by 30 November 2014;
- The Bondholders are issued with the Bondholders' Shares representing 13.2106% of the enlarged share capital of the Company—post the Rights Offering at no cost to the Bondholders; and
- The Company lists the Bondholder Shares on the Tel Aviv Stock Exchange.

Part IX (Additional Information) further elaborates on the Restructuring Plan.

The Company believes that the proceeds received by it for the issue of the Escrow Shares and the Bondholders' Shares will, for the purposes of the Restructuring Plan, be deemed to form part of the proceeds of the Rights Offering. The Company further believes that (i) as all conditions precedent to the Controlling Shareholder Agreement will be met prior to 30 November 2014, EUL will, pursuant to the Controlling Shareholder Undertaking, make available to the Company EUR 20 million prior to 30 November 2014; and (ii) Admission will occur prior to 31 December 2014 (after which date the monies paid by EUL or its nominees will need to be repaid). Accordingly the Company believes that it will have satisfied the requirement of the Restructuring Plan for a capital injection to have occurred by 30 November 2014.

##### *1.1.2. EUR 20 million equity injection*

The Controlling Shareholder, through (its wholly owned subsidiary EUL), has committed to put up to EUR 20 million into the Company in new equity to satisfy this part of the Restructuring Plan. Some elements of this commitment are classed as related party transactions under the UK Listing Rules and will require independent shareholder approval at the forthcoming extraordinary General Meeting (see Part IX, Additional Information)

Specifically, EUL has undertaken to take up its 62.25% entitlement under the Rights Offering (less the amount required for it to fund the payment of the nominal value of the Bondholder Shares and the Escrow Shares) and to underwrite the balance of the Rights Offering up to EUR 18.94 million. As part of the negotiation with the Controlling Shareholder, the Company agreed that EUL would have the right to demand that the Company issues to it additional ordinary shares if the value of the shares not taken up under the Rights Offering is less than EUR 3 million. This underwriting arrangement (encapsulated in the Controlling Shareholder Undertaking) and the right of EUL to demand that the Company issue additional shares to EUL requires independent shareholder approval at the extraordinary General Meeting.

##### *1.1.3. Bondholder Placing*

New Ordinary Shares cannot (legally) be issued to the Bondholders at no cost. The nominal value (EUR 0.01) must be paid to the Company for the shares to be validly issued under the Articles and the DCC. As it is envisaged in the Restructuring Plan that the Bondholders' Shares are to be issued at no cost to the Bondholders, the Company had to devise a mechanism for it to receive the nominal value for the Bondholders' Shares. The Company will issue the Escrow Shares to the Bondholder trustees at nominal

## Part VIII—Details of the Rights Offering, the Placing and the Additional Placing

value; EUL will then purchase the Escrow Shares from the Bondholder trustee at the Rights Offering Price (EUR 0.0675); this will provide sufficient funds to the Bondholder trustees to enable them to pay up (*volstorten*) the nominal value of the Bondholders Shares and the Escrow Shares to the Company. This amounts to EUR 0.9 million, which matches the shortfall in the Rights Offering underwriting of EUR 0.9 million above and makes up the balance of EUL's EUR 20 million financial commitment to this process.

### 1.1.4. Listing the Bondholder Shares on the Tel Aviv Stock Exchange

This is the final part of the Restructuring Plan. The annual General Meeting held on 8 July 2014 has approved the contemplated admission to trading on the TASE. It is anticipated that the listing of the existing share capital will take place in early November, with the New Ordinary Shares, the Bondholders' Shares, the Escrow Shares and the New Additional Shares being admitted to trading on the TASE shortly after the close of the Rights Offering.

### 1.1.5. Shares

Throughout this document, various terms for Ordinary Shares are mentioned. The below table gives an overview of what is meant by each of the definitions (see also the section "Definitions"). It should be duly noted that the Company has only one class of shares; all references to shares are references to Ordinary Shares in the capital of the Company. Specific terms have been used for the sole purpose of showing the reason for offering and issue of such Ordinary Shares.

"Additional Placing Shares"	the Ordinary Shares to be issued to EUL or certain other persons nominated by EUL pursuant to the Company's obligations under the Controlling Shareholder Undertaking in case the value of the Rights left as rump (i.e. not exercised by the other Shareholders) is less than EUR 3 million
"Bondholders' Shares"	the Ordinary Shares to be issued to the Bondholders as agreed upon in the Restructuring Plan
"Escrow Shares"	Ordinary Shares, to be issued to the trustees of the Bondholders, pursuant to the Restructuring Plan. The Escrow Shares will be sold by the trustees to EUL for the consideration of the Rights Offering Price. The trustees will use the proceeds to pay up the Bondholders' Shares and the Escrow Shares
"New Ordinary Shares"	Ordinary Shares to be issued by the Company pursuant to the Rights Offering (i.e. to Shareholders who exercised their Rights)

## 1.2 Introduction

The Company proposes to raise gross proceeds of approximately EUR 20 million through the Rights Offering at a Rights Offering Price of EUR 0.0675 per New Ordinary Share. Subject to the fulfilment of the conditions set out below, the New Ordinary Shares will be offered by way of rights to Qualifying Shareholders on the following basis:

### 19 New Ordinary Shares with a nominal value of EUR 0.01 each for every 20 Ordinary Shares

held by Qualifying Shareholders on the Record Date and so in proportion to any other number of Ordinary Shares each Qualifying Shareholder then holds.

Entitlements to New Ordinary Shares under the Rights Offering will be rounded down to the nearest whole number and fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders (and the Depositary will not make available fractions of New Depositary Interests to Qualifying Depositary Interest Holders). Such fractions will be aggregated and, if possible, donated to charity.

The Depositary holds Existing Ordinary Shares and accordingly will be allotted Rights on behalf of Qualifying Depositary Interest Holders. The Depositary will pass on the Rights allotted to it to Qualifying Depositary Interest Holders in accordance with the terms of the Deed Poll as described below.

## Part VIII—Details of the Rights Offering, the Placing and the Additional Placing

The Depositary will pass on the Rights allotted to it to Qualifying Depositary Interest Holders (other than Excluded Shareholders) on the following basis and otherwise on the terms and conditions set out in this document and in accordance with the Deed Poll:

### 19 New Depositary Interests at EUR 0.0675 each for every 20 Existing Depositary Interests

held by Qualifying Depositary Interest Holders on the Record Date and so in proportion to any other number of Existing Depositary Interests each Qualifying Depositary Interest Holder then holds.

The attention of Overseas Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the Netherlands, the United Kingdom or Poland is drawn to section 6 of this Part VIII-1. In particular, subject to certain exceptions, Qualifying Shareholders with registered addresses in the United States or in any of the other Excluded Territories will not have their CREST stock accounts credited with Rights.

The New Ordinary Shares will, when issued and fully paid-up, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to any future dividends or other distributions made, paid or declared after the date of their issue.

Application will be made to the UK Listing Authority for the Rights and the New Ordinary Shares to be admitted to listing on the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that dealings in the Rights will commence on the London Stock Exchange at 8.00 a.m. London time on 1 December 2014 and that Admission will become effective on the London Stock Exchange at 8.00 a.m. London time on 23 December 2014.

Application will also be made to the Warsaw Stock Exchange for the Rights and the New Ordinary Shares to be admitted to listing and to trading on its main market for listed securities. It is expected that dealings in the Rights will become effective on the Warsaw Stock Exchange at 9.00 a.m. CET on 1 December 2014 and that Admission will become effective on the Warsaw Stock Exchange at 9.00 a.m. CET on or around 23 December 2014.

IPOPEMA Securities S.A. will act as the Issue Sponsor in connection with the Placing in Poland, in accordance with the requirements of Polish law.

On or around the date of this document, EUL entered into the Controlling Shareholder Undertaking, pursuant to which EUL undertook to the Company: (i) to exercise or procure the exercise of all voting rights attaching to the Ordinary Shares held by EUL to vote in favour of all resolutions to approve the Rights Offering and any reasonable matters related thereto (save that EUL will not be required to vote on the Related Party Resolutions); (ii) subject to the Company launching the Rights Offering prior to 30 November 2014, to exercise its Rights under the Rights Offering to take up or procure that others take up its full entitlement of New Ordinary Shares at the Rights Offering Price less the number of Escrow Shares acquired from the Bondholders prior to 30 November 2014; (iii) to not exercise its Rights in respect of New Ordinary Shares equal in number to the Escrow Shares; (iv) to purchase the Escrow Shares from the Bondholders (or their nominees) at the Rights Offering Price; and (v) 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 additional New Ordinary Shares (the “**Rump Shares**”) 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 EUR 20 million. In addition, the Company undertook that in the event that the value of the Rump Shares (circulated as the multiple of the number of Additional Rights Shares by the Rights Offering Price (the “**ARSV**”)) is less than EUR 3,000,000 EUL may demand, at its sole discretion, that the Company issue and EUL and/or a person nominated by it shall subscribe for the Additional Placing Shares at the Rights Offering Price. Save for the aforementioned EUR 20 million, the Rights Offering is not being further underwritten.

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

Subject to the above conditions being satisfied and save as provided in section 6 of this Part VIII-1 in respect of Overseas Shareholders, it is intended that:

- (A) the Receiving Agent will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Excluded Shareholders) with such Rights, with effect from 9.00 a.m. CET on 1 December 2014;
- (B) the Rights will be enabled for settlement by Euroclear UK as soon as practicable after the Company has confirmed to Euroclear UK that all the conditions for admission of such Rights to CREST have been satisfied, which is expected to be as soon as practicable after 9.00 a.m. CET on 1 December 2014; and
- (C) the New Ordinary Shares and New Depositary Interests will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who have exercised their Rights as soon as practicable after 9.00 a.m. CET on 23 December 2014.

The Existing Depositary Interests are already admitted to CREST. No further application for admission to CREST is required for the New Depositary Interests and all of the New Depositary Interests when issued and fully paid-up may be held and transferred by means of CREST. Applications will be made for the Rights to be admitted to CREST. Euroclear UK requires the Company to confirm to it that certain conditions are satisfied before Euroclear UK will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the Rights at 9.00 a.m. CET on 1 December 2014. As soon as practicable after satisfaction of the conditions, the Company will confirm this to Euroclear UK.

Application will be made to Polish CSD to register the New Depositary Interests with the Polish CSD to enable the trading of the New Depositary Interests on the Warsaw Stock Exchange. It is expected that such registration will become effective on or around 1 December 2014.

All documents and cheques and banker's drafts posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

Qualifying Shareholders exercising their rights by sending a USE instruction to Euroclear UK will be deemed to have given the representations and warranties set out in section 3.2 of this Part VIII-1, unless such requirement is waived by the Company and the Sponsor.

The Rights Offering Price can only be paid in EUR. Holders of Depositary Interests in Poland should contact their brokers in order to find out more information about the payment methods and the procedures of crediting their security accounts in Poland with the New Depositary Interests.

### **2. Action to be taken**

The Rights in respect of which action is to be taken will be in uncertificated form (that is, are in CREST).

If you are a Qualifying CREST Shareholder and do not have a registered address in or you are not located in the United States or any of the other Excluded Territories, please refer to sections 3 and 4, 6.5 and 7 to 12 of this Part VIII and to the CREST Manual for further information on the CREST procedures referred to below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Rights of CREST sponsored members.

### **3. Action To Be Taken In Relation To Rights In Crest**

#### **3.1 General**

Subject as provided in section 6 of this Part VIII-1 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Rights on 1 December 2014. For Qualifying CREST Shareholders, the CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Rights are allotted.

The Rights will constitute separate securities for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

## Part VIII—Details of the Rights Offering, the Placing and the Additional Placing

**CREST members who wish to exercise or trade all or part of their entitlements in respect of, or otherwise to transfer, all or part of their Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Rights.**

### 3.2 Procedure for acceptance and payment

#### (A) USE instructions

CREST members who wish to exercise or trade all or part of their entitlement in respect of Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE instruction to Euroclear UK which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Rights to be taken up;
- (ii) the creation of a CREST payment, in accordance with the CREST arrangements, in favour of the payment bank of the Receiving Agent in EUR, in respect of the amount specified in the USE Instruction which must be payable on acceptance in respect of the Rights referred to in subsection (i) above.

#### (B) Contents of USE instructions

The USE Instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Rights to which the acceptance relates;
- (ii) the ISIN of the Rights. This is NL0010938148;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Rights are to be debited;
- (v) the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 9RA0.1;
- (vi) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 402S7PLA;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on acceptance in respect of the number of Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before noon CET on 18 December 2014 in respect of Qualifying Shareholders taking up Rights other than in Poland or in Excluded Territories. In respect of such settlement date for Qualifying Shareholders in Poland, due to involvement of intermediaries in Poland, Polish Qualifying Shareholders should contact their brokers to be informed of the applicable settlement date.
- (ix) the Corporate Action Number for the Rights Offering. This will be available by viewing the relevant corporate action details in CREST.

In order for an acceptance under the Rights Offering to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 2.00 p.m. CET on 18 December 2014 in respect of Qualifying Shareholders taking up Rights other than in Poland or in Excluded Territories. In respect of the applicable date and time for Qualifying Shareholders in Poland, due to involvement of intermediaries in Poland, Polish Qualifying Shareholders should contact their brokers to obtain information on such date and time. In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE Instruction may settle on 18 December 2014, at 2.00 p.m. CET on that day, in respect of Qualifying Shareholders taking up Rights other than in Poland or in Excluded Territories, in order to be a valid and irrevocable application under the Rights Offering. In respect of the applicable date and time for Qualifying Shareholders in Poland, due to involvement of intermediaries in Poland, Polish Qualifying Shareholders should contact their brokers to obtain information on such date and time.

### *(C) Validity of application*

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than noon CET on 18 December 2014, in respect of Qualifying Shareholders taking up Rights other than in Poland or in Excluded Territories, will constitute a valid and irrevocable application under the Rights Offering. In respect of the applicable date and time for Qualifying Shareholders in Poland, due to involvement of intermediaries in Poland, Polish Qualifying Shareholders should contact their brokers to obtain information on such date and time.

### *(D) Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes, or procures the making of, a valid acceptance in accordance with this section 3.2 represents, warrants and undertakes to the Company that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the USE Instruction concerned is capable of settlement at noon CET on 18 December 2014 in respect of Qualifying Shareholders taking up Rights other than in Poland or in Excluded Territories, and remains capable of settlement at all times after that, until 3.00 p.m. CET on 18 December 2014 (or until such later time and date as the CREST sponsor may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at noon CET on 18 December 2014 and at all times thereafter until 3.00 p.m. CET on 18 December 2014 (or until such later time and date as the Company may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the USE Instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in doubt.

In respect of the applicable dates and times for Qualifying Shareholders in Poland, due to involvement of intermediaries in Poland, Polish Qualifying Shareholders should contact their brokers to obtain information on such dates and times.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares and/or New Depositary Interests have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares and/or Depositary Interests on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares and/or Depositary Interests and/or Depositary Interests, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part VIII-1 in respect of the acquisition of such shares and/or Depositary Interests) on behalf of such CREST member or CREST sponsored member. None of the Company, the Sponsor nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

A Qualifying CREST Shareholder will be deemed to have made the representations and warranties set out in section 6.6 of this Part VIII. All Qualifying Shareholders and Placees will also be deemed to have agreed and acknowledged that:

- (i) the Sponsor: (a) is acting exclusively for the Company and no one else in connection with the Rights Offering and the listing of the New Ordinary Shares on the premium segment of the Official List; and (b) will not be responsible to anyone other than the Company for providing the protections afforded

## Part VIII—Details of the Rights Offering, the Placing and the Additional Placing

to their clients for providing advice in connection with the Rights Offering, the listing of the New Ordinary Shares on the premium segment of the Official List or the contents of this document;

- (ii) apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsor by FSMA, the regulatory regime established thereunder or otherwise under law: (a) the Sponsor does not have any responsibility or liability for the contents of this document; (b) the Sponsor makes no representation or warranty, express or implied, as to the contents of this document (including as to its accuracy, completeness or verification) or for any other statement made or purported to be made by or on behalf of any of them, by the Company or on its behalf or by any other person in connection with the Company, the New Ordinary Shares, the New Depositary Interests or the Rights Offering, and nothing in this document shall be relied upon as a promise or representation in this respect (whether as to the past or the future); and (c) the Sponsor shall not have any liability whatsoever to such Qualifying Shareholders, whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement;
- (iii) such Qualifying Shareholders have not relied on the Sponsor or any person affiliated with the Sponsor in connection with any investigation as to the accuracy of any information contained in this document or their investment decision;
- (iv) such Qualifying Shareholders have relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Group or the Rights, the New Depositary Interests or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Sponsor;
- (v) such Qualifying Shareholders agree that, having had the opportunity to read this Prospectus, such Qualifying Shareholders shall be deemed to have had notice of all information and representations concerning the Company and the New Ordinary Shares contained therein; and
- (vi) such Qualifying Shareholders have reviewed the restrictions contained in these terms and conditions.

### (E) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Rights Offering. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by noon CET on 18 December 2014 in respect of Qualifying Shareholders taking up Rights other than in Poland or in Excluded Territories. In respect of the applicable date and time for Qualifying Shareholders in Poland, due to involvement of intermediaries in Poland, Polish Qualifying Shareholders should contact their brokers to obtain information on such date and time. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

### (F) *Incorrect or incomplete applications*

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST Member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Rights Offering Price, refunding any unutilised sum to the CREST member in question (without interest); and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

### *(G) CREST member's undertaking to pay*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this section 3.2: (a) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in euro on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the CREST RTGS payment mechanism (as defined in the CREST Manual) the creation of an RTGS settlement bank payment obligation in euro in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Company the amount payable on acceptance), and (b) requests that the Rights and/or New Ordinary Shares and/or the New Depository Interests to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares and/or such New Depository Interests are not discharged in full and such New Ordinary Shares and/or such New Depository Interests have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares or Depository Interests on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares and/or Depository Interests, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part VIII-1 in respect of the acquisition of such shares and/or Depository Interests) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is the lower) on behalf of such CREST member or CREST sponsored member. None of the Company, the Sponsor nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

### *(H) Company's discretion as to rejection and validity of acceptances*

The Company may in its absolute discretion:

- (i) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this section 3.2;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this section 3.2(H)(iii), the "first instruction") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction or thereafter, giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear UK of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

### *(I) Acceptance and Payment outside of CREST*

The Company may, in its absolute discretion, agree with Qualifying Shareholders the terms upon which Qualifying Shareholders may exercise their entitlements in respect of Rights outside of CREST.

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

### **3.3 Money Laundering Regulations**

If you hold your Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (for example, a bank, a broker or another UK or EU financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of identity requirements in the Money Laundering Regulations or FSMA.

Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company may take, or omit to take, such action as it may determine to prevent or delay issue of the New Ordinary Shares concerned. If such information and other satisfactory evidence of identity has not been provided within a reasonable time, then the exercise of the Rights represented by the USE Instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by any of them as a result of failure by the applicant to provide satisfactory evidence.

### **3.4 Dealings in Rights in CREST**

Assuming the Rights Offering becomes unconditional, dealings in the Rights on the London Stock Exchange and the Warsaw Stock Exchange are expected to commence at 9.00 a.m. CET on 1 December 2014. Dealings in Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Rights are expected to be enabled in CREST as soon as practicable after 9.00 a.m. CET on 1 December 2014.

### **3.5 Withdrawal of Rights from CREST**

Rights held in CREST may not be converted into certificated form, that is, withdrawn from CREST.

### **3.6 Issue of New Depositary Interests in CREST**

Rights in CREST are expected to be disabled in CREST after noon CET on 18 December 2014 (the latest date for settlement of transfers of Rights in CREST). New Ordinary Shares will be issued in uncertificated form to the Depositary on behalf of those persons registered as holding Rights in CREST at noon CET on the date on which the Rights are disabled. The Receiving Agent will instruct Euroclear UK to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Rights held by those persons) with their entitlements to New Depositary Interests within approximately 5 Business Days.

## **4. Procedure in respect of Rights not taken-up**

If an entitlement to New Ordinary Shares is not validly taken up by noon CET on 18 December 2014 by holders of Rights other than in Poland or in Excluded Territories, in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. In respect of the applicable date and time for Qualifying Shareholders in Poland, due to involvement of intermediaries in Poland, Polish Qualifying Shareholders should contact their brokers to obtain information on such date and time. Subject to the terms and conditions of the agreement to be entered into with a broker to be appointed by the Company, the broker will use reasonable endeavours to procure, by not later than 6.00 p.m. CET on 19 December 2014, subscribers for all (or, at the discretion of the broker, as many as possible) of those New Ordinary Shares not taken up if a premium over the total of the Rights Offering Price and the expenses of procuring such subscribers (including any related commissions and VAT which is not, in the reasonable opinion of the broker, recoverable) can be obtained.

If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by EUL or a person nominated by it as principal pursuant to the Controlling Shareholder Undertaking at the Rights Offering Price on the terms and subject to the conditions of the Controlling Shareholder Undertaking.

## Part VIII—Details of the Rights Offering, the Placing and the Additional Placing

Any premium over the aggregate of the Rights Offering Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and VAT which is not recoverable) (the “premiums”) shall be paid (subject as provided in this section 4):

- (a) where the Rights were, at the last time and date they could have been validly accepted in accordance with the procedure for acceptance and payment, in uncertificated form, to the person registered as the holder of those Rights at the time of their disablement in CREST; and
- (b) where an entitlement to New Ordinary Shares was not (or was deemed not to have been) taken up by an Overseas Shareholder, to that Overseas Shareholder.

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (as defined above), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant provisional allotments not taken up, save that no payment will be made of amounts of less than £5 per holding, which amounts will be aggregated and will ultimately be paid to the Company. Where any entitlement concerned was held in CREST the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member’s (or CREST sponsored member’s) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this section 4 shall be deemed to have been undertaken at the request of the persons who did not take up their entitlement and none of the Company, the broker appointed by the Company nor any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above. The broker appointed by the Company will be entitled to retain any fees, commissions or other benefit received in connection with these arrangements.

The Controlling Shareholder has agreed, pursuant to the Controlling Shareholder Undertaking (see Part IX “Material Contracts”) to, *inter alia*, 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 additional New Ordinary Shares 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 EUR 20 million. Save for the aforementioned, the Rights Offering is not being underwritten.

To the extent that there are any additional Rights that have not been taken up by either the Shareholders or the Controlling Shareholder, such Rights will lapse.

### 5. Withdrawal rights

Persons who have the right to withdraw their acceptances under section 87Q(4) of FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must send a written notice of withdrawal, which must include the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member to the Receiving Agent at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, for withdrawals by post or on +44 208 8639 1100 for withdrawals by facsimile (for further details, Shareholders should contact the Receiving Agent on 0871 664 0321 (from inside the UK) or +44 208 639 3399 (from outside the UK)), in each case so as to be received by no later than two Business Days after the date on which a supplementary prospectus is published. Notice of withdrawal given by any other means or which is sent after expiry of such period will not constitute a valid withdrawal. The Company will not permit the exercise of withdrawal rights after payment by the relevant person for New Ordinary Shares and/or New Depositary Interests in full and the allotment of such New Ordinary Shares and/or New Depositary Interests to such person becoming unconditional, save as required by statute. In such circumstances, Shareholders and Depositary Interest Holders are advised to consult their professional advisers.

Allotments of entitlements of New Ordinary Shares and/or New Depositary Interests which are the subject of a valid withdrawal notice will be deemed to be declined or to have lapsed. Such entitlements to New Ordinary Shares and/or New Depositary Interests will be subject to the provisions of section 4 of this Part VIII as if the entitlement had not been validly taken up.

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

### **6. Overseas Shareholders**

This document has been approved by the AFM, being the competent authority in the Netherlands. The AFM has issued a certificate of approval to the competent authorities in the United Kingdom, (the Financial Conduct Authority), and in Poland (the Polish Financial Supervision Commission) with a certificate of approval attesting which attests that the prospectus has been drawn up in accordance with the AFS and after the issue of which , the prospectus may be used for offerings. The Company may request that the AFM provide a certificate of approval to competent authorities in additional Member States within the EEA.

The offer of Rights and New Ordinary Shares to persons resident in, or who are citizens of, or who have registered addresses in, a jurisdiction other than the Netherlands, the United Kingdom or Poland may be affected by the laws of the relevant jurisdiction. The comments set out in this section 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

#### **6.1 General**

The offer of Rights and/or New Ordinary Shares and the distribution of this document or any other document relating to the Rights Offering to persons located or resident in, or who are citizens of, or who have a registered address in a jurisdiction other than the Netherlands, the United Kingdom or Poland, or which are corporations, partnerships or other entities organised under the laws of countries other than the Netherlands, the United Kingdom or Poland, or to persons who are nominees of or custodians, trustees or guardians for any such persons or entities, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. It is the responsibility of all persons outside the United Kingdom, the Netherlands and Poland (including, without limitation, custodians, nominees and trustees) receiving this document and/or a credit of Rights to a stock account in CREST and wishing to take up rights under the Rights Offering to satisfy themselves as to full observance of the laws of the relevant territory, including obtaining all necessary governmental or other consents which may be required, compliance with all other requisite formalities and the payment of any issue, transfer or other taxes due in such territory. The comments set out in this section 6 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his own independent professional adviser without delay.

New Ordinary Shares and/or New Depositary Interests will be allotted to all Qualifying Shareholders, including all Overseas Shareholders. However, Rights will not be credited to CREST accounts of, Excluded Shareholders (except, however, where the Company is satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirement in such jurisdiction) and their entitlements to New Ordinary Shares will be treated as entitlements not taken up in accordance with the procedures set out in section 4 of this Part VIII-1.

No person receiving a copy of this document and/or receiving a credit of Rights to a stock account in CREST in any territory other than the Netherlands, the United Kingdom or Poland may treat the same as constituting an invitation or offer to him, nor should he in any event deal with Rights in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and the Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements. In such circumstances, this document are to be treated as sent for information only and should not be copied or redistributed.

Accordingly, persons receiving a copy of this document and/or whose stock account in CREST is credited with Rights should not, in connection with the Rights Offering, distribute or send the same in or into, or transfer, Rights to any person in the United States or any other Excluded Territory. If a credit of Rights in CREST is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the rights referred to in this document or transfer the Rights in CREST unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or transfers Rights into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section 6.

The Company may (in its absolute discretion) treat as invalid, and the Company will not be bound to allot or issue any New Ordinary Shares and/or New Depositary Interests in respect of any acceptance or purported acceptance of, the offer of New Ordinary Shares which appears to the Company or its agents to

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of a credit of New Depository Interests in CREST, the CREST member's or a CREST sponsored member's registered address is in the United States or any of the other Excluded Territories or any other jurisdiction outside the Netherlands, the United Kingdom or Poland in which it would be unlawful to make or accept an offer to subscribe for or acquire the New Ordinary Shares, unless the Company is satisfied that such action would not result in the contravention of any registration or other legal or regulatory requirements. The attention of Overseas Shareholders with registered addresses in or who are located in the United States is drawn to sections 6.2 and 6.3 respectively of this Part VIII.

Despite any other provision of this document the Company reserves the right to permit any Qualifying Shareholder to take up his rights if the Company in its absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in section 3 of this Part VIII-1.

The provisions of section 4 of this Part VIII-1 will apply generally to Overseas Shareholders who do not or are unable to take up New Ordinary Shares and/or New Depository Interests provisionally allotted to them.

If the New Ordinary Shares are not issued by 31 December 2014 and/or Admission of such shares has not taken place the Company undertakes to return all monies paid by Qualifying Shareholders.

### **6.2 *Offering restrictions relating to the United States***

The New Ordinary Shares, the New Depository Interests and the Rights have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable state securities laws. The New Ordinary Shares, the New Depository Interests and the Rights have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Rights or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Accordingly, subject to certain exceptions, the Rights Offering is not being made in the United States and this document does not and will not constitute an offer, or an invitation to apply for, or an offer or an invitation to subscribe for or acquire any New Ordinary Shares or Rights in the United States. Subject to certain limited exceptions, Rights have not been, and will not be, credited to the CREST account of, any Qualifying Shareholder with a registered address in or that is known to be located in the United States.

Subject to certain limited exceptions, any person who subscribes for or acquires New Ordinary Shares, New Depository Interests or Rights will be deemed to have declared, warranted and agreed, by accessing this document or accepting delivery of the New Ordinary Shares, New Depository Interests or Rights, that it is not, and that at the time of subscribing for or acquiring the New Ordinary Shares, New Depository Interests, or Rights it will not be, in the United States or a US Person within the meaning of US Securities Act.

The Company reserves the right to reject any USE Instruction in respect of Rights sent by or on behalf of any CREST member with a registered address in or located in the United States.

A QIB will, in the Company's sole discretion, be permitted to take up its entitlements to New Ordinary Shares under the Rights Offering only if the QIB executes a US Purchaser's Letter in the form set out in Appendix 1 to this Prospectus and delivers it to the Company with a copy to the Sponsor. The US Purchaser's Letter will require each such QIB to represent and agree that, amongst other things, (i) it is a QIB and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the New Ordinary Shares in transactions exempt from the registration requirements of the US Securities Act and in compliance with applicable securities laws. The US Purchaser's Letter contains additional written representations,

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

agreements and acknowledgements relating to the transfer restrictions applicable to the New Ordinary Shares.

Any person in the United States who obtains a copy of this document and who is not a QIB is required to disregard it.

Until 40 days after Admission, any offer, sale or transfer of the New Ordinary Shares, the New Depositary Interests or Rights within the United States by a dealer (whether or not participating in the Rights Offering) may violate the registration requirements of the US Securities Act.

### **6.3 US transfer restrictions in respect of shares not taken up in the Rights Offering**

Any person within the United States that subscribes for any New Ordinary Shares that were not taken up in the Rights Offering must meet certain requirements and will be deemed to have represented, acknowledged and agreed that it has received a copy of this document and such other information as it deems necessary to make an investment decision as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

(A) It is a QIB and, if it is subscribing for or acquiring the New Ordinary Shares as a fiduciary or agent for one or more investor accounts, (i) each such account is a QIB, (ii) it has investment discretion with respect to each such account, and (iii) it has full power and authority to make the representations, warranties, agreements and acknowledgements in this document on behalf of each such account.

(B) It is aware and understands that an investment in New Ordinary Shares involves a considerable degree of risk and no US federal or state or non-US agency has made any finding or determination as to the fairness for investment or any recommendation or endorsement of any such investment.

(C) It will base its investment decision solely on this document, including the information incorporated by reference herein. It acknowledges that none of the Company, any of its affiliates or any other person (including the Sponsor and any of its respective affiliates) has made any representations, express or implied, to it with respect to the Company, the Rights Offering, the New Ordinary Shares, the New Depositary Interests or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Rights Offering, the New Ordinary Shares or the New Depositary Interests, other than (in the case of the Company and its affiliates only) the information contained or incorporated by reference in this document. It acknowledges and agrees that it will not hold the Sponsor or any of its affiliates or any person acting on their behalf responsible or liable for any misstatements in or omissions from any publicly available information relating to the Company. It acknowledges that it has not relied on any investigation that the Sponsor or any person acting on their behalf may or may not have conducted, and it has relied solely on its own judgment, examination and due diligence of the Company, and the terms of the transaction, including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Sponsor or any of its affiliates. It understands that this document has been prepared in accordance with the AFS and the Prospectus Directive, which differ from US disclosure requirements. In particular, but without limitation, the financial information contained in or incorporated by reference into this document has been prepared in accordance with IFRS as adopted in the European Union, and thus may not be comparable with financial statements of US companies prepared in accordance with US GAAP as adopted by the Public Company Accounting Oversight Board. It agrees that it will not distribute, forward, transfer or otherwise transmit this document, or any other presentational or other materials concerning the Rights Offering (including electronic copies thereof) to any person within the United States (other than a QIB on behalf of which it acts), and it has not distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than a QIB on behalf of which it acts). It acknowledges that it has read and agreed to the matters set forth under section 6.2 of this Part VIII-1.

(D) It is aware and each beneficial owner of such New Ordinary Shares has been advised that the sale of New Ordinary Shares to them is being made in reliance on an exemption from, and in a transaction not subject to, the registration requirements of the US Securities Act.

(E) It acknowledges that its purchase of any New Ordinary Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this document. It agrees that it (i) has no need for liquidity with respect to its investment in the New Ordinary Shares and (ii) has no reason to anticipate any change in its

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

circumstances, financial or otherwise, which may cause or require any sale or distribution by it of all or any part of the New Ordinary Shares.

(F) It is an institution which (i) invests in or purchases securities similar to the New Ordinary Shares in the normal course of business, (ii) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the New Ordinary Shares, and (iii) is, and any accounts for which it is acting are, able to bear the economic risk, and sustain a complete loss, of such investment in the New Ordinary Shares for an indefinite period of time.

(G) To the extent it deems necessary, it will make its own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of the Company, and it has made its own investment decision to subscribe for or acquire the New Ordinary Shares. It understands that there may be certain consequences under US and other laws, including applicable tax laws, resulting from an investment in the New Ordinary Shares, including that it must bear the economic risk of an investment in the New Ordinary Shares for an indefinite period of time, and it will make such investigation and consult such tax, legal, and/or other advisers with respect thereto as it deems appropriate.

(H) Any New Ordinary Shares that it subscribes for or acquires will be for its own account (or for the account of a QIB as to which it exercises sole investment discretion and has authority to make these statements) for investment purposes, and not with a view to distribution within the meaning of the US securities laws, subject to the understanding that the disposition of its property shall at all times be and remain within its control.

(I) It acknowledges and agrees that it is not subscribing for or acquiring the New Ordinary Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over the radio or television or as a result of a seminar or meeting whose attendees have been invited by general solicitation or general advertising or directed selling efforts (as that term is defined in Regulation S).

(J) It acknowledges that the New Ordinary Shares will be “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and agrees that for so long as such New Ordinary Shares are “restricted securities” (as so defined), they may not be deposited into any unrestricted depository facility established or maintained by any depository bank.

(K) It, and each other QIB, if any, for whose account it is acquiring New Ordinary Shares has been advised, understands and has acknowledged that the New Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the New Ordinary Shares are not being and will not be registered under the Securities Act, in reliance on an exemption under Section 4(a)(2) of the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. As long as the New Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will not offer, sell, pledge or otherwise transfer the New Ordinary Shares except (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (ii) pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It understands that no representation has been made as to the availability of Rule 144 of the Securities Act or any other exemption under the Securities Act or any state securities laws for the offer, resale, pledge or transfer of the Securities.

(L) It acknowledges that, to the extent the New Ordinary Shares are delivered in certificated form, the certificate delivered in respect of the New Ordinary Shares will bear a legend substantially to the following effect for so long as the securities are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act:

**THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (B) IN A TRANSACTION PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT**

## **Part VIII—Details of the Rights Offering, the Placing and the Additional Placing**

SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

It will notify any person to whom it subsequently reoffers, resells, pledges or otherwise transfers the Rights and the New Ordinary Shares of the foregoing restrictions on transfer.

(M) It acknowledges and agrees that the Company shall not have any obligation to recognise any offer, resale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described in this section and that the Company may make notations on its records or give instructions to any transfer agent of the New Ordinary Shares in order to implement such restrictions.

(N) It confirms that, to the extent it is purchasing New Ordinary Shares for the account of one or more persons, (i) it has been duly authorised to make the confirmations, acknowledgements and agreements set forth herein on their behalf and (ii) these provisions constitute legal, valid and binding obligations of it and any other persons for whose account it is acting.

(O) It acknowledges and agrees that the Company, its affiliates, the Sponsor, its respective affiliates, the Receiving Agent, the Registrar and others will rely upon the truth and accuracy of the foregoing warranties, acknowledgements, representations and agreements. It agrees that if any of the representations, warranties, agreements and acknowledgements deemed to be made cease to be accurate, it shall promptly notify the Company and the Sponsor.

(P) It hereby represents and warrants that all necessary actions have been taken to authorise the purchase by it of the New Ordinary Shares.

(Q) It and any person acting on its behalf have all necessary consents and authorities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto.

Prospective purchasers are hereby notified that sellers of the New Ordinary Shares may be relying on the exemption from the registration requirements of the US Securities Act provided by Rule 144A.

### **6.4 Other Excluded Territories**

Due to restrictions under the securities laws of the other Excluded Territories (i.e. other than the United States), subject to certain exceptions, this document will not be sent to, and Rights will not be credited to a stock account in CREST of, Qualifying Shareholders with registered addresses in any other Excluded Territories. The New Ordinary Shares and the Rights have not been and will not be registered under the relevant laws of any other Excluded Territory or any state, province or territory thereof and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, in or into any other Excluded Territory or to, or for the account or benefit of, any person with a registered address in, or who is resident or located in (as applicable), any other Excluded Territory except pursuant to an applicable exemption. Accordingly, subject to certain exceptions, the Rights Offering is not being made in any other Excluded Territory and this document does not and will not constitute an offer or an invitation to apply for, or an offer or an invitation to subscribe for or acquire, any New Ordinary Shares or Rights in any other Excluded Territory.

### **6.5 Overseas territories other than the United States and the other Excluded Territories**

Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain limited exceptions, those Qualifying CREST Shareholders who have registered addresses in the United States or any of the other Excluded Territories). Such Qualifying Shareholders may, subject to the laws of their relevant jurisdictions, accept their rights under the Rights Offering in accordance with the instructions set out in this.

If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares or to deal in Rights, you should contact your appropriate professional adviser immediately.

## **Part VIII—Details of the Rights Offering and the Placing**

### **6.6 *Representations and warranties relating to overseas territories other than the United States and the other Excluded Territories***

#### **Qualifying CREST Shareholders**

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedure set out in section 3 of this Part VIII -1 represents and warrants to the Company that, except where proof has been provided to the satisfaction of the Company that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) such person is not within the United States or any of the other Excluded Territories; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for or acquire Rights or New Ordinary Shares; (iii) such person is not acting on a non-discretionary basis for a person located within the United States or any other Excluded Territory or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not subscribing for or acquiring Rights or New Ordinary Shares with a view to the offer, sale, pledge, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights or New Ordinary Shares into the United States or any other Excluded Territory or any territory referred to in (ii) above.

The Company may treat as invalid any USE Instruction which appears to the Company to have been despatched from the United States or any of the other Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they or their agents believe the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this section.

### **6.7 *Waiver***

The provisions of this section 6 and of any other terms of the Rights Offering relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion.

## **7. Taxation**

Information on taxation in the United Kingdom, Poland and the Netherlands with regard to the Rights Offering is set out in Part IX nr. 7 of this document. The information contained in Part IX (Addition Information—Taxation) is intended only as a general guide to the current tax position in the United Kingdom, Poland and the Netherlands and Qualifying Shareholders in the United Kingdom, Poland and the Netherlands should consult their own tax advisers regarding the tax treatment of the Rights Offering in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

## **8. Times and dates**

The Company shall in its discretion be entitled to amend the dates that dealings in Rights commence and amend or extend the latest date for acceptance under the Rights Offering and all related dates set out in this document and in such circumstances shall announce such amendment in accordance with applicable legal requirement and notify the UK Listing Authority and other relevant authorities if required and, if appropriate, the Qualifying Shareholders.

## **9. Employee Share Option Schemes**

In principle, pursuant to each of the Share Option Schemes, the Rights Offering shall also extend to persons holding options at the Record Date. Insofar on the Record Date, these options will appear to be out of the money (and thus no Ordinary Shares could be obtained with their exercise), any grant of Rights will not be effected. For further information in respect of the Company's Share Option Schemes, reference is made to Part IX nr. 11.

## **Part VIII—Details of the Rights Offering and the Placing**

### **10. Employee Shareholders**

To the extent that employees are also Shareholders, their Ordinary Shares will be treated in the same way in the Rights Offering as Ordinary Shares held by any other Shareholder. Such treatment is detailed in this document.

If the employee Shareholder holds his Ordinary Shares through a nominee arrangement, the employee may need to instruct the nominee, for example, as to how to vote at a General Meeting and whether or not to accept the rights attaching to the employee's Ordinary Shares. Employee Shareholders will be contacted in due course in this regard.

### **11. Governing law**

The terms and conditions of the Rights Offering as set out in this document shall be governed by, and construed in accordance with, the laws of the Netherlands.

### **12. Jurisdiction**

The courts of Amsterdam, the Netherlands are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Offering, this document. By accepting rights under the Rights Offering in accordance with the instructions set out in this document, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of the Netherlands and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## **II. The Placing of the Bondholders' Shares**

A central component of the Restructuring Plan requires that the Company allocate to the Bondholders (excluding a Subsidiary which holds Series B Notes) 13.2106% of the Ordinary Shares following the Rights Offering—the Bondholder Shares. The Bondholders' Shares will be issued at par value (EUR 0.01). The Company proposes to raise proceeds of approximately (EUR 0.9 million) through the placing as the Bondholders' Shares will be issued at par value. The allocation of Bondholders' Shares shall be made on the following distribution basis:

- 2.8660% will be allocated to the holders of Series A Notes;
- 9.2197% will be allocated to the holders of Series B Notes; and
- 1.1249% will be allocated to the holders of Polish Bonds.

In addition to the above, the Company will issue the Escrow Shares to the Bondholders' trustee. The Escrow Shares will be purchased by EUL from the Bondholders, at the Rights Offering Price, and the Bondholders' trustee will use the proceeds to pay-up (*volstorten*) the nominal value of the Bondholders' Shares and the Escrow Shares issued to them by the Company.

An application will be made to the UK Listing Authority for the Bondholders' Shares and the Escrow Shares to be admitted to listing on the premium segment of the Official List and to the London Stock Exchange for the Bondholders' Shares and the Escrow Shares to be admitted to trading on its main market for listed securities.

Fully paid Bondholders' Shares will be credited to the securities accounts of the persons who are Bondholders as of 2 December 2014. No action is required from the Bondholders to acquire the Bondholders' Shares.

It is expected that Admission of the Escrow Shares and the Bondholders' Shares will become effective on the London Stock Exchange at 8.00 a.m. (London time) on 23 December 2014. An application will also be made to the Warsaw Stock Exchange for the Escrow Shares and the Bondholders' Shares to be admitted to listing and to trading on its main market for listed securities. It is expected that trading in the Escrow Shares and the Bondholders' Shares on the Warsaw Stock Exchange will commence at 9.00 a.m. (CET) on or around 23 December 2014. The Bondholders' Shares and the Escrow Shares will also in due course be listed on the Tel Aviv Stock Exchange.

## **Part VIII—Details of the Rights Offering and the Placing**

### **III. The Additional Placing**

In the Controlling Shareholder Undertaking the Company undertook, in consideration for EUL's undertakings, as described further in Part IX "Related Party transactions", that in the event that the ARSV is less than EUR 3 million EUL may demand, at its sole discretion, that the Company issue and EUL and/or a person nominated by it shall subscribe for the Additional Placing Shares at the Rights Offering Price. Accordingly, if sufficient Shareholders take up their Rights under the Rights Offering such that the ARSV is less than EUR 3 million, then EUL has the right to demand that the Company issue to it and/or a person nominated by it Additional Placing Shares. If all Shareholders take up their Rights and subscribe for New Ordinary Shares, the Company would be obligated to issue up to 44,444,445 Additional Placing Shares were EUL to demand this. Should EUL demand that the Company issue Additional Placing Shares, the Company believes that in light of the arrangements agreed in the Back Stop Agreement such shares will be issued to DK.

On or around the date hereof, EUL also entered into an amended and restated agreement (the "Back Stop Agreement") with various affiliates of Davidson Kempner Capital Management LP ("DK"), pursuant to which DK undertook to subscribe, under the Rights Offering for such number of New Ordinary Shares as may be determined by EUL (the "DK Shares"), provided that such number of shares shall not be less than the higher of (i) the number of New Ordinary Shares subscribed by DK that would result in a purchase price of EUR 3 million; and (ii) the number New Ordinary Shares that have not been taken up by Shareholders in the Rights Offering, and further provided that DK's obligation to acquire ordinary shares in the Company under the Back Stop Agreement shall not exceed EUR 10 million or result in DK and its affiliates, directly or indirectly, holding ordinary shares representing 30 per cent or more of the total voting rights in the Company. DK also undertook to make payment of EUR 7.5 million to the Escrow Agent under the Escrow Agreement such that the monies are received by the Escrow Agent by 17:00 London time on 28 November 2014. Under the Back Stop Agreement, EUL also undertook, subject to various terms and conditions, to exercise its rights under the Controlling Shareholder Undertaking to direct the Company to issue the DK Shares to DK (or such alternative party or parties as DK may direct). DK agreed, subject to various terms and conditions, to subscribe for the DK Shares as directed by EUL and pay for such shares. The agreement will automatically terminate if the conditions therein are not satisfied by 31 December 2014.

**Part VIII—Details of the Rights Offering and the Placing**

**IV. Expected timetable of principal events**

Each of the times and dates in the table below is indicative only and may be subject to change. Please read the notes to this timetable set out below:

Restructuring Plan confirmed by the Amsterdam District Court, Amsterdam . . . . .	9 July 2014
Latest time and date for receipt of Forms of Proxy . . . . .	09:30 a.m. on 26 November 2014
Latest time and date for receipt of Forms of Direction . . . . .	09:30 a.m. on 25 November 2014
Record Date for entitlement under the Rights Offering for Qualifying Shareholders . . . . .	25 November 2014
<b>Extraordinary General Meeting</b> . . . . .	09:30 a.m. on 28 November 2014
Rights Offering opens . . . . .	as soon as practicable after close of Extraordinary General Meeting
Allotment of Rights Entitlements . . . . .	as soon as practicable after close of the Extraordinary General Meeting
<b>Admission and dealings in Rights commence on the London Stock Exchange and Warsaw Stock Exchange . . . . .</b>	<b>8:00 a.m. on 1 December 2014</b>
Rights enabled by CREST . . . . .	as soon as possible after 8:00 a.m. on 1 December 2014
Rights credited to stock accounts in CREST (of Qualifying CREST Shareholders) . . . . .	as soon as possible after 8:00 a.m. on 1 December 2014
<b>Latest time and date for acceptance and payment in full of Rights by Qualifying Shareholders taking up Rights in Poland . . . . .</b>	<b>The latest time and date for acceptance and payment in full of Rights by Qualifying Shareholders taking up Rights in Poland will be earlier than for Qualifying Shareholders taking up the Rights outside of Poland due to involvement of several intermediaries between such investors in Poland and CREST. Investors taking up Rights in Poland should consult their brokers to find out the exact latest time and date for acceptance and payment in full of Rights</b>
<b>Latest time and date for acceptance and payment in full of Rights by Qualifying Shareholders taking up Rights other than in Poland or in Excluded Territories . . . . .</b>	<b>11:00 a.m. on 18 December 2014</b>
Rights disabled in CREST . . . . .	11.00a.m. on 18 December 2014
Announcement of results of the Rights Offering . . . . .	by 8:00 a.m. on 19 December 2014
Allotment of Additional Placing Shares (if any), Escrow Shares and New Ordinary Shares . . . . .	8:00 a.m. on 22 December 2014
<b>Admission and dealings in Additional Placing Shares (if any), New Ordinary Shares and Escrow Shares commence on the London Stock Exchange and the Warsaw Stock Exchange . . . . .</b>	<b>by 8:00 a.m. on 23 December 2014</b>

**Part VIII—Details of the Rights Offering and the Placing**

Additional Placing Shares (if any), New Ordinary Shares and Escrow Shares credited to CREST stock accounts . . .	as soon as possible after 8:00 a.m. on 23 December 2014
Allotment of Bondholders' Shares . . . . .	8:00 a.m. on 23 December 2014
<b>Admission and dealings in Bondholders' Shares commence on the London Stock Exchange and the Warsaw Stock Exchange . . . . .</b>	<b>by 8:00 a.m. on 23 December 2014</b>
Bondholders' Shares credited to CREST stock accounts . . .	as soon as possible after 8:00 a.m. on 23 December 2014

---

**Notes:**

- (1) The ability to participate in the Rights Offering is subject to certain restrictions relating to Shareholders with registered addresses outside the United Kingdom, Poland and The Netherlands, details of which are set out in Part V of this document.
- (2) These times and dates and those mentioned throughout this document may be adjusted by the Company in consultation with the Sponsor in which event details of the new times and dates will be notified to the UK Listing Authority, the London Exchange, the Warsaw Stock Exchange, and, where appropriate, Qualifying Shareholders and those entitled to Bondholders' Shares.
- (3) References to times in this timetable are to London time.

## Part VIII—Details of the Rights Offering and the Placing

### V. Placing and Rights Offering statistics

Shares in issue as at the Record Date . . . . .	297,186,138 Ordinary Shares
Number of Bondholders' Shares to be issued . . . . .	90,336,596
Number of Escrow Shares to be issued . . . . .	15,740,712
Number of Additional Placing Shares to be issued <sup>(1)</sup> . . . . .	44,444,445
Placing Price . . . . .	EUR 0.01
Estimated gross proceeds of the Placing . . . . .	EUR 0.9 million
Estimated gross proceeds of the Additional Placing <sup>(2)</sup> . . . . .	EUR 3 million
Number of New Ordinary Shares to be issued pursuant to the Rights Offering <sup>(3)</sup> . . . . .	up to 282,326,831
Basis of Rights Offering . . . . .	19 New Ordinary Shares for every 20 Existing Ordinary Shares
Rights Offering Price . . . . .	EUR 0.0675*
Estimated gross proceeds of the Rights Offering <sup>(4)</sup> . . . . .	EUR 19.1 million
Aggregate number of Bondholders' Shares, Escrow Shares, New Ordinary Shares and Additional Placing Shares to be issued <sup>(5)</sup> . . . . .	432,818,584
Estimated gross proceeds of the Placing and the Rights Offering <sup>(6)</sup> . . . . .	EUR 20 million
Estimated net proceeds receivable by the Company from the Placing and the Rights Offering, after deduction of commissions, fees and expenses <sup>(7)</sup> . . . . .	EUR 19.1 million
Bondholders' Shares, Escrow Shares and New Ordinary Shares as a percentage of the Company's enlarged issued share capital immediately after the Placing and the Rights Offering <sup>(8)</sup> . . . . .	63 per cent.
Ordinary Shares in issue immediately after the Placing and the Rights Offering <sup>(9)</sup> . . . . .	685,560,277 Ordinary Shares

(1) Assuming all Additional Placing Shares are issued.

(2) Assuming all Additional Placing Shares are issued.

(3) Assuming all the Rights are exercised.

(4) Assuming all the Rights are exercised.

(5) Assuming all the Rights are exercised and that all Additional Placing Shares are issued.

(6) Assuming all the Rights are exercised.

(7) Assuming all the Rights are exercised.

(8) Assuming all the Rights are exercised and no Additional Placing Shares are exercised.

(9) Assuming all the Rights are exercised.

\* The Rights Offering Price has been announced by means of a press release, which press release is incorporated by reference into this document.

## Part IX—Additional Information

### PART IX—Additional Information

#### 1. Responsibility

The Directors, whose names and functions appear in Part V—“Management” and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

1. The Company has been incorporated in the Netherlands on 17 May 1993 by a notarial deed of incorporation as a private company with limited liability under the laws of the Netherlands (*besloten vennootschap met beperkte aansprakelijkheid*), under Book 2 of the DCC, with the legal and commercial name “Leystone Holding B.V.” and with number 33248324. On 9 August 1994, the Company changed its name to “Shaka B.V.”. On 19 December 1997, the Company changed its name to “B.E.A. Real Estate B.V.”, and on 8 June 1998 to “Plaza Centers (Europe) B.V.”. On 6 October 2006, the name of the Company was changed to Plaza Centers B.V.
2. By a resolution passed on 9 October 2006 the Controlling Shareholder and Stichting L’Orage resolved to change the form of the Company to a public company with limited liability under the laws of the Netherlands (*naamloze vennootschap* or “N.V.”) under the name “Plaza Centers N.V.”. To that effect, the Articles were amended and restated entirely by a notarial deed, executed on 12 October 2006.
3. The statutory seat (*statutaire zetel*) of the Company is in Amsterdam, the Netherlands. The Company’s registered office is at Prins Hendrikkade 48-s, 1012 AC Amsterdam, the Netherlands, with telephone number +31-20-3449560. The Company is registered with the Dutch Trade Register (*Kamer van Koophandel Nederland*) with number 33248324.
4. The principal legislation under which the Ordinary Shares have been created and under which the Company was formed and now operates is Book 2 of the DCC. A summary of certain applicable provisions of Dutch company law is set out in Part X—“Summary of Applicable Dutch Law”.
5. By several resolutions during 2007 up to and including 2011, the Board resolved to issue Series A Notes in the aggregate par value of NIS391,565,400 (*threehundred ninety-one million, fivehundred sixty-five thousand four hundred New Israeli Shekel*) and to issue Series B Notes in the aggregate par value of NIS 1,431,194,196 (*one billion fourhundred thirty-one million hundred ninety-four thousand hundred ninety-six New Israeli Shekel*). All Notes have been admitted to listing on the TASE.
6. By resolution of 3 November 2010, the Board resolved to issue the Polish Bonds in the aggregate nominal value of PLN 60,000,000 (*sixty million Polish Zloty*).
7. On 20 June 2013, the annual General Meeting resolved *inter alia* to: (i) adopt the Company’s Dutch statutory annual accounts for the year ended 31 December 2012; (ii) discharge the Directors from their liability for the conduct of business for the year ended 31 December 2012; (iii) not to distribute any dividend; (iv) to grant authorization to the Board of Directors to issue Ordinary Shares to a maximum of 33% of the Company’s outstanding share capital at the date of the notice of the annual general meeting; and (v) to grant authorization to the Board of Directors to exclude pre-emptive rights to a maximum of 10% of the Company’s outstanding share capital. Furthermore, Messrs. Mordechay Zisser van Ran Shtarkman were re-elected as executive directors.
8. On 19 December 2013 the extraordinary General Meeting resolved *inter alia* to honourably dismiss Mr. Edward Paap as Non-executive director of the Company and to appoint Mr. Sarig C. Shalhav as Non-executive director of the Company.
9. On 8 July 2014, the annual General Meeting resolved *inter alia* (i) to adopt the Company’s 2013 statutory annual accounts; (ii) to not distribute any dividend over the year 2013; (iii) to discharge the members of the Board from their liability for the conduct of business in the year 2013; (iv) to amend the Articles; (v) to designate the Board as the corporate body to issue share and to exclude pre-emptive rights (limited to 33% of the Ordinary Shares in issue at the date of the notice for the General Meeting and to 10% of pre-emptive rights); (vi) to approve the contemplated admission of Ordinary Shares to the TASE; (vii) to honourably dismiss Messrs. Zisser and Shtarkman from their function as Executive Directors; (viii) to honourably dismiss Messrs. Yitzchaki and Van Eibergen Santhagens from their functions as Non-executive Directors; (ix) to appoint Mr. Hadassi as Executive

## Part IX—Additional Information

Director; (xi) to re-appoint Mr. Wichers as Non-executive Director; and (xii) to appoint Messrs. David Dekel, Shlomi Kelsi, Yoav Kfir and Nadav Livni as Non-executive Directors. The reason for the heavy changes in the composition of the Board as resolved upon by the annual General Meeting, finds its basis in the fact that following the restructuring of the Controlling Shareholder, effective control in the Controlling Shareholder itself has changed. Whereas also the board composition of EI has changed, Davidson Kempner Capital Management LP and York Capital Management) have applied their position as controlling shareholders of EI to implement changes to the Company's Board as well.

10. Immediately after the approval and publication of this document, an extraordinary General Meeting will be convened, which is to be held at the Park Plaza Victoria Hotel Amsterdam, Damrak 1-5, 1012 LG Amsterdam, the Netherlands.

The placing, the Additional Placing and the Rights Offering are subject to the passing of *all* the Restructuring Resolutions and *all* the Related Party Resolutions at the extraordinary General Meeting referred to above.

The passing of each of the Restructuring Resolutions is conditional upon the passing of both Restructuring Resolutions—if one of the Restructuring Resolutions is not passed the Restructuring Resolutions will not become effective; (ii) each of the Related Party Resolutions is conditional upon the passing of all other Related Party Resolutions—if any of the Related Party Resolutions is not passed none of the Related Party Resolutions will become effective; and (iii) the Restructuring Resolutions are conditional upon passing of all of the Related Party Resolutions.

### ***Restructuring Resolutions***

In summary, the Restructuring Resolutions seek the approval of Shareholders:

- (a) Subject to, and conditional upon all the Restructuring Resolutions and all of the Related Party Resolutions being passed:

to authorise the Board as the competent body to issue Ordinary Shares (including rights to acquire Ordinary Shares) to cover the issue of New Ordinary Shares and the Escrow Shares, for a period up to the annual General Meeting to be held in 2015.

Without prejudice to the authority conferred on the Board at the last General Meeting held on 8 July 2014 during which the Company's Shareholders designated the Board as the competent corporate body to issue shares, for a period up to the annual General Meeting to be held in 2015, the Board of Directors is requesting an extension of this authority to cover the issue of New Ordinary Shares and the Escrow Shares.

The current authority for the Board to issue shares applies to 33 per cent. of the Company's issued capital as at the date of the notice for the last annual General Meeting, being 89,071,426 (*ninety eight million seventy one thousand four hundred and twenty-six*) ordinary shares.

The authority sought in the extraordinary General Meeting, *inter alia* in connection with the issue of New Ordinary Shares and Escrow Shares applies to the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company. The authority granted by the extraordinary General Meeting shall be generally and unconditional and 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.

- (b) Subject to, and conditional upon all the Restructuring Resolutions and all of the Related Party Resolutions being passed:

to authorise the Board as the competent body to exclude pre-emptive rights in respect of Ordinary Shares to be issued for cash to cover the issue of New Ordinary Shares and the Escrow Shares (including rights to acquire Ordinary Shares), for a period up to the annual General Meeting to be held in 2015.

At the annual General Meeting held on 8 July 2014, the Company's Shareholders designated the Board as the competent corporate body to restrict or exclude pre-emptive rights upon issuing ordinary shares. In connection with item (a) above, without prejudice to the authority conferred

## Part IX—Additional Information

on the Board at the last General Meeting held on 8 July 2014, the Board is requesting an extension of this authority to cover the issue of New Ordinary Shares and the Escrow Shares.

The current authority applies to 10 per cent. of the Company's issued share capital as at the date of the notice of the last annual General Meeting, being 29,718,614 (*twenty nine million seven hundred eighteen thousand six hundred fourteen*) ordinary shares.

Authority by the extraordinary General Meeting is sought, in line with items (a) and (b) and *inter alia* in connection with the issue of New Ordinary Shares and Escrow Shares, for the Board to be in the position to exclude or restrict pre-emptive rights, upto the amount of the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company.

Pursuant to section 2:96a paragraph 1 of the Dutch Civil Code and article 6 of the Articles, Shareholders have pre-emption rights solely for shares issued for cash. No pre-emption rights exist in respect of shares issued against a contribution in kind. No pre-emption rights exist in respect of shares issued to the Company's employees or to employees of a group company.

The authority granted by the extraordinary General Meeting shall be generally and unconditional and shall expire on the conclusion of the annual General Meeting to be held in 2015.

### **Related Party Resolutions**

In summary, the Related Party Resolutions seek the approval of Independent Shareholders:

- (a) Subject to, and conditional upon all the Related Party Resolutions being passed:

to authorise the Board as the competent body to issue Ordinary Shares to cover the issue of the Bondholders' Shares and any Additional Placing Shares, for a period up to the annual General Meeting to be held in 2015.

Without prejudice to the authority conferred on the Board at the last General Meeting held on 8 July 2014 during which the Company's Shareholders designated the Board as the competent corporate body to issue shares, for a period up to the annual General Meeting to be held in 2015. The Board of Directors is requesting an extension of this authority to cover the issue of the Bondholders' Shares and any Additional Placing Shares.

This is a Related Party Resolution as (i) Bondholders' Shares are proposed to be issued to York Global Finance Offshore BDH (Luxembourg) S.a.r.l. under the Restructuring Plan, a related party; and (b) Additional Placing Shares may, under the provisions of the Controlling Shareholder Undertaking, be issued to EUL and/or DK, both related parties of the Company under the Listing Rules.

The current authority for the Board to issue shares applies to 33 per cent. of the Company's issued capital as at the date of the notice for the last annual General Meeting, being 89,071,426 (*ninety eight million seventy one thousand four hundred twenty-six*) ordinary shares.

The authority sought in this extraordinary General Meeting in connection with the issue of Bondholders' Shares and/or Additional Placing Shares applies to the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company. The authority granted by the extraordinary General Meeting shall be generally and unconditional and 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.

- (b) Subject to, and conditional upon all the Related Party Resolutions being passed:

to authorise the Board as the competent body to exclude pre-emptive rights in respect of Ordinary Shares to be issued for cash to cover the issue of the Bondholders' Shares and any Additional Placing Shares, for a period up to the annual General Meeting to be held in 2015.

At the annual General Meeting held on 8 July 2014, the Company's Shareholders designated the Board as the competent corporate body to restrict or exclude pre-emptive rights upon issuing

## Part IX—Additional Information

ordinary shares. In connection with item (a) above, without prejudice to the authority conferred on the Board at the last General Meeting held on 8 July 2014, the Board is requesting an extension of this authority to cover the issue of the Bondholders' Shares and any Additional Placing Shares.

The current authority applies to 10 per cent. of the Company's issued share capital as at the date of the notice of the last annual General Meeting, being 29,718,614 (*twenty nine million seven hundred eighteen thousand six hundred fourteen*) ordinary shares.

Authority by the extraordinary General Meeting is sought, in line with with items (a) and (b) in connection with the issue of Bondholders' Shares and Additional Placing Shares, for the Board to be in the position to exclude or restrict pre-emptive rights, upto the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company.

Pursuant to section 2:96a paragraph 1 of the Dutch Civil Code and article 6 of the Articles, Shareholders have pre-emption rights solely for shares issued for cash. No pre-emption rights exist in respect of shares issued against a contribution in kind. No pre-emption rights exist in respect of shares issued to the Company's employees or to employees of a group company.

The authority granted by the extraordinary General Meeting shall be generally and unconditional and shall expire on the conclusion of the annual General Meeting to be held in 2015.

- (c) Subject to, and conditional upon all the Related Party Resolutions being passed:
- authorising the arrangements under the Controlling Shareholder Undertaking, including, without limitation, authorising EUL's undertaking 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 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 EUR 20 million; authorising the Board to issue Additional Placing Shares to EUL or persons nominated by it; and authorising the approval of 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.

Under the Listing Rules, the aforementioned amount to related party transactions as each of EI, EUL and DK are related parties of the Company.

### ***Other Resolutions***

In addition, the approval of Shareholders is also being sought in relation to Resolutions:

- (a) to amend the Articles;
- (b) to grant power of attorney (*volmacht*) to have the notarial deed of amendment of the Articles executed;
- (c) to appoint Grant Thornton Accountants en Adviseurs B.V. as external auditor for the 2014 financial year;
- (d) to dismiss Mr. Nadav Livni from his position as non-executive director (*niet uitvoerend bestuurder*) of the Company and to appoint Mr. Nadav Livni as executive director (*uitvoerend bestuurder*) of the Company;
- (e) to dismiss Mr. Ron Hadassi from his position as executive director of the Company and to appoint Mr. Ron Hadassi as non-executive director of the Company;
- (f) to approve the terms of the appointment letter relating to Mr. Livni;
- (g) to approve the terms of appointment of Mr. Ron Hadassi;
- (h) to approve the terms of appointment of Mr. Yoav Kfir;
- (i) to approve the terms of appointment of Mr. Shlomi Kelsi; and

## Part IX—Additional Information

- (j) to approve the terms of appointment of Mr. David Dekel.

### AGENDA

The agenda of the extraordinary General Meeting that will be convened immediately after approval and publication of this document, will contain the following items:

#### Opening and announcements

##### *Restructuring Resolutions*

##### *Rights Offering and Placing*

#### Resolution 1

Proposal subject to, and conditional upon, Resolution 2 and all the Related Party Resolutions having become effective (subject only to this resolution being passed), 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 authorized share capital (*maatschappelijk kapitaal*) as at the date of this notice being EUR 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. (**Resolution**, see the explanation below).

#### Resolution 2

Proposal, subject to, and conditional upon, Resolution 1 and all the Related Party Resolutions having become effective (subject only to this resolution being passed), 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 authorized share capital (*maatschappelijk kapitaal*) as at the date of this notice being EUR 10,000,000 (*ten million euro*), (**Resolution**, see the explanation below).

##### *Related Party Resolutions*

##### *Additional Placing Shares and Controlling Shareholder Undertaking and arrangements related thereto*

#### Resolution 3

Proposal subject to, and conditional upon, the Related Party Resolutions having become effective (subject only to this resolution being passed), 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 authorized share capital (*maatschappelijk kapitaal*) as at the date of this notice being EUR 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. (**Resolution**, see the explanation below).

#### Resolution 4

Proposal, subject to, and conditional upon, the Related Party Resolutions having become effective (subject only to this resolution being passed), to designate the Board, generally and unconditionally,

## Part IX—Additional Information

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 authorized share capital (*maatschappelijk kapitaal*) as at the date of this notice being EUR 10,000,000 (*ten million euro*). (**Resolution**, see the explanation below).

### Resolution 5

Proposal subject to, and conditional upon, the Related Party Resolutions having become effective (subject only to this resolution being passed), to approve the arrangements under the Controlling Shareholder Undertaking, including, without limitation, approving the undertaking by 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 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 EUR 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.

### General Resolutions

#### Articles of Association

### Resolution 6

Proposal to amend the Company's articles of association (*statuten*, **Articles of Association**) (**Resolution**).

### Resolution 7

Proposal to grant power of attorney (*volmacht*) to have the notarial deed of amendment of the Articles of Association executed (**Resolution**).

#### Corporate matters

### Resolution 8

Proposal to appoint Grant Thornton Accountants en Adviseurs B.V as the external auditor for the 2014 financial year (**Resolution**).

#### Directors

### Resolution 9

Proposal to dismiss Mr. Nadav Livni from his position as non-executive director (*niet-uitvoerend bestuurder*) of the Company, in accordance with article 23.4 of the Articles of Association and proposal to appoint Mr. Nadav Livni as executive director (*uitvoerend bestuurder*) of the Company, in accordance with article 23 of the Articles of Association (**Resolution**).

### Resolution 10

Proposal 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 (**Resolution**).

### Resolution 11

Proposal to approve the terms of the appointment letter relating to Mr. Livni.

## Part IX—Additional Information

### Resolution 12

Proposal to approve the terms of appointment of Mr. Ron Hadassi.

### Resolution 13

Proposal to approve the terms of appointment of Mr. Yoav Kfir.

### Resolution 14

Proposal to approve the terms of appointment of Mr. Shlomi Kelsi.

### Resolution 15

Proposal to approve the terms of appointment of Mr. David Dekel.

## Explanation of the Agenda

### Restructuring Resolutions

#### Resolution 1

At the annual General Meeting held on 8 July 2014, the Company's shareholders designated the Board as the competent corporate body to issue shares, for a period up to the annual General Meeting to be held in 2015. To implement the Restructuring Plan (which includes the Rights Offering and the placing of the Escrow Shares), the Board of Directors is requesting the extension of this authority.

The current authority applies to 33 per cent. of the Company's issued share capital as at 27 May 2014, being the date of the notice for the annual General Meeting, being 89,071,426 (*ninety eight million seventy one thousand four hundred twenty-six*) ordinary shares.

The authority sought in this extraordinary General Meeting, *inter alia* in connection with the issue of New Ordinary Shares and Escrow Shares applies to the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company.

The authority granted by the extraordinary General Meeting shall be generally and unconditional and 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 no expired.

Resolution 1 is conditional upon the passing of Resolution 2 and Resolutions 3, 4 and 5.

#### Resolution 2

At the annual General Meeting held on 8 July 2014, the Company's shareholders designated the Board as the competent corporate body to restrict or exclude pre-emptive rights upon issuing ordinary shares for a period up to the annual General Meeting to be held in 2015. In Resolution 1 above and *inter alia* in connection with the issue of New Ordinary Shares and Escrow Shares, the Board is requesting the extension of this authority.

The current authority applies to 10 per cent. of the Company's issued share capital as at 27 May 2014, being the date of the notice for the annual General Meeting, being 29,718,614 (*twenty nine million seven hundred eighteen thousand six hundred fourteen*) ordinary shares.

Authority by the extraordinary General Meeting is sought, in line with Resolution 1 above and *inter alia* in connection with the issue of New Ordinary Shares and Escrow Shares, for the Board to be in the position to exclude or restrict pre-emptive rights, upto the amount of the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company.

Pursuant to section 2:96a paragraph 1 of the Dutch Civil Code and article 6 of the Articles of Association, shareholders have pre-emption rights solely for shares issued for cash. No pre-emption rights exist in respect of shares issued against a contribution in kind. No pre-emption rights exist in respect of shares issued to the Company's employees or to employees of a group company.

## Part IX—Additional Information

The authority granted by the extraordinary General Meeting shall be generally and unconditionally and shall expire on the conclusion of the annual General Meeting to be held in 2015.

The authorization to exclude statutory pre-emptive rights of holders of ordinary shares is requested because certain shareholders resident outside the Netherlands may not be eligible to participate in the Rights Offering.

Resolution 2 is conditional upon the passing of Resolution 1 and Resolutions 3, 4 and 5.

### Related Party Resolutions

#### Resolution 3

At the annual General Meeting held on 8 July 2014, the Company's shareholders designated the Board as the competent corporate body to issue shares, for a period up to the annual General Meeting to be held in 2015. To implement the Restructuring Plan that requires the issuance of, *inter alia*, the Bondholders' Shares, the Board of Directors is requesting the extension of this authority.

The current authority applies to 33 per cent. of the Company's issued share capital as at 27 May 2014, being the date of the notice for the annual General Meeting, being 89,071,426 (*ninety eight million seventy one thousand four hundred twenty-six*) ordinary shares.

The authority sought in the extraordinary General Meeting in connection with the issue of Bondholders' Shares and/or Additional Placing Shares applies to the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company.

The authority granted by the extraordinary General Meeting shall be generally and unconditional and 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 no expired.

Resolutions 3 and 4 are Related Party Resolutions as (i) Bondholders' Shares are proposed to be issued to York Global Finance Offshore BDH (Luxembourg) S.a.r.l. under the Restructuring Plan, a related party; and (b) Additional Placing Shares may under the provisions of the Controlling Shareholder Undertaking be issued to EUL and/or DK, both related parties of the Company under the Listing Rules.

EUL, EI, DK and York Global Finance Offshore BDH (Luxembourg) S.a.r.l. will therefore be unable to vote on the Related Party Resolutions. As far as the Board can determine, York Global Finance Offshore BDH (Luxembourg) S.a.r.l. holds no direct shareholding in Plaza (and has undertaken to take all reasonable steps to ensure that its associates do not vote, on the Related Party Resolutions). Neither EI, EUL nor DK will vote on the Related Party Resolutions, and each has undertaken to take all reasonable steps to ensure that its associates do not vote, on the Related Party Resolutions. Assumed that the quorum of three Shareholders (or holders of DIs) will be present to hold a valid meeting, this means that a total of 67.79% of the votes (being 62.25% EUL and 5.54% DK), cannot be cast in respect of the Related Party Resolutions and that, as a consequence thereof, Shareholders holding the remaining 32.21% of the votes will make the decision on the Related Party Resolutions.

Resolution 3 is conditional upon the passing of Resolutions 4 and 5.

#### Resolution 4

At the annual General Meeting held on 8 July 2014, the Company's shareholders designated the Board as the competent corporate body to restrict or exclude pre-emptive rights upon issuing ordinary shares, for a period up to the annual General Meeting to be held in 2015. In Resolution 1 above and *inter alia* in connection with the Rights Offering in relation to the issue of New Ordinary Shares and Escrow Shares, the Board is requesting the extension of this authority (which will be conditional upon the passing of item nr.2 above).

The current authority applies to 10 per cent. of the Company's issued share capital as at 27 May 2014, being the date of the notice for the annual General Meeting, being 29,718,614 (*twenty nine million seven hundred eighteen thousand six hundred fourteen*) ordinary shares.

## **Part IX—Additional Information**

Authority by the extraordinary General Meeting is sought, in line with Resolution 3 above in connection with the issue of Bondholders' Shares and Additional Placing Shares, for the Board to be in the position to exclude or restrict pre-emptive rights, upto the Company's unissued authorized share capital (*maatschappelijk kapitaal*) as at the date of the notice for this extraordinary General Meeting, being 702,813,862 (*seven hundred two million eight hundred thirteen thousand eight hundred sixty two*) ordinary shares in the capital of the Company.

Pursuant to section 2:96a paragraph 1 of the Dutch Civil Code and article 6 of the Articles of Association, shareholders have pre-emption rights solely for shares issued for cash. No pre-emption rights exist in respect of shares issued against a contribution in kind. No pre-emption rights exist in respect of shares issued to the Company's employees or to employees of a group company.

The authority granted by the extraordinary General Meeting shall be generally and unconditionally and shall expire on the conclusion of the annual General Meeting to be held in 2015.

The authorization to exclude statutory pre-emptive rights of holders of ordinary shares is requested because certain shareholders resident outside the Netherlands may not be eligible to participate in the Rights Offering.

For the avoidance of doubt, if the proposals for resolutions under agenda Resolutions 1, 2, 3 and 4 are adopted, the Board will have the authority under these designations to issue New Ordinary Shares, Escrow Shares, Bondholders' Shares and Additional Placing Shares and/or grant rights to subscribe for such shares while excluding all statutory pre-emptive rights in relation thereto as the Board may deem appropriate. Furthermore, the designations to the Board granted to it on 8 July 2014, will remain in place in respect of Ordinary Shares, other than New Ordinary Shares, Escrow Shares, Bondholders' Shares and Additional Placing Shares.

Resolution 4 is conditional upon the passing of Resolutions 3 and 5.

### **Resolution 5**

EUL, EI and DK are related parties of the Company for the purpose of the Listing Rules as each is a substantial shareholder of the Company.

Under the Listing Rules, the undertaking by EUL in the Controlling Shareholder Undertaking whereby EUL undertook 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 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 EUR 20 million and the right of EUL to Additional Placing Shares at the Offering price constitute arrangements with a related party. Accordingly, the approval of the Independent Shareholders to the Related Party Resolutions is being sought at the extraordinary General Meeting. Neither EI, EUL nor DK will vote on the Related Party Resolutions, and each has undertaken to take all reasonable steps to ensure that its associates do not vote, on the Related Party Resolutions.

Resolution 5 is conditional upon the passing of Resolutions 3 and 4.

## **Articles of Association**

### **Resolution 6**

The Board proposes the extraordinary General Meeting to resolve to amend the Articles of Association. Recent changes to the Listing Rules relating to situations where a company has a controlling shareholder (broadly speaking, this captures any person who individually or together with any of their concert parties receives or controls 30% or more of the votes able to cast on all or substantially all matters at the Company's general meeting) require changes to be made to the Articles to conform to the Company's obligations under the Listing Rules. Accordingly the Company has proposed changes to the Articles that allow the election and re-election of independent directors (as that term is deferred in the Listing Rules) to be conducted in accordance with the Listing Rule requirements.

The draft deed of the amendment of the Articles of Association contains the full text of the proposed amendments. The draft deed of amendment of the Articles of Association is available for inspection,

## **Part IX—Additional Information**

in the Dutch and in the English language, from the date of this notice until the end of the meeting (i) at the offices of the Company, Prins Hendrikkade 48-s, 1012 AC Amsterdam, The Netherlands; (ii) on the Company's website ([www.plazacenters.com](http://www.plazacenters.com)); and (iii) at the offices of Mayer Brown International LLP, the Company's legal advisers as to English law, at 201 Bishopsgate, London EC2M 3AF, United Kingdom.

### **Resolution 7**

The amendment of the Articles of Association should be effected by the execution of a Dutch notarial deed (*notariële akte*). The Board proposes to grant power of attorney (authorization) to each managing director and each employee of law firm Buren N.V. (whose civil law notaries (*notarissen*) have prepared the draft amendment of the Articles of Association) to have the notarial deed of amendment executed and to perform all things necessary and formalities pertaining thereto or in connection therewith.

### **Corporate Matters**

#### **Resolution 8**

The Board proposes to instruct Grant Thornton Accountants en Adviseurs B.V. to audit the Company's Dutch statutory financial statements for the year 2014. Grant Thornton Accountants en Adviseurs B.V. is part of Grant Thornton International Limited, an organization with over 38,500 people across 130 countries, being one of the world's leading organizations of independent assurance, tax and advisory firms.

### **Directors**

#### **Resolutions 9 and 10**

On 8 July 2014, the annual General Meeting *inter alia* resolved to appoint Mr. Ron Hadassi as an executive director of the Company and to appoint Mr. Nadav Livni as non-executive director of the Company. The Company, taking into account Mr. Hadassi's involvement with the Controlling Shareholder, has determined that Mr. Nadav Livni should serve as the executive director of the Company and that Mr. Hadassi will become a non-executive director. Pursuant to section 2:129a of the Dutch Civil Code, article 15.1 of the Articles of Association contains a division of tasks among executive directors and non-executive directors. A director cannot be a non-executive director and an executive director at the same time. As a consequence thereof, directors should be specifically dismissed and appointed by the General Meeting as executive director or non-executive director. Accordingly, this is why this item is on the agenda of the extraordinary General Meeting. Given the fact that the proposals for dismissal and appointment are related each dismissal and appointment appears as one item on the agenda.

#### **Resolutions 11 - 15**

Though in principle, pursuant to the Articles, the General Meeting shall determine the principles of the remuneration policy and the salary is determined by the Board, the Board deems it appropriate to submit, in this specific case, the appointment letters of the Directors who were appointed at this extraordinary General Meeting and in the annual General Meeting on 8 July 2014 (both executive and non-executive directors) to the Shareholders for approval. All appointment letters are available for inspection on the Company's website [www.plazacenters.com](http://www.plazacenters.com) and at the offices of the Company at Prins Hendrikkade 48-s, 1012 LC Amsterdam, the Netherlands.

### **Recommendation**

The Board considers that the Rights Offering, the Placing and the Restructuring Resolutions are in the best interests of the Shareholders taken as a whole and are vital to the survival of the Company and has therefore recommended and urged that all Shareholders vote in favour of the Restructuring Resolutions at the forthcoming extraordinary General Meeting.

The Board (other than for Messrs. Hadassi, Kfir, Livni and Kelsi who are also directors of EI and who have therefore not taken part in the Board's consideration of these matters) considers that (i) the Additional Placing and the Related Party Resolutions; and (ii) EUL's undertaking 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

## Part IX—Additional Information

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 EUR 20 million, are in the best interests of the Shareholders taken as a whole and are vital to the survival of the Company and has therefore recommended and urged that Independent Shareholders vote in favour of the Related Party Resolutions.

The Board further considered that the General Resolutions are in the best interests of the Shareholders taken as a whole and recommended that all Shareholders vote in favour of the General Resolutions to be proposed at the extraordinary General Meeting.

The notice for the extraordinary General Meeting will be placed on the Company's website [www.plazacenters.com](http://www.plazacenters.com).

### 3. Suspension of payments under Dutch law and Restructuring

#### 1. Company been granted provisional suspension of payments on 18 November 2013 which was terminated on 9 July 2014

On 18 November 2013, the Company applied for suspension of payment proceedings (*surseance van betaling*) under Dutch law and simultaneously filed a draft restructuring plan (*ontwerpakkkoord*) (the “**Restructuring Plan**”) with the district court of Amsterdam, the Netherlands (*Rechtbank Amsterdam*) (the “**Court**”). The Court had jurisdiction to open the suspension of payment proceedings since the center of main interests of the Company, with registered office (*statutaire zetel*) in The Netherlands, was situated in the Netherlands. The suspension of payment proceedings are governed by the Dutch Bankruptcy Code (*Faillissementswet*).

On 18 November 2013, the Court granted the Company a provisional suspension of payment, appointing Mr. J.L.M. Groenewegen as administrator (*bewindvoerder*) and Mrs. L. van Berkum as supervisory judge (*rechter-commissaris*). The Court determined that no hearing should take place for deciding on the granting of definitive suspension of payments and ordered instead that a creditors meeting take place to vote on the Restructuring Plan. The Restructuring Plan was adopted by the Plan Creditors on 26 June 2014. On 9 July 2014, the Court confirmed the Restructuring Plan whereby the provisional suspension of payment proceedings have been terminated. At the date of this document the term for appeal against the aforementioned court confirmation has expired, as a result of which the court confirmation has become final and definitive (*in kracht van gewijsde*), and the suspension of payments have come to an end.

#### 2. The proceedings for suspension of payments under Dutch law

Dutch suspension of payments proceedings are court-supervised reorganization proceedings, as opposed to liquidation proceedings. The proceedings can be described as a general deferment of payment of unsecured, non-preferential, claims against the debtor. The objective is to provide an instrument for the reorganisation and continuation of (partially) viable businesses in financial distress.

Suspension of payments proceedings essentially provide for two forms of relief: (i) a temporary suspension of unsecured, non-preferential, payment obligations (*moratorium*); and (ii) the ability to restructure unsecured, non-preferential, debts by implementing a restructuring plan (*akkoord*) through a mechanism in which a majority of the creditors can bind a minority that does not agree to the restructuring plan (cram down).

In general, Dutch law does not provide for specific requirements for the form or content of a restructuring plan. This means that a restructuring plan can consist of, for example, a deferral and/or reduction of payment obligations of the debtor.

A Dutch company can apply for suspension of payments if it foresees that it will not be able to pay its debts as they fall due. Creditors or third parties are not eligible to file for the commencement of the proceedings.

Under Dutch law directors do not have a formal obligation to file for suspension of payments proceedings if they foresee that the company will not be able to pay its debts as they fall due. However, in such a situation filing for suspension of payments proceedings will often be the appropriate course of action for directors to follow and failing to do so can expose the directors to serious liability risks (e.g. for bad management).

## Part IX—Additional Information

### *General effects of a Dutch suspension of payments*

Upon receipt of the request, the competent district court will automatically and immediately grant provisional suspension of payments and appoint one or more independent administrators. The administrator is usually a specialized insolvency lawyer. Usually, the court also appoints a supervisory judge, who advises the administrator and supervises the process.

There is no general obligation to publish the filing of a request to open suspension of payments proceedings. All known creditors of the company are notified in writing about the opening of provisional suspension of payments proceedings. The opening of suspension of payments proceedings is published in an online register and in the Dutch Official Gazette (*Nederlandse Staatscourant*). A suspension of payment is also registered in the company's records at the Trade Register of the Dutch Chamber of Commerce (*Kamer van Koophandel*).

During suspension of payments proceedings, the board of managing directors of the company is not authorized to perform any acts of administration or disposal without the consent of the administrator. Mutual cooperation is required to perform legal acts concerning the insolvency estate. Obligations incurred by the company during suspension of payments proceedings without the cooperation or prior authorisation of the insolvency administrator cannot be enforced against the debtor's assets, unless these obligations arise from legal acts beneficial to the insolvency estate. If the company fails to comply with these rules, the supervisory judge can submit a request to the court for the termination of the proceedings.

During the suspension of payments proceedings creditors with unsecured, non-preferential, claims are not able to enforce their claims against the company; the moratorium is against unsecured creditors. Secured and preferential creditors remain entitled to enforce their rights during the proceedings, such unless a temporary stay on their enforcement actions (*afkoelingsperiode*) has been ordered by the court. At the date of this document, a temporary stay in respect of the Company has not been ordered.

The Dutch Bankruptcy Code does not explicitly provide for the possibility to appoint a creditors committee in suspension of payments proceedings. In practice, the possibility to do so has been assumed to follow from the general discretion of the court to order protective measures on the commencement of the proceedings. Such a court order can specifically mention which statutory provisions concerning creditors' committees in bankruptcy proceedings apply *mutatis mutandis* to the creditors committee in the relevant suspension of payments proceedings.

Upon the provisional commencement of suspension of payments proceedings, the court can simultaneously order any measures necessary to protect the interests of creditors. Examples of such protective measures include the appointment of a creditors committee, the mandatory release of specific information to creditors or the sealing of the insolvency estate. Provisional measures can also be ordered in order to give effect to legitimate interests of creditors under foreign law. An important example concerns the order of protective measures by the court which enabled beneficial owners of notes issued by the debtor and governed by foreign law to vote on a proposed restructuring plan. This application of foreign law prevented the unsatisfactory outcome where only the trustee as legal owner of the notes would have been entitled to vote and protected the legitimate interests of parties as contemplated in the transaction documentation (i.e. a note programme) governed by foreign law.

### *Restructuring plan; majority during creditor's meeting*

The debtor is entitled to file a restructuring plan together with the application for suspension of payments proceedings or thereafter. Only the debtor is entitled to propose a restructuring plan. The administrator, creditors or third parties do not have the right to propose a plan.

A restructuring plan is characterised as an agreement concluded between the debtor and its creditors (albeit with a unique feature consisting of a cram down mechanism upon its adoption by creditors and its confirmation by the court). This means that the content of the plan is governed by the principle of freedom of contract. This provides the parties a large degree of flexibility to negotiate the terms. Examples of measures which are regularly included in a restructuring plan include deferral of payment maturities, partial payment of debts against a waiver of remaining liabilities and debt for equity swaps. In determining the content of the restructuring plan, debtors generally also consider mandatory reasons for a court to deny confirmation (as further discussed below).

## Part IX—Additional Information

If the debtor files a restructuring plan simultaneously with the application for suspension of payments proceedings (as the Company did), the court can determine that a hearing for granting definitive suspension of payments shall not take place, and that, instead, a creditors' meeting shall take place to vote on the plan. Before or at the creditors meeting the administrator issues an independent written report on the restructuring plan.

The following majority is required for the adoption of a restructuring plan: an ordinary majority of (provisionally) admitted creditors present at the creditors' meeting who hold at least 50% of all (provisionally) admitted claims in the proceedings. If the required majority is not achieved, the court can determine that the restructuring plan shall nevertheless be deemed to be adopted if at least 75% of the (provisionally) admitted creditors in number have voted in favour and the rejection of the restructuring plan is—in essence—a result of creditors voting unreasonably.

After the restructuring plan has been adopted by the requisite majority of the creditors at the creditors meeting (or the court has determined that the restructuring plan shall be deemed to have been adopted), the court has to decide on the confirmation (*homologatie*) of the restructuring plan, for which purpose a separate hearing is held. The confirmation hearing usually takes place about two weeks after the creditors meeting. In the meantime, creditors can inform the supervisory judge in writing of any reasons why the confirmation of the restructuring plan should be considered undesirable.

During the confirmation hearing, the supervisory judge will present a written report (including an independent advice on the possible confirmation of the plan). Support for and objections against the confirmation of the plan can be voiced by the administrator and creditors during the confirmation hearing. The court must deny confirmation of the restructuring plan upon the occurrence of certain circumstances, including:

- the value of the assets of the estate is higher than the amount offered to the creditors under the plan;
- the performance of the restructuring plan is not adequately warranted;
- the restructuring plan came into place through fraud (*bedrog*) or unfair preference of one or more creditors or has been concluded on the basis of other unfair means (irrespective of whether the debtor has cooperated in using such means); and/or
- payment of certain administrative expenses is not secured.

Furthermore, the court may deny confirmation based on other grounds (at its discretion). Appeal against the confirmation is possible in two instances (with the appellate court and supreme court).

If the court confirms the plan and the decision becomes final, the plan becomes binding on all unsecured, non-preferential, creditors (including those who have voted against the adoption of the plan or did not participate in the voting) and the suspension of payments proceedings terminate by operation of law.

Should the required majority not be obtained or should the court deny confirmation of the restructuring plan, the court is authorized to declare the company bankrupt.

### *Safeguards for creditors*

Dutch suspension of payments proceedings are designed to protect the interests of creditors and the administrator and the supervisory judge have the duty to act in the interests of the creditors.

Safeguards for creditors include:

- the suspension of payments proceedings are opened by a decision of an independent court;
- an independent administrator is appointed by the court who has the duty to act in the interests of the creditors;
- an independent supervisory judge is (usually) appointed by the court, who advises the administrator and supervises the process with a view to the interests of the creditors;
- the opening of the suspension of payments proceedings is published and all creditors are notified of the relevant facts;
- the debtor may not dispose of its assets without the consent of the administrator;

## **Part IX—Additional Information**

- protective measures may be ordered by the court for the benefit of creditors (e.g. the appointment of a creditors committee or the protection of legitimate interests of creditors under foreign law);
- no payments may be made to unsecured, non-preferential, creditors unless equally to all on a pro rata basis;
- liabilities incurred without the consent of the administrator do not bind the estate;
- the creditors are heard on important decisions such as the granting of definitive suspension of payments and the confirmation of a restructuring plan and have the ability to appeal such decisions (with the appellate and supreme court);
- the creditors that are affected by the suspension of payments proceedings can cast a vote on the adoption of the restructuring plan;
- the administrator renders an independent advice on the restructuring plan;
- the supervisory judge advises the court on the confirmation of the restructuring plan;
- creditors can issue support for or objections against the confirmation of the restructuring plan at several points in time (including during the confirmation hearing);
- the restructuring plan, if the required votes are obtained, has to be separately confirmed by the court;
- the restructuring plan may not be confirmed if certain elementary requirements are not met, such as the requirement that the amount offered to the creditors under the plan may not be less than the expected realization upon liquidation and/or;
- the termination of the proceedings upon the occurrence of certain events (as described above).

These safeguards align well with international principles of insolvency law and best practice recommendations contained in, inter alia, the Principles of European Insolvency Law and the UNCITRAL Legislative Guide on Insolvency Law.

### *International Insolvency Law—Insolvency Regulation*

The European Insolvency Regulation (EC) No 1346/2000 (the “**Insolvency Regulation**”) provides for a EU framework on jurisdiction, recognition and applicable law in cross-border insolvency proceedings. The Insolvency Regulation aims to enable insolvency proceedings to operate efficiently and effectively throughout the EU and is based on the premise that international insolvency proceedings can be effectively conducted only if the states concerned recognize the jurisdiction of the courts of the state of the opening of the proceedings, the powers of the liquidators (administrators) and the effects of their judgments.

Dutch suspension of payments proceedings are insolvency proceedings within the meaning of the Insolvency Regulation and are listed in Annex A of the Insolvency Regulation. Although EU Member States can determine which national insolvency proceedings are brought within the ambit of the Insolvency Regulation, strict eligibility requirements as set out in the Insolvency Regulations must be met.

Pursuant to article 3(1) of the Insolvency Regulation, the Dutch courts have jurisdiction to open suspension of payments proceedings, as main proceedings within the meaning of article 3(1) of the Insolvency Regulation, if the debtor has its center of main interests (“**COMI**”) in the Netherlands. In the case of a company, the place of the registered office is presumed to be its COMI in the absence of proof to the contrary. A debtor can have its COMI in only a single country. The jurisdiction to open main insolvency proceedings within the meaning of article 3(1) of the Insolvency Regulation is therefore exclusive.

Pursuant to articles 3 and 25 of the Insolvency Regulation the court that has (exclusive) jurisdiction to open (main) insolvency proceedings, also has (exclusive) jurisdiction to hand down judgments which concern the course and closure of the proceedings and compositions.

Given that the registered office of the Company is in the Netherlands, the COMI of the Company must be presumed to be located in the Netherlands, and, consequently, the Dutch court must be presumed to have (exclusive) jurisdiction to open suspension of payments proceedings as main proceedings within the meaning of article 3(1) of the Insolvency Regulation, in the absence of proof to the contrary.

## **Part IX—Additional Information**

The (exclusive) jurisdiction of the Dutch court to open suspension of payments proceedings is not affected by the fact that the Trust Deed for the Series A Notes and the Trust Deed for the Series B Notes contain an exclusive jurisdiction clause in favour of the Israeli courts.

Pursuant to article 4(1) of the Insolvency Regulation the law applicable to insolvency proceedings and their effects shall be that of the EU Member State in which the proceedings are opened (*lex concursus*). Therefore, if the proceedings are opened in the Netherlands, the proceedings and their effects are governed by Dutch law.

Article 4(2)(j) of the Insolvency Regulation provides, more specifically, that the law of the State of the opening of proceedings shall in particular determine the conditions for and the effects of closure of insolvency proceedings, in particular by composition (a restructuring plan). The procedure for adoption and confirmation and the effects of a restructuring plan in the Dutch suspension of payments proceedings are therefore solely determined by Dutch law.

Consequently, if the Restructuring Plan is adopted and becomes effective, the holders of the Notes will be bound by the terms of the Restructuring Plan as matter of Dutch (international) insolvency law.

The suspension of payments proceedings of the Company are main proceedings within the meaning of the Insolvency Regulation. Main proceedings opened in the EU Member State where the debtor has its COMI within the meaning of article 3(1) of the Insolvency Regulation (as opposed to secondary or territorial proceedings opened in the EU Member State where the debtor has an establishment within the meaning of article 3(2) of the Insolvency Regulation), have immediate effect in all jurisdictions of the European Union in which the Insolvency Regulation is in force.

According to article 16(1) of the Insolvency Regulation any judgment opening insolvency proceedings handed down by a court of a EU Member State shall be recognised in all other EU Member States.

Article 17(1) of the Insolvency Regulation provides that the judgment opening main proceedings referred to in article 3(1) of the Insolvency Regulation shall, with no further formalities, produce the same effects in any other EU Member State as under the law of the EU Member State of the opening of proceedings (unless otherwise provided by the Insolvency Regulation and as long as no proceedings referred to in article 3 (2) of the Insolvency Regulations are opened in that other EU Member State).

Article 18(1) of the Insolvency Regulation provides that the liquidator in main proceedings appointed by a court pursuant to Article 3(1) may in principle exercise all the powers conferred on him by the law of the State of the opening of proceedings in all other EU Member States.

Article 25 (1) of the Insolvency Regulation further provides that judgments handed down by a court whose judgment concerning the opening of proceedings is recognised in accordance with article 16 and which concern the course and closure of insolvency proceedings and compositions approved by that court shall also be recognised with no further formalities.

The foregoing implies that the Dutch suspension of payments proceedings of the Company are immediately and automatically recognized and have immediate and automatic effect, and that the creditors will be bound by the terms of the Plan once it becomes effective, in all EU Member States in which the Insolvency Regulation is in force.

Since all or substantially all of the assets of the Company are located in the European Union, the restructuring will be effective, and the creditors will be bound by the terms of the Plan, in all EU jurisdictions where the Company has assets.

### **3. The Restructuring Plan**

#### *Description of events leading to the Company's financial distress in 2013*

##### *Brief history*

Since its establishment in 1996, the Company's specific expertise has been the development and building of Western-style shopping- and entertainment centers in Eastern Europe, starting in Hungary. The Company recognized the rising demand for modern shopping centers in Eastern Europe and engaged in a strategy that involved developing, building, managing and selling them for considerable profits to international real estate funds. In light of its significant success in Hungary, the Company developed centers in Poland and other countries in Eastern Europe. By 2013, the Company had already completed the development, building, management and occupancy of 33 shopping centers and selling of 26 shopping centers in

## **Part IX—Additional Information**

Hungary, Poland and the Czech Republic, with a gross asset value of more than EUR 1 billion and with high profitability rates. The Company became the leader in the field of building shopping centers in Eastern Europe. Its competitors include: The German ECE, the Hungarian Tri Granit, and GTC. However, these 3 competitors together built less than the 32 centers built by the Company over the same period in Central and Eastern Europe.

### *Company going public*

In 2006 the Company conducted an initial public offering of the Ordinary Shares on the main board of the LSE, therewith raising approximately EUR 247 million. In 2007, the Company introduced the Ordinary Shares to listing on the WSE. Furthermore, effective from 2007, the Company raised approximately EUR 370 million (approximately NIS 1.8 billion) through the issuance of the Notes and listing those Notes on the TASE and raised an additional EUR 14 million (PLN 60 million) with the issue of the Polish Bonds.

### *Important project developments*

Among the Group's major successes, the Arena Plaza project stands out. The Group built in less than 2 years, with an investment of approximately EUR 162 million, the largest shopping center in Hungary, with more than 200 stores and 2,800 parking spots. The shopping center was sold to aAIM for the amount of approximately EUR 387 million, representing a profit of approximately EUR 225 million.

The Company took advantage of its excess cash flows to purchase additional plots of land on which it intended to build shopping centers in additional Eastern European countries, and particularly Romania, including one very major asset being Casa Radio. The Company holds 75% of the project together with the Romanian government (15%) and a Turkish partner. The Company intends to develop the project and expand it in stages: in the first stage, constructing a shopping center and in the following stages constructing office buildings and a hotel. The Company acquired the building for approximately EUR 30 million and invested in total approximately EUR 115 million. The Casa Radio project is a high risk project that is expected to take 5.5 years to build. The Company believes that the combination of an asset in such a central location and the partnership with the Romanian government improve the chances of executing the plans.

In 2007 the Company made a very substantial investment in India—unchartered geographical territory for the Company, with the intention of building new commercial shopping centers similar to those in Eastern Europe, and, in addition thereto, with the intention of entering a new field of business being residential projects. This activity was financed in part by the income from the Bonds. Some of the projects in India were done together with the Controlling Shareholder and in a 20%-50% partnership with a local company; the non-residential projects were performed without EI.

### *Economic downturn*

After a decade of successful activity, during which the Company realized many assets for a profit, the 2008 crisis came along and with it, a significant drop in real estate values across Eastern Europe, including the Company's assets. Compared to its competitors in Eastern Europe, the Company was well prepared for the crisis. The Company sold all the shopping centers it owned prior to the crisis, and began building new shopping centers after 2008 at a much slower rate and only after careful consideration of each potential location to pinpoint locations where the crisis did not hit the economy quite so hard.

### *Recent developments*

Between 2009 and 2012, the Group built a total of 7 shopping centers, 3 in Poland, 3 additional in Eastern Europe (Serbia, Latvia and the Czech Republic) and 1 in India. Generally speaking this represents a slower pace of construction, of less than 2 shopping centers annually. The investments in India and Romania, prior to the crisis, caused the Company very significant losses and dragged the Company into cash flow distress which eventually led to the necessity to apply for a provisional suspension of payments on 18 November 2013.

### *Background of the Restructuring Plan*

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

## Part IX—Additional Information

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

### *Purpose and summary of the Restructuring Plan*

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

An overview of the main terms of the Restructuring Plan is set forth below:

### *Future of the Company after the restructuring*

It is envisaged, after all Bonds have been repaid and all current (and pipeline, insofar applicable) projects have been completed and sold, that the Company will use any excess cash remaining at its disposal for future development of real estate, and will thus continue its work as a property developer, such in order to enhance value for shareholders.

### *Amendment of the original terms and conditions to the Bonds*

As part of the Restructuring Plan, the original terms of the Trust Deeds and the terms of the Polish Bonds shall be amended and restated, subject to the occurrence of certain events by 30 November 2014, as set forth under the Trust Deeds and the Polish Bonds, respectively.

### *Capital/monetary injection to the Company*

The amended Trust Deeds require, *inter alia*, to the injection of at least EUR 20 million into the Company against issuance of new Ordinary Shares ("**Capital Injection**") and the amendments will become effective, *inter alia*, following the Capital Injection.

### *Creditors included in the arrangement*

The group of creditors included in the Company's debt restructuring comprises: holders of Notes, the holders of Polish Bonds, banks on the level of assets with a right of recourse to the parent company and all other unsecured ordinary creditors of the Company.

### *Release from claims*

The Company, EI and the Directors and senior managers in the Group (in the past and in the present) and affiliated parties will be released from claims, excluding claims for fraud or malice or other grounds for which a waiver is not permitted under applicable law.

### *To the holders of Bonds*

- **Principal payments**—all principal payments of the debt that is not backed with collateral Series A Notes, Series B Notes and Polish Bonds due under the years 2013, 2014 and 2015, including unpaid accrued interest until 31 December 2013 in the aggregate amount of EUR 181.9 million (hereinafter: **the "Deferred Debt"**) will be deferred for a period of four and a half (4.5) years, *i.e.*, with respect to Series A

## Part IX—Additional Information

Notes—the said principal payments will be deferred to July 2018, July 2019, and July 2020, respectively while the December 2016 and December 2017 principal payments will be deferred by one year—to December 2017 and December 2018, respectively and with respect to Series B Notes—the said principal payments will be deferred to December 2018 and December 2019, respectively. However, if within two years after the Amendment Date or 1 December 2016 (the earlier of which), the Company does not manage to prepay an aggregate amount of at least NIS 434 million<sup>7</sup> (approximately EUR 90,981,982 at the date of this document) of the principal of the Bonds, excluding linkage differentials (which includes a principal prepayment of at least NIS 305 million Series A Notes and of at least NIS 92 million Series B Notes, then all remaining deferred principal payments (as described above) will be automatically advanced by one (1) year.

- **Interest payments**—interest payments until the end of 2013 will be capitalised. After the restructuring’s closing, interest payments will be paid on their respective due dates except the first payment (payment upon restructuring closing—as detailed below).
- **Interest rate**—starting on 1 January 2014, an addition will be paid in the annual interest rate of 1.5%.
- **Payment upon the Amendment Date**—the Company will pay the Bondholders following the Amendment Date an amount that equals to the higher of: (a) EUR 11.6 million on account of 2014 interest payments, that will be allocated among the Bondholders as follows: Series A—EUR 2.5 million, Series B—EUR 8.17 million and the Polish Bonds—EUR 0.93 million; or (b) the accrued and unpaid interest on the Notes until the repayment date.
- **Upside**—the Bondholders will be allocated, (excluding a Subsidiary which holds Notes) (for the par value of the Ordinary Shares), 13.2106% of the Ordinary Shares following such issuance and following the Capital Injection. This allocation of Bondholders’ Shares shall be done on the following distribution basis: 2.8660% will be allocated to Series A Notes 9.2197% will be allocated to Series B Notes and 1.1249% will be allocated to Polish Bonds (each according to its share in the Deferred Debt). In addition, the Company shall issue the Bondholders with additional Ordinary Shares to be purchased by EI, at the price per Ordinary Share of the rights offering under the Capital Injection, the proceeds of which shall be used for payment of the par value of the Bondholders’ Shares issued, all of which as described in the Restructuring Plan.
- **Mandatory early prepayment (“Mandatory Early Prepayment”)**—the Company will have to assign at least 75%<sup>8</sup> of the Net Cash Flow generated from an Exercise Event to early prepayment of the Bonds, to be allocated among the Bondholders in accordance with the mechanism set forth under the Revised Trust Deeds and the Restructuring Plan. In case, the Net Cash Flow from an Exercise Event is received by a Company’s Subsidiary, the Company will take the reasonable required actions in order to receive proceeds no later than 14 days following that, unless this is not possible due to legal or regulatory limitations or limitations which are not under the Company’s or the Subsidiary’s control. Where such limitations exist, the Company shall act to remove such limitations and transfer the relevant Net Cash Flow to the Company and during that period the Subsidiary will not use the relevant Net Cash Flow which will be deposited in solid bank deposits. The Company will be allowed at any time to prepay any debt balance of the Bonds without any prepayment fee. When making any prepayment, the amount of the prepayment will be applied first as against the debt for the accumulated interest and then against the next principal payments, subject to some exceptions as set forth under the Restructuring Plan. Out of the amount paid as prepayment of principal, 21.23% will be paid to Series A Notes, 70.44% will be paid to Series B Notes and 8.33% will be paid to the Polish Bonds (to each in accordance with his relative share in the Deferred Debt). In the event, that the one series of Bonds has been repaid in full prior to the full repayment of the other series of Bonds, then as of such date, the Deferred Debt Ratio, shall be divided pro-rata between the remaining series of Bonds based on the aforesaid ratios. Such prepayment will be repayment in reality and not be deemed to be a bond repurchase.

The Company will execute prepayment only when the prepayment amount accumulated as a result of one or more transactions exceeds EUR 2 million. Prepayment will be executed, as necessary, within three months of the relevant event occurring, and not more than once in any calendar quarter.

<sup>7</sup> If the repayment is not in NIS—pursuant to the exchange rate of the foreign currency compared to the NIS on the repayment date.

<sup>8</sup> This ratio will be decreased upon the occurrence of certain events to 60% or 50%.

## Part IX—Additional Information

- **Limitation of payments to the Shareholders**—there will be no Distribution before the repayment of at least 75% of the unpaid principal balance of the Bonds to the Bondholders as per the Amendment Date (excluding Bonds that are sold by a Company's Subsidiary following the Amendment Date) and the coverage ratio of assets to debt on the date of the Distribution decision will be at least 150% after the Distribution. A Distribution in any other circumstances will require the approval of all creditors included in the debt restructuring, with a 67% majority of the creditors that voted on such resolution.

### *Collateral and Protection*

#### Negative Pledge on Real-Estate Assets of the Company

The Company undertakes that until the outstanding debt under the Bonds has been repaid in full, it shall not create any Encumbrance on any of the Real-Estate Assets held, by the Company except in the event that it is created with respect to the Company's holdings in a Subsidiary, as additional security for Financial Indebtedness incurred by such Subsidiary which is secured by Encumbrances on assets owned by that Subsidiary as permitted by the terms of the Restructuring Plan.

#### Negative Pledge on the Real-Estate Assets of Subsidiaries

The Subsidiaries shall undertake that until the outstanding Bonds have been repaid in full, none of them will create any Encumbrance on any of Real-Estate Assets except in the event that:

- (i) the Subsidiary creates an Encumbrance over a Real-Estate Asset owned by such Subsidiary exclusively as security for new Financial Indebtedness incurred for the purpose of purchasing, investing in or developing such Real-Estate Asset.

Notwithstanding the aforesaid, Subsidiaries shall be entitled to create an Encumbrance on land as security for Financial Indebtedness incurred for the purpose of investing in and developing, but not for purchasing, a Real-Estate Asset 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 18 November 2013 does not exceed, at any given point, 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 on 18 November 2013 or created solely for the purpose of refinancing an existing Financial Indebtedness shall be excluded;

- (ii) the Encumbrance is created over an asset as security for new Financial Indebtedness that replaces existing Financial Indebtedness and such asset was already encumbered prior to the refinancing. For the avoidance of doubt, any Net Cash Flow generated from such refinancing, shall be subject to the Mandatory Early Prepayment (described above).
- (iii) the Encumbrance is created over interests in a Subsidiary as additional security for Financial Indebtedness incurred by such Subsidiary which is secured by Encumbrances on assets owned by that Subsidiary as permitted by sub-section (i) above;
- (iv) the Encumbrance is created as security for New Financial Indebtedness that is incurred for purposes other than the purchase of and/or investment in and development of a Real-Estate Asset, provided that at least 75% of the Net Cash Flow generated from such new Financial Indebtedness is used for Mandatory Early Prepayment (as described above).

#### Limitations on Incurring new Financial Indebtedness by the Company and the Subsidiaries

The Company and the Subsidiaries shall not incur any new Financial Indebtedness (including by way of replacing an existing Financial Indebtedness with a new Financial Indebtedness—"refinancing") until the outstanding Bonds debt has been repaid in full, except in any of the following events :

- (i) the new Financial Indebtedness is incurred for the purpose of investing in the development of a Real-Estate Asset, provided that: (a) the loan to cost ratio ("**LTC Ratio**") of the investment is not less than the Minimum LTC Ratio (as defined in the Restructuring Plan); (b) the new Financial Indebtedness is incurred by the Subsidiary that owns the Real-Estate Asset or, if the Financial Indebtedness is incurred by a different Subsidiary, any Encumbrance created as security for such new Financial Indebtedness is permitted under sub-section(i) above; and (c) following such investment the Cash

## Part IX—Additional Information

Reserve (as defined in the Restructuring Plan) is not less than the Minimum Cash Reserve (as defined in the Restructuring Plan);

- (ii) the new Financial Indebtedness is incurred by a Subsidiary for the purpose of purchasing a new Real-Estate Asset by such Subsidiary, provided that following such purchase the Cash Reserve is not less than the Minimum Cash Reserve;
- (iii) at least 75% of the Net Cash Flow resulting from the incurrence of new Financial Indebtedness is used to for a Mandatory Early Prepayment of the Bonds (as described above). the Group may also refinance existing Financial Indebtedness even if this does not generate Net Cash Flow.

Notwithstanding the aforesaid, in the event that an injection of additional capital to the Company (as described in sub-section (a) below, the aforesaid limitations shall not apply to investments in an aggregate amount up to the amount of the additional Capital Injection.

### Collateral and Protection—Provisions with respect to pledged assets

- The Company will be allowed to incur new Financial Indebtedness provided, that in the event the new Financial Indebtedness is not incurred for the purpose of purchase and/or investment and/or development of a Real-Estate Asset, then it will be subject to the Mandatory Early Prepayment mechanism (described above).
- The Company or its Subsidiaries will be allowed to make a Disposition with respect to any of its assets with no restriction, provided that in case of Disposition of a Real-Estate Asset, such Disposition shall be subject, to the Mandatory Early Prepayment mechanism (described above). Notwithstanding the foregoing, all income from the Koregaon Park project in India will be used by the Company for current operations, and the principles of prepayment detailed above in this section will not apply to this income.
- Provisions with respect to the four shopping malls (Torun Plaza, Suwalki Plaza, Kragujevac Plaza and Riga Plaza)—the Company and its Subsidiaries will be allowed to make a Disposition or a refinancing with respect to the four shopping malls (Torun Plaza, Suwalki Plaza, Kragujevac Plaza and Riga Plaza) or to perform refinancing for any of these (hereinafter: “**Disposal Event**”), provided, that such Disposition is subject to the Mandatory Early Prepayment mechanism (described above) and provided further that such Disposition is subject to the cumulative Net Cash Flow for the Disposal Event between 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 partial Disposal Event only if after execution of the partial Disposal Event, the surplus value of shopping malls not sold (according to the valuation minus the specific debt to banks) is not less than EUR 70 million, minus the aggregate Net Cash Flow received from previous Disposal Events and from the current Disposal Event.

### Provisions with respect to new Real-Estate Assets

- The Company will be allowed to receive new Financial Indebtedness for the purpose of purchasing of new Real-Estate Assets and/or to invest in new or existing Real-Estate Assets subject to compliance with the Minimum Cash Reserve (as defined in the Restructuring Plan).
- The Company will be allowed to receive Financial Indebtedness for the purpose of investment of funds in the development of new Real-Estate Assets with a loan to cost ratio of  $\geq 50\%$ , unless a partner enters the project (no less than 20%), in which case the foregoing ratio will be reduced to 40%.

## Covenants

### Minimum Cash Reserve

The Company has undertaken that an investment in new or existing Real-Estate Assets of the Group shall only be permitted provided following such investment the Cash Reserve is not less than the Minimum Cash Reserve and the Coverage Ratio is not less than the Minimum Coverage Ratio (as defined below).

- “Net asset value” coverage ratio (“**Coverage Ratio**”)
  - The Coverage Ratio will be examined four (4) times per year on the approval date of the Company’s consolidated audited annual financial statements or its consolidated reviewed quarterly financial statements, as the case may be (“**Examination Date**”). If a breach of the

## Part IX—Additional Information

minimal Coverage Ratio which is 118% (“**Minimal Coverage Ratio**”) has been created and has not been remedied within two (2) consecutive Examination Dates following the first Examination Date in which such breach has been created (*i.e.*, during such period the Coverage Ratio has not returned back to the Minimal Coverage Ratio), then cause for immediate repayment of the Bonds will be created and during the period in which the coverage ratio is less than the Minimal Coverage Ratio, the Company and its Subsidiaries will not be allowed to dispose of Real-Estate Assets (excluding the consummation of sale of assets and rights for which the Company entered into an obligatory engagement prior to the relevant Examination Date) or perform investments in new Real-Estate Assets or injection of money in to existing projects, unless it is limited to a ratio of no more than 20% of the construction cost approved by the lending bank, and subject to the foregoing loan to cost ratios.

- The “net asset value” coverage ratio is equal to  $(A) - (B) / (D) \times 100\%$ , where (A) is equal to the asset value plus the cash and cash equivalents; (B) is equal to the liabilities of the Group owed to banks that are secured by an Encumbrance over any rights or assets of the Group or structurally or otherwise rank in priority ahead of the debts under the Restructuring Plan; and (D) is equal to the aggregate amount of remaining debts under the Restructuring Plan Claims plus all other liabilities of the Group that rank *pari passu* with the debts under the Restructuring Plan and that are not Subordinated Debt (as defined in the Restructuring Plan).

The value of the assets for the purpose of the examination will be in accordance with the most up-to-date valuations as these are on the examination date, and insofar as on the examination date a devaluation occurs in the management’s opinion (with respect to the up-to-date valuation) with regard to any asset, the value of the asset will be updated accordingly (for the purpose of the Coverage Ratio calculation).

The value of Casa Radio for the matter of this ratio will be EUR 50 million. The value of Casa Radio will be updated to the value of an asset in quick disposal (distress) according to an up-to-date valuation, and the Minimal Coverage Ratio will increase to 120% upon the occurrence of any of the following circumstances: (a) performing a transaction (introducing an investor or a partner) in the Casa Radio project, as long as the transaction is performed for at least 20% of the rights in the project; (b) reaching a binding arrangement with the relevant Romanian authorities with respect to the timetable for executing the project, or reaching an agreement on the extension of the lease period (the Company will report only to the trustees on the occurrence of this event); (c) engagement in a debt finance agreement for the Casa Radio project at a financial scope of no less than EUR 25 million.

9 months after the occurrence of events (a) or (c), the value of the Casa Radio project will be updated according to an up-to-date valuation (not in quick disposal).

### Adjustment of covenants and limitations

- a. Injection of capital against issuance of shares and/or in the form of debt subordinated to the Bonds (beyond the Capital Injection) at the amount of EUR 20 million or more will free the Company from the foregoing sections in the following manner: minimal cash reserve—a decrease as set forth under the Restructuring Plan, the “minimal asset coverage” ratio will decrease to 115%. In addition, with respect to the new amount of the said additional capital injection, no restriction of ratio of investment in assets and/or equity will apply to projects, and it will be possible to make any use of it, including distribution of a dividend of up to 50% of the injection amount, this after at least one year of the injection, subject to distribution rules by law.
- b. Upon the occurrence of such capital injection and repayment of 60% or 50% of the unpaid principal balance of the Bonds (excluding repayment of Bonds which were sold by a Subsidiary following the Amendment Date), the Company’s undertaking to perform prepayments under the Mandatory Early Prepayment mechanism (described above) at the rate of 75% will be reduced to a rate of 50% or 60% (respectively).

## Part IX—Additional Information

### *To banks with a right of recourse*

The debt to the banks—the banks provided long-term loans to the Company, on the level of the assets pledged to them in a first ranking pledge with a right of recourse to the Company.

Recourse to the Company—deferral of the option of recourse to the Company for a period of 4 years.

In case the Company does not succeed in performing the current payments, and there remains a debt balance to the banks after disposal of the assets, the banks will be allowed to claim such debt balance from the Company only after four years from the date of the approval of the Restructuring Plan.

The right of recourse to the Company as foregoing will be at the amount of the debt before disposal of the assets, deducting the higher of the consideration received from the disposal of the assets, and 90% of the valuation of an external appraiser (as agreed) in a period of time of no more than three months before the disposal date.

### *General provisions*

#### • **Transparency**

The Company is a public company and reports and will continue to report all operations it performs regularly. The Company is required by law to publish financial statements every six months, however starting with the Amendment Date, the Company will publish financial reports every calendar quarter, and will respectively report every quarter on its compliance or noncompliance with the financial ratios and the stipulations set in the restructuring and in this paper.

#### • **Efficiency**

The Company will do its best to ensure that the scope of general and administrative expenses, on the Company's current level of operations, does not exceed an amount of EUR 7.5 million per year.

#### • **Adjustment to amendments to the Israeli securities law**

The Trust Deeds will be prepared in Hebrew, and will include, *inter alia* changes required in light of amendments made to the Israeli securities law of 1968 (for example, mandatory causes for call for immediate repayment).

#### • **Buffer deposits**

Upon the date of closing of the debt restructuring, the Company will deposit with each of the trustees for the Notes an amount of NIS 25,000 (*twenty five thousand New Israeli Shekel*), to be returned upon their final repayment.

- For the purpose of Section 3 in this Part IX of this document: “**Subsidiary**” means all corporations, limited liability companies, partnerships, joint ventures, joint stock companies and other entities in which the Company holds, directly or indirectly, at least 50% of the capital or the rights (as the case may be) or an entity controlled, directly or indirectly, by the Company.

The Restructuring Plan and all other documents in connection with the suspension of payments have been made available to the public on the Company's website: [http://plazacenters.com/index.php?p=debt\\_restructuring](http://plazacenters.com/index.php?p=debt_restructuring). The Restructuring Plan is herewith incorporated by reference.

## **4. Subsidiaries and investments**

The Company is a Dutch holding company and operates mainly in the central and eastern European region and in India through its local Subsidiaries. The Subsidiaries are held either directly by the Company or indirectly, through Dutch or Cypriot subsidiaries of the Company.

## Part IX—Additional Information

The local Subsidiaries are formed either to act as management companies which handle the local administration, day to day management and business development in the specific country, or as special purpose vehicles which hold or develop real estate assets.

As of the date of this document, the Company holds the following material companies (directly or indirectly):

	ACTIVITY	REMARKS
<b>HUNGARY</b>		
<b>Directly wholly owned</b>		
Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft. . . . .	Holder of land usage rights	100% held by Plaza Centers Establishment B.V. Arena Plaza Extension project
Plaza House Ingatlanfejlesztési Kft. . . . .	Office building	David House
HOM Ingatlanfejlesztési és Vezetési Kft.	Management company	
<b>POLAND</b>		
<b>Directly wholly owned</b>		
Kielce Plaza Sp.z.o.o. . . . .	Shopping center project	Kielce Plaza project
Leszno Plaza Sp.z.o.o. . . . .	Owns plot of land	Leszno Plaza project
Łódź Centrum Plaza Sp.z.o.o. . . . .	Owns plot of land	Łódź (Residential) project
Olsztyn Plaza Sp.z.o.o. . . . .	Owns plot of land	Białystok Plaza project
Wrocław Plaza Sp.z.o.o. . . . .	Mixed used project	Łódź Plaza 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	
<b>Indirectly or jointly owned</b>		
Suwałki Plaza Sp.z.o.o. . . . .	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Suwałki Plaza project
Legnica Plaza Spółka z ograniczoną odpowiedzialnością S.K.A. . . . .	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Toruń Plaza project
Zgorzelec Plaza Sp.z.o.o. . . . .	Operating shopping center	100% held by Plaza Centers Polish Operations B.V. Zgorzelec Plaza project
Fantasy Park Sp.z.o.o. . . . .	Entertainment	100% held by Mulan B.V.
Fantasy Park Suwałki Sp.z.o.o. . . . .	Entertainment	100% held by Mulan B.V.
Fantasy Park Toruń Sp.z.o.o. . . . .	Entertainment	100% held by Mulan B.V.
Fantasy Park Zgorzelec Sp.z.o.o. . . . .	Entertainment	100% held by Mulan B.V.
<b>LATVIA</b>		
<b>Indirectly or jointly owned</b>		
Diksna SIA . . . . .	Operating shopping center	Equity accounted investee—50% held by Plaza Centers N.V. with JV partner (50%). Riga Plaza project.
Fantasy Park Latvia SIA . . . . .	Entertainment	100% held by Mulan B.V.

**Part IX—Additional Information**

ACTIVITY	REMARKS
<b>ROMANIA</b>	
<b>Directly wholly owned</b>	
Dâmbovita Centers Holding B.V. . . . .	100% held by Plaza Centers N.V.
Plaza Bas B.V. . . . .	50.1% held by Plaza Centers N.V.49.9% held by 3 private individuals
S.C. Elite Plaza S.R.L. . . . .	Timișoara Plaza project ; 100% held by Plaza Centers N.V.
S.C. Green Plaza S.R.L. . . . .	Iași Plaza project ; 100% held by Plaza Centers N.V.
S.C. North Eastern Plaza S.R.L. . . . .	Constanta Plaza project; 100% held by Plaza Centers N.V.
S.C. North West Plaza S.R.L. . . . .	Hunedoara Plaza project; 100% held by Plaza Centers N.V.
S.C. North Gate Plaza S.R.L. . . . .	Csiki Plaza (Miercurea Ciuc) project; 100% held by Plaza Centers N.V.
S.C. Eastern Gate Plaza S.R.L. . . . .	Cina project; 100% held by Plaza Centers N.V.
S.C. South Gate Plaza S.R.L. . . . .	Slatina Plaza project; 100% held by Plaza Centers N.V.
S.C. Palazzo Ducale S.R.L.	100% held by Plaza Centers N.V.
S.C. Plaza Centers Management Romania S.R.L.	100% held by Plaza Centers N.V.
<b>Indirectly or jointly owned</b>	
S.C. Dâmbovita Center S.R.L. . . . .	75% held by Dambovita Centers Holding B.V., 15% by Romanian government and 10% by private investor.
Adams Invest S.R.L. . . . .	Casa Radio project 100% held by Plaza Bas B.V with partner. Valley View project
Colorado Invest S.R.L. . . . .	100% held by Plaza Bas B.V with partner. Pine Tree project
Sunny Invest S.R.L. . . . .	100% held by Plaza Bas B.V with partner. Green Land project
Primavera Invest S.R.L. . . . .	100% held by Plaza Bas B.V with partner. Primavera Tower Ploiești project

**Part IX—Additional Information**

	ACTIVITY	REMARKS
<b>SERBIA</b>		
<b>Directly wholly owned</b>		
Plaza Centers Holding B.V. . . . . .	Holding company	
Plaza Centers (Estates) B.V. . . . . .	Holding company	
Plaza Centers (Ventures) B.V. . . . . .	Holding company	
Plaza Centers Management D.O.O. . . . .	Management company	
<b>Indirectly or jointly owned</b>		
Leisure Group D.O.O. . . . . .	Shopping center project	100% held by Plaza Centers (Estates) B.V.
Orchid Group D.O.O. . . . . .	Shopping center project	Belgrade Plaza (Visnjicka) project 100% held by Plaza Centers (Ventures) B.V.
Accent D.O.O. . . . . .	Shopping center project	Belgrade Plaza project 100% held by Plaza Centers Logistic B.V. Kruševac Plaza project
<b>CZECH REPUBLIC</b>		
<b>Directly wholly owned</b>		
P4 Plaza S.R.O. . . . . .	Operating shopping center	Liberec Plaza project
<b>BULGARIA</b>		
<b>Directly wholly owned</b>		
Shumen Plaza EOOD . . . . .	Shopping center project	Shumen Plaza project
<b>GREECE</b>		
<b>Directly wholly owned</b>		
Helios Plaza S.A. . . . . .	Shopping center project	Pireas Plaza project
<b>THE NETHERLANDS</b>		
<b>Directly wholly owned</b>		
Plaza Dâmbovita Complex B.V. . . . . .	Holding company	
Plaza Centers Enterprises B.V. . . . . .	Finance company	100% held by Plaza Dâmbovita Complex B.V.
Mulan B.V. (Fantasy Park Enterprises B.V.) . . . . .	Holding company	Holds Fantasy Park subsidiaries in CEE
<b>CYPRUS—INDIA</b>		
<b>Directly wholly owned</b>		
PC India Holdings Public Company Ltd.	Holding company	

## Part IX—Additional Information

	ACTIVITY	REMARKS
<b>Indirectly or jointly owned</b>		
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	Koregaon Park Plaza project 99.99% held by Permindo Ltd.
Spiralco Holdings Ltd. . . . .	Holding company	Koregaon Park Plaza project 100% held by PC India Holdings Public Company Ltd.
HOM India Management Services Pvt. Ltd. . . . .	Management company	99.99% held by PC India Holdings Public Company Ltd.
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 used project	80% held by Elbit Plaza India Real Estate Holdings Ltd. Chennai (SipCot) project
Aayas Trade Services Pvt. Ltd. . . . .	Mixed used project	100% held by Elbit Plaza India Real Estate Holdings Ltd. Bangalore project (refer to note 34(B)) of the financial statements 2013.

- Ploiesti—BAS owns a 25% share in a residential project known as Green Land.

For additional

### 5. Share capital

- At the date of this document, the authorised and issued fully paid share capital of the Company is:

Class of shares	Authorised		Issued (fully paid)	
	EUR	Amount	EUR	Amount
Ordinary Shares . . . . .	10,000,000	1,000,000,000	2,971,863.80	297,186,138

- The following table shows the issued share capital of the Company as at the beginning and end of FY 2013:

As of 1 January 2013		As of 31 December 2013	
Issued		Issued	
Nominal Value EUR 0.01	Number	Nominal Value EUR 0.01	Number
	<b>297,186,138</b>		<b>297,186,138</b>

- The following table shows the issued share capital of the Company as at the beginning and end of FY 2012:

As of 1 January 2012		As of 31 December 2012	
Issued		Issued	
Nominal Value EUR 0.01	Number	Nominal Value EUR 0.01	Number
2,971,745.15	297,174,515	2,971,861.38	297,186,138

Class of shares	Authorised		Issued (fully paid)	
	EUR	Amount	EUR	Amount
Ordinary Shares . . . . .	10,000,000	1,000,000,000	2,971,745.15	297,174,515

## Part IX—Additional Information

4. The following table shows the issued share capital of the Company as at the beginning and end of FY 2011:

As of 1 January 2011		As of 31 December 2011	
Issued		Issued	
Nominal Value EUR 0.01	Number	Nominal Value EUR 0.01	Number
2,967,221.29	296,722,129	2,971,745.15	297,174,515

5. In the past year, (i.e. the year preceding the publication of this document) no transactions have been carried out between the Company and members of administrative bodies, Directors, senior management or affiliated persons.
6. The authorised but unissued share capital of the Company is €7,028,138.62 representing approximately 70% of the authorised share capital of the Company.
7. Other than the Notes in an aggregate principal amount of NIS 753,612,843 (*seven hundred fifty three million six hundred twelve thousand eight hundred forty three New Israeli Shekel*) and the Polish Bonds in the aggregate principal amount of PLN60,000,000 (*sixty million Polish Zloty*) the Company does not have in issue any securities not representing share capital.
8. Subject to certain limited exceptions, unless the approval of Shareholders in a General Meeting is obtained, the Company must offer Ordinary Shares to be issued for cash to holders of Ordinary Shares on a pro rata basis. Pursuant to the Deed Poll, the Depositary must accept such offer for the benefit of those DI Holders who request it to do so. For a description of the applicable provisions from the Articles, see also paragraph 6— “Articles—Issuance of Ordinary Shares; pre-emptive rights” of this Part IX. For a description of the Deed Poll see also paragraph 24— “CREST, Depositary Interests and the Deed Poll” of this Part IX.
9. No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and, other than as described in the Restructuring Plan, there are no arrangements in force whereby future dividends are waived or agreed to be waived.
10. There has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-Group issues by wholly-owned Subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the initial public offer or on the exercise of the options issued under the Share Option Scheme, as referred to in paragraph 11 of this Part IX) no such issues are proposed.
11. No commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.
12. On the date of this document, no share or loan capital of the Company or any other member of the Group will be under option or will be agreed conditionally or unconditionally to be put under option, other than options under one of the Share Option Schemes and obligations of the Company in respect of the Placing.
13. The New Ordinary Shares, the Bondholders’ Shares, the Escrow Shares and the Additional Placing Shares will be issued to Capita IRG Trustees Limited or its nominee (the Depositary). The Depositary will subsequently issue DIs that can be settled through CREST.

## Part IX—Additional Information

### 6. The Articles

The Company's primary constitutional document is formed by the Articles (*statuten*). The current Articles were adopted by the General Meeting on 8 July 2014 and came into force by notarial deed of 18 August 2014. The Articles contain, amongst others, provisions to the following effect:

#### *Objects of the Company*

Pursuant to section 3.1 of the Articles, the objects of the Company are:

- (i) to act as a general commercial company in a variety of sectors, including but not limited to real estate development, acquisition and re-development of existing real estate assets and the purchase, development and sale of immovable properties;
- (ii) to incorporate, to finance, to participate in, to manage and to supervise companies, partnerships and other enterprises;
- (iii) to raise funds by way of bank loans, by way of issue of securities (bonds or notes), or by borrowing moneys in any other way, to lend moneys, to provide guarantees including guarantees for debts of other persons, and to bind the Company jointly or severally with or for others in any other way;
- (iv) to acquire, to alienate, to manage, to exploit, to develop, and to commercialise in any other way real estate, securities and any other assets, including patents, permits, copyrights, trademarks, licences, secret processes or formulas, designs and other industrial and intellectual property rights;
- (v) to render administrative, technical, financial, economic, commercial or managerial services to companies, partnerships and other enterprises; and
- (vi) to engage in all activities, whether or not in collaboration with others, which directly and indirectly relate to those objects, all this in the broadest sense.

#### *Financial Assistance*

In relation to the subscription or acquisition by others of Ordinary Shares in its capital or of Depositary Interests thereof, the Company may not grant loans, furnish security, give a price guarantee or otherwise warrant the performance or bind itself jointly or severally in addition to or for others. This prohibition does not apply if Ordinary Shares or Depositary Interests are subscribed to or acquired by or for employees employed by the Company or a group company.

#### *The Ordinary Shares*

The Ordinary Shares are in registered form. They are only available in the form of an entry in the shareholders' register of the Company without the issuance of a share certificate. Share certificates shall not be issued.

The nominal value of an Ordinary Share is EUR 0.01 (*one eurocent*).

The Articles contain one class of shares, being the Ordinary Shares. Each Ordinary Share entitles the holder thereof to one vote in a General Meeting.

Ordinary Shares must be transferred by way of a written instrument (private deed). The transferee may only exercise its rights as Shareholder after acknowledgement of the transfer by the Company.

#### *Shareholders register*

Subject to Dutch law and the Articles, the Company must keep a shareholders register. The shareholders register must be kept up-to-date and must be kept at the offices of the Company. The register records the names, addresses and all other information of all shareholders of which Dutch law demands recording and such other information which is desirable in the view of the Board. The requirement applies similarly to holders of a right of pledge (*pandrecht*) on shares and holders of a right of usufruct (*vruchtgebruik*) on shares.

Shareholders (which, in this case, does not include DI Holders), holders of a right of pledge on Ordinary Shares and holders of right of usufruct on Ordinary Shares will, at their request, be provided free of charge

## **Part IX—Additional Information**

with a written statement of the recording in the register with respect to Ordinary Shares entered in their name, which statement may be signed on behalf of the Company by a special representative to be designated by the Board. The Board may allow inspection of the register and provide information regarding the direct or indirect shareholding of a Shareholder provided to the Company by such Shareholder to the authorities which are charged with the supervision of and/or the performance of the trading in Ordinary Shares on the London Stock Exchange in order to comply with the requirements set by the London Stock Exchange.

### *Depositary Interests*

Pursuant to section 7 of the Articles, the Board is authorised to make such arrangements as it may think fit in order to enable Ordinary Shares to be represented by and exchanged for Depositary Interests. The Board is authorised to request from Capita IRG Trustees Limited a list of the names of the Depositary Interest holders as well as the number of Depositary Interests held by them.

### *Board*

The minimum number of Directors is three (3) and the maximum number is ten (10). The Board will consist of at least one (1) executive director (*uitvoerend bestuurder*) and one (1) non-executive director (*niet-uitvoerend bestuurder*). The duties of the Board shall be divided between executive directors with the title “Executive Director” and non-executive directors with the title “Non-executive Director”. The executive directors are charged with the daily management of the Company and the non-executive directors are charged with the supervision on the performance by the Board of its duties subject to the overall responsibility of the entire Board.

The Shareholders in a General Meeting are entitled to set the number of the members of the Board and to appoint, suspend and dismiss members of the Board.

The office of any director shall be vacated if one of the following events takes place:

- (i) the director resigns from office by means of a written notification delivered to the registered office of the Company or offered in a meeting of the Board;
- (ii) the director becomes mentally ill or he becomes a patient because of his mental health pursuant to any law or applicable right;
- (iii) the director is by Dutch and/or English law prevented from serving as a director;
- (iv) the director is, becomes or is declared bankrupt; or
- (v) the director is dismissed from office with the Company.

The chairman of the Board, will be appointed by the Board amidst its Non-executive directors by a simple majority of votes of those members of the Board who are present or are deemed to be present at the relevant Board meeting, for a period of three (3) years. At the end of the period, the Board will reappoint the outgoing chairman or appoint a new chairman amidst its Non-executive directors by a simple majority of the votes of those members of the Board who are present or are deemed to be present at the first meeting after the lapse of the previous period of three (3) years for a further period of three (3) years.

At each annual General Meeting, one-third (1/3) of the members of the Board (excluding any member of the Board who has been appointed since the previous annual General Meeting) or, if their number is not an integral multiple of three (3), the number nearest to one-third (1/3) but not exceeding one-third (1/3) shall retire from office (but so that if there are fewer than three (3) members of the Board who are subject to retirement by rotation one shall retire); and any member of the Board who is not required to retire by rotation but who has been in office for three (3) years or more since his appointment or his last re-appointment or who would have held office at not less than three (3) consecutive annual General Meetings without retiring, shall retire from office.

The Company is represented by the Board as well as by one (1) executive director. If the Company has a direct and/or indirect conflicting interest with one (1) or more members of the Board, the Company may nevertheless be represented by that/those member(s) of the Board subject to the rules on conflict of interest in the Articles.

## **Part IX—Additional Information**

The General Meeting shall determine the principles of the remuneration policy and other employment conditions in respect of members of the Board. The salary, bonus, and any other kind of remuneration of the members of the Board shall, with due observance of the provision of the policy referred to in the first sentence of this paragraph, be determined by the Board. Regarding the remuneration in the form of Ordinary Shares or the right to acquire Ordinary Shares as well as changes thereto, the Board shall submit a proposal to the General Meeting for its approval. The proposal includes at least how many Ordinary Shares or right to acquire Ordinary Shares may be awarded to the member of the Board and which criteria apply to award or modification.

### *Board meetings*

The quorum for a Board meeting is fifty percent (50%) of the Directors, with at least one Executive Director and one Non-executive Director present. The Board must hold a meeting at least once every three months. Additional meetings can be convened at the request of two members of the Board. In any meeting of the Board, each member shall be entitled to one vote and a simple majority is required to pass a resolution. In the event of an equality of votes the resolution shall be deemed to have been rejected. A resolution can be passed without a meeting if all the Directors consent in writing to the proposal. Subject to Dutch law, the Articles and any applicable regulation, the Board may entrust and assign certain powers to one or more of its members or a committee made up of some of its members.

Subject to Dutch law, the Articles and any regulation determined by the Board, the Board is in charge of the management of the Company. If one or more members of the Board is/are absent or unable to act, the remaining members or sole member of the Board will be temporarily charged with the management of the Company. If all members of the Board are absent or unable to act, the Shareholders in a General Meeting will appoint a person who is temporarily to be charged with the management of the Company.

With due regard of the relevant provisions in Dutch law, the Board shall establish an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee as well as such other committees as it may deem fit. The Board shall draw up a set of rules and regulations for the Audit Committee, the Remuneration Committee, the Selection and Appointment Committee as well as for such other committees as it may deem fit. The members of each committee shall be appointed from among the members of the Board, provided that the Executive Directors may not be appointed as members of the Audit Committee nor as members of the Remuneration Committee or the Selection and Appointment Committee. The task of each committee shall be to prepare the resolutions of the Board and to make proposals to the Board. No committee shall have any executive power.

### *Conflicts of interest*

The Articles stipulate that a member of the Board must abstain from participating in the decision-making process with respect to matters by which he has a direct or indirect conflict of interest with the Company. When as a consequence thereof, no board resolution can be passed, then despite the conflict of interest such resolution can be resolved by the Board provided that the resolution is adopted unanimously in a meeting in which all members of the Board are present or represented.

### *Profit and profit distributions*

Pursuant to article 35 of the Articles, profits will be at the disposal of the General Meeting. The Company may make distributions to Shareholders and other persons entitled to distributable profits only to the extent that its net assets exceed the paid- and called- up part of the capital increased by the reserves which must be maintained by law.

Any distribution of profits will be made after the adoption of the annual accounts by the General Meeting, showing that this is permitted. Dividends will not be cumulative.

The General Meeting may, with due observance of the provisions of article 35.2 of the Articles, resolve to make distributions out of reserves which are not required to be maintained under the law or the Articles.

Each Shareholder is entitled to dividends pro rata the number of Ordinary Shares held by such Shareholder. For the computation of the profit distribution, any Ordinary Shares held by the Company in its own capital shall be included. A claim of a Shareholder to receive a distribution shall expire after five

## Part IX—Additional Information

(5) years. Cash payments in respect of which delivery has not been taken within five (5) years and two (2) days after they have become payable fall to the Company.

Dividends and other distributions of profit shall be made available for payment on a date to be determined by the Board within six (6) weeks after the determination thereto.

Dividends and other payments on Ordinary Shares will be made available for payment at the address or addresses indicated by the Shareholder. With regard to cash payments the Board may determine the payment method.

In the event of a payment in the form of Ordinary Shares of the Company, the Ordinary Shares that have not been claimed will be sold within a term to be determined by the Board at the expense of the persons entitled who have not called up the Ordinary Shares. The net proceeds of such sale will continue to be, in proportion to any right, available to the persons entitled; the right to the proceeds will lapse if and to the extent to which the proceeds have not been claimed within thirty years after the date on which the payment has been made available.

Notice of distributions shall at least be published in a national daily newspaper in the Netherlands and in a national daily newspaper in each jurisdiction in which the Ordinary Shares are admitted to trading on a stock exchange and further in such manner as the Board may deem desirable.

### *General meeting*

Pursuant to Chapter VI (sections 27 up to and including 32) of the Articles, an annual General Meeting is to be held within six (6) months after the end of the Company's financial year. In any event, the agenda of that meeting will include the following points:

- (i) the annual report;
- (ii) the adoption of the annual accounts;
- (iii) discharge of the members of the Board for their management in the past year;
- (iv) appointment of auditor; and
- (v) profit appropriation.

Extraordinary General Meetings will be convened by the Board if the Board deems such necessary. Furthermore, extraordinary General Meetings will be held as soon as practicable following one or more Shareholders and/or DI Holders who jointly represent (an entitlement to) at least one-tenth of the issued capital, filing a written request thereto with the Board, stating the exact matters to be considered.

The convening notice of a General Meeting shall specify the matters to be discussed. The convening notice will include any matter of which the discussion has been requested in writing by one or more Shareholders and/or DI Holders representing individually or collectively at least (an entitlement to) one percent (1%) of the issued capital, or, provided that the Ordinary Shares are admitted to official quotation, representing a value of at least fifty million euro (EUR 50,000,000) or such higher or lower amount as laid down by Dutch order in council (*algemene maatregel van bestuur*) on the condition that the Company has received the request not later than the sixtieth day prior to the day of the meeting and provided that it will not prejudice the interests of the Company in any material respect.

The notice convening a General Meeting should be served on the Shareholders (which, in this context, does not include DI Holders) not later than on the forty-second (42<sup>nd</sup>) day prior to the day of the meeting. The General Meeting shall be called through a convening announcement which is made by electronic means of communication and which is directly and permanently accessible for the Shareholders and DI holders until that General Meeting. If the notice was served later than on the forty-second (42<sup>nd</sup>) day prior to the day of the meeting or if no notice has been served, valid resolutions can only be adopted by unanimous votes in a meeting where the entire issued capital is represented. The last sentence applies accordingly to matters which were not mentioned on the agenda in the convening notice.

General Meetings will be held in Amsterdam, the Netherlands or in Haarlemmermeer, the Netherlands (Schiphol Airport). If a meeting is held elsewhere, valid resolutions can only be adopted if the entire issued capital is represented.

## Part IX—Additional Information

### *General meeting—Rights of attendance and voting rights*

All Shareholders (DI Holders) which have been authorised by the Depositary to attend the General Meeting and to vote on the Ordinary Shares of which the DI Holder holds the corresponding DIs, usufructuaries (*vruchtgebruikers*) and pledgees (*pandhouders*) with voting rights will be entitled to attend the General Meeting, to speak and to cast a vote. Shareholders and pledgees with voting rights can only exercise the voting rights at the meeting in respect of the Ordinary Shares which are registered in their name on the day of the meeting. The Board is authorised to determine that with regard to a General Meeting, Shareholders, usufructuaries and pledgees with voting rights will be treated as holders of voting rights who have these rights at the time to be set by the Board (a “**Registration Date**”) and have as such been registered in one or more registers designated by the Board. If the Board sets a Registration Date, the notice convening the meeting shall state this date, in addition to the way in which the attendees to the meeting can exercise their voting rights.

Each Ordinary Share will give the right to cast one (1) vote. No business may be put to a General Meeting unless a quorum is present. A quorum of the General Meeting, as provided for in the Articles, will consist of at least three (3) Shareholders or DI Holders (which have been authorised by the Depositary to attend the General Meeting and to vote on the Ordinary Shares of which the DI Holders hold the corresponding DIs) representing at least ten percent (10%) of the issued share capital. Unless Dutch law or the Articles prescribe a greater majority, resolutions shall be adopted by a simple majority of the votes cast.

### *Shareholder resolutions which require a qualified majority*

The following resolutions of the General Meeting will be taken with a seventy-five percent (75%) majority in a meeting in which at least three (3) Shareholders and/or DI Holders are present or represented, representing at least ten percent (10%) of the issued share capital:

- (i) a resolution of the General Meeting to limit or exclude pre-emptive rights (*voorkeursrechten*);
- (ii) the resolution to reduce the issued share capital;

The following resolutions of the General Meeting will be taken upon the non-binding proposal thereto by the Board, with a seventy-five percent (75%) majority in a meeting in which at least three (3) Shareholders and/or DI Holders are present or represented, representing at least ten percent (10%) of the issued share capital:

- (i) a resolution to amend the Articles;
- (ii) a resolution to merge (*fuseren*) the Company;
- (iii) a resolution to split up (*splitsing*) the Company; and
- (iv) a resolution to dissolve (*ontbinden*) the Company.

### *Resolutions of the Board which require prior approval by the General Meeting*

Resolutions of the Board require the prior approval of the General Meeting when these relate to an important change in the identity or character of the Company or an undertaking of the Company, including in any case:

- (i) the transfer of the undertaking or practically the entire undertaking of the Company to a third party;
- (ii) the entry into or termination of a long-term agreement or cooperation of the Company or a Subsidiary with another legal entity or partnership or as a fully liable partner in a limited partnership, if such cooperation or termination is of far-reaching significance for the Company; and
- (iii) the acquisition or divestment by the Company or a Subsidiary of a participating interest in the capital of a company having a value of at least one-third (1/3) of the amount of the Company’s assets according to the Company’s balance sheet and explanatory notes or, if the Company prepares a consolidated balance sheet, according to its consolidated balance sheet and explanatory notes in each case in the most recent annual accounts of the Company.

The absence of an approval as referred to above does not affect the representative authority of the Board or of the members of the Board.

## **Part IX—Additional Information**

### *Indemnity*

Article 26.1 of the Articles stipulates that to the maximum extent as allowed by law the Company will indemnify and keep indemnified the members of the Board during the Company's existence (with respect hereto, and to avoid any misunderstandings, the term "members of the Board" specifically includes the Board members holding office from the date of adoption of the prevailing Articles and for the prior period during which they were Board members), the our officers and the Board members committees, from any liabilities, obligations, losses, damage, fines, proceedings, judgments, legal actions, costs, expenses or disbursements of whatever kind or nature, to which such person may be obliged on the basis of his position as member of the Board, as officer, as member of any committee of the Board on the basis of any action taken or omitted within the scope of the obligations as Board member, except for those arisen from wilful default or fraud or gross negligence or liability, indemnification whereof would not be appropriate according to Dutch law.

Article 26.2 of the Articles stipulates that, subject to the provisions of and to the extent permitted by Dutch law, the Board may purchase and maintain for or for the benefit of any person who holds or has at any time held a relevant office, insurance against any liability or expense incurred by such person in relation to the Company, any of its Subsidiaries or any third party in respect of any act or omission in the actual or purported discharge of the duties of the relevant office-concerned or otherwise in connection with the holding of that relevant office. For this purpose "relevant office" means that of a member of the Board, officer or employee of the Company or any (former or current) subsidiary thereof any predecessor in business of the Company or of any such Subsidiary or that of trustee of any pension fund or retirement, death or disability scheme or other trust for the benefit of any officer or employee or former officer or former employee of the Company or any such Subsidiary or of any such predecessor in business or their respective dependants.

### *Financial year, annual report and annual accounts*

The Company's financial year will coincide with the calendar year. Within five (5) months of the end of the financial year the Board will prepare the annual accounts.

The Company may instruct its auditors as referred to in section 2:393 DCC to audit the annual accounts prepared by the Board with the proviso that the Company will be bound to do so if such is required by Dutch law. The General Meeting will be authorised to make the instruction. If the General Meeting does not make such instruction, the Board will be authorised thereto. The instruction of an auditor can be revoked at any time by the general meeting and by the person who made the instruction.

The annual accounts will be submitted to the General Meeting for adoption. The General Meeting may resolve to discharge the members of the Board for their management in the past year. Under Dutch law, this discharge is not absolute and is not effective with regard to matters not disclosed to the Shareholders.

### *Amendment of the Articles, dissolution and liquidation*

The General Meeting may decide to amend the Articles. In addition, the General Meeting may resolve to merge, split up or dissolve the Company. If a resolution to amend the Articles is included in the notice convening the General Meeting, a copy of the proposal containing the proposed amendment in full in the form in which it is proposed to be adopted must be deposited simultaneously at the Company's office for inspection by any Shareholder until the end of the meeting.

In the event of dissolution of the Company, the Board will be the appointed liquidator (*vereffenaar*) unless the General Meeting appoints other persons to that effect. The surplus remaining after payment of all debts will be paid to the Shareholders in proportion to their individual shareholdings.

### *Issuance of Ordinary Shares; pre-emptive rights*

The General Meeting is authorised to resolve to issue Ordinary Shares and to determine the issue price for the Ordinary Shares and the other conditions of the issue. The General Meeting may delegate its authority to issue Ordinary Shares to another corporate body for a specified period not exceeding five (5) years. The designation of another corporate body as authorised to resolve to issue Ordinary Shares may be extended from time to time, upon resolution of the General Meeting, for a period not exceeding five (5) years. On such designation, the number of Ordinary Shares must be specified. A designation pursuant to a resolution

## **Part IX—Additional Information**

of the General Meeting may, unless such resolution provides otherwise, not be revoked. These provisions apply accordingly to the granting of rights to acquire Ordinary Shares (e.g. the issuance of share options) but do not apply to the issuance of Ordinary Shares if to a person who exercises an existing right to subscribe for Ordinary Shares.

Each Shareholder (but not each DI Holder) will have a pre-emptive right on any issue of Ordinary Shares for payment in cash in proportion to the aggregate amount of his Ordinary Shares. DI Holders will not have such a pre-emptive right; they must rely on the Depositary to pass on to them such a pre-emptive right or to exercise such a pre-emptive right for their benefit. A Shareholder will not have a pre-emptive right in respect of Ordinary Shares issued for a non-cash contribution or in respect of Ordinary Shares (or rights to acquire Ordinary Shares), issued to employees of the Company or of a Group company.

The General Meeting may limit or exclude pre-emptive rights in respect of individual issues of Ordinary Shares. The pre-emptive rights may also be limited or excluded by the corporate body to which the authority to issue Ordinary Shares has been assigned (see above), pursuant to a designation of the power to limit or exclude pre-emptive rights to that body by the General Meeting for a period not exceeding five (5) years. The designation may not be withdrawn unless otherwise provided for in the resolution in which the designation is made. The resolution of the General Meeting to exclude pre-emptive rights is subject to a quorum requirement (see above).

### *Reduction of capital*

The General Meeting may resolve to reduce the issued capital by a withdrawal of Ordinary Shares or by a reduction of the nominal amount of the Ordinary Shares by an amendment of the Articles. The resolution of the General Meeting to reduce the capital is subject to a combined majority and quorum requirement (see above).

### *Purchase of own Ordinary Shares by the Company*

The Company may, provided that it shall have received the prior authorisation of the General Meeting, acquire fully paid Ordinary Shares in its own capital for no consideration only or in the event that:

- (i) the net assets less the acquisition price is not less than the sum of the paid-up (*gestort*) and called-up (*opgevraagd*) capital plus the reserves which must be maintained by law; and
- (ii) the nominal amount of the Ordinary Shares in its capital which the Company acquires, hold, holds in pledge or which are held by a subsidiary does not exceed one-half (1/2) of the issued capital.

These provisions also apply to the purchase by the Company of Depositary Interests. The Board may resolve to sell the Ordinary Shares held by the Company in its own capital. The Company has no voting rights in respect of Ordinary Shares that it holds in its own capital.

When acquiring Ordinary Shares in its own capital the Company will comply with Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

### *Notification interests of shares and/or voting rights*

The Articles do not contain provisions which set out an ownership threshold above which a Shareholder ownership or voting rights entitlement should be disclosed. Reference is made to the description of obligations for Shareholders pursuant to the AFS in Part X—“Summary of Applicable Dutch Law”.

## **7. Taxation**

### **Dutch Tax, UK Tax, Polish Tax**

The following statements are intended only as a general guide to the main UK, Dutch and Polish tax consequences which will apply to Shareholders who are either resident and ordinary resident individuals or companies in the Netherlands, the UK or Poland, respectively, who are beneficial owners of Ordinary Shares and who hold their Ordinary Shares as an investment. It does not purport to be a comprehensive analysis of all the tax consequences applicable to all types of shareholders and is based on current law and

## **Part IX—Additional Information**

practice. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction, including the UK, Poland, Israel or the Netherlands, should consult his or her professional advisers immediately.

If in any doubt, prospective investors should immediately seek their own taxation advice from an independent tax adviser who specialises in advising on the acquisition of shares and other securities.

### **DUTCH TAXATION**

#### **Ordinary Shares—residents and non-residents**

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of Ordinary Shares. It does not purport to describe every aspect of taxation that may be relevant to a particular Holder of Ordinary Shares (as defined below). Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of Ordinary Shares in his particular circumstances.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms “the Netherlands” and “Dutch” are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the Company is organised, and that its business will be conducted, in the manner outlined in this Prospectus. A change to such organisational structure or to the manner in which the Company conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of this Prospectus. The tax law upon which this summary is based, is subject to changes, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Where in this Dutch taxation paragraph reference is made to a “Holder of Ordinary Shares”, that concept includes, without limitation:

1. an owner of one or more Ordinary Shares who in addition to the title to such Ordinary Shares, has an economic interest in such Ordinary Shares;
2. a person who or an entity that holds the entire economic interest in one or more Ordinary Shares;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more Ordinary Shares, within the meaning of 1. or 2. above; or
4. a person who is deemed to hold an interest in Ordinary Shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

#### ***Taxes on income and capital gains***

##### **Resident Holders of Ordinary Shares**

###### ***General***

The summary set out in this section “Taxes on income and capital gains—Resident Holders of Ordinary Shares” applies only to a Holder of Ordinary Shares who is a “Dutch Individual” or a “Dutch Corporate Entity”.

For the purposes of this section Ordinary Shares include the Rights which a Holder of Ordinary Shares is holding.

For the purposes of this section a Holder of Ordinary Shares is a “Dutch Individual” if it satisfies the following tests:

- a. he is an individual;

## Part IX—Additional Information

- b. he is resident, or deemed to be resident, in the Netherlands for Dutch income tax purposes, or he has elected to be treated as a resident of the Netherlands for Dutch income tax purposes;
- c. his Ordinary Shares and any benefits derived or deemed to be derived therefrom have no connection with his past, present or future employment, if any; and
- d. his Ordinary Shares do not form part of a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, if a person holds an interest in the Company, such interest forms part of a substantial interest, or a deemed substantial interest, in the Company if any one or more of the following circumstances is present:

1. Such person—either alone or, in the case of an individual, together with his partner (*partner*), if any, or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*)- owns or is deemed to own, directly or indirectly, either a number of shares representing five per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of shares), or profit participating certificates (*winstbewijzen*) relating to five per cent. or more of the Company's annual profit or to five per cent. or more of the Company's liquidation proceeds.
2. Such person's shares, profit participating certificates or rights to acquire shares in the Company are held by him or deemed to be held by him following the application of a non-recognition provision.
3. Such person's partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under 1. and 2. above) in the Company.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to such benefits is considered a share or a profit participating certificate, as the case may be.

If a Holder of Ordinary Shares is an individual and if he satisfies test b., but does not satisfy test c. and/or test d., his Dutch income tax position is not discussed in this Prospectus. If a Holder of Ordinary Shares is an individual who does not satisfy test b., please refer to the section "Taxes on income and capital gains—Non-resident Holders of Ordinary Shares".

For the purposes of this section a Holder of Ordinary Shares is a "Dutch Corporate Entity" if it satisfies the following tests:

- i. it is a corporate entity (*lichaam*), including an association that is taxable as a corporate entity, that is subject to Dutch corporation tax in respect of benefits derived from its Ordinary Shares;
- ii. it is resident, or deemed to be resident, in the Netherlands for Dutch corporation tax purposes;
- iii. it is not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and
- iv. it is not an investment institution (*beleggingsinstelling*) as defined in article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If a Holder of Ordinary Shares is not an individual and if it does not satisfy any one or more of these tests, with the exception of test ii., its Dutch corporation tax position is not discussed in this Prospectus. If a Holder of Ordinary Shares is not an individual that does not satisfy test ii., please refer to the section "Taxes on income and capital gains—Non-resident Holders of Ordinary Shares".

### *Dutch Individuals deriving profits or deemed to be deriving profits from an enterprise*

Any benefits derived or deemed to be derived by a Dutch Individual from Ordinary Shares, including any capital gain realised on the disposal of such Ordinary Shares, that are attributable to an enterprise from

## **Part IX—Additional Information**

which such Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates.

### *Dutch Individuals deriving benefits from miscellaneous activities*

Any benefits derived or deemed to be derived by a Dutch Individual from Ordinary Shares, including any gain realised on the disposal of such Ordinary Shares, that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), are generally subject to Dutch income tax at progressive rates.

A Dutch Individual may, *inter alia*, derive, or be deemed to derive, benefits from Ordinary Shares that are taxable as benefits from miscellaneous activities in the following circumstances:

- a. if his investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or
- b. if any benefits to be derived from his Ordinary Shares, whether held directly or indirectly, are intended, in whole or in part, as remuneration for activities performed by him or by a person who is a connected person to him as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

### *Other Dutch Individuals*

If a Holder of Ordinary Shares is a Dutch Individual whose situation has not been discussed before in this section “Taxes on income and capital gains—Resident Holders of Ordinary Shares”, benefits from his Ordinary Shares are taxed annually as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4 per cent. per annum of his “yield basis” (*rendementsgrondslag*), generally to be determined at the beginning of the year, to the extent that such yield basis exceeds the “exempt net asset amount” (*heffingvrij vermogen*) for the relevant year. The benefit is taxed at the rate of 30 per cent. The value of his Ordinary Shares forms part of his yield basis. Actual benefits derived from his Ordinary Shares, including any gain realised on the disposal of such Ordinary Shares, are not as such subject to Dutch income tax.

### *Attribution rule*

Benefits derived or deemed to be derived from certain miscellaneous activities by, and yield basis for benefits from savings and investments of, a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or to the parents who exercise, authority over the child, irrespective of the country of residence of the child.

### *Dutch Corporate Entities*

Any benefits derived or deemed to be derived by a Dutch Corporate Entity from Ordinary Shares, including any gain realised on the disposal thereof, are generally subject to Dutch corporation tax, except to the extent that the benefits are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

## **Non-resident Holders of Ordinary Shares**

The summary set out in this section “Taxes on income and capital gains—Non-resident Holders of Ordinary Shares” applies only to a Holder of Ordinary Shares who is a Non-resident Holder of Ordinary Shares.

For the purposes of this section Ordinary Shares include the Rights which a Holder of Ordinary Shares is holding.

For the purposes of this section, a Holder of Ordinary Shares is a “Non-resident Holder of Ordinary Shares” if it satisfies the following tests:

- a. it is neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if he is an individual, he has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes;

## **Part IX—Additional Information**

- b. its Ordinary Shares and any benefits derived or deemed to be derived from such Ordinary Shares have no connection with its past, present or future employment or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);
- c. its Ordinary Shares do not form part of a substantial interest or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), unless such interest forms part of the assets of an enterprise; and
- d. if it is not an individual, no part of the benefits derived from its Ordinary Shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

See the section “Taxes on income and capital gains—Resident Holders of Ordinary Shares” for a description of the circumstances under which Ordinary Shares form part of a substantial interest or a deemed substantial interest in the Company.

If a Holder of Ordinary Shares satisfies test a., but does not satisfy any one or more of tests b., c., and d., its Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Prospectus.

A Non-resident Holder of Ordinary Shares will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived from its Ordinary Shares, including any capital gain realised on the disposal thereof, except if

1. it derives profits from an enterprise directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if he is an individual, or other than as a holder of securities, if it is not an individual and such enterprise is managed in the Netherlands or such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and its Ordinary Shares are attributable to such enterprise; or
2. he is an individual and he derives benefits from Ordinary Shares that are taxable as benefits from miscellaneous activities in the Netherlands.

See the section “Taxes on income and capital gains—Resident Holders of Ordinary Shares” for a description of the circumstances under which the benefits derived from Ordinary Shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

### *Attribution rule*

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

### ***Dividend withholding tax***

#### **General**

The Company is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by the Company.

The concept “dividends distributed by the Company” as used in this section “Dutch Taxation” includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognised as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of Ordinary Shares in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;
- the par value of Ordinary Shares issued by the Company to a Holder of Ordinary Shares or an increase of the par value of Ordinary Shares, as the case may be, to the extent that it does not appear that a

## Part IX—Additional Information

contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and

- partial repayment of capital, recognised as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of the Company's shareholders has resolved in advance to make such repayment and (b) the par value of the Ordinary Shares concerned has been reduced by an equal amount by way of an amendment to the Articles.

Rights give the right to acquire New Ordinary Shares for an exercise price that is determined based on a certain formula. The issuance of the Rights by the Company to a Holder of Ordinary Shares should not constitute a taxable event for Dutch dividend withholding tax purposes.

Upon exercise of a Right by a Holder of Ordinary Shares, a dividend is recognized for Dutch dividend withholding tax purposes insofar the par value of the issued New Ordinary Shares exceeds the exercise price, i.e. the amount that is paid up on the New Ordinary Shares by the Holder of Ordinary Shares. If the exercise price of the Rights would be higher than the par value of the issued New Ordinary Shares, but lower than the market value of those New Ordinary Shares, no dividend for Dutch dividend withholding tax purposes would be recognized.

The issuance of Bondholders' Shares by the Company should not result in a dividend for Dutch dividend withholding tax purposes insofar for the par value of the issued Bondholders' Shares a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made.

### Dutch Individuals and Dutch Corporate Entities

A Dutch Individual (other than an individual who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes) or a Dutch Corporate Entity, can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund in the form of a negative assessment of Dutch income tax or Dutch corporation tax, as applicable, insofar as such dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, as applicable.

Pursuant to domestic rules to avoid dividend stripping, Dutch dividend withholding tax will only be creditable by or refundable to the beneficial owner (*uiteindelijk gerechtigde*) of dividends distributed by the Company. A Holder of Ordinary Shares who receives proceeds therefrom shall *not* be recognised as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in Ordinary Shares or similar instruments, comparable to its interest in Ordinary Shares prior to the time the composite transaction was first initiated.

An individual who is not resident or deemed to be resident in the Netherlands, but who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes, may be eligible for relief from Dutch dividend withholding tax on the same conditions as an individual who is a Non-resident Holder of Ordinary Shares, as discussed below.

See the section "Dividend withholding tax—General" for a description of the concept "dividends distributed by the Company".

See the section "Taxes on income and capital gains—Resident Holders of Ordinary Shares" for a description of the terms Dutch Individual and Dutch Corporate Entity.

## Part IX—Additional Information

### Non-resident Holders of Ordinary Shares

#### *Relief*

If a Non-resident Holder of Ordinary Shares is resident in The non-European part of the Kingdom of the Netherlands or in a country that has concluded a double taxation treaty with the Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by the Company.

In addition, a Non-resident Holder of Ordinary Shares that is not an individual is entitled to an exemption from dividend withholding tax, provided that the following tests are satisfied:

1. it is, according to the tax law of a Member State of the European Union or a state designated by ministerial decree, that is a party to the Agreement regarding the European Economic Area, resident there and it is not transparent for tax purposes according to the tax law of such state;
2. any one or more of the following threshold conditions are satisfied:
  - a. at the time the dividend is distributed by the Company, it holds shares representing at least five per cent. of the Company's nominal paid up capital; or
  - b. it has held shares representing at least five per cent. of the Company's nominal paid up capital for a continuous period of more than one year at any time during the four years preceding the time the dividend is distributed by the Company; or
  - c. it is connected with the Company within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de Vennootschapsbelasting 1969*); or
  - d. an entity connected with it within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de Vennootschapsbelasting 1969*) holds at the time the dividend is distributed by the Company, Ordinary Shares representing at least five per cent. of the Company's nominal paid up capital;
3. it is not considered to be resident outside the Member States of the European Union or the states designated by ministerial decree, that are a party to the Agreement regarding the European Economic Area, under the terms of a double taxation treaty concluded with a third State; and
4. it does not perform a similar function as an investment institution (*beleggingsinstelling*) as meant by article 6a or article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de Vennootschapsbelasting 1969*).

The exemption from dividend withholding tax is not available if pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between the Netherlands and the country of residence of the Non-resident Holder of Ordinary Shares, such holder would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to the beneficial owner of dividends distributed by the Company. If a Non-resident Holder of Ordinary Shares is resident in a Member State of the European Union with which the Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the test under 2.a. above is also satisfied if such holder owns five per cent. of the voting rights in the Company.

#### *Credit*

If a Non-resident Holder of Ordinary Shares is subject to Dutch income tax or Dutch corporation tax in respect of any benefits derived or deemed to be derived from its Ordinary Shares, including any capital gain realized on the disposal thereof, it can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund pursuant to a negative tax assessment if and to the extent the dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, respectively.

See the section “Dividend withholding tax—Dutch Individuals and Dutch Corporate Entities” for a description of the term beneficial owner.

## **Part IX—Additional Information**

See the section “Dividend withholding tax—General” for a description of the concept “dividends distributed by the Company”.

See the section “Taxes on income and capital gains—Non-resident Holders of Ordinary Shares” for a description of the term Non-resident Holder of Ordinary Shares.

See the section “Taxes on income and capital gains—Non-resident Holders of Ordinary Shares” for a description of the circumstances under which a Non-resident Holder of Ordinary Shares is subject to Dutch income tax or Dutch corporation tax.

### ***Gift and inheritance taxes***

If a Holder of Ordinary Shares disposes of Ordinary Shares by way of gift, in form or in substance, or if a Holder of Ordinary Shares who is an individual dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- (i) the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- (ii) the donor made a gift of Ordinary Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of Ordinary Shares made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

### ***Other taxes and duties***

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by the Holder of Ordinary Shares in respect of or in connection with (i) the subscription, issue, placement, allotment, delivery of Ordinary Shares, (ii) the delivery and/or enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Ordinary Shares or the performance by the Company of its obligations under such documents, or (iii) the transfer of Ordinary Shares.

## **UK Tax**

The following statements:

- (a) do not constitute tax advice and are intended as a general guide only to the UK tax position under current UK legislation and published HM Revenue & Customs (“HMRC”) practice as at the date of this document, both of which are subject to change at any time, possibly with retrospective effect;
- (b) deal only with certain limited aspects of the UK taxation treatment of Qualifying Shareholders who:
  - a. are resident (and, in the case of individuals only, domiciled) solely in the UK for tax purposes (and to whom split-year treatment does not apply);
  - b. who do not have a permanent establishment in any other jurisdiction or a fixed base in any other jurisdiction with which their holding of Existing Ordinary Shares or Existing Depositary Interests and/or New Ordinary Shares or New Depositary Interests is connected;
  - c. hold their Existing Ordinary Shares/Existing Depositary Interests and/or New Ordinary Shares/New Depositary Interests as an investment (other than through an Individual Savings Account or a Self Invested Personal Pension); and
  - d. are the absolute beneficial owners of the Existing Ordinary Shares or the Existing Depositary Interests and/or New Ordinary Shares or New Depositary Interests and of all dividends of any kind paid in respect of them;
- (c) may not apply to certain categories of Qualifying Shareholders who are subject to special rules (such as persons holding or acquiring their Existing Ordinary Shares or Existing Depositary Interests and/or New Ordinary Shares or New Depositary Interests (or deemed to hold or acquire their Existing

## **Part IX—Additional Information**

Ordinary Shares or Existing Depositary Interests and/or New Ordinary Shares or New Depositary Interests) in connection with an employment or office; brokers, dealers or traders in securities; banks; financial institutions; insurance companies; collective investment schemes; or persons connected (other than by reason of holding their Existing Ordinary Shares or Existing Depositary Interests and/or New Ordinary Shares or New Depositary Interests) with the Company).

Any person who is in doubt as to its tax position regarding the acquisition, ownership or disposal of their Existing Ordinary Shares, the Existing Depositary Interests, the Rights or the New Ordinary Shares or New Depositary Interests, or who is subject to tax in a jurisdiction other than the UK should consult its own independent tax advisers.

### ***Taxation of chargeable gains***

#### ***Issue of New Ordinary Shares***

For the purposes of the UK taxation of chargeable gains, the issue of the New Ordinary Shares and the New Depositary Interests by the Company to Qualifying Shareholders should be regarded as a reorganisation of the share capital of the Company. Accordingly, Qualifying Shareholders in these circumstances should not be treated as making a disposal of all or part of their holding of Existing Ordinary Shares or Existing Depositary Interests by reason of taking up all or part of their Rights to New Ordinary Shares or New Depositary Interests (as the case may be) and no immediate liability to UK taxation on chargeable gains in respect of the Existing Ordinary Shares or the Existing Depositary Interests should arise if Qualifying Shareholders take up their entitlement to New Ordinary Shares or New Depositary Interests in full. Instead, the Qualifying Shareholders' New Ordinary Shares or New Depositary Interests will generally be treated as the same asset as, and as having been acquired at the same time as, their holding of Existing Ordinary Shares or Existing Depositary Interests (as the case may be). For the purposes of computing any gain or loss on a subsequent disposal by a Qualifying Shareholder of any New Ordinary Shares or New Depositary Interests, the subscription money for the New Ordinary Shares or the New Depositary Interests (as the case may be) may be added to the base cost of the Qualifying Shareholder's Existing Ordinary Shares/Existing Depositary Interests.

In the case of a Qualifying Shareholder within the charge to UK corporation tax, in calculating the chargeable gain or allowable loss arising on a subsequent disposal of New Ordinary Shares or New Depositary Interests, indexation allowance should apply to the amount paid for the New Ordinary Shares or New Depositary Interests generally from the date the subscription monies for the New Ordinary Shares or New Depositary Interests were payable. In the case of Qualifying Shareholders not within the charge to UK corporation tax, indexation allowance is not available.

#### ***Disposal or lapse of Rights***

If a Qualifying Shareholder:

- (i) sells or otherwise disposes of all or part of its Rights; or
- (ii) allows or is deemed to allow all or any part of its their Rights to lapse in return for a cash payment, the proceeds will be treated as a capital distribution to that Qualifying Shareholder by the Company, the Qualifying Shareholder will be treated as if it had disposed of a part of its holding of Existing Ordinary Shares or Existing Depositary Interests and the Qualifying Shareholder may, depending on its circumstances, incur a liability to UK taxation on chargeable gains. However, if the proceeds resulting from the disposal or lapse of Rights are "small" (currently interpreted by HMRC as not exceeding the greater of £3,000 or five per cent. of the market value (as at the date of disposal or lapse) of the Existing Ordinary Shares or Existing Depositary Interests in respect of which the Rights arose), the Qualifying Shareholder should not generally be treated as making a disposal for the purposes of UK taxation of chargeable gains. Instead the proceeds will be deducted from the base cost of the Qualifying Shareholder's holding of the Existing Ordinary Shares or Existing Depositary Interests for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply where such proceeds are greater than the base cost of that Qualifying Shareholder's Existing Ordinary Shares or Existing Depositary Interests.

## **Part IX—Additional Information**

### *Subsequent disposals of New Ordinary Shares or New Depositary Interests—Individual Qualifying Shareholders*

A disposal of New Ordinary Shares or New Depositary Interests by an individual Qualifying Shareholder within the charge to UK capital gains tax, may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or an allowable loss) for the purposes of UK capital gains tax, which is chargeable at the rate of 18 per cent. (for basic rate taxpayers) and 28 per cent. (for higher and additional rate taxpayers, trustees and personal representatives) for the 2014/2015 tax year. Each individual has an annual exemption, such that UK capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £11,000 for the 2014/2015 tax year.

### *Subsequent disposals of New Ordinary Shares or New Depositary Interests—Corporate Qualifying Shareholders*

Where a Qualifying Shareholder is within the charge to UK corporation tax, a disposal of New Ordinary Shares or New Depositary Interests may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax.

UK corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that company which (unless the small profits rate or marginal relief applies) is 21 per cent. for the tax year 2014/15. The main rate of UK corporation tax is scheduled to be reduced to 20 per cent. from 1 April 2015.

### ***Taxation of dividends***

#### *Tax withholdings*

The Company is not required to withhold UK tax at source when paying a dividend.

#### *Individual Qualifying Shareholders*

An individual Qualifying Shareholder who receives a dividend from the Company will be entitled to a tax credit which may be set off against the Qualifying Shareholder's total income tax liability on the dividend. The value of the tax credit is currently 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend received.

An individual Qualifying Shareholder who is not liable to UK income tax at either the higher or the additional rate will be subject to UK income tax on dividends from the Company at the rate of 10 per cent. of the gross dividend (for the 2014/15 tax year), so that the tax credit will satisfy in full such Qualifying Shareholder's liability to UK income tax on the dividend.

An individual Qualifying Shareholder who is liable to UK income tax at the higher rate will be taxed at the rate of 32.5 per cent. on the gross dividend (for the 2014/15 tax year). The tax credit will be set against but not fully match the Qualifying Shareholder's UK income tax liability on the gross dividend so that the Qualifying Shareholder will have to account for additional UK income tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the Qualifying Shareholder's income falls above the threshold for higher rate UK income tax but below the threshold for additional rate UK income tax.

An individual Qualifying Shareholder who is liable to UK income tax at the additional rate will be taxed at the rate of 37.5 per cent. on the gross dividend (for the 2014/15 tax year). After taking account of the tax credit, such Qualifying Shareholders will, accordingly, have to account for UK income tax equal to 27.5 per cent. of the gross dividend (equal to approximately 30.56 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the Qualifying Shareholder's income falls above the threshold for additional rate UK income tax.

An individual Qualifying Shareholder who is not liable to income tax on the gross dividend will not be entitled to claim repayment from HMRC of any part of the tax credit attaching to dividends.

Additionally pension funds and charities will not be entitled to claim repayment from HMRC of any part of the tax credit attaching to dividends.

## **Part IX—Additional Information**

### *Corporate Qualifying Shareholders*

Qualifying Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally be liable to corporation tax on any dividend received from the Company, provided certain conditions are met.

Other Qualifying Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met and the Qualifying Shareholder has not elected for the dividends not to be exempt. Each Qualifying Shareholder’s position will depend on its own individual circumstances, although it would normally be expected that dividends paid by the Company would fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made).

### *Stamp duty and SDRT*

#### *General*

No UK stamp duty or stamp duty reserve tax (“**SDRT**”) will generally be payable on the issue of Rights (on the basis that no bearer instrument is associated with such issue or on the issue of Rights to accounts in CREST).

#### *Dealings in Rights*

The purchaser of Rights held in CREST on or before the latest time for registration or renunciation will not generally be liable to pay UK stamp duty. An agreement to transfer Rights (received in respect of Existing Ordinary Shares not registered in a register maintained by or on behalf of the Company in the UK) should not give rise to a charge to UK SDRT.

No stamp duty should be payable on a transfer or sale of New Ordinary Shares, provided that any instrument of transfer is not executed in the UK, and does not relate to any property situate or to any matter or thing done or to be done, in the UK.

An agreement to transfer New Ordinary Shares (assuming they are not registered in a register maintained by or on behalf of the Company in the UK) should not give rise to a charge to UK SDRT.

#### *New Depositary Interests*

No UK stamp duty or SDRT should be payable on the issue of New Depositary Interests by the Depositary or the surrender of New Depositary Interests to the Depositary.

Assuming that transfers of New Depositary Interests operate without any written instrument of transfer, no UK stamp duty should be payable on the transfer of New Depositary Interests.

An agreement to sell or transfer New Depositary Interests should not be liable to UK SDRT provided the New Ordinary Shares remain listed on a recognised stock exchange for UK tax purposes (which includes the London Stock Exchange), no register of the New Ordinary Shares is kept in the UK and the Company is not centrally managed and controlled in the UK.

**The above statements in this section are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986**

### **Polish tax**

The following summary describes the general Polish tax consequences. The summary is based on Polish tax regulations effective as at the date of this Offering as well as on tax interpretations promulgated by the Minister of Finance of Poland and court decisions of the Supreme Administrative Court. This summary is not intended to constitute a complete analysis of tax implications. For more detailed information, please consult your own tax and legal advisers regarding the tax consequences of the acquisition, receipt, holding and trading in our Bonds, Ordinary Shares, Depositary Interests and Rights.

## Part IX—Additional Information

### *Income earned on the acquisition and disposal of Rights and Ordinary Shares by individuals who are Polish tax residents*

In accordance with Article 3, section 1 of the Personal Income Tax Act (“**Personal Income Tax Act**”), natural persons, provided that they reside within the territory of the Republic of Poland, are liable to pay tax on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A person residing within the territory of the Republic of Poland is any natural person who (i) has the center of their personal or economic interests (center of life interests) within the territory of Poland; or (ii) resides within the territory of Poland for more than 183 days in any tax year.

The acquisition of transferable Rights below market value constitutes taxable revenue for the taxpayers. The taxable income in such case would be the difference between the market value of the Rights at the moment of their acquisition and the borne costs. Depending on the classification of income and the position of the taxpayer, income earned on the acquisition of Rights below the market value will be subject to a 19% flat tax rate or to a progressive income tax scale ranging from 18% to 32%.

Pursuant to Article 24 section 11 of the Personal Income Tax Act, income constituting the excess between the market value of shares taken up by persons authorised under a resolution of a general meeting and the expenses incurred in the process of the taking up thereof is not subject to taxation at the time of the taking up of such shares. This rule should apply accordingly to income constituting the excess between the market value of shares and the expenses incurred in the process of the acquisition thereof from an incorporated company that took up such shares solely for the purposes of transferring the ownership title thereto to persons authorised under a resolution of a general meeting of the company issuing the shares.

If the conditions for the above-mentioned exemption are not fulfilled, acquisition of Ordinary Shares (pursuant to exercise of Rights or pursuant to the Placing) below the market value by the taxpayers may constitute their taxable revenue. In such case, the same rules for determining the source of income as in the case of Rights should apply. The taxable income in such case would be the difference between the market value of the acquired shares and the acquisition price or, if higher, the value of the Rights attributed and taxed at the moment of the acquisition.

In case of disposal by a Polish resident of property located in another country, the tax treaty between Poland and that country applies. According to Article 13, section 4 of the Polish-Dutch tax treaty, gains from the disposal of shares are taxed exclusively in the country in which the person disposing of the property is resident. Thus, income from the disposal of the Ordinary Shares and Rights earned by Polish residents is taxed in Poland according to the following rules.

Pursuant to Article 30b, section 1 of the Personal Income Tax Act, income earned in Poland on the transfer of the ownership of securities (including the Ordinary Shares and Rights) in exchange for consideration is taxed at a flat rate of 19%. Taxable income is computed as the difference between the proceeds from the disposal of securities and the tax-deductible costs, including the expenditure relating to the acquisition of these securities. Such income is subject to taxation as income due, even if not actually yet received. It is not aggregated with the other income of the individual and is taxed separately.

The Company is not required to calculate, withhold or pay taxes as a tax remitter from income earned by individuals who are Polish residents. Entities intermediating in the sale of securities by an individual (e.g. brokerage houses) are required to deliver to that person and the appropriate tax office, information on the amount of income earned by that person, by the end of February of the year immediately following the year in which the gains are made (or losses are incurred) by such person on the disposal of securities. There is no requirement to pay tax advances during the tax year.

An individual who obtains gains (or incurs losses) on the sale of securities is required to calculate and pay the tax due, as well as submit, by 30 April of the calendar year immediately following the year in which such gains are obtained (or losses incurred), a separate tax return identifying the amount of the gains or losses. The tax return is to be submitted to the tax office competent for the place of residence of such taxpayer on the last day of the financial year, and if such person ceased to reside in Poland before that date, to the tax office competent for the person’s last place of residence within the territory of Poland.

The above regulations shall not apply if the acquisition, exercise and sale of securities for a consideration is a consequence of performance of any business activities, as in such case the revenues should be qualified as originating from the performance of such activities and should be settled according to general terms.

## **Part IX—Additional Information**

### ***Income earned on the acquisition and disposal of Rights and Ordinary Shares by corporate persons who are Polish tax residents***

In accordance with Article 3, section 1 of the Corporate Income Tax Act, taxpayers having their seat or a management board within the territory of the Republic of Poland, are liable to pay tax on all of their income, irrespective of the location of the source of revenues.

Polish corporate income tax regulations, in general, do not provide specific sources of income generated by a legal person. This means that all income generated by such entities would be subject to taxation under the general rules stipulated in the Polish Corporate Income Tax Act (“**Corporate Income Tax Act**”).

The acquisition of securities (Ordinary Shares and Rights) below market value constitutes taxable revenue for the taxpayers. Taxable income in such case would be the difference between the market value of the securities and the borne costs. The income resulting from such acquisition is aggregated with the other income of the taxpayer and is subject to corporate income tax at the rate of 19%. However, the Polish Corporate Income Tax Act provides that some entities are exempt from income tax, e.g. investments funds.

According to Article 13, section 4 of the Polish-Dutch tax treaty, gains from the disposal of securities are taxed exclusively in the country, in which the person disposing of property is resident. Thus, income from the disposal of the Ordinary Shares and Rights earned by Polish residents is taxed in Poland.

Gains on the disposal of securities by a legal person having its registered office or management board within the Republic of Poland are subject to taxation under the general rules stipulated in the Corporate Income Tax Act. Taxable income is the difference between the proceeds from the disposal of the securities (the price of the securities stated in the agreement) and the tax-deductible costs (in the case of the disposal of securities acquired below market value—revenue already taxed from such acquisition) and is subject to corporate income tax at the rate of 19%. If the price of the transferred securities is, without a justified reason, significantly different from the market value thereof, revenue from the disposal of the securities in exchange for consideration will be determined by a tax authority at a level that reflects the market value.

The Company is not required to calculate, withhold and pay taxes as a tax remitter from income earned by corporate taxpayers who are Polish residents on the acquisition, exercise or disposition of securities.

### ***Dividends and other income from a share in the profits of legal persons earned by individuals who are Polish tax residents***

In light of Polish tax law, income from a share in the profits of legal persons is the income actually generated from such a share, including, inter alia, dividends, income from the redemption of shares, the value of the assets received in connection with the liquidation of the legal person, income intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person (‘dividend income’).

Taxation of the dividend income obtained by an individual who is a Polish resident from a company resident in the Netherlands, is regulated by the provisions of the Polish-Dutch tax treaty. Pursuant to Article 10 of the treaty, dividends paid by a company resident in the Netherlands to an individual resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied in this country cannot exceed 15% of the dividend.

Pursuant to Article 30a, section 1 point 4 of the Personal Income Tax Act, dividend income and other income from a share in the profits of legal persons is not aggregated with income from any other sources, and is subject to taxation at a flat rate of 19% of the income earned. However, according to Article 23 of the Polish-Dutch tax treaty, Poland must grant a credit for the tax levied on dividends in the Netherlands.

### ***Dividends and other income from a share in the profits of legal persons earned by legal persons who are Polish tax residents***

As a rule, dividend income and other income from a share in the profits of legal persons is subject to taxation at a flat rate of 19% of the income earned. However, this rule is modified by the provisions of the Polish-Dutch tax treaty, according to which dividends paid by a company resident in the Netherlands to a person resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied in this state cannot exceed 5% of the gross amount of the dividend, if the dividend is

## **Part IX—Additional Information**

received by a company holding directly at least 10% of the share capital of the company paying the dividend and 15% of the dividend in other cases.

Pursuant to Article 20, section 3 of the Corporate Income Tax Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons (other than liquidation proceeds), is tax exempt in Poland if all of the following conditions are satisfied jointly: (i) the entity paying the dividends and other revenues from participation in profits generated by legal persons is a company whose entire income irrespective of where it is generated, is subject to income tax in another EU State; (ii) the entity receiving income (revenues) from dividends and other revenues from participation in profits generated by legal persons, as referred to in section (i), is a company which is a corporate income tax payer and has its registered seat or management board within the territory of the Republic of Poland; (iii) the company referred to in section (ii) has at least 10% direct shareholding in the shares in the share capital of the company which pays out the dividend, (iv) the entity described in point (ii) above is not exempt from income tax on its entire income, regardless of the location of its source.

The exemption referred to above applies if: (a) the holding of shares (referred to in item (iii) above) results from the ownership; (b) with respect to income obtained from shares held through (A) ownership or (B) otherwise than through ownership, provided that the income (revenue) would be exempt from tax if the ownership of the shares had not been transferred.

According to Art. 22b of the CIT Act, the above exemption set forth in Art. 20 of the CIT Act applies, provided that the double tax treaty to which the Republic of Poland is a party or other ratified international treaty provides legal basis for the tax office to obtain tax information from the tax office of country other than Republic of Poland in which tax payer have its registered office or in which income was earned.

The exemption referred to above applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their registered seat or management board within the territory of the EU, has at least 10% shareholding in the company paying out dividends uninterruptedly for two years. The exemption also applies if the two year period of uninterrupted holding of shares in the required amount by a company generating income (revenues) from participation in profits generated by a legal person having its registered seat or management board within the territory of the EU, ends after the date of obtaining such income (revenues). In the case of failure to satisfy the condition of holding shares in the required amount uninterruptedly for two years, the taxpayer shall be required to submit a corrected tax return for the tax years in which it applied a tax exemption and pay tax, including default interest, on the income (revenues) at 19% of income (revenues).

### ***Transfer tax (Tax on Civil Law Transactions)***

Transfer tax applies to sale contracts if the property rights that are the subject of the transaction are to be exercised within the territory of the Republic of Poland or if the rights are exercised outside the Republic of Poland provided that the agreement evidencing the sale or exchange of property rights is concluded in the Republic of Poland and the purchaser is a Polish resident. The rate of this tax is set at 1% of the market value of the property rights which are the subject of the transfer. In certain situations, the tax authorities may adjust the taxable base if it does not correspond to the market value of the item being the subject of the sale. Taxpayers (in case of a sale agreement, the buyer) are required to, without being summoned by the tax office, file a tax return on tax on civil law transactions and calculate and pay the due amount of the tax within 14 days of the tax liability arising. However, Article 9 item 9 of the Act on Transfer Tax provides that the sale of securities to investments firms (including foreign investment firms) is exempt from transfer tax, as is the sale of securities performed through the intermediation of investments firms (including foreign investment firms).

### ***Taxation of donations and inheritance***

Polish Tax on Inheritances and Donations can only be imposed on individuals who received title to property rights executed abroad (including Ordinary Shares and Rights) by right of succession, as particular legacy, further legacy, absolute legacy, testamentary instruction, donation or the benefactor's instruction if at the time of the acquisition the acquirer was a Polish citizen or had his place of residence within the territory of the Republic of Poland. The taxable base is the value of the property rights received after deducting the debts and encumbrances (net value), assessed based on the condition of the property

## Part IX—Additional Information

rights on the day of their receipt and based on the market prices applicable as of the day when the tax liability arose. The tax base is computed according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship to the person from whom the property rights were received or inherited. The inheritance and donations are taxed at a progressive rate from 3% to 20% of the taxable base depending on the tax group to which the recipient was assigned. There are certain amounts exempt from tax in each group. Tax payers are required, except for cases in which the tax is charged by the tax remitter, to file with the competent head of the tax office, within one month from the date when the tax liability arose, a tax return specifying the receipt of the property or property rights in a standard form. The tax return should be accompanied by documents that may influence the determination of the tax. The tax is paid within 14 days from the receipt of the decision issued by the head of the tax office assessing the amount of the tax liability.

Under Art. 4a, section 1 of the Act on Tax on Inheritances and Donations, the acquisition of property rights by a spouse, descendant, ascendant, stepson, siblings, stepfather or stepmother are tax exempt provided that the person receiving property rights notifies the competent head of the tax office of acquisition of the property or property rights within six months from the date when the tax liability arose, and in the case of their receipt by right of succession, within six months from the date when the court decision acknowledging of the acquisition of the inheritance becomes final and binding. In the case of failure to meet the above conditions, the acquisition of the property rights is subject to taxation on the general terms specified for persons assigned to the relevant tax group.

### 8. Major shareholders

1. At the date of this document, save for the interests of the Directors disclosed in paragraph 9 of this Part IX, the Company is aware of the following person who is or will be interested (articles 5:38 and 5:39 AFS), directly or indirectly in 3% or more of the issued share capital of the Company:

Name	Number of Ordinary Shares	Percentage of issued share capital/voting rights
Elbit Imaging Limited <sup>(1)</sup> . . . . .	185,000,000	62.25%/62.25%
Davidson Kempner Capital Management LLC <sup>(2)</sup> . . . . .	16.478.999,00	5.54% <sup>(2)</sup> /5.54%
ING Open Pension Fund . . . . .	13.509.540,00	4.55%/4.55%

(1) 185,000,000 Ordinary Shares held by Elbit Ultrasound (Luxembourg) B.V./S.à.r.l.;

(2) Equity swap whereby the capital interest is potential

2. Save as disclosed above, the Company is at the date of this document, not aware of any person who is interested (for the purposes of articles 5:38 and 5:39 AFS), directly or indirectly, in 3% or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company. All shareholders have the same voting rights.
3. Neither the Company nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

### 9. Directors and Senior Managers

1. Details of the names and functions of the Directors and Senior Managers are set out in paragraphs 1 and 2 of Part V—“Management”.
2. The executive and non-executive directors of public limited liability companies incorporated under the laws of the Netherlands whose shares are listed on a regulated market within the European Union (such as the London Stock Exchange and the WSE) should, pursuant to articles 5:38 and 5:39 AFS, inform the AFM of a change in the number of shares (including DIs and option rights) and the number of voting rights which they have in the listed company and in issuing institutions (as defined in art. 5:48 AFS) affiliated with the listed company (see also Part X—“Summary of Applicable Dutch Law”). The interests (all of which are beneficial) of the Directors in the share capital of the Company are as follows as of the date of this document:

## Part IX—Additional Information

The former directors (who were honourably dismissed by the General Meeting on 8 July 2014) hold the following option rights:

	<u>Number of Options</u>
Mr Mordechay Zisser . . . . .	3,907,895
Mr Ran Shtarkman . . . . .	7,089,151*
Mr Shimon Yitzchaki . . . . .	1,794,361
Mr Marius van Eibergen Santhagens . . . . .	—
Mr. Sarig Shalhav . . . . .	—
Mr Marco Wichers . . . . .	—

Also through Goryan Management Limited, a company owned by Mr. Ran Shtarkman

3. The amount of remuneration paid (including any contingent or deferred compensation and share options granted pursuant to the Share Option Scheme), and benefits in kind granted to the Executive Directors by the Company and its subsidiaries for services in all capacities to the Company and its subsidiaries for the year ended 31 December 2013 was as follows:

	<u>Salary and fees €'000</u>	<u>Share incentive plan* €'000</u>	<u>Total non-performance related remuneration €'000</u>	<u>Total remuneration for the year ended 31 December 2013 €'000</u>
<b>Chairman and executive directors</b>				
Non-performance related remuneration				
Mr Mordechay Zisser . . . . .	222	—	—	222
Mr Ran Shtarkman . . . . .	452	—	—	452
Total . . . . .	<u>674</u>	<u>—</u>	<u>—</u>	<u>674</u>
<b>Non-executive directors</b>				
Non-performance related remuneration				
Mr Shimon Yitzchaki . . . . .		112		112
Mr Marius van Eibergen Santhagens . . . . .	67.7			67.7
Mr Edward Paap** . . . . .	65.7			65.7
Mr Marco Wichers . . . . .	67.7			67.7
Mr. Sarig Shalhav*** . . . . .	2			2
Total . . . . .	<u>203</u>	<u>112</u>		<u>315</u>
Total—all directors 2013 . . . . .	<u>877</u>	<u>112</u>		<u>989</u>

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

\*\* Period 1 January 2013 until 19 December 2013

\*\* Period 20 December 2013 until 31 December 2013

4. No Director has a related financial product referenced to the Ordinary Shares.

The formula pursuant to which Ordinary Shares will be allotted upon exercise of the options is set out in paragraph 11 of this Part IX.

5. In the past year (i.e. the year preceding the publication of this document) no transactions have been carried out between the Company and members of administrative bodies, Directors, senior management or affiliated persons.
6. No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

## Part IX—Additional Information

7. The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships and/or partnerships:

**Mr. Ron Hadassi of Yigael Yadin 13  
H'od H'asharon, Israel**

*Current directorships/partnerships:*  
Bronfman-Fisher Group  
Elbit Imaging Limited  
Nanette Real Estate Group N.V.  
Carmel Winery  
Elbit Medical Technologies Ltd.  
*Past directorships/partnerships held during the past 5 years:*  
none

**Mr. David Dekel of Daniel  
Stalpertstraat 19-3hg, 1072 VZ  
Amsterdam, the Netherlands**

*Current directorships/partnerships:*  
Nanette Real Estate Group N.V.  
Endeavour Enterprises N.V.  
Endeavour Holding B.V.  
Endeavour Investments SRL  
Gilat Satellite Networks (Holland) B.V.  
Gilat to Home Latin America (Holland) B.V.  
Circuitronix B.V.  
*Past directorships/partnerships held during the past 5 years:*  
Blue Phoenix Solutions B.V.

**Mr. Yoav Kfir of Givat Yeshayahu 26,  
D.N. Ella Valley 99825 Israel**

*Current directorships/partnerships:*  
VAR Group (private companies)  
Elbit Imaging Limited  
Elbit Medical Technologies Ltd.  
*Past directorships/partnerships held during the past 5 years:*  
Orkit Communications Limited

**Mr. Shlomi Kelsi of 10 Bney Moshe street,  
Ramat Gan, Israel, 5239410**

*Current directorships/partnerships:*  
Elbit Imaging Limited  
Ampal-American Israel Corporation (director of all holding subsidiaries)  
Bay-Heart Limited  
KBS Consulting and Investments Ltd.  
Tooleap Mobile Limited  
*Past directorships/partnerships held during the past 5 years:*  
Industrial Development Bank of Israel  
Risk Modules Ltd.

**Mr Sarig Shalhav of Startbaan 8, 1185 XR  
Amstelveen, the Netherlands**

*Current directorships/partnerships:*  
Director—Shalhav Tax & Law BV  
Director—Promotives BV  
*Past directorships/partnerships held during the past 5 years:*  
Sajet Telting & Partners B.V.

**Mr Marco Wichers of Prins Mauritslaan 6,  
2582 LR The Hague, the Netherlands**

*Current directorships/partnerships:*  
Branco Europe B.V.  
*Past directorships/partnerships held during the past 5 years:*  
AMGEA Holding B.V.  
AMGEA Vastgoed Adviseurs B.V.

**Mr. Nadav Livni of 37—38 Margaret Street  
London  
W1G 0JF**

*Current directorships/partnerships*  
Elbit Imaging Limited  
The Hillview Group Limited  
Hillview Advisors Limited  
Hillview Real Estate Limited  
Hillview Capital Limited  
*Past directorships/partnerships held during the past 5 years:*  
none

8. As at the date of this document:

- (i) None of the Directors has any unspent convictions in relation to indictable offences;
- (ii) none of the Directors has been the subject of any public criticism by any statutory or regulatory authority (including a recognised professional body);

## **Part IX—Additional Information**

- (iii) None of the current Directors other than Mr. Marco Habib Wichers, were in function when the Company applied for the provisional suspension of payments on 18 November 2013. None of the Directors other than Mr. Marco Habib Wichers (exclusively in respect of the Company's provisional suspension of payments), and other than Mr. Yoav Kfir (in respect of Orkit Communications Limited), has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. In respect of Orkit Communications Ltd., in April 2014, Mr. Yoav Kfir was asked by the bondholders of that company to step in as board member as part of a restructuring process. It was envisaged that, if the restructuring process would end successfully by June 2014, Mr. Kfir would be appointed as active chairman. The restructuring however, did not end successfully and Mr. Kfir resigned as a board member on 19 June 2014. Two weeks later, on 29 June 2014, Orkit Communications Ltd. went bankrupt;
- (iv) none of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement; nor in that time have the assets of any such partnership been the subject of a receivership;
- (v) no asset of any Director has at any time been the subject of a receivership
- (vi) none of the Directors is or has been bankrupt or been the subject of any form of individual voluntary arrangement;
- (vii) none of the Directors is or has ever been disqualified by a court from acting either as a director of a company or in the management or conduct of the affairs of any company;
- (viii) there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors; nor are there any loans or guarantees provided by any of the Directors for the benefit of any member of the Group; and
- (ix) other than as disclosed in this document, there are no actual or potential conflicts of interests between any duties to the Company of the Directors and their private interests and other duties.

### **9. Directors' letters of appointment.**

The formal appointment letters containing the terms and conditions of engagement with the Company (not being employment agreements) in respect of Messrs. Livni, Hadassi, Kelsi, Kfir and Dekel have been prepared and are subject to approval by the extraordinary General Meeting that is to be convened after the approval of this document. The appointment letters are drafted substantially in the same form as the existing appointment letters for Messrs. Wichers and Shalhav. No amounts will be set aside by the Group to provide pension, retirement or similar benefits to any of the Directors. Save for payment during a notice period (such notice period being three months) none of the appointment letters entered into or to be entered into with the Directors includes or will include (as the case may be) any provisions relating to payment on termination.

### **10. Insurance and indemnity**

The Company maintains Directors' and Officers' liability cover, presently at the maximum amount of USD 60,000,000 for a term of 18 months commencing on 29 October 2013. Pursuant to the terms of this policy, all the Directors and senior manager are insured. The new policy does not exclude past public offerings and covers the risk that may be incurred by the Directors through future public offerings of equity up to the amount of USD 50,000,000.

#### *Indemnity Agreements*

The Company has concluded agreements with the Directors and senior managers in respect of indemnity. Those agreements stipulate inter alia the following:

The Company may indemnify a Director or senior manager to the fullest extent permitted by the laws of any relevant jurisdiction, for liability or expense imposed on him in consequence of an action taken by him in his capacity as such, as follows:

- (i) any liability arising out of the actual or purported exercise of any of his powers, duties or responsibilities as a director or senior manager of the Company or arising out of any actual or alleged

## Part IX—Additional Information

negligence, default, breach of duty, breach of trust, error, misstatement, misleading statement, omission, breach of warranty of authority or other act;

- (ii) any liability arising out of any matter claimed against a Director or senior manager in his capacity as a director or senior manager including the reasonable costs and expenses incurred in defending any criminal, civil or regulatory proceedings, in connection with any application for relief under any statutory or regulatory provision; and
- (iii) any liability arising out of any required attendance by a Director or senior manager at any investigation into the affairs of the Company or its Subsidiaries by any judicial, governmental, regulatory or other similar body.

The Company shall pay to the fullest extent permitted by the laws of any applicable jurisdiction, the reasonable legal and other expenses incurred or to be incurred by a Director or senior manager in defending any proceedings (whether civil or criminal) or in applying for relief as they arise.

The agreements further stipulate that the Company may not be liable to indemnify a Director or senior manager against any liability:

- (i) incurred to the Company itself or to any Subsidiary or holding company or any Subsidiary of any such holding company;
- (ii) incurred in defending any criminal proceedings in which the relevant person is convicted;
- (iii) incurred in defending any civil proceedings brought by the Company or any of its Subsidiaries or holding company or any Subsidiary of any such holding company, in which judgment is given against the relevant person; or
- (iv) incurred in connection with any application for relief in which the court refuses to grant the relevant person such relief;
- (v) arising out of, based upon or attributable to the gaining by the Director or senior manager of any personal profit or advantage to which such Director or senior manager was not legally entitled to;
- (vi) arising out of, based upon or attributable to the Director's or senior manager's wilful misconduct or gross negligence;
- (vii) arising out of, based upon or attributable to the committing of any wilful misconduct or any dishonest, fraudulent or criminal act by a Director or senior manager; or
- (viii) to pay a fine imposed in criminal proceedings or a sum payable to a regulatory authority by way of penalty in respect of non-compliance with any requirement of a regulatory nature.

The aggregate indemnification amount payable by the Company pursuant to indemnification undertakings may not exceed the lower of (i) 25% of the Company's shareholder equity as of the date of actual payment of the indemnification amount (as set forth in the most recent consolidated financial statements prior to such payment) and (ii) USD 60 million, in excess of any amounts paid (if paid) by insurance companies pursuant to insurance policies maintained by the Company with respect to matters covered by such indemnification.

### *Indemnity under Dutch law*

Pursuant to the terms of book 2 of the DCC, as a general rule, a managing director will be held liable for improper performance of duties only in case of serious negligence (*ernstig verwijt*). Whether a specific line of action can be regarded as serious negligence is highly dependent upon the specific circumstances of a case. Specific circumstances to be taken into consideration may, inter alia, be the character of the activities, the risks connected to these activities, the task assignments within the board of directors, internal guidelines (if any) and the expertise and judgment, which may be expected of a managing director who is fit for his job and diligently performs it. Case law based on the applicable provision in book 2 of the DCC is scarce. Liability of managing directors towards third parties may be based on a number of grounds. Liability may occur inter alia in case of bankruptcy of a company, in relation to a misleading presentation of annual accounts or in tort.

In Dutch literature, it is argued that an indemnity for third party damage is permitted insofar this indemnity does not cover damage due to intention or serious negligence. Such an indemnity only makes sense in those cases where the managing director is bound to bear the damage himself, i.e. those cases where there will be no direct recourse on the company. In general, in literature it is argued that it is

## Part IX—Additional Information

possible for a company to indemnify a managing director for costs he will incur in order to defend himself against a liability claim. An indemnification for beforehand liability would only be useful if it relates as a minimum to serious negligence by the managing directors towards the company (otherwise, no liability exists). However, as a general rule of Dutch contract law, a clause excluding beforehand liability caused by intentional acts is void as it may be considered to run counter to public policy and good order. The indemnification or insurance may though cover serious negligence and conditional intention (*voorwaardelijk opzet*).

### 11. Share Option Schemes

On 26 October 2006, the General Meeting and the Board approved the grant of up to 33,834,586 non-negotiable options on Ordinary Shares to the members of the Board, employees in the Company and other persons who provide services to the Company including employees of the Group. The options were granted for no consideration.

On 22 November 2011, the General Meeting and the Board approved to amend the 2006 Share Option Scheme to extend the option term (i.e., as defined in the 2006 Share Option Scheme as the term during which options can be exercised under this scheme) from seven (7) to ten (10) years from the date of grant. As a result thereof, the Company recorded an incremental fair value of EUR 955,433 which was included in the consolidated income statement.

Furthermore, the 2011 Share Option Scheme was adopted on 22 November 2011. The 2011 Share Option Scheme is based on the terms of the 2006 Share Option Scheme 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 2011 Share Option Scheme is fourteen million (14,000,000) and a cap of GBP 2.

On 20 November 2012 the General Meeting and the Board approved to amend the 2006 Share Option Scheme to further extend the option term from ten (10), as previously resolved by the General Meeting on 22 November 2011 to fifteen (15) years from the date of grant.

#### *Eligibility*

Grantees eligible to receive options (“**Eligible Grantees**”), are board members and/or employees of any company within the Company Group, which is defined in the Share Option Scheme as “The Company, its Subsidiaries and companies under its control directly and/or indirectly (in any form of corporation, including companies and partnerships” for the purposes of this paragraph “**Company Group**”). Solely with respect to the first allocation of options that was effected on 26 October 2006, whereby a total of 26,108,602 options were granted, Eligible Grantees include other persons who provide similar services to a company within the Company Group (including the company in which any grantee is currently employed by or serves in) and employees, officers and directors of EI.

#### *Dilution*

The total number of options that may be granted under the Share Option Schemes shall be 34,722,528 which, if fully exercised, would be a maximum dilution of 10.46% of the Company’s issued share capital as of the date of this document.

#### *Adjustments*

In the event that the Company issues bonus Ordinary Shares, the record date for the distribution of which takes place after the date of grant of the relevant options but before the exercise or expiry of the options, the number of Ordinary Shares to which the grantee is entitled upon the exercise of the Options shall increase by the number of the Ordinary Shares that the grantee would have been entitled to as bonus shares, had he exercised the options prior to the record date for the distribution of bonus shares. The exercise price of each option shall not vary as a result of the increase in the number of Ordinary Shares to which the grantee is entitled in the wake of the distribution of the bonus shares.

If rights to acquire any securities whatsoever are offered to shareholders in the Company by way of a rights issue, the Company shall act with a view that the rights be offered on the same terms, *mutatis mutandis* also to holders of options not yet exercised or expired, as though the holders of such options have exercised their options on the eve of the record date for the right to participate in the issuance of rights. The number

## Part IX—Additional Information

of Ordinary Shares arising from the exercise of options shall not increase as a result of the said issuance of rights.

### *Grant of options*

The granting of options shall be effected by a resolution of the Board. The 2006 Share Option Scheme stipulates that 750,000 options shall be granted in each of 2007 and 2008 under the Share Option Scheme, on the 5th (fifth) day following the date of publication of the annual financial results of the Company, to Eligible Grantees with the best performance evaluation as shall be decided by the Board upon management's recommendation. Furthermore, pursuant to the Share Option Scheme, options may be granted to new employees and board members in accordance with their seniority ranks as applicable within the Company Group. The grant of options to new employees shall be made on the first Quarterly Grant Date (as defined in the Share Option Scheme) following the date of signing of the employment agreement of the relevant employee and the grant of options to new board members shall take place on the date of their appointment by the General Meeting. In addition, Eligible Grantees who received a higher rank during their employment with a company within the Company Group will be entitled to an additional number of options, so as to reflect such Eligible Grantee's new rank. Such grant would be effective on the date of the first Quarterly Grant Date (as defined in the Share Option Scheme) following receipt of the higher rank.

### *Exercise price*

The Exercise Price for any Option to be allocated under this Plan shall be the average closing price of the Shares on the LSE (or the WSE, in the event that the Shares will be delisted from the LSE or in any other event in which there is any problem to determine the Exercise Price as set forth herein according to the closing price of the Shares on the LSE), at the case may be, during the 15-day period prior to and including the Date of Grant. Notwithstanding the foregoing, the exercise price of options granted pursuant to the Share Option Scheme prior to the admission of the Ordinary Shares to the LSE in 2006 was 180 pence.

### *Exercise mechanism of options*

On the date of receipt by the Company of the Exercise Notice as defined in the Share Option Scheme (and where the Exercise Notice is received after the hour 13:00, on the trading day subsequent to receipt of the Exercise Notice by the Company) (the "**Exercise Day**"), the Company shall allocate the Exercise Shares as calculated in accordance with the following formula:

$$\frac{(A \times B) - (A \times C)}{D}$$

A = The number of Options which a grantee wishes to exercise that is specified in the Exercise Notice

B = The opening price in GBP of the Shares on the LSE (or the WSE, in the event that: (i) there is no opening price on the LSE in the relevant Exercise Day; or (ii) the Shares will be delisted from the LSE; or (iii) in any other event in which there is any problem to determine the opening price on the LSE) on the Exercise Day, provided that if the opening price exceeds GBP 3.24 the opening price shall be GBP 3.24 (soll share option scheme GBP 2);

C = Exercise Price in £ per option

D = The opening price in GBP of the Shares on the LSE (or the WSE, in the event that: (i) there is no opening price on the LSE in the relevant Exercise Day; or (ii) the Shares will be delisted from the LSE; or (iii) in any other event in which there is any problem to determine the opening price on the LSE) in the Exercise Day.

Fractions of shares shall be rounded up for any fraction of a share that is equal to or exceeds 0.5 and rounded down for any fraction of a share that is lower than 0.5.

### *Transfer of options*

An option may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent.

## **Part IX—Additional Information**

### *Acceleration of Vesting of options at Change of Control*

Upon the occurrence of an event of Change of Control in the Company (which is defined in the Share Option Schemes as: “the obtaining of 50.01% of the Company’s issued share capital and/or voting rights by another person or entity, other than EI, its subsidiaries or companies under its control, directly or indirectly, and/or EI’s controlling shareholder, directly or indirectly”), the vesting of all the outstanding options granted by the Company that were not exercised or did not expire by such date, shall be accelerated, so that on the date of such Change of Control all such Options shall be fully vested and may be exercised by the grantees.

The restructuring of EI and the change of shareholding in EI, qualifies, in the view of the Board, as a Change of Control pursuant to each of the Share Option Schemes. Therefore, all options have been declared fully vested and they may be exercised by the grantees.

### *Termination of eligibility*

If the holder of an option ceases to be an employee or director within the Company Group other than by reason of death, cause, retirement or disability following the vesting of any Options but prior to them being exercised, the options can be exercised for a period of six months from the date of termination or the end of the Option Period. Any options which have not vested at the termination date will lapse. Provided always that if the holder of an option has been employed by, or a director of, the Company Group for three consecutive years, he or she will be entitled to exercise all of his or her options, regardless of whether they have vested, in accordance with the vesting dates and all other terms of the Share Option Scheme.

If the holder of an option ceases to be an employee or director with the Company Group by reason of death, disability or retirement following the vesting of any options but prior to them being exercised, the options can be exercised for a period of 12 months from the date of termination or the end of the Option Period. Any options which have not vested at the termination date will lapse. Provided always that if the holder of an option has been employed by, or a director of, the Company Group for three consecutive years, he or she will be entitled to exercise all of his or her options regardless of whether they have vested in accordance with the vesting dates and all other terms of the Share Option Scheme.

If the holder of an option ceases to be an employee or director with the Company Group for cause, such holder of an option shall not be entitled to exercise any options, regardless of whether they have vested.

### *Modifications of the Share Option Schemes*

The Board has discretion to manage and administer the Share Option Schemes, adopt resolutions with respect to the Share Option Scheme, interpret the same and introduce changes therein, subject to the provisions of any applicable law, including but not limited to applicable market abuse laws in the Netherlands, Poland or England.

### *Tax*

All tax implications under any law (other than stamp duty) shall be incurred by the grantee and the grantees indemnify the Company Group for such liabilities.

### *Amendments made to the 2006 Share Option Scheme*

The Company had on 25 November 2008 adjusted the exercise price of the granted options and in November 2012 the Company extended the option term from ten (10) to fifteen (15) years from the date of grant of the 2006 Share Option Scheme. This has been done since the Board was of the view that the Share Option Scheme should serve as an effective incentive for the employees of the group of companies, headed by the Company, to encourage them to remain in employment and work to achieve the best possible results for the Company and its shareholders. Market conditions and the global economic crisis that is still impacting the geographic regions and real estate sectors in which the Company operates, however, led to a strong decline in the Company’s share price at both the London Stock Exchange and the Warsaw Stock Exchange, resulting in practically all options being out of the money without a favorable outlook for a quick recovery. In order to maintain the incentive for all employees, the Board has submitted to the extraordinary General Meeting that was held on 25 November 2008, a proposal to amend the 2006 Share Option Scheme and to determine the exercise price of all options granted on or prior to 25 October 2008, to GBP 0.52 and to the extraordinary meeting of shareholders that was held on 20 November 2012, a proposal to amend the 2006 Share Option Scheme and to extend the option term from ten (10) to fifteen

## **Part IX—Additional Information**

(15) years from the date of grant to be in line with the end date of the option term under the 2011 Share Option Scheme (whereas in the extraordinary General Meeting of 22 November 2011, the Option Term of the 2006 Share Option Scheme had been amended from seven (7) to ten (10) years. In an attempt to insure that the options are and remain an effective incentive and to assist in the retention of employees, and that the option holders should have the opportunity to exercise their options until the same end date as the holders of options under the 2011 Share Option Scheme, the revised 2006 Share Option Scheme includes an extension of the vesting term for options granted less than one year prior to 25 October 2008. The shareholders approved the amendments of the 2006 Share Option Scheme, the adjustment of the exercise price and the extension of the option term.

### *The Share Option Scheme and the Rights Offering*

Both Share Option Schemes contain a provision which stipulates that, if rights to acquire any securities whatsoever are offered to Company shareholders by way of rights, the Company shall act with a view that the rights be offered under the same terms, mutatis mutandis, also to holders of the options not yet exercised or expired, as though the holders of such options have exercised their options on the eve of the record date for the right to participate in the said issuance of rights. The number of the exercise shares shall not increase as a result of the said issuance of rights.

Consequently, pursuant to the Share Option Schemes, the Rights Offering shall also extend to persons holding options at the Record Date. Insofar on the Record Date, these options will appear to be out of the money (and thus no Ordinary Shares could be obtained with their exercise), any grant of Rights will not be effected.

## **12. Material contracts**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group and which are, or may be, material:

### *Sponsor Agreement*

Under the terms of the Sponsor Agreement to be entered into on or around the date of this document, between the Company, the Directors and the Sponsor, the Company has appointed SPARK Advisory Partners Limited as sponsor to the Rights Offering, Placing and Additional Placing. The obligations of the Sponsor are conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, the accuracy of the warranties in the Sponsor Agreement and Admission occurring by not later than 8.00 a.m. on 31 December 2014 or such later time and/or date as the Sponsor may agree with the Company. The Sponsor may terminate the Sponsor Agreement prior to Admission in certain specified circumstances that are typical for an agreement of this nature. These include certain changes in financial, political or economic conditions (as more fully set out in the Sponsor Agreement). If any of the above mentioned conditions are not satisfied (or waived, where capable of being waived), or the Sponsor Agreement is terminated prior to, Admission, then the Rights Offering will lapse. The Sponsor Agreement cannot be terminated after Admission. The Company has agreed to pay or cause to be paid (together with certain related value added tax) certain costs, charges, fees and expenses properly incurred by the Sponsor in the performance of its obligations under the Sponsor Agreement. The Company and the Directors have given certain warranties to the Sponsor pursuant to the Sponsor Agreement. The Company has also given indemnities to the Sponsor. The warranties and indemnities are typical for an agreement of this nature.

### *Polish Agency Agreement*

On 14 October 2014, the Company and IPOPEMA Securities S.A. (the “**Polish Issue Sponsor**”) entered into an agency agreement in connection with the Placement in Poland (the “**Agency Agreement**”). Pursuant to the Agency Agreement, the Polish Issue Sponsor will provide the Company with certain services related to the distribution of Bondholders’ Shares to the holders of Polish Bonds in accordance with the requirements of the regulation of the Polish CSD. The Agency Agreement contains standard representations and warranties of the parties. The Company agreed to indemnify the Polish Issue Sponsor for any losses resulting from the breach of the Company’s representations and warranties. The agreed fee for the Polish Issue Sponsor is 15,000 (*fifteen thousand euro*) exclusive of expenses.

## Part IX—Additional Information

### *Escrow Agreement*

On or around the date of this document, the Company, EUL and (an affiliate of) DK will enter into an escrow agreement with a Dutch civil law notary (*notaris*) as escrow agent (the “**Escrow Agent**”). The escrow agreement provides for EUL and DK transferring the amount of each of their respective undertakings under the Controlling Shareholder Agreement and the Back Stop Agreement (the aggregate amount of EUR 20 million, the “**Escrow Amount**”) to the Escrow Agent’s third party account (*notariële kwaliteitsrekening*) on or prior to 28 November 2014. After that date, the Escrow Agent will hold the Escrow Amount for the account of the Company, subject to certain conditions, one of which is that before 31 December 2014, the Company shall have issued Ordinary Shares subscribed to by EUL and DK pursuant to the Controlling Shareholder Agreement and the Back Stop Agreement. If the conditions have been fulfilled, the Notary shall pay out the Escrow Amount to the Company; if the conditions have not been fulfilled, the Notary shall transfer the Escrow Amount back to EUL and DK.

### *Joint Venture and Shareholders Agreement with EI*

On 25 August 2008, the Company and EI entered into a strategic joint venture and shareholders agreement, for the development of existing and future major mixed-use projects in India (the “**Indian JV Agreement**”). Under the Indian JV Agreement, the Company acquired from EI a 47.5% stake in the Indian JV Vehicle in consideration for approximately USD126 million. The Indian JV Vehicle owns 50% and 80% of two residential projects in India, in conjunction with local Indian partners. In addition, under the Indian JV Agreement, EI undertakes to transfer all of its rights and interests in a real estate development project being conducted by it in the city of Cochin (the “**Cochin Project Rights**”) to the Indian JV Vehicle, and has provided the Company with a corporate guarantee for the fulfillment of this undertaking. Following this transaction, the Group and EI each own 47.5% of the Indian JV Vehicle and the remaining 5% is owned by Mr. Abraham Goren, EI’s former Vice Chairman. The Indian JV Vehicle’s board of directors comprises four members, of whom two were appointed by the Company and two were appointed by EI. The Indian JV Agreement is not subject to time restrictions, therefore, as long as there is no occurrence of a termination event, the Indian JV Agreement shall survive. Under the Indian JV Agreement, the Company and EI agreed to terminate by mutual consent the project sourcing agreement which they entered into on 26 October 2006, under which EI was obliged to offer to the Company potential real estate development sites sourced by it in India. However, in the event that the validity of the Indian JV Agreement shall lapse or be terminated prior to 26 October 2021, the parties shall re-execute a project sourcing agreement in identical form to the previous one.

### *Bangalore and Chennai (India)*

In March 2008, the Indian JV Vehicle entered into an amended and reinstated share subscription and framework agreement (the “**Amended Framework Agreement**”), with a local third party (the “**Partner**”) and a wholly owned Indian subsidiary of the Indian JV Vehicle 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 31 December 2013, the Partner has surrendered land transfer deeds in favor of the SPV to a trustee nominated by the parties for approximately 54 acres for a total aggregate consideration of approximately INR 2,843 million (EUR 40 million), and upon the actual transfer of the title, the Partner will be entitled to receive 50% of the shareholdings in the SPV.

In addition, the SPV has 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.

On 22 July 2010, the JV Vehicle, the SPV and the Partner signed a new framework agreement which, subject to certain conditions (which, as of the date of this document have not been satisfied), is supposed to replace the Amended Framework Agreement (the “**New Framework Agreement**”).

The New Framework Agreement established new commercial understandings between the parties thereto, pertaining, inter alia, to the joint development of the Project and its magnitude and financing, the commercial relationships and working methods between the parties and the distribution mechanism of the revenues from the Project. In accordance with the New Framework Agreement, the following commercial terms have been, inter alia, agreed between the parties:

- The Indian JV Vehicle will remain the holder of 100% of the shareholdings and the voting rights in the SPV.

## Part IX—Additional Information

- The scope of the new project will be decreased to approximately 165 acres instead of the original 440 acres.
- The Partner undertakes to complete the acquisitions of the additional land and/or the development rights therein in order to obtain the ownership and/or the development rights over all 165 acres.
- Neither the Indian JV Vehicle nor the SPV will be required to pay any additional amounts in respect of the land acquisitions or with respect to the Project and its development.
- The Project will be re-designed as an exclusive residential project.
- The Project will be executed jointly by the Partner and the SPV. The Partner (or any of its affiliates) will also serve as the general contractor and marketing manager of the project. Under the New Framework Agreement, the Partner is also committed to a maximum sale prices, minimum construction costs threshold and a detailed timeline and budget with respect to the development of the project.

Under the New Framework Agreement, the Indian JV Vehicle will receive distributions (following a certain 3+6 months reserve mechanism to enable the Partner to utilize a portion of the proceeds for construction costs and expenses) of approximately 70% of the net proceeds from the Project (including the proceeds from any sale by the Partner or any transaction with respect to the original land which does not form part of the said 165 acres), until such time that EPI's investment in the amount of INR 5,780 million (approximately EUR 80 million) ("**JV's Investment**") plus an Internal Return Rate of 20% per annum calculated from 30 September 2009 ("**IRR**") is paid to the SPV on behalf of EPI (the "**Discharge Date**").

Following the Discharge Date, the Indian JV Vehicle 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 the JV's Investment plus an IRR of 20% per annum calculated on the relevant date of acquisition.

The New Framework Agreement will enter into full force and effect upon execution of certain ancillary agreements described therein as well as satisfaction of certain other conditions; however, the Indian JV Vehicle, the SPV and the Partner are actually pursuing the Project itself in accordance with the New Framework Agreement.

In January 2011, the Partner has submitted the development plans pertaining to approximately 49 plus 35 acres included in the scope of the new project of 165 acres to the local planning authority, the Bangalore Development Authority ("**BDA**"). In October 2011, the BDA had notified the Partner that the development plans cannot be considered due to a future eminent domain plan. In January 2012, the Partner applied to the State High Court, requesting to issue a court order directing the BDA to consider the development plans. In March 2012, the court awarded a judgment pertaining to approximately 49 acres, ordering the BDA to consider the development plans related to the said 49 acres ("**Development Plan**"), while ignoring any future eminent domain plan that may be considered by the state authorities. In December 2012, the BDA decided to submit the Development Plan pertaining to the aforementioned 49 acres to the Sensitive Zone Sub-Committee of the BDA and in January 2013, the Sensitive Zone Sub-Committee of the BDA granted its approval to the aforementioned Development Plan. In May 2013, the court awarded a judgment pertaining to the additional 35 acres, ordering the BDA to consider the development plans related to the said 35 acres as well.

In December 2007, the Indian JV Vehicle executed agreements for the establishment of a special purpose vehicle ("**Chennai Project SPV**") together with one of the leading real estate developers in Chennai (in this section, the "**Local Partner**"). Subject to the fulfillment of certain conditions, the Chennai Project SPV undertook to acquire the ownership and development rights in and up to 135 acres of land situated in the Sipcot Hi-Tech Park in the Siruseri District of Chennai, India. Under these agreements, the Indian JV Vehicle is to hold 80% of the equity and voting rights in the Chennai Project SPV, while the Local Partner will retain the remaining 20%. Under the agreement, EPI's investment in the Chennai Project SPV will be a combination of investment in shares and compulsory convertible debentures. Due to changes in market conditions, the Indian JV Vehicle and the Chennai Project SPV later decided to limit the extent of the project to 83.4 acres.

As at the date hereof, the Chennai Project SPV has completed the purchase of approximately 75 acres out of the total 83.4 acres for consideration of approximately INR 2,367 million (approximately EUR 33 million). An additional amount of INR 564 million (approximately EUR 8 million) was paid in advance in order to secure the acquisition of an additional 8.4 acres.

## Part IX—Additional Information

A shareholders agreement in respect of the management of the Chennai Project SPV provides for a five member board of directors, four of whom are appointed by the Indian JV Vehicle. The shareholders agreement also includes certain pre-emptive rights and restrictions on transferring securities in the Chennai Project SPV. Profit distributions declared by the Chennai Project SPV will be distributed in accordance with the shareholders' proportionate shareholdings in that company, subject to the Indian JV Vehicle's entitlement to receive certain preferential payments out of the Chennai Project SPV's cash flow on the terms specified in the agreements. The consummation of the agreements will be accomplished in stages, and is subject to the fulfillment of certain regulatory requirements, as well as to our satisfactory due diligence investigations, in respect of each stage. However, the Indian JV Vehicle is currently negotiating certain changes in the project's implementation plan and holding structure, which would require changes also in the respective agreements. Among other things, should those changes be accepted, the Indian JV Vehicle shall not be required to advance more financing to the project in addition to the amounts mentioned above and shall hold all the issued and outstanding share capital of the SPV. In furtherance of the foregoing, the Indian JV Vehicle is currently operating to secure a joint development agreement with local developer(s) for the development of the project land, in accordance with the aforementioned guidelines.

### Option agreement Mr. Rami Goren

The Company has entered into an agreement on 27 October 2006 with Mr Abraham (Rami) Goren who then acted as the Executive Vice-Chairman of EI (then named Elbit Medical Imaging Ltd.) with responsibility for its operations in India, under which he will be entitled to receive options (the "Options") to acquire up to 5% of the holding company through which the Company will carry on its operations in India. However, where considered appropriate and by agreement, Mr Goren will be entitled to take up a 5% interest in specific projects, in which case necessary adjustments will be made at the holding company level. The Company and Mr Goren will agree the form of the Option for each acquisition, taking into account taxation, securities laws and regulations applicable to either party or their respective affiliates, and other considerations of the respective parties. If Mr Goren exercises all of his Options (5%) at the holding company level, his right to take up interests on a project by project basis will lapse. The Options will be subject to vesting over a three-year period, with an initial vesting of 2% on award of the Options following commencement of the relevant project. This will rise by 1% on the following dates: 31 March 2007; 31 March 2008; and 31 March 2009. Therefore, this will reach a maximum amount of 5% after the three-year period. If Mr Goren elects to take up Options in a specific project which commences after any of the vesting dates specified above, an immediate vesting will be allowed in respect of Options which would have vested as of the above dates. For example, if a project commences after 31 March 2008, Mr Goren will be entitled to an immediate vesting of 4%. The Options will also vest immediately upon: (i) Mr Goren's death, in which event all of his rights under the agreement will devolve upon his legal heirs; or (ii) Mr Goren being declared, by court order, mentally or physically incapacitated and incapable of conducting his own affairs, in which case all of his rights under the agreement will devolve upon his legal guardians appointed by court order. The Options may be exercised at any time, at a price (the "Exercise Price") calculated in accordance with the following formula:

$$\frac{[A]}{100} \times [B] + [C] = [D]$$

Where:

[A] is the total owner's net equity investment made by the Company in the projects as at the Option exercise date;

[B] is the number of vested Options to be exercised (expressed as a percentage of the total outstanding shares held by the Company in the projects);

[C] is interest at the rate of LIBOR plus 2% per annum from the date of the investment until the Option exercise date; and

[D] is the Option Exercise Price.

Mr Goren has a cash-in right to require the Company to purchase shares held by him following exercise of the Options, at a price to be determined by an independent valuer. In addition, Mr Goren has the right to pay the Exercise Price on a partial exercise of Options by way of the surrender to the Company of Options valued at the Exercise Price of the exercised Options. If the Company sells its shares in the India holding

## **Part IX—Additional Information**

company to a third party, Mr Goren's Options will not be affected. However, if a new investor is allotted shares in the holding company, Mr Goren's options will be diluted pro-rata.

The Option arrangement was approved by EI's relevant corporate organs together with an additional agreement that is intended to replace this agreement, subject to receipt of the relevant approvals of the Company's corporate bodies. The agreement includes tag-along rights and rights of first refusal. The parties have given the standard representations and warranties for an agreement of this kind.

Mr. Goren left the Group in 2011, the option agreement still remaining in place.

### ***Riga Plaza (Latvia)***

The joint-venture company for Riga Plaza, SIA Diksna, is jointly owned by two affiliates of Development Corporation Latvia (being ATS Development Corporation (Moldova) Limited and SIA Diksna Finances, both of which are unrelated third parties). The Company's ownership in SIA Diksna share amounts to 50%. The joint venture and shareholders' agreement was concluded in February 2004 for the purpose of the development, construction, opening, management and operation of Riga Plaza, located in Riga, Latvia. The agreement governs the obligations of the parties in the construction, development and operation of Riga Plaza and provides for a buy-out mechanism in the event of certain deadlocks and for certain limitations on the sale of each party's holdings in the special purpose vehicle, including provisions ensuring that negotiations take place on bona fide arms-length terms, a right of first offer and a tag along right for all of each party's shares.

Any problematic shareholder resolution will first be submitted to a deadlock committee, comprising the CEO's of the Company, and in the event of an unresolved deadlock, either party may invoke the compulsory buy out procedures.

### ***Dambovita Center (Casa Radio)—Bucharest, Romania***

Mimel Insaat San Ve Tic. A.S., which was at the relevant time controlled by a Turkish group, and Orb Estates Plc. (the "**Initial Investors**"), following a Romanian Government tender, entered into a public-private partnership agreement ("**PPP Contract**") with the Government of Romania ("**GOR**") in 2003, for the development of the "Casa Radio" or "Dambovita Center" project ("**Casa Radio Project**") in central Bucharest, Romania. Pursuant to the original PPP Contract, the Initial Investors, through nominee companies, held 90% of a Romanian company incorporated to develop the Casa Radio Project (Dambovita Center SRL—the "**Project SPV**"), while the GOR held the remaining 10%. Thereafter, Orb Estates Plc. assigned all its rights and shares under the PPP Contract to Mimel Insaat San Ve Tic. A.S., which thus held the full 90% interest of the Initial Investors in the Project SPV through a nominee company ("**Vendor**"). The Company and the Vendor have entered into a share purchase agreement dated 11 October 2006 (the "**Agreement**"), pursuant to which the parties have agreed that EI and the Company (the "**Purchaser**") acquired from the Vendor such number of shares equalling to 75% of the total outstanding and issued shares in the Project SPV at a price of USD 23,365,000. In addition, the Purchaser paid USD 2,000,000 as reimbursement of costs for the transaction. Both of these sums were paid into escrow, and were released to the Vendor following approval by GOR of the Purchaser as a new investor, and of certain amendments to the PPP Contract. Accordingly the Company holds (indirectly) 75% of the shares in the Project SPV, the remaining 25% are held by the GOR (15%) and by an affiliate of the Vendor (10%).

Further to the Agreement, on 19 October 2006, the Vendor and the Purchaser entered into a shareholders agreement ("**Shareholders Agreement**") in relation to the Project SPV. The Shareholders Agreement, which was conditional on the amendments to the PPP Contract being approved by GOR, governs some of the obligations of the parties in relation to the Project SPV, and includes pre-emption and drag and tag along rights on the transfer of shares in the Project SPV, obligations on the Purchaser to take all necessary measures to obtain financing for the demolition and site organization works required by the PPP Contract (as amended) and for the development of the Casa Radio Project, including the payment of all expenses. The board of directors of the Project SPV will comprise five directors of which the Purchaser has the right to appoint three members, and each of the GOR and the Vendor one director.

As part of the PPP Contract, 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 11.000sqm for the GOR Government at its own cost.

## **Part IX—Additional Information**

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 Romanian Authorities.

The Project SPV obtained the Detailed Urban Plan (“**PUD**”) permit related to the Casa Radio Project in September 2012. Furthermore, on 13 December 2012, the Romanian Court took note of the waiver of a claim submitted by certain plaintiffs and rejected the litigation aiming to cancel the approval of the Zonal Urban Plan (“**PUZ**”) related to the Casa Radio 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 13 December 2012.

Following the Court decision, in order to comply with the original schedule of the PPP Contract, 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 GOR (shareholder of the Project SPV and a party to the PPP) regarding the future development of the project.

In addition, considering the delays incurred in the development of the Casa Radio Project due to the challenge of the PUZ in court, the Project SPV also officially notified the GOR in order to renegotiate the existing PPP contract on items such as a new time table, structure and milestones.

The Company estimates that although there is no formal obligation from the GOR to renegotiate the PPP Contract, such obligation is expressly provided for the situation when extraordinary economic circumstances arise; however there is no assurance that the GOR will respect such obligation.

### ***Credit Facility Agreements***

Certain Subsidiaries entered into credit facility agreements for the purchase of land and construction of the Group’s projects. With regard to Liberec Plaza, Zgorzelec Plaza, Valley View, Primavera and Koregaon Park Project, the Company has provided different types of corporate guarantees.

### ***BAS, Romania***

On 22 October 2007, the Company entered into a share purchase agreement and an asset purchase agreement (“**Transaction Agreements**”) with Badto Adviesburo B.V. and its shareholders, being three private Israeli individuals (“**Badto Shareholders**”) for the purpose of purchasing existing assets, namely Romanian special purpose vehicles that hold real estate property in Romania (“**Existing Assets**”) and for cooperation with the Badto Shareholders in the development, construction and selling of future residential and office projects in Romania.

At the closing of the Transaction Agreements on 31 January 2008 (“**Closing**”), the Existing Assets were transferred to Plaza BAS B.V. (“**BAS**”), at that time a wholly owned subsidiary of the Company, and BAS issued to the Badto Shareholders such amount of new shares that the Badto Shareholders together acquired 49.9% of the issued and outstanding share capital. In addition, at the Closing, the Company and the Badto Shareholders entered into a shareholders agreement setting out the terms and conditions under which they will jointly operate BAS. Following the Closing the Company has 50.1% of the issued and outstanding share capital of BAS and the majority of members of BAS’ board of directors (three members out of a total of five members of the board of directors). In the frame of the Transaction Agreements seven (7) local special purpose vehicles (“**Local SPVS**”) are holding residential and office projects in Bucharest, Ploiesti and Brasov. The Local SPVS are held together with Aura Investments Limited (“**Aura**”) (see Part III, Information on the Group).

On 7 November, 2013 BAS and Aura have entered into a Share Sale and Purchase Agreement (the “**Shares Sale and Purchase Agreement**”), as further and ultimately amended on 16 June, 2014 for the mutual transfer of the shares in the Local SPVS between Bas and Aura and accordingly BAS wholly owns four (4) Local SPVS and Aura wholly owns three (3) Local SPVS.

## **Part IX—Additional Information**

### *Agreement related to the Bonds*

The Company and the Bondholders have agreed in the Restructuring Plan, on certain terms in relation to the Bonds. Reference is made to this Part IX, paragraph 3 “Suspension of payments under Dutch law and Restructuring Plan”.

There are no contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

### **13. Related party transactions**

The transactions described in this paragraph are transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the period commencing on 1 January 2003 and up to the date of this document with a related party. Each of the transactions was concluded at arm’s length.

### *Controlling Shareholder Undertaking*

On or about the date hereof, EUL entered into the Controlling Shareholder Undertaking, pursuant to which EUL undertook to the Company: (i) to exercise or procure the exercise of all voting rights attaching to the Ordinary Shares held by EUL to vote in favour of all resolutions to approve the Rights Offering and any reasonable matters related thereto (save that EUL will not be required to vote on the Related Party Resolutions); (ii) subject to the Company launching the Rights Offering prior to 30 November 2014, to exercise its Rights under the Rights Offering to take up or procure that others take up its full entitlement of New Ordinary Shares at the Rights Offering Price less the number of Escrow Shares acquired from the Bondholders prior to 30 November 2014; (iii) to not exercise its Rights in respect of New Ordinary Shares equal in number to the Escrow Shares; (iv) to purchase the Escrow Shares from the Bondholders (or their nominees) at the Rights Offering Price; and (v) 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 additional New Ordinary Shares (the “**Rump Shares**”) 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 EUR 20 million. In addition, the Company undertook that in the event that the value of the Rump Shares (circulated as the multiple of the number of Additional Rights Shares by the Rights Offering Price (the “**ARSV**”)) is less than EUR 3,000,000 EUL may demand, at its sole discretion, that the Company issue and EUL and/or a person nominated by it shall subscribe for the Additional Placing Shares at the Rights Offering Price.

EUL also undertook to make or procure that payment of EUR 20 million is made to the bank account of the escrow agent under the Escrow Agreement (to be held under the terms of the Escrow Agreement) such that the monies are received by the escrow agent by 17:00 London time on 28 November 2014.

The Controlling Shareholder Undertaking is subject to the following conditions precedent having been satisfied by 30 November 2014: a prospectus relating to the Rights Offering be approved by the AFM and published and passported into any other jurisdictions in the European Economic Area that the Company may deem appropriate or necessary; the Company’s Board and Shareholders having given any necessary approvals in connection with the Rights Offering; and all of the matters due to take place under section 3.1.15(ii) to (v) of the Restructuring Plan have taken place. Section 3.1.15(ii) to (v) of the Restructuring Plan requires that the following need to have occurred prior to 30 November 2014: (i) the Ordinary Shares to be listed on the Tel Aviv Stock Exchange; (ii) a pre-ruling from the Israeli tax authority to be received on the tax implications for the Israeli holders of the Notes resulting from the amendment of the original terms and conditions of the trust deeds relating to the Notes and the terms of the Polish Bonds; (iii) the trustee of the Series A Notes and the Series B Notes having received signed undertakings from the Company’s subsidiaries as required under the Restructuring Plan; and (iv) the amount of interest to be paid to the holders of the Notes on the first interest payment date under the Restructuring Plan having been deposited in a trust account or with the nominee company in accordance with the trusts deeds relating to the Notes.

The Company also made a number of representations and undertakings to EUL and each person nominated by EUL to receive shares, including: (a) that shares of the Company received by EUL and/or the such persons nominated by EUL to receive shares shall not be subject to any contractual lock-up or similar contractual transfer restrictions with the Company, its affiliates or advisers; (b) that no UK stamp

## Part IX—Additional Information

duty or stamp duty reserve tax is payable by acquirers of shares or depository interests representing shares in the capital of the Company; as at 30 November 2014, (c) that since the date of the agreement, there shall not have been any material adverse change; (d) that as at 30 November 2014, no event or circumstance has occurred or information exists with respect to the Company or its business, properties, operations or financial condition, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly disclosed or announced; (e) that as at Admission there shall not have been any material adverse change and no new insolvency event is continuing; (f) not to amend, change or modify the Restructuring Plan without EUL's prior written consent, and (g) not to amend, change, modify the terms of the Rights Offering without EUL's prior written consent. The Company agreed to indemnify EUL and each person nominated by EUL to receive shares, for any breach of point (e) provided that any claim that EUL and each person nominated by EUL to receive shares may have under point (e) will be subordinated to the claims of other creditors of the Company. EUL agreed not, at any time after 30 November 2014, to rescind this Controlling Shareholder Undertaking for breach of any representation given or made under that document by the Company.

The obligations of EUL under the Controlling Shareholder Undertaking will lapse in the event that the Rights Offering does not close before noon (Amsterdam time) on 31 December 2014.

The obligations of EUL under the Controlling Shareholder Undertaking have been guaranteed by EI.

### *Relationship Agreement*

The Company contemplated to enter into an amended and restated relationship agreement that amended the relationship entered into by these parties on 27 October 2007 (the "**Relationship Agreement**"). The amendments to the Relationship Agreement reflect recent changes introduced to the Listing Rules relating to situations where companies have a 'controlling shareholder'. Pursuant to this agreement it is proposed that Elbit will undertake to the Company that:

- (a) neither it nor any member of its group nor any of its or their associates would take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;
- (b) neither it nor any member of its group nor any of its or their associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- (c) it would allow the Company to be operated in the best interests of the Company as a whole;
- (d) it would allow the Company at all times to carry on its business independently of EI and the Elbit Imaging Group; and
- (e) it would use its best endeavours to procure that no member of its group would act in any way or omit to act in any way which shall prejudice the ability of Group to carry on its business independently of Elbit Imaging Group (or render it unsuitable for continued listing on the London Stock Exchange by reason of any act or omission on the part of any member of the Elbit Imaging Group).

It is also proposed that Elbit will undertake to the Company that it will (and will procure that the relevant members of the Elbit Imaging Group), conduct any transactions, arrangement and relationships between any member of the Elbit Imaging Group and/or its associates, on the one hand, and any member of the Group, on the other, on arm's length and on normal commercial terms.

It is proposed that the Relationship Agreement will terminate in the event that the Company's issued share capital ceases to be admitted to the Official List.

### *Agreement with Control Centers*

The Company and/or its subsidiaries were parties to a projects initiation and supervision agreement which was signed in 2006 between the Company and Control Centers. Bank Hapoalim has instituted legal action to foreclose on its pledges, including, *inter alia*, all the assets of Europe-Israel securing Europe-Israel's obligations under a loan agreement with Bank Hapoalim including its shares in EI. On 21 July 2013 a receiver was appointed to Control Centers and Europe-Israel and on 10 September 2013, the Receiver dismissed their employees. Consequently, as of the date hereof the Company is not receiving the agreed services under the aforementioned agreement. As of the date of this document the agreement with Control Centers is deemed to be terminated due to EI's restructuring and there is no liability in respect of engineering supervision services supplied by related parties in Control Centers Group.

## **Part IX—Additional Information**

### ***EI Guarantees***

An agreement dated 27 October 2006, addressed to the Company from EI, pursuant to which with effect from 1 January 2006 the Company will pay a commission 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 and which remain valid and outstanding (“**EI Guarantees**”). The amount of the commissions to be paid will be determined by agreement between EI and the Company at the beginning of each financial year, and will apply to all EI Guarantees which remain outstanding during the course of that relevant financial year. The amount of the commission payable by the Company is subject to a cap of 0.5% of the amount or value of the relevant EI Guarantee, per annum. The commission payable is exclusive of value added tax, if applicable, and will be paid annually in arrears. In the event that an EI Guarantee lapses, or is returned, during the course of the relevant financial year, then the commission is payable pro rata for the period during which it remained valid during that year. The Company has the right to replace the EI Guarantees at any time, either with its own corporate guarantees or with guarantees issued by third parties. Upon the termination or return of EI Guarantees which have been replaced, the commission is payable pro rata for the period during which it remained valid during that year. As of the date of this document no EI Guarantees are issued and/or there are no outstanding EI Guarantees.

### ***Joint Venture Agreement***

On 25 August 2008, the Company and EI entered into a strategic joint venture and shareholders agreement, for the development of existing and future major mixed use projects in India. For a description of this agreement, reference is made to paragraph 12 of this Part IX (Material Contracts).

## **14. The Back Stop Agreement**

On or around the date of this document, EUL entered into an agreement (the “**Back Stop Agreement**”) with various affiliates of DK, pursuant to which EUL has the right to request DK to subscribe, under the Rights Offering for Ordinary Shares (the “**DK Shares**”) in such number as may be determined by EUL. It was agreed between EUL and DK that the number of DK Shares shall not be less than the higher of:

- (i) the number of New Ordinary Shares subscribed by DK that would result in a purchase price of EUR 3 million; and
- (ii) (ii) the number of New Ordinary Shares that have not been taken up by Shareholders in the Rights Offering.

The Back Stop Agreement also provides that DK’s financial obligation to acquire DK Shares shall not exceed EUR 10 million. Furthermore, it was agreed that the subscription for DK Shares may not result in DK and its affiliates, directly or indirectly, holding ordinary shares representing 30 per cent or more of the total voting rights in the Company. DK also undertook to make payment of EUR 7,5 million to the Escrow Agent under the Escrow Agreement, such that the monies be received by the Escrow Agent by 17:00 London time on 28 November 2014.

Under the Back Stop Agreement, EUL also undertook, subject to various terms and conditions, to exercise its rights under the Controlling Shareholder Undertaking to direct the Company to issue the DK Shares to DK (or such alternative party or parties as DK may direct). DK agreed, subject to various terms and conditions, to subscribe for the DK Shares as directed by EUL and pay for such shares. The agreement will automatically terminate if the conditions therein are not satisfied by 31 December 2014.

Should EUL demand, under the Controlling Shareholder Undertaking, that the Company issue Additional Placing Shares, the Company believes that in light of the arrangements agreed in the Back Stop Agreement such shares will be issued to DK.

## **15. Litigation**

Other than as set out below, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group’s financial position or profitability and, so far as the Directors are aware, no such proceedings are pending or threatened against any member of the Group.

### ***Current litigation***

1. SIA Diksna (the joint venture company for Riga Plaza) submitted a claim against Seesam Latvia, Chartis Finland, QBE Estonia, AXA Versicherung with third persons MAI Insurance Brokers and

## Part IX—Additional Information

SIA Peek & Cloppenburg for recovery of the insurance indemnity in the total amount of EUR 630,891. The damage was reported by SIA Peek & Cloppenburg to be caused by to a fire accident in the premises of SIA Peek & Cloppenburg being the tenant of the shopping center in Riga, Latvia during the construction of the mall. The first instance court judgment was delivered on 27 December 2011 which fully satisfied SIA Diksna's claim. The insurers submitted an appeal regarding the first instance judgment. SIA Diksna has submitted written pleadings against it and a counter appeal. On 2 June, 2014 the Appeals court has denied Diksna's claim on two principal alternative grounds: (A) The fire incident occurred during the Maintenance period of the Insurance policy and not during the Construction period (fire risk not cover during the Maintenance period); (B) Peek & Cloppenburg is not an insured person under the Insurance policy (while the agreement by which Diksna compensates losses to P&C for clean-up is simply a private agreement which does not bind the Insurers). SIA DIKSNA submitted a cassation claim to the highest instance court until 16 July, 2014.

2. The tax authorities have challenged the applied tax treatment in two of the entities previously sold in Hungary by the Company to Klépierre in the course of the Framework Agreement dated 30 July, 2004 ("**Framework Agreement**"). In respect of two of the former Subsidiaries of the Company, the tax authorities decision of reducing the tax base by and imposed a penalty in the sum of HUF 428.5 Million (approximately EUR 1.428k), were challenged by the previously held entities at the competent courts. On 2 July, 2014 Klépierre has submitted a request for arbitration to the ICC Arbitration claiming that the tax assessed in the described procedures falls into the scope of the Framework Agreement tax indemnification provisions. The Company in its responses rejected such claims and will submit a statement of defense until 10 August, 2014.
3. In respect of the project in Bangalore, several persons claiming to be land owners have commenced a total of 11 court cases in respect of approximately 7 acres of land belonging to the Indian JV Vehicle (i.e. Aayas Trade Services Private Limited) in the Bangalore project. All claimants argue that they have a share in the land and that this land was sold to the Indian JV Vehicle without their consent; therefore they are alleging that the said sale of land would not be binding on them. The Company is of the view that these claims are not material and that the claimants have a low chance of being successful in their court cases. However, should the Indian courts find in favour of the claimants then the Indian JV Vehicle may lose its title to ownership of the relevant land.

### *Potential litigation*

1. On 11 November, 2013 the Company exercised the corporate guarantee provided by EI in the Indian JV Agreement. The Company demanded a sum of EUR 4,301,834 including the interest thereon (the "**Reimbursement Payment**") provided by EI pursuant to the Indian JV Agreement on the ground of EI's default to finalize and conclude the transfer of the Cochin Project Rights to the Indian JV Vehicle. EI in its reply letter has refused to repay the Reimbursement Payment.
2. The Group is currently in breach of most of the facility agreements it has entered into with finance providers due to the Company's provisional suspension of payment procedure and certain covenants of such facilities. If the Group is unable to obtain the necessary waivers or alternative financing and restrictions are imposed or a breach continues over a period of time, culminating in an event of default the Group may, among other things, be required to immediately fully or partially repay such credit facilities, including accrued interest and premiums. Such events may lead to litigation with the financing banks.
3. Due to the challenging conditions in the real estate markets where the Company operates, the Company has been experiencing cash flow difficulties and cannot meet its short term obligations towards bondholders and has applied for a provisional suspension of payments. As a result thereof, the Company has received demand letters from the bondholders making various demands, insinuation, allegations and threats, including (i) allegations against the payments made before the granting of the provisional suspension of payment, attempting to classify these as unlawful preference of creditors; (ii) allegations regarding the "financial deterioration of the Company" and the responsibility thereto; (iii) allegations against non-payment; (iv) allegations regarding sale of the Bonds in the year 2013, allegedly at a discount. The Company rejected any and all such insinuations, demands, claims, allegations and threats. Potential claims have been reported to the Company's insurer.

## **Part IX—Additional Information**

4. In November 2013 the Company reached an agreement to sell Koregaon Park Plaza, subject to the fulfilment of certain closing conditions (“**KPP Sale Agreement**”). According to the KPP Sale Agreement, the Company was expected to receive EUR 18 million before transaction and tax costs (after the repayment of the bank loan) that should have been paid in several instalments during 2014-2016. Due to ongoing delay in the closing of the described transaction, the Company has started to take action in respect of terminating the existing contracts. Currently, the sale of this project is under negotiations with a different potential purchaser. At the date of this document, these negotiations are conducted on the basis of a signed, non-binding letter of intent.

### ***Ordinary course of business***

The Company is involved from time to time 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, based on legal advice, that the resolution of such litigation will not have a material adverse effect on the Company’s financial position.

### **16. Consultant contract**

During the audit of the Company’s 2013 financial statements by the Company’s Dutch auditor (Mazars Paardekooper Hoffman Accountants N.V., “**Mazars**”), Mazars commented upon a certain transaction in Romania. At the request of Mazars, the Company has added to the 2014 consolidated financial statements as audited by Mazars the following note (being note 33 to the consolidated financial statements 2013):

“In 2013 the Company started an investigation in respect of a certain contract with a consultant. This contract was entered into by a Subsidiary of the Company. The Subsidiary paid an amount of EUR 2 million (USD 2.7 million) in respect to the abovementioned contract. This payment is currently under investigation by the Company as there is a possibility the laws and regulations may not have been complied with. The investigation by the Company is still ongoing and a full assessment of the matter has therefore not yet been made by the Company. The Company’s preliminary conclusion is that both the due diligence and the work performed has not been adequately recorded in a manner that is usual for such consultancy arrangements. The Board of Directors has discussed this extensively and has decided to strengthen the Company’s compliance programme in respect of third party contracts. Depending on the outcome of the Company’s investigation, the Company will take necessary steps to fulfil compliance and reporting requirements. The Company started to work on a conduct plan that will be implemented once concluded.”

The same text has been added, at the request of Mazars, to the directors’ report in the Company’s annual report over the year 2013.

### **17. Significant change**

There has been no significant change in the financial or trading position of the Group since 30 June 2014, being the date of the interim unaudited accounts for the half year period ended 30 June 2014.

### **18. Working Capital Statement**

The Company is of the opinion that it does not have sufficient working capital for its present requirements; that is for at least 12 months from the end of the date of this document. However, as outlined in this document, should Shareholders approve the Restructuring Resolutions and the Related Party Resolutions proposed at the General Meeting to be held on or around 27 November 2014, then the Company will receive the Guaranteed Proceeds from the proposed Rights Offering and Placing, which will enable the Restructuring Plan, as explained in this document, to become effective in its entirety. The Company has sufficient working capital until the General Meeting under its current arrangements and, once the Restructuring Plan is effective, the Company is of the opinion that it will then have sufficient working capital for its present requirements; that is for at least the next 12 months from the date of this document.

However, as stated in this document, if the Restructuring Resolutions and the Related Party Resolutions are not approved by Shareholders at the General Meeting, the Rights Offering will not occur and the Company will have failed to comply with the requirements set out in the Restructuring Plan. Whilst the Directors, and where appropriate the Independent Directors, are recommending that Shareholders should vote in favour of all the Resolutions at the General Meeting, including the Restructuring and Related Party Resolutions, there are no guarantees that Shareholders will follow their recommendations and, at this stage there are no indications of Shareholders’ voting intentions.

## Part IX—Additional Information

The Company expects that one or more of its creditors will apply to the Dutch courts, as they will be entitled, for rescission of the Restructuring Plan if the required terms of the Restructuring Plan (as set out in this document) are not met as required by 30 November 2014. The Company's creditors will be entitled, at any time after 30 November 2014, to apply to the Dutch courts for rescission of the Restructuring Plan. This would mean that payments to the Polish and Israeli Bondholders and other creditors (totaling in excess of €225 million, which had been deferred under the Restructuring Plan, would become payable immediately and the Company would not be able to meet these payments from its existing cash reserves. The Company would also be in breach of a number of its banking covenants.

In the event that creditors exercise their right to apply for rescission of the Restructuring Plan, a court hearing is likely to take place within 4-6 weeks following any application by creditors. The court would usually be expected to reach a determination within 2-4 weeks following such a hearing. If an order to rescind the Restructuring Plan is granted, which is the most likely outcome in these circumstances, the court will simultaneously declare the Company bankrupt. No second restructuring plan may be proposed. After rescission of the existing Restructuring Plan and opening of bankruptcy proceedings the Company will have to be liquidated. An application to rescind the Restructuring Plan and to declare the Company bankrupt is likely therefore to be decided within a period of a few weeks following the creditors having made their application to the Dutch court.

**THE DIRECTORS DO NOT BELIEVE THERE ARE ANY CREDIBLE FINANCING ALTERNATIVES AVAILABLE TO THE COMPANY IF THE RESTRUCTURING PLAN FAILS. ACCORDINGLY, IF THE RESTRUCTURING PLAN FAILS THE DIRECTORS BELIEVE IT WILL BE PLACED INTO LIQUIDATION BY ITS CREDITORS.**

### 19. Employees

The following table shows the approximate number of employees of the Group for each of the following period ends:

<u>31 December 2011</u>	<u>31 December 2012</u>	<u>31 December 2013</u>
185	166	136

The arrangements for involving the employees in the share capital of the Company are set out in paragraph 11 of this Part IX.

### 20. Use of Proceeds

The Company intends to use net proceeds from the Rights Offering expected to amount to approximately EUR 18.06 million, the Placing expected to amount to approximately EUR 1.06 million and of any Additional Placing (which would amount to approximately EUR 3 million if all Additional Placing Shares are issued) for payment of the expenses related to the Rights Offering, Placing and Additional Placing (amounting to approximately EUR 1 million), payment of unpaid accrued interest under the Bonds (amounting to approximately EUR 14.5 million) and for general corporate purposes.

### 21. General Information

#### 1. Presentation of financial and other information.

The financial information in this document has been prepared in accordance with International Financial Reporting Standards endorsed by the European Commission ("IFRS").

Unless otherwise indicated, the historical financial information included in this document has been derived from the Company's historical balance sheets and statements of income and cash flows and the related notes thereto as at, for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 as incorporated by reference. The historical financial information has been prepared on a consolidated basis.

The Company prepares its consolidated financial statements in euro. Unless otherwise indicated, all references to "EUR" or "€", are to euro, all references to "\$", "USD" or "US Dollars" are to the lawful currency of the United States, all references to "£" or "pounds sterling" are to the lawful currency of the United Kingdom and all references to NIS are to the lawful currency of the state of Israel.

## Part IX—Additional Information

### 2. Forward-looking statements

This document includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “projects”, “anticipates”, “expects”, “intends”, “plans”, “contemplates”, “is expected to”, “seeks”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, growth, strategy and dividend policy of the Company and the markets in which it, directly and indirectly, operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual investment performance, results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend policy of the Company, and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to:

- the effects of competition in the Central and Eastern European and Indian property market;
- the saturation of the leisure and retail market in Central and Eastern Europe and India;
- the Company’s ability to successfully implement its business plan in India;
- changes in demand for the Company’s properties;
- the Company’s ability to obtain and maintain the necessary licences and regulatory approvals;
- future changes in accounting policies;
- general economic recession affecting those areas in which the Company is active;
- changes in legislation, specifically in respect of zoning, environmental regulations, building regulations and foreign exchange controls; or
- inability to obtain project financing at all or on viable terms,

and all other risk factors included in Part II “Risk Factors” of this document above.

Prospective investors are advised to read this document in its entirety, and, in particular, the sections entitled “Summary”, “Risk Factors”, “Operating and Financial Review” for a further discussion of the factors that could affect the Company’s future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. Many of these factors are beyond the Company’s control. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected.

These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including any applicable stock exchange rules, the AFS and the DCC), the Company does not intend and does not assume any obligation to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

3. Figures and percentages used in this document are approximate. In addition, certain figures and percentages have been rounded up or down. As a result, certain figures and percentages may not add up to the total.
4. The estimated costs and expenses relating to the Rights Offering and the Placing are estimated at approximately EUR 1 million.
5. Other than the application for and the granting of the provisional suspension of payments on 18 November 2013, there have been no interruptions to the Group’s business in the 12 months preceding the date of this document which may have or have had a significant effect on the Group’s financial position.

## Part IX—Additional Information

6. The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of Section 2:101/361/2:392 of the DCC. Where required, statutory audited accounts of the Company and its Subsidiaries relating to each financial period to which the financial information relates have been filed with the Dutch Chamber of Commerce (*Kamer van Koophandel Nederland*).
7. KPMG Hungaria Kft., chartered accountants and members of the Chamber of Hungarian Auditors of Vaci út 99, H- 1139 Budapest, Hungary have been the auditors of the Group for the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 and have given unqualified audit reports (in respect of 2013 however, with emphasize of matter with indication of the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern) on the accounts of the Group for those financial years.
8. Mazars Paardekooper Hoffman Accountants N.V., chartered accountants and members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*) of Delflandlaan 1, 1062 EA Amsterdam, the Netherlands, have been the auditors for the Company's Dutch statutory annual accounts for the years ended 31 December 2011, 31 December 2012 and 31 December 2013. The Dutch statutory annual accounts comprise the Company annual accounts (*vennootschappelijke jaarrekening*) and the consolidated annual accounts. Mazars Paardekooper Hoffman Accountants N.V. have given unqualified opinions (in respect of 2013 however, with emphasize of matter with indication of the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern) for the financial statements over these financial years.

Furthermore, Mazars Paardekooper Hoffman Accountants N.V. has indicated in its letter to the Company which accompanied the 2013 audited Dutch statutory annual accounts, that if up to the date of the annual General Meeting 2014 (which is currently scheduled for 8 July 2014), any events occur or circumstances become manifest which necessitate an adjustment of the 2013 annual statements, such as transactions being cancelled which could lead to uncertainty with respect to the going concern assumption (see above) adjustment must be made before the annual General Meeting, as requested by the provisions pursuant to section 2:362 subsection 6 and section 2:392 subsection 1 under g of the DCC. In this respect, the (negative) outcome of the following events (and others) may lead to an adjustment of the 2013 Dutch statutory annual accounts and may occur before the annual General Meeting of 8 July 2014:

- (i) 26 May 2014: the decision date of EI on whether EI will contribute EUR 20mln (twenty million euro) to the Company; and
  - (ii) 26 June 2014: meeting of the Plan Creditors and the voting on the Restructuring Plan.
9. Save for a registered trademark in the Netherlands for its logo, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
  10. SPARK Advisory Partners Limited, registered in England and Wales under number 03191370, with registered office at 5 St. John's Lane, London EC1M 4BH, United Kingdom, is authorized and regulated by the Financial Conduct Authority in the United Kingdom and is acting in the capacity as sponsor to the Company. SPARK Advisory Partners Limited does not have a material interest in the Company.
  11. CBRE Limited, Chartered Surveyors, registered in England and Wales under number 3536032 with registered office at St. Martin's Court, 10 Paternoster Row, London, EC4M 7HP United Kingdom, whose reports are included in this document at the request of the Company, has given and not withdrawn its written consent to the inclusion in this document of the Market Overview in Part IV in the form and context in which it is included. CBRE Limited do not have a material interest in the Company.
  12. Cushman & Wakefield Kft., chartered surveyors, a limited liability company under Hungarian law, with company registration number 01-09-263277 and having its registered office at Deák Ferenc utca 15, H-1052 Budapest, Hungary, has given and not withdrawn its written consent to the inclusion in this document of the Valuer's Report incorporated by reference into this document in the form and context in which it is included. Cushman & Wakefield Kft. do not have a material interest in the Company.

## **Part IX—Additional Information**

13. The Company affirms that no material changes have occurred since the dates of valuation as stated in the Valuer's Report that is incorporated by reference into this document.
14. Where in this document, information has been sourced from a third party, the Directors confirm that this information has been accurately reproduced. As far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
15. There are no environmental issues of which the Company or the Directors are aware that may affect the Company's utilisation of the tangible fixed assets.
16. The official Shareholders' register is maintained by the Company in the Netherlands.
17. There have been no public takeover bids by third parties in respect of the Ordinary Shares which have occurred during either the last financial year or the current financial year.
18. All the Ordinary Shares are traded on the London Stock Exchange under the symbol "PLAZ" and on the WSE under the symbol "PLZ". The Ordinary Shares have the following security code ("ISIN"): NL 0000686772. The Series A Notes are admitted to trading on the TASE with ISIN IL0011094955 and the Series B Notes are admitted to trading on the TASE with ISIN IL0011095036.
19. The Company, under the Restructuring Plan, is obliged by arrangements agreed with the Bondholders, to list the Ordinary Shares on the TASE. The Company therefore intends to list the Ordinary Shares on the Tel Aviv Stock Exchange shortly after the Record Date.
20. Save as set out in this document, there are no undertakings in which the Company has a proportion of the capital which are likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

### **22. Market and industry information**

The Company has obtained market data and certain industry forecasts used in this document from market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed.

### **23. Jurisdiction and enforcement of civil liabilities**

The Company has been informed by its legal counsel in Israel, Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. that there is doubt as to the enforceability of foreign judgments in Israel. However, subject to certain time limitations, an Israeli court may declare a foreign civil judgment enforceable if it finds that all of the following terms are met:

1. The judgment was rendered by a court which was, according to the laws of the state of the court, competent to render the judgment;
2. The judgment can no longer be appealed;
3. The obligation imposed by the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy; and
4. The judgment is executory in the state in which it was given.

Even if the above conditions are satisfied, an Israeli court will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel. An Israeli court will also not declare a foreign judgment enforceable in the occurrence of any of the following:

1. The judgment was obtained by fraud;
2. There was no due process;
3. The judgment was rendered by a court not competent to render it according to the laws of private international law in Israel;
4. The judgment is at variance with another judgment that was given in the same matter between the same parties and which is still valid; or

## Part IX—Additional Information

5. At the time the action was brought in the foreign court a suit in the same matter and between the same parties was pending before a court or tribunal in Israel.

The Company has been informed by its counsel in the Netherlands that the following applies in respect of the enforcement of foreign judgments in the Netherlands:

Pursuant to section 431 of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*), foreign judgments shall not be enforceable in the Netherlands unless by virtue of a treaty or an act.

In the absence of an applicable treaty between (i) Israel and (ii) the United States and the Netherlands, a judgment against the Company or any of its directors and officers rendered by an Israeli court or an United States federal or state court will not be enforced by the courts of the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be reheard on the merits before a competent Dutch court. A binding effect of the judgment obtained in Israel or in the United States should generally be obtained if proper service of process has been given and if the judgment rendered by the Israeli court or United States federal or state court:

1. results from proceedings compatible with Dutch concepts of due process; and
2. does not contravene public policy (*openbare orde*) of the Netherlands.

If the Dutch court finds that the jurisdiction of the Israeli court or the United States federal or state court has been based on the grounds as mentioned above, the court in the Netherlands would, under current practice, give binding effect to the final judgment that has been rendered in Israel or the United States and will accordingly render judgment.

Final and enforceable judgments rendered by an English or Polish court will be enforced by the Dutch courts, subject to the provisions of Council Regulation (EC) No. 44/2001 (as amended), Council Regulation (EC) 805/2004 (as amended) and the Dutch Code of Civil Procedure.

Specific performance (*nakoming*) may not always be available under Netherlands law.

Dutch courts may render judgments for a monetary amount in foreign currencies, but such foreign monetary amounts may be converted into euro for enforcement purposes. Foreign currency amounts claimed in a Dutch moratorium of payments or bankruptcy will be converted into euro at the rate prevailing at the commencement thereof.

### 24. Documents incorporated by reference

The following information is hereby incorporated by reference:

1. The Company's annual report (*jaarverslag*) 2013;
2. The Restructuring Plan;
3. The press release announcing the Rights Offering Price;
4. The Company's annual financial statements for the year ended 31 December 2011;
5. The Company's annual financial statements for the year ended 31 December 2012;
6. The Company's annual financial statements for the year ended 31 December 2013;
7. Condensed Consolidated Interim Statements of 30 June 2014; and
8. The Valuer's Report.

All documents incorporated by reference are to be accessed (i) through the Company's website ([www.plazacenters.com](http://www.plazacenters.com)); and (ii) at the registered office of the Company.

### 25. Documents available to the public and for inspection

Copies of the following documents will be available for inspection during normal business hours on any business day for the life of this document at the registered offices of the Company and on the Company's website ([www.plazacenters.com](http://www.plazacenters.com)) and for at least one month from the date of this document at the offices of SPARK Advisory Partners Limited (London office).

1. the deed of incorporation (*akte van oprichting*) of the Company;
2. the Articles;
3. the Deed Poll;
4. the Trust Deeds for the Series A Notes and the Series B Notes;
5. the terms and conditions for the Polish Bonds; and
6. the agenda and explanatory notes for the extraordinary General Meeting.

## Part IX—Additional Information

Copies of this document will be available to the public free of charge at the registered office of the Company during normal business hours on any business day as well as in the electronic form on the Company's corporate website at [www.plazacenters.com](http://www.plazacenters.com) from the date of this document and for one year thereafter. The website [www.plazacenters.com](http://www.plazacenters.com) does not and should not be deemed to, constitute a part of, or be incorporated in this document.

### 26. CREST, Depositary Interests and the Deed Poll

#### *CREST and Depositary Interests*

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs.

CREST members hold and transfer interests in Ordinary Shares within CREST pursuant to a DI arrangement established by the Company. The Ordinary Shares are in registered form. They are only available in the form of an entry in the shareholders' register of the Company without the issuance of a share certificate. Share certificates shall not be issued.

Pursuant to a method approved by CRESTCo, under which transactions in foreign securities may be settled through CREST, the Depositary issued DIs representing entitlements to the Ordinary Shares. The DIs are independent securities constituted under English law which may be held and transferred through CREST. The Depositary holds the Ordinary Shares on trust for the holder of DIs and this trust relationship is documented in a deed poll executed by the Depositary ("**Deed Poll**").

The DIs have been created pursuant to, and issued on the terms of, the Deed Poll. Prospective holders of DIs should note that under the Deed Poll they will have no rights in respect of the underlying Ordinary Shares or the DIs representing them against CRESTCo or its subsidiaries. Ordinary Shares have been transferred to the Depositary or its nominated custodian ("**Custodian**") and the Depositary has agreed to pass on to the holders of DIs any cash or other benefits received by it as holder of Ordinary Shares on trust for such DI Holder.

The DIs have the same security code ("**ISIN**") as the underlying Ordinary Shares. Participation in CREST is voluntary and Shareholders who wish to hold their Ordinary Shares in registered form may do so. They are not, however, able to settle their Ordinary Shares through CREST and will have their holding recorded on the Company's share register in the Netherlands.

#### *Depositary Interests—Terms of the Deed Poll*

Ordinary Shares have been issued or transferred to the Depositary or the Custodian and the Depositary issued DIs to participating members.

In summary, the Deed Poll contains, *inter alia*, provisions to the following effect:

The Depositary holds (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or Custodian pertaining to the DIs for the benefit of the DI Holders. The Depositary re-allocates securities or distributions allocated to the Depositary or the Custodian pro rata to the Ordinary Shares held for the respective accounts of the holders of DIs but are not required to account for fractional entitlements arising from such re-allocation.

Each DI Holder warrants, *inter alia*, that the securities in the Company transferred or issued to the Depositary or Custodian for the account of such DI Holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Articles or any contractual obligation, or applicable law or regulations binding or affecting such holder.

The Depositary and any Custodian must pass on to DI Holders, or exercise on their behalf, all rights and entitlements received by the Depositary or the Custodian in respect of the underlying securities. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on

## Part IX—Additional Information

or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings must, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a DI Holder to take up rights in the Company's securities requiring further payment, the DI Holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

The Depositary is entitled to cancel DIs and treat the DI Holder as having requested a withdrawal of the underlying securities in certain circumstances including where a DI Holder fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems appropriate.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI Holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary's liability to a DI Holder will be limited to the lesser of:

- (i) the value of the shares and other deposited property properly attributable to the DIs to which the liability relates; and
- (ii) that proportion of £10 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the DI Holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £10 million.

The Depositary is entitled to charge DI Holders fees and expenses for the provision of its services under the Deed Poll.

The DI Holders are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to CRESTCo any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction.

Each DI Holder is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the DIs (and any property or rights held by the Depositary or Custodian in connection with the DIs) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or agent if such Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

The Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds there from, in order to discharge the indemnification obligations of DI Holders. The Depositary may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant DI Holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of DIs in respect of their DIs.

The Depositary or the Custodian may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Ordinary

## **Part IX—Additional Information**

Shares to the DI Holders. DI Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the DI Holders are to comply with the Company's instructions with respect thereto.

DI Holders do not have the rights which Dutch law and the Articles confer on Shareholders, such as voting rights. In respect of the shares underlying the DIs those rights vest in the Depositary or any Custodian. Consequently, if the DI Holders want to exercise any of those rights they must rely on the Depositary or any Custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit.

For more information concerning CREST, Shareholders should contact their brokers or CRESTCo at 33 Cannon Street, London EC4M 5SB, United Kingdom.

### *Settlement in Poland*

The transfers of the DIs executed on the WSE will be settled in accordance with the principles established by the Polish CSD applicable to all companies listed on the WSE. The transactions in securities executed on the WSE are settled in accordance with the t+2 principle. An Investor who wants to trade the DIs on the WSE should transfer such DIs to a securities account opened with an investment firm that is a participant of the Polish CSD. All DIs held by the investors through the investment firms which are participants of the Polish National Depository for Securities will be credited to an account of the Polish CSD opened with CREST directly or through another settlement organization acting as an intermediary.

Dated 16 October 2014

## Part X—Summary of applicable Dutch law

### Part X—Summary of Applicable Dutch Law

#### *Takeover Directive*

Directive 2004/25 of the European Parliament and of the Council of the European Union (the “**Council**”) on takeover bids (the “**Takeover Directive**”) was adopted by the Council on 30 March 2004, became effective on 20 May 2004 and has been implemented into Dutch law on 1 January 2008. The Takeover Directive applies to all companies governed by the laws of a European Union member state of which all or some securities are admitted to trading on a regulated market in one or more member states (in case of the Company: both the LSE and the WSE).

Pursuant to the Takeover Directive, a person holding securities in such company which, when added to any existing holdings and the holdings of persons acting in concert with him, directly or indirectly give him control over that company is required to make a public offer to all the holders of those securities for all their holdings at an equitable price.

The Takeover Directive has been fully implemented in the AFS and the DCC on 1 January 2008. Pursuant to article 5:70 AFS, a shareholder who has acquired control (“control” defined in the AFS as the ability to cast at least 30% of voting rights in a general meeting of shareholders) will be obliged to make a public offer for all issued and outstanding shares in a Company’s share capital. The laws of the member state in which such company has its registered office (so for the Company Dutch law) will determine the method of calculation of such percentage.

In addition, the Enterprise Chamber (*Ondernemingskamer*) of the Amsterdam Court of Appeal may, at the request of any shareholder (or holder of depositary receipts for shares) or the issuing company, order a shareholder with a shareholding of 30% or more to make a public offer. The Enterprise Chamber may also, at the request of a company, determine that such a shareholder is not required to make a public offer when the financial condition of the company and the business related to it gives rise thereto.

#### *Shared authority between the Panel and the AFM in applying the national regulations implementing the Takeover Directive*

As the Company was incorporated under the laws of the Netherlands, it is subject to Dutch law. However, pursuant to section 4 of the Takeover Directive which was implemented into UK law by the Takeover Directive (Interim Implementation) Regulations 2006, the English supervisory authority will be competent in respect of public takeover bids for the Company. The City Code will apply to the Company in respect of consideration and procedural matters. In relation to employee information and company law matters, the rules of the articles 5:70 up to and including 5:83b of the AFS and sections 2:359a up to and including 359e of the DCC, implementing the Takeover Directive, will apply and the AFM will be the supervisory authority in respect thereof.

#### *Dutch squeeze-out proceedings after a takeover*

Following the implementation of the Takeover Directive, the DCC contains certain stipulations for a forced transfer of shares following a public offer and for a forced buy-up of shares following a public offer in respect of companies listed on a regulated market.

#### *Forced buy-out (squeeze-out) in respect of listed companies.*

Article 2:359c DCC stipulates *inter alia*:

Someone who has released a public offer bid and who provides for its own account, as shareholder, at least 95% of the issued share capital of the target company and represents at least 95% of the voting rights of the target company, may file a legal claim against the other shareholders for a forced transfer of their shares. The same applies if two or more group companies jointly provide this part of the issued share capital and jointly represent this part of the voting rights, and they jointly file a legal claim for a forced transfer of shares to the person who has made the public bid. The legal claim must be filed within three months after the deadline set for acceptance of the bid. The Enterprise Chamber (*ondernemingskamer*) of the Amsterdam Court of Appeal shall decide in first instance on such legal claim. It is only possible to lodge an appeal in cassation against its decision. If one or more defendants are in default of appearance,

## **Part X—Summary of applicable Dutch law**

the court must of its own motion (*ex officio*) examine whether the plaintiff or plaintiffs meet the applicable requirements.

If the Enterprise Chamber is of the opinion that the applicable rules do not prevent the legal claim of being awarded, it will fix a fair price for the shares to be transferred on a day to be set by the court. If a public bid as referred to in article 5:74 AFS (a voluntary public offer) has been released, the value of the counter performance offered in that bid is regarded as a fair price, provided that at least 90% of the shares to which that bid relates has been acquired. If a public offer as referred to in article 5:70 AFS (mandatory offer) has been released, the value of the counter performance offered in that bid is regarded as a fair price.

In derogation from the above, the Enterprise Chamber may order that one or three experts shall report on the value of the shares to be transferred. The price will be fixed in money (in cash). As long and as far as the price has not been paid, it will be raised with an interest equal to the statutory interest, running from the day set by the Enterprise Chamber for fixing the price until the transfer of shares; distributions on shares declared payable in this period, are taken into account on the day of payment as a partial payment of the price.

If the Enterprise Chamber awards the legal claim, it shall order the transferee (acquiring party) to pay the fixed price plus interest to those to whom the shares belong or will belong against the simultaneous transfer (delivery) of the unencumbered entitlement to the shares. The Enterprise Chamber shall give a decision on the costs of proceedings as it regards appropriate. A defendant who has not defended himself cannot be ordered to pay the costs of proceedings.

When the order of the Enterprise Chamber for a forced transfer of shares has become final and binding, then the transferee shall notify the holders of the shares to be transferred, of whom he knows the address in writing of the day and place of payment. He shall announce this information also in a national newspaper, unless he knows the addresses of all involved holders of the shares to be transferred.

### *Forced take-over (buy-up) in respect of listed companies*

Article 2:359d DCC stipulates *inter alia*:

Another shareholder may file a legal claim against someone who has released a public offer and who provides for its own account, as shareholder, at least 95% of the issued share capital of the target company and represents at least 95% of the voting rights of the target company, in order to force him to take over the shares of that other shareholder. The same applies if two or more group companies jointly provide this part of the issued share capital and jointly represent this part of the voting rights, and one of them has released the public offer. The legal claim must be filed within three months after the deadline set for acceptance of the offer.

The Enterprise Chamber shall decide in first instance on such legal claim. It is only possible to lodge an appeal in cassation against its decision. If one or more defendants are in default of appearance, the court must of its own motion examine whether the defendant or defendants meet the applicable requirements

When the order of the Enterprise Chamber for a forced takeover of the shares has become final and binding, then the transferee shall notify the holders of the shares to be transferred in writing of the day and place of payment. The price of the shares will be established in the same manner as stipulated in article 2:359c DCC (see above).

### *Right to have items added to the agenda of general meetings*

Persons holding 1% or more of the issued share capital of the Company, or in addition thereto, persons that hold securities of the Company that have a value of least 50 million euro, have the right to have items added to the agenda of general meetings, on the condition that the Company has received the request not later than 60 days prior to the day of the meeting. The Board may refuse such request if it would substantially prejudice the interests of the Company.

### *The AFS—disclosure of major shareholdings and voting rights*

Holders of interests and/or voting rights in the Company may be subject to reporting obligations under Chapter 5.3. AFS. The overview below is a brief and non-exhaustive outline of the applicable provisions of

## **Part X—Summary of applicable Dutch law**

Chapter 5.3. AFS. Investors should consult their legal or financial advisers in respect of the notification duty that may be imposed on them by Chapter 5.3. AFS.

Pursuant to article 5:43 AFS, each person whose holding of voting rights and/or capital interest, directly or indirectly, amounts to 3% or more must notify the AFM immediately by means of a standard form available from the AFM's website ([www.afm.nl](http://www.afm.nl)).

Pursuant to articles 5:38 and 5:39 AFS, any person who directly or indirectly acquires or disposes of an interest in the Company's capital and/or voting rights (also through the holding of Depositary Interests) must immediately notify the AFM by means of a standard form if, as a result of this acquisition or disposal, the percentage of capital interest or voting rights held directly or indirectly meets, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Any person who directly or indirectly acquires or disposes of an interest in one or more of the Ordinary Shares to which special controlling rights are attached according to the Articles must immediately give written notice to the AFM.

On the basis of article 5:48 AFS, members of the Board must also immediately give written notice to the AFM by means of a standard form of all changes in their holdings of ordinary shares and voting rights in the Company.

The Company is required to notify the AFM immediately if the Company's capital or voting rights have changed by 1% or more since its previous notification on outstanding capital and voting rights. Furthermore, the Company must notify the AFM of changes of less than 1% in the Company's outstanding share capital and voting rights, within eight days after the end of each calendar quarter. Shareholders should be aware that anyone whose direct or indirect capital and/or voting rights interest meets or passes the thresholds referred to in the previous paragraph as a result of a change in the share capital or voting rights that are outstanding must notify the AFM no later than the fourth trading day after the AFM has published the change in the Company's share capital and/or voting rights.

Pursuant to article 5:41 AFS, a person whose substantial interest (which is defined as an interest in shares and/or voting rights equal to or more than 3%) will, at midnight on 31 December in each year, have a different composition when compared to an earlier notification, due to a conversion of shares into depositary receipts or depositary receipts into shares or other depositary receipts should notify the AFM thereof within four weeks. A person whose substantial interest will, at midnight on 31 December in each year, have a different composition when compared to an earlier notification, due to the exercise of rights pursuant to an agreement for the acquisition or disposal of voting rights, should notify the AFM thereof within four weeks.

For the purpose of calculating the percentage of capital interest or voting rights, among other metrics, the following interests must be taken into account: (i) shares or depositary receipts for shares or voting rights directly held (or acquired or disposed of) by any person, (ii) shares or depositary receipts for shares or voting rights held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney), and (iii) shares or depositary receipts for shares or voting rights which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of, including, but not limited to, on the basis of convertible bonds).

Special rules apply with respect to the attribution of shares or depositary receipts for shares or voting rights which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares or depositary receipts for shares can also be subject to the reporting obligations of the AFS, if such person has, or can acquire, the right to vote on the shares or, in the case of depositary receipts, the underlying shares. If a pledgee or usufructuary acquires the voting rights on the shares or depositary receipts for the shares, the subject of such pledge or usufruct arrangement, this may trigger a corresponding reporting obligation for the holder of the shares or depositary receipts for the shares. In addition, the AFS states that a person is deemed to have at his disposal shares which are held by a subsidiary company and the voting rights which can be exercised by such a subsidiary company. Furthermore, the AFS states that a person is deemed to have at his disposal shares that are held for his account by a third party and the voting rights that can be cast by such third party on his behalf. A person is

## **Part X—Summary of applicable Dutch law**

deemed to have at his disposal voting rights which he can cast at his own discretion in his capacity as a proxy holder (authorised representative of the shareholder).

The AFS contains detailed rules that set out how its requirements apply to certain categories of holders, including but not limited to (managers of) investment funds, investment managers, custodians, market makers, clearing and settlement institutions, brokers and credit institutions. The AFM keeps a register with notifications made on the basis of Chapter 5:3 AFS, which is publicly accessible ([www.afm.nl](http://www.afm.nl)). The Decree on the Disclosure of voting rights and capital interest in issuing institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen Wft*) promulgated under the AFS determines what should be contained in the register and the manner in which the information will be visible (see below).

### ***The AFS—Market abuse***

#### *General prohibition to deal while making use of inside information*

Any dealings in or from the Netherlands in the Securities and any other securities whose value is determined by the value of Notes and/or the Ordinary Shares (including dealings by the Company itself) are subject to the provisions of Dutch law regarding insider dealing and market abuse as contained in Chapter 5:4 of the AFS.

Pursuant to article 5:56 paragraph 1 sub b AFS, it is prohibited, to use inside information in carrying out a transaction or effectuating a transaction in or from the Netherlands in securities that are admitted to the trade on a regulated market in another EU Member State (LSE and WSE) or to a market in financial instruments outside the European Union (such as the TASE). The term “financial instruments” includes the Ordinary Shares and the Notes.

Article 5:53 paragraph 1 AFS defines “inside information” as follows (not in respect of securities which price is dependent on the value of commodities): “knowledge of specific information, directly or indirectly concerning a legal person, company or institution to which the securities relate or the trade in said securities that has not been made public and where disclosure can be expected to have a significant influence on the price of such securities or derivatives thereof”.

This prohibition extends to the following persons: (article 5:56 paragraph 2 AFS):

1. natural persons or legal persons who have inside information since they (co)determine the day-to-day policy of the issuer or who have inside information since they supervise the policy and the general course of business of the issuer the securities whereof the inside information relates to;
2. natural persons or legal persons who have inside information because of the fact that they have a qualified interest in the issuer the securities whereof the inside information relates to;
3. natural persons or legal persons who have access to inside information as a consequence of their work, profession or function; and
4. natural persons or legal persons who have inside information as a consequence of them being involved in criminal offences.

The prohibition also extends to the Company, when dealing in its own financial instruments.

Pursuant to article 5:56 paragraph 3 AFS, it is prohibited for any person who does not belong to one of the categories of persons mentioned above, and who knows or reasonably ought to know that he has inside information, to in or from the Netherlands carry out a transaction or effectuate a transaction in financial instruments that are admitted to the trade on a regulated market in another EU Member State or to a market in financial instruments outside the European Union.

Consequently, any dealings in or from the Netherlands in the Ordinary Shares, the Depositary Interests and any other securities whose value is determined by the value of the ordinary shares (including dealings by the Company itself) are subject to the provisions of Dutch law regarding insider dealing and market abuse as contained in Chapter 5:4 of the AFS.

## Part X—Summary of applicable Dutch law

### *Notifications*

Pursuant to article 5:60 AFS, persons who:

1. determine or co-determine the day-to-day policy of the Company;
2. supervise the conduct of management and the general course of business in the Company and the undertaking connected with it;
3. have a managing position and, thereby, have the right to make decisions which have consequences for the future development and business prospects of the Company and can have access to inside information on a regular basis; (the persons mentioned under 1., 2., and 3. above hereinafter collectively being referred to as the “**Managing Persons**”) or
4. are designated in the Decree on Market Abuse Wft (*Besluit marktmisbruik Wft*) promulgated under the AFS (“**Related Persons**”), should, ultimately on the fifth business day after the date of the transaction, report to the AFM, transactions in the ordinary shares or in securities whose value is at least in part determined by the value of the ordinary shares, carried out or caused to be carried out for their own account. The notification may be postponed until the moment the value of the aggregated transactions reaches or exceeds an amount of five thousand euro (EUR 5,000) whereby transactions, carried out for the account of Related Persons should be added to the value of the transactions carried out by Managing Persons.

“Related Persons” are:

- (i) spouses, registered partners or life partners from Managing Persons, or other persons who live together in a comparable manner with Managing Persons;
- (ii) children from Managing Persons, in respect of whom those persons hold legal custody or who are placed under guardianship and in respect of whom a Managing Person is appointed as guardian (*bewindvoerder*);
- (iii) other relatives by blood or affinity of Managing Persons who, on the date of the transaction at issue, have run a joint household with such Managing Persons for at least one year; or
- (iv) legal persons, trusts within the meaning of article 1 sub c of the Dutch Trust office supervision act (*Wet toezicht trustkantoren*), or partnerships (*personenvennootschap*):
  - (a) the managerial responsibility for which lies with a Managing Person or another Related Person;
  - (b) in which a Managing Person or another Related Person has a controlling interest;
  - (c) that are incorporated or set up for the benefit of a Managing Person or another Related Person; or
  - (d) whose economical interest essentially is equivalent to that of a Managing Persons or that of another Related Person.

The Company is also required to have a code of conduct with rules as regards the possession of and transactions in shares which relate to it or in transferable securities the value of which is also determined by the value of such shares by the employees of the Company or any other company in the Group and the Managing Persons, to draw up an insider list, i.e. a list of persons working for the Company or any other company in the Group, who regularly or incidentally, may have access to inside information (*voorwetenschap*), to regularly update this list of persons and to inform persons on this list of the relevant prohibitions and sanctions in respect of inside information and market abuse.

### *Register and sanctions*

The AFM keeps a register of all notifications made pursuant to the AFS, which register is for public inspection. The register does not contain information about the addresses of the natural persons who made the notification. Non-compliance with the reporting obligations under the AFS constitutes an economic offence under the Dutch Economic Offences Act (*Wet op de economische delicten*). Non-compliance may be punished with criminal fines, administrative fines, imprisonment and other sanctions. In addition, non-compliance with the reporting obligations under the chapter 5:3 AFS may lead to civil sanctions, including (i) a general suspension of voting rights in respect of ordinary shares for a period of up to three

## Part X—Summary of applicable Dutch law

years and/or (ii) a court order prohibiting a person from (acquiring or) exercising voting rights in respect of ordinary shares for a period of up to five years, and/or publication of non-compliance.

### *Transparency Directive requirements in the AFS*

On 1 January 2009, Directive 2004/109 EC (Transparency Directive) was implemented into the AFS and the DCC. The Transparency Directive establishes *inter alia* requirements in relation to the disclosure of periodic and ongoing information about Dutch based issuers whose securities are admitted to trading on a regulated market situated or operating within a member state of the European Union. The relevant provisions regarding the disclosure of major holdings (sections 9 up to and including 15 of the Transparency Directive) were earlier implemented into the AFS (see above nr. 5). Below, a brief and non-exhaustive overview is given of the provisions from the Transparency Directive that are implemented into Dutch law as of 1 January 2009.

*Inter alia* articles 5:25a up to and including article 5:25x AFS contain the implemented rules of the Transparency Directive for companies whose home member state (*lidstaat van herkomst*) is the Netherlands. The Company's home member state is the Netherlands, being its country of incorporation.

Annual financial reports should be publicly available within four months from the end of the financial year. This period cannot be extended by the general meeting of shareholders. There is no requirement for the adoption (*vaststelling*) of the annual financial reports within a fixed timeframe ( article 5:25c AFS).

The publication of semi-annual financial information is obligatory under article 5:25d AFS. In respect of semi-annual reporting, the semi-annual report should be publicly available as soon as possible but no later than *two months* after the end of the applicable period.

Furthermore, the publication of an interim management report (“**IMR**”) for each half-year period, is obligatory under article 5:52e AFS. An IMR should be published within the period between ten weeks after begin and six weeks before the end of the applicable semi-annual period. The information to be incorporated in the IMR should contain information from the period between the beginning of the applicable semi-annual period and the date of publication of the IMR.

The AFS furthermore contains several requirements applicable to issuers, with respect to the dissemination and publication of information. The AFS contains general provisions for the equal treatment of shareholders and holders of bonds. An issuer of shares or bonds that are admitted to listing on a regulated market within the European Union, should ensure an equal treatment with respect to the provision of information and costs charged in connection therewith, for all shareholders and bondholders who are in the same position.

## Directors, Registered Office and Advisers

### Directors

	Mr Ron Hadassi Mr Marco Habib Wichers		Executive Director Chairman and independent Non-executive Director
	Mr David Dekel Mr Sarig Shalhav Mr Shlomi Kelsi Mr Yoav Kfir Mr. Nadav Livni		Independent Non-executive Director Independent Non-executive Director Non-executive Director Non-executive Director Non-executive Director
Registered office and location of register	<i>Prins Hendrikkade 48-s 1012 AC Amsterdam, the Netherlands</i>  <i>registered with the Dutch Trade Register (Kamer van Koophandel Nederland with number 33248324)</i>	LSE Sponsor	<i>SPARK Advisory Partners Limited 5 St. John's Lane London EC1M 4BH United Kingdom</i>
Legal advisers to the Company as to Polish law	<i>Weil, Gotshal &amp; Manges Pawel Rymarz sp.k. ul. Emilii Plater 53 00-113 Warsaw, Poland</i>	Legal advisers to the Company as to Dutch law	<i>Buren N.V. World Trade Center Level 10 Tower A Strawinskylaan 1017 1077 XX Amsterdam</i>
Legal advisers to the Company as to English law	<i>Mayer Brown International LLP 201 Bishopsgate London EC2M3AF United Kingdom</i>	Legal advisers to the Company as to Israeli law	<i>Gross Kleinhendler Hodak Halevy Greenberg &amp; Co. 1 Azrieli Center Round Building Tel Aviv 67021 Israel</i>
Registrar	<i>Capita Limited 34 Beckenham Road Beckenham, Kent BR3 4TU United Kingdom</i>	Auditors	<i>KPMG Hungaria Kft. Vaci út 99- 1139 Budapest Hungary</i>  <i>Mazars Paardekooper Hofmann Accountants N.V. Mazars Tower Delflandlaan 1 1077 JG Amsterdam the Netherlands</i>
Issue Sponsor in Poland	<i>IPOPEMA Securities S.A. U1 Prózna g 00-107 Warsaw Poland</i>	Receiving Agent:	<i>Capita IRG Trustees Limited The Registry, 34 Beckenham Road Beckenham, Kent, BR3 4TU United Kingdom</i>

## Definitions

### Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

“£” or “sterling”	UK pounds sterling, the legal currency of the United Kingdom for the time being
“Additional Placing”	the placing of additional Ordinary Shares to EUL or certain other persons nominated by EUL pursuant to the Company’s obligations under the Controlling Shareholder Undertaking
“Additional Placing Shares”	The Ordinary Shares to be issued to EUL or certain other persons nominated by EUL, pursuant to the Company’s obligations under the Controlling Shareholder Undertaking
“Admission”	the admission of the New Ordinary Shares and the Bondholders’ Shares to (i) the premium segment of the Official List and to trading on the main market for listed securities of the LSE; and (ii) to trading on the main market for listed securities of the WSE
“AFM”	the Authority for the Financial Markets ( <i>Stichting Autoriteit Financiële Markten</i> ), being the Dutch competent supervisory authority
“AFS”	the Dutch Act on the financial supervision ( <i>Wet op het financieel toezicht</i> )
“aAIM”	active Asset Investment Management Plc, a UK commercial property investment group
“Amendment Date”	the date in which the amended Trust Deeds will come into effect, after satisfaction of all conditions precedent thereof
“Articles”	the current articles of association ( <i>statuten</i> ) of the Company, a summary of which is set out in paragraph 6 of Part IX—“Additional Information”
“Bank Hapoalim”	Bank Hapoalim B.M.
“basis point”	one hundredth of a percentage point (0.01%)
“Board”	the board of managing directors of the Company ( <i>bestuur</i> )
“Bondholders”	the holders of the Notes and the Polish Bonds
“Bondholders’ Shares”	Ordinary Shares to be issued to the Bondholders pursuant to the Restructuring Plan by way of the Placing
“Bonds”	the Notes and the Polish Bonds jointly
“business day”	a day (excluding Saturdays, Sundays and public holidays in the Netherlands) on which banks generally are open for the transaction of normal banking business in the Netherlands, the United Kingdom and Poland
“CEE” or “Central and Eastern Europe”	Hungary, Poland, Romania, the Czech Republic, Estonia, Greece, Latvia, Lithuania, Slovakia, Slovenia, Croatia, Bosnia and Herzegovina, Bulgaria, Serbia, Montenegro, Macedonia, Albania, Ukraine, Belarus and Turkey
“City Code”	the UK City Code on Takeovers and Mergers
“Company” or “Plaza Centers”	Plaza Centers N.V. incorporated in the Netherlands with number 33248324 whose registered office is at Prins Hendrikkade 48-s, 1012 AC Amsterdam, the Netherlands

## Definitions

“Control Centers”	Control Centers Limited, a private company under Israeli law which is controlled by Mr. Mordechay Zisser
“Controlling Shareholder” or “EI”	Elbit Imaging Ltd., the indirect parent company of the ‘Company
“Controlling Shareholder Undertaking”	the amended and restated undertaking, dated on or around the date of this document of EUL, guaranteed by EI as set out in Part IX “Material Contracts”
“CREST”	the computerised paperless settlement system which facilitates the transfer of title to shares in uncertificated form in accordance with the CREST Regulations, operated by Euroclear UK
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Eurclear UK on 15 July 1996, as amended)
“CREST Member”	a person who has been admitted by Euroclear UK as a system member (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time
“CPI”	Israeli consumer price index
“Dawnay Day”	Dawnay Day, a privately owned UK institutional property investor group
“DCC”	Dutch Civil Code, <i>Burgerlijk Wetboek</i>
“Deed Poll”	the deed poll dated 20 October 2006 made by the Depositary dealing with the creation and issue of DIs in respect of the Company
“Depositary Interest” or “DI”	a dematerialised depositary interest which represents an entitlement to Ordinary Shares that can be settled electronically through and held in CREST, as issued by the Depositary which holds the underlying securities on trust, further details of which are set out on paragraph 25 of Part IX “Additional Information”
“Depositary”	Capita IRG Trustees Limited, an English company limited by shares, number 2729260 whose registered office is at 34 Beckenham Road, Beckenham, Kent, BR3 4TU and which was incorporated on 7 July 1992 and which operates under the UK Companies Act 1985
“DI Holders” or “Depositary Interest Holders”	holders of Depositary Interests
“Directors” or “Board”	the directors of the Company from time to time and whose, at the date of this document, names are set out in paragraph 1 of Part V— “Management”
“Disposition”	the sale, lease, assignment, grant or transfer in any other way of assets, rights, property, or any part thereof

## Definitions

“Distribution”	dividend to the Shareholders and/or any other distribution under applicable Dutch law (including repurchase of Ordinary Shares)
“DK”	Davidson Kempner Capital Management LLC
“Dutch Code”	the Dutch Corporate Governance Code as in force from time to time
“EEA”	the European Economic Area, established by the agreement signed at Oporto on 2 May 1992
“EEA State”	a state which is a contracting party to the agreement on the EEA signed at Oporto on 2 May 1992, which as at the date of this document comprises: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania the Slovak Republic, Slovenia, Spain, Sweden and the UK
“Elbit” or “EI”	Elbit Imaging Limited
“Elbit Imaging Group”	Elbit Imaging Limited and its subsidiaries, excluding the Group
“ERM”	exchange rate mechanism
“ERM-2”	second phase of monetary integration into the ERM
“EUR” or “€” or “euro”	euro, the legal currency of the Eurozone for the time being
“Encumbrance”	any pledge, charge, assignment by way of pledge or providing another security of any kind or rank or as another guarantee
“Escrow Agreement”	the agreement on or around the date hereof between EUL, (an affiliate of) DK and a Dutch civil law notary
“Escrow Shares”	Ordinary Shares to be issued to the trustees of the holders of the Bonds pursuant to the Restructuring Plan
“EUL”	Elbit Ultrasound (Luxembourg) B.V./S.a.r.l., the direct major shareholder of the Company
“Euroclear UK”	Euroclear UK & Ireland Limited, the operator of CREST
“European Union” or “EU”	the European Union first established by the treaty made at Maastricht on 7 February 1992
“Europe Israel”	Europe Israel (M.M.S.) Limited, a private company under Israeli law which is controlled by Mr. Mordechay Zisser
“Eurozone”	the collective name given to those members of the European Union that have adopted the euro as their lawful currency in accordance with the legislation of the European Community relating to the Economic and Monetary Union, being: Austria, Belgium, Finland, France (except Pacific territories using CFP franc), Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain
“Excluded Shareholders”	subject to certain exceptions, Shareholders or Depository Interest Holders who have registered addresses in, who are incorporated in, registered in or otherwise resident or located in the United States or any other Excluded Territory

## Definitions

<b>“Excluded Territories”</b> . . . . .	Australia, Canada, Japan, New Zealand, the Republic of South Africa, the United States and any other jurisdiction where the extension or availability of the Rights Offering (and any other transaction contemplated thereby) would breach any applicable law or regulation
<b>“Executive Directors”</b> . . . . .	the executive directors on the Board
<b>“Exercise Period”</b> . . . . .	(i) in Poland, from 1 December 2014, 9:00 a.m. CET. Due to involvement of intermediaries in Poland, Polish investors should contact their brokers to be informed of the end of the Exercise Period in Poland  (ii) outside Poland or any Excluded Territories, the period from 9:00 a.m. CET on 1 December 2014 up to noon CET on 12 December 2014
<b>“Existing Holding”</b> . . . . .	a Qualifying Shareholder’s holding of Ordinary Shares or Depository Interests (as the case may be) on the Record Date
<b>“Existing Depository Interests”</b> . . . . .	the Depository Interests in issue as at the date of this document
<b>“Existing Ordinary Shares”</b> . . . . .	the Ordinary Shares in issue as at the date of this document
<b>“Ex-Rights Date”</b> . . . . .	the date on which Ordinary Shares are marked “ex-rights”, which is expected to occur at 9:00 a.m. CET on 25 November 2014
<b>“Exercise Event”</b> . . . . .	any of the following events: (i) a Disposition of a Real-Estate Asset of the Company or a Subsidiary; or (ii) the incurrence of any new Financial Indebtedness by the Company or a Subsidiary but excluding new Financial Indebtedness incurred for the purpose of purchase and/or investment and/or development of a Real-Estate Asset; or (iii) refinancing of a Real-Estate Asset, but excluding a refinance for the purpose of an investment and/or development of a Real-Estate Asset
<b>“FCA” or “Financial Conduct Authority”</b> . . . . .	the Financial Conduct Authority of the United Kingdom
<b>“FDI”</b> . . . . .	foreign direct investment
<b>“Financial Indebtedness”</b> . . . . .	a debt that is owed to a financial creditor of the Company or a Subsidiary, including guarantees granted and/or which the Company and/or a Subsidiary shall grant, but excluding:  (i) guarantees and/or undertakings granted in connection with completion and performance costs of a project for the construction or development of a Real-Estate Asset (cost overrun guarantees); or  (ii) guarantees for ongoing needs in a cumulative amount which shall not exceed at any point EUR 200 thousands; or  (iii) a loan granted directly to the Company by its Shareholders provided, that: (a) the interest rate thereof for is not higher than that of the Notes; (b) after the elapse of six (6) months following the provision date of the loan (in case it is not repaid until such date) the loan shall become a subordinated debt; and (c) it will not be permitted to call for an immediate repayment of the loan or to demand the Company’s liquidation in connection with such loan; or  (iv) where the financial creditor approved in writing that the said debt is a subordinated debt.

## Definitions

	For this definition the term “Subsidiary” means all corporations, limited liability companies, partnerships, joint ventures, joint stock companies and other entities in which the Company holds, directly or indirectly, at least 50% of the capital or the rights (as the case may be) or an entity controlled, directly or indirectly, by the Company. For this purpose “Control” means as defined under the Israeli Securities Law of 1968
“FSMA”	the United Kingdom Financial Services and Markets Act 2000 (as amended)
“ft <sup>2</sup> ”	square feet
“FY”	financial year, and “FY 2013” means the financial year ended 31 December 2013
“GBA”	gross built area
“General Meeting”	the general meeting of shareholders ( <i>algemene vergadering van aandeelhouders</i> ) of the Company
“General Resolutions”	means those resolutions set out as resolutions 6 up to and including resolution 15 in the notice of extraordinary General Meeting
“GDP”	gross domestic product
“GLA”	gross lettable area
“Group”	the Company and its Subsidiaries
“Guaranteed Proceeds”	the proceeds amounting to EUR 20 million in aggregate payable to the Company by EUL under the Controlling Shareholder Undertaking for the issue of the Escrow Shares and the New Ordinary Shares to be issued to EUL, with EUL’s obligations having been guaranteed by EI
“ha”	hectare
“H1”	first half year
“IFRS”	International Financial Reporting Standards as endorsed by the European Commission
“IMF”	International Monetary Fund
“Independent Shareholders”	shareholders other than EUL, Davidson Kempner Capital Management LP and any of their respective affiliates
“INR”	Indian Rupee, the legal currency of India for the time being
“Indian JV Vehicle”	Elbit Plaza India Real Estate Holding Limited
“IPO”	the initial public offering of the Company, completed in November 2006
“Klépierre”	Klépierre S.A., a European specialist in commercial centers
“km”	kilometre
“LIBOR”	the London Interbank Offered Rate
“Listing Rules”	the listing rules made by the FCA under section 73A(2) of FSMA
“London Stock Exchange” or “LSE”	London Stock Exchange Group plc or its successor(s)
“m <sup>2</sup> ” or “sqm”	square metres
“Maalot”	S&P Maalot, the Israeli credit rating agency which is a division of International Standard & Poor’s

## Definitions

“Member State”	a member state of the EEA
“Midroog”	Midroog Ltd. an affiliate of Moody’s Investor Services
“MTM”	Many-to-Many as defined in the CREST Regulations
“Net Cash Flow”	the net proceeds in cash actually received by the Company, as the result of an Exercise Event that occurred after 15 May 2014. For the avoidance of doubt: net proceeds means the proceeds actually received by the Company, after deducting: (1) the full debt amount repaid that has to be repaid to banks as a result of the Exercise Event, (2) the full debt amounts repaid to the banks in case of a refinancing, (3) in case the relevant Exercise Event occurred in a Subsidiary—the sums required for repaying the existing undertakings towards the creditors of that Subsidiary due to such Exercise Event; and (4) all direct expenses related to the asset, such as fees, and direct sale expenses to third parties, brokerage expenses, loan expenses and tax expenses (as the case may be) but excluding overhead and costs of the Group’s officers and employees For this definition: “Subsidiary” means all corporations, limited liability companies, partnerships, joint ventures, joint stock companies and other entities in which the Company holds, directly or indirectly, at least 50% of the capital or the rights (as the case may be) or an entity controlled, directly or indirectly, by the Company
“New Depositary Interests”	the Depositary Interests to be issued by the Depositary following take up of rights to acquire New Ordinary Shares by Qualifying Shareholders in connection with the Rights Offering and the issue of the Bondholders’ Shares (as the case may be)
“New Ordinary Shares”	the Ordinary Shares to be issued by the Company pursuant to the Rights Offering
“NIS”	New Israeli Shekels, the legal currency of the State of Israel for the time being
“Non-executive Directors”	the non-executive directors on the Board
“Notes”	the Series A Notes and the Series B Notes collectively
“Official List”	the official list of the United Kingdom Listing Authority
“Ordinary Shares”	ordinary shares with a nominal value of EUR 0.01 each in the share capital of the Company or DIs (as the case may be)
“Overseas Shareholders”	Shareholders or Depositary Interest Holders with registered addresses outside the Netherlands, the United Kingdom or Poland or who are incorporated in, registered in or otherwise resident or located in, countries outside the Netherlands, the United Kingdom or Poland
“pa”	per annum
“Panel”	the UK Panel on Takeovers and Mergers
“Placing”	the placing of the Bondholders’ Shares and the Escrow Shares as described in this document
“Plan Creditors”	the Company’s ordinary unsecured creditors pursuant to the Restructuring Plan
“Polish Act on Trading in Financial Instruments”	Polish Act on Trading in Financial Instruments, dated 29 July 2005, as subsequently amended

## Definitions

“Polish Act on Public Offering” . . . .	Polish Act on Public Offering and Conditions of Introduction of Financial Instruments to Organized Trading System and on the Public Companies, dated 29 July 2005, as subsequently amended
“Polish Bonds” . . . . .	Series A unsecured, dematerialized bearer bonds of the Company with a nominal value of PLN 100,000 per bond, issued by the Company on 16 November 2010 under Polish law with ISIN: NL0009524107
“Polish CSD” . . . . .	Central Securities Depository of Poland
“Prospectus Directive” . . . . .	Directive 2003/71/EC of the European Parliament and of the Council of the European Union (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in a Member State), including all relevant implementing measures
“QIB” . . . . .	Qualified Institutional Buyers within the meaning of Rule 144A
“Q1”, “Q2”, “Q3” and “Q4” . . . . .	first, second, third and fourth quarters, respectively
“Qualifying CREST Shareholders” . .	Qualifying Shareholders holding Existing Ordinary Shares in uncertificated form and Qualifying Depository Interest Holders
“Qualifying Depository Interest Holders” . . . . .	holders of Existing Depository Interests on the register of such holders maintained on behalf of the Depository by Capita IRG plc on the Record Date
“Qualifying Shareholders” . . . . .	holders of (i) Existing Ordinary Shares on the Company’s shareholders register as at the Record Date; or (ii) Existing Depository Interests on the register of such holders maintained on behalf of the Depository by Capita IRG plc as at the Record Date
“Receiving Agent” . . . . .	Capita IRG Trustees Limited
“Record Date” . . . . .	25 November 2014, (unless altered by the Company in consultation with the Sponsor and notified to the UK Listing Authority, the London Stock Exchange, the Warsaw Stock Exchange and, where appropriate, Qualifying Shareholders)
“Real-Estate Asset” . . . . .	rights in lands or in real estate projects of various types (such as: residential, malls and mixed-use projects of commercial and residential, as well as rights in a special purpose entity holding the aforesaid assets
“Reference Date” . . . . .	18 November 2013, being the day on which the suspension of payment proceedings commenced
“Registrar” . . . . .	Capita Registrars (Jersey) Limited
“Regulation S” . . . . .	Regulation S under the Securities Act
“Regulatory Information Service” . . .	a regulatory information service that is approved by the FCA and that is on the list of regulatory information service providers maintained by the FCA
“Related Party Resolutions” . . . . .	means those resolutions set out as resolutions 3, 4 and 5 in the notice of extraordinary General Meeting;
“Restructuring Plan” . . . . .	the Company’s draft restructuring plan ( <i>ontwerpakkoord</i> ) as filed on 18 November 2013 with the district court of Amsterdam, the Netherlands ( <i>Rechtbank Amsterdam</i> )
“Restructuring Resolutions” . . . . .	means those resolutions set out as resolutions 1 and 2 in the notice of extraordinary General Meeting;

## Definitions

“Resolutions”	means all the resolutions to be proposed at the General Meeting as set out in the notice convening the extraordinary General Meeting;
“Rights”	transferable subscription entitlements to subscribe for New Ordinary Shares
“Rights Offering”	the offering of New Ordinary Shares through the grant of Rights to Qualifying Shareholders and Qualifying Depository Interest Holders to subscribe for New Ordinary Shares or New Depository Interests against the Rights Offering Price
“Rights Offering Price”	EUR 0.0675 per New Ordinary Share
“Rule 144A”	Rule 144A under the US Securities Act 1933
“SDRT”	stamp duty reserve tax
“SEC”	the United States Securities and Exchange Commission
“Senior Managers”	the senior managers of the Group, other than the Directors, whose names appear in paragraph 2 of Part V—“Management”
“Series A Notes”	Series A Notes issued by the Company of NIS 1 par value each
“Series B Notes”	Series B Notes issued by the Company of NIS 1 par value each
“Settlement Date”	29 December 2014
“Share Option Schemes”	the 2006 Share option Scheme and the 2011 Share Option Scheme collectively
“Shareholders”	the holders of Ordinary Shares (or DIs as the case may be)
“Sponsor”	SPARK Advisory Partners Limited
“Stock Account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
“sq ft”	square feet
“Subsidiary”	as defined in section 2:24a of the DCC and “Subsidiaries” shall be defined accordingly
“TASE”	The Tel Aviv Stock Exchange
“Takeover Directive”	Directive 2004/25/EC of 21 April 2004 concerning the regulation of public takeover bids
“Trust Deed” or “Trust Deeds”	trust deed for the Series B Notes, concluded among the Company and Reznik Paz Nevo Ltd. containing <i>among other things</i> the conditions applicable to the Series B Notes
“uncertificated” or “in uncertificated form”	refers to a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“UK Listing Authority” or “UKLA”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Code on Corporate Governance”	the code of best practice published in October 2012 by the Financial Reporting Council and including the principles of good governance appended to, but not forming part of, the Listing Rules
“UK Holder”	a Shareholder who is resident in the UK for UK tax purposes

## Definitions

<b>“USD” or “US Dollars”</b> . . . . .	United States dollars, the legal currency of the US for the time being
<b>“US” or “USA” or “United States”</b> . .	the United States of America, its territories and possessions, any state or political subdivision of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America
<b>“US Securities Act”</b> . . . . .	the United States Securities Act of 1933, as amended
<b>“VAT”</b> . . . . .	value added tax
<b>“Warsaw Stock Exchange” or “WSE”</b>	Warsaw Stock Exchange in Warsaw, Poland
<b>“Warsaw Stock Exchange Rules”</b> . . . .	Regulations of the Warsaw Stock Exchange adopted by the Council of the WSE on 4 January 2006, as subsequently amended
<b>“WSE Corporate Governance Rules”</b> .	Good Practices of the Companies Listed on the WSE adopted by the Council of the WSE on 2 November 2012
<b>“2006 Share Option Scheme”</b> . . . . .	the Company’s employee share option scheme as adopted on 20 October 2006
<b>“2010 PD Amending Directive”</b> . . . . .	Directive nr. 2010/73/EU of the European Parliament and of the Council, amending the Prospectus Directive
<b>“2011 Share Option Scheme”</b> . . . . .	the Company’s employee share option scheme as adopted on 22 November 2011

## Appendix 1

### APPENDIX 1 US Purchaser Letter

Plaza Centers N.V.  
Prins Hendrikkade 48-s  
1012 AC Amsterdam  
The Netherlands

SPARK Advisory Partners Limited (“**Spark**”)  
5 St. John’s Lane  
London  
EC1M 4BH

cc:

*[You must fax or email a copy of this letter to the financial intermediary through which your existing ordinary shares are held. Accordingly please insert here name, address and contact details of the relevant financial intermediary.]*

2014

Ladies and Gentlemen

In connection with our proposed exercise of any subscription rights with respect to the new ordinary shares (the “**New Shares**”) of Plaza Centers N.V. (“**Plaza**”), which are being offered by way of a rights offering by Plaza (the “**Rights Offering**”), we represent, warrant, agree and confirm that:

1. To the extent we are an existing shareholder of Plaza, we are the beneficial holder of and/or exercise full investment discretion with respect to our ordinary shares of Plaza, as applicable.
2. We are an institution which (a) invests in or purchases securities similar to the New Shares in the normal course of business, (b) has such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of our investments in the New Shares, and (c) we, and any accounts for which we are acting, understanding that we must bear and are able to bear the economic risk, and sustain a complete loss, of such investment in the New Shares for an indefinite period of time. We agree that we will not look to the Sponsor or any of its affiliates for all or part of any loss we may suffer.
3. We are a “qualified institutional buyer” (a “QIB”) as defined in Rule 144A (“Rule 144A”) under the US Securities Act of 1933, as amended (the “Securities Act”). Further, if we are acquiring the New Shares as a fiduciary or agent for one or more investor accounts, (a) each such account is a QIB, (b) we have investment discretion with respect to each account and (c) we have full power and authority to make the representations, warranties, agreements and acknowledgements herein on behalf of each such account.
4. We acknowledge and agree that our purchase will be made pursuant to this letter and the terms and conditions of the Rights Offering, which is governed by the laws of the Netherlands as described in Plaza’s prospectus dated [ • ] 2014 (including the documents incorporated by reference therein (the “**Prospectus**”)).
5. We are aware and understand that an investment in New Shares involves a considerable degree of risk and no US federal or state or non-US agency has made any finding or determination as to the fairness for investment or any recommendation or endorsement of any such investment.
6. We will base our investment decision solely on a copy of the Prospectus. We acknowledge that neither Plaza nor any of its affiliates nor any other person (including “**Spark**”) and any of their respective affiliates) has made any representations, express or implied, to us with respect to Plaza, the Rights Offering, the New Shares or the accuracy, completeness or adequacy of any financial or other information concerning Plaza, the Rights Offering or the New Shares, other than (in the case of Plaza and its affiliates only) the information contained or incorporated by reference in the Prospectus. We acknowledge and agree that we will not hold the Sponsor or any of their affiliates or any person acting on their behalf responsible or liable for any misstatements in or omissions from any publicly available information relating to Plaza. We acknowledge that we have not relied on any investigation that the Sponsor or any person acting on their behalf may or may not have conducted and we have relied solely on our own judgment, examination and due diligence of Plaza, and the terms of the transaction,

## Appendix 1

including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Sponsor or any of its affiliates. We understand that the Prospectus has been prepared in accordance with Dutch format, style and content, which differ from US format, style and content. In particular, but without limitation, the Prospectus may not be responsive to the disclosure requirements of the Securities Act and the financial information relating to Plaza contained in the Prospectus has been prepared in accordance with International Financial Reporting Standards, and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles.

7. We understand and acknowledge that the Sponsor is acting solely for Plaza and no-one else and, in particular, neither the Sponsor nor any of its affiliates are providing us with any service, recommendation or advice regarding the suitability of any transactions we may enter into to subscribe or buy any New Shares or providing advice to us in relation to the Rights Offering or New Shares or Plaza. To the extent we deem necessary, we will make our own independent investigation and appraisal of, and satisfy ourselves concerning, the business, results, financial condition, prospects, creditworthiness, status and affairs of Plaza and we will make our own investment decision to acquire the New Shares. We understand that there may be certain consequences under US and other laws, including applicable tax laws, resulting from an investment in the New Shares, and we will make such investigation and consult such tax, legal and/or other advisors with respect thereto as we deem appropriate.
8. We agree that we will not distribute, forward, transfer or otherwise transmit the Prospectus, or any other presentational or other materials concerning the Rights Offering (including electronic copies thereof) to any person (other than a QIB on behalf of which we act), and we have not distributed, forwarded, transferred or otherwise transmitted any such materials to any person (other than a QIB on behalf of which we act). We acknowledge that we have read and agreed to the matters set forth under ‘Notice to Overseas Shareholders’ in the Prospectus.
9. Any New Shares we acquire will be for our own account (or for the account of a QIB as to which we exercise sole investment discretion and have authority to make the statements contained in this letter) for investment purposes, and not with a view to distribution within the meaning of the US securities laws, subject to the understanding that the disposition of our property shall at all times be and remain within our control.
10. We, and each other QIB, if any, for whose account we are acquiring New Shares has been advised, understands and has acknowledged that the right to subscribe for New Share (the “**Rights**”) and the New Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Rights and the New Shares are not being and will not be registered under the Securities Act, in reliance on an exemption under Section 4(a)(2) of the Securities Act, or with any state or other jurisdiction of the United States. We acknowledge and agree that our purchase of the New Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act. We understand and agree that, although offers and sales of the New Shares are being made in the United States to QIBs, they are not being made under Rule 144A, and that the New Shares are not eligible for resale pursuant to Rule 144A. We, and each other QIB, if any, for whose account we are acquiring New Shares has been advised, understands and has acknowledged that no representation has been made as to the availability of the exemption provided by Rule 144 or any other exemption under the Securities Act or any applicable securities laws of any state or other jurisdiction of the United States for the reoffer, resale, pledge or transfer of the New Shares.
11. We understand that the New Shares will be “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and we agree that for so long as such New Shares are “restricted securities” (as so defined), they may not be deposited into any unrestricted depository facility established or maintained by any depository bank.
12. As long as the New Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will not reoffer, resell, pledge or otherwise transfer the Rights and the New Shares, except (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act (which, for the avoidance of doubt, includes a sale over the London Stock Exchange) or (b) in another transaction pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with any applicable securities laws of any state or other jurisdiction of the United States.

## Appendix 1

13. We are not acquiring New Shares as a result of any “general solicitation” or “general advertising” (as those terms are defined in Regulation D under the Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over the radio or television or as a result of any seminar or meeting whose attendees have been invited by general solicitation or general advertising.
14. We understand that, to the extent the New Shares are delivered in certificated form, the certificate delivered in respect of the New Shares will bear a legend substantially to the following effect for so long as the securities are “restricted securities” within the meaning of Rule 144(a)(3) under the 253

Securities Act:

**THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) IN A TRANSACTION PURSUANT TO ANOTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.**

We will notify any person to whom we subsequently reoffer, resell, pledge or otherwise transfer the Rights and the New Shares of the foregoing restrictions on transfer.

15. We understand and acknowledge that Plaza shall not have any obligation to recognize any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that Plaza may make notation on its records or give instructions to any transfer agent of the New Shares in order to implement such restrictions.
16. We acknowledge that our acquisition of the New Shares is subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this letter. We understand that the foregoing representations, warranties, agreements and acknowledgements are required in connection with US and other securities laws and that Plaza, its affiliates, the Sponsor and its respective affiliates, and others are entitled to rely upon the truth and accuracy of the representations, warranties, agreements and acknowledgements contained herein. We agree that if any of the representations, warranties, agreements and acknowledgements made herein are no longer accurate, we shall promptly notify Plaza and the Sponsor. All representations, warranties, agreements and acknowledgements we have made in this letter shall survive the execution and delivery hereof.
17. We confirm that, to the extent we are purchasing the New Shares for the account of one or more other persons, (a) we have been duly authorized to sign this letter and make the confirmations, acknowledgements and agreements set forth herein on their behalf and (b) the provisions of this letter constitute legal, valid and binding obligations of us and any other person for whose account we are acting.
18. We irrevocably authorize Plaza, its affiliates, the Sponsor and their respective affiliates and any person acting on their behalf to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings, dispute or official inquiry with respect to the matters covered hereby.
19. The terms and provisions of this letter shall inure to the benefit of Plaza and the Sponsor and their respective successors and permitted assigns, and the terms and provisions hereof shall be binding on our permitted successors in title, permitted assigns and permitted transferees.
20. We hereby represent and warrant that all necessary actions have been taken to authorize the purchase by us of the New Shares and the execution of this letter.

## Appendix 1

21. We understand that if we receive any of the New Shares and have failed to return an executed copy of this letter to the Company and the Sponsor, we will be deemed to have made for the benefit of the Company and the Sponsor, their respective affiliates and others, all of the foregoing representations, warranties, agreements and acknowledgments.
22. This is not a confirmation of sale of or subscription for the New Shares or the terms thereof.
23. This letter shall be governed by, and construed in accordance with, the laws of the State of New York.
24. We and any person acting on our behalf have all necessary consents and authorities to enable us to enter into the transactions contemplated hereby and to perform our obligations in relation thereto.

Yours truly,

[Signature of authorized signatory]

ON BEHALF OF [Institution]

By: [Name of authorized signatory]

[Title of authorized signatory]

[Institution]

[Address]

[Nominee information, if applicable:

Name:

Address:

Phone number:]

