Plaza Centers N.V.

Condensed Consolidated Interim Financial Information

June 30, 2016

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Contents

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Independent Auditors' Report on Review of Interim Financial Information

Board of Directors
Plaza Centers N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Plaza Centers N.V. ("the Company") as at June 30, 2016, which comprises the condensed consolidated interim statement of financial position as at June 30, 2016, the condensed consolidated interim statements of profit or loss and comprehensive income for the six and three month period then ended, the statement of changes in equity and cash flows for the six month period ended June 30, 2016, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2016 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU.

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Emphasis of matters

Without qualifying our conclusion, we draw attention to Note 4 in the condensed consolidated interim financial information which discloses, amongst other things, important information regarding the Company's cash flow projections for 18 months from the end of the reporting period. The Note also discloses that delays in realization of the Company's assets and investments or realization at lower prices than expected by the Company, as well as any other deviation from the Company's assumptions, are uncertainties that could have an adverse effect on the Company's cash flows and the Company's ability to service its indebtedness in a timely manner.

Without qualifying our conclusion, we draw attention to Note 5(d) and Note 5(f) which disclose potential irregularities concerning the Casaradio Project in Romania and the possible outcomes of such irregularities.

Budapest, August 15, 2016

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

	Note	June 30, 2016 € '000 Unaudited	December 31, 2015 € '000 Audited
ASSETS			
Cash and cash equivalents		19,539	15,659
Restricted bank deposits		5,419	4,774
Trade receivables		1,459	1,654
Other receivables		1,440	1,350
Prepayments and advances	12(d)	1,277	196
Equity accounted investee held for sale	12(b)	19,897	-
Total current assets		49,031	23,633
Trading property	5,12	304,029	317,758
Equity accounted investees	12(k), 13(e)	25,287	40,608
Loan to equity accounted investees	12(b)	-	4,298
Property and equipment		2,420	2,480
Related parties receivables	11	2,869	2,828
Long term receivables	12(c)	4,600	-
Deferred taxes		169	406
Total non-current assets		339,374	368,378
Total assets		388,405	392,011
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks		31,727	31,891
Debentures at amortized cost	4,9	75,174	79,564
Trade payables		4,169	2,223
Related parties liabilities		127	109
Derivatives		379	436
Other liabilities		7,629	7,045
Total current liabilities		119,205	121,268
Non-current liabilities			
Interest bearing loans from banks		69,240	70,621
Debentures at amortized cost	4,9	107,340	102,025
Provisions		14,911	14,911
Long term payables	13(b)	1,446	-
Derivatives		307	318
Total non-current liabilities		193,244	187,875
Equity			
Share capital		6,856	6,856
Translation reserve		(28,267)	(27,418)
Capital reserve due to transaction with Non-controlling interests		(20,706)	(20,706)
Other reserves		35,376	35,376
Share premium		282,596	282,596
Retained losses		(200,665)	(194,602)
Equity attributable to owners of the Company		75,190	82,102
Non-controlling interests		766	766
Total equity		75,956	82,868
Total equity and liabilities		388,405	392,011

August 15, 2016		
Date of approval of the financial statements	**Dori Keren** **Acting Chief Executive officer**	**David Dekel** **Director and Chairman of the Audit Committee**

The notes on pages 9 - 21 are an integral part of this condensed consolidated interim financial information.

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

	Note	For the three months ended June 30 2016	2015	For the six months ended June 30, 2016	2015
		€ '000	€ '000	€ '000	€ '000
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue from disposal of Shopping Centerts	12(a)	-	34,684	9,632	34,684
Rental income		3,885	4,494	8,409	9,785
Revenues from entertainment centers		-	149	-	368
		3,885	39,327	18,041	44,837
Cost of Shopping Centers disposed	12(a)	-	(34,684)	(9,632)	(34,684)
Cost of operations		(1,098)	(1,638)	(2,522)	(3,545)
Cost of operations – entertainment centers		-	(171)	-	(486)
Loss from disposal of Trading property SPV	12(a)	-	(8,802)	(355)	(8,802)
Gross profit (loss)		2,787	(5,968)	5,532	(2,680)
Write-down of Trading Property		-	(6,549)	-	(6,761)
Share in results of equity-accounted investees, net of tax		575	347	1,144	171
Administrative expenses		(1,514)	(2,133)	(3,056)	(3,943)
Other income	12(c)	2,517	4,607	2,856	6,567
Other expenses	13(b)	(2,163)	(165)	(2,345)	(748)
Results from operating activities		2,202	(9,861)	4,131	(7,394)
Finance income		(223)	2,377	3,369	3,794
Finance costs	12(e)	(397)	(10,802)	(13,297)	(32,140)
Net finance costs		(620)	(8,425)	(9,928)	(28,346)
Profit (loss) before income tax		1,582	(18,286)	(5,797)	(35,740)
Income tax expense		(8)	(29)	(266)	(253)
Profit (loss) for the period		1,574	(18,315)	(6,063)	(35,993)
Profit (loss) attributable to:					
Owners of the Company		1,574	(18,315)	(6,063)	(35,993)
Earnings per share					
Basic and diluted earnings (loss) per share (in EURO)	13(d)	0.23	(2.67)	(0.89)	(5.25)

The notes on pages 9 - 21 are an integral part of this condensed consolidated interim financial information.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
	€ '000	€ '000	€ '000	€ '000
	Unaudited	Unaudited	Unaudited	Unaudited
Profit (loss) for the period	1,574	(18,315)	(6,063)	(35,993)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences - foreign operation (Equity accounted investees)	29	(1,654)	(849)	2,281
Foreign currency translation differences- foreign operations (trading properties) – reclassified to profit or loss	-	6,516	-	6,516
Foreign currency translation differences - foreign operation (trading property)	-	-	-	1,077
Other comprehensive income (loss) for the period, net of income tax	29	4,862	(849)	9,874
Total comprehensive income (loss) for the period, net of tax	1,603	(13,453)	(6,912)	(26,119)
Total comprehensive income (loss) attributable to:				
Owners of the Company	1,603	(13,453)	(6,912)	(26,213)
Non-controlling interests	-	-	-	94

The notes on pages 9 - 21 are an integral part of this condensed consolidated interim financial information.

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

	Attributable to owners of the Company								
	Share capital	Share Premium	Other capital reserves	Translation Reserve	Capital reserve from acquisition of Non-controlling interests without a change in control	Retained losses	Total	Non-controlling interests	Total equity
	€ '000								
Balance at December 31, 2015 (audited)	6,856	282,596	35,376	(27,418)	(20,706)	(194,602)	82,102	766	82,868
Total comprehensive loss	-	-	-	(849)	-	(6,063)	(6,912)	-	(6,912)
Balance at June30, 2016 (unaudited)	**6,856**	**282,596**	**35,376**	**(28,267)**	**(20,706)**	**(200,665)**	**75,190**	**766**	**75,956**
Balance at December 31, 2014 (audited)	6,856	282,596	35,340	(36,699)	(20,706)	(148,486)	118,901	672	119,573
Total comprehensive loss	-	-	-	9,780	-	(35,993)	(26,213)	94	(26,119)
Balance at June 30, 2015 (unaudited)	**6,856**	**282,596**	**35,340**	**(26,919)**	**(20,706)**	**(184,479)**	**92,688**	**766**	**93,454**

The notes on pages 9 - 21 are an integral part of this condensed consolidated interim financial information**.**

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

	For the six months ended June 30,	
	2016	2015
	€ '000	€ '000
	Unaudited	Unaudited
Cash flows from operating activities		
Loss for the period	(6,063)	(35,993)
<u>Adjustments necessary to reflect cash flows used in operating activities:</u>		
Depreciation and impairment of property and equipment	34	267
Net finance costs	9,928	28,346
Share of profit of equity-accounted investees, net of tax	(1,144)	(171)
Income tax expense	266	253
	3,021	(7,298)
<u>Changes in:</u>		
Trade receivables	(48)	356
Other accounts receivable	(5,812)	(4,444)
Trading property	16,140	29,587
Equity accounted investees – net investments	303	298
Trade payables	1,946	(614)
Other liabilities and related parties liabilities	1,735	(3,525)
	14,264	21,658
Interest received	30	49
Interest paid	(7,902)	(9,594)
Taxes paid	(29)	(28)
Net cash from operating activities	9,384	4,787
Cash flows from investing activities		
Purchase of property and equipment	-	(3)
Proceeds from selling fixed assets	28	-
Purchase of held for trading marketable debt securities	-	(825)
Net cash from (used in)investing activities	28	(828)
Cash flows from financing activities		
Cash inflow fromforeign exchange derivatives	510	2,247
Changes in restricted cash	(931)	(4,440)
Repayment of debentures at amortized cost	(3,566)	-
Repayment of interest bearing loans from banks	(1,545)	(2,333)
Net cash used in financing activities	(5,532)	(4,526)
Increase (Decrease) in cash and cash equivalents	3,880	(567)
Cash and cash equivalents at 1 of January	15,659	33,363
Effect of exchange rate fluctuations on cash held	-	229
Cash and cash equivalents at 30 of June	**19,539**	**33,025**

The notes on pages 9 - 21 are an integral part of this condensed consolidated interim financial information.

Plaza Centers N.V.
Notes to the condensed consolidated interim financial information

1. Reporting entity

Plaza Centers N.V. ("the Company") was incorporated and is registered in the Netherlands. The Company's registered office is at Prins Hendrikkade 48-S, 1012AC, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe (starting 1996) and India (from 2006).

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

The Company's immediate parent company is Elbit Ultrasound (Luxembourg) B.V. / S.à r.l. ("EUL"), which holds 44.9% of the Company's shares, as at the end of the reporting period. The Company regards Elbit Imaging Limited ("EI") as the ultimate parent company.

The condensed consolidated interim financial information of the Company as at June 30,2016 and for the six months then ended comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended December 31,2015 are available on the Company's website (www.plazacenters.com) and also upon request from the Company's registered office.

During the six months period ended June 30, 2016, no changes occurred in the Company's holdings, with the exceptions as described in notes 12(a) and 12(c) of this report.

2. Basis of accounting

This condensed consolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting,* as adopted by the EU. It does not include all of the information required for a complete set of IFRS financial statements, and should be read in conjunction with the annual Consolidated Financial Statements of the Group as at and for the year ended December 31, 2015.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2015.

This condensed consolidated interim financial information was authorized for issue by the Company's Board of Directors on August 11, 2016.

3. Use of judgements and estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2015. Refer also to note 4 below for significant estimations performed.

4. Going concern and liquidity position of the Company

The condensed consolidated interim financial information have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of banking facilities and it's debentures. Following the closing of the Company's restructuring plan ("the Plan" in this note), the Company's condensed consolidated interim financial information included liabilities to bondholder's in the aggregate principal amount of EUR 197 million. The following table sets forth the cash flows forecast of the Company until the end of 2017 in order to achieve the abovementioned repayments, as they fall due.

According to the Plan, if until December 1, 2016 the Company manages to repay its principal of debentures in the amount of NIS 434 million (EUR 101 million), then the remaining principal payments shall be deferred for an additional year ("the Deferral"). Since the Plan entered into effect, until June 30, 2016, the Company has repaid circa NIS 104 million (EUR 24 million) out of the debentures. The remaining NIS 330 million (EUR 77 million) of the bonds principal (through selling of its assets), together with the interest of approximately EUR 6.5 million are still to be paid up to December 1, 2016, if the Company is to achieve the abovementioned condition in the Plan.

Since part of the series B debentures are held in treasury (refer to note 12(i)), the total required net principal repayment in 2016 in order to achieve the Deferral is NIS 322 million (EUR 75.2 million).

Achieving this condition depends, to a considerable degree, on the Group's ability to dispose assets and collect cash proceeds of at least of EUR 72 million by December 1, 2016, as described below.

If the Company is unable to achieve the abovementioned Deferral by December 1, 2016, then the mandatory principal repayment and interest due in December 2016, July 2017 and December 2017 will be NIS 84 million (EUR 19.5 million), NIS 135 million (EUR 31.5 million) and NIS 335 million (EUR 78.2 million), respectively. The amounts do not include any 75% mandatory repayment of every sale.

4. Going concern and liquidity position of the Company (cont.)

As the Company's primary objective is to obtain the Deferral, it has therefore reclassified this minimum net amount to current liabilities. The scenario below reflects the Company's approved business plan until December 31, 2017:

	Expected cash flow (in MEUR)	
	In the six months ending December 31, 2016	In the year ending December 31, 2017
Opening balance of consolidated cash (1)	25	7
Sources of cash during the period		
Net proceeds from disposal of operating shopping centers (2)	63	47
Proceeds from disposal of plots held (3)	9	47
Net operating income from shopping centers (4)	6	6
Total sources expected	103	107
Uses of cash during the period		
Principal repayment of debentures, net (5)	(75)	(70)
Interest repayment of debentures, net	(7)	(7)
Investment in projects under construction (6)	(8)	(4)
Repayment of bank facilities in subsidiaries (principal +interest)	(3)	(2)
General and administrative expenses	(3)	(5)
Total uses expected	(96)	(88)
Closing balance of consolidated cash (7)	7	19

(1) Opening balance – as appeared in this condensed consolidated interim statement of financial position, including restricted cash (which will be released upon the disposal of the operating shopping centers).
(2) 2016 – Expected net payment from the selling of three shopping centers (Riga, Suwalki and Torun - refer to notes 12(b) and 13(a)). 2017 - expected mainly from the sale of Belgrade Plaza (Visnjicka project)
(3) 2016 - The Company expects extensive disposal of it plots held in CEE and in India. Main 2016 disposal are expected in India and Greece. 2017 – Main plots disposal is due to India and Poland.
(4) As the operating shopping centers are to be disposed of in 2016, in 2017 Net Operating Income is generated from the Belgrade Plaza (Visnjicka) shopping center to be opened in the first half of 2017.
(5) 2016 - This reflects the gross amount of EUR 77 million to be paid based on forecast disposal proceeds, net of the expected repayment of debentures series B bonds held in treasury in the amount of EUR 2 million.
(6) 2016 – Main investment in Belgrade Plaza and in Timisoara project (Romania). 2017 - investment in Timisoara.
(7) 2016 – Immaterial restricted cash amounts. 2017 – Including restricted cash in Visnjicka of EUR 3 million.

It should be noted, that the projected cash flow is based on the Company's forward-looking plans, assumptions, estimations, predictions and evaluations which rely on the information known to the Company at the time of the approval of this condensed consolidated interim financial information (collectively, the "Assumptions").

The materialization, occurrence, consummation and execution of the events and transactions and of the assumptions on which the projected cash flow is based, including with respect to the proceeds and timing thereof, although probable, are not certain and are subject to factors beyond the Company's control as well as to the consents and approvals of third parties and certain risks factors. Therefore, delays in the realization of the Company's assets and investments or realization at lower price than expected by the Company's, as well as any other deviation from the Company's Assumptions, could have an adverse effect on the Company's cash flows and the Company's ability to service its indebtedness in a timely manner.

5. Casa radio note

a. General

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

As part of the PPP, the Project SPV was granted with development and exploitation rights in relation to the site for a period of 49 years, starting December 2006. As part of its obligations under the PPP, the Project SPV has committed to construct a Public Authority Building (“PAB”) measuring approximately 11.000 square meters for the Romanian Government at its own cost.

Large scale demolition, design and foundation works were performed on the construction site which amounted to circa EUR 85 million until 2010, when current construction and development were put on hold due to lack of progress in the renegotiation of the PPP Contract with the Authorities (refer to point c below) and the Global financial crisis. These circumstances (and mainly the avoidance of the Romanian Authorities to deal with the issues specified below) caused the Project SPV to not meet the development timeline of the Project, as specified in the PPP. However, the Company is in the opinion that it has sufficient justifications for the delays in this timeline, as generally described below.

b. Obtaining of the Detailed Urban Plan (“PUD“) permit

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

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

c. Discussions with Authorities on construction time table deferral

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

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

The Project SPV also officially notified the Romanian Authorities of its wish to renegotiate the existing PPP contract on items such as time table, structure and milestones (e.g., the construction of the Public Authority Building (“PAB”), whose’ estimated costs are provisioned for in this interim financial information- refer to paragraph e below). The Company estimates that although there is no formal obligation for the Romanian Authorities to renegotiate the PPP agreement, such obligation is expressly provided for the situation when extraordinary economic circumstances arise.

5. Casa radio note (cont.)

d. Co-operation with the Romanian Authorities regarding potential irregularities

The Board and Management have become aware of certain issues with respect to certain agreements that were executed in the past in connection with the Project. In order to address this matter, the Board has appointed the chairman of the Audit Committee to investigate the matters internally and have also appointed independent law firms to perform an independent review of the matters raised.

The Company has approached and is co-operating fully with the relevant Romanian Authorities regarding the matters that have come to its attention and it has submitted its findings in March 2016 to the Romanian Authorities. As this process is still on-going, the Company in unable to comment on any details related to this matter. Management is currently unable to estimate (based on legal advice received) any impact on the carrying value of the Project potentially resulting from this matter.

e. Provision in respect of PAB

As mentioned in point a above, when the Company entered into an agreement to acquire 75% interest in the Project SPV it assumed a commitment to construct the PAB at its own costs for the benefit of the Romanian Government. Consequently, the Company had recorded a provision in the amount of EUR 17.1 million in respect of the construction of the PAB.

The Company utilized the amount of EUR 1.5 million out of this provision, and in 2015 a reduction in the provision in the amount of EUR 0.6 million was recorded in order to reflect updated budget changes in respect of the PAB.

Management believes that the current level of provision is an appropriate estimation in the current circumstances. Upon reaching concrete agreements with Authorities, the Company will be able to further update the provision.

f. Summary

The circumstances described in subsection a through e above might lead to future claims, penalties, sanctions and/or, in extreme circumstances, termination of the PPP and annulment of the Company's rights in the Project by the Authorities.

6. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2015.

7. Operating segments

The Group comprises one main geographical segment: CEE. India ceased to be a geographical segment, following the sale of Koregaon park shopping center in 2015. The Group does not have reportable segments by product and services. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of Trading Property geographically located in the relevant segment. None of the Group's tenants is accounting for more than 10% of the total revenue. Also, no revenue is derived in the Netherlands, where the Company is domiciled. Data regarding the geographical analysis in the six months period ended June 30, 2016 and 2015 is as follows:

	June 30	
	2016	2015
NOI in CEE (1)	8,036	8,313
Sale of properties (Liberec – refer to note 12(a))	(355)	-
Income from operation/selling	7,681	8,313
Net finance costs	(2,440)	(2,715)
Net expenses from operation of other CEE assets (plots)	(376)	(365)
Other income, net	511	3,919
Write-downs	-	(5,180)
Reportable CEE segment profit before tax	5,376	3,972
Less - general and administrative	(3,056)	(3,943)
Results India	(223)	(10,564)
Unallocated finance costs (Dutch corporate level- mainly debentures finance cost)	(7,894)	(25,205)
Loss before income taxes	(5,797)	(35,740)
Income tax expense	(266)	(253)
Loss for the year	(6,063)	(35,993)
Assets and liabilities as at June 30, 2016		
Total CEE segment assets	339,482	
Assets India	25,287	
Unallocated assets (Mainly Cash and other financial instruments held on Dutch level)	23,636	
Total assets	388,405	
Segment liabilities	126,830	
Unallocated liabilities (Mainly debentures)	185,619	
Total liabilities	312,449	

(1) Out of which Poland – EUR 6.0 million (2015 -EUR 6.0 million).

8. Financial risk management

During the six months' period ended June 30, 2016 there were no changes in the Group's financial risk management. Objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2015.

9. Financial instruments

a. Carrying amounts and fair values

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

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

	Carrying amount		Fair value	
	June 30 ,2016	December 31, 2015	June 30,2016	December 31, 2015
	€ 000'			
Statement of financial position				
Debentures at amortized cost – Polish bonds	12,172	12,957	10,965	11,569
Debentures A at amortized cost – Israeli bonds	58,480	59,072	49,245	50,172
Debentures B at amortized cost – Israeli bonds	111,862	109,560	90,221	91,614
Total	182,514	181,589	150,431	153,355

The total contractual liability of the Debentures was EUR 197 million as at June 30, 2016. In respect of most of other non-listed borrowings, as most financing facilities are backed by real estate assets, and they bear floating interest rate, the Company has a basis to believe that the fair value of non-listed borrowings approximates the carrying amount.

b. Fair value hierarchy

The table below analyses fair value measurements as at June 30, 2016 for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

	Level 1	Level 2	Level 3	Total
	€ 000'			
Short term liabilities				
Derivative	-	-	379	379
Long term liabilities				
Derivative	-	-	307	307

10. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for the six months period ended June 30, 2016 was -5%(six months period ended June 30, 2015: -1%) .

11. Related parties

	June 30, 2016	December 31, 2015
	€ 000'	
Statement of financial position		
Long term receivables - EI	2,869	2,828
Trade and other payables	127	109

	For the six months period ended June 30,	
	2016	2015
	€ 000'	€ 000'
Statement of profit or loss		
Related parties – interest income on balance with EI	41	-
Related parties – recharges from EI	(136)	(103)
Related parties – rental fees charged by EI subsidiary in Romania	(15)	(30)

12. Significant events during the period

a. Disposal of a shopping center in the Czech Republic

On March 4, 2016 the Company signed an agreement to sell its subsidiary holding Liberec Plaza shopping center in the Czech Republic, for EUR 9.5 million in cash. The Company recorded a loss of EUR 350 thousands due to this transaction.

The disposal followed an agreement announced by the Company in September 2015 whereby a wholly owned subsidiary of the Company (”PCE”) won a tender to buy the loan given to the holding and operating company for Liberec Plaza for EUR 8.5 million.

PCE received EUR 8.5 million on account of the bank loan it previously purchased. Out of EUR 1 million remaining proceeds, 75% was distributed to the Company’s bondholders by the end of June 2016, in line with the Company’s stated restructuring plan.

b. Sale of a shopping center in Latvia

On May 16, 2016 one of the Company's subsidiaries, in which it has a 50% stake, has entered into a business sale agreement with respect to the sale of Riga Plaza shopping and entertainment centre in Riga, Latvia, to a global investment fund. The agreement reflects a value for the business of EUR 93.4 million, which is in line with the last reported carrying amount.

The sale of Riga Plaza is consistent with the Company’s stated strategy to execute an orderly disposal of its non-core or mature assets in order to reduce Company debt levels and to bring its development projects to fruition.

12. Significant events during the period (cont.)

b. <u>Sale of a shopping center in Latvia (cont.)</u>

In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the Company's share of the sale of the business, after the repayment of the bank loan (circa EUR 55 million, reflecting 100%), will be distributed to the Company's bondholders within the quarter following the closing. The closing of the transaction is subject to several conditions precedent, all of which are expected to be fulfilled in the coming months.

In view of the above, the Company has reclassified the Investment in the equity accounted investee Diksna, which holds Riga Plaza as asset held for sale.

c. <u>Disposal of a plot in Belgrade, Serbia</u>

On May 17, 2016, the Company signed an agreement to sell its wholly owned subsidiary, which holds the "MUP" plot and related real estate in Belgrade, Serbia, for EUR 15.9 million in cash. The Company has recorded a gain of EUR 2.3 million from this transaction, included as other income in these reports.

Following the fulfilment of certain technical conditions that were met during June 2016, the purchaser paid EUR 11 million in cash to the Company. An additional EUR 0.3 million will be due before November 30, 2016 and the remaining EUR 4.6 million will be due within 15 months from the transaction closing date. Furthermore, the Company will also be entitled to an additional pending payment of EUR 0.6 million, on top of the EUR 15.9 million transaction consideration, once the purchaser successfully develops at least 69,000 sqm above ground.

Upon the receipt of each stage payment, in line with the Company's stated restructuring plan, 75% of the net cash proceeds will be distributed to the Company's bondholders in the following quarter.

d. <u>Debt repayment agreement with financing bank of Zgorzelec Plaza shopping centre in Poland</u>

On June 30, 2016 the Company signed a Debt Repayment Agreement ("DRA") with the financing bank (the "Bank") of Zgorzelec Plaza Shopping Center in Poland.

As part of the DRA, the Company paid EUR 1.1 million (in escrow) to the financing bank of the Shopping Center and the financing bank deposited (in escrow) Release Letters for:

(i) releasing a mortgage in favour of the Bank from a plot of land of the Company in the city of Leszno, Poland;

(ii) releasing of a recourse right obligation (of EUR 1.1 million) under the corporate guarantee of the Company and an additional subsidiary of the Company;

(iii) subordination agreement; and

(iv) submission for enforcement on the loan

The DRA also states that the Company is obliged to make its best effort and cooperate with the Bank in trying to sell Zgorzelec Plaza Shopping Center. Simultaneous with this, the financing bank will seek a third party to be an Appointed Shareholder to purchase the shares of Zgorzelec Plaza Shopping Center for EUR 1.

12. Significant events during the period (cont.)

d. Debt repayment agreement with financing bank of Zgorzelec Plaza shopping centre in Poland (cont.)

If a buyer or Appointed Shareholder is not found by 15 September 2016 the following steps will take place:

- the management of Zgorzelec Plaza Shopping Center will be transferred to an Appointed Manager elected by the Bank;
- the EUR1.1 million payment held in escrow will be transferred to the Bank; and
- the Release Letters will be given to the Company and the Company will stay as a silent shareholder in Zgorzelec Plaza Shopping Center until the end of 2016.

On conclusion of the transaction, the Company expects to lose its control over the project company holding Zgorzelec Shopping Center which will result in de-recognition of the assets and liabilities of the former subsidiary from the consolidated statement of financial position and recognizing a gain of circa EUR 10 million.

e. Development credit facility agreed for Belgrade Plaza (Visnjicka)

On June 21, 2016 the Company signed a EUR 42.5 million loan agreement to support the development of Belgrade Plaza (Visnjicka) in the Serbian capital, Belgrade, from a consortium of banks led by the Hungarian bank OTP Bank Plc.

Belgrade Plaza is being developed on a 31,000 sqm plot of land owned by Plaza in Belgrade, the Capital of Serbia. Construction is already in advanced stages on the new shopping and entertainment centre and it is on schedule to open in the first half of 2017. Belgrade Plaza, which is currently over 50% pre-let, will comprise circa 32,000 sqm of GLA and will be anchored by a supermarket, a multi-screen cinema complex and major international brands.

In respect of Visnjicka project, the Company resumed the capitalization of non-specific borrowing costs as defined in IAS 23, and capitalized in the first six months of 2016 EUR 2.3 million of borrowing costs to the carrying amount of the project.

f. Disposal of a plot in Lodz, Poland

On June 28, 2016 the Company signed an agreement for the sale of a 20,700 sqm plot of land in Lodz, Poland, to a residential developer, for EUR 2.4 million. The conditional agreement will be followed by a transfer agreement which is expected to be signed by the end of August 2016.

Located in Lodz city centre, the plot represents 63% of a wider 33,000 sqm site. 26% of the site was previously sold in two separate transactions completed in 2015 and 2016 for a total value of EUR 1.2 million. Following these transactions the Company still owns 4,000 sqm of space for future value realisation.

The sale of the Lodz residential plot is consistent with the Company's stated strategy to execute an orderly disposal of its non-core or mature assets, in order to reduce Company debt levels and to bring its development projects to fruition. On transfer, the Company expects to receive an initial payment of EUR 1.04 million, followed by EUR 0.18 million in November 2016, EUR 0.22 million in December 2016 and a final instalment of EUR 0.96 million in June 2017.

In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the sale of the plot, will be distributed to the Company's bondholders within the quarter following the receipt of each cash payment.

12. Significant events during the period (cont.)

g. Disposal of a plot in Romania

On March 24, 2016 the Company sold its 23,880 sqm site in Slatina, Romania for EUR 0.66 million, consistent with the asset's last reported book value. No gain or loss was recorded from this transaction.

In line with the Company's stated restructuring plan, 75% of the cash proceeds was distributed to the Company's bondholders by the end of June 2016 as an early repayment.

h. Pre-agreement to sell a plot in Greece

On April 7, 2016 the Company signed a pre-agreement to sell its development land in Piraeus, near Athens, Greece, for EUR 4.7 million. The sale agreement with a third party developer is subject to certain conditions being met, including due diligence which has up to six months to complete. The purchaser has placed a corporate guarantee to secure the transaction for 10% of the consideration.

Upon completion of the disposal, in line with the Company's stated restructuring plan, 75% of the net cash proceeds will be distributed to the Company's bondholders.

i. Debentures held in treasury

As of June 30, 2016, the Company holds through its wholly owned subsidiary NIS 14.4 million par value of series B debentures (adjusted par value of NIS 16.6 million (EUR 3.9 million)).

j. Update on covenants

In respect of the Coverage Ratio Covenant ("CRC"), as defined in the restructuring plan, as at June 30, 2016 the CRC was 126%, in comparison with 118% minimum ratio required.

As at the end of the reporting period, all of the group's companies are in compliance with the entire loan covenants, with the exception of one bank facility in Romania totalling EUR 8 million, in which the Company negotiates with financial institution for obtaining of waiver, on all outstanding breaches.

k. Update on Bangalore project - India

The National Green Tribunal ("NGT"), an Indian governmental tribunal established for dealing with cases relating to the environment, passed general directions on May 04, 2016 with respect to areas that should be treated as "no construction zones" due to its proximity to water reservoirs and water drains ("Order") The restrictions in respect of the "no construction zone" are applicable to all construction projects.

The government of Karnataka had been directed to incorporate the above conditions in respect of all construction projects in the city of Bangalore including the Company's project with is adjacent to the Varthur lake and have several storm-water crossing it.

An appeal was filed before the Supreme Court of India against the Order. The Supreme Court has stayed the operation of certain portions of the Order. It is difficult to predict the amount of time that the Supreme Court of India will take to decide on the matter.

12. Significant events during the period (cont.)

k. Update on Bangalore project – India (cont.)

Accordingly, the impact of the Order on the Bangalore Project cannot be fully determined until the Supreme Court of India adjudicates upon the matter. It should also be noted that based on the Company's legal advice the Order only affects the setback from the storm-water drain, and would not in itself affect the floor space index available to developers to construct a project. As of June 30, 2016 and according with the Company's best estimate there will be no material effect on the carrying amount of the Bangalore Project as a result of the Order.

l. Issuance of a disclaimer by the Dutch statutory auditors in the Company's 2015 Dutch statutory financial statements.

On May 18, 2016 the Company's 2015 Dutch statutory financials statements, required to be issued according to Dutch regulations ("Dutch Statutory Reports"), were issued with a disclaimer of opinion by the Dutch statutory auditor of the Company. The Dutch financial statements were approved by the shareholders for Dutch statutory compliance purposes http://plazacenters.com/index.php?p=financial_reports_2016.

13. Events after the reporting period

a. Details of negotiations on two assets disposal in Poland

In the end of July 2016 the Company signed a non-binding Letter of Intent ("LOI") with a global investment fund (the "Purchaser") regarding the sale of the Torun Plaza and Suwałki Plaza shopping and entertainment centres in Poland (together the "Portfolio").

The Portfolio comprises a total of circa 60,000 sqm of Gross Lettable Area, of which Torun Plaza represents approximately 40,000 sqm and Suwalki Plaza approximately 20,000 sqm. The total agreed value of the Portfolio is EUR 121 million, subject to adjustments on the basis of the in place net operating income (the "NOI") and future NOI.

The disposal is currently expected to complete by the end of October 2016.

Under the current terms of the sale, the Portfolio will remain under the Company's management until 31 December 2017, during which time the Company will continue to implement its asset management plans to further optimise the tenant mix and improve the rental income and the NOI. At this point in time, there is no certainty that the transaction will be completed.

b. International Court of Arbitration ruling update

On July 7, 2016, and further to the reference in the Company's 2015 annual report, following an extensive and lengthy legal procedure relating to a transaction agreement undertaken with Klepierre S.A. ("Klepierre") in 2004, the International Court of Arbitration has ruled that Plaza is liable for an indemnification claim totalling circa EUR 2 million, including costs arising from the legal process. A provision for such amount was made in these reports. The Company did not recognize any provision in respect to such claim in previous periods.

Since Klepierre is deemed a creditor under the Company's ongoing Restructuring Plan, payment of the principal amount due by the Company under the indemnification claim is deferred to July 2018. In the interim, the Company will continue to pursue the legal channels available to it in an effort to minimise the basis for such an indemnification claim.

13. **Events after the reporting period (cont.)**

c. **Sale of plot in Romania**

On July 14, 2016 the Company disposed of an 18,400 sqm plot in a suburb of Ploiesti, Romania to a local investor for EUR 280,000. In line with the Company's stated restructuring plan, 75% of the net cash proceeds will be distributed to the Company's bondholders in September 2016.

d. **Completion of share consolidation process**

In accordance with the internal regulations of the WSE, shares with a market price below PLN 0.50 are listed in a separate segment referred to as the "Alert List". Shares placed on the Alert List are no longer subject to continuous quotation by the WSE.

The Company, to avoid the adverse consequences of the Alert List, has decided to implement the Share Capital Consolidation so as to ensure that its Ordinary Shares are removed from the Alert List. Consolidation of the Company's share capital on the basis of one New Ordinary Share/New Depositary Interest for every 100 Existing Ordinary Shares/Existing Depositary Interests

Following its share consolidation, the first time and date of dealing in the ordinary shares of EUR 1.00 each on the premium segment of the Official List and on the LSE's main market for listed securities was at 8.00 a.m. on July 1, 2016. Similar process was performed on the TASE and the WSE on July 3, 2016 and July 4, 2016, respectively. On admission to the London Stock Exchange, the Company's issued share capital comprises 6,855,603 ordinary shares of EUR 1.00 each.

e. **Joint development agreement signed in respect of plot in Chennai, India**

In August 2, 2016, a subsidiary ("SPV") of Elbit Plaza India Real Estate Holdings Limited (in which the Company holds a 50% stake with its joint venture partner, EI) ("EPI"), has signed a Joint Development Agreement ("JDA") relating to its 74.7 acre plot in Chennai, India.

Under the terms of the JDA, the SPV will confer the property development rights to a reputable local developer (the "Developer") who will carry full responsibility for all of the project costs and liabilities, as well as for the marketing of the scheme. The JDA also stipulates specific project milestones, timelines and minimum sale prices.

Development will commence subject to obtaining the required governmental / municipal approvals and permits, and it is intended that 67% of the land will be allocated for the sale of plotted developments (whereby a plot is sold with the infrastructure in place for the development of a residential unit by the end purchaser), while the remainder will comprise residential units fully constructed for sale.

The SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the sale of the fully constructed residential units.

In order to secure its obligation, the Developer will pay a total refundable deposit of INR 35.5 Crores (approximately EUR 4.8 million), with INR 10 Crores (approximately EUR 1.35 million) paid following the signing and registration of the JDA, INR 17 Crores (approximately EUR 2.3 million) payable when planning permission for the first phase of the development project is obtained (the "Project Commencement Date"), and the remaining INR 8.5 Crores (approximately EUR 1.15 million) payable six months after the Project Commencement Date.

In line with its statement in the 2015 year-end financial statements, EPI continues its efforts to exercise its right to get the Partners' 20% holding in the Indian company Kadavanthara Builders Private Ltd.

STATEMENT OF THE DIRECTORS

The results for the six months ended 30 June 2016 (**Semi-Annual Financial Statements 2016**) fairly represent the Company's financial condition and the results of the Company's operations and provide the required disclosures.

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

In view of all the above, hereby following the requirements of article 5:25c paragraph 2 under c of the Netherlands Act on the financial supervision (*Wet op het financieel toezicht*) the directors hereby confirm that: (i) the Semi-Annual Financial Statements 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its affiliated companies that are included in the consolidated Semi-Annual Financial Statements 2016 and (ii) the Semi-Annual Financial Statements 2016 include a fair review of the position at the balance sheet date and the development and performance of the business of the Company and its affiliated companies that are included in the Semi-Annual Financial Statements 2016 and that the principal risks and uncertainties that the Company faces, are described.

The Board of Managing Directors:

Mr. Nadav Livni

Executive Director

August 15, 2016