Results for the year ended 31 December 2017

29 March 2018

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Company Overview

Portfolio Summary by Country as of December 31, 2017

Total of nine assets in five countries

Company's Activities in 2017

Sale of assets

January 2017: Completed the of **Suwalki Plaza** shopping and entertainment center in Poland for EUR 16.7 million and recorded a gain of EUR 0.8 million. The received consideration is after the deduction of the bank loan (circa EUR 26.4 million).

January 2017: Completed the sale of **Belgrade Plaza** shopping and entertainment center. Upon completion of the transaction, the Company received an initial payment of EUR 31.7 million from the purchaser, further EUR 2 million has been received following the opening, further payment of EUR 13.35 million has been received during September 2017 and additional payments are contingent upon certain operational targets and milestones being met. The received consideration is after the deduction of the bank loan at the time (circa EUR 15.4 million).
The Company recorded a gain from the sale in amount of circa EUR 3.2 million. Expected future purchase price adjustments are not included.

February 2017: Completed the sale of a 26,057 sqm plot of land in **Shumen, Bulgaria** for circa EUR 1 million.

June 2017: 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 paid an immediate installment of EUR 0.035 million and the completion payment to make it totaling 10% of the sale price, comprising an immediate installment of EUR 0.035 million followed by an installment of EUR 0.085 million shall be paid when the purchaser obtains environmental permit. The remaining balance minus 50% of the sum invested in the road (up to maximum amount of EUR 0.12 million) will be paid once a building permit is obtained for development of the land which is expected to be granted till the end of 2018.

June 2017: Completed the sale of a 24,700 sqm plot in the centre of **Kielce, Poland**, for EUR 2.28 million.

July 2017: Completed the sale of a 18,000 sqm plot in the city of **Leszno, Poland,** for EUR 0.81 million.

August 2017: Completed the sale of a 32,000 sqm plot in **Timisoara, Romania**, for EUR 7.25 million.

Company's Activities in 2017

Sale of assets – Cont.

August 2017: Completed the sale of a 30,000 sqm plot in **Constanta, Romania**, for EUR 1.3 million.

September 2017: Following the sale of **"MUP"** plot in Belgrade, Serbia in 2016, the Company was entitled to an additional contingent consideration of EUR 0.6 million once the purchaser successfully develops at least 69,000 sqm above ground. The consideration was received in September 2017 and is recorded as revenue from disposal of trading properties.

October 2017: Concluded an agreement on the termination of land use rights over a circa 21,788 sqm land plot adjoining Arena Plaza in **Budapest, Hungary**, for a net sum of EUR 2.5 million.

November 2017: Completed the sale of **Torun Plaza** shopping and entertainment center in Poland for circa EUR 28.3 million. This net cash is after the deduction of the bank loan (circa EUR 43.3 million), and other working capital adjustments in accordance with the balance sheet of the SPV holding the Project. The above-mentioned sums do not include the earn-out payment in an amount of EUR 0.35 million, reduced by expected NAV adjustment in 2018 of circa EUR 0.2 million.

December 2017: Following the preliminary agreement regarding the disposal of a plot in **Piraeus, Greece,** several amendments were signed during 2016-2017 the latest amendment deadline had expired on January 20, 2018. The last selling price of the share of the SPV holding the plot was set at EUR 3.54 million. In order to secure the prolonged validity of the initial agreement, the purchaser has paid advance payments in a total amount of EUR 0.3 million non-refundable to Plaza. The completion of the transaction is expected to be concluded in 2018 as an asset deal (instead of the original agreement of share deal) with a lower price of EUR 3.35 million.

Company’s Activities in 2017

India

Bangalore:

New payment structure for sale of Project in Bangalore, India:

In June 2017, EPI signed a revised sale agreement with the former partner (the "Purchaser").

The Purchaser and EPI have agreed that the purchase price will be amended to INR 338 Crores (approximately Euro 44.2 million) instead of the INR 321 Crores (approximately Euro 42 million) agreed in the previous agreement. As part of the agreement, INR 110 Crores (approximately Euro 14.4 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 29.8 million) will be paid to EPI.

In January 2018, the Purchaser has notified EPI that due to a proposed zoning change (initiated by the Indian authorities) which could potentially impact the development of the land, all remaining payments under the Agreement will be stopped until a mutually acceptable solution is reached on this matter. EPI has rejected the Purchaser’s claims, having no relevance to the existing Agreement, and started to evaluate its legal options.

Since the signing of the revised agreement, the Purchaser has paid non-refundable advance payments totaling INR 45 Crores (circa € 5.9 million).

In March 2018, the Company signed an amended revised agreement as follows: The Purchaser and EPI have agreed that the total purchase price shall be increased to INR 350 Crores (approximately €45.8 million). Following the signing of the revised agreement and by the end of the current month, the Purchaser shall pay EPI additional INR 10 Crores (approximately €1.3 million) further to the INR 45 Crores (approximately €5.9 million) that were already paid during the recent year. Additional INR 83 Crores (approximately €10.8 million) will be paid by the Purchaser in unequal monthly installments until the Final Closing. The Final Closing will take place on 31 August 2019 when the final installment of INR 212 Crores (approximately €27.8 million) will be paid to EPI against the transfer of the outstanding share capital of the SPV.

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 agreements will remain in place until the Final Closing.

Company’s Activities in 2017

India

Bangalore – cont.:

Environmental update on Bangalore project - India:

On May 4, 2016, the National Green Tribunal ("NGT"), an Indian governmental tribunal established for dealing with cases relating to the environment, passed general directions with respect to areas that should be treated as "no construction zones" due to its proximity to water reservoirs and water drains ("Order"). The restrictions in respect of the "no construction zone" are applicable to all construction projects.

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

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

Company’s Activities in 2017

India

Chennai:

On July 21, 2016, Chennai Project SPV has 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.

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

The Chennai Project SPV will receive 73% of the total revenues from the plotted development and 40% of the total revenues from the sale of the fully constructed residential units. In order to secure its obligation, the Developer paid a refundable deposit of INR 10 Crores (approximately EUR 1.3 million) following the signing and registration of the JDA.

The JDA may be terminated in the event that the required governmental approvals for establishment of access road to the Property has not been achieved within 12 months period from the execution date of the JDA. The required approvals have not yet been obtained at the target date, but none of the parties has cancelled the agreement at this juncture. 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. The JDA may also be terminated by the Chennai Project SPV, inter alia, if the Developer has not obtained certain development milestone and/or breached the terms of the JDA . Due to this fact, the financial statements of the SPV include a provision in an amount of INR 30 Crores (EUR 3.9 million) for cost reimbursement, including INR 10 Crores (EUR 1.3 million) advanced payment received.

Financial Highlights

Summary

- Reduction in total asset value to €141 million (31 December 2016: €322 million) mainly due to the sale of Suwalki Plaza and Torun Plaza shopping centers in Poland, Belgrade Plaza shopping center in Serbia and sale of plots: Timisoara and Constanta in Romania, Shumen in Bulgaria and Leszno in Poland as well as David House office building in Hungary.

- Book value of the Company's trading properties decreased by 72% (€190 million) over the period, primarily due to the sale of Suwalki Plaza, Belgrade Plaza and Torun Plaza shopping centers and an impairment of circa €10 million of Casa Radio project in Romania.

- The Net Operating Income ("NOI") performance of the shopping centers decreased in 2017 to €5.7 million (2016: €10.7 million), mainly due to disposal of the Suwalki Plaza shopping center in January and Torun Plaza shopping center in November 2017.

Financial Highlights

Summary- cont.

- Loss in 2017 totalled €26.5 million (in 2016: loss of €46.5 million), mainly due to interest expense on bonds and foreign exchange rate losses on bonds as well as impairment of trading properties in an amount of €11.5 million. Basic and diluted loss per share decreased to €3.87 (2016: loss per share of €6.78).

- Consolidated cash position as at December 31, 2017 (including restricted bank deposits, short term deposits) of €44.8 million (31 December 2016: €12.8 million) and cash position as of March 29, 2017 of circa €5.2 million (following the payment of interest and special fee to bondholders at 31/3/2017).

- Gearing increased to 94% (31 December 2016: 89%) mainly due to non-cash finance costs mentioned above and material write-down of trading properties.

Financial Highlights

Results *(€ 000)*

	Year ended December 31	
	2017	**2016**
Revenues and gains		
Revenue from disposal of trading properties	192,958	29,395
Total Revenues	**192,958**	**26,908**
Gains and other		
Rental income	7,908	15,611
Share in results of equity accounted investees, net of tax	-	4,274
Other income	757	375
Total Gains	**8,665**	**20,260**
Total Reveues and Gains	**201,623**	**49,655**

Financial Highlights

Results (€ 000)- cont.

	Year ended December 31	
Expenses and Losses	**2017**	**2016**
Cost of trading properties disposed	(188,868)	(25,883)
Cost of operations	(2,231)	(4,886)
Share in results of equity accounted investees, net of tax	(7,177)	-
Write-down of Trading Properties	(11,487)	(40,810)
Administrative expenses	(6,146)	(6,506)
Other expenses	(657)	(1,922)
Finance income [1]	577	18,642
Finance costs [2]	(11,196)	(34,096)
Total Expenses and Losses	**(227,185)**	**(95,461)**
Loss before income tax	(25,562)	(45,806)
Income tax expense	(1,001)	(711)
Loss for the year	**(26,563)**	**(46,517)**

Financial Highlights

Notes to the results

(1) Finance income decreased to €0.6 million from €18.6 in 2016 - in 2016 a gain of €17.6 million was recorded due to the loans connected to a plot in Brasov, Romania and Zgorzelec Plaza, while in 2017 there were no such gains.

(2) Finance costs decreased from €34 million in 2016 to €11 million in 2017. The main components of the costs were:

- FOREX (NIS-EUR) – the effect on the debentures totaled €1.1 million of expense (2016 – €5.5 million).
- Interest expenses booked on bank loans and debentures totaled €10.7 million (2016 - €17.3 million expenses recorded).
- €0.7 million recorded as an income (non-cash), associated with amortization of discount on debentures (2016 - €13.7 million expense).
- In 2017 no financial costs were capitalized (in 2016 - €5.1 million).

Financial Highlights

Assets Book Value 31.12.2017

Project	Country	Type	Book Value December 31, 2017 (EUR M)
Casa Radio*	Romania	Plot	63.2
Ciuc	Romania	Plot	1.0
Brasov	Romania	Plot	1.1
Lodz	Poland	Plot	3.9
Lodz Residential	Poland	Plot	0.4
Helios	Greece	Plot	3.3
Krusevac	Serbia	Plot	0.6
Total Trading Property			**73.5**
Bangalore**	India	Plot	13.6
Channai**	India	Plot	8.8
			95.9

* 100% (due to material shareholder loans), net of PAB liability of EUR 12.8 million
** 50% (included in equity accounted investee)

Financial Highlights

Debt Structure of the Group

Debt Structure – December 31, 2017		€ million
Debt	Debentures (Adjusted Par Value)	123
	Total Debt	**123**
Resources	Liquid balances - Consolidated	45
	Total sources	**45**
	Net Financial Debt	**78**
	Shareholders' equity (Non-revalued)	8.3
	Net Debt / Net CAP(1)	90%
	Total Net Debt to Balance Sheet	55%

(1)Net CAP= Net Debt + Equity

Bonds as at December 31, 2017

	Original currency (M ILS/PLN)	fx rate	liability (M EUR)
Bond A	198.9	4.15	47.9
Bond B	291.3	4.15	70.1
Polish bond	21.7	4.25	5.1
Total			**123.1**

Debt

Outstanding balance as of March 29, 2017 (adjusted par value including interest)

Series A Bonds: € 32.8 million (NIS 141.9 million)

Series B Bonds: € 46.7 million (NIS 202.1 million)

Polish Notes: € 2.7 million (PLN 11.3 million)

Total outstanding debt to Bondholders: circa € 82.2 million

Projected Cash Flows

Projected Cash Flows (€ Millions)

		Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	*H2/2019*	*H1/2020*
Source	Cash - Opening Balance - HQ	**44.8**	**5.2**	**2.5**	**3.0**	**-4.6**	**-5.3**	**-38.3**	**-33.2**
	Proceeds from selling trading properties**	0.4	3.2	4.2	5.9	3.1	4.4	35.9	1.3
	Total Sources	**45.2**	**8.3**	**6.7**	**8.9**	**-1.6**	**-1.0**	**-2.4**	**-31.9**
Use	Debentures - principal	37.3	3.6	1.6	11.4	2.0	34.6	27.6	3.5
	Debentures - interest	1.7	1.4	1.3	1.3	1.1	2.2	1.0	0.1
	Compensation to Bondholders	0.2	-	-	-	-	-	1.5	1.5
	Operational expenses	0.8	0.8	0.8	0.8	0.7	0.6	0.7	0.6
	Total Uses	**40.0**	**5.8**	**3.7**	**13.5**	**3.8**	**37.3**	**30.8**	**5.7**
	Cash - Closing Balance	**5.2**	**2.5**	**3.0**	**-4.6**	**-5.3**	**-38.3**	**-33.2**	**-37.6**

Last expected principal repayment

(1) Casa Radio – please refer to Note 8(6) in the Company's 2017 consolidated financial statements regarding certain issues in respect of the project

(2) The board and management estimate that there are significant doubts regarding the Company's ability to serve its entire debt according to the current repayment schedule. Moreover, following the new payment structure agreed for the sale of the project in Bangalore, India (refer to slides 6-7) it is expected that the Company will not be able to meet its entire contractual obligations in the upcoming 12 months.

(3) In case of debt restructuring the company estimated an additional cost of circa EUR 1 million in 2018.

* Based on exchange rates: EUR-NIS:4.2; EUR-PLN:4.16

** Net amounts received by the company

Projected Cash Flows

Projected Cash Flows (€ Millions) – cont.

Proceeds from selling trading properties								
	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	H2/2019	H1/2020
Final signed agreement	0.4	3.2	0.6	1.5	0.9	2.2	0.0	1.3
Preliminary agreement	-	0.0	3.3	1.0	1.5	0.0	5.6	0.0
Not signed yet	-	0.0	0.3	3.4	0.7	2.2	30.3	0.0
Total	**0.4**	**3.2**	**4.2**	**5.9**	**3.1**	**4.4**	**35.9**	**1.3**

Final signed agreement	Torun Plaza*, Riga Plaza, Belgrade Plaza*, Bangalore **, Kochi
Preliminary agreement	Ciuc, Piraeus, Lodz Plaza (Partly)
Not signed yet	Casa Radio ***, Brasov, Lodz Residential, Lodz Plaza (Partly), Krusevac, Chennai

- Price adjustment in Torun Plaza (EUR 0.15M) and in Belgrade Plaza (EUR 1M) are expected in 2018; additional EUR 1.8M are estimated in Belgrade Plaza.

** Bangalore project

- Restated amended agreement signed for 350 crore (EUR 45.8 Million). Plaza Part 50% - 22.9 Million
- The Cash flows included only presents EUR 10.7 million as derived from the asset valuation (less advanced payment) Vs. EUR 20 million total expected by the signed agreement.

*** Casa Radio – EUR 25 million assumed in H2/2019. Additional EUR 25M proceed expected n a later stage (not included).

THE END