



Results for the nine months ended 30 September 2014

19 November 2014



Agenda



SECTION 1 Financial Highlights

SECTION 2 Operational Highlights

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Financial Highlights



- Reduction in total assets to €494 million (31 December 2013: €586 million) primarily due to impairments of trading property, as well as the disposal of Kragujevac Plaza shopping center.
- Book value of the Company's trading property reduced by 13% (€105 million) over the period, primarily due to the abovementioned reasons. For breakdown of impairments in 2014 refer to slide 7 of this presentation.
- Net Operating Income ("NOI") (*) in the first nine months of 2014, despite an increase of circa 9% in the NOI performance of operational shopping centres (excluding Riga shopping centre) compared to first nine months of 2013, slightly decreased to €10.7 million (first nine months of 2013: €10.8 million), mainly due to:
 - (1) Prague 3 asset which generated € 0.4 million of NOI in the first six months of 2013 but was sold in July 2013
 - (2) Kragujevac disposal (effective end August 2014) with 2013 comparatives including NOI due to September 2013 of circa EUR 0.3 million.

(*) In respect of NOI performance of shopping centres, refer to slide 10 of this presentation.



Financial Highlights cont.



- Loss for the third quarter of 2014 of €1.3 million (third quarter of 2013: loss of €89.8 million). Loss for the first nine months of 2014 of €99.8 million (first nine months of 2013: loss of €170.8 million), stemming from a non-cash €70 million impairment of trading property and equity accounted investees (first nine months of 2013: €136 million of impairments(*)), and an overall (mostly non-cash) net finance cost of €30 million compared to a net finance cost of €32 million in 2013. Basic and diluted loss per share of €0.34 (September 30, 2013: loss per share of €0.57).
- Consolidated cash position as at September 30, 2014 (including restricted bank deposits, short term deposits and held for trading financial assets) of €35.9 million (31 December 2013: €33.7 million) and current cash position of circa €44 million (€4.5 million restricted). Headquarters level cash totalled €24.4 million as of September 30, 2014, with remaining cash mainly kept in Poland (€9.0 million).
- Gearing increased to 77% (31 December 2013: 64%) as a result of impairment losses and finance costs incurred during the first nine months period.

(*) For the breakdown of impairments refer to slide 7.



Financial Overview

Results (€ 000)



	Nine months ended September 30	
	2014	2013
<u>Continuing operations</u>		
Rental income	17,270	17,545
Revenues from entertainment centres ⁽¹⁾	1,295	2,765
	18,565	20,310
Cost of operations	(6,252)	(6,489)
Cost of operations – entertainment centers	(1,581)	(2,977)
	10,732	10,844

- (1) Income from the Group's Fantasy Park operations decreased to €1.3 million from €2.8 million in 2013 after the closure of several Fantasy park entertainment centres in malls owned by third parties.
- (2) Refer also to slides 4 and 10 for more information



Financial Overview

Results (€ 000) cont.



	Nine months ended September 30	
	2014	2013
Write-down of Trading Properties ⁽¹⁾	(69,716)	(79,911)
Write-down of equity-accounted investees	-	(55,981)
Loss from disposal of trading property	(621)	(346)
Loss from disposal of equity accounted investees (holding undeveloped Trading Property) ⁽²⁾	(4,048)	(5,143)
Share in results of equity-accounted investees ("EAI"), net of tax	843	194
Administrative expenses, excluding restructuring costs ⁽³⁾	(5,590)	(8,111)
Restructuring costs	(2,420)	-
Other income ⁽⁴⁾	2,336	304
Other expenses ⁽⁴⁾	(1,523)	(7,145)
Results from operating activities	(70,007)	(145,295)

(1) 2014 - For a full breakdown of impairments refer to slide 7.

(2) 2014- Loss due to termination of the joint venture agreement in respect of the BAS projects in Romania.

(3) Administrative expenses decreased sharply as a result of a decrease in payrolls and related expenses as part of the Company's efforts to reduce costs during the year. Share based payment expenses in 2014 - €0.2 million (2013 - €0.3 million).

(4) 2014 other income – due to reimbursement of insurance claim (loss of profit) in respect of the fire event in the Koregaon Park shopping centre in India. 2014 other expenses includes mainly losses from selling the corporate jet and the gas turbines in Bucharest.



Financial Overview

Results (€ 000) cont.



Breakdown of impairments (€M)

Nine months ended September 30

	2014	2013
Casa Radio Plaza (Romania)	31.0	-
Koregaon Park (India)	10.1	15.6
Helios Plaza (Greece)	10.9	6.4
Belgrade Plaza MUP (Serbia)	-	25.7
Belgrade Plaza MUP (Visnjicka)	-	5.8
Liberec Plaza (Czech Republic)	-	9.0
Timisoara (Romania)	-	3.8
Constanta (Romania)	3.8	1.3
Csiki Plaza (Romania)	3.7	2.9
Iasi Plaza (Romania)	3.7	-
Lodz (Poland)	-	5.7
Roztoky (Czech Republic)	-	3.5
Kragujevac Plaza (Serbia)	3.4	-
Hunedoara Plaza (Romania)	1.2	-
Shumen Plaza (Bulgaria)	1.0	-
Other, aggregated	0.9	0.2
Total	69.7	79.9



Financial Overview

Results (€ 000) cont



	Nine months ended September	
	30	
	2014	2013
Finance income ⁽¹⁾	374	2,226
Finance costs ⁽²⁾	-30,579	-34,099
Net finance costs	-30,205	-31,873
Loss before income tax	-100,212	-177,168
Tax benefit	368	6,339
Loss from continuing operations	-99,844	-170,829
<u>Discontinued operation</u>		
Profit from discontinued operation, net of tax	78	25
Loss for the period	-99,766	-170,804



Financial Overview *(Cont.)*



NOTES TO THE RESULTS

- (1) Finance income decreased to €0.2 million from €2.2 million in 2013 mainly due to decrease in cash amounts held and no income was recorded in 2014 in connection with various financial instruments held by the Group (SWAP, AFS financial instruments (2013: €1.5 million income), as the Company decreased this activity in order to preserve short term liquidity.
- (2) Finance expenses decreased from €34.1 million to €30.6 million. The main components of expenses were:
 - Increase in value of debentures at FVTPL on borrowings, resulting in €16.2 million of expense (2013 - €14.2 million expense). Value of FVTPL was 1.07 on September 30, 2014, comparing 0.92 on December 31, 2013.
 - NIS strengthening 2014 effect on debentures totaled €4.5 million of expense (2013 - €6.7 million expense).
 - Interest booked on debentures totaled €3.3 million of expense (2013 - €2.0 million expense left in the profit or loss after an additional €6.5 million was capitalized).
 - Interest on borrowings totaled €6.5 million in 2014 (2013 - €9.3 million of expenses).



Company Net Operating Income (“NOI”)



The following table presents the 2014 nine months NOI performance of shopping centres:

Shopping centre name	NOI 9M 2014 (€M)	NOI 9M 2013 (€M)	Remarks
Torun	4.8	4.4	TK Maxx major tenant opening in late March 2014.
Kragujevac	2.7	3.0	2014 – for eight months only, as the asset was sold effective 31.08.14.
Suwalki	2.6	2.3	
Zgorzelec	0.9	0.7	
Liberec	0.8	0.8	
Koregaon Park	(0.7)	(0.6)	
Subtotal	11.1	10.6	
Riga	2.5	2.1	Not included as part of gross profit due to IFRS requirements, but rather as part of Equity Accounted Investees.
Total	13.6	12.7	



Company Trading property breakdown



Asset name	Value June 30, 2014 (€M)	Remarks
Casa Radio (Romania)	119.0	
Torun (Poland)	68.3	
Suwalki (Poland)	39.1	
Koregaon Park (India)	33.0	
Viznjicka (Serbia)	19.2	
Liberec (Czech Republic)	17.8	
Zgorzelec (Poland)	17.3	
Belgrade MUP (Serbia)	16.0	
Subtotal	329.7	
Other plots, aggregated	60.1	
Total recorded in financial statements	389.8	
Riga (Latvia)	44.5	Included in EAI
EPI (Bangalore+Chennai)	26.6	Included in EAI
Total trading property	460.9	



Debt structure of the Group



Debt Structure – September 30, 2014			€ million
Debt	Debentures ⁽¹⁾		216
	Bank Loans	CEE - operating malls ⁽³⁾	151
		CEE - projects under development and others ⁽⁴⁾	10
		India ⁽⁵⁾	23
Total Debt			400
Resources	Liquid balances - Consolidated		29
	Financial Instruments and restricted bank deposits		7
	Total sources		36
Net Financial Debt			364
Shareholders' equity (Non-revalued)			115
Net Debt / Net CAP ⁽²⁾			76%
Total Net Debt to Balance Sheet (LTV)			74%

(1) Adjusted Par Value + accrued interest (before amendment of trust deeds)

(2) Net CAP= Net Debt + Equity

€ million		€ million	
(3) CEE - Operating malls	Riga	29	(4) CEE - Projects under development
	Liberec	21	
	Suwalki	31	
	Zgorzelec	22	
	Torun	47	
	IRS SWAP	1	
	151		
			Bas (Romania)
			Other
			10

(5) Koregaon Park Plaza loan



Operational Highlights



- Effective beginning September 2014 the Company disposed of its shopping and entertainment centre, Kragujevac Plaza in Serbia according to an asset value for €38.6 million, in line with the asset's June 2014 reports book value. Following the repayment of related bank debt of circa €28.2 million, the Company received (post balance sheet date) net cash from the disposal of circa €10.4 million (recorded as part of the trade receivables). 75% of the net cash proceeds will be distributed to the Company's bondholders in the fourth quarter of this year as an early repayment of the bonds, in line with the Company's stated restructuring plan, once all condition precedent are met. Restricted cash linked to the bank debt and other working capital balances of circa EUR 2 million were also released following the transaction
- As previously announced the Company filed for reorganisation proceedings (surseance van betaling) with the District Court of Amsterdam in the Netherlands (the "Court") and submitted a restructuring plan to the Court in November 2013. The restructuring plan was approved on June 26, 2014 by the vast majority of the creditors, was subsequently approved by the Court on July 9, 2014, and became effective July 21, 2014.
- The Company confirmed on June 23, 2014 that Elbit Imaging announced that, as part of the Company's debt restructuring process which incorporates a rights offering of shares to its existing shareholders (the "Rights Offering") to raise an aggregate amount of at least €20 million, EUL (EI wholly owned subsidiary, holding 62.5% of the Company) intends to enter into a Deed of Undertaking (the "Undertaking") with the Company. The Undertaking was signed and became binding on July 7, 2014.
- EI has further announced that, concurrently with the Undertaking, EUL intends to enter into a Back Stop Agreement (the "Back Stop Agreement") with various affiliates of Davidson Kempner Capital Management LP ("DK"), pursuant to which DK will undertake to purchase, in lieu of EUL, such proportion of shares in the Company to be determined by EUL, provided that the monies payable in respect of such shares to be acquired by DK shall not be less than the higher of €3 million or the amount required to acquire the Additional Shares (the "Back Stop Undertaking"), and has further provided that such Back Stop Undertaking does not result in DK being liable to acquire more than €10 million of the Company shares or result in DK and its affiliates, directly or indirectly crossing the threshold of 30 per cent of the total voting rights in the Company. Consequently, in the event the total price of the Additional Shares falls below €3 million, the Company will be obligated to increase the number of shares offered pursuant to the Rights Offering such that the total price of the shares acquired by DK shall not be less than €3 million.
- During 2014, the Company disposed of its plot in Targu Mures, Romania, for a total consideration of €3.5 million. Also, during 2014, the Company disposed of its corporate aeroplane and sold two gas turbines held in the Casa Radio plot in Bucharest, in order to improve its cash position and reduce leverage.
- During 2014, the Company also received €2.4 million of insurance reimbursement, due to loss of profit in respect of the fire in the Koregaon Park shopping centre in 2012.



Operational Highlights (cont.)



- The third quarter of 2014 saw very positive growth in terms of footfall, turnover and occupancy across the portfolio.
- Turnover results were positive with solid increases in revenues across all centres compared to the corresponding period in 2013: The biggest increase in turnover was achieved in Torun which recorded a 24.7% rise for the quarter, including record growth in turnover in August of 42% compared to last year. Torun is benefitting enormously from the recent openings of TK Maxx, Sports Direct, Carry and other fashion stores. Very strong results were also shown by Riga Plaza, with turnover increasing by an impressive 15.2% compared to the corresponding quarter last year, including a rise of 26.8% in August. Liberec Plaza also recorded double digit turnover growth, with an increase of 11.1% during the quarter.
- The average occupancy level across the portfolio exceeded 92% in Q32014 (including 97% in Riga Plaza, 95% in Zgorzelec, 92.5% in Suwalki, 92% in Torun and 84% in Liberec). Ongoing negotiations in Riga and Suwalki (expected to be concluded in Q4 2014) will bring these centres to nearly 100% occupancy by year end.



Operational Highlights (cont.)



- Footfall growth was very positive in August although this was offset somewhat by the impact of unseasonably warmer weather in September, which led to fewer visitors to all our centres during that month. The net effect for the entire quarter, therefore, was a positive trend in three of our operating centres. The highest result in terms of footfall was again achieved in Torun for the reasons outlined above, with footfall increasing 9.3% over the quarter, compared to Q3 2013. This was followed by Riga with a 5.3% rise in footfall and Zgorzelec, with an increase of 4.5%. Footfall results in Liberec (-5.7%) continued to be affected by the new system of parking that reduced the number of non-shoppers using the parking facilities, while a 3.5% decline at Suwalki resulted from planned, short term infrastructure works to the main access roads which will soon be completed and will be favourable for the centre in the longer term.



Summary



- Swift and successful conclusion of restructuring process, securing strong majority support from creditors.
- Upcoming rights issuance will provide improved liquidity, broadening of investor base and more diversified sources of financing.
- Implementation of program of selling of assets which have reached optimal rental rates (such as Kragujevac, which was 99% rented when sold), as well as selling of non-core assets.
- Solid platform for future growth underpinned by positive operational performance including improvements in turnover, occupancy levels and footfall, together with growing economic confidence.
- Business now well placed to return to the delivery of value and growth to investors.
- Company working with newly configured board to deliver a new strategy by year end.

