Plaza Centers N.V.

Condensed Consolidated Interim Financial Information

June 30, 2015

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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 statement of financial position of Plaza Centers N.V. ("the Company") as at June 30, 2015, the condensed consolidated statements of profit or loss and comprehensive income and the statement of changes in equity and cash flows for the six and three month period then ended, and notes to the interim financial information ("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, 2015 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU.

Budapest, August 18, 2015

KPMG Hungária Kft.

KPMG Hungária Kft.

Plaza Centers N.V.

Condensed consolidated interim statement of financial position

	Note	June 30, 2015 € '000 Unaudited	December 31, 2014 € '000 Audited
ASSETS			
Cash and cash equivalents		33,025	33,363
Restricted bank deposits		11,130	6,886
Held for trading financial assets		2,359	1,434
Trade receivables		2,038	2,719
Other receivables	10(d)	2,610	2,963
Prepayments and advances		328	767
Total current assets		51,490	48,132
Trading property		324,811	370,761
Equity accounted investees		38,814	36,108
Loan to equity accounted investees		5,570	6,121
Property and equipment		3,604	4,029
Related parties receivables	10(d)	2,770	-
Deferred taxes		696	921
Other non-current assets		29	25
Total non-current assets		376,294	417,965
Total assets		427,784	466,097
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks		33,040	37,885
Debentures at amortized cost	10(g)	6,999	-
Trade payables		875	1,893
Related parties liabilities		71	1,161
Derivatives		918	430
Other liabilities		6,788	13,175
Total current liabilities		48,691	54,544
Non-current liabilities			
Interest bearing loans from banks	10(a)	91,916	112,962
Debentures at amortized cost	10(g)	177,701	162,862
Provisions		15,597	15,597
Derivatives		425	559
Total non-current liabilities		285,639	291,980
Equity			
Share capital		6,856	6,856
Translation reserve		(26,919)	(36,699)
Capital reserve due to transaction with Non-controlling interests		(20,706)	(20,706)
Other reserves		35,340	35,340
Share premium		282,596	282,596
Retained losses		(184,479)	(148,486)
Equity attributable to owners of the Company		92,688	118,901
Non-controlling interests		766	672
Total equity		93,454	119,573
Total equity and liabilities		427,784	466,097

August 18, 2015		
Date of approval of the financial statements	**Roy Linden** **Chief Financial Officer**	**David Dekel** **Director and Chairman of the Audit Committee**

The notes on pages 9 - 15 are an integral part of this condensed consolidated interim financial information.

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

		For the three months ended June 30,		For the six months ended June 30,	
		2015	**2014**	**2015**	**2014**
		€ '000	**€ '000**	**€ '000**	**€ '000**
	Note	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
Continuing operations					
Revenue from disposal of Trading Property	10(a)	34,684	-	34,684	-
Rental income		4,494	5,814	9,785	11,693
Revenues from entertainment centers		149	356	368	870
		39,327	6,170	44,837	12,563
Cost of Trading Property disposed	10(a)	(34,684)	-	(34,684)	-
Cost of operations		(1,638)	(1,998)	(3,545)	(4,033)
Cost of operations – entertainment centers		(171)	(658)	(486)	(1,198)
Loss from disposal of Trading property holding company	10(a)	(8,802)	-	(8,802)	-
Gross profit (loss)		(5,968)	3,514	(2,680)	7,332
Write-down of Trading Property	10(i)	(6,549)	(69,716)	(6,761)	(69,716)
Loss from disposal of equity accounted investees (holding undeveloped Trading Property)		-	(4,048)	-	(4,048)
Share in results of equity-accounted investees, net of tax		347	521	171	414
Administrative expenses, excluding restructuring costs	10(k)	(2,133)	(2,014)	(3,943)	(4,162)
Restructuring costs		-	(2,141)	-	(2,519)
Other income	10(d), 10(e)	4,607	2,336	6,567	2,336
Other expenses		(165)	(416)	(748)	(1,035)
Results from operating activities		(9,861)	(71,964)	(7,394)	(71,398)
Finance income	10(b),10(f)	2,377	205	3,794	211
Finance costs	10(g)	(10,802)	(14,693)	(32,140)	(27,486)
Net finance costs		(8,425)	(14,488)	(28,346)	(27,275)
Loss before income tax		(18,286)	(86,452)	(35,740)	(98,673)
Tax benefit (income tax expense)		(29)	116	(253)	113
Loss from continuing operations		(18,315)	(86,336)	(35,993)	(98,560)
Discontinued operation					
Profit (loss) from discontinued operation, net of tax		-	(7)	-	59
Loss for the period		(18,315)	(86,343)	(35,993)	(98,501)
Loss attributable to:					
Owners of the Company		(18,315)	(86,343)	(35,993)	(98,501)
Earnings per share					
Basic and diluted loss per share (in EURO)		(0.03)	(0.29)	(0.05)	(0.33)
Earnings per share – continuing operations					
Basic and diluted loss per share (in EURO)		(0.03)	(0.29)	(0.05)	(0.33)

The notes on pages 9 - 15 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,	
	2015	2014	2015	2014
	€ '000	€ '000	€ '000	€ '000
	Unaudited	Unaudited	Unaudited	Unaudited
Loss for the period	(18,315)	(86,343)	(35,993)	(98,501)
Other comprehensive income				
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences - foreign operations (trading properties) – reclassified to profit or loss (refer to note 10(a)).	6,516	-	6,516	-
Foreign currency translation differences - foreign operations (Equity accounted investees)	(1,654)	255	2,281	1,470
Foreign currency translation differences - foreign operations (trading properties)	-	207	1,077	604
Other comprehensive income (loss) for the period, net of income tax	4,862	462	9,874	2,074
Total comprehensive loss for the period, net of tax	(13,453)	(85,881)	(26,119)	(96,427)
Total comprehensive income (loss) attributable to:				
Owners of the Company	(13,453)	(85,885)	(26,213)	(96,452)
Non-controlling interests	-	4	94	25

The notes on pages 9 - 15 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 – restated**	**Total equity**
					€ '000				
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**
Balance at December 31, 2013 (audited)	2,972	261,773	35,133	(40,651)	(20,706)	(28,799)	209,722	606	210,328
Share based payment	-	-	124	-	-	-	124	-	124
Total comprehensive income (loss)	-	-	-	2,049	-	(98,501)	(96,452)	25	(96,427)
Balance at June 30, 2014 (unaudited)	**2,972**	**261,773**	**35,257**	**(38,602)**	**(20,706)**	**(127,300)**	**113,394**	**631**	**114,025**

The notes on pages 9 - 15 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, 2015	2014
	€ '000	€ '000
	Unaudited	Unaudited
Cash flows from operating activities		
Loss for the period	(35,993)	(98,501)
Adjustments necessary to reflect cash flows used in operating activities:		
Depreciation and impairment of property and equipment	267	153
Net finance costs	28,346	27,275
Loss on sale of property and equipment	-	109
Equity-settled share-based payment transaction	-	124
Share of profit of equity-accounted investees, net of tax	(171)	(414)
Income tax expense	253	(113)
	(7,298)	(71,367)
Changes in:		
Trade receivables	356	544
Other accounts receivable	(4,444)	1,684
Trading properties	29,587	71,922
Equity accounted investees – net investments	298	3,846
Trade payables	(614)	(618)
Other liabilities and related parties liabilities	(3,525)	2,843
	21,658	80,221
Interest received	49	293
Interest paid	(9,594)	(4,930)
Taxes paid	(28)	(111)
Net cash from operating activities	4,787	4,106
Cash flows from investing activities		
Purchase of property and equipment	(3)	(6)
Proceeds from sale of property and equipment	-	1,375
Purchase of held for trading marketable debt securities	(825)	-
Net cash from (used in) investing activities	(828)	1,369
Cash flows from financing activities		
Proceeds from hedging activities through sell of currency options (refer to note 10(f))	2,247	-
Right issuance prepayments	-	(202)
Changes in restricted cash	(4,440)	(364)
Repayment of interest bearing loans from banks	(2,333)	(4,169)
Net cash used in financing activities	(4,526)	(4,735)
Increase (decrease) in cash and cash equivalents	(567)	740
Cash and cash equivalents at 1 of January	33,363	26,157
Effect of exchange rate fluctuations on cash held	229	20
Cash and cash equivalents at 30 of June	**33,025**	**26,917**

The notes on pages 9 - 15 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, 1012 AC, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe (starting 1996) and India (from 2006).

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

The Company's immediate parent company is Elbit Ultrasound (Luxembourg) B.V. / S.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, 2015 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, 2014 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, 2015, no changes occurred in the Company's holdings, with the exceptions, as described in notes 10(a) and 10(b) 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, 2014.

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, 2014.

This condensed consolidated interim financial information was authorized for issue by the Company's Board of Directors on August 18, 2015.

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, 2014.

4. 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, 2014.

5. Segment reporting

The Group comprises the following main geographical segments: CEE and India. The Group does not have reportable operating segments. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of Trading Properties 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, 2015 and 2014 is as follows:

	Central & Eastern Europe	India (1)	Total
	€ 000'	**€ 000'**	**€ 000'**
	Six months period ended June 30, 2015		
Total revenues (2)	9,777	376	10,153
Operating profit (loss) by segment (3)	(601)	(10,657)	(11,258)
Net finance costs	(1,077)	(650)	(1,727)
Other income, net	3,919	1,900	5,819
Share in profit (loss) of equity-accounted investees	1,406	(1,235)	171
Reportable segment profit (loss) before tax	3,647	(10,642)	(6,995)
Less - unallocated general and administrative expenses			(2,126)
Less - unallocated finance costs			(26,619)
Loss before income taxes			(35,740)
Tax expense			(253)
Loss for the period			(35,993)
Assets and liabilities as at June 30, 2015			
Total segment assets	349,960	26,993	376,953
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch level)			50,831
Total assets			427,784
Segment liabilities	148,066	71	148,137
Unallocated liabilities (Mainly debentures)			186,193
Total liabilities			334,330

(1) Including Koregaon Park (refer to note 10(a)).
(2) CEE- Out of which Poland – EUR 8.0 million.
(3) CEE- including impairment of EUR 5.2 million.

5. Segment reporting (cont.)

	Central & Eastern Europe	India (1)	Total
	€ 000'	**€ 000'**	**€ 000'**
	Six months ended June 30, 2014		
Total revenues (2)	11,988	575	12,563
Operating loss by segment (3)	(57,799)	(10,830)	(68,629)
Net finance costs	(2,983)	(1,668)	(4,651)
Other income (expenses), net	(1,035)	2,336	1,301
Share in results of equity-accounted investees	1,087	(673)	414
Reportable segment loss before tax	(60,730)	(10,835)	(71,565)
Less - unallocated general and administrative expenses			(1,965)
Restructuring cost			(2,519)
Discontinued operations			59
Less - unallocated finance costs			(22,624)
Loss before income taxes			(98,614)
Tax benefit			113
Loss for the period			(98,501)
Assets and liabilities as at June 30, 2014			
Total segment assets	421,569	60,395	481,964
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch corporate level)			37,535
Total assets			519,499
Segment liabilities	181,839	26,837	208,676
Unallocated liabilities (Mainly debentures)			196,798
Total liabilities			405,474

(1) Including Koregaon Park (refer to note 10(a))
(2) CEE- Out of which Poland – EUR 7.7 million.
(3) CEE- including impairment of EUR 59.6 million.

6. Financial risk management

During the six months period ended June 30, 2015 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, 2014.

7. 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 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, 2015	December 31, 2014	June 30, 2015	December 31, 2014
	€ 000'			
Statement of financial position				
Debentures at amortized cost – Polish bonds	13,781	13,227	12,389	12,699
Debentures A at amortized cost – Israeli bonds	60,724	53,257	51,854	47,148
Debentures B at amortized cost – Israeli bonds	110,195	96,378	97,314	92,666

The total contractual liability of the Debentures was EUR 212 million as at June 30, 2015. 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 recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

	Level 1	Level 2	Level 3	Total
	€ 000'			
Assets				
Held for trading financial assets	2,359	-	-	2,359
Liabilities				
IRS derivative	-	-	755	755
Currency option derivative	-	-	588	588

8. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for the six months period ended June 30, 2015 was -1% (six months period ended June 30, 2014: 0%) .

9. Related parties

	June 30, 2015	December 31, 2014
	€ 000'	
Statement of financial position		
Trade and other payables	71	1,161

	For the three months period ended March 31,	
	2015	2014
	€ 000'	€ 000'
Statement of profit or loss		
Related parties – recharges from Elbit	(103)	-

10. Significant events during the period

a. Selling of the holding company of Koregaon park shopping center in Pune, India

On May 13, 2015, the Company signed an agreement to sell the holding company of Koregaon Park Plaza, the retail, entertainment and office scheme located in Pune, India for circa EUR 35 million (2,500 million INR). The net cash proceeds received (after repayment of the related bank loan (reclassified to short term), other liabilities and transaction costs) from the sale totalled EUR 7.4 million (525 million INR). In line with the Company stated restructuring plan, all the net cash proceeds from the transaction was retained within the Company.

The Company recorded a loss of EUR 6.5 million from this transaction due to exercise of foreign currency translation reserve accumulated relating to the subsidiary. Additional loss of EUR 2.3 million was recorded mainly due to impairment of related various receivables.

b. Selling of undeveloped plots in Romania

On June 24, 2015, the Company reached an agreement to sell its 46,500 sqm development site in Iasi, Romania in two separate transactions (one for the sale of 37,334 sqm and the other for the sale of 9,166 sqm), for a gross consideration of EUR 7.3 million. There was no bank debt secured against the property. No profit or loss was recorded as a result of the transaction, because of previous write-downs.

In May 2015, the Company concluded (through its 50.1% held Plaza Bas subsidiary) the sale of a circa 17,000 sqm plot in Brasov, Romania for a total consideration of EUR 330 thousands. No profit or loss resulted from this transaction, because of previous write-downs.

In June 2015 the Company concluded an additional sale (also through its 50.1% held Bas subsidiary) of an SPV holding circa 1,200 sqm plot in Ploiesti, Romania for a total consideration of EUR 240 thousands. The proceeds were used to repay a bank loan outstanding and no proceeds were obtained by the Group. A waiver was obtained for the remaining of the unpaid bank loan facility in a total amount of EUR 1.4 million and the Company recorded accordingly a gain, included as finance income in these reports.

In line with the Company stated restructuring plan, 75% of the net cash proceeds from the abovementioned transactions will be distributed to the Company's bondholders this year as an early repayment of the bonds.

10. Significant events during the period (cont.)

c. Selling of leasehold rights in Romania (Cina Plaza)

On March 13, 2015, one of the Company's subsidiaries in Romania, having a 49 years leasehold rights over a plot in Bucharest, Romania ("Property" and "Rights", respectively), signed a pre-agreement for waiving its Rights for an amount of EUR 2.7 million consideration to be paid by the owner of the Property (a subsidiary of EI) subject to approval by the relevant organs of these entities. The mentioned pre-agreement was signed as part of a sale transaction between the owner of the Property to a certain third party and it is subject to fulfilment of certain conditions precedent and approval by the relevant organs of the Company.

d. Kochi project advance payment settlement

In November 2013 the Company exercised the corporate guarantee in the amount of EUR 4.3 million including the interest thereon up till such date (the "Reimbursement Payment") provided by EI to the Company in the frame of the Indian JV Agreement on the ground of EI's default to finalize and conclude the transfer of the Kochi Project Rights to the Indian JV Vehicle. Due to doubt about the recovery of the receivable, the Company has impaired the Reimbursement payment in its 2013 financial statements.

In June 2015 the Company reached an agreement with EI, based on the mentioned JV Agreement and its ancillary documents (including corporate guarantee issued by EI in favour of the Company), following of which EI was obliged to repay the Reimbursement amount in a few instalments until mid-2018. As a result of the agreement reached, the Company recorded a EUR 4.5 million gain, included as other income in the statement of profit and loss.

e. Advance settlement in Koregaon park shopping center in Pune, India

In respect of one of the advances provided in 2013 and 2014 to the sold SPV in Pune (refer to note 10(a)) in the amount of INR 200 million (EUR 2.6 million), the Company has reached a settlement in February 2015 with the potential buyer to settle the liability, in view of the cancellation of the signed pre-agreements, to refund the potential buyer with INR 150 (EUR 1.9 million) of advances received. The Company recorded a gain of INR 50 million (EUR 0.7 million) as a result of this settlement, included as part of other income in 2015 condensed interim statement of profit or loss.

f. Call option activity in 2015

The group has foreign currency exposure risk due to its NIS denominated debentures. The company sells call options to hedge its exposure to NIS debentures. As of balance sheet date the group sold EUR 55 million currency options with strike range of 4.22 to NIS 4.31. The expiry date July through August 2015 and the Company collected during the six months period premiums in the amount of EUR 2.2 million. Refer to note 7 for the fair value of the currency options as of June 30, 2015.

g. Movements in NIS rate versus the EUR

In the course of the first half of 2015 NIS strengthened against the EUR by circa 11%, resulting in recording of non-cash finance costs in the amount of circa EUR 17 million by the Group, which has NIS denominated debentures outstanding.

h. Bonds held in treasury

As of June 30, 2015, the Company holds through its wholly owned subsidiary NIS 15.2 million par value of series B debentures (adjusted par value of NIS 17.7 million (EUR 4.2 million)).

i. <u>Impairments in the period.</u>

During the Course of the first six months of 2015 the Company recorded the following material impairments:

1) EUR 4.9 million impairment to its Liberec shopping center – following continued deterioration in the shopping centre's performance and increased competition the company ordered a mid-year valuation update from its external valuator which triggered an impairment of EUR 4.9 million.
2) EUR 1.5 million impairment to its Koregaon Park asset – following SPV selling during the period (Refer to note 10(a)).

j. <u>Update on covenants</u>

In respect of the Coverage Ratio Covenant ("CRC"), as defined in the restructuring plan, as at June 30, 2015 the CRC was 123%, 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 three bank facilities, for one of which, outstanding balance of EUR 20 million, the Company has a waiver valid until the expiry of the loan, and in respect of the other two facilities, totalling EUR 30 million, the Company negotiates with financial institutions for obtaining of waivers, on all outstanding breaches.

k. <u>Key management personnel compensation</u>

As a result of the termination of the services of the Group's CEO, the CEO received his retirement entitlement. Accordingly, the Group has recognised an expense of EUR 400 thousand for the six months ended June 30, 2015 (six months ended June 30, 2014: nil).

11. Post balance sheet events

a. <u>Call option strategy activity</u>

After balance sheet date the group wrote additional EUR 75 million currency call options with strike of NIS 4.14 and NIS 4.21. The expiry dates is September through November 2015.

The Company collected premiums in the amount of EUR 1 million. Due to call options which expired in July and August (refer to note 10(f)) no cash outflow was required as a result of the expiry of the option.

b. <u>Building permits obtained</u>

In July 2015 the Company received the building permit to develop Timisoara Plaza, a circa 37,000 sqm GLA shopping and entertainment centre in Timisoara, western Romania. A binding financing offer has also been agreed with a commercial bank for circa 65% of the project cost.

Also in July 2015, the Company received the building permit to develop Belgrade Plaza (Visnjicka), a circa 32,000 sqm GLA shopping and entertainment centre in Belgrade, Serbia.

19 August 2015

PLAZA CENTERS N.V.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

SIGNIFICANT OPERATIONAL PROGRESS IN FIRST HALF AS FOCUS ON CORE MARKETS CONTINUES

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), a leading property developer and investor with operations in Central and Eastern Europe ("CEE") and India, today announces its results for the six months ended 30 June 2015.

Financial highlights:

- Successful sale of non-core assets saw total assets reduce to €428 million (31 December 2014: €466 million), primarily due to the divestment of Koregaon Park Plaza
- Book value of the Company's Trading property decreased by 12% (€46 million) over the period, primarily due to the disposals and focus on income-producing assets
- Net Operating Income ("NOI") (excluding Riga Plaza shopping centre which is accounted for as an equity accounted investee) for the Company in the first six months of 2015 slightly decreased to €6.5 million (first six months of 2014: €7.9 million), mainly due to the Kragujevac disposal (effective end August 2014) with 2014 comparatives including NOI to June 2014 of circa €1.9 million
- Across our core shopping centres (excluding Riga Plaza), NOI rose by circa 8% compared to the first six months of 2014
- Loss narrowed in the first half of 2015 to €36 million (first half of 2014: loss of €98.5 million), stemming from €28 million of mostly non-cash net finance costs (Forex and Bonds discount amortisation), as well as impairments and losses in connection with selling Trading property for a total net amount of €15 million in 2015 compared to a net (and mostly non-cash) finance costs of €27 million and impairments of €70 million in the first half of 2014. Basic and diluted loss per share of €0.05 (June 30, 2014: loss per share of €0.33)
- Consolidated cash position as at June 30, 2015 (including restricted bank deposits, short term deposits and held for trading financial assets) rose to €46.5 million (31 December 2014: €41.7 million) and current cash position of circa €41.4 million (€11.4 million restricted).
- Gearing increased to 78% (31 December 2014: 74%) due to non-finance costs incurred during the first six months of 2015

Asset and operational highlights:

Operational performance

- A stable occupancy level was recorded across the Company's existing shopping and entertainment centres in the CEE, with the overall portfolio occupancy level decreasing slightly to 93.11% as of 30 June 2015 compared to 94% at 31 December 2014.
    - At Torun Plaza, Poland, occupancy increased to 94.08% (2014: 92.5%) which contributed to a slight 6.5% increase in both turnover and footfall compared to the same period in 2014.
    - In Latvia, Riga Plaza's occupancy level showed a decrease to 96.17% (2014: 99.5%) which is the direct result of a small number of retailers leaving the Latvian market altogether, but despite this the shopping centre recorded a 11.27% increase in turnover along with a 4.7% increase in footfall, compared to the same period in 2014.
    - Occupancy at Suwalki Plaza, Poland, decreased to 96.33% compared to the same period in 2014 due to the expiry of the first five-year lease term (although most of the tenants continued with their leases) from 2014 (97.7%). The vacancy level is expected to improve through ongoing negotiations with replacement tenants and we expect that the mall will reach close to 100% occupancy soon. The centre continues to perform well, with a 1.75% increase in turnover in first half of 2015 and 2.44% increase in footfall, compared to the same period in 2014.
    - Zgorzelec Plaza, Poland, experienced an occupancy decrease, reaching 87.3.% (2014: 95.2%), attributable to the closing of the supermarket unit (Stokrotka). Despite this, after successful discussions with tenants most of them chose to stay with the centre. Positively, Zgorzelec Plaza was able to make a 3.5% increase in turnover compared to the same period in 2014 while footfall was stable.
    - At Liberec Plaza, Czech Republic, occupancy slightly decreased to 82.83% (2014: 84%), due to lease agreement expiries while turnover increased by 11,6% in 2015 compared to the same period in 2014.

- Across the portfolio, considerable letting success was achieved and contracts agreed with a number of significant new tenants. This improved the overall tenant strength and mix in the portfolio, and included agreements with KIK, Kinder Planeta, Pink and Cliff Sport. In August, Adidas, Drogas and other well-known brands will open stores in Latvia at Riga Plaza. Both Suwalki Plaza and Zgorzelec Plaza successfully agreed to extend their first five-year lease agreements which will help to deliver sustainable income for the coming years.

Progress in portfolio rationalisation

- On 24 June 2015, Plaza reached an agreement to sell its 46,500 sqm development site in Iasi, Romania, in two separate transactions (one for the sale of 37,334 sqm and the other for the sale of 9,166 sqm), for a gross consideration of €7.3 million. There was no bank debt secured against the property. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the transactions will be distributed to the Company's bondholders by the end of September 2015 as an early principal repayment.
- On 13 May 2015, Plaza announced the agreement to sell its Indian shopping mall located in Pune, India, for c. €35 million. The net cash proceeds (after repayment of the related bank loan, other liabilities and

transaction costs) from the sale was c. €7.4 million (525 million INR). The net cash proceeds from the sale will be put towards Plaza's future investments and used for general corporate purposes.

Key highlights since the period end:

- On 10 July 2015, the Board of the Company announced the appointment of Mr. Akiva Azulay as its new CEO, starting in August 2015. This follows the announcement made by the Company on 17 March 2015 that Mr. Ran Shtarkman, the previous CEO of Plaza, would retire from his position at the end of July. Akiva Azulay joins Plaza with a strong business management and financial background alongside extensive real estate and retail experience. Most recently, Akiva was at Delek Group, one of Israel's largest companies. Akiva supported Delek's activities in the UK and played a key role on behalf of Delek in the eventual sale of its major UK real estate led operational business, in September 2014. Akiva previously held senior roles at AFI Europe (part of Africa-Israel Investments) between 2004 and 2010, most recently as Vice President, where he managed real estate operations across Central and Eastern Europe. Before this, Akiva also worked at Bank Hapoalim, the largest Israeli Bank, as an economist in the real estate investment department, handling the provision of credit to construction and development projects in Israel. Akiva holds a B.Sc and M.Sc from Ben-Gurion University as well as a certificate in real estate valuation and appraisal certification from Tel-Aviv University.
- In July 2015, Plaza received building permits to develop two new shopping and entertainment centres: Belgrade Plaza (32,000 sqm GLA) and Timisoara Plaza (37,000 sqm GLA)
    - Belgrade Plaza located on Visnjicka Street and adjacent to the Danube River in old Belgrade, is a new development which will include approximately 110 retail units, a supermarket and a multi-screen cinema complex. Belgrade Plaza will be the first modern, western style shopping and entertainment centre in the old part of Belgrade and Plaza expects to attract both local and international brand occupiers. The project is in line with Plaza's strategy to develop shopping centres in capital and regional cities, primarily in Central and Eastern Europe. Plaza is in the final stages of agreeing bank financing and construction is expected to commence by the end of 2015, with completion targeted for the first half of 2017.
    - Situated close to the Hungarian border, Timisoara is the primary social, economic and cultural centre in the western part of Romania, with a population of 320,000 inhabitants and a catchment area of approximately 700,000. The new development, on a site which is well located at a three-way junction near to the city centre, will comprise around 120 retail units, including a hypermarket complex across a whole floor, international fashion retailers, a leisure and entertainment centre, and a food court. Construction is expected to commence on the project in autumn 2015 with completion expected during the first half of 2017. A binding financing offer has also been agreed with the Hungarian Export-Import Bank Plc (Exim bank) for circa 65% of the project cost.

- Today Plaza Centers also announces that the Company's CFO for the past nine years, Mr. Roy Linden, has indicated his wish to step down from the Company in order to seek a new career challenge. Mr, Linden joined the Company in November 2006 following its London IPO at a time when total assets were nearly half a billion euros, and served through peak times when total assets reached €1.5 billion with activities in twelve countries. The Board and Management thank Mr. Linden for his vast contribution to the Company. Mr. Linden, is expected to remain in position over the coming months until a successor is named.

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Notes to Editors

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

Forward-looking statements

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

MANAGEMENT STATEMENT

At a macro level, Plaza's portfolio is continuing to be shaped to meet the Company's strategic focus on owning and developing quality, western-style shopping and entertainment centres in Central and Eastern Europe. This is evident through securing important building permits at two sites while successfully selling the interest in non-core assets in India and Romania. As is the Company's stated restructuring plan, 75% of the net cash proceeds from the Romanian transactions have been or will be distributed to the Company's bondholders by the end of September 2015.

Operationally, asset management initiatives across the shopping centre portfolio remain key to future performance. There are positive signs from an occupier perspective and new agreements signed with tenants across the portfolio. As ever, this work continues in order to maximise the potential of our assets.

The markets in which we operate have broadly improved during the past six months and we see no reason to believe this will change in the second half. This, combined with our operational focus, should help Plaza make further progress, delivering value and growth to our investors.

Key Events

Key announcements during the period included:

- On 24 February 2015, Plaza announced that S&P Maalot ("Maalot"), the Israeli credit rating agency which is a division of International Standard & Poor's, updated the credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from "D" to "ilBBB-" on a local Israeli scale with a stable outlook. The update followed the performance of debt arrangement of Plaza with its creditors.
- On 13 May 2015, Plaza announced the agreement to sell its Indian shopping mall located in Pune, India for c. €35 million. The net cash proceeds (after repayment of the related bank loan, other liabilities and transaction costs) from the sale were c. €7.4 million (5255 million INR).
- On 24 June 2015, Plaza announced it completed the sale of its site in Iasi, Romania, in two separate transactions, for a gross consideration of €7.3 million. There was no bank debt secured against the property.
- On 9 July 2015, Plaza announced it had received the building permit for Belgrade Plaza to develop a 32,000 sqm GLA shopping and entertainment centre.
- On 10 July 2015, Plaza announced the appointment of its new Chief Executive Officer, Akiva Azulay.
- On 21 July 2015, Plaza announced it had received the building permit for Timisoara Plaza, to develop a 37,000 sqm GLA shopping and entertainment centre as well as a binding financing offer with the Hungarian Export-Import Bank Plc (Exim bank) for circa 65% of the project cost

- Today Plaza Centers also announces that the Company's CFO for the past nine years, Mr. Roy Linden, has indicated his wish to step down from the Company in order to seek a new career challenge. Mr, Linden joined the Company in November 2006 following its London IPO at a time when total assets were nearly half a billion euros, and served through peak times when total assets reached €1.5 billion with activities in twelve countries. The Board and Management thank Mr. Linden for his vast contribution to the Company. Mr. Linden, is expected to remain in position over the coming months until a successor is named.

Results

As a result of a write-down and loss from the disposal of Trading property (€15.5 million) as well as net finance (mostly non-cash) costs of €28 million during the first half of the year, Plaza recorded a €36 million loss attributable to the shareholders of the Company (compared to a €99 million loss in six months to 30 June 2014). The write-down is ascribed mainly to the revaluation of Liberec Plaza, Czech Republic (€5 million), while the remaining write-down and loss from disposal is mainly connected with the sale of Koregaon Plaza in India (mainly loss realisation on foreign currency translation adjustments).

First half revenue from operating shopping centres was €9.8 million (H1 2014: €11.7 million), with the reduction due to the disposal of Kragujevac Plaza in Serbia which took place in September 2014.

The Net Operating Income ("NOI") of the Group decreased in the first six months of 2015 to €8.3 million (H1 2014: €9.5 million) (including Riga Plaza which is accounted for as equity accounted investee), mainly due to the above mentioned disposal of the Kragujevac Plaza (€1.9 million for the six-month period), while the performance of the other operating assets improved by €0.7 million).

The consolidated cash position as at June 30, 2015 (including restricted bank deposits, short term deposits and held for trading financial assets) was €46.5 million (31 December 2014: €41.7 million) and the current cash position is circa €41.4 million (€11.4 million restricted)..

Portfolio progress

Currently the Company is engaged in 17 development projects and owns five operational shopping and entertainment centre assets and two office buildings, located across the Central and Eastern European region and in India. The location of the projects, as at 19 August 2015, is summarised as follows:

	Number of assets (CEE and India)		
Location	**Active**	**Under development/ planning**	**Offices**
Romania	-	6	1
India	-	2	-
Poland	3	4	-
Hungary	-	1	1
Serbia	-	2	-
Czech Republic	1	-	-
Bulgaria	-	1	-
Greece	-	1	-
Latvia	1	-	-
Total	**5**	**17**	**2**

Liquidity & Financing

Plaza ended the period with a consolidated cash position (including restricted bank deposits, short term deposits and held for trading financial assets) of €46.5 million, compared to €41.7 million at the end of 2014.

The Group continues to pursue a conservative financing policy and has made good progress. This includes the deleveraging of the Koregaon Park loan through the sale of the Koregaon Park SPV as well as cancellation of the loan associated with the plot in Ploiesti, Romania, following its sale. Focus on cashflow management remains key. Despite this, the level of debt increased to 78% of the balance sheet (31 December 2014: 74%) largely as a result of unrealised foreign exchange difference loss on bonds issued in ILS.

Strategy and Outlook

Clear progress has been made across the business in the first half of 2015 and this builds on extensive efforts by the Company over recent years as part of the restructuring plan. That said, there still remains a lot to achieve as focus continues on delivering value to our stakeholders.

Owning, developing and selling leading shopping centres in key Central and Eastern European destinations remains our focus. As we look ahead, the economies and markets where we operate remain favourable with a strong consumer confidence backdrop. We can take advantage of this through strong asset management initiatives and extending, modernising and developing new centres.

As well as the planned development of Timisoara Plaza and Belgrade Plaza (Visnjicka) we will also continue to focus on ensuring we have a portfolio which is fit for purpose and consider divesting in non-core or stabilised assets as and when appropriate.

With the clear support of shareholders and bondholders, our expert management team together with the generally improving market conditions mean we can look forward to Plaza's future with confidence.

OPERATIONAL REVIEW

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

As at the reporting date, Plaza has 24 assets in nine countries, of which 17 are under various stages of development or feasibility review across the CEE region and India. Of these, six are located in Romania, two in India, four in Poland, two in Serbia, and it owns single assets in Bulgaria, Greece and Hungary. In addition to these developments, Plaza retains the ownership of and operates five shopping and entertainment centres in Poland, Czech Republic and Latvia and two office buildings in Budapest and Bucharest.

A stable occupancy level was recorded across the Company's existing shopping and entertainment centres in the CEE, with the overall portfolio occupancy level decreasing slightly to 93,11% as of 30 June 2015 compared to 94% at 31 December 2014. Footfall was strong across the portfolio as asset management initiatives continue to support the performance of the assets.

Across the portfolio, considerable letting success was achieved and contracts agreed with a number of significant new tenants. This improved the overall tenant strength and mix in the portfolio, and included agreements with KIK, Kinder Planeta, Pink and Cliff Sport. In August**,** Adidas, Drogas and other well-known stores will open in Latvia at Riga Plaza. Both Suwalki Plaza and Zgorzelec Plaza successfully agreed to extend their first five-year term agreements, which helps to deliver sustainable income for the following years.

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

Asset/Project	Location	Nature of asset	Size sqm (GLA)	Plaza's effective ownership %	Status (*)
Operating Shopping and Entertainment Centres					
Suwalki Plaza	Suwalki, Poland	Retail & entertainment scheme	20,000	100	Operating, opened in May 2010
Zgorzelec Plaza	Zgorzelec, Poland	Retail & entertainment scheme	13,000	100	Operating, opened in March 2010
Torun Plaza	Torun, Poland	Retail & entertainment scheme	37,000	100	Operating, opened in November 2011
Liberec Plaza	Liberec, Czech Rep.	Retail & entertainment scheme	17,000	100	Operating, opened in March 2009
Riga Plaza	Riga, Latvia	Retail & entertainment scheme	49,000	50	Operating; opened in March, 2009
Development Assets					
Casa Radio	Bucharest, Romania	Mixed-use retail and leisure plus office scheme	467,000 (GBA including parking spaces)	75	In planning and permitting phase
Timisoara	Timisoara,	Retail & entertainment	40,000	100	Construction

Plaza	Romania	scheme			scheduled to commence in 2015; completion scheduled for 2017
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	35,000	100	In planning and permitting phase
Belgrade Plaza	Belgrade, Serbia	Apartment-hotel and business centre with a shopping gallery	63,000 (GBA)	100	In planning and permitting phase
Belgrade Plaza (Visnjicka)	Belgrade, Serbia	Retail & entertainment scheme	32,000	100	Construction scheduled to commence in 2015; completion scheduled for 2017
Operational Office Buildings					
David House	Budapest, Hungary	Office	2,000	100	Operational office
Palazzo Ducale	Bucharest, Romania	Office	700	100	Operational office
Pipeline Projects					
			Plot Size (sqm)		
Kielce Plaza	Kielce, Poland	Retail & entertainment scheme	25,000	100	Planning and feasibility examination
Leszno Plaza	Leszno, Poland	Retail & entertainment scheme	18,000	100	Planning and feasibility examination
Lodz (Residential)	Lodz, Poland	Residential scheme	29,700	100	Planning and feasibility examination
Arena Plaza Extension	Budapest, Hungary	Office scheme	22,000 (land use right)	100	Planning and feasibility examination
Csiki Plaza	Miercurea Ciuc, Romania	Retail & entertainment scheme	36,500	100	Planning and feasibility examination
Slatina Plaza	Slatina, Romania	Retail & entertainment scheme	24,000	100	Planning and feasibility examination
Cina	Bucharest, Romania	Retail	5,000 (49 years lease-hold)	100	Planning and feasibility examination
Constanta Plaza	Constanta, Romania	Retail & entertainment scheme	26,500	100	Planning and feasibility examination
Shumen Plaza	Shumen, Bulgaria	Retail & entertainment scheme	26,000	100	Planning and feasibility examination
Pireas Plaza	Athens, Greece	Offices	15,000	100	Planning and feasibility examination
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Planning and feasibility examination
Chennai	Chennai, India	Residential Scheme	302,400	40	Planning and feasibility examination

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

FINANCIAL REVIEW

Results

Revenue for the period was composed of income from the disposal of Trading property and rental income. During the period the operating mall in India Koregaon Park Plaza was disposed of and a revenueof €35 million was recorded. Rental income amounted to €7.3 million while management fees were €2.5 million compared to €8.4 million and €3.3 million respectively in H1 2014. The decrease is attributable to the sale of Kragujevac Plaza in Serbia, with an effective date of 31 August 2014. The income from the operation of Plaza's entertainment centres decreased from €0.9 million to €0.4 million as a result of scaling down operations at the Group's subsidiary, Fantasy Park, which provides gaming and entertainment services in active shopping centres.

Operating costs (including selling and marketing expenses) decreased to €3.5 million (from €4.0 million in H1 2014) as a result of the above mentioned sale. The cost of Trading property disposed of includes Koregaon Park. The cost of operations from the entertainment centres were in line with scale-down of the operation and decreased from €1.2 million to €0.5 million.

During the period the Company recorded an impairment mainly of two assets, Liberec Plaza in Czech Republic at €5 million which still suffers from low rental levels and high competition, and Koregaon Park Plaza in India at €1.5 million, reflecting the sale value of the assets. In 2014 a total amount of €69.7 million impairment was recorded. Also, in connection with the sale of Koregaon Park Plaza, Plaza recorded a loss of €6.5 million due to the exercise of historical foreign currency translation reserves accumulated relating to the subsidiary and a loss of €2.3 million was recorded mainly due to the impairment of various receivables.

During the period the Company concluded an additional sale (through its 50.1% held Bas subsidiary) of an SPV holding circa 1,200 sqm plot in Ploiesti, Romania, for a total consideration of €240,000. The proceeds were used to repay an outstanding bank loan and no proceeds were obtained by the Group. As agreed with the financing bank, the remaining unpaid bank loan facility of €1.4 million was forgiven and the Company recorded a gain accordingly.

Administrative expenses have further decreased from €4.2 million in H1 2014 to €3.9 million (Excluding a non-recurring retirement compensation for the previous CEO, costs for the six months were €3.5 million) in H1 2015, due to increased cost efficiencies and reduction of headcount.

In June 2015 the Company reached an agreement with EI (Elbit Imaging Limited ("EI"), the Company's ultimate parent company, based on the mentioned JV Agreement connected to Indian activities and its ancillary documents (including a corporate guarantee issued by EI in favour of the Company), following which EI was obliged to reimburse €4.5 million which is included as other income in the profit and loss statement. There was also a gain of €0.7 million as the Company has reached a settlement in February 2015 with the potential buyer to settle the liability, in view of the cancellation of the signed pre-agreements, to refund the potential buyer with INR 150 (EUR 1.9 million) of advances received, and a €1.2 million impairment of payables, both of which were recorded as other income. (H1 2014 €2.3 million after an insurance gain was recorded)

Finance income increased to €3.8 million from €0.2 in 2014 mainly due to the collection of premiums from the selling of currency call options for hedging the foreign exchange risk on NIS denominated bonds, as well as the €1.4 million loan forgiven as discussed above.

Finance costs increased from €27.5 million to €32.1 million. The main components of costs were:

- NIS strengthening vs. EUR in 2015 as the effect on debentures totaled €17 million (2014 - €1.8 million).
- Interest expense booked on debentures totaled €6.9 million (2014- €2.2 million expense recorded, as most debentures were presented at FVTPL in 2014).
- In 2015 an additional €5.0 million was recorded as an expense, associated with amortization of a discount on bonds (2014- nil, as there was no amortization).
- Interest expenses on bank borrowings totaled €3.1 million in 2015 (2014 - €4.7 million of expenses).
- In 2014 the increase in value of debentures at Fair Value Through Profit or Loss (“FVTPL”) on borrowings resulted in €17.6 million of expenses (2015 – nil, as there are no debentures at FVTPL).

As a result, the loss for the period amounted to circa €36 million in H1 2015, compared to a €99 million loss in H1 2014.

Basic and diluted losses per share for the period were €0.05 (H1 2014: €0.33 loss).

Balance sheet and cash flow

The balance sheet as at 30 June 2015 showed total assets of €428 million compared to total assets of €466 million at the end of 2014, largely as a result of the sale of Koregaon Park Plaza.

The consolidated cash position as at June 30, 2015 (including restricted bank deposits, short term deposits and held for trading financial assets) of €46.5 million (31 December 2014: €41.7 million) and current cash position of circa €41.4million (€11.4 million restricted).

Gearing increased to 78% (31 December 2014: 74%) as a result of finance costs incurred during the first six month period.

The value of trading properties decreased from €371 million as at 31 December 2014 to €325 million at the end of 30 June 2015 due to the disposal of Koregaon Park in India.

Investments in equity accounted investee companies has improved due to an increase in the net value of the Riga Plaza (Latvia) and the Indian JV projects (€38.8 as of 30 June 2015 compared to €36 at year end 2014, due to strengthening of the Indian Rupee).

Total bank borrowings (long and short term excluding the loan for Riga Plaza) amounted to €125 million (31 December 2014: €151 million). The decrease is attributable to the disposal of Koregaon Park Plaza and repayment of project loans.

Aside from bank financing, Plaza has a balance sheet liability (including accrued interest) of €185 million (with an adjusted par value of circa €212 million net of the €3.9 million series B bonds held in treasury) from issuing debentures on the Tel Aviv Stock Exchange and to Polish institutional investors. These debentures are presented as an amortised cost.

Derivatives liabilities (current and non-current) recorded at 30 June 2015 were €1.3 million, comprising mainly interest rate swaps relating to project financing loans.

Other current liabilities have decreased from €13 million at 31 December 2014 to €6.7 million at 30 June 2015. The main cause of the decrease was the settlement of advance payments received from a potential buyer of Koregaon Park Plaza, in which respect Plaza has recorded a gain of €0.7 million

Roy Linden
Chief Financial Officer
19 August 2015

Independent Auditors' Report on Review of Interim Financial Information

Board of Directors
Plaza Centers N.V.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Plaza Centers N.V. ("the Company") as at June 30, 2015, the condensed consolidated statements of profit or loss and comprehensive income for the six and three month period then ended, and the statement of changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("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 June 30, 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU.

Budapest, August 18, 2015

KPMG Hungária Kft.

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

	Note	June 30, 2015	December 31, 2014
		€ '000	€ '000
		Unaudited	Audited
ASSETS			
Cash and cash equivalents		33,025	33,363
Restricted bank deposits		11,130	6,886
Held for trading financial assets		2,359	1,434
Trade receivables		2,038	2,719
Other receivables	10(d)	2,610	2,963
Prepayments and advances		328	767
Total current assets		51,490	48,132
Trading property		324,811	370,761
Equity accounted investees		38,814	36,108
Loan to equity accounted investees		5,570	6,121
Property and equipment		3,604	4,029
Related parties receivables	10(d)	2,770	-
Deferred taxes		696	921
Other non-current assets		29	25
Total non-current assets		376,294	417,965
Total assets		427,784	466,097
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest bearing loans from banks		33,040	37,885
Debentures at amortized cost	10(g)	6,999	-
Trade payables		875	1,893
Related parties liabilities		71	1,161
Derivatives		918	430
Other liabilities		6,788	13,175
Total current liabilities		48,691	54,544
Non-current liabilities			
Interest bearing loans from banks	10(a)	91,916	112,962
Debentures at amortized cost	10(g)	177,701	162,862
Provisions		15,597	15,597
Derivatives		425	559
Total non-current liabilities		285,639	291,980
Equity			
Share capital		6,856	6,856
Translation reserve		(26,919)	(36,699)
Capital reserve due to transaction with Non-controlling interests		(20,706)	(20,706)
Other reserves		35,340	35,340
Share premium		282,596	282,596
Retained losses		(184,479)	(148,486)
Equity attributable to owners of the Company		92,688	118,901
Non-controlling interests		766	672
Total equity		93,454	119,573
Total equity and liabilities		427,784	466,097

August 18, 2015		
Date of approval of the financial statements	**Roy Linden** **Chief Financial Officer**	**David Dekel** **Director and Chairman of the Audit Committee**

The notes 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, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2015	For the six months ended June 30, 2014
		€ '000	€ '000	€ '000	€ '000
		Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations					
Revenue from disposal of Trading Property	10(a)	34,684	-	34,684	-
Rental income		4,494	5,814	9,785	11,693
Revenues from entertainment centers		149	356	368	870
		39,327	6,170	44,837	12,563
Cost of Trading Property disposed	10(a)	(34,684)	-	(34,684)	-
Cost of operations		(1,638)	(1,998)	(3,545)	(4,033)
Cost of operations – entertainment centers		(171)	(658)	(486)	(1,198)
Loss from disposal of Trading property SPV	10(a)	(8,802)	-	(8,802)	-
Gross profit (loss)		(5,968)	3,514	(2,680)	7,332
Write-down of Trading Property	10(i)	(6,549)	(69,716)	(6,761)	(69,716)
Loss from disposal of equity accounted investees (holding undeveloped Trading Property)		-	(4,048)	-	(4,048)
Share in results of equity-accounted investees, net of tax		347	521	171	414
Administrative expenses, excluding restructuring costs	10(k)	(2,133)	(2,014)	(3,943)	(4,162)
Restructuring costs		-	(2,141)	-	(2,519)
Other income	10(d), 10(e)	4,607	2,336	6,567	2,336
Other expenses		(165)	(416)	(748)	(1,035)
Results from operating activities		(9,861)	(71,964)	(7,394)	(71,398)
Finance income	10(b),10(f)	2,377	205	3,794	211
Finance costs	10(g)	(10,802)	(14,693)	(32,140)	(27,486)
Net finance costs		(8,425)	(14,488)	(28,346)	(27,275)
Loss before income tax		(18,286)	(86,452)	(35,740)	(98,673)
Tax benefit (income tax expense)		(29)	116	(253)	113
Loss from continuing operations		(18,315)	(86,336)	(35,993)	(98,560)
Discontinued operation					
Profit (loss) from discontinued operation, net of tax		-	(7)	-	59
Loss for the period		(18,315)	(86,343)	(35,993)	(98,501)
Loss attributable to:					
Owners of the Company		(18,315)	(86,343)	(35,993)	(98,501)
Earnings per share					
Basic and diluted loss per share (in EURO)		(0.03)	(0.29)	(0.05)	(0.33)
Earnings per share – continuing operations					
Basic and diluted loss per share (in EURO)		(0.03)	(0.29)	(0.05)	(0.33)

The notes 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,	
	2015	2014	2015	2014
	€ '000	€ '000	€ '000	€ '000
	Unaudited	Unaudited	Unaudited	Unaudited
Loss for the period	(18,315)	(86,343)	(35,993)	(98,501)
Other comprehensive income				
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences - foreign operations (trading properties) – reclassified to profit or loss (refer to note 10(a)).	6,516	-	6,516	-
Foreign currency translation differences - foreign operations (Equity accounted investees)	(1,654)	255	2,281	1,470
Foreign currency translation differences - foreign operations (trading properties)	-	207	1,077	604
Other comprehensive income (loss) for the period, net of income tax	4,862	462	9,874	2,074
Total comprehensive loss for the period, net of tax	(13,453)	(85,881)	(26,119)	(96,427)
Total comprehensive income (loss) attributable to:				
Owners of the Company	(13,453)	(85,885)	(26,213)	(96,452)
Non-controlling interests	-	4	94	25

The notes 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 – restated**	**Total equity**
	€ '000								
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**
Balance at December 31, 2013 (audited)	2,972	261,773	35,133	(40,651)	(20,706)	(28,799)	209,722	606	210,328
Share based payment	-	-	124	-	-	-	124	-	124
Total comprehensive income (loss)	-	-	-	2,049	-	(98,501)	(96,452)	25	(96,427)
Balance at June 30, 2014 (unaudited)	**2,972**	**261,773**	**35,257**	**(38,602)**	**(20,706)**	**(127,300)**	**113,394**	**631**	**114,025**

The notes 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,	
	2015	2014
	€ '000	€ '000
	Unaudited	Unaudited
Cash flows from operating activities		
Loss for the period	(35,993)	(98,501)
Adjustments necessary to reflect cash flows used in operating activities:		
Depreciation and impairment of property and equipment	267	153
Net finance costs	28,346	27,275
Loss on sale of property and equipment	-	109
Equity-settled share-based payment transaction	-	124
Share of profit of equity-accounted investees, net of tax	(171)	(414)
Income tax expense	253	(113)
	(7,298)	(71,367)
Changes in:		
Trade receivables	356	544
Other accounts receivable	(4,444)	1,684
Trading properties	29,587	71,922
Equity accounted investees – net investments	298	3,846
Trade payables	(614)	(618)
Other liabilities and related parties liabilities	(3,525)	2,843
	21,658	80,221
Interest received	49	293
Interest paid	(9,594)	(4,930)
Taxes paid	(28)	(111)
Net cash from operating activities	4,787	4,106
Cash flows from investing activities		
Purchase of property and equipment	(3)	(6)
Proceeds from sale of property and equipment	-	1,375
Purchase of held for trading marketable debt securities	(825)	-
Net cash from (used in) investing activities	(828)	1,369
Cash flows from financing activities		
Proceeds from hedging activities through sell of currency options (refer to note 10(f))	2,247	-
Right issuance prepayments	-	(202)
Changes in restricted cash	(4,440)	(364)
Repayment of interest bearing loans from banks	(2,333)	(4,169)
Net cash used in financing activities	(4,526)	(4,735)
Increase (decrease) in cash and cash equivalents	(567)	740
Cash and cash equivalents at 1 of January	33,363	26,157
Effect of exchange rate fluctuations on cash held	229	20
Cash and cash equivalents at 30 of June	**33,025**	**26,917**

The notes are an integral part of this condensed consolidated interim financial information.

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, 1012 AC, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of shopping and entertainment centers, as well as other mixed-use projects (retail, office, residential) in Central and Eastern Europe (starting 1996) and India (from 2006).

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

The Company's immediate parent company is Elbit Ultrasound (Luxembourg) B.V. / S.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, 2015 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, 2014 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, 2015, no changes occurred in the Company's holdings, with the exceptions, as described in notes 10(a) and 10(b) 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, 2014.
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, 2014.
This condensed consolidated interim financial information was authorized for issue by the Company's Board of Directors on August 18, 2015.

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, 2014.

4 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, 2014.

5. Segment reporting

The Group comprises the following main geographical segments: CEE and India. The Group does not have reportable operating segments. In presenting information on the basis of geographical segments, segment revenue is based on the revenue resulting from either selling or operating of Trading Properties 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, 2015 and 2014 is as follows:

	Central & Eastern Europe	India (1)	Total
	€ 000'	**€ 000'**	**€ 000'**
	Six months period ended June 30, 2015		
Total revenues (2)	9,777	376	10,153
Operating profit (loss) by segment (3)	(601)	(10,657)	(11,258)
Net finance costs	(1,077)	(650)	(1,727)
Other income, net	3,919	1,900	5,819
Share in profit (loss) of equity-accounted investees	1,406	(1,235)	171
Reportable segment profit (loss) before tax	3,647	(10,642)	(6,995)
Less - unallocated general and administrative expenses			(2,126)
Less - unallocated finance costs			(26,619)
Loss before income taxes			(35,740)
Tax expense			(253)
Loss for the period			(35,993)
Assets and liabilities as at June 30, 2015			
Total segment assets	349,960	26,993	376,953
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch level)			50,831
Total assets			427,784
Segment liabilities	148,066	71	148,137
Unallocated liabilities (Mainly debentures)			186,193
Total liabilities			334,330

(1) Including Koregaon Park (refer to note 10(a)).
(2) CEE- Out of which Poland – EUR 8.0 million.
(3) CEE- including impairment of EUR 5.2 million.

Plaza Centers N.V.

Notes to the condensed consolidated interim financial information

5. Segment reporting (contd.)

	Central & Eastern Europe	India (1)	Total
	€ 000'	**€ 000'**	**€ 000'**
	Six months ended June 30, 2014		
Total revenues (2)	11,988	575	12,563
Operating loss by segment (3)	(57,799)	(10,830)	(68,629)
Net finance costs	(2,983)	(1,668)	(4,651)
Other income (expenses), net	(1,035)	2,336	1,301
Share in results of equity-accounted investees	1,087	(673)	414
Reportable segment loss before tax	(60,730)	(10,835)	(71,565)
Less - unallocated general and administrative expenses			(1,965)
Restructuring cost			(2,519)
Discontinued operations			59
Less - unallocated finance costs			(22,624)
Loss before income taxes			(98,614)
Tax benefit			113
Loss for the period			(98,501)
Assets and liabilities as at June 30, 2014			
Total segment assets	421,569	60,395	481,964
Unallocated assets (Mainly Cash and other financial instruments held mainly on Dutch corporate level)			37,535
Total assets			519,499
Segment liabilities	181,839	26,837	208,676
Unallocated liabilities (Mainly debentures)			196,798
Total liabilities			405,474

(1) Including Koregaon Park (refer to note 10(a))
(2) CEE- Out of which Poland – EUR 7.7 million.
(3) CEE- including impairment of EUR 59.6 million.

6. Financial risk management

During the six months period ended June 30, 2015 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, 2014.

7. 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 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, 2015	Decem ber 31, 2014	June 30, 2015	Decembe r 31, 2014
	€ 000'			
Statement of financial position				
Debentures at amortized cost –	13,781	13,227	12,389	12,699
Debentures A at amortized cost –	60,724	53,257	51,854	47,148
Debentures B at amortized cost –	110,195	96,378	97,314	92,666

The total contractual liability of the Debentures was EUR 212 million as at June 30, 2015. In respect of most of other non-listed borrowings, as most financing facilities are backed by real estate assets, and they bare 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 recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

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

	Level 1	Level 2	Leve l 3	Total
	€ 000'			
Assets				
Held for trading financial assets	2,359	-	-	2,359
Liabilities				
IRS derivative	-	-	755	755
Currency option derivative	-	-	588	588

8. Income tax

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

The Group's consolidated effective tax rate in respect of continuing operations for the six months period ended June 30, 2015 was -1% (six months period ended June 30, 2014: 0%) .

9. Related parties

	June 30, 2015	December 31, 2014
	€ 000'	
Statement of financial position		
Trade and other payables	71	1,161

	For the three months period ended March 31, 2015	2014
	€ 000'	€ 000'
Statement of profit or loss		
Related parties – recharges from Elbit	(103)	-

10. Significant events during the period

a. Selling of the SPV holding Koregaon park shopping center in Pune, India

On May 13, 2015, the Company signed an agreement to sell the SPV holding Koregaon Park Plaza, the retail, entertainment and office scheme located in Pune, India for circa EUR 35 million (2,500 million INR). The net cash proceeds received (after repayment of the related bank loan (reclassified to short term), other liabilities and transaction costs) from the sale totalled EUR 7.4 million (525 million INR). In line with the Company stated restructuring plan, all the net cash proceeds from the transaction was retained within the Company.

The Company recorded a loss of EUR 6.5 million from this transaction due to exercise of foreign currency translation reserve accumulated relating to the subsidiary. Additional loss of EUR 2.3 million was recorded mainly due to impairment of related various receivables.

10. Significant events during the period (contd.)

b. Selling of undeveloped plots in Romania

On June 24, 2015, the Company reached an agreement to sell its 46,500 sqm development site in Iasi, Romania in two separate transactions (one for the sale of 37,334 sqm and the other for the sale of 9,166 sqm), for a gross consideration of EUR 7.3 million. There was no bank debt secured against the property. No profit or loss was recorded as a result of the transaction.

In May 2015, the Company concluded (through its 50.1% held Plaza Bas subsidiary) the sale of a circa 17,000 sqm plot in Brasov, Romania for a total consideration of EUR 330 thousands. No profit or loss resulted from this transaction.

In June 2015 the Company concluded an additional sale (also through its 50.1% held Bas subsidiary) of an SPV holding circa 1,200 sqm plot in Ploiesti, Romania for a total consideration of EUR 240 thousands. The proceeds were used to repay a bank loan outstanding and no proceeds were obtained by the Group. A waiver was obtained for the remaining of the unpaid bank loan facility in a total amount of EUR 1.4 million and the Company recorded accordingly a gain, included as finance income in these reports.

In line with the Company stated restructuring plan, 75% of the net cash proceeds from the abovementioned transactions will be distributed to the Company's bondholders this year as an early repayment of the bonds.

c. Selling of leasehold rights in Romania (Cina Plaza)

On March 13, 2015, one of the Company’s subsidiaries in Romania, having a 49 years leasehold rights over a plot in Bucharest, Romania (“Property” and “Rights”, respectively), signed a pre-agreement for waiving its Rights for a certain consideration to be further agreed with the owner of the Property (a subsidiary of EI) and approved by the relevant organs of these entities. The mentioned pre-agreement was signed as part of a sale transaction between the owner of the Property to a certain third party and it is subject to fulfilment of certain conditions precedent and approval by the relevant organs of the Company.

d. Kochi project advance payment settlement

In November 2013 the Company exercised the corporate guarantee in the amount of EUR 4.3 million including the interest thereon up till such date (the “Reimbursement Payment”) provided by EI to the Company in the frame of the Indian JV Agreement on the ground of EI’s default to finalize and conclude the transfer of the Kochi Project Rights to the Indian JV Vehicle. Due to doubt about the recovery of the receivable, the Company has impaired the Reimbursement payment in its 2013 financial statements.

In June 2015 the Company reached an agreement with EI, based on the mentioned JV Agreement and its ancillary documents (including corporate guarantee issued by EI in favour of the Company), following of which EI was obliged to repay the Reimbursement amount in a few instalments until mid-2018. As a result of the agreement reached, the Company recorded a EUR 4.5 million gain, included as other income in the statement of profit and loss.

10. Significant events during the period (contd.)

e. Advance settlement in Koregaon park shopping center in Pune, India

In respect of one of the advances provided in 2013 and 2014 to the sold SPV in Pune (refer to note 10(a)) in the amount of INR 200 million (EUR 2.6 million), the Company has reached a settlement in February 2015 with the potential buyer to settle the liability, in view of the cancellation of the signed pre-agreements, to refund the potential buyer with INR 150 (EUR 1.9 million) of advances received. The Company recorded a gain of INR 50 million (EUR 0.7 million) as a result of this settlement, included as part of other income in 2015 condensed interim statement of profit or loss.

f. Call option activity in 2015

The group has foreign currency exposure risk due to its NIS denominated debentures. The company sells call options to hedge its exposure to NIS debentures. As of balance sheet date the group sold EUR 55 million currency options with strike range of 4.22 to NIS 4.31. The expiry date July through August 2015 and the Company collected during the six months period premiums in the amount of EUR 2.2 million. Refer to note 7 for the fair value of the currency options as of June 30, 2015.

g. Movements in NIS rate versus the EUR

In the course of the first half of 2015 NIS appraised against the EUR by circa 11%, resulting in recording of non-cash finance costs in the amount of circa EUR 17 million by the Group, which has NIS denominated debentures outstanding.

h. Bonds held in treasury

As of June 30, 2015, the Company holds through its wholly owned subsidiary NIS 15.2 million par value of series B debentures (adjusted par value of NIS 17.7 million (EUR 4.2 million)).

i. Impairments in the period.

During the Course of the first six months of 2015 the Company performed the following material impairments:

1) EUR 4.9 million impairment to its Liberec asset - based on updated external valuation obtained.
2) EUR 1.5 million impairment to its Koregaon Park asset – following SPV selling during the period (Refer to note 10(a)).

j. Update on covenants

In respect of the Coverage Ratio Covenant ("CRC"), as defined in the restructuring plan, as at June 30, 2015 the CRC was 123%, 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 three bank facilities, for one of which, outstanding balance of EUR 20 million, the Company has a waiver valid until the expiry of the loan, and in respect of the other two facilities, totalling EUR 30 million, the Company negotiates with financial institutions for obtaining of waivers, on all outstanding breaches.

10. Significant events during the period (contd.)

k. Key management personnel compensation

As a result of the termination of the services of the Group's CEO, the CEO received his retirement entitlement. Accordingly, the Group has recognised an expense of EUR 400 thousand for the six months ended June 30, 2015 (six months ended June 30, 2014: nil).

11 Post balance sheet events

a. Call option strategy activity

After balance sheet date the group wrote additional EUR 75 million currency call options with strike of NIS 4.14 and NIS 4.21. The expiry dates is September through November 2015.

The Company collected premiums in the amount of EUR 1 million. Due to call options which expired in July and August (refer to note 10(f)) no cash outflow was required as a result of the expiry of the option.

b. Building permits obtained

In July 2015 the Company received the building permit to develop Timisoara Plaza, a circa 37,000 sqm GLA shopping and entertainment centre in Timisoara, western Romania. A binding financing offer has also been agreed with a commercial bank for circa 65% of the project cost.

Also in July 2015, the Company received the building permit to develop Belgrade Plaza (Visnjicka), a circa 32,000 sqm GLA shopping and entertainment centre in Belgrade, Serbia.

STATEMENT OF THE DIRECTORS

The results for the six months ended 30 June 2015 (**Semi-Annual Financial Statements 2015**) 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 2015 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 2015 and (ii) the Semi-Annual Financial Statements 2015 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 2015 and that the principal risks and uncertainties that the Company faces, are described.

The Board of Managing Directors:

Mr. Nadav Livni

Executive Director

August 18, 2015