

29 September 2017

**PLAZA CENTERS N.V.**

**RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**PORTFOLIO REPOSITIONING & DELEVERAGING**

Plaza Centers N.V. ("Plaza" / "Company" / "Group"), an emerging market property developer, today announces its results for the six months ended 30 June 2017. The below results have not been reviewed by the auditor of the Group.

**Financial highlights:**

- Reduction in total assets to €222 million as a result of the Company's portfolio repositioning and deleveraging strategy (31 December 2016: €322 million)
- Book value of the Company's Trading properties and investment in Equity accounted investees decreased by €101 million to €193 million over the period, due to disposals (mainly Suwalki Plaza (Poland) and Belgrade Plaza (Serbia)) in line with the restructuring plan
- Consolidated cash position as at June 30, 2017 (including restricted bank deposits) decreased to €11 million (31 December 2016: €12.8 million) and current cash position of circa €32.5 million (€2.7 million restricted)
- €3.6 million profit recorded at operating level (30 June 2016: €4.1 million loss) including gain from selling of trading properties and profit from operation active shopping centres, according to the reclassified presentation as described in the financial review section
- Losses remained on the same level compared to the same period in 2016 (€6.8 million in first half of 2017 versus a loss of €6 million in the first six months of 2016), where net finance expense being €10.6 and €10 million, respectively
- Basic and diluted loss per share of €0.99 (June 30, 2016: loss per share of €0.89)
- Slight decrease in LTV to 87% (31 December 2016: 89%)

**Restatement of 2016 financial statements:**

Bonds issued by the Company include several covenants, some of which allow the bondholders to demand immediate repayment in certain circumstances. In particular, the bondholders may ask for immediate repayment where there has been a material deterioration in the Company's business as compared to its situation at the time of the 2014 restructuring plan; and where there is substantial suspicion that the Company will be unable to repay the bonds on time. As of December 31, 2016, there are significant risks and uncertainties pertaining to the achievement of the Company's cash flow forecasts, which include the occurrence of events, which are beyond the Company's sole control. The Company's financial statements as of September 30, 2016 includes an auditor's

opinion with emphasis of matter to going concern uncertainty. As a result, there is a risk that the bonds holders could argue there exists a substantial suspicion with respect to the Company's ability to repay its obligations that entitles them to immediate repayment. Accordingly, the Company has restated its 2016 annual financial statements in order to present these facts correctly.

It should be noted that, irrespective of any restatement and or any reference to the phrases "re-audit", "audit", "restatement", "reviewed" of financial statements for the year 2016, the financial statements for the year 2016 that were published on June 12, 2017 and adopted by the Company's general meeting of shareholders on July, 31 2017, are the only official and valid financial statements as of the year ended on 31 December 2016. These financial statements have not been amended. No other document should be relied upon.

**Progress in portfolio rationalisation:**

In the first six months of 2017 and to the date of this announcement, Plaza received net proceeds of €87 million from sales transactions. The disposals form part of the Company's ongoing strategy to reduce the Company's debt.

*Disposal of a plot in Belgrade, Serbia:*

In June 2016, the Company sold its wholly owned subsidiary, which held the "MUP" plot in Belgrade, Serbia, for €15.75 million in cash. The purchaser paid €11.3 million in cash at the time of the sale agreement, a further €4.05 million was paid in January 2017, and the remaining €0.4 million was received in September 2017.

Furthermore, the Company was entitled to an additional contingent consideration of €0.6 million once the purchaser successfully develops at least 69,000 sqm above ground. The consideration was received in September 2017. Upon the receipt of each stage payment, in line with the Company's stated restructuring plan, 75% of the net cash proceeds has been and will be distributed to the Company's bondholders in the following quarter.

*Disposal of a plot in Lodz, Poland:*

On September 28, 2016, the Company completed the sale of a 20,700 sqm plot of land in Lodz, Poland, to a residential developer, for €2.4 million in cash. Following this transaction, the Company owns a remaining 4,000 sqm site.

The Company received €1.44 million in 2016 in instalments, and a final instalment of €0.96 million was received in June 2017. In line with the Company's stated restructuring plan, 75% of the net cash proceeds from the sale of the plot were distributed to the Company's bondholders.

*Sale agreement of Suwalki Plaza:*

In January 2017, The Company sold its SPV holding in Suwalki Plaza shopping and entertainment centre in Poland for €16.7 million. The purchaser was an investment fund which is connected to a former employee of the Company. Out of the net proceeds, at least 75% were distributed to the Company's bondholders in March 2017, in line with the Company's stated amended restructuring plan.

*Final agreement for the sale of Belgrade Plaza:*

On January 26, 2017, the Company signed a binding share purchase agreement with BIG Shopping Centers Ltd., a publicly traded company listed in the TA 100 Index, for the sale of the SPV holding Belgrade Plaza shopping and entertainment center.

The shopping center, which was over 97% pre-let, opened on 20th of April 2017 and the Company had remained responsible for the development and leasing of the asset until the opening.

Upon completion of the transaction, the Company has received an initial payment of EUR 31.2 million from the purchaser, further EUR 2 million has been received following the opening and further payments are contingent upon certain operational targets and milestones being met. The Purchaser has provided a guarantee to secure these future payments.

The final agreed value of Belgrade Plaza, which comprise circa 32,300 sqm of GLA, will be calculated based on a general cap rate of 8.25% as well as the sustainable NOI, which the Company estimates will be approximately EUR 7.2-7.5 million per annum, after 12 months of operation.

Further instalments will be due to the Company during the first year of operation based on this 12-month figure. The NOI will be re-examined again after 24 months and 36 months of operation, which may lead to an upward adjustment of the final purchase price.

The Company has received a further payment of EUR 13.35 million during September 2017 based on the SPA on account of the final proceed which will be calculated one year following the opening of the mall, subject to price adjustments in the next two years. As a result, the company recorded a gain from the sale in amount of circa EUR 3.3 million. Expected future purchase price adjustment are not recognised. At least 75% of the net proceeds received from the disposal were distributed to the Company's bondholders in March 2017, and following the receipt of any future additional payments, in line with the Company's stated Amended Plan, 75% will be paid to the bondholders.

*Sale of office building in Hungary:*

On February 16, 2017, the Company signed an agreement for the sale of its SPV holding in David House, an office building in Budapest, to private investors for a gross amount of €3.2 million. Out of the net proceeds, at least 75% were distributed to the Company's bondholders in March 2017, in line with the Company's stated Amended Plan.

*Sale of Shumen plaza project, Bulgaria:*

On February 23, 2017, the Company announced that it had concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria, for circa €1 million, which is slightly above book value. Of the net proceeds, at least 75% were distributed to the Company's bondholders in March 2017, in line with the Company's stated Amended Plan.

*Compliance of the Early prepayment term:*

On March 15, 2017, the Company paid its bondholders a total amount of NIS 191.74 million (€49.2 million) as an early redemption and, accordingly, upon such payment the Company complied with the early redemption with a total sum of at least NIS 382,000,000 and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

*Suspension of trading of ordinary shares and Series A Notes and Series B Notes:*

Under the Dutch Civil Code, being mandatory law of the Company's home state, the Company shall publish its stand-alone and consolidated financial statements within four months from the end of the book year. The Company did not comply with this requirement and published the financial statements over the year ended on 31 December 2016, on 12 June 2017 and its ordinary shares were suspended from trading, with effect from 2 May 2017, on the London Stock Exchange's main market for listed securities until 18 May 2017. As a result of the aforementioned suspension, Plaza's ordinary shares were suspended from trading on the Warsaw Stock Exchange and Plaza's ordinary shares and its Series A Notes and Series B Notes were suspended from trading on the Tel Aviv Stock Exchange. On May 18, 2017 the Company announced that, with effect from 10.30 a.m. (London time), its ordinary shares were restored to trading on the London Stock Exchange's main market for listed securities and to listing on the Official List of the Financial Conduct Authority. Plaza's ordinary shares and its Series A Notes and Series B Notes were also restored to trading on the Tel Aviv Stock Exchange. On May 19, the ordinary shares were restored to trading on the Warsaw Stock Exchange. Trading of the Company's ordinary shares, Series A Notes and Series B Notes were in 2017 also for a period temporarily suspended from trading on the relevant exchanges. As a result, the bondholders may be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

*Preliminary Sale of Plot in Lodz, Poland:*

On June 13, 2017, the Company announced that it has signed a preliminary sale agreement for the disposal of a 13,770 sqm plot at its second land holding in Lodz, Poland, (representing 22% of this holding), to a retail developer, for €1.2 million. As part of the agreement, the purchaser will pay advance payments totalling 10% of the sale price. The remaining balance will be paid once a building permit has been obtained for development of the land which is expected to be granted within 12-15 months from the signing of this preliminary sale agreement. In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds will be distributed to Plaza's bondholders.

#### *New payment structure for sale of project in Bangalore, India*

On 16 June 2017, further to its announcement on 15 November 2016, that its jointly controlled subsidiary Elbit Plaza India Real Estate Holdings Limited (in which Plaza holds a 50% stake with its joint venture partner, Elbit Imaging Ltd.) (“EPI”) signed a revised agreement in relation to the sale of a 100% interest in a special purpose vehicle which holds a site in Bangalore, India, to a local investor (the “Purchaser”). The Purchaser and EPI agreed that the purchase price will be amended to INR 338 Crores (approximately €47 million) instead of the INR 321 Crores (approximately €44.6 million) agreed in the previous agreement. As part of the agreement, INR 110 Crores (approximately €15.3 million) was agreed to be paid by the Purchaser in instalments until the Final Closing. The Final Closing will take place on 1 September 2018 when the final instalment of INR 228 Crores (approximately €31.7 million) will be paid to EPI. If the Purchaser defaults before the Final Closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreement will remain in place until the Final Closing.

#### *Final agreement for the sale of Kielce Plaza, Poland:*

On June 19, 2017, The Company announced that it has signed the final sale agreement for the disposal of its 2.47-hectare plot in the centre of Kielce, Poland, for €2.28 million. In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds has been distributed to Plaza's bondholders.

#### *Signed Letter of Intent for the sale of Toruń Plaza in Poland*

On 21 June 2017 Plaza announced that its subsidiary, Plaza Centers Polish Operations B.V., signed a non-binding Letter of Intent (“LOI”) with an investment fund (the “Purchaser”) regarding the sale of Torun Plaza shopping and entertainment centre in Poland. The LOI bound the Purchaser to a strict timeline for undertaking a comprehensive due diligence process which would result in the transaction being completed by the middle of September 2017. Should the transaction proceed towards a signed share purchase agreement, following the due diligence process, Plaza supposed to receive circa €70 million gross payment followed by additional payments up to a maximum potential amount of €4 million after additional earn out period following the closing of the transaction. The expected net proceeds to the Company, following the repayment of the related bank loan are estimated to be circa €27-29 million. On 30 August 2017 Plaza updated the market that the completion of the transaction had been postponed and is now expected to conclude in the fourth quarter of this year

#### *Appointment of new auditor*

On 29 June 2017, Plaza announced that, following the conclusion of a formal tender process led by the Company's Audit Committee, the Board of the Company approved the appointment of Kost Forer Gabbay & Kasierer, the largest accounting firm in Israel and a member of Ernst & Young Global, as its new IFRS auditor. The Company's general meeting of shareholder shall appoint the Dutch statutory auditor for the year 2017, who will audit the statutory annual accounts (comprising

stand-alone accounts and consolidated (IFRS) accounts). At the date of this document, such appointment has not been made.

**Key highlights since the period end:**

*Completed sale of plot in Poland:*

In July 2017, The Company signed the final sale agreement for the disposal of a 1.8-hectare plot in the city of Leszno for €810,000. In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds from the disposal will be distributed to Plaza's bondholders.

*Sale of plots in Timisoara and Constanta, Romania:*

On 7 August, 2017 the Company completed the disposal of a plot totalling approximately 32,000 sqm in Timisoara, Romania, for €7.25 million, which is in line with its book value.

The Company also announced that it completed the sale of a plot totalling approximately 30,000 sqm in Constanta, Romania, for €1.3 million, which is in line with book value. In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds from both disposals will be distributed to Plaza's bondholders.

*Extension of long stop date regarding disposal of Piraeus plot in Greece*

On 19 September Plaza announced that, further to the announcements on 6 December 2016 and 21 December 2016 regarding the disposal of a plot in Piraeus, Greece, an amendment to the agreement has been signed in which new long stop date of 29 September 2017 was agreed for the conclusion of the transaction. A €145,000 increase in the price of the development plot was also agreed, bringing the value of the asset to €3.545 million. In order to secure the prolonged validity of the initial agreement, the purchaser paid a €140,000 non-refundable extension fee to Plaza and has an option to extend the long stop date to 20 October 2017 for an additional €30,000.

*Standard & Poor's credit rating update*

On September 28 Standard & Poor's Maalot ("Maalot"), the Israeli credit rating agency which is a division of International Standard & Poor's, has reduced its credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from "iCCC" to "iCC" with negative outlook on a local Israeli scale.

**Commenting on the results, acting CEO Dori Keren said:**

“We have been making significant progress with our asset disposal programme. leading to a substantially repositioned portfolio and a further deleveraged business.

“Looking ahead, we have more disposals agreed. We remain committed to continuing the strong progress to date, delivering for our stakeholders.”

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**Notes to Editors**

Plaza Centers N.V. ([www.plazacenters.com](http://www.plazacenters.com)) is an emerging markets developer of shopping and entertainment centres. The Company is listed on the Main Board of the London Stock Exchange, as of 19 October 2007, on the Warsaw Stock Exchange (LSE: “PLAZ”, WSE: “PLZ/PLAZACNTR”) and, on the Tel Aviv Stock Exchange. 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 on the NASDAQ Global Market in the United States. Plaza Centers has been active in real estate development in emerging markets for over 21 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**

The first half of 2017 has seen further and continued commercial progress as we seek to substantially deleveraging the business. This intensive disposal process evidenced by the significant reduction in total assets to €222 million from €322 million at 31 December 2016. Due to these several disposals, particularly those of Suwalki Plaza in Poland and Belgrade Plaza in Serbia, the book value of the Company’s Trading properties and investment in Equity accounted investees decreased by €101 million to €193 million over the period.

This portfolio rationalisation activity means the Company now has investments in 11 assets, comprising eight pipeline plots, one operational shopping and entertainment centre, and two development projects. Two of these assets are in India and the remainder of the portfolio sits within Central and Eastern Europe.

The Company has been in discussions with potential purchasers in regard to several of its land plots. Looking ahead, we have more disposals agreed and further disposals identified. We remain committed to continuing the strong progress to date, delivering for our stakeholders.

### **Results**

During the first half of the year, Plaza recorded a €6.8 million loss attributable to the shareholders of the Company. This was a slight increase compared to the losses reported in the first half of 2016 (loss in six months to 30 June 2016: €6 million).

First half revenue from the operating shopping centres was €4.6 million (H1 2016: €8.4 million), with the reduction, due to the disposal of Suwalki Plaza in Poland in January 2017, leaving only Torun Plaza as an active shopping centre in the Company's portfolio.

Total result of operations excluding the finance income and finance cost decreased to €3.6 million in the 6 months of 2017 from €4.1 for the first half year of 2016 as presented after the reclassification described in the Financial Review section.

The consolidated cash position as at June 30, 2016 (including restricted bank deposits, short term deposits) was €11 million (31 December 2016: €12.8 million) and the current cash position is circa €32.5 million (€2.7 million restricted).

## Portfolio progress

The Company's portfolio of 11 assets comprises 8 pipeline plots, one operational shopping and entertainment centre and two development projects. As at 29 September 2017, nine assets are located across Central and Eastern Europe and two are in India. The full detail is as follows:

Location	Number of assets (CEE and India)		
	Active	In sales negotiation	Under development / planning
Romania	-	2	1
India	-	1	1
Poland	1	2	-
Hungary	-	1	-
Serbia	-	1	-
Greece	-	1	-
<b>Total</b>	<b>1</b>	<b>8</b>	<b>2</b>

## Liquidity & Financing

Plaza ended the period with a consolidated cash position (including restricted bank deposits, short term deposits) of €11 million, compared to €12.8 million at the end of 2016.

As at June 30, 2017 the Group's outstanding obligations to bondholders and banks are EUR 132.6 million and EUR 43.6 million, respectively.

In November 2016, the Group agreed with its bondholders to amend the terms of the early repayment requirement under the original debt restructuring plan (the "Restructuring Plan"). On March 15, 2017, the Group repaid the required minimum early repayment to its bondholders and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

Information concerning the Group's obligations and commitments to make future payments under contracts such as debt agreements in the 18 months starting July 1, 2017 is aggregated in the following table.

Contractual Obligations	Total Payment Due by period (in TEUR)	
	Within 1 year	1-1.5 years
Bonds including current portion and interest	56,800	26,300
Secured bank loan (Torun)	43,596	-
Total contractual obligation (excluding working capital)	100,396	26,300
General & administrative	3,800	1,100

The Company expects to increase the amount of its liquid balances during the 18 months starting July 1, 2017, by means of the following actions:

- Sale of shopping center (including price adjustment of sold centers) in amount of EUR 44.7 million
- Sale of plots of lands in amount of EUR 43.4 million
- NOI and release of restricted deposit EUR 3.3 million

### Strategy and Outlook

Portfolio disposal for the delivery of our obligations to our bondholders and to bring value to our stakeholders.

### OPERATIONAL REVIEW

Over the course of the year to date, Plaza has continued to make good progress against its operational and strategic objectives. The status of the 11 projects is outlined in the table below.

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 (*)
<b>Operating Shopping and Entertainment Centres</b>					
Torun Plaza	Torun, Poland	Retail & entertainment scheme	40,000	100	Operating, opened in November 2011
<b>Development Assets</b>					
Casa Radio	Bucharest, Romania	Mixed-use retail, hotel and leisure plus office scheme	467,000 (GBA including parking spaces)	75	In planning and permitting phase
Chennai	Chennai, India	Residential Scheme	302,400	50	JDA was signed in August 2016
<b>Pipeline Projects</b>					
			Plot Size (sqm)		
Lodz Plaza	Lodz, Poland	Retail & entertainment scheme	61,500	100	Designated for sale
Lodz (Residential)	Lodz, Poland	Residential scheme	4,000	100	Under sale process; Circa 29,000 sqm was sold during 2015-2016
Arena Plaza Extension	Budapest, Hungary	Office/Hotel scheme	22,000 (land use right)	100	Preliminary sale-agreement signed
Csiki Plaza	Miercurea Ciuc,	Retail & entertainment scheme	36,500	100	Designated for sale

	Romania				
Brasov	Brasov, Romania	Retail & entertainment scheme	67,000	100	Designated for sale
Krusevac	Krusevac, Serbia	Retail & entertainment scheme	19,930	100	Designated for sale
Piraeus Plaza	Athens, Greece	Retail/Offices	15,000	100	A binding sale agreement was signed, subject to certain conditions
Bangalore	Bangalore, India	Residential Scheme	218,500	25	Designated for sale

Details of major activities by country are as follows:

#### *Poland*

On June 21 2017, the Company announced that its subsidiary, Plaza Centers Polish Operations B.V., signed a non-binding Letter of Intent ("LOI") with an investment fund (the "Purchaser") regarding the sale of Torun Plaza shopping and entertainment centre in Poland. The LOI binds the Purchaser to a strict timeline for undertaking a comprehensive due diligence process which would result in the transaction being completed by the end of October 2017.

Should the transaction proceed towards a signed share purchase agreement, following the due diligence process, Plaza will receive circa €70 million less the outstanding bank loan (net proceeds forecast to be €27 -29 million) followed by additional payments up to a maximum potential amount of €4 million after an additional one year earn out period following the closing of the transaction.

#### *Romania*

Plaza holds a 75% interest in a joint venture with the Government of Romania to develop Casa Radio (Dambovita), which is the largest development opportunity in central Bucharest. A 467,000 sqm complex, including a 90,000 sqm GLA shopping mall, leisure centre, offices, a hotel and a convention and conference hall, is planned for the site. The Company has obtained a PUD (Detailed Urban Permit) and a PUZ (Zonal Urban Plan) for the Dambovita Centre Multifunctional Complex.

Following the global financial crisis and to ensure that the development process was more aligned with the current market conditions, the Company initiated preliminary discussions with the Authorities (which are shareholders in the SPV and a party to the Public Private Partnership) regarding the future of the project. The Company has also officially notified the Authorities that it will be seeking to redefine some of the terms in the existing PPP contract, including the timetable, structure and project milestones.

## *India*

In 2008, Plaza formed a 50:50 joint venture with Elbit Imaging (the "JV") to develop large mixed-use projects in Bangalore, Chennai and Kochi. Under the terms of the agreement, Plaza acquired a 47.5% stake in Elbit Plaza India Real Estate Holdings Limited ("EPI"), which had existing stakes in mixed-use projects in India, in conjunction with local Indian partners.

The JV projects are as follows:

Bangalore - This residential project, owned by the JV, is located on the eastern side of Bangalore, India's fifth largest city with a population of more than eight million inhabitants.

In June 2017, Elbit Plaza India Real estate ("EPI") signed a revised agreement in relation to the sale of a 100% interest in a special purpose vehicle which holds a site in Bangalore, India to a local investor (the "Purchaser").

The Purchaser and EPI have agreed that the purchase price will be amended to INR 338 Crores (approximately Euro 47 million) instead of the INR 321 Crores (approximately Euro 44.6 million) agreed in the previous agreement. As part of the agreement, INR 110 Crores (approximately Euro 15.3 million) will be paid by the Purchaser in instalments until the Final Closing. The Final Closing will take place on September 1, 2018, when the final instalment of INR 228 Crores (approximately Euro 31.7 million) will be paid to EPI.

If the Purchaser defaults before the Final Closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreement will remain in place until the Final Closing.

Chennai - A residential development, which is 100% owned by the JV and 20% by a prominent local developer. The Chennai Project was designated at the end of 2014 as a project for development. During 2015, due to changes in the Group's activities and objectives, the Company decided not to develop the Chennai project but rather to dispose of it in its current situation.

On 2 August 2016, the Chennai Project SPV signed a Joint Development Agreement with a local developer ("Developer" and "JDA", respectively) with respect to the Property.

Under the terms of the JDA, the Chennai Project SPV granted the property development rights to the Developer who shall bear 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.

Further to the disclosure provided in the 2016 consolidated financial statements with respect to the joint development agreement ("JDA") signed, due to the inability of the local developer to obtain governmental approvals for establishment of access road to the Property within 12 months period from the execution date of the JDA, the parties possess the rights to terminate the agreement. Upon such termination, the Developer shall be entitled to the refund of the relevant amounts paid as Refundable Deposit and any other cost related to such access road or the title over the Property. Currently none of the parties has canceled the agreement.

## **FINANCIAL REVIEW**

### **Reclassification and change in presentation format of statements of profit or loss of 2016:**

The Company has reclassified certain items in the statement of cash flows compared to their presentation in the 2016 semi-annual financial statements which were published on August 15, 2016. The interim condensed consolidated financial statements as of June 30, 2017 have not been reviewed by company's auditors. In addition, the 2016 consolidated financial statements are currently under the re-audit process of Kost Forer Gabbay & Kasierer (Ernst & Young) and therefore have not been authorized and published yet.

During the period, the Company has changed the presentation format of the statements of profit or loss. Under the new format - sale of trading properties (shopping centres and land plots) is presented on gross basis due to the business model of the Company to sell its entire trading properties. Prior to this change, only the sale of shopping centres was presented on gross basis. In addition, rental income from such shopping centres is presented as part of other income line item. The Company believes that the new presentation format better reflects its results of operations and is in line with the presentation format of the Company's parent company.

The Company has reclassified prepaid expenses from current assets to non-current assets based on the contractual terms.

Balance sheet as of December 31, 2016:

	<b>As previously reported</b>	<b>Amendment</b>	<b>Reclassified</b>
<b>Current assets</b>			
Prepayments	2,371	(1,747)	624
<b>Non-current assets</b>			
Prepaid expenses	-	1,747	1,747

Income statement for the six-months ended June 30, 2016:

	<b>As previously reported</b>	<b>Amendment</b>	<b>Reclassified</b>
<b>Revenues</b>			
Revenue from disposal of trading properties	9,632	17,276	26,908
Rental income	8,409	(8,409)	-
<b>Gains and other</b>			
Rental income	-	8,409	8,409
Gain from sale of plots	3,989	(3,989)	-
Other income	2,856	(2,618)	238
Loss from disposal of trading property SPV	(355)	355	-
<b>Expenses and losses</b>			
Other expenses	(2,345)	119	(2,226)
Cost of Trading properties disposed	(9,632)	(15,132)	(24,764)
<b>Loss for the year</b>	<b>(6,063)</b>	<b>-</b>	<b>(6,063)</b>

## Results

Revenue for the period derived from proceeds received from the disposal of Trading properties amounted to €67 million compared to the €27 million in H1 2016. The income is attributable mainly to sale of Suwalki Plaza (Poland) and Belgrade Plaza (Serbia).

Result from the operation of shopping and entertainment centres has decreased to €2.8 million in H1 2017 from €5.9 million in H1 2017 due to the above-mentioned disposal.

Administrative expenses increased from €3.1 million in H1 2016 to €3.6 million, mainly as a result additional audit fee for re-auditing the 2016 consolidated financial statements.

Finance income slightly decreased to €0.4 million from €3.4 million in 2016. In 2016 €2.6 million of income derived from foreign exchange gains on the Company's bonds issued in Israeli New Shekels ("NIS") and the change in the Israeli Consumer Price Index while in 2017 it has decreased to €0.26 million.

Finance costs decreased from €13.3 million in H1 2016 to €11.1 million in H1 2017. The main components of the reduction in costs were:

- A strengthening of the NIS against the euro during H1-2017. The effect on the bonds totalled €4.4 million of expense (H1-2016 : income €2.7 million).
- Interest expenses booked on bonds totalled €5.4 million (H1-2016 : €6.8 million).

- In H1-2016 an additional €7.0 million was recorded as a non-cash expense, associated with amortisation of the discount on bonds (H1-2017: €0.4 million).
- In H1-2017, interest expenses on borrowings totalled €0.9 million (H1-2016 : €2.0 million of expenses).
- In H1-2016 €2.5 million of finance costs on bonds were capitalised following the recommencement of construction at the Belgrade Plaza (Serbia) site while in H1-2017 nil.

As a result, the loss for the period amounted to circa €6.8 million in H1 2017, representing a basic and diluted losses per share for the period of €0.99 (H1 2016: €0.89 loss).

### **Balance sheet and cash flow**

The balance sheet as at 30 June 2017 showed total assets of €222 million compared to total assets of €322 million at the end of 2016, largely as a result of the implementation of the debt reduction strategy.

Consolidated cash position as at June 30, 2017 (including restricted bank deposits) decreased to €11 million (31 December 2016: €12.8 million) and current cash position of circa €32.5 million (€2.7 million restricted).

The value of the Company's trading properties decreased from €264 million as at 31 December 2016 to €164 million at the end of 30 June 2016 due to the disposal of Suwalki Plaza and Belgrade Plaza.

Investments in equity accounted investee companies has remained on the same level of €29 million (31 December 2016 €30 million).

Trade payables has decreased from €7.4 million to €0.7 million due the sale of Belgrade Plaza.

Total bank borrowings amounted to €43.6 million related to Torun Plaza (31 December 2016: €82.3 million) after the disposal of trading properties (Suwalki Plaza and Belgrade Plaza).

Aside from bank financing, Plaza has a balance sheet liability (including accrued interest) of €132 million (with an adjusted par value of circa €140 million) from issuing bonds on the Tel Aviv Stock Exchange and to Polish institutional investors. These bonds are presented at amortised cost under current liabilities.

Provision was created with respect to the obligation connected to Casa Radio project (Bucharest Romania) in the amount of €13.2 million same as in 2016.

**Disclosure in accordance with Regulation 10(B)14 of the Israeli Securities Regulations (periodic and immediate reports), 5730-1970**

**1. General Background**

According to the abovementioned regulation, upon existence of warning signs as defined in the regulation, the Company is obliged to attach to its report's projected cash flow for a period of two years, commencing with the date of approval of the reports ("Projected Cash Flow").

One of the warning signs emphasised is a matter included in the auditors' report – Disclaimer of opinion issued by the auditor. The Material uncertainty related to going concern was included in view of the management's plans for asset disposals and also in respect of material uncertainty related to Casa Radio project, as described in Notes 4, 5 of these unreviewed and unaudited condensed consolidated Financial Statements in this press release.

Upon having such warning signs, the Company is required to provide projected cash flow for the period of 24 months following the reporting period, and also provide explanations on differences between previously disclosed estimated projected cash flows with actual cash flows.

**2. Projected cash flow**

The Company has implemented the restructuring plan that was approved by the Dutch court on July 9, 2014 (the "Restructuring Plan"). Under the Restructuring Plan, principal payments under the bonds issued by the Company and originally due in the years 2013 to 2015 were deferred for a period of four and a half years, and principal payments originally due in 2016 and 2017 were deferred for a period of one year.

The Restructuring Plan further provided that, if the Company does not prepay an aggregate amount of at least NIS 434 million (EUR 107.3 million) on the principal of the bonds on or before December 1, 2016 (the "Early Prepayment"), the principal payments due under the Extended Repayment Schedule will be advanced by one year (the "Accelerated Repayment Schedule"). On November 29, 2016, the Company's bondholders approved a postponement of the Early Prepayment date by up to four months and the reduction of the total amount of the required Early Prepayments to at least NIS 382 million (EUR 94.5 million) (a reduction of 12% on the original amount). In addition, the Company agreed to pay to its bondholders, on March 31, 2018, a one-time consent fee (which is equal to 0.25% from the Company's outstanding debt under the bonds at that time). The consent Fee shall be paid to the Company's bondholders on a pro rata basis. During first three months 2017, the Company paid to its bondholders a total amount of NIS 199.2 million (EUR 51 million) as an early redemption. Upon such payments, the Company complied with the Early Prepayment Term (early redemption at the total sum of at least NIS 382,000,000) and thus obtained a deferral of one year for the remaining contractual obligations of the bonds.

The materialisation, 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 realisation of the Company's assets and investments or realisation at a lower price than expected by the Company, as well as any other deviation from the Company's Assumptions (such as additional expenses due to suspension of trading, delay in submitting the statutory reports etc.), could have an adverse effect on the Company's cash flow and the Company's ability to service its indebtedness in a timely manner.

		<i>H2/201</i>	<i>201</i>	<i>H1/201</i>
		<i>7</i>	<i>8</i>	<i>9</i>
	<b>Cash - Opening Balance - HQ</b>	<b>5.7</b>	<b>16.3</b>	<b>5.7</b>
	Proceeds from selling trading properties (1)	57.5	30.6	29.0
<b>Source</b>	Cash flows from operating Activities and other income (2)	3.3	-	-
	<b>Total Sources</b>	<b>60.8</b>	<b>30.6</b>	<b>29.0</b>
	Bonds – principle (3)	40.5	33.0	30.0
	Bonds - interest (3)	4.1	5.4	1.9
	Compensation to Bondholders	-	0.3	-
	Bank loans - principal	0.7	-	-
<b>Use</b>	Bank loans - interest	0.8	-	-
	Operational expenses	2.2	2.3	0.6
	Additional accounting costs	0.4	-	-
	<b>Total Uses</b>	<b>48.7</b>	<b>41.1</b>	<b>32.5</b>
	<b>Cash - Closing Balance</b>	<b>17.8</b>	<b>5.7</b>	<b>2.2</b>
<b>Closing Cash</b>	NOI from shopping centers (net of finance costs) - offset	-1.5	0.0	0.0
	<b>Cash - Closing Balance - HQ</b>	<b>16.3</b>	<b>5.7</b>	<b>2.2</b>

1. Comprised from the exercise of operating shopping malls: Torun Plaza, Belgrade Plaza (Serbia) and Riga Plaza (price adjustments), and plots Timisoara, Miercuera Ciuc, Constanta and part of Casa Radio in Romania; Piraeus in Greece; Lodz residential, Leszno and Lodz in Poland; Krusevac and additional instalment for MUP in Serbia; Arena Extension in Hungary.
2. Based on expected Net Operating Income ("NOI") from subsidiary.
3. Assuming EUR/NIS rate of 4.20 and EUR/PLN rate of 4.20. The repayment schedule takes into consideration that in the case of a disposal of an asset, 75% of the proceeds are used for the

early prepayment of the Unsecured Debt in accordance with the terms of the Amended Restructuring Plan.

Below is a summary table of the comparison between forecasted and actual cash flow, with explanations on the differences published for the 6-month period ending 30 June 2017.

		<i>H1/2017</i>	<i>H1/2017</i>
<b>Open</b>	<b>Cash - Opening Balance</b>	<b>2.5</b>	<b>2.5</b>
<b>Cash</b>			
	Proceeds from selling trading and investment properties (1)	61.9	61.1
<b>Source</b>	Distributions form operating subsidiaries	4.7	3.0
	<b>Total Sources</b>	<b>69.0</b>	<b>66.6</b>
	<b>Cash outflow from operating activity</b>		
	Administrative expenses (2)	2.5	3.1
	<b>Cash outflow from financing activity</b>		
<b>Use</b>	Principal repayment to bondholders	52.1	51.0
	Interest repayment to bondholders	5.4	5.3
	Bank loans - principal	0.7	0.7
	Bank loans - interest	0.8	0.8
	<b>Total Uses</b>	<b>61.6</b>	<b>60.9</b>
	Income/Financing cost from shopping centers	-1.6	-1.4
	Cash release from shopping centers		1.5
<b>Closing</b>	<b>Cash - Closing Balance</b>	<b>5.9</b>	<b>5.8</b>
<b>Cash</b>			

- 1 Forecast included sale of Suwalki Plaza (€16.5 m), Belgrade Plaza (€33.7m), development site MUP (€4.05 m), David House office building (€3.1 m) and additional plots (€4.55 m).
- 2 Excluding provision for audit services.

**Dori Keren**  
**CEO**  
**29 September 2017**

**PLAZA CENTERS N.V.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2017**

**UNAUDITED AND NOT REVIEWED**

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**Interim condensed consolidated statement of financial position**

**Interim condensed consolidated statement of profit or loss**

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**Notes to interim condensed consolidated financial statements**

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	<u>Not reviewed</u>	<u>Unaudited</u>
	<u>Euros in thousands</u>	
<b>ASSETS</b>		
Cash and cash equivalents	8,626	5,646
Restricted bank deposits	2,263	7,174
Trade receivables	14,383	6,645
Other receivables	925	1,614
Prepayments	-	624
	<hr/>	<hr/>
<b>Total current assets</b>	<b>26,197</b>	<b>21,703</b>
	<hr/>	<hr/>
Trading properties	164,176	263,695
Equity - accounted investees	29,062	30,160
Property and equipment	206	2,400
Related parties' receivables	1,751	1,720
Long term receivables	480	699
Prepayments	-	(*) 1,747
Deferred taxes	273	-
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>195,948</b>	<b>300,421</b>
	<hr/>	<hr/>
<b>Total assets</b>	<b>222,145</b>	<b>322,124</b>
	<hr/> <hr/>	<hr/> <hr/>

\*Reclassified. See note 2 (c)

The accompanying notes are an integral part of the interim consolidated financial data.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	<u>Not reviewed</u>	<u>Unaudited</u>
	<u>Euros in thousands</u>	
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Interest bearing loans from banks	43,596	82,275
Debentures at amortized cost	132,450	(**) 178,370
Trade payables	677	7,443
Related parties' liabilities	518	206
Derivatives	243	453
Other liabilities	1,960	2,906
<b>Total current liabilities</b>	<u>179,444</u>	<u>271,653</u>
Interest bearing loans from banks	-	(**) -
Debentures at amortized cost	-	(**) -
Provisions	13,244	13,244
Deferred taxes	-	116
Long term payables	488	488
<b>Total non-current liabilities</b>	<u>13,732</u>	<u>13,848</u>
Share capital	6,856	6,856
Translation reserve	(27,979)	(27,103)
Other reserves	(19,983)	(19,983)
Share based payment reserve	35,376	35,376
Share premium	282,596	282,596
Retained losses	(247,897)	(241,119)
<b>Equity attributable to owners of the Company</b>	<u>28,969</u>	<u>36,623</u>
<b>Total equity</b>	<u>28,969</u>	<u>36,623</u>
<b>Total equity and liabilities</b>	<u><u>222,145</u></u>	<u><u>322,124</u></u>

\*\* Restated. See note 2 (b)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

29 September, 2017

Date of approval of the  
financial statements

Dori Keren  
Chief Executive Officer

David Dekel  
Director and Chairman of the  
Audit Committee

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**

	Six months ended June 30,	
	2017	2016
	Not reviewed	
	Euros in thousands (except per share data)	
<b>Revenues and gains</b>		
Revenue from disposal of trading properties	67,159	(*) 26,908
	<u>67,159</u>	<u>26,908</u>
<b>Total revenues</b>		
<b>Gains and other</b>		
Rental income	4,554	8,409
Share in results of equity-accounted investees, net of tax	-	1,144
Other income	611	(*) 238
	<u>5,165</u>	<u>9,791</u>
<b>Total gains</b>		
	<u>5,165</u>	<u>9,791</u>
<b>Total revenues and gains</b>	<u>72,324</u>	<u>36,699</u>
<b>Expenses and losses</b>		
Cost of Trading properties disposed	(62,733)	(*) (24,764)
Cost of operations	(1,759)	(2,522)
Write-down of Trading Properties	(464)	-
Share in results of equity-accounted investees, net of tax	(170)	-
Administrative expenses	(3,612)	(3,056)
Other expenses	(34)	(*) (2,226)
	<u>(79,416)</u>	<u>(42,496)</u>
Finance income	428	3,369
Finance costs	(11,072)	(13,297)
	<u>(79,416)</u>	<u>(42,496)</u>
<b>Loss before income tax</b>	(7,092)	(5,797)
Tax benefit (Income tax expense)	314	(266)
	<u>(6,778)</u>	<u>(6,063)</u>
<b>Loss for the period</b>	<u>(6,778)</u>	<u>(6,063)</u>
<b>Loss attributable to:</b>		
Equity holders of the Company	<u>(6,778)</u>	<u>(6,063)</u>
<b>Earnings per share</b>		
Basic and diluted loss per share (EUR)	<u>(0.99)</u>	<u>(0.89)</u>

\*Reclassified. See note 2 (c)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

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	<b>Six months ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
	<b>Not reviewed</b>	
	<b>Euros in thousands (except per share data)</b>	
<b>Loss for the period</b>	(6,778)	(6,063)
<b>Other comprehensive income</b>		
<b><u>Items that are or may be reclassified to profit or loss:</u></b>		
Foreign currency translation differences - foreign operations (Equity accounted investees)	<u>(876)</u>	<u>(849)</u>
Other comprehensive loss for the period, net of income tax	<u>(876)</u>	<u>(849)</u>
Total comprehensive loss for the period	<u><u>(7,654)</u></u>	<u><u>(6,912)</u></u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity owners of the Company								
	Share capital	Share Premium	Share based payment reserves	Translation Reserve	Other reserves (*)	Retained losses	Total	Non-controlling interests	Total
	Euros in thousands								
<b>Balance at December 31, 2016 (unaudited)</b>	6,856	282,596	35,376	(27,103)	(19,983)	(241,119)	36,623	-	36,623
<b>Comprehensive income for the year</b>									
Total comprehensive loss	-	-	-	(876)	-	(6,778)	(7,654)	-	(7,654)
<b>Balance at June 30, 2017 (Not reviewed)</b>	6,856	282,596	35,376	(27,979)	(19,983)	(247,897)	28,969	-	28,969

	Attributable to the equity 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
	Euros in thousands								
<b>Balance at January 1, 2016 (unaudited)</b>	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)
<b>Balance at June 30, 2016 (unaudited)</b>	6,856	282,596	35,376	(28,267)	(20,706)	(200,665)	75,190	766	75,956

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<u>2017</u>	<u>2016</u>
	<b>Not reviewed</b>	
	<b>Euros in thousands</b>	
<b><u>Cash flows from operating activities:</u></b>		
Loss for the period	(6,778)	(6,063)
<u>Adjustments necessary to reflect cash flows used in operating activities</u>		
Depreciation and impairment of property and equipment	16	34
Net finance costs	10,644	9,928
Share of gain of equity-accounted investees, net of tax	170	(1,144)
Gain from sale of subsidiaries	(4,779)	(*) (2,144)
Income tax expense (tax benefit)	(314)	266
	<u>(1,041)</u>	<u>877</u>
<b><u>Changes in:</u></b>		
Trade receivables	(3,101)	(48)
Other receivables	2,942	(5,812)
Trading properties	2,159	(*) (5,099)
Equity accounted investees – net investments	-	303
Trade payables	(366)	1,946
Other liabilities, related parties' liabilities and provisions	(946)	1,735
	<u>688</u>	<u>(6,975)</u>
Interest received	-	30
Interest paid	(6,238)	(7,902)
Taxes paid	(10)	(29)
	<u>(6,601)</u>	<u>(13,999)</u>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash from investing activities</b>		
Proceeds from sale of property and equipment	3,703	28
Proceeds from sale of subsidiaries	50,218	(*) 23,383
Distribution received from Equity Accounted Investees	221	-
Changes in restricted cash	3,207	(931)
	<u>57,349</u>	<u>22,480</u>
<b>Net cash provided by investing activities</b>		

\*Reclassified. See note 2 (c)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## **CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

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	<b>Six months ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
	<b>Not reviewed</b>	
	<b>Euros in thousands</b>	
<b>Cash from financing activities</b>		
Cash inflow from foreign exchange derivatives	-	510
Proceed from bank loans	4,029	-
Repayment of debentures	(51,090)	(3,566)
Repayment of interest bearing loans from banks	(707)	(1,545)
<b>Net cash used in financing activities</b>	<b>(47,768)</b>	<b>(4601)</b>
<b>Decrease in cash and cash equivalents during the year</b>	<b>2,980</b>	<b>3,880</b>
<b>Effect of movement in exchange rate fluctuations on cash held</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at January 1<sup>st</sup></b>	<b>5,646</b>	<b>15,659</b>
<b>Cash and cash equivalents as at June 30</b>	<b>8,626</b>	<b>19,539</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 1: - CORPORATE INFORMATION**

Plaza Centers N.V. ("the Company" and together with its subsidiaries, "the Group") 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). During the six months period ended June 30, 2017, no changes occurred in the Company's holdings, save for the exceptions further described in Notes 9(a) - 9(c) of this report.

The Company is listed on the premium segment of the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange ("LSE"), the Warsaw Stock Exchange ("WSE") and 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.

### **NOTE 2: - BASIS OF PREPARATION**

- a. Basis of preparation of the interim condensed consolidated financial data:

The interim condensed consolidated financial data for the six months period ended June 30, 2017 have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("Interim Financial Reporting") as adopted by the European Union. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

Selected explanatory notes are, however, included to explain events and transactions that are significant to understanding 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, 2016.

The interim condensed consolidated financial statements as of June 30, 2017 were authorized by the Board of Directors on 29 September 2017. The financial statements have not been reviewed by company's auditors.

In addition, the 2016 financial statements are currently under the re-audit process of Kost Forer Gabbay & Kasierer (a member of Ernst & Young global - "EY") and therefore have not been authorized and published yet.

The audited consolidated financial statements as of December 31, 2016 were approved by the Board of Directors on May 15, 2017. These statements contained a report in which both the independent auditor, KPMG Hungary Kft. ("KPMG") and the Dutch statutory auditor Grant Thornton Accountants en Adviseurs B.V., rendered their opinion with disclaimer with regard to Company's consolidated financial statements.

KPMG indicated, inter alia, that the basis for its disclaimer related to:

- Potential irregularities with respect to certain contracts entered into by Company concerning the Casa Radio project in Romania, which the Company had previously reported to the Romanian authorities.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 2: - BASIS OF PREPARATION (Cont.)

- An agency and commission contract signed in 2011 regarding the 2012 sale of property in the United States that was jointly owned by the Company and EI.
- The risk that the public authorities could seek to terminate the PPP agreement in connection with the Casa Radio project and/or relevant permits and/or could seek to impose delay penalties with respect to the project.
- Significant risks and uncertainties pertaining to the achievement of the Company's cash flow forecasts, which included the occurrence of events that were beyond the Company's sole control.
- The risk that the bond holders may demand the immediate repayment of the bonds due to the Company's breach of covenant in the debenture agreement.

Following the issue of the disclaimer the following steps have been taken by the Company:

- a special committee led by independent legal firm, namely, Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co., was established and the committee also comprised the Chairman of the Audit Committee. The special committee's remit was to review all engagements of the Group, during the period commencing on July 2014 (the date upon which the debt restructuring was approved and a new board of the Company was appointed) and ending on 31 December 2016, with a face value in excess of EUR 500 thousand and any broker agreements with a face value of above EUR 50 thousand (the "**Special Committee**"). The Special Committee reviewed all such engagements, raised questions with respect thereto, and interviewed the relevant personal in the Company, in order to verify and confirm that no "red-flags" were required to be raised with respect to such engagements. The Special Committee did not find any red flags and submitted its recommendations to the Company relating to the implementation of adequate procedures and policies so as to limit the risk of any irregularities occurring in future.
- Amending its Global Compliance Policy to improve internal controls and to conform the Company's relevant policies with those of EUL including those policies dealing with related party transactions, and procedures dealing with offshore companies and commission and agency transactions.
- Elbit and the Company jointly established an independent investigation committee led by independent legal firm, namely, Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co., to investigate the factual circumstances surrounding the agency agreement, signed in 2011 with respect to the sale of the properties in the US, and any other potentially related party contract identified during the investigation (the "**Investigation Committee**"). The Investigation Committee has recently finalized its work in this regard and submitted its findings and recommendations to the Company. The Company has accepted the Investigation Committee's recommendations and is working to implement such recommendations.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2:- BASIS OF PREPARATION (Cont.)

b. Restatement of 2016 financial statements:

Bonds issued by the Company include several covenants, some of which allow the bond holders to demand immediate repayment in certain circumstances. In particular, the bond holders may ask for immediate repayment where there has been a material deterioration in the Company's business as compared to its situation at the time of the 2014 restructuring plan and where there is substantial suspicion that the Company will be unable to repay the debentures on time. In addition, should the bondholders exercise their right to declare immediate repayment, there is a cross default trigger in the Company's bank loan agreements that would allow the banks to demand repayment of the loans made. As of December 31, 2016, there are significant risks and uncertainties pertaining to the achievement of the Company's cash flow forecasts, which include the occurrence of events, which are beyond the Company's sole control. The Company's financial statements as of September 30, 2016 includes an auditor's opinion with emphasis of matter to going concern uncertainty. As a result, there is a risk that the bonds holders could argue there exists a substantial suspicion with respect to the Company's ability to repay its obligations that entitles them to immediate repayment. Should this occur there is a risk that the banks with whom the Company has loans in place will also demand immediate repayment of the loans made to the Company. The Company would be unable to meet the demands of its bondholders and its banks. Accordingly, the Company has restated its 2016 annual financial statements in order to present the entire debentures outstanding amounting to EUR 178,370 thousand and interest-bearing loans in amount of EUR 82,275 thousand as current liabilities.

It should be noted that, irrespective of any restatement and or any reference to the phrases "re-audit", "audit", "restatement", "reviewed" of financial statements over the year 2016, the financial statements over the year 2016 that were published on June 12, 2017 and adopted by the Company's general meeting of shareholders on July, 31 2017, are the only official and valid financial statements over the year ended on 31 December 2016. These financial statements have not been amended. No other document should be relied upon.

	<b>As previously reported</b>	<b>Amendment</b>	<b>Restated</b>
<b>Current liabilities</b>			
Debentures at amortized cost	47,168	131,202	178,370
Interest Bearing Loans	48,099	34,176	82,275
<b>Non-current liabilities</b>			
Debentures at amortized cost	131,202	(131,202)	-
Interest Bearing Loans	34,176	(34,176)	-

c. Reclassification and change in presentation format of statements of profit or loss:

1. The Company has reclassified certain items in the statement of cash flows compared to their presentation in the 2016 semi-annual financial statements which were published on August 15, 2016.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2:- BASIS OF PREPARATION (Cont.)

- During the period, the Company has changed the presentation format of the statements of profit or loss. Under the new format “sale of trading properties (shopping centers and land plots)” is presented on a gross basis due to the Company’s business of selling the entirety of its trading properties. Prior to this change, only “sale of shopping centers” was presented on a gross basis. In addition, “rental income from such shopping centers” is presented as part of “other income” line item. The Company believes that the new presentation format better reflects its results of operations and is in line with the presentation format of the Company's parent company.
- The Company has reclassified prepaid expenses from current assets to non-current assets based on the contractual terms.

Balance sheet as of December 31, 2016:

	<u>As previously reported</u>	<u>Amendment</u>	<u>Reclassified</u>
<b>Current assets</b>			
Prepayments	2,371	(1,747)	624
<b>Non-current assets</b>			
Prepaid expenses	-	1,747	1,747

Income statement for the 6 months ended June 30, 2016:

	<u>As previously reported</u>	<u>Amendment</u>	<u>Reclassified</u>
<b>Revenues</b>			
Revenue from disposal of trading properties	9,632	17,276	26,908
Rental income	8,409	(8,409)	-
<b>Gains and other</b>			
Rental income	-	8,409	8,409
Gain from sale of plots	3,989	(3,989)	-
Other income	2,856	(2,618)	238
Loss from disposal of trading property SPV	(355)	355	-
<b>Expenses and losses</b>			
Other expenses	(2,345)	119	(2,226)
Cost of Trading properties disposed	(9,632)	(15,132)	(24,764)
<b>Loss for the year</b>	<b>(6,063)</b>	<b>-</b>	<b>(6,063)</b>

- New standards, interpretations and amendments adopted by the Company:

The significant accounting policies and methods of computation followed in the preparation of the interim condensed consolidated financial statements are identical to those followed in the preparation of the latest annual financial statements.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 2:- BASIS OF PREPARATION (Cont.)

e. New standards prior to their adoption:

#### ***Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

#### ***Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Company is yet to evaluate the effect of IAS 12 on the consolidated financial statements

#### ***IFRIC 23, Uncertainty over Income Tax Treatments:***

In June 2017, the International Accounting Standards Board issued IFRIC 23, Uncertainty over Income Tax Treatments. IFRIC 23 is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. According to IFRIC 23, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

- Full retrospective approach – Under this approach, IFRIC 23 will be applied retrospectively to each prior reporting period presented in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- Retrospectively with cumulative effect of initially applying IFRIC 23 recognized by adjusting equity on initial application, without adjusting comparatives

The effective date for adoption of IFRIC 23 is annual periods beginning on or after January 1, 2019, though early adoption is permitted.

The Company is yet to evaluate the effect of IFRIC 23 on the consolidated financial statements.

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 3: - USE OF JUDGEMENT 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, 2016, save for the changes highlighted above. Refer also to note 4 below for significant estimations performed.

### **NOTE 4: - GOING CONCERN AND LIQUIDITY POSITION OF THE COMPANY**

The condensed consolidated interim financial data 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 its debentures.

The Group's primary need for liquidity is to repay its debt, fund working capital requirements of the operating shopping centers, develop new shopping centers and fund general corporate purposes. The Group has incurred losses and experienced negative operating cash flows for the past several years, and accordingly, it has taken a number of actions to continue to support its operations and meet its obligations.

As at June 30, 2017 the Group's outstanding obligations to bondholders and banks are EUR 132.6 million and EUR 43.6 million, respectively.

In November 2016, the Group agreed with its bondholders to amend the terms of the early repayment requirement under the original debt restructuring plan (the "Restructuring Plan"). On March 15, 2017, the Group repaid the required minimum early repayment to its bondholders and thus obtained a deferral of one year for the remaining contractual obligations of the debentures.

Information concerning the Group's obligations and commitments to make future payments under contracts such as debt agreements in the 18 months starting July 1, 2017 is aggregated in the following tables.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 4: - GOING CONCERN AND LIQUIDITY POSITION OF THE COMPANY (Cont.)

<u>Contractual Obligations</u>	<b>Total Payment Due by period (in TEUR)</b>	
	<b>Within 1 year</b>	<b>1-1.5 years</b>
Debentures including current portion and interest	56,800	26,300
Secured bank loan (Torun)	43,596	-
Total contractual obligation (excluding working capital)	100,396	26,300
General & administrative	3,800	1,100

The Company expects to increase the amount of its liquid balances during the 18 months starting July 1, 2017, by means of the following actions:

- Sale of shopping center (including price adjustment of sold centers) in amount of EUR 44.7 million
- Sale of plots of lands in amount of EUR 43.4 million
- NOI and other income EUR 3.3 million

Management expects that the Group will be able to meet the remaining contractual obligations during the 18 months period starting July 1, 2017 by a combination of its assets disposal program and cash generated from operating shopping center.

Management acknowledges that the above expected cash flows are based on forward-looking plans and estimations which rely on the information known to management at the time of the approval of these financial statements. The materialization of the above forecast is uncertain and is subject to factors beyond the Company's control. Therefore, delays in the realization of the Group's assets and investments or realization at lower price than expected by management, could have an adverse effect on the Group's liquidity position and its ability to meet its contractual obligations on a timely manner.

Management further acknowledges that the Company is exposed to foreign currency risk derived from borrowings denominated in currency other than the functional currency of the Group, more specifically, a further devaluation of the EUR against the NIS can significantly increase the remaining contractual obligation to bondholders.

At the end of the reporting period the Company is in compliance with financial covenants required under the Restructuring Plan. However, as of the date of the approval of these consolidated financial data, the Company is near the minimum ratio required in respect to the "Coverage Ratio Covenant" as defined in the Restructuring Plan.

Notwithstanding this, the bond trust deeds give the bondholders the right to demand the immediate repayment of bonds where there is a material deterioration in the Company's business and substantial suspicion exists that the Company will be unable to repay the bonds on time.

The Company did not publish its financial statements within the deadline set out in the bond trust deeds and has not remedied the situation within the allowed time. This entitles the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

Trading of the Company's ordinary shares, Series A Notes and Series B Notes were in 2017 also for a period temporarily suspended from trading on the relevant exchanges. This may entitle the bondholders to declare that all or a part of their respective (remaining) claims become immediately due and payable.

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 4: - GOING CONCERN AND LIQUIDITY POSITION OF THE COMPANY (Cont.)**

Under the Dutch Civil Code, being mandatory law of the Company's home state, the Company shall publish its stand-alone and consolidated financial statements within four months from the end of the book year. The Company did not comply with this requirement and published the financial statements over the year ended on 31 December 2016, on 12 June 2017 and its ordinary shares were suspended from trading, with effect from 2 May 2017, on the London Stock Exchange's main market for listed securities until 18 May 2017. As a result of the aforementioned suspension, Plaza's ordinary shares were suspended from trading on the Warsaw Stock Exchange and Plaza's ordinary shares and its Series A Notes and Series B Notes were suspended from trading on the Tel Aviv Stock Exchange. On May 18, 2017 the Company announced that, with effect from 10.30 a.m. (London time), its ordinary shares were restored to trading on the London Stock Exchange's main market for listed securities and to listing on the Official List of the Financial Conduct Authority. Plaza's ordinary shares and its Series A Notes and Series B Notes were also restored to trading on the Tel Aviv Stock Exchange. On May 19, the ordinary shares were restored to trading on the Warsaw Stock Exchange. As a result, the bondholders may be entitled to declare that all or a part of their respective (remaining) claims become immediately due and payable.

In addition, based on the bond trust deeds, the bondholders have a right to demand immediate repayment of bonds where there has been a material deterioration in the Company's business and substantial suspicion exists that the Company will be unable to repay the bonds on time. Should the bondholders exercise their right to declare immediate repayment, there is a cross default trigger in the Company's bank loan agreements that would allow the banks to demand repayment of the loans made. Accordingly, the Company has presented the entire amount owing and outstanding under the debentures, being EUR 132,450 thousand, and its interest-bearing loans from banks, being EUR 43,596 thousand, as current liabilities. As of June 30, 2017, there are significant risks and uncertainties pertaining to the achievement of the Company's cash flow forecasts, which include the occurrence of events which are beyond the Company's sole control.

The Company's financial statements as of December 31, 2016 includes an auditor's opinion with disclaimer of opinion. Accordingly, as referred to above bondholders have the right to demand immediate repayment of amounts outstanding to them and if they do this the banks from whom the Company has loaned monies have the right to demand immediate repayment. Should this occur, the Company would be unable to settle those claims and would need to enter to an additional debt restructuring or it might cease to be a going concern. As at the date of these statements the immediate repayment provisions have not been triggered by bondholders. However, the Company has received correspondence from the trustee of the Israeli Series A bondholders, requesting that the Company make any future bondholder repayments on a pro-rata basis (as per the share of each Series in the outstanding debt rather than as per the ratios agreed in the restructuring plan). See also Note 8(d).

A combination of the abovementioned conditions indicates the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 5: - EQUITY ACCOUNTED INVESTEES**

(1) Bangalore:

New payment structure for sale of Project in Bangalore, India

In June 2017, Elbit Plaza India Real estate ("EPI") signed a revised agreement in relation to the sale of a 100% interest in a special purpose vehicle which holds a site in Bangalore, India to a local investor (the "Purchaser").

The Purchaser and EPI have agreed that the purchase price will be amended to INR 338 Crores (approximately Euro 47 million) instead of the INR 321 Crores (approximately Euro 44.6 million) agreed in the previous agreement. As part of the agreement, INR 110 Crores (approximately Euro 15.3 million) will be paid by the Purchaser in instalments until the Final Closing. The Final Closing will take place on September 1, 2018, when the final instalment of INR 228 Crores (approximately Euro 31.7 million) will be paid to EPI.

If the Purchaser defaults before the Final Closing, EPI is entitled to forfeit certain amounts paid by the Purchaser as stipulated in the revised agreement. All other existing securities granted to EPI under the previous agreement will remain in place until the Final Closing.

(2) Chennai:

Further to the disclosure provided in note 10 to the 2016 annual consolidated financial statements with respect to the joint development agreement ("JDA") signed, due to the inability of the local developer to obtain governmental approvals for establishment of access road to the Property within 12 months period from the execution date of the JDA, the parties possess the rights to terminate the agreement. Upon such termination, the Developer shall be entitled to the refund of the relevant amounts paid as Refundable Deposit and any other cost related to such access road or the title over the Property. Currently none of the parties has canceled the agreement.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 6: - 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:

Fair value of the quoted debentures is based on price quotations at the reporting date and is classified as Level 1 in the fair value hierarchy.

	Carrying amount		Fair value	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
<b>Euros in thousands</b>				
<b><u>Statement of financial position</u></b>				
Debentures at amortized cost – Polish bonds	6,662	10,561	6,001	9,964
Debentures A at amortized cost – Israeli bonds	51,555	61,505	40,291	50,727
Debentures B at amortized cost – Israeli bonds	74,233	106,304	61,546	90,008
<b>Total</b>	<b>132,450</b>	<b>178,370</b>	<b>107,838</b>	<b>150,699</b>

The total contractual liability of the Debentures was EUR 140.2 million as at June 30, 2017. 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, 2017 for financial assets and financial liabilities. These fair value measurements are categorized 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
<b>Euros in thousands</b>				
<b><u>Short term liabilities</u></b>				
Derivative	-	-	-	-
<b><u>Long term liabilities</u></b>				
Derivative	-	-	243	243

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 7:- MATERIAL EVENTS DURING THE REPORTING PERIOD**

a) Sale agreement of Suwalki Plaza :

In January 2017, The Company sold its SPV holding Suwałki Plaza shopping and entertainment center in Poland to an investment fund for EUR 16.7 million and recorded a gain of EUR 0.9 million. The purchaser is an investment fund which is connected to a former employee of the Company.

Out of the net proceeds, at least 75% were distributed to the Company's bondholders in March 2017, in line with the Company's stated amended restructuring Plan.

b) Final agreement for the sale of Belgrade Plaza:

On January 26, 2017, the Company signed a binding share purchase agreement with BIG Shopping Centers Ltd., a publicly traded company listed in the TA 100 Index, for the sale of the SPV holding Belgrade Plaza shopping and entertainment center.

The shopping center, which was over 97% pre-let, opened on 20th of April 2017 and the Company had remained responsible for the development and leasing of the asset until the opening.

Upon completion of the transaction, the Company has received an initial payment of EUR 31.2 million from the purchaser, further EUR 2 million has been received following the opening and further payments are contingent upon certain operational targets and milestones being met. The Purchaser has provided a guarantee to secure these future payments.

The final agreed value of Belgrade Plaza, which comprise circa 32,300 sqm of GLA, will be calculated based on a general cap rate of 8.25% as well as the sustainable NOI after 12 months of operation, which the Company estimates will be approximately EUR 7.2-7.5 million per annum.

Further installments will be due to the Company during the first year of operation based on this 12-month figure. The NOI will be re-examined again after 24 months and 36 months of operation, which may lead to an upward adjustment of the final purchase price.

The Company has received a further payment of EUR 13.35 million during September 2017 based on the SPA on account of the final proceed which will be calculated one year following the opening of the mall, subject to price adjustments in the next two years. As a result, the company recorded a debtor in amount of EUR 13.35 million.

The company recorded a gain from the sale in amount of circa EUR 3.3 million. Expected future purchase price adjustment are not included.

At least 75% of the net proceeds received from the disposal were distributed to the Company's bondholders in March 2017, and following the receipt of any future additional payments, in line with the Company's stated Amended Plan, 75% will be paid to the bondholders.

c) Sale of office building in Hungary:

On February 16, 2017, the Company signed an agreement for the sale of its SPV holding David House office building in Budapest to private investors for a gross amount of EUR 3.2 million and recorded a gain of circa EUR 0.56 million included in other income.

Out of the net proceeds, at least 75% were distributed to the Company's bondholders in March 2017, in line with the Company's stated Amended Plan.

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE 7:- MATERIAL EVENTS DURING THE REPORTING PERIOD (Cont.)**

- d) Sale of Shumen plaza project, Bulgaria:

On February 23, 2017, the Company announced that it had concluded the sale of a 26,057 sqm plot of land in Shumen, Bulgaria for circa EUR 1 million, which is slightly above book value and recorded a gain of 0.2 EUR million included in other income. Of the net proceeds, at least 75% were distributed to the Company's bondholders in March 2017, in line with the Company's stated Amended Plan.

- e) Standard & Poor's credit Rating update:

On February 28, 2017 Standard & Poor's Maalot ("S&P Maalot"), the Israeli credit rating agency which is a division of Standard & Poor's International, updated its credit rating for the Company's series of two debentures traded on the Tel Aviv Stock Exchange and reaffirmed "iCCC" with negative outlook and removed from the CreditWatch with negative implications due to completion of asset realization on the local Israeli scale. See also Note 8(e) in regards to credit rating downgrade.

- f) Preliminary Sale of Plot in Lodz, Poland:

On June 13, 2017, the Company announced that it has signed a preliminary sale agreement for the disposal of a 13,770 sqm plot at its second land holding in Lodz, Poland, (representing 22% of this holding) to a retail developer, for €1.2 million. As part of the agreement, the purchaser will pay advance payments totaling 10% of the sale price, comprising an immediate installment of EUR 0.035 million followed by an installment of EUR 0.085 million when the purchaser obtains zoning. The remaining balance will be paid once a building permit has been obtained for development of the land which is expected to be granted within 12-15 months from the signing of this preliminary sale agreement. In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds will be distributed to Plaza's bondholders.

- g) Final agreement for sale of Kielce Plaza, Poland:

On June 19, 2017, The Company announced that it has signed the final sale agreement for the disposal of its 2.47-hectare plot in the centre of Kielce, Poland, for EUR 2.28 million in line with its book value. The Company received a down payment of EUR 0.465 million when the preliminary sale agreement was signed at 2016.and, the remaining EUR 1.815 million has been paid to the company during June 2017. In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds will be distributed to Plaza's bondholders.

- h) Details on disposal of Torun Plaza:

On June 21, 2017, the company announced that its subsidiary, Plaza Centers Polish Operations B.V., has signed a non-binding Letter of Intent ("LOI") with an investment fund (the "Purchaser") regarding the sale of Torun Plaza shopping and entertainment centre in Poland. The LOI binds the Purchaser to a strict timeline for undertaking a comprehensive due diligence process which would result in the transaction being completed by the end of October 2017.

Should the transaction proceed towards a signed share purchase agreement, following the due diligence process, Plaza will receive circa EUR 70 million less the outstanding bank loan (net proceeds forecasted at EUR 27 million) followed by additional payments up to a maximum potential amount of EUR 4 million after an additional one year earn out period following the closing of the transaction.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE 8: - SUBSEQUENT EVENTS

a) Completed sale of Plot in Poland:

In July 2017, The Company has signed the final sale agreement for the disposal of a 1.8-hectare plot in the city of Leszno for EUR 0.81 million.

In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds from the disposal will be distributed to Plaza's bondholders.

b) Sale of plots in Timisoara and Constanta, Romania:

On 7 august, 2017 the Company has completed the disposal of a plot totaling approximately 32,000 sqm in Timisoara, Romania, for EUR 7.25 million, which is in line with its book value.

The Company also announced that it has completed the sale of a plot totaling approximately 30,000 sqm in Constanta, Romania, for EUR 1.3 million, which is in line with book value.

In line with the Company's stated amended restructuring plan, 75% of the net cash proceeds from both disposals will be distributed to Plaza's bondholders.

c) Update on disposal of land plot in Greece

On 29 September 2017 Plaza announced that regarding the disposal of a plot in Piraeus, Greece, an amendment to the agreement has been signed in which new long stop date of 29 September, 2017 has been agreed for the conclusion of the transaction.

A EUR 0.145 million increase in the price of the development plot has also been agreed, bringing the value of the asset to EUR 3.545 million.

In order to secure the prolonged validity of the initial agreement, the purchaser has paid a EUR 0.14 million non-refundable extension fee to Plaza and has an option to extend the long stop date to 20 October 2017 for an additional EUR 0.03 million. Following the recent receipt of an additional EUR 0.08 million extension fee, Plaza has now received a total of EUR 0.22 million from the purchaser in non-refundable advance payments in connection with this transaction.

A EUR 0.145 million increase in the price of the development plot has also been agreed, bringing the value of the asset to EUR 3.545 million.

In order to secure the prolonged validity of the initial agreement, the purchaser has paid a EUR 0.14 million non-refundable extension fee to Plaza and has an option to extend the long stop date to 20 October 2017 for an additional EUR 0.03 million. Following the recent receipt of an additional EUR 0.08 million extension fee, Plaza has now received a total of EUR 0.22 million from the purchaser in non-refundable advance payments in connection with this transaction.

d) Mandatory repayment to the Bondholders

On September 26, 2017 the company announced that, further to the resolutions of the Israeli series A bondholders and the series B bondholders (as published on the Magna on 26 September 2017) in connection with future bondholder repayments (i.e., repayments to series A bondholders, to series B bondholders and to the Polish bondholders), the Company intends to repay a total amount of circa €18,800,000 million, during October 2017, an amount which represents 75% of the funds Plaza has received in the last quarter from sale of real estate assets, as determined in the restructuring plan ("Mandatory Repayment Amount") to be allocated as follows:

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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### **NOTE 8: - SUBSEQUENT EVENTS (Cont.)**

- To the Polish bondholders: 8.33% of the Mandatory Repayment Amount – as per the ratio determined in the restructuring plan.
- To the Israeli series A bondholders: 21.23% of the Mandatory Repayment Amount - as per the ratio determined in the restructuring plan.
- To the Israeli series B bondholders: 31.16% of the Mandatory Repayment Amount - the proportional amount that corresponds to the ratio between the outstanding debts of the two Israeli series of bonds.

The Company intends to deposit the remainder of the funds with a third-party trustee for the benefit of both Israeli series of bonds and subsequently approach the competent court in Israel, as soon as possible, for the receipt of instructions with regard to the allocation of such remainder amount. The Company wishes that the Israeli bondholders will find an amicable solution for such payment and future payments as may come.

e) S&P updates credit rating for the company's Notes

On September 28 Standard & Poor's Maalot ("Maalot"), the Israeli credit rating agency which is a division of International Standard & Poor's, has reduced its credit rating of Plaza's two series of Notes traded on Tel Aviv Stock Exchange from "ilCCC" to "ilCC" with negative outlook on a local Israeli scale.

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## **RESPONSIBILITY STATEMENT**

Pursuant to section 5:25d, paragraph 2c, of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), the members of the Board of Directors (*bestuur*) of Plaza Centers N.V. state that to the best of their knowledge:

I. The Condensed Consolidated Interim Financial Statements give a true and fair view of the assets,, liabilities, financial position and profit or loss of Plaza Centers N.V. and the companies included in the consolidation;

II. The Interim Report for the six months period ending on 30 June 2017, gives a true and fair view of the information required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of Plaza Centers N.V. and the companies included in the consolidation.

29 September 2017

The Board of Directors

Nadav Livni, executive director

Ron Hadassi, non-executive director and Chairman

David Dekel, non-executive director